National Medium-Term Fiscal-Structural Plan of the Slovak Republic for the Years 2025-2028

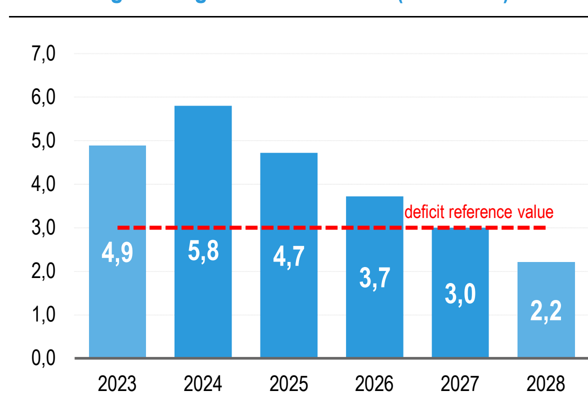
October 2024

SUMMARY

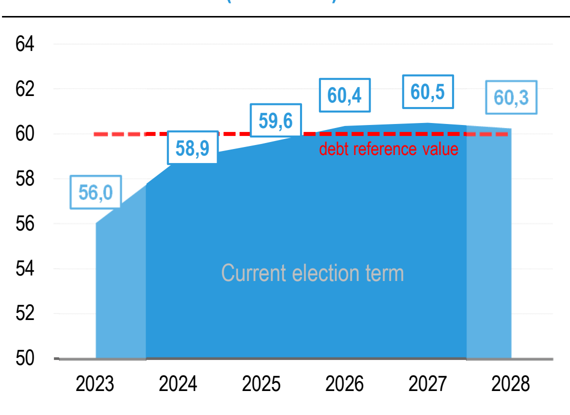
In the context of the recent reform of European fiscal rules, the government is presenting its National Medium-Term Fiscal-Structural Plan[1], which sets binding targets for the growth of net general government expenditure and outlines priority reforms and investments for the next four years. The new European rules aim to establish a consolidation pace for the coming years that will keep the debt and deficit below the thresholds of 60% and 3% of GDP, respectively, even a decade after the horizon of the medium-term plan. As a result, Slovakia, facing significant demographic pressures, needs to achieve a near-balanced budget position within a few years. This will create fiscal space to absorb the future costs of an aging population and prevent debt and deficit from exceeding the reference levels.

To simplify the European fiscal rules and strengthen their counter-cyclical nature, annual limits on the growth of net expenditure are being introduced as the single binding operational tool to achieve these objectives. The government sets a maximum growth rate of net expenditure in the medium-term plan until 2028, which should lead to a gradual decrease in the deficit by approximately 1% of GDP per year and stabilize the public debt. The government has decided to adopt a 4-year consolidation plan as part of its goal to stabilize debt by the end of the electoral term. By 2028, the medium-term plan aims for a total reduction of the deficit to 2% of GDP, at which point the debt-to-GDP ratio should start to decline year-on-year. The maximum growth of net expenditure by 2028 is set at 8.1%. In the coming years, specific measures to achieve these goals will be outlined in individual budget proposals.

Planned general government deficit (% of GDP)



Gross debt forecast (% of GDP)



Source: EC, MoF SR

The current medium-term plan already specifies approximately one-third of the necessary consolidation within its 4-year horizon. To fully implement the medium-term plan, consolidation measures amounting to 4.4% of GDP, or 7 billion euros, need to be adopted by 2028. So far, the government has adopted measures amounting to a net[2] 1.4% of GDP for the first year. These primarily include the reform of VAT rates, an increase in corporate tax for large enterprises, an increase in sectoral taxes in regulated sectors, and targeting social spending towards low-income residents. The larger volume of consolidation measures also covers some new expenditures, particularly in the social area, and allows for the creation of a reserve for unforeseen developments. The remaining consolidation measures for the plan horizon from 2026 to 2028 will be gradually specified in subsequent draft budget plans in the coming years, also in line with updates to the macroeconomic and budgetary outlook.

The current medium-term plan already specifies approximately one-third of the necessary consolidation within its 4-year horizon. To fully implement the medium-term plan, consolidation measures totaling 4.4% of GDP, or 7 billion euros, need to be adopted by 2028. The government has already adopted measures totaling 1.4% of

[1] In addition to the full title, abbreviated forms such as national medium-term fiscal-structural plan, medium-term plan or plan are also used in the document.
[2] Net fiscal consolidation effect after accounting for new spending policies and the established reserve to mitigate the adverse effects of budgetary developments. In 2028, the impact is estimated to be 1.6% of GDP.

GDP in the first year. These primarily include VAT rate reforms, increased corporate tax for large businesses, higher sectoral taxes in regulated industries, and targeting social spending towards low-income residents. The larger volume of consolidation measures also covers some new expenditures, particularly in the social area, and allows for the creation of a reserve for unforeseen developments. The remaining consolidation measures for the plan horizon of 2026 to 2028 will be gradually specified in subsequent budget plan proposals in the coming years, also in line with the updating of macroeconomic and budgetary developments.

The medium-term plan also presents planned and implemented reforms and investments across key structural areas that contribute to achieving the EU's common priorities and specific recommendations for Slovakia. Measures in the area of a just green transition focus primarily on diversifying energy sources, increasing energy security, and reducing dependence on fossil fuels. Other key initiatives include investments in renewable energy sources, modernizing low-emission rail infrastructure, and sustainable transport. Reforms also aim to improve access to education, support disadvantaged groups, and address energy poverty. As part of the transition to a digital society, measures are being adopted to support innovation, research and development, and improve digital infrastructure. Modernization of administration and public administration is also among the priority areas. A significant volume of defense investments will improve the readiness of the armed forces.

The Slovak Republic's National Medium-Term Fiscal- Structural Plan for 2025-2028 was also discussed at the Economic and Social Council and is based on the latest macroeconomic and tax forecasts approved by the independent fiscal institution[3]. The first National Medium-Term Fiscal-Structural Plan of the Slovak Republic for 2025-2028 is based on macroeconomic and tax forecasts from September and October 2024, which were approved by the Committees for Macroeconomic and Tax Forecasts. The members of both committees also include the independent fiscal institution, the Council for Fiscal Responsibility. The material was also discussed at the Economic and Social Council, which covers the Government of the Slovak Republic, the Confederation of Trade Unions (CTU), the Republic Union of Employers (RUE), the Employers' Associations Federation (EAF), and the Union of Towns and Municipalities of Slovakia (UTMS). After approval by the Government of the Slovak Republic, the National Medium-Term Fiscal-Structural Plan of the Slovak Republic for 2025-2028 will be discussed in the National Council of the Slovak Republic. The European Commission should provide an assessment of the medium-term budget plan of the Slovak Republic within 6 weeks of its adoption.

[3] The medium-term plan is based on the European Commission's macroeconomic and budgetary forecast from the beginning of summer. The following text should be considered only as an update of developments, which does not change the basic parameters of the medium-term plan, especially the growth of net expenditures based on the debt sustainability analysis (also based on the summer EC forecast).

CONTENT

Summary 2
1. Reform of the european fiscal framework 6
2. Macroeconomic environment 8
3. Government budgetary targets and the corresponding trajectory of net expenditure 11
4. Specification of measures to achieve the government's goals 14
5. Reforms and investments 17
Annexes 28

TABLE AND FIGURE LIST

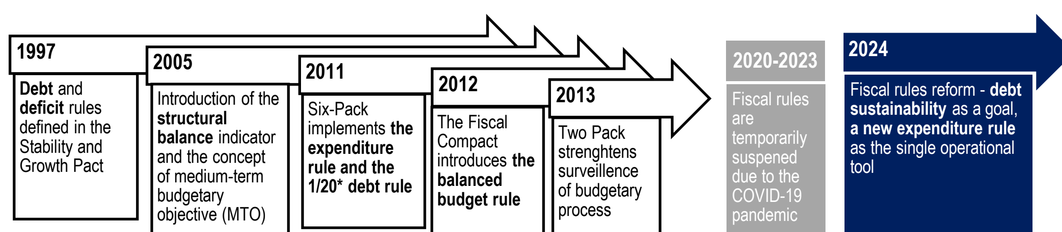
TABLE 1 – Long-term sustainability indicators S1 and S2 in 2024 and 2028 (% of GDP) ... 12
TABLE 2 – Planned consolidation effort (in terms of the EC methodology for determining the allowed growth of net expenditure) ... 13
TABLE 3 – Revenue and expenditure consolidation measures ... 15
TABLE 4 – Summary of reforms and investments in the MTP ... 21
TABLE 5 – Comparison of macro-indicators according to the MoF forecast and the EC assumptions used in the new fiscal rules ... 28
TABLE 6 – Contingent liabilities (% of GDP) ... 29
TABLE 7 – Implicit liabilities to 2067 (% of GDP) ... 29

FIGURE 1 – Level of real GDP in the Ministry of Finance SR forecasts (2019=100) ... 8
FIGURE 2 – Inflation Rate Development (%) ... 8
FIGURE 3 – Unemployment and vacancies (%) ... 9
FIGURE 4 – Output gap with and without consolidation (% of potential GDP) ... 9
FIGURE 5 – Convergence of the Slovak economy compared to benchmark countries (GDP per capita at current prices, % EU27) ... 10
FIGURE 6 – Average GDP growth vs. GDP per capita (in 1995 purchasing power parity) (% and index) ... 10
GRAF 7 – Odhadovaný vývoj deficitu verejnej správy po zohľadnení najnovších prognóz MF SR (% GDP) ... 11
GRAF 8 – Odhadovaný vývoj hrubého dlhu po zohľadnení najnovších prognóz MF SR (% GDP) ... 11
FIGURE 9 – Deficit path in the baseline consolidation scenario in the EC methodology (% of GDP) ... 12
FIGURE 10 – Evolution of gross debt in adverse scenarios in the EC methodology (% of GDP) ... 12
FIGURE 11 – Nationally-financed expenditure* on defense until 2027 (ESA 2010, % of GDP) ... 13
FIGURE 12 – Development of the deficit without government measures, with measures taken and after reaching the budgetary targets (% of GDP) ... 14
FIGURE 13 – Main factors explaining the increase of the deficit without government measures (% of GDP) ... 14
FIGURE 14 – Consolidation package measures (% of GDP) ... 15
FIGURE 15 – The government's new expenditure policies and the reserve (% of GDP) ... 15
FIGURE 16 – Annual growth rate of net expenditures compared to the planned trajectory and the current budgetary framework (%) ... 16
FIGURE 17 – The need for additional consolidation measures in % of GDP (difference between the current budget framework and the government's targets) ... 16
FIGURE 18 – Development of nationally-financed investments (% of GDP) ... 27

1. REFORM OF THE EUROPEAN FISCAL FRAMEWORK

The new reform of EU fiscal rules introduces the most fundamental changes since the introduction of the Stability and Growth Pact. The rules defined in the Stability and Growth Pact have undergone four major revisions in the past, gradually expanding the fiscal framework. The result was a complex system of rules and exceptions, difficult to understand for the general public. The assessment based on multiple indicators could have been fulfilled selectively. As a result, the framework did not lead to effective counter-cyclical policy[4]. In the spring of this year, EU member states adopted a reform of European fiscal rules. This addresses the previous shortcomings by narrowing the objectives to long-term debt sustainability and introducing an expenditure rule as the single operational tool, thereby strengthening the counter-cyclical nature of fiscal policy.

SCHEME 1 – Main changes in the development of EU fiscal rules



** Note: Countries with a debt-to-GDP ratio above 60% were obligated to reduce this ratio annually by an average of 1/20th of the deviation from the 60% benchmark.*
Source: MoF SR

The new fiscal rules aim to stabilize debt at 60% and keep the deficit below 3% of GDP[5] (i.e., reference limits) even over a ten-year horizon after the end of the medium-term plan. The goal of the rule's reform is the debt sustainability, ensuring that debt decreases towards 60% of GDP, or is stabilized below this threshold in the long term. However, the new rules also require a reduction in the deficit and keeping it below 3% of GDP in the long term. The reference limits for the deficit and debt should be met also without further measures even ten years after the end of the medium-term plan horizon[6]. This aspect of the new rules therefore requires greater consolidation to be implemented by the end of the medium-term plan horizon for countries that will face growing budgetary costs associated with an ageing population in the future, including Slovakia.

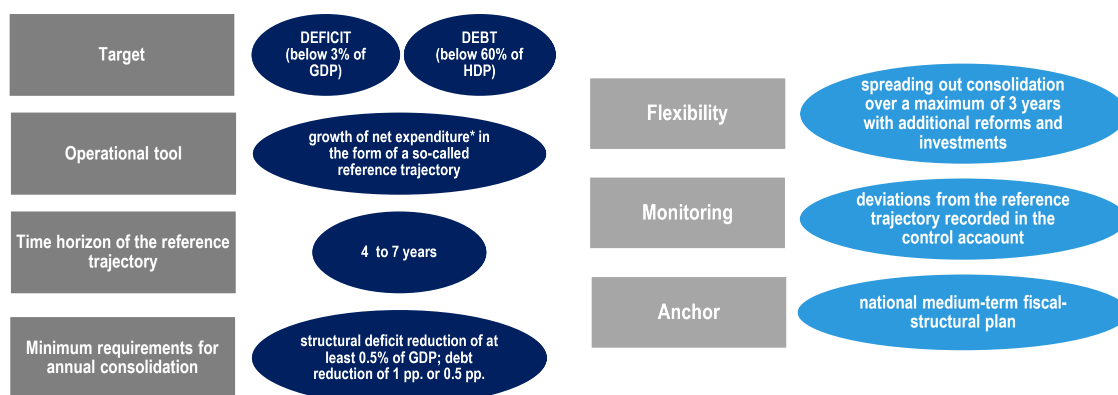
The reform of the rules places greater emphasis on supporting reforms and investments. Reform efforts are supported in the new rule framework primarily by the fact that countries can slightly extend the period over which they must achieve public finance consolidation (from 4 to 7 years). However, in such a case, they must commit in their medium-term plans to additional reforms and investments aimed at supporting economic growth and the sustainability of public finances[7]. Another necessary condition for the possibility of spreading consolidation over a longer period is keeping the level of national investments. At the end of the medium-term plan horizon, their level as a percentage of GDP must not be lower than the average since 2021.

