



# SLOVAK REPUBLIC

## TECHNICAL ASSISTANCE REPORT –FISCAL TRANSPARENCY EVALUATION

November 2023

This Technical Assistance Report on Slovak Republic was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in October 2023.

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# TECHNICAL ASSISTANCE REPORT

## **SLOVAK REPUBLIC**

### Fiscal Transparency Evaluation

**OCTOBER 2023**

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# Abbreviations and Acronyms

ARDAL	Agency for Debt and Liquidity Management
AWG	Ageing Populations and Sustainability Working Group
BCG	Budgetary Central Government
CBR	Council for Budget Responsibility
CFS	Consolidated Financial Statements
CG	Central Government
COFOG	Classification of Functions of Government
DBP	Draft Budgetary Plan
EBF	Extrabudgetary Funds
EC	European Commission
EDP	Excessive Deficit Procedure
EFSF	European Financial Stability Facility
ESA 2010	European System of Accounts 2010
ESM	European Stability Mechanism
ESS	European Statistical System
EU	European Union
FAD	Fiscal Affairs Department
FTC	Fiscal Transparency Code
FTE	Fiscal Transparency Evaluation
GGB	General Government Budget
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GG	General Government
HTU	Higher Territorial Unit
GVC	Global Value Chain
IFP	Institute for Financial Policy
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
KPI	Key Performance Indicator
FTE	Fiscal Transparency Evaluation
GGB	General Government Budget
GFS	Government Finance Statistics

GFSM	Government Finance Statistics Manual
GG	General Government
HTU	Higher Territorial Unit
GVC	Global Value Chain
IFP	Institute for Financial Policy
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
KPI	Key Performance Indicator
LG	Local Government
MBTF	Medium-Term Budget Framework
MFSR	Ministry of Finance of the Slovak Republic
MTO	Medium-Term Objectives
NBS	National Bank of Slovakia
NFA	Non-Financial Assets
NGO	Non-Governmental Organization
NPC	No Policy Change
NPL	Non-Performing Loans
NPV	Net Present Value
NSDP	National Summary Data Pages
OECD	Organization for Economic Cooperation and Development
OEF	Other Economic Flows
PC	Public Corporation
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PPP	Public-Private Partnership
PS	Public Sector
PSBS	Public Sector Balance Sheet
RRP	Recovery and Resilience Plan
SAI	Supreme Audit Institution
SAO	Supreme Audit Office
SAR	Summary Annual Report
SDDS	Special Data Dissemination Standard
SIH	Slovak Investment Holding
SME	Small and Medium Enterprises
SNG	Subnational Government

SOE	State-Owned Enterprise
SOSR	Statistical Office of the Slovak Republic
SSF	Social Security Fund
SZRB	Slovak Guarantee and Development Bank
TSCG	Treaty on Stability, Coordination and Governance
VAT	Value Added Tax
VFM	Value for Money

LEVEL OF PRACTICE	RATING			
	Not Met	Basic	Good	Advanced

LEVEL OF IMPORTANCE	RATING		
	High	Medium	Low



# Preface

At the request of Mr. Igor Matovič, Deputy Prime Minister and Minister of Finance, the Fiscal Affairs Department (FAD) of the IMF conducted a Fiscal Transparency Evaluation (FTE) for the Slovak Republic during the period January 12-28, 2022. The mission team comprised Fazeer Rahim (lead), Richard Allen, Julien Dubertret, Viera Karolova, Kezhou Miao, and Yi Wu. Given travel restrictions, the mission was conducted remotely.

The authorities have sought this independent evaluation of its fiscal transparency practices to serve as a benchmark for public finance reforms. This evaluation follows a Public Investment Management Assessment (PIMA) undertaken by FAD in 2018.

At the Ministry of Finance of the Slovak Republic (MFSR), the mission met with State Secretary, Mr. Marcel Klimek, the General Director of the Budget Policy Section, Mr. Alexander Cirak, the Director of the Value-for-Money Unit, Mr. Štefan Kišš, the Director of the Institute of Fiscal Policy, Mr. Juraj Valachy, and the Director of the State Reporting Department, Mr. Peter Ivanek, as well as technical staff of their respective sections and units and staff from the Tax and Customs, European Funds, and International Sections.

Outside of the MFSR, the mission met with staff of the Ministries of Economy, Education, and Environment and Interior, the Central Bank of Slovakia, the Slovak Council for Budget Responsibility, the Statistical Office of the Slovak Republic, the Supreme Audit Office, and the Debt and Liquidity Management Agency.

The evaluation is based on information made available at the time of the virtual mission in January 2022. The findings and recommendations included in the report represent the views and advice of the IMF mission team and do not necessarily reflect those of the authorities. Unless otherwise specified, the data presented in text, figures and tables in the report are estimates made by the IMF mission team and not official estimates of the government of the Slovak Republic.

The mission would like to thank the authorities for their excellent collaboration during this evaluation and for the frank and open exchanges of views on all matters discussed. In particular, the mission wants to thank Ms. Monika Sykorova and Ms. Dominika Hornakova for their kind assistance in coordinating and supporting the work of the mission. A special thanks also to Mr. Peter Harvan, of the Office of the Executive Director at the IMF, for his insights and constructive comments.

# Executive Summary

**The public sector takes up an important part of the Slovakian economy.** Expenditure by the general government, which comprises 910 central government entities<sup>1</sup>, a pension fund, a health fund, and 6,765 local government entities, represented around 40 percent of gross domestic product (GDP) prior to the Covid-19 pandemic. Spending by the 651 public corporations, of which 10 are financial corporations, added another 10 percent to GDP. Public sector assets, both financial and nonfinancial, were estimated at 188 percent of GDP, and its liabilities at 168 percent of GDP.