In order to simplify the rules and strengthen their counter-cyclicality, a single binding operational tool is being introduced – the maximum growth of net expenditure[8]. Achieving the required levels of debt and deficit

[4] More on the complexity of the original framework of rules can be found in the commentary: The new EU rules also point to a greater need for austerity.
[5] The reform did not change the founding EU Treaties establishing the reference limits of a 3% GDP deficit and 60% GDP debt. Both parameters therefore remain central elements of the reformed EU rules framework.
[6] The four-year plan assumes four years of consolidation followed by a 10-year scenario without policy changes. The seven-year plan assumes consolidation over seven years and a 10-year scenario without policy changes. The deficit and debt criterion must also be met in the adverse scenarios of the debt sustainability analysis (DSA).
[7] When submitting a four-year plan, it is necessary to respond with binding reforms and investments to the Country Specific Recommendations of the European Commission and the Common Priorities of the EU in the structural part.
[8] Net expenditure corresponds to total general government expenditure adjusted for interest expenditure, cyclical unemployment expenditure, European structural funds and resources from the Recovery Plan, resources for co-financing EU projects, one-off measures in accordance with the EC methodology, and discretionary government revenue measures. It is the only binding fiscal indicator which will be subsequently monitored and evaluated.

under the new rules is to be ensured through a pre-planned and unchanging trajectory of growth in net expenditure[9]. The expenditure rule replaces the system of multiple indicators from the past and will also be the only monitored and enforced indicator under the supervision of the European Commission[10]. Moreover, expenditure development is directly under government control and, unlike the structural balance used in the past, does not depend significantly on the complexly estimated output gap subject to frequent revisions. In addition, the expenditure rule does not allow unexpected revenues to be spent, which strengthens the counter-cyclicality of fiscal policy. Compared to the original rules, the framework set up in this way should allow for more budget consolidation in good times, but also more support for the economy in bad times.

SCHEME 2 – Key components of the new framework



** Note: The growth of net expenditure represents the year-on-year change in government expenditure adjusted primarily for the EU funds, co-financing expenditure, interest expenditure and discretionary revenue measures.* *Source: MoF SR*

In order to strengthen the multi-annual orientation of the budget, a national medium-term fiscal-structural plan is being introduced, which, once approved, will be binding for the budgetary process over the entire horizon (4 to 7 years). The new rules also bring a significant change in the binding nature of setting targets. While until now, targets were set for 3 years in the Stability Programme, these targets were not binding. In practice, the government's targets were updated annually according to the current development of public finances. The national medium-term fiscal-structural plan, which replaces the Stability Programme, will be binding for budgetary process over its entire horizon. This can be 4 years, which is also the case for the currently submitted plan, or, in the case of a commitment to additional reforms, consolidation can be spread over up to 7 years. The government commits itself in advance to a specified fiscal trajectory and reforms, which will subsequently be evaluated in an annual progress report.

[9] The rule allows net expenditure to grow at the rate of nominal potential output minus the required change in the primary structural deficit.
[10] Deficit and debt levels are assessed in the initial process of determining the necessary consolidation size. During the medium-term plan cycle, their actual development does not affect the consolidation effort for the following budget period, and only the growth of net expenditures and its deviations are evaluated.

2. MACROECONOMIC ENVIRONMENT

Current macroeconomic outlook

Public finances supported the standard of living of the population during the pandemic and inflationary shock, but now consolidation is necessary. Adverse external shocks dampened the growth of the Slovak economy between 2020 and 2024 to an average of 1.5% per year. The labor market was particularly hit by the pandemic shock. This was followed by an inflation shock due to the Russian invasion of Ukraine. Both employment and real wages fell, and in an effort to stabilize household incomes, pressure on public finances increased significantly. These now need to be consolidated.

The economy has stabilized after a period of shocks, creating conditions for the effective consolidation of public finances. Even after taking consolidation into account, GDP growth will average almost 2% per year over the next four years. After the inflation shock subsided, real incomes and real household consumption began to recover in 2024. The labor market is expected to remain resilient, with the unemployment rate remaining at a historic low. From 2025 onwards, investments from the Recovery and Resilience Plan (RRP) will provide the biggest boost, replacing the exhausted EU funds. From 2026 onwards, the main driver of the economy will be foreign trade, due to the improved global economic situation.

Inflation has subsided, creating room for the recovery of real wages and household consumption. Price pressures have eased after two years of double-digit growth. Prices are expected to rise by an average of 2.8% in 2024. The easing of price shocks is creating room for a revival of domestic demand. Thanks to the renewed growth of real wages, household consumption is already recovering in early 2024. However, the one-time increase in prices will return in 2025, as energy prices will rise to market levels without government support. A one-time increase in prices in 2025 will also be contributed by the increase in VAT revenue. However, from 2026 onwards, inflation rates are expected to return to pre-pandemic levels.

FIGURE 1 – Level of real GDP in the Ministry of Finance SR forecasts (2019=100)

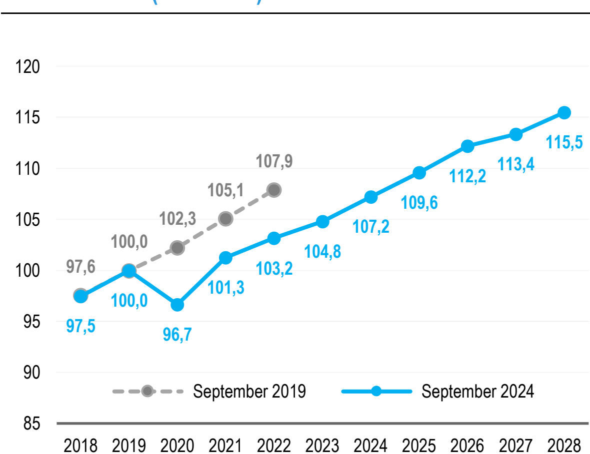
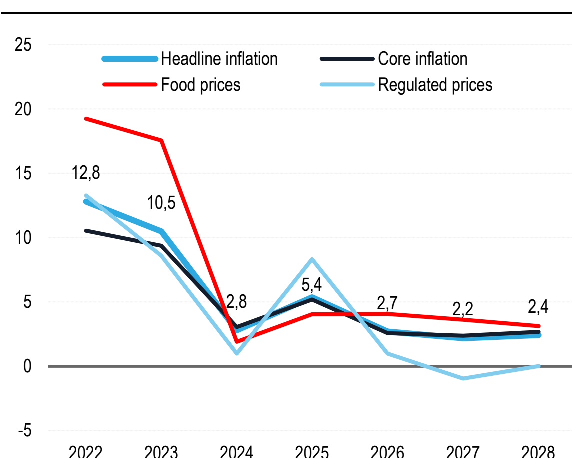


FIGURE 2 – Inflation Rate Development (%)



Source: MoF SR

The labor market is stable with unemployment at a historic low, but due to demographic changes, employment will decrease. After a temporary increase during the pandemic in 2024, the unemployment rate fell to a historic low, and the number of job vacancies is at high pre-2020 levels. However, employment is not growing, as it is constrained by a shortage of workers as well as a higher number of early retirements. Supported by the amount of work offered by foreign workers attracted by dynamically growing wages, employment will only return to growth from 2025 when the effect of increased early retirements wears off and the labor market is also supported by the drawing of resources from the Recovery and Resilience Plan. However, from 2027 onwards, there will be less work as the available labor force will decrease annually.

FIGURE 3 – Unemployment and vacancies (%)

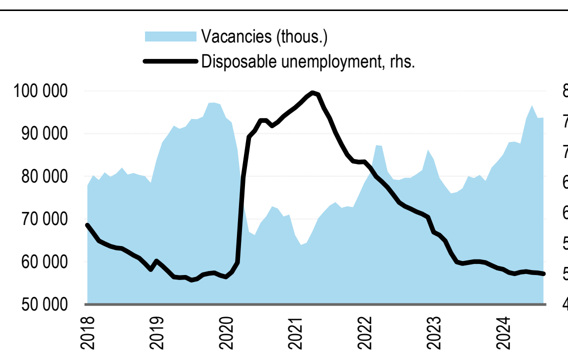
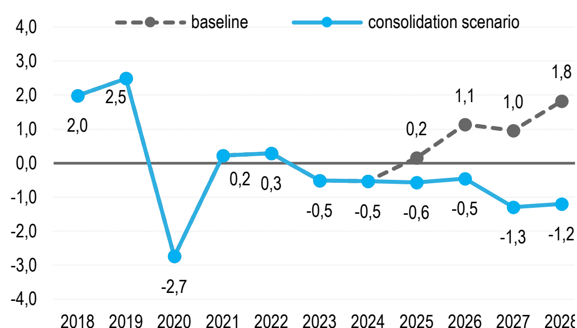


FIGURE 4 – Output gap with and without consolidation (% of potential GDP)



Source: SO SR, OoLSA&F, MoF SR

Given that economic activity is close to its potential, the consolidation of public finances will not be as painful for the economy. The economy is currently utilizing all available capacity, and demand for labor is high. As a result, the consolidation of public finances in the coming years will only cool the economy slightly. Without the consolidation of public finances, the economy would grow on average about 1 percentage point above its potential. These costs are lower compared to the consolidation after the global financial crisis in an environment of high unemployment and underutilized capacity.

In the current forecast, negative risks predominate, particularly lower drawdowns of European funds and a less favorable external environment. The forecast assumes a scenario of full drawdown of POO funds. In an alternative scenario with a lower drawdown of POO at the level of 80%, Slovak GDP would grow on average 0.4 percentage points slower in 2025 and 2026. Lower investments would reduce the capital stock and potential output. The negative impact on employment would be felt with a delay in 2027 with a decrease of 11,000 people less than in the forecast. In addition, foreign conflicts may complicate the outlook for foreign demand, especially by restricting international trade routes and increasing global commodity prices. The risk of increasing trade barriers between the EU and China may intensify after the US elections and threaten the recovery of global trade and Slovak exports.

Convergence of the Slovak economy towards the EU

The slowdown of convergence efforts after the 2009 crisis highlights the need for reform measures. Slovakia has been losing its convergence potential in recent years and still lags significantly behind the EU27 average. Slovakia's economic growth has historically exceeded the EU average, fulfilling the assumption of faster convergence towards Western countries. Although Slovakia's economic growth has on average exceeded the EU average, the results are not sufficient - the country has only managed to eliminate half of the gap compared to the EU27 performance. In recent years, unlike Slovakia, neighboring countries such as the Czech Republic, Poland, Hungary, and Romania have reduced their backlog. Despite the fact that the chosen four-year pace of consolidation does not require fundamental reforms according to the new rules, the medium-term plan outlines an ambitious reform and investment effort, resulting mainly from the context of the RRF, which will help boost the economy during the consolidation period.

FIGURE 5 – Convergence of the Slovak economy compared to benchmark countries (GDP per capita at current prices, % EU27)

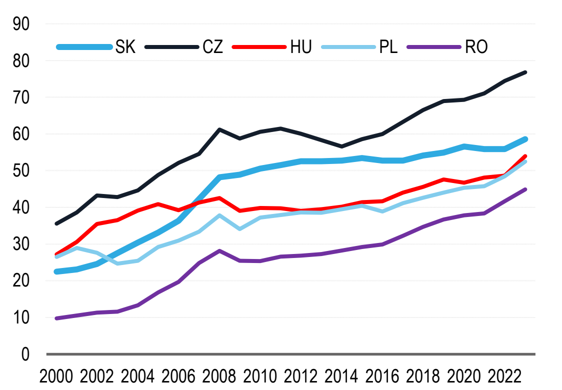
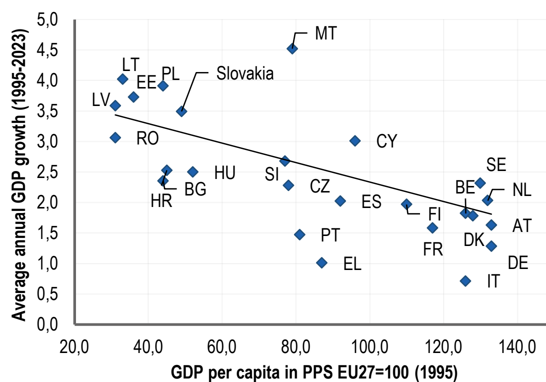


FIGURE 6 – Average GDP growth vs. GDP per capita (in 1995 purchasing power parity) (% and index)



Source: Eurostat, MoF SR

3. GOVERNMENT BUDGETARY TARGETS AND THE CORRESPONDING TRAJECTORY OF NET EXPENDITURE

Current budgetary outlook

In the medium-term plan, the government sets a binding trajectory for the growth of net expenditures over 4 years to reduce the deficit to 3% of GDP and stabilize public debt by the end of the electoral term. The new fiscal rules would allow Slovakia to spread the process of public finance consolidation over up to 7 years. However, this would lead to a further growth of debt in the coming years and the exit from the excessive deficit procedure would also be significantly delayed (see FIGURE 7 and 8). In order to fulfill the commitment to stabilize debt from the Government's Manifesto, the government has decided to prepare a 4-year recovery plan to reduce the deficit to 3% of GDP. According to the latest forecasts of the Ministry of Finance, this strategy will lead to a halt in debt growth as early as 2027. The reduction of the deficit to 3% of GDP by the end of the electoral term is a stricter target than the one mechanically follows from adhering to the binding trajectory of growth in net expenditure (cumulatively 8.1% by 2028). In this case, the deficit would fall to 3.6% of GDP in 2027. However, the government plans to achieve a stricter deficit target through additional efforts, primarily through improving the effectiveness of tax collection. The result should be the stabilization of gross debt at around 60% of GDP in 2027 and its decline in 2028.

FIGURE 7 – Estimated deficits after the latest forecasts of the Minitstry of Finance (% of GDP)

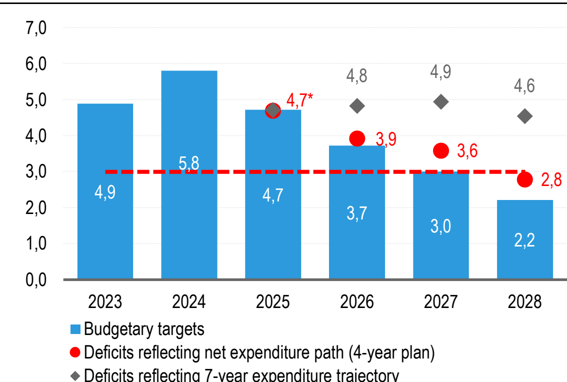
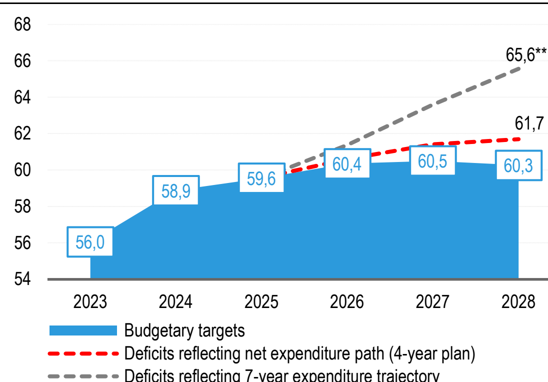


FIGURE 8 – Estimates of debt after the latest forecasts of the Minitstry of Finance (% of GDP)



*Note: * In the case of the 4-year plan, this is a trajectory that is not phased evenly from year to year (see Table 2 under Phasing of consolidation in the coming years). ** Gross debt would not stabilise even by the end of the 7-year consolidation plan (2031) and would reach 67% of GDP.*

Source: EC, MoF SR

Debt sustainability analysis (according to the EC methodology and forecast[11])

The proposed consolidation plan also fulfills the main long-term objective of the rules, which is to keep debt and deficit safely below 60% and 3% of GDP, respectively, even 10 years after the end of the plan horizon. The new rules aim to achieve the position by the end of the plan so that the improvement of public finances is sufficient even in the context of long-term forecasts. The ageing of the Slovak population, which is gradually becoming more pronounced, will increase future expenditure and slow down economic growth. For this reason, by the end of the medium-term consolidation plan, the deficit must already be significantly below 3% of GDP in order to create space to absorb the increase in the deficit and debt growth, even without further government intervention. The debt sustainability analysis also considers several risk scenarios, such as a more significant increase in the

[11] The EU methodology used in the debt sustainability analysis (DSA), which determines the maximum allowable growth of net expenditure, uses some simplifying assumptions that differ from the current projection of tax revenues (namely, unitary elasticity of income or a different development of interest costs). As a result, the development of debt and deficit presented in the following sections differs slightly from the expected development according to the Ministry of Finance of the Slovak Republic.

deficit or a worse macroeconomic environment. Based on this analysis, the maximum allowable growth of net expenditures is subsequently determined (more in Annex 3).