**There are relatively strong institutions in place to support fiscal transparency.** The authorities prepare and publish consolidated financial statements (CFS) and fiscal statistics according to international standards. These statistics meet the requirements of EUROSTAT, and the directives of the European Commission on the compilation and dissemination of key fiscal indicators, including contingent liabilities. Starting with the 2004 Act on Budget Rules, successive reforms have established an orderly budget process; set a high bar on budget documentation; and created structures and institutions to prepare forecasts, assess fiscal sustainability and risks, and scrutinize the quality of public spending. All these efforts are backed by generally strong capabilities and professionalism across the Ministry of Finance of the Slovak Republic (MFSR), line ministries, the National Bank of Slovakia (NBS), the Slovak Supreme Audit Office (SAO), the Statistical Office of the Slovak Republic (SOSR) and the Slovak fiscal council, the Council for Budget Responsibility (CBR).

**The evaluation in this report confirms Slovakia's generally strong track record on fiscal transparency.** It shows that most aspects of Slovakia's fiscal reporting, budgeting and risk management are in line with the good or advanced practices of the IMF's Fiscal Transparency Code (FTC).<sup>2</sup> It highlights several strong areas, especially:

- The broad coverage of institutions in fiscal reports, which extends across the whole public sector (with the notable exception of the National Bank and nine public corporations), both in terms of stocks and flows, makes Slovakia one of the world leaders in the reporting of a public sector balance sheet.
- The frequency of in-year reporting, with data for the execution of the State budget being made available daily.
- The quality of fiscal reports, provided according to various levels of classification, that are compared and reconciled across various compilation methods, and revised every year to ensure reliability and consistency.
- The legislation guiding the budget process which sets the content, structure and timetable of the budget, and its orderly and timely approval by the legislature (National Council).
- The documentation presented to the National Council which covers the budget of nearly all general government entities, including the social security and health funds.

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<sup>1</sup> Of which some are public enterprises that operate on a non-market basis.

<sup>2</sup> Slovakia scored good or advanced practice on 26 out of 36 indicators.

- The disclosure and regular update of macroeconomic forecasts underpinning the budget together with their main drivers, their evaluation by independent committees and the CBR to reduce bias, and their reconciliation over time to improve quality.
- The reporting of macroeconomic and specific fiscal risks facing public finances, both short and long term, and the management of these risks through budgetary contingencies, limits and brakes on debt accumulation, and the oversight of local governments.

**The evaluation also highlights several areas where Slovakia’s fiscal transparency practices could be further improved, notably:**

- Further integrating and reconciling the CFS and fiscal statistics, reporting stocks and flows across subsectors, and expanding the coverage of high-frequency (monthly) fiscal data to support budget monitoring.
- Undertaking a strategic review of tax expenditures every few years to ensure they are efficient and meet the required policy objectives.
- Aligning the external audit process with accepted international practices, which requires the SAO to conduct or oversee the audit of government finances.
- Accelerating the adoption of the amendments to the Constitutional Act on Budgetary Responsibility to introduce multiannual expenditure ceilings (a commitment under Slovakia’s Recovery and Resilience Plan), which would strengthen top-down budgeting, encourage better bottom-up costing, and shift the budget culture away from line-item budgeting to a dialog on the quality and affordability of policy and budget outcomes.
- Improving the institutional setup for medium-term budgeting, through better cooperation with line ministries, improved baseline and policy costing, and a stronger emphasis on program and performance budgeting. The strategic budgeting process can be further enhanced by better integrating it with spending reviews and the overall Value-for-Money initiative.
- Formalizing the authorization of in-year virements and creating stronger relationships between the National Council and the SAO on the audit of public finances, and between these entities and the CBR on the management of fiscal policy and fiscal risks.
- Improving the analysis of macroeconomic risks and specific risks, such as long-term risks to public health insurance, deepening the analysis of environmental risks and the cost of mitigating climate change, and improving the central oversight of public corporations.

**In addition to the evaluation against the FTC (summarized in Table 1 below), this report provides a series of recommendations to address the above-mentioned gaps.** These recommendations (summarized in Table 2) are actionable and targeted and have been selected according to the importance of the key issues facing Slovakia. The report also compiles a public sector balance sheet for Slovakia (Table 3 below) using publicly available information and information supplied by the authorities and provides a comparison with country peers.

**Table 1. Slovakia. Summary Assessment Against the Fiscal Transparency Code**

I. Fiscal Reporting	II. Fiscal Forecasting & Budgeting	III. Fiscal Risk Analysis & Management
Coverage of Institutions	Budget Unity	Macroeconomic Risks
Coverage of Stocks	Macroeconomic Forecasts	Specific Fiscal Risks
Coverage of Flows	Medium-term Budget Framework	Long-term Fiscal Sustainability
Coverage of Tax Expenditure	Investment Projects	Budgetary Contingencies
Frequency of In-Year Reporting	Fiscal Legislation	Asset and Liability Management
Timeliness of Annual Accounts	Timeliness of Budget Documentation	Guarantees
Classification	Fiscal Policy Objectives	Public-Private Partnerships
Internal Consistency	Performance Information	Financial Sector
Historical Revisions	Public Participation	Natural Resources
Statistical Integrity	Independent Evaluation	Environmental Risks
External Audit	Supplementary Budget	Subnational Governments
Comparability of Fiscal Data	Forecast Reconciliation	Public Corporations

**Table 2. Summary Recommendations**

- 1.1.** Enhance the coverage and valuation in the CFS and fiscal statistics by (i) including data on the NBS, other public corporations under the MH Management, and subsectors of the public sector; (ii) including estimates of the value of the stock of natural resources, and (iii) using a market valuation for assets and liabilities
- 1.2.** Conduct a comprehensive review of tax expenditures every five years to (i) determine their macroeconomic and distributional impact; (ii) scale back expenditures that are not generating benefits commensurate to their cost; and (iii) assess whether there continues to be a good justification for each tax expenditure compared to other policy goals and instruments, including general government expenditure
- 1.3.** Enhance the comparability of fiscal reports by (i) consolidating existing data on the components of public sector net worth, and presenting data on the stock of nonfinancial and financial assets and liabilities; and (ii) presenting a reconciliation of the results reported in the CFS and the budget execution data and fiscal statistics, explaining all major deviations
- 1.4.** Consider transferring responsibility for organizing, overseeing and supervising external audit function from the MFSR to the SAO
- 2.1.** Extend the coverage of the National Council's approval to budget of general government entities falling under the spending ceilings as part of the draft Constitutional Act on expenditure ceilings
- 2.2.** Issue instructions for the MFSR and line ministries to facilitate the implementation of expenditure
- 2.3.** Publish data on the government's total commitments on major investment projects
- 2.4.** Adopt Constitutional Amendment on expenditure ceilings
- 2.5.** Use performance information more actively in budgeting by completing the draft budgetary plan with targets for KPIs for the budget and two outer years
- 2.6.** Create greater opportunities for public participation in the budget by (i) including in the Citizen's Guide to the Budget information on the impact of the budget on typical citizens and different demographic groups; and (ii) providing citizens and NGOs with a formal voice in the budget process
- 2.7.** Establish a set of published rules for better managing in-year transfers, and a mechanism to review and challenge the breakdown of spending under budget chapters to minimize the need for such transfers
- 3.1.** Deepen existing macroeconomic risk analysis by including probabilistic fan-charts and retrospective comments on the realization of previously published risk scenarios
- 3.2.** Prepare and publish an annual consolidated fiscal risk statement
- 3.3.** Regularly publish long-term projections of the health insurance fund and the long-term sustainability of health-related expenditures
- 3.4.** Publish comprehensive information on government guarantees
- 3.5.** Support the special unit in the MFSR responsible for overseeing SOEs by providing resources, operational manuals and guidelines for conducting their activities, and obtaining required information from the companies

**Table 3. Slovakia. Public Sector Financial Overview, 2020**  
(Percent of GDP)

	General Government				Consolidated General Government	Public Corporations		Consolidation	Public Sector
	Central govt.	Social Security Funds	Local govt.	Consolidation		Nonfinancial	Financial		
<b>Transactions</b>									
<b>Revenue</b>	25.3	16.5	8.0	-9.8	40.1	11.7	0.5	-1.0	51.2
<b>Expenditure</b>	31.3	16.1	7.8	-9.8	45.6	9.4	0.4	-1.0	54.3
Expense	31.1	16.1	7.6	-9.8	45.1	9.0	0.4	-1.0	53.5
Investment in Non-financial assets	0.2	0.0	0.2	0.0	0.5	0.4	0.0	0.0	0.8
<b>Gross operating balance</b>	<b>-3.5</b>	<b>0.4</b>	<b>1.3</b>	<b>0.0</b>	<b>-1.9</b>	<b>3.0</b>	<b>0.1</b>	<b>0.0</b>	<b>1.2</b>
<b>Net lending/borrowing</b>	<b>-6.1</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>-5.5</b>	<b>2.3</b>	<b>0.1</b>	<b>0.0</b>	<b>-3.1</b>
<b>Stocks</b>									
<b>Assets</b>	<b>105.0</b>	<b>3.5</b>	<b>34.7</b>	<b>-3.0</b>	<b>140.2</b>	<b>26.9</b>	<b>68.3</b>	<b>-46.9</b>	<b>188.4</b>
<b>Nonfinancial</b>	67.7	0.9	27.3	0.0	96.0	17.3	2.8	0.0	116.1
<b>Financial</b>	37.3	2.5	7.4	-3.0	44.2	9.6	65.5	-46.9	72.4
<b>Liabilities</b>	<b>118.8</b>	<b>0.7</b>	<b>3.1</b>	<b>-3.0</b>	<b>119.5</b>	<b>26.9</b>	<b>68.3</b>	<b>-46.9</b>	<b>167.8</b>
Liabilities other than equity o/w civil servant pension entitlements	118.3	0.7	3.1	-2.9	119.3	5.8	65.7	-23.2	167.5
Equity	40.3	0.0	0.0	0.0	40.3	0.0	0.0	0.0	40.3
Equity	0.4	0.0	0.0	-0.2	0.3	21.1	2.6	-23.7	0.3
<b>Net worth</b>	<b>-13.7</b>	<b>2.7</b>	<b>31.6</b>	<b>0.0</b>	<b>20.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>20.6</b>
<b>Net financial worth</b>	<b>-81.4</b>	<b>1.8</b>	<b>4.3</b>	<b>0.0</b>	<b>-75.4</b>	<b>-17.3</b>	<b>-2.8</b>	<b>0.0</b>	<b>-95.4</b>
<u>Memorandum items:</u>									
Social security pension entitlements	365.6				365.6				365.6
<b>Net worth incl. social security pension entitlements</b>	<b>-379.4</b>				<b>-345.0</b>				<b>-345.0</b>

Source: IMF staff calculations from CFS, and authorities' data

# I. Fiscal Reporting

**1. Fiscal reports should provide a comprehensive, relevant, timely and reliable overview of the government's financial position and performance.** This chapter assesses the quality of fiscal reporting in Slovakia against the principles set out in the FTC. In doing so, it assesses four dimensions of the Code:

- The coverage of institutions, stocks, and flows;
- The frequency and timeliness of fiscal reports;
- The quality of fiscal reporting; and
- The integrity of fiscal reports.