FIGURE 9 – Deficit path in the baseline consolidation scenario in the EC methodology (% of GDP)

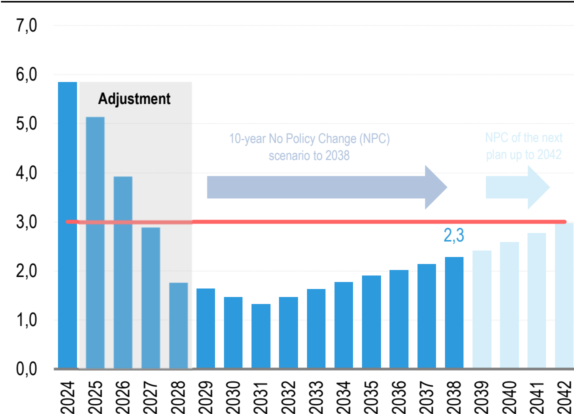
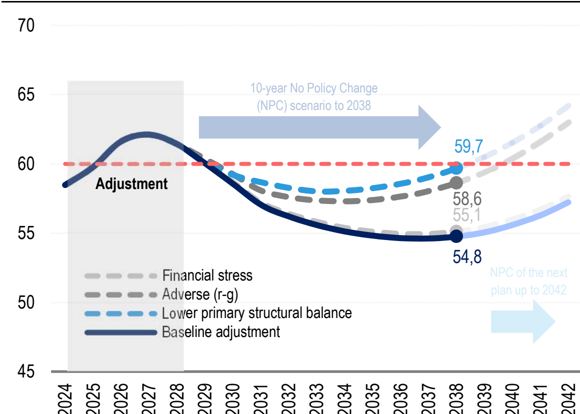


FIGURE 10 – Evolution of gross debt in adverse scenarios in the EC methodology (% of GDP)



Note: Debt sustainability analysis is based on macro-fiscal assumptions and the EC methodology. The financial stress scenario assumes a one-off increase in market interest rates by 1 pp. in 2029. The adverse (r-g) scenario assumes a permanent increase in interest rates by 0.5 pp. and a reduction in real GDP growth by 0.5 pp. in 2029. The lower primary structural balance (SPB) scenario assumes a permanent reduction in the SPB surplus by 0.5 pp.

Source: EC, MoF SR

Given the ageing of population, which will become particularly pronounced after 2040, subsequent governments will have to continue to consolidate public finances. The need for further consolidation even beyond the horizon of the medium-term budgetary plan is indicated by the projected development of debt, which, without government intervention, would rise above 60% of GDP after 2038 (**FIGURE 10**). The costs of an ageing of population will increase by 0.5% of GDP by 2042, and according to the rules, these will need to be compensated in advance in the following medium-term plan (2029-2032). The need for further deficit reduction is also confirmed by indicators of long-term sustainability and the size of implicit liabilities. If the consolidation targets are met, public finances will still not reach a low risk of long-term sustainability[12].

TABLE 1 – Long-term sustainability indicators S1 and S2[13] in 2024 and 2028 (% of GDP)

	2024	2028 scenario after the goals are met
S1 Indicator	**7,4**	**3,0**
of which:		
Initial budgetary position - deficit and debt	3,7	0,2
Costs of Ageing	3,7	2,9
S2 Indicator	**8,7**	**4,1**
of which:		
Initial budgetary position - deficit and debt	3,9	0,3
Costs of Ageing	4,8	3,8

Source: MoF SR

Phasing of consolidation in the coming years (according to the EC methodology and forecast)

The Slovak Republic government plans its most significant consolidation effort for 2026, as the following year is still influenced by a high increase in defense spending. The new budgetary rules, in principle, require

[12] A precise categorization of risks is available in Table 1, Box I.3.1 of the latest edition of the Debt Sustainability Monitor.

[13] The calculations of indicators S1 and S2 of the MoF differ from those of the European Commission due to different methodological procedures. For more information on methodological differences, consult Box 6 of the Stability Programme 2023 and for the Commission's methodological procedures, the latest edition of the Debt Sustainability Monitor.

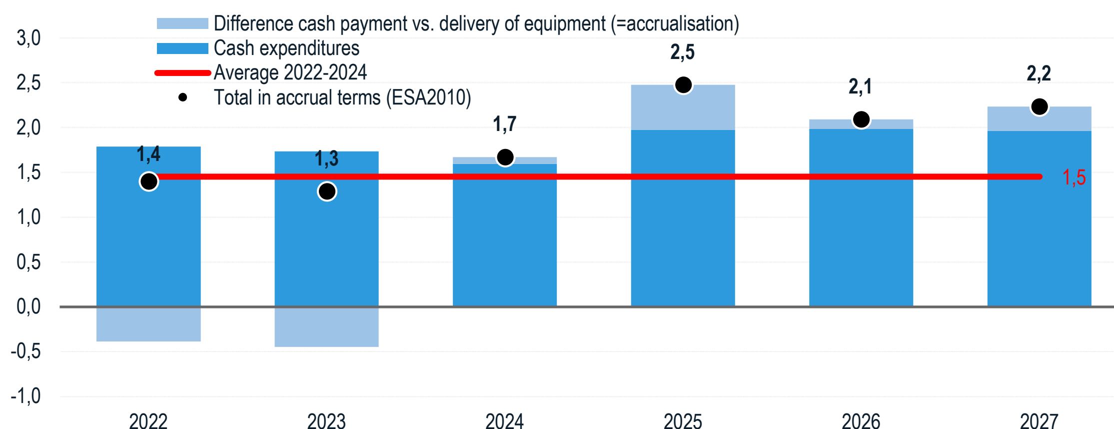
a uniform reduction of the structural deficit each year, however, in justified cases, it is possible to deviate from this rule. This is especially the case if the budget expects an unusual development of certain items in some years. In the case of Slovakia, the growth of defense expenditures concentrated in 2025 is particularly qualified as such. Defense spending in 2025 is growing primarily due to an exceptionally large volume of defense equipment deliveries (0.4% of GDP). For this reason, a larger reduction in the primary structural deficit (and a slower growth of net expenditure) is planned for 2026, when the increase in defense spending will no longer be present (**TABLE 2 and FIGURE 11**).

TABLE 2 – Planned consolidation effort (in terms of the EC methodology for determining the allowed growth of net expenditure)

		2025	2026	2027	2028	Cumulative 2025-2028
Linear consolidation	*Change in the primary structural balance (% of GDP)*	*1,3*	*1,3*	*1,3*	*1,3*	*5,2*
	Net expenditure growth (reference trajectory)	*2,8 %*	*2,0 %*	*1,6 %*	*1,5 %*	*8,1 %*
Chosen consolidation	*Change in the primary structural balance (% of GDP)*	*0,8*	*1,8*	*1,3*	*1,3*	*5,2*
	Net expenditure growth (fiscal trajectory)	***3,8 %***	***0,9 %***	***1,6 %***	***1,5 %***	***8,1 %***

Source: EC, MoF SR

FIGURE 11 – Nationally-financed expenditure* on defense until 2027 (ESA 2010, % of GDP)



Source: MoF SR

** Accrualisation reflects the difference between accrual (in ESA 2010 methodology) and cash expenditures on military equipment (a more detailed breakdown between capital and current expenditures is not disclosed due to the sensitivity of the information, but materially the difference from accrual relates to capital expenditures). With this simplification, capital expenditure in the defence sector grows by 1.035 billion euros between 2024 and 2025, and thus approximately explains the entire increase in defence spending.*

4. SPECIFICATION OF MEASURES TO ACHIEVE THE GOVERNMENT'S GOALS

The current medium-term plan specifies approximately one-third of the necessary consolidation within its 4-year horizon. In a scenario without further measures, the deficit would gradually increase above 6% of GDP over the medium term (**FIGURE 12**). This is mainly due to the expected gradual slowdown in revenue growth compared to GDP growth, which does not apply to expenditure growth[14]. Expenditure growth is also fueled by previously adopted policies such as the education law and increased spending on research and development. In addition, growing interest payments on debt, resulting from the need to finance high deficits at present and the need to refinance older bonds with higher interest rates, have a negative impact in the medium term (**FIGURE 13**). And last but not least, the volume of necessary consolidation measures is also increasing due to the planned increase in defense spending (**FIGURE 11** in the previous chapter). These factors are, however, largely offset by the phasing out of measures related to high energy prices. To achieve the planned reduction in the deficit to 2.2% of GDP by 2028, a total volume of consolidation measures of up to 4.4% of GDP is therefore necessary. The government has already presented measures with an impact on 2028 in the amount of 1.6% of GDP. That is, approximately one-third of the total volume of the overall consolidation need.

FIGURE 12 – Development of the deficit without government measures, with measures taken and after reaching the budgetary targets (% of GDP)

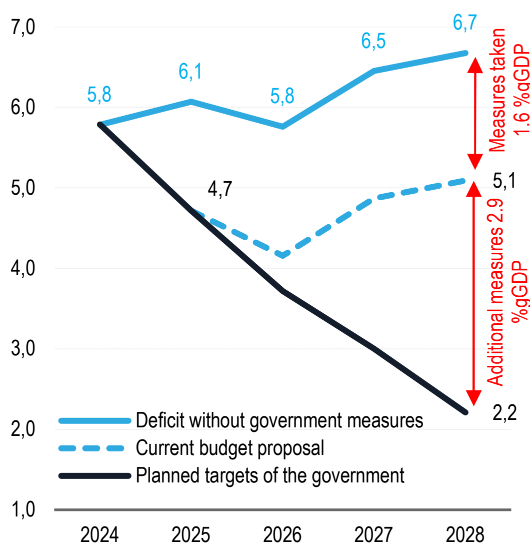
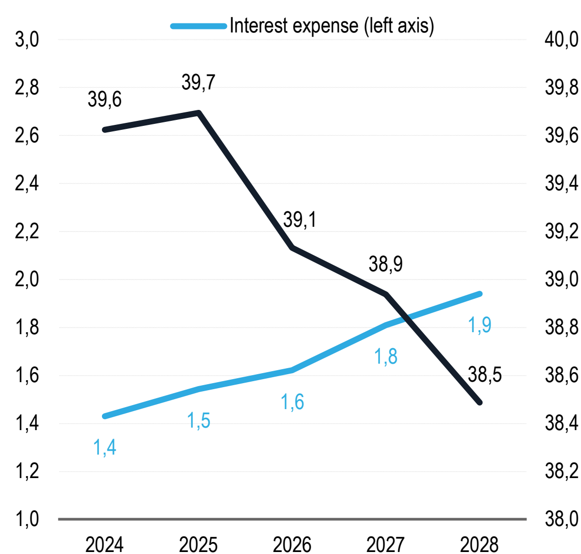


FIGURE 13 – Main factors explaining the increase of the deficit without government measures (% of GDP)



Note: The budget deficit without government measures is based on the current budget outlook (FR RVS) adjusted for consolidation measures and new expansionary government measures adopted since the Stability Programme of April 2024. From 2028 onwards, the costs of aging from the Ageing Report (AWG 2024) are added to the deficit. *Source: AWG, MoF SR*

To achieve the targeted growth of net expenditure, the government has already adopted a consolidation package amounting to 2.0% of GDP for 2025[15]. The government has implemented consolidation measures on both the revenue and expenditure sides. General government revenue will increase by 1.4% of GDP. The largest measures include VAT reform[16], the introduction of a financial transaction tax for entrepreneurs and the self-

[14] This is primarily due to the fact that a portion of taxes, mainly consumption taxes, are not regularly indexed, and their share of GDP thus automatically decreases.
[15] The consolidation measures were approved by the National Council of the Slovak Republic on October 3, 2024. The table shows the net impact of the measures, with the impact in 2025 being lower because some measures only apply to part of 2025 (financial transaction tax, changes in tolls). The list of measures also includes compensating measures (in VAT, or to support businesses).
[16] The standard VAT rate is increasing from 20% to 23%, and reduced rates are being introduced for selected goods and services. A 19% rate will apply to food (except for certain basic foodstuffs at a rate of 5%), electricity supply, services related to serving drinks in restaurants and catering establishments, excluding the serving of alcoholic beverages, and a 5% rate will apply to medicines, a selected range of medical devices, a selected range of basic foodstuffs,

employed, and the introduction or increase of sectoral taxes. The government is also increasing excise duties through a new tax on sugary drinks and taxation of electronic cigarettes. The tax burden on companies with a turnover of over 5 million euros, tolls and road tolls, as well as social security contributions for high-income earners will increase. Expenditure-side consolidation measures represent 0.6% of GDP. The largest savings come from targeting part of social transfers by replacing parental pensions with the possibility of assigning part of income tax to parents and reducing the tax bonus with increasing income. Expenditure growth will also be slowed down by measures on the wage bill, as the wage bill of selected public employees and employees in the public interest is to be reduced by a tenth and the wages of most healthcare professionals will grow more slowly than their salary scale. The impact of the measures on the budget is gradually increasing, with the impact of the consolidation package amounting to 2.3% of GDP in 2028.

The government has also adopted new expenditure policies with an impact of 0.3% of GDP[17], and the budget also includes a reserve for unexpected developments of 0.3% of GDP. New policies include, for example, increased spending on caregiving, higher spending associated with the transfer of financing for kindergartens in the form of a standard from the state budget, and compensatory contributions for members of the armed forces. The reserve will be used to cover necessary or unforeseen expenditures implied by negative developments in the general government budget caused primarily by macroeconomic impacts and measures related to the implementation of a new financial instrument for managing public expenditure - the public expenditure limit.

FIGURE 14 – Consolidation package measures (% of GDP)

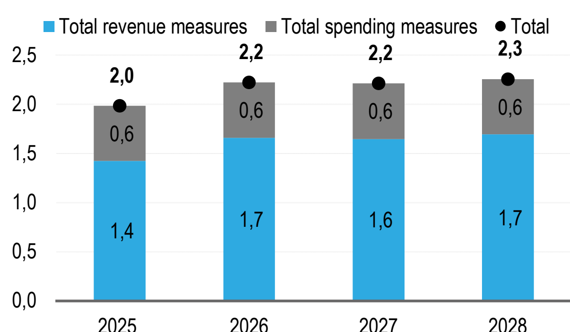
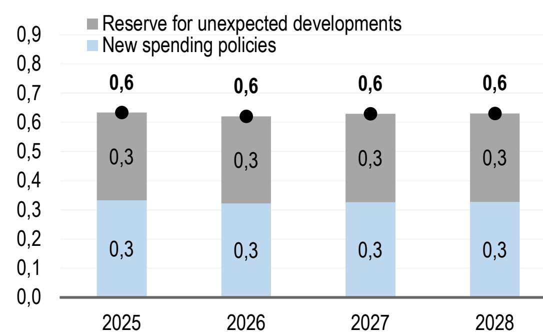


FIGURE 15 – The government's new expenditure policies and the reserve (% of GDP)



Note: The measures illustrated in the left-hand graph have a positive impact on the economy, while the measures in the right-hand graph have a negative impact on the economy.

Source: EC, MoF SR

TABLE 3 – Revenue and expenditure consolidation measures

	2025	2026	2027	2028
Total revenue measures	**1 904**	**2 445**	**2 505**	**2 688**
Change in VAT rates (basic 23% and two reduced rates - 19% and 5%)	756	793	760	774
Tax on financial transactions and shifting the threshold for a lower corporate income tax rate	468	674	706	743
Special levy for regulated industries	34	32	33	50
Higher corporate income tax and lower tax on dividends	483	494	495	487
Increase in consumption taxes (sweetened beverages, tobacco)	86	230	284	407
Adjustment of the prices of tolls and motor vehicle taxes	78	130	130	128
Increasing the ceilings for the payment of social contributions	88	92	96	100
Total spending measures	**789**	**833**	**865**	**894**
Partial targeting of social transfers	-521	-476	-494	-510

educational publications, books, newspapers, printed matter, musical instruments, admission to sports facilities and fitness centers, services related to serving meals in restaurants and catering establishments, goods and services provided by social enterprises and for accommodation services.

[17] More details are provided in the Draft Budget Plan.

Slower growth of expenses on the wage bill	-268	-357	-371	-384

Source: MoF SR

In the coming years, the government will introduce additional consolidation measures to ensure the planned development of the set nominal deficits by 2028. Without adopting additional measures, the growth of net expenditures would significantly exceed the set trajectory. To achieve the set growth of net expenditures, it will be necessary to adopt additional measures amounting to 2.3% of GDP. Therefore, the government will gradually introduce further measures in this amount in the coming years. However, to achieve the set decline in the nominal deficit, according to current forecasts, additional measures of 0.6% of GDP will still be needed. The government intends to secure these through better tax collection, which will also be supported by specific measures in the upcoming action plan to combat tax evasion.

FIGURE 16 – Annual growth rate of net expenditures compared to the planned trajectory and the current budgetary framework (%)

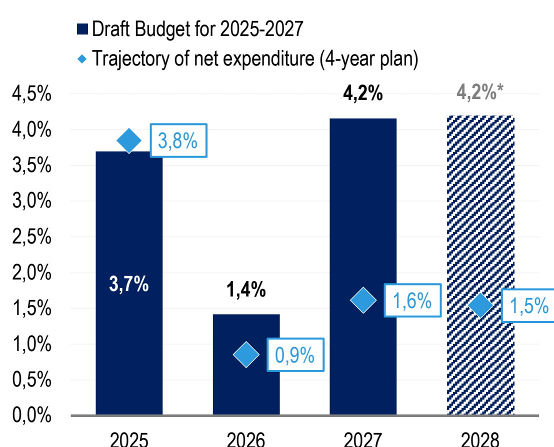
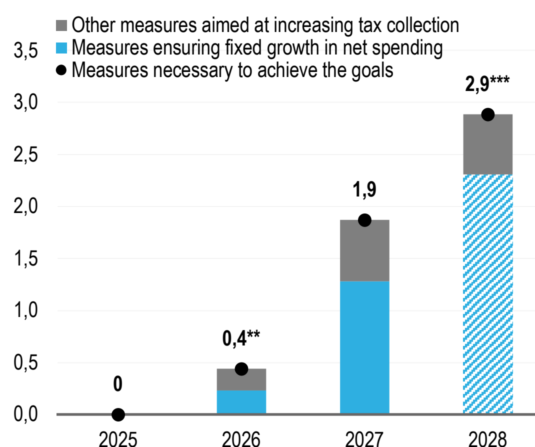


FIGURE 17 – The need for additional consolidation measures in % of GDP (difference between the current budget framework and the government's targets)



*Note: *Budget expenditure growth in 2028 is expertly extrapolated due to the fact that the budget framework is only being developed for the years 2025 to 2027.*
*** The needed measures correspond to the difference between the targeted deficit level and the current draft budget. For 2026, the need for consolidation measures is relatively low, mainly due to the fall in defence expenditure as well as the additional impact of the consolidation package presented for 2026 (e.g. the financial transaction tax will take into effect in full scale for the first time in 2026, as it takes effect from 1 April 2025).*
**** For 2028, the required measures are based on a comparison of the 2028 deficit target and the estimate for 2028 - based on the budget deficit in 2027 plus the expected increase in the costs of ageing population from the Ageing report (AWG 2024).*
Source: MoF SR

5. REFORMS AND INVESTMENTS

Alongside the intensive consolidation efforts presented in the medium-term plan, the Slovak government remains committed to continuing policies in key structural areas, including supporting social and economic resilience and moving towards a just green and digital society. A significant part of Slovakia's reform effort is concentrated in the ambitious Slovak Recovery and Resilience Plan, which addresses a substantial part of the key structural areas contained in the specific recommendations of the EU Council for Slovakia and in the EU's common priorities. In several cases, the knowledge and experience gained from implementing reforms have been used to continue previous reform efforts and extend reforms beyond the commitments set out in the Recovery and Resilience Plan.

Beyond the RRP, new measures are also being considered and implemented over the medium-term plan horizon, particularly in the areas of education, science and research, strengthening security and digitization. Further measures relate to streamlining tax collection administration and public finance consolidation, while also addressing macroeconomic imbalances in the Slovak economy.

Public finances

With the new measures adopted this year, the Slovak Government is fulfilling its commitment to return to sound public finances and address structural challenges and macroeconomic imbalances in the Slovak economy. The consolidation effort also includes limiting blanket and untargeted spending in line with recommendations made under the Macroeconomic Imbalance Procedure (MIP). Expenditure reductions will come mainly through better targeting of the child tax credit, reducing spending on parental pensions, and slowing the growth of wage costs for selected government employees.

The Slovak government is following the objective of the pension reform adopted in 2022 as part of the RRP by reducing expenditure on parental pensions, which will be replaced by the possibility of allocating paid taxes to parents. The reform aimed to reduce the growth of expenditure sensitive to aging in the longer term, but it also included elements that, on the contrary, created pressure on public finances in the medium term. As early as 2024, the conditions for the newly introduced possibility of early retirement were tightened, which were thus unified with the conditions for the possibility of early retirement two years before reaching retirement age. By reducing spending on parental pensions, expenditure sensitive to aging will be reduced and the long-term sustainability of the pension system will be improved.

In order to reduce spending on untargeted benefits, the setting of the child tax credit has also been adjusted. The measure raises the limits that restricted the amount of the full entitlement to the child tax credit for people with lower incomes, which will increase the disposable income of this group of the population. On the other hand, the amount of the child tax credit for higher-income groups will now decrease depending on the amount of tax liability, and the entitlement to the child tax credit will cease for people with a salary higher than approximately 2.24 times the estimated gross average wage for 2025[18]. The measure will also abolish the entitlement to the child tax credit for children aged 18 and over.

The Slovak Government recognizes the long-standing recommendation to change the structure of the tax burden (i.e., the tax mix) by shifting part of the tax burden from labour to consumption and property taxes. In the current situation, which required significant consolidation efforts, the scope for a fiscally neutral change in the tax burden was significantly limited. Nevertheless, in the measures to consolidate public finances, the Slovak Government avoided a significant increase in the tax burden on labour, especially low-income households, on which, on the contrary, it aimed to increase the targeting of the tax bonus. The limitation and loss of entitlement to the tax bonus for higher-income earners and the increase in ceilings for social security contributions will increase

[18] Per child under 15 years of age.

the progressivity of income taxation. In contrast, a significant part of additional revenues from consolidation can be attributed to measures that burden consumption, or consumption associated with externalities such as increasing the excise duty on tobacco products, taxing sugary drinks or taxing motor vehicles and transport, where the emphasis on the CO_2 emissions fee in the calculation of the total toll has increased. In the further period of the medium-term plan, the government also plans a more significant shift towards property taxation within the framework of consolidation, where it will consider, among other things, the introduction of a transaction tax and environmental taxes, where it will consider adjustments to the registration fee for motor vehicles, which should take into account the amount of emissions produced.

Green transformation, energy security, and sustainable transport

Slovakia is committed to achieving the goals of a just green transition through key reforms and investments aimed at diversifying energy sources and enhancing energy security. A key component of this effort is the ongoing implementation of large-scale investments in renewable energy sources, as part of the Recovery and Resilience Plan (RRP), including REPowerEU. As part of a broader set of measures, it is planned to increase electricity generation capacity through new renewable energy facilities. At the same time, the modernization of distribution systems is planned, which is crucial for addressing network constraints and optimizing technical options for integrating renewable energy. These modernizations are in line with recommendations to reduce the country's dependence on fossil fuels and strengthen resilience to geopolitical energy challenges. Investments from the RRP also support research and innovation projects aimed at addressing the challenges associated with the green transition and decarbonization.

The green transition will also be supported by the implementation of reforms and investments in sustainable transport and the circular economy. Efforts to modernize environmentally friendly railway infrastructure with a focus on low-emission transport systems are also key to reducing greenhouse gas emissions and promoting sustainable mobility. The modernization of the railway network responds to relevant recommendations by promoting energy-efficient transport options, reducing dependence on fossil fuels, and strengthening the sustainability of transport infrastructure. The Slovak Waste Act promotes the circular economy by mandating the recycling and reuse of at least 70 % of construction and demolition waste that is not classified as hazardous. This legislative reform introduces higher landfill fees and promotes green public procurement, thereby contributing to sustainable resource management.

Slovak environmental reforms focus on biodiversity conservation and improving resilience to climate change. The application of legislative changes in the areas of nature conservation and water management is in line with the latest recommendations by introducing a new system of zoning national parks, which will take into account the interests of affected entities and communities in its implementation, and the revitalization of watercourses to mitigate flood risks. These efforts increase the carbon sequestration capacity while supporting ecosystem protection through sustainable natural resource management.

Social resilience and education

To enhance social and economic resilience, a comprehensive package of reforms and investments has been introduced, aligned with the principles of the European Pillar of Social Rights. Significant progress has been made in strengthening early childhood education and care. The adoption of legislation on pre-school education and the support for the development of capacities in kindergartens aims to increase the number of children in pre-primary education, thereby improving their learning outcomes, fostering social cohesion, and reducing inequalities. The purpose of this effort is to improve access to affordable and quality education, especially for disadvantaged communities, and to support cognitive and social development from an early age. Investments in educational infrastructure and curriculum reform are key to laying the foundation for the development of skills that are essential for building a competitive workforce in the digital age. These measures correspond to several recommendations for Slovakia, particularly those focused on improving the quality and inclusivity of education,

increasing access to early childhood education, and ensuring equal opportunities for all learners. In the long term, these improvements in education will support productivity growth by preparing a workforce with the necessary skills to adapt to future economic challenges and technological advancements.

Initiatives to renovate homes of households at risk of energy poverty contribute both to social resilience and the ecological transition. In line with recommendations issued between 2019 and 2023, the measure focuses on improving energy efficiency and reducing dependence on fossil fuels. This effort supports clean energy technologies, such as biomass boilers, and accelerates deep renovation in low-income households, thereby reducing energy consumption and mitigating energy poverty. By integrating energy efficiency with social protection, renovations will ensure that vulnerable groups have access to affordable, energy-efficient housing, thereby supporting Slovakia's transition to renewable energy sources. This approach is in line with environmental standards such as the "do no significant harm" principle, ensuring that social and environmental objectives are pursued together for a more inclusive and just ecological transition.

Specific measures are being implemented to eliminate segregation and promote inclusive education. As part of the upcoming school legislation, a proposal for a broader set of reforms is being prepared, including a ban on double shifts in primary schools, better legal support for education of linguistic minorities, and access for students with disabilities to lower secondary vocational education. In addition, an early warning system will be introduced to prevent early school leaving by identifying at-risk students and providing them with targeted support. Inclusion will help improve the already established definition of special educational needs, the introduction of support measures including methodological materials for teachers, and tailored support for disadvantaged children and students, as well as children and students with a different mother tongue. These measures are in line with recommendations to improve the quality and inclusivity of education, ensure equal access, and support the inclusion of disadvantaged groups, individuals, and marginalized communities.

Government policy will focus on improving the housing supply, with a particular emphasis on affordable rental housing. The amended building law, which is expected to enter into force in April 2025, aims to modernize building regulations in Slovakia. In combination with the already approved spatial planning law, this legislative change is expected to shorten the duration of building procedures and reduce administrative burdens, which are the main obstacles limiting the housing supply. Key measures to achieve these goals will include merging the processes of spatial planning and building permits, digitizing procedures, and strengthening property rights. In line with the latest recommendations within the MIP, the implementation of the law on state support for rental housing is expected to increase the affordability of rental housing financed by private investors. Investment contracts for state-supported rental housing should enter into force by mid-2025. The existing agency will be strengthened to effectively manage the issuance of housing projects and oversee their implementation.

Quality of public institutions and services

A key step in improving research and innovation in Slovakia is the reform of the management, evaluation, and support of science, research, and innovation. The aim of the reform is, in line with recommendations, to strengthen the research and innovation environment through the consolidation of funding agencies and the introduction of a unified evaluation system. More efficient allocation of resources and accelerated investment processes will be achieved by improving public procurement procedures, which will strengthen the competitiveness and innovation of small and medium-sized enterprises. Overall, the reform contributes to strengthening Slovakia's resilience, improving the innovation ecosystem, increasing the efficiency of public administration, and supporting economic competitiveness. Beyond the Recovery and Resilience Plan (RRP), the new law on research, development, and innovation will further expand the reform, strengthening the legal framework for the further development of research and innovation capacities in the country and contributing to the fulfilment of long-term goals in this area.

The reform of the central hospital management system aims to increase operational efficiency and strengthen financial oversight in the healthcare sector. The integration of 19 hospitals into a centralized system will contribute to better financial control, strict adherence to regulations, and effective human resources management. The initiative aims to eliminate operational inefficiencies while strengthening transparency and accountability in line with EU recommendations. The reform also includes a decree on the categorization of institutional healthcare, which introduces maximum waiting times and a new system for categorizing hospitals and healthcare providers, concentrating specialized procedures in facilities with the highest level of equipment.

The introduction of a new court system aims to improve the efficiency and independence of the country's judiciary. For this purpose, the court system has been reorganized with a focus on greater specialization of judges in criminal, civil, commercial, and family law, thus paving the way for better and faster judicial decisions. The reform should increase the credibility, performance, and quality of the judiciary, while at the same time providing its actors (judges and employees) with better conditions to achieve these goals. Based on the findings from practical application and in line with recommendations in the field of justice and while respecting the procedural limits of the implementation of the RRP, the Slovak Government will consider further steps towards increasing the efficiency of the judiciary.