**2. Fiscal reports, which include the budget, in-year budget execution reports, the financial plans of state-owned enterprises (SOEs) and other public entities, fiscal statistics, and annual financial statements, should:**

- Cover all institutional units in the public sector classified according to international standards.
- Record all transactions and stocks of assets, liabilities, transactions in revenue, expenditure, and financing, and other economic flows (OEFs).
- Be published in a frequent and timely manner.
- Reconcile the different balances calculated and have comparable data across reports.
- Be prepared by an independent agency, in the case of statistics, and be scrutinized by an independent external audit authority in the case of financial statements.

**3. Fiscal reporting in Slovakia follows international and national reporting standards.**

Fiscal statistics for the general government sector strictly follow the *European System of Accounts 2010* (ESA 2010) framework. The public sector's financial statements are largely based on the International Public Sector Accounting Standards (IPSASs), adjusted for country specific issues.

**4. Various fiscal reports for Slovakia are compiled.** These reports, their institutional and transactional coverage, their basis of recording and the frequency of their publication are listed in Table 3 below. Slovakia's main summary fiscal reports comprise:

- **Daily execution reports covering the state budget**, generated by the State Treasury and published by the MFSR daily for the preceding day, present summarized data on the main revenue and expenditure categories on a cash basis.
- **Monthly fiscal reports covering budgetary central government, consolidated central government, and the social security funds (SSFs)**, compiled by the MFSR and published on their website within one month of the end of each month, thus following the requirements of European Council (EC) Directive 2011/85 on Budgetary Frameworks (the "Six-Pack"). These reports present a cash-based statement of revenue, expenditure, and financing.
- **Monthly budget execution reports** covering the consolidated central government and SSFs provide a more detailed breakdown of revenue and expenditure and are published within two months after the reporting period.

- **Quarterly budget execution reports** covering the consolidated general government sector on a cash basis.
- **Monthly reports on government debt** published by the Agency for Debt and Liquidity Management (ARDAL).
- **Annual General Government Closing Accounts** covering the execution of the State budget on a cash basis and the execution of the general government and its subsectors on the ESA 2010 basis, are produced by the MFSR and audited by the SAO. These accounts also provide a detailed reconciliation of the cash-based budget outturn with the accrual-based data prepared according to the ESA 2010 methodology.
- **Annual Public Sector Consolidated Financial Statements (CFS)** covering the entire public sector except the National Bank of Slovakia and nine public corporations are prepared by the MFSR. The accrual IPSAS-based financial statements comprise a balance sheet, a statement of financial performance and explanatory notes. The institutional coverage of the CFS follows the statistical register of institutional units maintained by the SOSR.
- **Summary Annual Reports (SARs)**, prepared by the MFSR, comprises three sections presenting: (i) data on the fiscal performance of the general government based on ESA methodology (including data on revenue, expenditure, fiscal balance and debt by subsectors and by individual entities of the general government, and explanations of the revisions of general government deficit and debt figures); (ii) information required by the 2011 Constitutional Act on Budget Responsibility<sup>3</sup> (including data on the structural balance, cyclical components, one-off effects on the fiscal balance, and an evaluation of the government's debt management strategy); and (iii) information on public sector net worth, including data on explicit and implicit contingent liabilities (pension liabilities, expenditure on education and health, public-private partnerships, and others), net debt, and public corporations. The CFS are also annexed to the SARs.<sup>4</sup>
- **Reports on contingent liabilities and other fiscal indicators** compiled by the SOSR comprise annual data on the liabilities of public corporations and non-profit institutions classified outside the general government, one-off and standardized guarantees issued by the government, non-performing loans held by government, and ownership by the government of the capital of public corporations. These reports are based on the requirements of EC Directive 2011/85. Data on implicit accrued-to-date pension liabilities in social insurance are published once every three years as required by Eurostat.
- **Quarterly General Government National Accounts** are produced by the SOSR in accordance with ESA 2010 and present accrued revenue and expenditure, transactions in financial assets and liabilities, a financial balance sheet, and data on Maastricht debt.<sup>5</sup>
- **Annual General Government National Accounts** produced by the SOSR in accordance with ESA 2010 include, in addition to data on revenue, expenditure, financing, and the financial balance sheet, information on government expenditure by functions of government, a detailed report on taxes and social contributions, and data on OEFs, comprising data on holding

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<sup>3</sup> [https://www.rrz.sk/wp-content/uploads/2021/05/constitutional\\_act\\_493\\_2011.pdf](https://www.rrz.sk/wp-content/uploads/2021/05/constitutional_act_493_2011.pdf)

<sup>4</sup> The SAR and CFS are posted in the Public Register of Financial Statements which provides access to all individual reports as well as the consolidated financial report of the Slovak entities.