The establishment of shared service centres aims to modernize and improve the performance of local governments. The centres will function as common hubs that provide public services to citizens in one place, serving multiple municipalities at the micro-regional level. The aim is to establish 22 such centres in municipalities in the least developed regions to effectively address the lack of necessary administrative and professional capacities at the local level. As a result, such inter-municipal cooperation is expected to increase the scope and quality of services provided to citizens, even in small municipalities.

Digital innovation and infrastructure

As Slovakia transitions to a digital society, it is implementing measures aimed at fostering innovation, improving infrastructure, and modernizing public administration. Within the Recovery and Resilience Plan (RRP), a broader strategy aims to strengthen synergies between domestic and European research and development activities. Investments in research and innovation projects will grant companies access to European research funding, promote international partnerships, and enhance competitiveness in the digital economy. The introduction of mandatory electronic invoicing will promote digitalization and a fair transition to digital technologies, while also reflecting recommendations that emphasize the need to strengthen tax compliance through digital tools. This measure contributes to the fight against tax evasion, has the potential to reduce tax gaps in corporate income tax and value added tax, improve tax collection efficiency, and support the implementation of digital innovations. It also simplifies business operations by providing companies with free online tools for managing and submitting invoices.

A digital marketplace increases the efficiency of public procurement through a technologically advanced platform for the development and modernization of IT systems. The platform introduces a comprehensive framework of tools, policies, and services that include IT commodities, expertise, cloud solutions, and open-source software. All these resources are centrally procured through a framework contract, allowing for a flexible and dynamic approach according to current needs. The measure addresses broader goals in the area of strengthening digital infrastructure while also increasing the efficiency and transparency of the public sector. As a result, the modernization of public services contributes to addressing shortcomings in digital infrastructure and to the more efficient provision of public services in line with the recommendations of the Council of the EU in the area of digitisation.

Building defence capabilities

Strengthening national defence capabilities is essential to ensure security, fulfil commitments to NATO and the EU, and maintain regional stability. As part of a long-term development plan, significant investments are being made to modernize military equipment in order to increase operational readiness and ensure compatibility with NATO allies. Simultaneously, on the principle of complementarity, it also strengthens defence readiness within the EU. This includes the gradual procurement of armoured combat vehicles, infantry fighting vehicles, and modern air defence systems. The modernization of key defence infrastructure, such as very short-range and short-range air defence systems, is essential for protecting national airspace and contributing to NATO's collective security goals. These investments address critical capability gaps and strengthen the country's ability to respond to evolving security challenges, while being aligned with broader European defence and security objectives.

TABLE 4 – Summary of reforms and investments in the MTP

Reform/ Investment	RRF/PA	CSR (including MIP)	Common priorities	Main objective
Reform 1: Replacement of parental pension with tax assignment for parents	-	2019.CSR1.2 2024.CSR1.4 2024.CSR3.3	None	The parental pension was implemented as part of the 2022 pension reform (RRP), but significantly mitigated its positive impact on the long-term sustainability of public finances. The proposed measure builds on the RRP commitment towards improving the long-term sustainability of the pension system by replacing the existing parental pension with a mechanism that allows for the assignment of part of the paid tax to parents. The measure will allow for an additional assignment beyond the current 2 % (that are assigned to the NGOs), creating the possibility of assigning 2+2+2 % in the case of two parents. The new mechanism will reduce the value of parental pension for most of the pensioners and will decrease expenditures by 0.25 % GDP in 2025 when the original parental pension will be discontinued and 0.21 % GDP in 2026 when parental pension through the new mechanism will be paid out for the first time.
Reform 2: More targeted tax credit	-	2022.CSR1.4 2023.CSR1.5 2024.CSR1.3 2024.CSR1.4 2024.CSR3.3	Strengthening social and economic resilience	The aim of the child tax credit (TC) reform is to contribute to the improvement of public finances by providing more targeted support to families with children, particularly focusing on low-income households. Key parametric adjustments in the TC: 1) Eligibility for the full TC (100 euros) for the first child up to 18 years of age also for low-income individuals (100 % TC at half the minimum wage, whereas previously the entitlement was at 73 %). 2) Cancelation of the TC (50 euros) for children aged 18 and older. 3) 100 % entitlement for low-income households (at the minimum wage level) with 3 children up to 18 years of age (without the adjustment, the entitlement would be 80 %). 4) Gradual reduction of the TC as income increases, starting from a gross salary of 2,477 euros, with complete loss of entitlement at an income of 3,458 euros. 5) The tax credit will not automatically increase in future years (fixed amounts) – a discretionary government measure for the plan horizon. It is estimated that this measure will structurally reduce tax expenditures over the plan horizon by 0.12 % of GDP.
Reform 3: Reducing wage expenditures in public sector	-	2024.CSR1.4	None	The aim of the measure is to reduce personal expenses and limits for selected civil servants and employees in the public interest starting from 1 January 2025. This would correspond to a reduction of approximately 5 000 such employees between 2025 and 2027, with ministries also being able to save through salary reductions.

				The estimated structural savings from 2026, when the full effect of the measure will be realised (excluding the impact of severance pay), are around 0.08 % of GDP.
Investment 1: Strengthening defence capabilities	-	None	The build-up of defence capabilities	The implementation of selected projects included in the Ministry of Defence's Long-Term Development Plan, with a view to 2035, represents key initiatives aimed at developing Slovakia's defence capabilities. The primary goal is to secure new and modern military equipment fully compatible with that of NATO member states. The main projects include 8x8 wheeled armoured fighting vehicles, infantry fighting vehicles, and 6x6 and 8x8 wheeled logistics vehicles, which are essential to achieve Slovakia's priority capability goal – the establishment of a heavy mechanised brigade. Additionally, the medium-range air defence system project is among the government's priority commitments, aimed at ensuring effective airspace protection while addressing NATO's air defence capability gaps.
Reform 4: Submission of invoice data from taxpayers (eInvoice)	-	2024.CSR1.5 2023.CSR1.6 2022.CSR1.5	A fair digital transition	The aim of introducing electronic invoicing is to create an information system for issuing invoices in electronic form. Submitting invoice data to the financial administration is of crucial importance for the Ministry of Finance of the Slovak Republic and the Slovak Financial Administration in combating tax evasion, reducing the tax gap, and increasing the efficiency of tax collection. The introduction of electronic invoicing also reduces the administrative burden on businesses and offers them (especially small businesses) a free online tool for creating and managing invoices in the required electronic format, with real-time automatic validation in accordance with legislative requirements. The implementation of eInvoicing goes beyond the scope of the ViDA initiative, as it will also apply to domestic financial transactions.
Reform 5: Comprehensive client-oriented financial services and compliance enhancement initiative	-	2024.CSR1.5 2023.CSR1.6 2022.CSR1.5	A fair digital transition	**Objective 1:** The introduction of QR codes in documents and correspondence from state institutions aims to simplify the payment process for clients and eliminate the need for manually entering payment details. The measure is expected to reduce errors associated with incorrect account numbers and other payment information. With fewer errors and increased efficiency, user satisfaction and positive feedback are anticipated to rise. **Objective 2:** Propose legislation for the next phase of pre-filled tax returns. The goal is for the Slovak Financial Administration to automatically pre-fill and send tax returns to selected individuals.
Reform 6: Strengthening inclusion and desegregation in education	-	2019.CSR2.1 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience	As part of the new legislative package of education laws, the government proposes: 1) ban double-shift operations in primary schools; 2) strengthen the legislative framework regarding the education of linguistic minorities and children and pupils with a different mother tongue; 3) support the optimal development of children with special educational needs (SEN) from an early age; 4) enable the attainment of lower secondary vocational education for pupils with mild intellectual disabilities; 5) introduce an early warning system to reduce early school leaving and early termination of studies at secondary schools. These measures support the integration of marginalized pupils into mainstream education, thereby promoting equal opportunities and reducing segregation. In addition, they will

				enable schools to identify pupils at risk and provide them with targeted support. The proposed measures are also in line with the objectives of the RRP aimed at improving access to an inclusive educational system.
Reform 7: Construction Act Amendment	-	2019.CSR3.7 2023.CSR1.7 2024.CSR1.6	Strengthening social and economic resilience	The aim of the amendment to the Building Act is to modernise Slovak construction regulations by streamlining procedures, merging the zoning and construction permitting processes, and strengthening property rights. It is expected to shorten the duration of construction proceedings and reduce the administrative burden, which is one of the main factors limiting the housing supply. The amendment is scheduled to come into effect in April 2025.
Investment 2: Expansion of rental housing supply	-	2019.CSR3.7 2023.CSR1.7 2024.CSR1.6	Strengthening social and economic resilience	The aim of implementing the Act on State Support for Rental Housing is to increase the availability of affordable rental housing financed by private investors. Investment contracts for state-supported rental housing are expected to come into force by mid-2025. Successful implementation also requires the existence of a functional agency responsible for issuing housing projects and overseeing their execution.
Reform 8: Industrial Policy of the Slovak Republic 2027-2035	-	2019.CSR3.6 2024.CSR3.3	Strengthening social and economic resilience	The measure responds to key geopolitical changes as well as new initiatives and legislative frameworks that have a direct impact on the competitiveness of the Slovak Republic. A crucial step will be the analysis of the current potential of Slovak industry, its needs, and challenges, with the aim of creating a sustainable and resilient industrial base. The strategy will be directly aligned with Mario Draghi's report "The Future of European Competitiveness" and the forthcoming "European Industrial Deal" initiative. It will also take into account the implementation of measures arising from the European Green Deal, with a focus on the national economy and Slovakia's geopolitical competitiveness.
Reform 9: Hydrogen ecosystem	-	2020.CSR3.5 2022.CSR3.1 2022.CSR3.4 2023.CSR3.1	A fair green transition; Ensuring energy security	The aim of the measure is to strengthen the energy security of the Slovak Republic and accelerate the transition to a low-carbon economy through the integrated use of hydrogen and hydrogen technologies. Based on the experiences of other EU countries, the priority will be the development of legislative proposals for the effective implementation of hydrogen technologies in line with the European Commission's requirements and national priorities. Simultaneously, the ongoing integration of European standards into Slovak technical standards will be ensured, with adjustments made as necessary based on input from stakeholders.
Reform 10: Electricity market reform	RRF SK-C[C1]-R[R1]	2023.CSR3.3	A fair green transition	The aim of the measure is to modernise the legal framework governing the Slovak electricity market through the transposition of Directive 2019/944. The amendment to the law, approved in June 2022, enabled the entry of new market participants, such as energy communities, aggregators, prosumers, and electricity storage operators. The measure is focused on increasing the flexibility of the electricity system and facilitating the integration of renewable energy sources, thereby contributing to the energy transition and achieving the country's sustainable development goals.
Investment 3 : Construction of the new renewable electricity sources	RRF SK-C[C1]-I[I1]	2020.CSR3.4 2020.CSR3.5 2022.CSR3.1 2022.CSR3.2 2022.CSR3.4 2023.CSR3.1 2023.CSR3.2	A fair green transition; Ensuring energy security	The aim of the measure is to create 122.4 MW of new electricity generation capacity from renewable energy sources (RES), with this measure enabling the connection of at least 120 MW of new RES electricity sources to the grid under the designated support scheme.

Reform 11: The amendment to the Waste Act	RRF SK-C[C2]-R[R3]	2020.CSR3.7 2024.CSR3.7	A fair green transition	The aim of the reform approved by the National Council of the Slovak Republic in 2022 is to increase the recycling of construction waste and prevent its generation within the circular economy framework. The reform focuses on increasing the recycling and reuse of at least 70 % of non-hazardous construction and demolition waste. Measures include mandatory green public procurement for construction works by public authorities, increasing landfill fees for non-recycled waste, and simplifying regulations for the use of construction and demolition waste.
Investment 4: Upgrading green passenger rail infrastructure	RRF SK-C[C3]-I[I1]	2019.CSR3.3 2020.CSR3.6 2022.CSR3.1 2023.CSR3.1	A fair green transition	The aim of the measure is to increase the length of reconstructed or modernised environmentally friendly railway infrastructure for passenger transport. Of the total target scope of 55 km of railway infrastructure, at least 49.7 km will be reconstructed or modernised.
Reform 12: Nature protection and water law	RRF SK-C[C5]-R[R2]	2024.CSR3.8	A fair green transition	The aim of the measure was to prepare a new Nature Protection Act, effective from January 2022, and to develop a new model for protected areas. The new legislation aims to strengthen institutional nature protection, simplify the protection system, and create conditions for the zoning of national parks. The aim of the water management reform is to lay the foundation for the revitalisation of watercourses and the enhancement of flood protection. In 2022, a new water policy concept was developed. In 2023, the Water Act was amended, including technical standards, to maximise water retention, slow down water flow, and restore groundwater reserves.
Investment 5: Capacity building of kindergartens	RRF SK-C[C6]-R[R1]	2019.CSR2.1 2019.CSR2.2 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.3 2024.CSR3.5 2024.CSR3.6	Strengthening social and economic resilience	The expansion of kindergarten capacities will create the conditions to guarantee the legal entitlement to pre-primary education for children from the age of four, and subsequently from the age of three. It is estimated that 9,114 new places will be created. Additionally, the renovated buildings will contribute to the green transition by achieving an average primary energy savings of at least 30 %.
Reform 13: Redefinition of special educational needs and preparation of methodological materials	RRF SK-C[C6]-R[R2]	2019.CSR2.1 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience	The adoption of a law redefining the concept of special educational needs, along with the preparation of accompanying methodological materials (e.g., didactic and methodological materials for the education and support of children/pupils with special educational needs, and for teaching Slovak as a second language) for teachers, specialists, and school management, aims to enable all children and pupils to fully develop their educational potential to the greatest possible extent.
Reform 14: Curriculum reform in primary education	RRF SK-C[C7]-R[R1]	2019.CSR2.1 2020.CSR2.4 2020.CSR2.3 2024.CSR3.3 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience	The new curriculum for all primary schools is structured into multi-year learning cycles to support flexible development at the school level. Implementation began in September 2023, with all schools required to transition to the new curriculum by September 2026. To support this transition, a total of 40 regional teacher support centres will be established, offering mentoring, advice, and consultations for the implementation of the new curriculum. By Q4 2025, at least 30 % of public primary schools will have adopted the new curriculum.