<sup>5</sup> Based on the 1993 Maastricht Treaty, "Maastricht debt" is one of the five EU convergence criteria and is defined as the total consolidated gross debt at face value in the following categories of government liabilities (defined in ESA 2010): currency and deposits, debt securities and loans. The reference values for debt are based on concepts defined in the European System of Accounts (ESA 2010).



gains/losses and other volume changes in financial assets and liabilities categories.

- **Excessive Deficit Procedure tables** are compiled biannually by the SOSR and present annual data on the general government deficit and debt in line with EC requirements. They also present a reconciliation of the fiscal balance based on the budget execution reports (as approved by the National Council) and the ESA 2010 fiscal balance, as well as a reconciliation of the ESA 2010 fiscal balance with the change in Maastricht debt, by general government subsectors (the so-called stock-flow-adjustment).

## 1. Coverage of Fiscal Reports

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### 1.1.1. Coverage of Institutions (Good)

5. In 2021, the public sector of Slovakia comprised 8,338 institutional units. According to the SOSR, these entities are broken down into the following subsectors:

- **Central government**, which comprises 910 units, including 679 budgetary and 131 so called “semi-budgetary organizations”<sup>6</sup>, 3 state special purpose funds (the Nuclear Fund, the Housing Development Fund, and the Environmental Fund), 61 health care entities, Slovak Consolidation and Slovak Restructuring agencies, commercially oriented enterprises and companies operating as non-market producers (including the National Road Company, the Railway and Rail companies, Eximbank, the Nuclear and Decommissioning Company, MH Invest, and MH Management), universities and other public non-profit entities. The public service pension scheme for armed forces is also integrated with the central budgetary organizations.
- **Local government**, which comprises 6,765 units, of which there are 2926 municipalities that are part of the eight territorial units or regions, 3304 budgetary and semi-budgetary organizations, 26 non-market enterprises (mainly transport companies), 19 hospitals, and various non-profit entities.
- **Social security funds**, which comprise the Social Insurance Fund and Health Insurance Fund. This subsector also covers the data for health insurance related activities (flows and stocks) of the public health insurance scheme that is managed by two private insurance companies.<sup>7</sup>
- **Public nonfinancial corporations**, which comprise 651 corporations, of which 125 are state controlled enterprises and 525 are companies controlled by municipalities. Most of the companies are operating in the transport, energy, water supply, sewerage, and waste management sectors.
- **Public financial corporations**, which comprise the NBS, the Slovak Guarantee and Development Bank (SZRB), and eight other entities providing financial services.

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<sup>6</sup> The so called “semi-budgetary organizations” are based on the Slovak legislation extra-budgetary units which are partially financed by the budget.

<sup>7</sup> These companies, including their operational activities are classified in the private sector, but the public health insurance activities managed by the companies are rerouted to the government accounts.

**Table 4. Slovakia. List of Fiscal Reports**

Report	Source	Sectors	Coverage		Accounting		Publication	
			Flows	Stocks	Basis	Classification	Frequency	Timeliness
<b>In-Year Reports</b>								
Daily State Budget operations	MFSR	BCG	Rev, Exp	...	cashCash	Nat	Daily	1-2d
Monthly Operations (NSDP)	MFSR	BCG, CG, SSFs	Rev, Exp, Fin	...	Cash	ESA	Monthly	10d
Monthly revenue/expenditures (based on the CD 2011/85/EU requirements)	MFSR	CG	Rev, Exp	...	Cash	Nat	Monthly	2m
Monthly Debt report	ARDAL	BCG		L	Cash	Nat	Monthly	1m
Quarterly GG Operations	MFSR	GG	Rev, Exp, Fin	...	Accrual	ESA	Quarterly	9m
Quarterly non-financial national accounts	SOSR	CG. SNG. SSF, GG	Rev, Exp	...	Accrual	ESA 2010	Quarterly	3m
Quarterly financial accounts and financial balance sheet	SOSR	CG. SNG. SSF, GG	Fin	FA, L	Accrual	ESA 2010	Quarterly	3m
GG Maastricht debt	MFSR	CG. SNG. SSF, GG	...	L	Accrual	ESA 2010	Quarterly	3m
Monthly Debt Report	ARDAL	BCG	...	L	Cash	Nat	Monthly	3d
<b>Year-End Reports</b>								
General Government Closing Account (budget execution)	MFSR	BCG, GG	Rev, Exp, Fin	L	Cash (BCG), Accrual (GG)	Nat and ESA 2010	Annual	4m
Summary Annual Report & Public Sector Consolidated Financial Statements	MFSR	GG (cons.), PS (Cons)	Rev, Exp, Fin, partial OEF	NFA, FA, L	Accrual	ESA 2010; IPSAS	Annual	12m
General Government Debt - consolidated	MFSR	GG; debt holders	...	L	Accrual	ESA 2010	Annual	4m
Biannual EDP Notification	SOSR	CG. SNG. SSF, GG	Deficit, debt	Maastricht debt	Accrual	ESA 2010	Annual	3m, 9m (biannual)
Sectoral General Government accounts	SOSR	CG. SNG. SSF, GG	Rev, Exp, Fin, partial OEF	FA, L	Accrual	ESA 2010	Annual	9m
Contingent liabilities and other fiscal indicators (based on the CD 2011/85/EU requirements)	SOSR, MFSR	GG, PCs	Fin	A (equity, NPLs), L	Accrual		Annual	10m
General Government expenditure by function	SOSR	GG	Exp	...	Accrual	COFOG	Annual	12m
Detailed Tax and Social Contribution Receipts	SOSR	GG	Rev: Taxes and social contributions	...	Accrual (time adjusted cash)	ESA 2010	Annual	10m
Accrued to date pension entitlements in social insurance	SOSR	GG, Fin. Corporations	...	Pension liabilities	Accrual	ESA 2010	3 years	24m

Note: BCG: Budgetary Central Government; LG: Local Government; GG: General Government; PC: Public Corporation; PS: Public Sector; Rev: Revenue; Exp: Expenditure, Fin: Financing; FA: Assets; Financial Assets; L: Liabilities; NFA Nonfinancial Assets; OEF: other economic flows; NPLs: Nonperforming loans; Nat: national classification. SOSR: Statistical Office of the Slovak Republic; ARDAL: Agency for debt and liquidity management.

**6. Slovakia's public sector expenditure is estimated at 54.3 percent of GDP in 2020. (Table 5)** summarizes the distribution of public sector revenue and expenditure across the different subsectors and shows that:

- **General government** net expenditure accounts for 45.6 percent of GDP on a consolidated basis, of which more than half flows through the central government, and one-third is spent by the local governments.
- **Public corporations'** expenditure accounts for 9.8 percent of GDP, more than 96 percent of which is spent by public nonfinancial corporations.

**Table 5. Slovakia: Public Sector Institutions and Finances, 2020**  
(Percent of GDP, unless otherwise stated)

	Number of entities	Revenue	Expenditure	Balance	Intra-PS expenditure	Net expenditure	Net expenditure (Percent of total public sector expenditure)
<b>Public Sector</b>	<b>8,338</b>	<b>51.2</b>	<b>54.3</b>	<b>-3.1</b>		<b>54.3</b>	<b>100.0</b>
<b>General government</b>	<b>7,677</b>	<b>40.1</b>	<b>45.6</b>	<b>-5.5</b>	<b>-1.0</b>	<b>44.5</b>	<b>82.0</b>
Central government	910	25.3	31.3	-6.1	-8.5	22.8	42.1
Social Security Funds	2	16.5	16.1	0.4	0.0	16.1	29.7
Local governments	6,765	8.0	7.8	0.2	-2.3	5.5	10.3
<b>Nonfinancial public corporations</b>	<b>651</b>	<b>11.7</b>	<b>9.4</b>	<b>2.3</b>	<b>0.0</b>	<b>9.4</b>	<b>17.3</b>
<b>Financial public corporations</b>	<b>10</b>	<b>0.5</b>	<b>0.4</b>	<b>0.1</b>	<b>0.0</b>	<b>0.4</b>	<b>0.7</b>

Source: SOSR, financial statements of public corporations, and staff estimates.

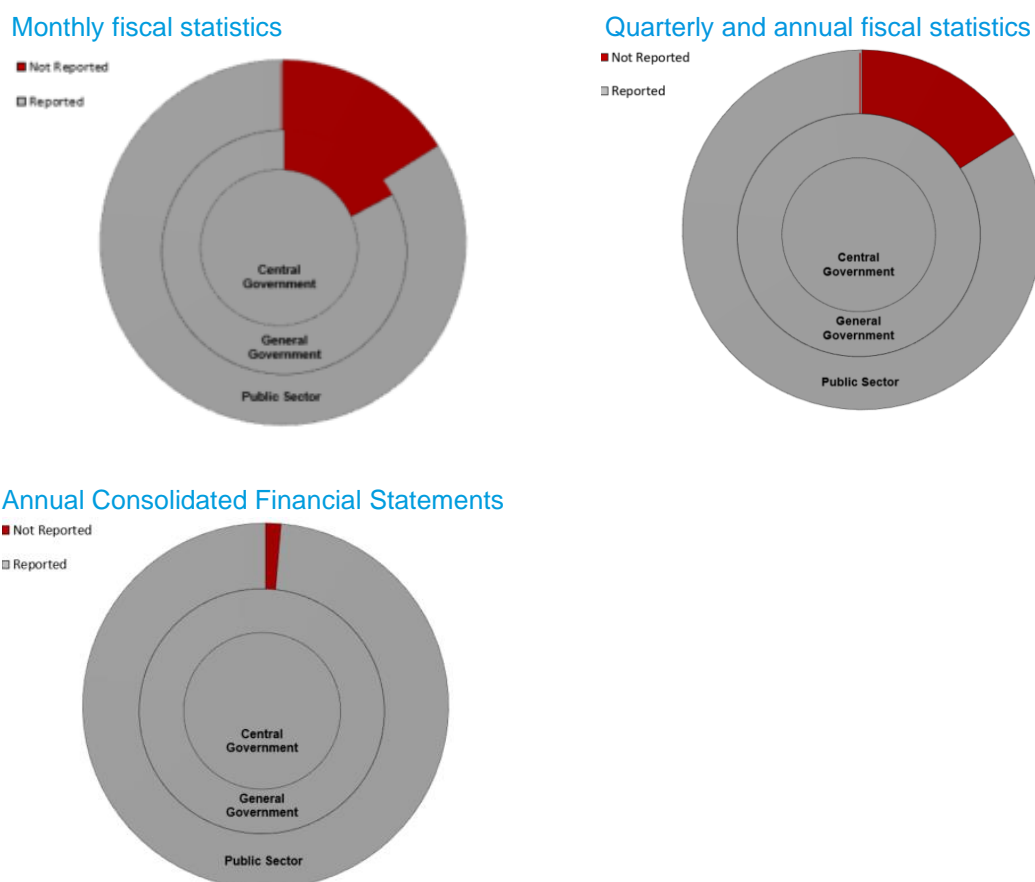
Note: \*Intra-PS transfers include grants, property income, and other transfers received from and paid to other public sector units. The "Balance" refers to the GFSM 2014/ESA 2010 based net lending (+)/net borrowing (-). Numbers for "Revenue" and "Expenditure" do not add up due to consolidation of inter-sectoral transactions.