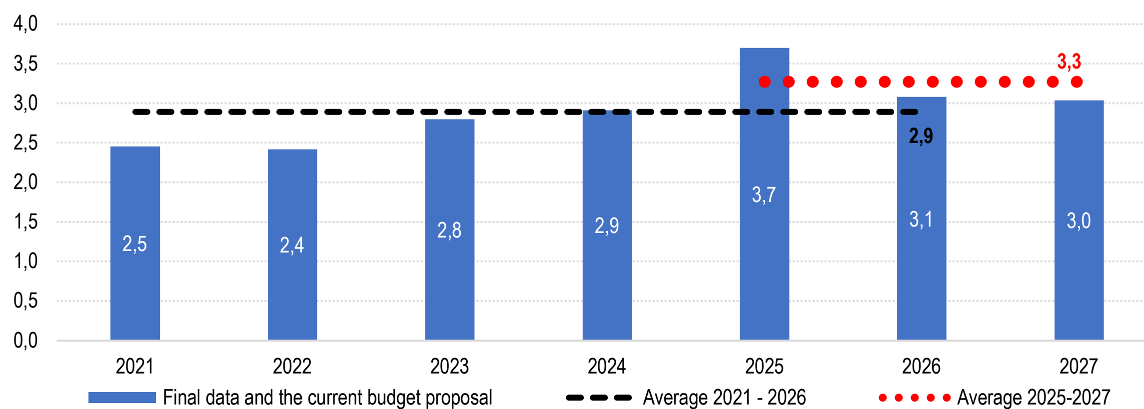
Reform 15: Reform of governance, evaluation and support in science, research and innovation	RRF SK-C[C9]-R[R1]	2019.CSR3.2 2019.CSR3.6 2020.CSR4.2 2024.CSR1.4 2024.CSR2.1 2024.CSR3.3	Strengthening social and economic resilience	The aim of the reform is to achieve stronger coordination of research and innovation policy through five pillars: 1) Cross-departmental strategy and coordination, 2) Introduction of effective cross-cutting standards for support tools, 3) Consolidation of grant agencies within ministries, 4) Application of principles of good governance and efficiency, 5) Unified system of institutional evaluation and funding for research and development. The evaluation reform (in terms of both institutional and competitive funding) will focus on increased use of evaluation panels and international experts, as well as streamlining administrative procedures. By adhering to the principles of good governance and efficiency, strategically targeting investments in the most promising areas, and applying uniform high standards of support, the reform is expected to bring greater benefits from new investments. Beyond the scope of the RRP, the reform will be expanded by a new law on research, development, and innovation, which will improve the legal framework for the development of research and innovation capacities and support the achievement of long-term goals in this area.
Investment 6 : Supporting collaboration between business, academia and research organisations	RRF SK-C[C9]-I[I2]	2024.CSR3.3 2020.CSR3.4 2019.CSR3.6 2019.CSR3.2 2019.CSR3.4	Strengthening social and economic resilience; A fair digital transition	The aim of the investment is to support the involvement of the private sector in research, development, and innovation. The investment focuses on strengthening the role of the private sector in financing, improving the allocation of public funds, fostering collaboration with academia, and enhancing the private sector's capacities. Out of the total target to support 3 931 projects, at least 3 538 projects will involve cooperation between businesses, academia, and research organisations, including innovation vouchers. The investment is expected to bring: • At least two consortia for transformation and innovation; • 2,631 collaborative projects supported by corresponding grants; • 500 issued and applied innovation vouchers, and 800 digital vouchers.
Investment 7: Projects to address the challenges of the green transition	RRF SK-C[C9]-I[I4]	2019.CSR3.2 2020.CSR3.5 2022.CSR3.1 2022.CSR3.4 2023.CSR3.1	A fair green transition	The aim of the measure is to support the implementation of projects focused on addressing the challenges of the green transition. By the second quarter of 2026, at least 27 projects will be completed. These projects will tackle the challenges of the green transition and decarbonisation. The projects will be approved at various stages of technological readiness (TRL 1-9).
Investment 8: Research and innovation for a digital economy	RRF SK-C[C9]-I[I5]	2019.CSR3.2 2019.CSR3.4 2019.CSR3.6 2020.CSR3.5 2024.CSR3.3	A fair green transition	The aim of the measure is to strengthen synergies between national and European research and development themes. Support will focus on digital areas that are key to the Horizon Europe programme and other EU initiatives, ensuring that Slovak entities are prepared for European research funding and international partnerships. Out of the total target of 155 projects, 140 projects will be selected and completed through thematic schemes (e.g., demand-driven calls and/or financial instruments) to address the challenges of digital transformation at various levels of technological readiness (TRL 1-9).
Reform 16: Central hospital management system	RRF SK-C[C11]-R[R3]	2019.CSR1.2 2020.CSR1.2 2020.CSR1.3 2020.CSR4.3	None	The aim of the measure is to improve the management of end-user hospitals, focusing on medical and operational processes as well as financial oversight. By the second quarter of 2025, 19 hospitals will be integrated into a centralised management system. This system, managed by the Central Authority for Hospital Management, will oversee hospital planning and performance in areas such as financial control, regulatory compliance, human resources, quality, and risk management, while linking these areas with clinical processes.

Reform 17: Introduction of a new network of courts	RRF SK-C[C15]-R[R1]	2019.CSR4.1 2020.CSR4.4 2024.CSR3.1	None	The judicial map reform aims to increase the credibility of the judiciary, streamline the court system, and improve the quality of judicial services provided to citizens. The measure included optimising judicial performance by reducing the number of courts and assigning judges to specialised areas (civil, family, criminal, and commercial law) in at least three judicial districts within each new judicial region. The reform also enabled the creation and consolidation of a new network of first-instance general and administrative courts, general appellate courts, and the Supreme Administrative Court of the Slovak Republic by Q1 2023.
Investment 9: Setting up shared service centres	RRF SK-C[C16]-I[I4] ESIF	2020.CSR4.3 2024.CSR2.1 2024.CSR3.3	None	Investments in the establishment of shared services centres directly support public administration reform by increasing the efficiency and availability of essential public services. By establishing 22 centres in municipalities within the least developed regions, this initiative centralises and consolidates local capacities, improving service delivery and optimising resource use. Funding for the staffing of the shared services centres will be secured through a call financed by European Structural and Investment Funds (ESIF).
Reform 18: Digital marketplace	RRF SK-C[C17]-R[R2]	2019.CSR3.4 2020.CSR4.3 2020.CSR3.2	A fair green transition	The creation and implementation of a central platform for public procurement, equipped with IT resources, aims to shorten the time and reduce costs associated with the development and enhancement of information systems. The IT resource platform, launched in pilot mode in February 2024, provides a framework of tools and policies for a new approach to procuring IT commodities, expertise, cloud services, and open-source solutions. The platform ensures centralised procurement of services through a framework agreement, allowing users dynamic access to resources from the central platform as needed.
Investment 10: Investments in the modernisation of distribution systems	RRF SK-C[C19]-I[I1]	2020.CSR3.5 2022.CSR3.1 2022.CSR3.2 2022.CSR3.3 2023.CSR3.4 2023.CSR3.1	Ensuring energy security	Out of the total target of 521 MW, at least 469 MW of cumulative additional capacity will be achieved for connecting renewable energy sources (RES) to distribution networks in Slovakia. These projects will help eliminate network bottlenecks and maximise the technical capacity for integrating new RES.
Investment 11: Renovating homes for energy-poor households	RRF SK-C[C19]-I[I4]	2019.CSR3.5 2020.CSR3.5 2022.CSR3.5 2022.CSR3.1 2023.CSR3.6 2023.CSR3.1 2023.CSR3.5	Strengthening social and economic resilience; A fair green transition	**Objective 1:** Increasing the number of renovated homes for people at risk of energy poverty: Of the planned 3,400 homes, at least 3,060 will be renovated by Q3 2025. If the renovation programme includes the installation of biomass boilers, these must comply with the "Do No Significant Harm" (DNSH) principle, as set out in the technical guidance on the application of the DNSH principle (2021/C58/01). **Objective 2:** The signing of 1,600 contracts with individuals at risk of energy poverty will ensure full funding under the comprehensive renovation programme. The existing network of regional offices of the Slovak Environmental Agency will be strengthened with 35 new full-time employees, as well as support from external experts. This support is expected to enable the processing of 20,000 applications and consultations.

Investment effort

Over the planning horizon, nationally financed investments, in line with the requirements of the reformed fiscal rules regulation, are maintained at an average level of 3.3 % of GDP. Despite the need for a significant consolidation spread over four years, the government will not cut back on nationally financed investments, i.e. state capital expenditures. The average expected level of nationally financed investments until 2027 is 3.3 % of GDP. The share of nationally financed investments is particularly high in 2025 due to the delivery of defence equipment. The planned volume of investments from national sources is thus even higher than in recent years.

FIGURE 18 – Development of nationally-financed investments (% of GDP)



Source: MoF SR

ANNEXES

Annex 1 – Macroeconomic assumptions

The macroeconomic assumptions of the Slovak forecast for 2024-2028 are based on the current projection of the Committee for Macroeconomic Forecasts. From 2029 onwards, we apply growth rates based on the macroeconomic assumptions of the Ageing Report 2024 (AR 2024) to estimate GDP and inflation. The European Commission, when setting new fiscal rules, uses different methodologies to forecast the dynamics of the Slovak economy for years t+2 (until 2025) and t+10 (until 2033), subsequently connecting to the growth rates of AR 2024.

The average growth of potential output from 2026 to 2028 is higher in the MoF SR forecast compared to the dynamics assumed by the EC by 0.5 percentage points. The fundamental difference in the projections is that the MoF SR does not expect a sharp decline in participation from 2025 onwards, as is the case with the EC's assumptions. The MF SR expects that the currently observed trend of increasing participation from the inactive population will continue in the medium term, along with an inflow of foreigners. The slight increase in potential in the MoF SR forecast for the near future reflects the RRP reforms and the arrival of a new automaker, which are manifested in an increase in total factor productivity.

In the projections of the GDP deflator, the MF SR expects the growth rate to decline to the level of inflation, i.e. to the ECB's target value from 2029 onwards, in line with the projections of AR 2024. The MoF SR does not expect the negative shock to energy prices to persist after 2028. The overestimation of the deflator in the EC's projections used in setting the new fiscal rules and the underestimation of potential growth compared to the MoF SR partially offset each other in the expected nominal GDP development in the medium-term forecast. In the long term, the expected nominal development is 0.5 percentage points higher compared to the MoF SR, precisely due to the GDP deflator.

In the long term, the long-term interest rate converges to an equilibrium value of 3.4% in the MoF SR projections. In the short term, we use financial market expectations for the forecast of interest rates, similar to the EC. In the long term, we expect a stable risk premium of approximately 1.2 percentage points. We expect inflation to stabilize near the 2% level with stable economic growth. The lower estimate of bond yields compared to the EC also reflects the expected looser monetary policy of the ECB at the end of the horizon, which is also reflected in the lower short-term interest rate compared to the EC's estimates.

TABLE 5 – Comparison of macro-indicators according to the MoF forecast and the EC assumptions used in the new fiscal rules

	Indicator		2023	2024	2025	2026	2027	2028	t+10	t+15	2029-2038
1	Real GDP (growth rate)	MoF SR	1.60	2.30	2.22	2.36	1.04	1.89	1.65	1.61	1.65
		EC	1.60	2.23	3.22	1.65	1.39	1.38	1.57	1.61	1.58
2	Potencial GDP (growth rate)	MoF SR	2.41	2.32	2.26	2.24	1.90	1.80	1.65	1.61	1.65
		EC	2.77	2.33	2.41	1.69	1.43	1.40	1.57	1.61	1.58
3	GDP deflator (growth rate)	MoF SR	10.13	4.43	4.31	2.87	2.22	2.30	2.00	2.00	2.00
		EC	10.13	4.58	3.17	3.09	3.02	2.94	2.55	2.41	2.59
4	Nominal GDP (growth rate)	MoF SR	11.89	6.83	6.63	5.29	3.29	4.24	3.68	3.65	3.68
		EC	11.89	6.91	6.49	4.80	4.44	4.36	4.16	4.06	4.21
5	Long-term interest rate (%)	MoF SR	3.70	3.56	3.50	3.43	3.40	3.39	3.40	3.41	3.40
		EC	3.65	3.67	3.78	3.83	3.88	3.93	4.17	4.13	4.11
6	Short-term interest rate (%)	MoF SR	3.43	3.67	2.93	2.45	2.28	2.21	2.26	2.34	2.27
		EC	3.43	3.56	2.82	2.81	2.79	2.78	2.73	2.54	2.68

Source: EC, MoF SR

Annex 2 – Conditional and implicit liabilities

Contingent liabilities

As of 31 December 2023, contingent liabilities[19] on a non-consolidated basis reached 17.6% of GDP. More than 95% of these liabilities are associated with the central government and its state-owned enterprises. Almost 50% of Slovakia's total contingent liabilities are related to its participation in international organizations[20]. Collateralized transactions, which involve state-owned enterprises or liens on their assets, amounted to nearly 4.3% of GDP in 2023. In addition, Slovakia faces potential or ongoing legal disputes, including international arbitration. Potential sanctions for these legal actions amounted to over 3.4% of GDP in 2023, with ministries being the most frequent target of lawsuits[21].

TABLE 6 – Contingent liabilities (% of GDP)

		2023
1	Central government and state-owned enterprises	17,15 %
2	Municipalities and their budgetary and contributory organisations and local government undertakings	0,50 %
3	Self-governing regions and their budgetary and contributory organisations and local government undertakings	0,01 %
	Total	**17,65 %**

Source: individual and consolidated financial statements of entities as of 31.12.2023 published in the register www.registeruz.sk and the database of the MoF SR

Implicit liabilities

The total value of estimated implicit liabilities over the horizon to 2067 will reach 157.9% of GDP. Implicit liabilities represent the difference between expected future revenues and expected future expenditures of the general government, resulting from the financial consequences of future rights and obligations (if these are not already part of the general government debt) [22]. The quantification of implicit liabilities[23] is based on the sum of liabilities arising primarily from an ageing population, particularly in the areas of pensions and healthcare. These liabilities constitute the dominant part (99%) of implicit liabilities, which results from the expected negative demographic development in the Slovak Republic. Additional impacts on the balance are payments for PPP projects, costs of nuclear decommissioning, and repayments of grants from the Recovery Plan.

TABLE 7 – Implicit liabilities to 2067 (% of GDP)

1	The impact of an ageing population	-155,9 %
2	Impact of PPP projects	-2,2 %
3	Impact of the National Nuclear Fund	2,9 %
4	Impact of the Recovery and Resilience Plan (NGEU)	-2,6 %
	Total	**-157,9 %**

Note: (+) effects reducing the amount of implicit liabilities (-) effects increasing the amount of implicit liabilities. *Source: MoF SR*

[19] Conditional liabilities are defined by accounting legislation as potential liabilities arising from past events where the obligation to settle will be confirmed only by the occurrence of one or more future events not wholly within the control of the entity. They are disclosed in the notes to the financial statements rather than in the balance sheet due to uncertainties regarding the timing or amount of the future settlement. Examples of conditional liabilities include guarantees provided, liabilities from legal/court disputes, future liabilities arising from generally applicable laws, or other financial obligations, a legal or contractual obligation to purchase certain products, obligations from lease contracts, and the like. The data source is the annual financial statements of government entities and government-controlled entities submitted for the last accounting period. Due to the availability of data only on an annual basis for the previous period, there may be a time lag in the development of contingent liabilities in the current year and the next budgeted period.

[20] Only the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) represent approximately 6.9% of GDP.

[21] The Ministry of Finance and the Ministry of the Interior are most at risk, with each facing legal disputes exceeding 0.8% of GDP.