**7. The annual CFS are the most comprehensive of fiscal reports, covering 99.2 percent of total public sector spending (Figure 1).** These statements are compiled by the Reporting Department of the MFSR and contain a balance sheet and income statement of the public sector, accompanied by explanatory notes. The CFS exclude the NBS and nine public corporations held in the portfolio of MH Management<sup>8</sup> for the purpose of privatization (expenditure of the NBS and uncovered corporations account for 0.3 and 0.1 percent of GDP respectively). By contrast, the annual and quarterly fiscal

<sup>8</sup> MH Management replaced the former National Property Fund in 2015.

statistics exclude the public corporation sector). In addition to the latter, the monthly fiscal statistics also exclude the local government sector.

**Figure 1. Slovakia: Public Sector Expenditure and Coverage in Fiscal Reports, 2020**  
(Percent of expenditure of each level)



Source: SOSR, MFSR, financial statements of public corporations, and staff estimates.

Note: "Not reported" in Financial Statements refer to the National Bank of Slovakia and public corporations to be privatized and held by MH Management. "Not reported" in Fiscal Statistics refer to the expenditures of the public corporation sector as they are not included in the fiscal statistics. Monthly data cover only the central government and SSFs.

**8. The institutional coverage of the CFS is determined by decisions of the SOSR in accordance with the ESA 2010 sectorization rules.** The coverage of the CFS is guided by an Instruction of the Ministry of Finance of December 19, 2017 (MF/017353/2017-352)<sup>9</sup> on the content, methods, and deadlines for submitting accounting data to evaluate budget performance. According to this document, all public sector entities included in the SOSR's statistical register must be aligned with the ESA 2010 sectorization rules. The register is updated by the SOSR on a regular basis to include new public entities and reassess the so-called market/non-market sectorization rule (see **Box 1**) to classify entities into the general government, or public corporation subsectors. The register maintained by SOSR is used by the MFSR to ensure complete public sector coverage in the financial statements.

<sup>9</sup> [https://www.pokladnica.sk/\\_img/Documents/vykaznictvo/usmernenia/Opatrenie\\_2018.pdf](https://www.pokladnica.sk/_img/Documents/vykaznictvo/usmernenia/Opatrenie_2018.pdf)

### Box 1. Slovakia. Understanding the Concept of Public Corporations

**Under the ESA 2010/GFSM 2014 methodology, financial and nonfinancial public corporations are defined as entities that are directly or indirectly controlled by the government and that operate on a market basis.** In practice, public corporations include entities engaged in commercial, industrial, professional, regulatory, or even social-related activities if they meet the so-called “*market criteria*”. This rule—more precisely defined in ESA 2010—states that autonomous public institutional units whose operating income cover at least 50 percent of their operating costs are market producers and included in the public corporation sector. This test also includes several qualitative criteria (e.g., if the entity operates in the market or provides goods and services only to government).

**Technically, the concept of public corporations is wider than that of “state-owned enterprises” (SOEs), even though the terms are sometimes—mistakenly—used interchangeably.** SOEs usually refer to enterprises involved in non-financial commercial activities, while public corporations also cover:

- enterprises owned by subnational governments and by other public sector entities;
- central banks and other public financial institutions; and
- various “non-commercial” entities whose primary goal is not to maximize profits but still generate enough own resources to cover their costs sustainably. Such entities include autonomous institutions operating in fields such as sports and culture, housing, and regulatory services.

**The public corporation sector in Slovakia is defined by international guidelines of the ESA/GFSM and comprises 651 entities.** Most are established under the legal form of joint stock companies (107 of which 58 are controlled by the central government); as state enterprises (12 units are controlled by central government); as limited liability companies (490 of which 457 are controlled by subnational governments); or as non-profit/public services (42 units, of which 34 are controlled by subnational governments):

- The joint stock companies, limited liability companies, and entities have the legal form of state enterprises and include mostly commercial enterprises whose primary goal is maximizing profits. They operate mainly in the energy, transport, water supply, sewerage and waste management, forestry, and agriculture sectors, and in housing and property management.
- The limited liability companies also include, in addition to commercial enterprises, some small entities engaged in sport, culture, and social activities.
- The non-profit organizations included in the public sector are small units engaged in public services (e.g., associations for cultural or recreational activities).

**In addition to public corporations, some entities established as companies in Slovakia operate on a non-market basis and are therefore classified within the general government sector.** These include the Railway Company, the National Road Company, Eximbank, the Nuclear and Decommissioning Company, local transport, and others.

**9. This comprehensive institutional coverage places Slovakia at the forefront of fiscal reporting practices worldwide,** as relatively few countries compile consolidated public sector financial statements. To follow best practice, the CFS could be further improved by presenting data for subsectors.

**10. Fiscal statistics in Slovakia consolidate all general government entities and report on each subsector according to international statistical guidelines.** The SOSR compiles quarterly and annual nonfinancial and financial accounts, and a financial balance sheet of the general government and its subsectors in accordance with the *ESA 2010* framework. The main sources of information for this compilation are the budget execution data and financial statements of individual public sector units. The SOSR has access to the database of the State Treasury which gathers information for all general government entities, including public non-market enterprises. The *ESA 2010* data are bridged into the *GFSM 2014* presentational framework in cooperation with Eurostat and published in the GFS database of the IMF. The SOSR does not compile national accounts for the entire public sector as this is not required by the *ESA 2010* Transmission Program, though the SOSR maintains an internal database of revenue, expense, and a balance sheet for public corporations.