[22] The definition of implicit liabilities according to Act No. 493/2011 on budgetary responsibility is based on the concept of net implicit liabilities, which means that in addition to future expenditures, it also includes future revenues. When using a finite horizon, this is a different definition compared to the definition of implicit liabilities in national accounts, which in this horizon only considers future expenditures (gross implicit liabilities).

[23] Due to their problematic valuation and the absence of reporting in the balance sheets of government entities, implicit liabilities are estimated using an analytical procedure taking into account legislative developments. They are expressed as a percentage of current GDP in 2024. A more detailed calculation procedure is described in the MF SR Methodology for the Calculation of Implicit Liabilities.

Annex 3 – Deficit target achieved through increased net expenditures

The Debt Sustainability Analysis (DSA) determines the necessary fiscal adjustment to reduce the deficit to a level that ensures compliance with both the deficit and gross debt criteria. At the beginning of the process of setting a reference trajectory by the European Commission, a country's fiscal position is assessed in terms of the level of the primary structural balance, the resulting nominal deficit, and the level of gross debt. The DSA, based on macro-fiscal assumptions, verifies the necessary annual reduction in the primary structural balance (depending on the medium-term plan for 4 or 7 years) to a level such that the deficit does not subsequently increase above 3% of GDP over a 10-year horizon without policy changes. At the same time, the level of the deficit must ensure that gross debt, over a 10-year period beyond the planning horizon, decreases by an average of 0.5 or 1 percentage point per year for highly indebted countries, or remains below 60% of GDP for low-debt countries. These debt development criteria must also be met in risk adverse scenarios.

The annual required reduction in the primary structural balance is reflected in the growth of primary expenditures. The fiscal rule uses a simplified assumption of unitary revenue elasticity, i.e., revenue growth is equivalent to nominal product growth[24]. With such an assumption, the rule allows expenditures to grow at the rate of the nominal product, without affecting the deterioration of the nominal deficit. On the expenditure side of the budget, the growth of primary expenditures is then slowed down by the required rate of reduction of the primary structural balance determined by the DSA, in relation to primary expenditures.

$$maximum\ growth\ of\ primary\ expenditures\ (NFPE) = \mathrm{g}Pot_t + \pi_t - \Delta SPB/NFPE$$

where $gPot_t$ represents the growth rate of potential output in %, π_t the GDP deflator in %, and $\Delta SPB/NFPE$ the required reduction in the primary structural balance as a percentage of nationally financed primary expenditures expressed in %.

The growth of nationally financed primary expenditures adjusted for revenue discretionary measures represents the only operational rule of the new EU fiscal framework. According to the rules the growth of primary expenditures is adjusted for revenue measures to the growth of so-called net expenditures. This allows for measures to reduce the deficit on both the expenditure and revenue sides of the budget. Such a rule also allows revenues to fluctuate freely over the cycle and ensures counter-cyclical fiscal policy.

$$growth\ of\ net\ expenditures = (NFPE_t - DRM_t)/NFPE_{t-1} - 1$$

where $NFPE$ denotes nationally financed primary expenditures in the current year *t* and the previous year *t-1*, and DRM_t represents discretionary revenue measures of the government according to the EC methodology.

[24] Nominal product in terms of potential GDP growth and GDP deflator.

Annex 4 – Mandatory tables

TABLE 1a – Fiscal commitments

		2023	2024	2025	2026	2027	2028
		growth %	growth %	growth %	growth %	growth %	growth %
1	**Net nationally financed primary expenditure (NFPE)**		**6,2**	**3,8**	**0,9**	**1,6**	**1,5**
2	**Cumulative growth of NFPE**		6,2	10,3	11,2	13,0	14,8

Source: European Commission

TABLE 1b – Main variables

		2023	2024	2025	2026	2027	2028
		growth %	growth %	growth %	growth %	growth %	growth %
1	Potential GDP	2,8	2,3	2,4	1,7	1,4	1,4
2	GDP deflator	10,1	4,6	3,2	3,1	3,0	2,9
		% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
3	Net lending/borrowing	-4,9	-5,9	-5,1	-3,9	-2,9	-1,8
4	Structural balance	-4,7	-5,6	-5,0	-3,3	-2,1	-0,9
5	Structural primary balance	-3,5	-4,3	-3,5	-1,7	-0,3	1,0
6	Gross debt	56,0	58,5	59,8	61,6	62,1	61,4
7	Change in gross debt	-1,7	2,4	1,3	1,9	0,5	-0,7

Source: European Commission

TABLE 2 – Macroeconomic scenario

		2023	2023	2024	2025	2026	2027	2028
		bn. euro	growth %	growth %	growth %	growth %	growth %	growth %
GDP								
1	**Real GDP**		1,6	2,2	2,6	0,5	1,0	1,1
2	**GDP deflator**		10,1	4,6	3,2	3,1	3,0	2,9
3	**Nominal GDP**	122,8	11,9	6,9	5,9	3,6	4,1	4,1
Components of real GDP								
4	**Private consumption expenditure**		-3,2	0,8				
5	**Government consumption expenditure**		-0,6	3,2				
6	**Gross fixed capital formation**		10,5	1,0				
7	**Changes in inventories and net acquisition of valuables (% of GDP)**							
8	**Exports of goods and services**		-1,4	4,3				
9	**Imports of goods and services**		-7,6	5,2				
	Contribution to real GDP growth							
10	**Final domestic demand**		-4,6	3,1				
11	**Changes in inventories and net acquisition of value**		-2,0	-0,9				
12	**External balance of goods and services**		1,0	0,9				
Deflators and HICP								
13	**Private consumption deflator**		10,3	3,1				
14	**p.m. HICP**		11,0	3,1				

15	**Government consumption deflator**		10,2	7,2				
16	**Investment deflator**		9,1	3,0				
17	**Export price deflator (goods and services)**		4,5	4,0				
18	**Import price deflator (goods and services)**		4,2	3,3				
Labour market								
19	**Domestic employment (1000 persons, national accounts)**	2434,1	0,3	0,2				
20	**Average annual hours worked per person employed**	1630,9	0,5	0,4				
21	**Real GDP per person employed**	38,6	1,3	2,1				
22	**Real GDP per hour worked**	23,7	2,3	3,1				
23	**Compensation of employees (bn NAC)**	51,4	10,5	8,0				
24	**Compensation per employee (NAC) (= 23 / 19)**	0,021	10,3	7,7				
25	**Unemployment rate (%)**		5,8	5,4				
Potential GDP and components								
26	**Potential GDP**		2,8	2,3	2,4	1,7	1,4	1,4
	Contribution to potential growth							
27	**Labour**							
28	**Capital**							
29	**Total factor productivity**							
30	**Output gap**		-0,6	-0,7				

Source: European Commission

TABLE 3 – External assumptions

		2023	2024	2025	2026	2027	2028
1	**Short-term interest rate (%, annual average)**	3,4	3,6	2,8	2,8	2,8	2,8
2	**Long-term interest rate (%, annual average)**	3,7	3,7	3,8	3,8	3,9	3,9
3	**USD/EUR exchange rate (annual average)**	1,09	1,1				
4	**NAC/EUR exchange rate (only for non-EA Member States) (%, annual average)**						
5	**World real GDP (excluding EU) (growth rate)**						
6	**EU real GDP (growth rate)**						
7	**World import volumes, excluding EU (growth rate)**						
8	**Oil prices (Brent, USD/barrel)**	88,9	89,1				

Source: European Commission

TABLE 4 – Budgetary projections

		ESA code	2023 bn. euro	2023 % GDP	2024 % GDP	2025 % GDP	2026 % GDP	2027 % GDP	2028 % GDP
Revenue									
1	**Taxes on production and imports**	**D.2**	15,1	12,3	11,7				
2	**Current taxes on income, wealth, etc**	**D.5**	9,5	7,8	8,0				
3	**Social contributions**	**D.61**	18,9	15,4	15,7				
4	**Other current revenue**	**P.11+P.12+P.131+D.39+D.4+D.7**	7,3	5,9	4,5				
5	**Capital taxes**	**D.91**	0,0	0,0	0,0				

6	**Other capital revenue**	**D.92+D..99**	2,0	1,7	1,8				
7	**Total revenue (= 1+2+3+4+5+6)**	**TR**	**52,8**	**43,0**	**41,6**				
8	**Of which: Transfers from the EU (accrued revenue, not cash)**	**D.7EU+D.9EU**	4,0	3,2	2,0				
9	**Total revenue other than transfers from the EU (= 7-8)**		48,9	39,8	39,7				
10	**p.m. Revenue measures (increments, excluding EU funded measures)**		0,0	0,0	1,1				
11	**p.m. One-off revenue included in the projections (levels, excluding EU funded measures)**		0,0	0,0	0,0				
Expenditure		ESA code	bn euro	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
12	**Compensation of employees**	**D.1**	13,5	11,0	11,1				
13	**Intermediate consumption**	**P.2**	6,9	5,6	6,0				
14	**Interest expenditure**	**D.41**	1,4	1,2	1,3	1,5	1,7	1,8	1,8
15	**Social benefits other than social transfers in kind**	**D.62**	20,0	16,3	16,7				
16	**Social transfers in kind via market producers**	**D.632**	4,2	3,4	3,7				
17	**Subsidies**	**D.3**	4,1	3,3	1,6				
18	**Other current expenditure**	**D.29+(D.4-D.41)+D.5+D.7+D.8**	2,6	2,1	2,1				
19	**Gross fixed capital formation**	**P.51**	5,8	4,7	4,1				
20	**Of which: Nationally financed public investment**		3,1	2,6	2,9	3,7	3,1	3,0	
21	**Capital transfers**	**D.9**	0,7	0,6					
22	**Other capital expenditure**	**P.52+P.53+NP**	-0,3	-0,3	0,9				
23	**Total expenditure (= 12+13+14+15+16+17+18+19+21+22)**	**TE**	**58,9**	**47,9**	**47,5**				
24	**Of which: Expenditure funded by transfers from the EU (= 8)**	**D.7EU+D.9EU**	4,0	3,2	2,0				
25	**Nationally financed expenditure (23-24)**		54,9	44,7	45,5				
26	**p.m. National co-financing of programmes funded by the Union**		0,6	0,5	0,4				
27	**p.m. Cyclical component of unemployment benefits**		0,0	0,0	0,0				
28	**p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)**		0,0	0,0	0,0				
29	**Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)**		52,8	43,0	43,8				
Net nationally financed primary expenditure					growth rate	growth rate	growth rate	growth rate	growth rate
30	**Net nationally financed primary expenditure growth**		-	-	6,2	3,8	0,9	1,6	1,5
Balances		ESA code	mld. eur	v % GDP	v % GDP	v % GDP	v % GDP	v % GDP	v % GDP
31	**Net lending/borrowing (= 7-23)**	**B.9**	-6,0	-4,9	-5,9	-5,1	-3,9	-2,9	-1,8
32	**Primary balance (= 31-14)**	**B.9-D.41p**	-4,6	-3,7	-4,5	-3,6	-2,3	-1,1	0,1
Cyclical adjustment				v % GDP	v % GDP	v % GDP	v % GDP	v % GDP	v % GDP
33	**Structural balance**		-	-4,7	-5,6	-5,0	-3,3	-2,1	-0,9
34	**Structural primary balance**		-	-3,5	-4,3	-3,5	-1,7	-0,3	1,0
Debt				v % GDP	v % GDP	v % GDP	v % GDP	v % GDP	v % GDP
35	**Gross debt**		68,8	56,0	58,5	59,8	61,6	62,1	61,4
36	**Change in gross debt**		5,3	-1,7	2,4	1,3	1,9	0,5	-0,7
37	**Contributions to changes in gross debt**								
38	**Primary balance (= minus 32)**		-	3,7	4,5	3,6	2,3	1,1	-0,1

39	**Snowball effect**	-	-5,0	-2,3	-1,8	-0,4	-0,6	-0,6
40	**Interest expenditure (= 14)**	-	1,2	1,3	1,5	1,7	1,8	1,8
41	**Growth**	-	-0,8	-1,2	-1,4	-0,3	-0,6	-0,7
42	**Inflation**	-	-5,3	-2,5	-1,8	-1,8	-1,8	-1,8
43	**Stock-flow adjustment (= 36-38-39)**	-	-0,5	0,2	-0,6	0,0	0,0	0,0
		%	%	%	%	%	%	%
44	**p.m. Implicit interest rate on debt (= 14 / DEBT(t-1))**	-	2,0	2,4	2,6	2,8	2,9	3,0

Source: European Commission

TABLE 5: Estimated impact of discretionary revenue measures

	Measures	One-off	Revenue/ Expenditure	ESA code	2023 in % of GDP	2024 in % of GDP	2025 in % of GDP	2026 in % of GDP	2027 in % of GDP	2028 in % of GDP
1	Modification of the motor vehicle registration fee	No	Revenue		-0,01	-0,01				
2	Changes to the super deduction (research and development and Industry 4.0)	No	Revenue		-0,01					
3	Introduction of a seasonal contribution-deductible item for social contributions	No	Revenue		-0,01					
4	Implementation of accounting standard IFRS 17 for insurance companies	No	Revenue		0,02	0,00	-0,01	-0,01		
5	Reform of the second pension pillar	No	Revenue		-0,01	-0,02				
6	Gaming taxes	No	Revenue		0,02	0,00				
7	Minimum health insurance contributions	No	Revenue		0,02	0,00				
8	Abolition of license fees for Radio and Television Slovakia (RTVS)	No	Revenue		-0,03	-0,03				
9	Revenue from excess profits tax - power plants	No	Revenue		0,02	-0,02	0,00			
10	Valorization of administrative and court fees - from Q1 2024	No	Revenue			0,03	0,01			
11	Increase in the fee for maintaining emergency oil reserves by 1 cent	No	Revenue			0,03				
12	Regulation on excessive profits - revenue from the special levy for "Vodohospodárska výstavba"	No	Revenue		0,12	-0,05	-0,03	-0,01	-0,01	
13	Waste charges - ban on landfilling of waste without pre-treatment	No	Revenue				-0,01			
14	Extension of the special levy on business in regulated sectors	No	Revenue			0,25	-0,03	-0,02	-0,03	
15	Extension of the solidarity contribution from activities in the oil sector and others	No	Revenue		-0,33	0,15	-0,14			
16	Compensatory tax on the enterprise tax	No	Revenue			0,04				
17	Increase in the excise duty rate on alcohol from 1.1.2024	No	Revenue		0,03	0,03				
18	Increase in health contributions for employers by 1%	No	Revenue			0,25				-0,21
19	Change in property tax rates according to the Municipal Regulation	No	Revenue		0,03	0,09				
20	Local Waste Fee (local taxes) - increase in rates annually	No	Revenue		0,03	0,03				
21	Exemption from employer's social security contributions for employees in the food industry	No	Revenue		-0,02	-0,01	0,03			
22	Introduction of excise duty rates on sweetened beverages	No	Revenue				0,06			
23	Raising the excise tax on tobacco and nicotine products	No	Revenue			0,06	0,06	0,08	0,03	0,08
24	Extension of social security contribution relief for farmers	No	Revenue			-0,01	0,01			
25	Reduced tax burden on heavy-duty vehicles	No	Revenue				0,00			
26	Implementation of a financial transaction tax	No	Revenue				0,37	0,12		
27	Tax exemption on non-monetary income derived from alternative fuel vehicles	No	Revenue				-0,01			
28	Relief of interest yields on government bonds from the special levy tax base	No	Revenue				-0,02			

29	Gradual growth of the contribution to the second pension pillar, its temporary freeze and decrease to 4% from 2024	No	Revenue		0,28				
30	Changes to corporate tax rules and benefits for small businesses	No	Revenue		0,09	-0,04			
31	Special levy on businesses in regulated sectors (energy, fossil fuels)	No	Revenue			0,04			
32	Modification (increase) of the dividend withholding tax rate	No	Revenue			0,00	0,00		
33	Amendment of toll charges and motorway tolls (Eurovignette)	No	Revenue	0,02	0,00	0,06	0,03		
34	Increase in payments for state insured persons	No	Revenue		-0,10		0,19		
35	Amendment of VAT rates (standard rate set at 23%, with two reduced rates of 19% and 5%)	No	Revenue	-0,12	0,02	0,54			
36	Elevation of the contribution ceilings for social security	No	Revenue			0,06			
37	Enhancement of the corporate income tax rate to 24%	No	Revenue			0,35			
	Total			**-0,24**	**1,10**	**1,30**	**0,36**	**-0,01**	**-0,13**

Source: MoF SR

TABLE 7a – Debt and headline balance projections and key underlying assumptions (under the planned fiscal path)

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
1	**Gross debt (% of GDP)**	56,0	58,5	59,8	61,6	62,1	61,4	60,0	58,6	57,1	56,2	55,6	55,1	54,8	54,6	54,6	54,8
2	**General government balance (% of GDP)**	-4,9	-5,9	-5,1	-3,9	-2,9	-1,8	-1,6	-1,5	-1,3	-1,5	-1,6	-1,8	-1,9	-2,0	-2,1	-2,3
3	**Structural primary balance (% of pGDP)**	-3,5	-4,3	-3,5	-1,7	-0,3	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
4	**Cyclical component (% of pGDP)**	0,2	0,3	0,2	0,6	0,8	0,9	0,6	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	**One-off measures (% of GDP)**	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	**Interest expenditure (% of GDP)**	1,2	1,3	1,5	1,7	1,8	1,8	1,8	1,8	1,8	1,8	1,8	1,9	1,9	1,9	1,9	1,9
7	**Long-term interest rate (%)**	3,7	3,7	3,8	3,8	3,9	3,9	4,0	4,0	4,1	4,1	4,2	4,2	4,2	4,1	4,1	4,1
8	**Short-term interest rate (%)**	3,4	3,6	2,8	2,8	2,8	2,8	2,8	2,8	2,7	2,7	2,7	2,7	2,7	2,6	2,6	2,5
9	**Implicit average interest rate (%)**	2,2	2,5	2,7	2,9	3,0	3,1	3,2	3,2	3,3	3,4	3,4	3,5	3,5	3,6	3,6	3,7
10	**Stock-flow adjustment (% of GDP)**	-0,5	0,2	-0,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11	**Potential GDP (growth in %)**	2,8	2,3	2,4	1,7	1,4	1,4	1,5	1,5	1,5	1,6	1,6	1,6	1,6	1,7	1,7	1,6
12	**Real GDP (growth in %)**	1,6	2,2	2,6	0,5	1,0	1,1	2,3	2,3	2,3	1,6	1,6	1,6	1,6	1,7	1,7	1,6
13	**GDP deflator (growth in %)**	10,1	4,6	3,2	3,1	3,0	2,9	2,9	2,8	2,7	2,6	2,6	2,5	2,5	2,5	2,4	2,4
14	**Nominal GDP (growth in %)**	11,9	6,9	5,9	3,6	4,1	4,1	5,2	5,1	5,1	4,2	4,2	4,2	4,2	4,2	4,2	4,1

Source: European Commission

TABLE 7b – Debt projections and key stressed variables, deterministic scenarios and stochastic simulations

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Financial stress scenario																	
1	**Gross debt (% of GDP)**	56,0	58,5	59,8	61,6	62,1	61,4	60,1	58,7	57,2	56,4	55,8	55,4	55,1	55,0	54,9	55,1
2	**Long-term interest rate (%)**	3,7	3,7	3,8	3,8	3,9	3,9	5,0	4,0	4,1	4,1	4,2	4,2	4,2	4,1	4,1	4,1
3	**Short-term interest rate (%)**	3,4	3,6	2,8	2,8	2,8	2,8	3,8	2,8	2,7	2,7	2,7	2,7	2,7	2,6	2,6	2,5
Lower SPB scenario																	
4	**Gross debt (% of GDP)**	56,0	58,5	59,8	61,6	62,1	61,4	60,1	59,2	58,7	58,3	58,0	58,1	58,2	58,6	59,0	59,7
5	**Structural primary balance (% of pGDP)**	-3,5	-4,3	-3,5	-1,7	-0,3	1,0	0,7	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5
Adverse (r-g) scenario																	
6	**Gross debt (% of GDP)**	56,0	58,5	59,8	61,6	62,1	61,4	60,4	59,3	58,1	57,6	57,4	57,3	57,4	57,6	58,0	58,6
7	**Long-term interest rate (%)**	3,7	3,7	3,8	3,8	3,9	3,9	4,5	4,5	4,6	4,6	4,7	4,7	4,7	4,6	4,6	4,6
8	**Short-term interest rate (%)**	3,4	3,6	2,8	2,8	2,8	2,8	3,3	3,3	3,2	3,2	3,2	3,2	3,2	3,1	3,1	3,0
9	**Real GDP (growth)**	1,6	2,2	2,6	0,5	1,0	1,1	1,8	1,8	1,8	1,1	1,1	1,1	1,1	1,2	1,2	1,1
10	**Potential GDP (growth)**	2,8	2,3	2,4	1,7	1,4	1,4	1,0	1,0	1,0	1,1	1,1	1,1	1,1	1,2	1,2	1,1
Stochastic simulations																	
11	**Probability of debt being below its value in 2028/2031**	70,4															

Source: European Commission

TABLE 9 – Other reforms and investments

		RRF/PA	*CSR*	*Common priorities*
1	**Reform 1: Replacement of parental pension with tax assignment for parents**	–	2019.CSR1.2 2024.CSR1.4 (MIP) 2024.CSR3.3 (MIP)	None
2	**Reform 2: More targeted tax credit**	–	2022.CSR1.4 2023.CSR1.5 2024.CSR1.3 (MIP) 2024.CSR1.4 (MIP) 2024.CSR3.3 (MIP)	Strengthening social and economic resilience
3	**Reform 3: Reducing wage expenditures in public sector**	–	2024.CSR1.4 (MIP)	None
4	**Investment 1: Strengthening defence capabilities**	–	None	The build-up of defence capabilities
5	**Reform 4: Submission of invoice data from taxpayers (eInvoice)**	–	2024.CSR1.5 2023.CSR1.6 2022.CSR1.5	A fair digital transition
6	**Reform 5: Comprehensive client-oriented financial services and compliance enhancement initiative**	–	2024.CSR1.5 2023.CSR1.6 2022.CSR1.5	A fair digital transition
7	**Reform 6: Strengthening inclusion and desegregation in education**	–	2019.CSR2.1 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience
8	**Reform 7: Construction Act Amendment**	–	2019.CSR3.7 2023.CSR1.7 (MIP) 2024.CSR1.6 (MIP)	Strengthening social and economic resilience
9	**Investment 2: Expansion of rental housing supply**	–	2019.CSR3.7 2023.CSR1.7 (MIP) 2024.CSR1.6 (MIP)	Strengthening social and economic resilience
10	**Reform 8: Industrial Policy of the Slovak Republic 2027-2035**	–	2019.CSR3.6 2024.CSR3.3 (MIP)	Strengthening social and economic resilience
11	**Reform 9: Hydrogen ecosystem**	–	2020.CSR3.5 2022.CSR3.1 2022.CSR3.4 2023.CSR3.1	A fair green transition; Ensuring energy security

10	**Reform 10: Electricity market reform**	RRF SK-C[C1]-R[R1]	2023.CSR3.3	A fair green transition
11	**Investment 3: Construction of the new renewable electricity sources**	RRF SK-C[C1]-I[I1]	2020.CSR3.4 2020.CSR3.5 2022.CSR3.1 2022.CSR3.2 2022.CSR3.4 2023.CSR3.1 2023.CSR3.2	A fair green transition; Ensuring energy security
12	**Reform 11: The amendment to the Waste Act**	RRF SK-C[C2]-R[R3]	2020.CSR3.7 2024.CSR3.7	A fair green transition
13	**Investment 4: Upgrading green passenger rail infrastructure**	RRF SK-C[C3]-I[I1]	2019.CSR3.3 2020.CSR3.6 2022.CSR3.1 2023.CSR3.1	A fair green transition
14	**Reform 12: Nature protection and water law**	RRF SK-C[C5]-R[R2]	2024.CSR3.8	A fair green transition
15	**Investment 5: Capacity building of kindergartens**	RRF SK-C[C6]-R[R1]	2019.CSR2.1 2019.CSR2.2 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.3 (MIP) 2024.CSR3.5 2024.CSR3.6	Strengthening social and economic resilience
16	**Reform 13: Redefinition of special educational needs and preparation of methodological materials**	RRF SK-C[C6]-R[R2]	2019.CSR2.1 2019.CSR2.3 2020.CSR2.4 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience
17	**Reform 14: Curriculum reform in primary education**	RRF SK-C[C7]-R[R1]	2019.CSR2.1 2020.CSR2.4 2020.CSR2.3 2024.CSR3.3 (MIP) 2024.CSR3.4 2024.CSR3.5	Strengthening social and economic resilience
18	**Reform 15: Reform of governance, evaluation and support in science, research and innovation**	RRF SK-C[C9]-R[R1]	2019.CSR3.2 2019.CSR3.6 2020.CSR4.2 2024.CSR1.4 (MIP) 2024.CSR2.1 2024.CSR3.3 (MIP)	Strengthening social and economic resilience
19	**Investment 6: Supporting collaboration between business, academia and research organisations**	RRF SK-C[C9]-I[I2]	2024.CSR3.3 (MIP) 2020.CSR3.4 2019.CSR3.6 2019.CSR3.2 2019.CSR3.4	Strengthening social and economic resilience; A fair digital transition

20	**Investment 7: Projects to address the challenges of the green transition**	RRF SK-C[C9]-I[I4]	2019.CSR3.2 2020.CSR3.5 2022.CSR3.1 2022.CSR3.4 2023.CSR3.1	A fair green transition
21	**Investment 8: Research and innovation for a digital economy**	RRF SK-C[C9]-I[I5]	2019.CSR3.2 2019.CSR3.4 2019.CSR3.6 2020.CSR3.5 2024.CSR3.3 (MIP)	A fair digital transition
22	**Reform 16: Central hospital management system**	RRF SK-C[C11]-R[R3]	2019.CSR1.2 2020.CSR1.2 2020.CSR1.3 2020.CSR4.3	None
23	**Reform 17: Introduction of a new network of courts**	RRF SK-C[C15]-R[R1]	2019.CSR4.1 2020.CSR4.4 2024.CSR3.1	None
24	**Investment 9: Setting up shared service centres**	RRF/ESIF SK-C[C16]-I[I4]	2020.CSR4.3 2024.CSR2.1 2024.CSR3.3 (MIP)	None
25	**Reform 18: Digital marketplace**	RRF SK-C[C17]-R[R2]	2019.CSR3.4 2020.CSR4.3 2020.CSR3.2	A fair digital transition
26	**Investment 10: Investments in the modernisation of distribution systems**	RRF SK-C[C19]-I[I1]	2020.CSR3.5 2022.CSR3.1 2022.CSR3.2 2022.CSR3.3 2023.CSR3.4 2023.CSR3.1	Ensuring energy security
27	**Investment 11: Renovating homes for energy-poor households**	RRF SK-C[C19]-I[I4]	2019.CSR3.5 2020.CSR3.5 2022.CSR3.5 2022.CSR3.1 2023.CSR3.6 2023.CSR3.1 2023.CSR3.5	Strengthening social and economic resilience; A fair green transition

Source: MoF SR

TABLE 10 – Investment needs

Common priorities	Description of investment needs
A fair green and digital transformation, including compliance with European climate legislation	The green transformation will require additional investments across different sectors, with the targeting of such investments outlined, for example, in the Integrated National Energy and Climate Plan 2021-2030. Specific measures include increasing energy efficiency across all sectors (buildings, industry, transport, etc.) and replacing the use of fossil fuels with more sustainable alternatives, particularly electricity. As large-scale electrification of various sectors (buildings, industry, transport, etc.) is expected, low-carbon electricity generation is essential and will require additional investment. Slovakia already has a relatively low emission intensity in electricity production, but given the anticipated increase in consumption, it is necessary to boost production from low-carbon sources. This will require investment in nuclear, solar, and wind power to meet growing demand without increasing greenhouse gas emissions. In addition to investments in generation, further investment will be required in electricity transmission and distribution systems. In line with the National Digital Decade Plan of the Slovak Republic and the National Concept for the Informatisation of Public Administration, investment priorities in digital transformation focus on four main areas: digitisation of public services, digital transformation of businesses, digital skills, and secure and sustainable digital infrastructure. Specific measures particularly focus on increasing the number of users of the state's digital services (eGovernment), with the state preparing to optimise digital solutions for priority life events such as the birth of a child or starting a business. Increased use of the state's digital services should be supported by investments in digital technology education for all age groups, as well as ensuring access to high-quality and fast internet connections throughout Slovakia.
Social and economic resilience, including the European Pillar of Social Rights	From the perspective of developing a knowledge-based economy, Slovakia needs to increase the volume of funding for research and innovation, with this increase being closely linked to the successful implementation of ongoing reforms. Slovakia plans to gradually increase public sector spending on research and development by 2030. Investments should also focus on improving the quality and modernisation of the education system at multiple levels. It is important to build up the missing capacities and ensure a sufficient number of places in pre-primary education. Priority should be given to measures that enhance the inclusion of children with special educational needs and children from marginalised Roma communities.
Energy security	Enhancing energy security is a challenge for the Slovak Republic, primarily due to the lack of domestic energy resources and its landlocked position, as reflected in the Integrated National Energy and Climate Plan for 2021–2030. The medium-term investment solution focuses on diversifying the import of various types of energy resources by building new connections, particularly in the gas sector along the north-south axis. The long-term solution lies in increasing energy production from domestic sources, primarily through investments in renewable energy and nuclear power.
Where necessary, the build-up of defence capabilities	To ensure security, fulfil commitments to NATO and the EU, and maintain regional stability, investments in modernisation projects continue. The implementation of selected projects included in the Ministry of Defence's Long-term Development Plan, with a horizon to 2035, represents key initiatives aimed at developing Slovakia's defence capacities. The primary goal is to secure new and modern military equipment fully compatible with that of NATO member countries.