#### 1.1.2. Coverage of Stocks (Good)

**11. The annual CFS produced by the MFSR include a balance sheet of the public sector.** This IPSAS-based balance sheet presents stocks of nonfinancial and financial assets and liabilities and consolidates the general government sector with public corporations directly or indirectly controlled by the government. The CFS also covers the liabilities of the various public service pension schemes, including that of the armed forces.

**12. The SOSR publishes quarterly and annual balance sheets of the general government and its subsectors.** Both statements are based on *ESA 2010* methodology and cover the financial assets and liabilities of the general government and its subsectors. The SOSR also compiles and publishes data on the stock of non-financial assets valued at replacement cost (*ESA 2010*, Table 26), that is a proxy to a market price according to international statistical standards. The latter report is published with a two-year delay, as authorized by the *ESA 2010* Transmission Program.

**13. While Slovakia is one of leaders in reporting public sector balance sheet, there is space for further improvements in the coverage and valuation of assets (Figure 1.3):**

- **Natural resources.** Stocks of forests accounting for 4.4 percent of GDP have been reported as an off-balance sheet item by the State Forest Company. They are covered in the estimate of public net worth presented in the Annual Summary Report, but not included in the published CFS. Estimates of the value of the stock of mineral resources are not available, though the amount would be relatively small as the revenue from natural resources accounted for only 0.01 percent of general government revenue in 2020.
- **Other non-financial assets.** The value of fixed assets and other types of non-financial assets covered in the CFS was reassessed in 2011 to reflect their market value but, since then, no systematic revaluations have been made. Figures for non-financial assets reported in CFS are lower than the estimates made by this mission of the market value of public sector non-financial assets (based on data published by SOSR in the *ESA* Table 26) by 64 percent of GDP in 2020.
- **Assets and liabilities of the NBS and companies owned by MH Management.** Consolidation of these public entities into the public sector balance sheet would increase the value of assets and liabilities in 2020 by 44.5 percent of GDP and 0.4 percent of GDP, respectively.

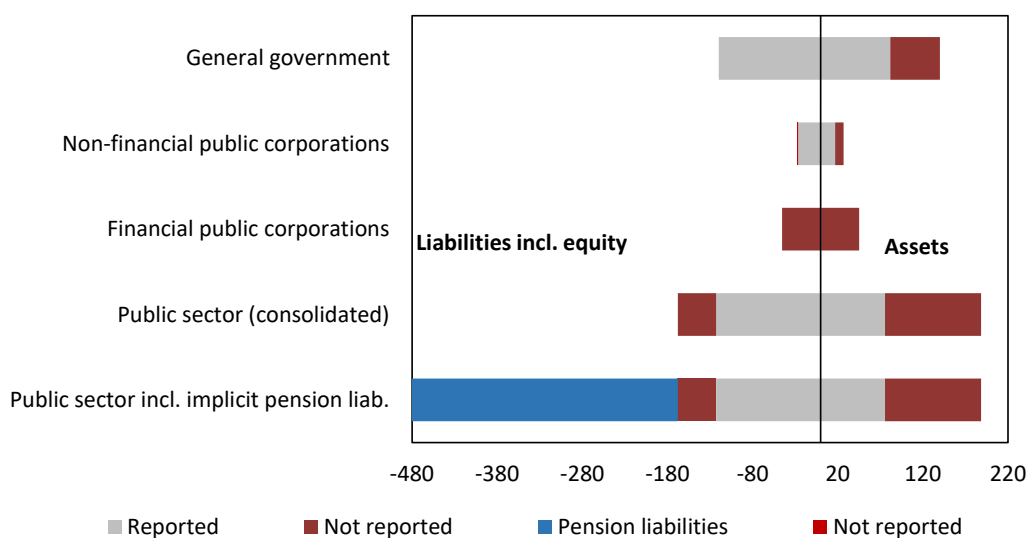
**14. Addressing these gaps would provide a more comprehensive view of public sector wealth.** As shown in **Table 3** and **Figure 2**, consolidated public sector asset holdings and liabilities are estimated to be around 188.4 percent of GDP and 167.8 percent of GDP respectively at end-2020. Public sector net worth and net financial worth are estimated to be 20.6 percent of GDP and -95.4 percent of GDP, respectively, for the same period. Considering the accrued-to-date implicit social security pension

liabilities, public sector net worth is estimated at a negative 345 percent of GDP. The main components include:

- **Nonfinancial assets** of 116.1 percent of GDP, which primarily comprise fixed assets.
- **Financial assets** of 72.4 percent of GDP, which on a consolidated basis comprise mainly assets held by the NBS (currency and deposits 22.8 percent of GDP and debt securities 30.1 percent of GDP).
- **Liabilities** other than equity of 167.5 percent of GDP, which primarily comprise on a consolidated basis the debt of the NBS in the form of deposits (55.6 percent of GDP) general government debt securities (42.9 percent of GDP), civil servants' pension liabilities (40.3 percent of GDP), and other payables (such as trade credits) of the general government and non-financial corporations (8.3 and 4.6 percent of GDP, respectively).

**Figure 2. Slovakia. Coverage of Public Sector Balance Sheet in Fiscal Reports, 2020**  
(Percent of GDP)

Source: CFS, MFSR SOSR, and staff estimates.

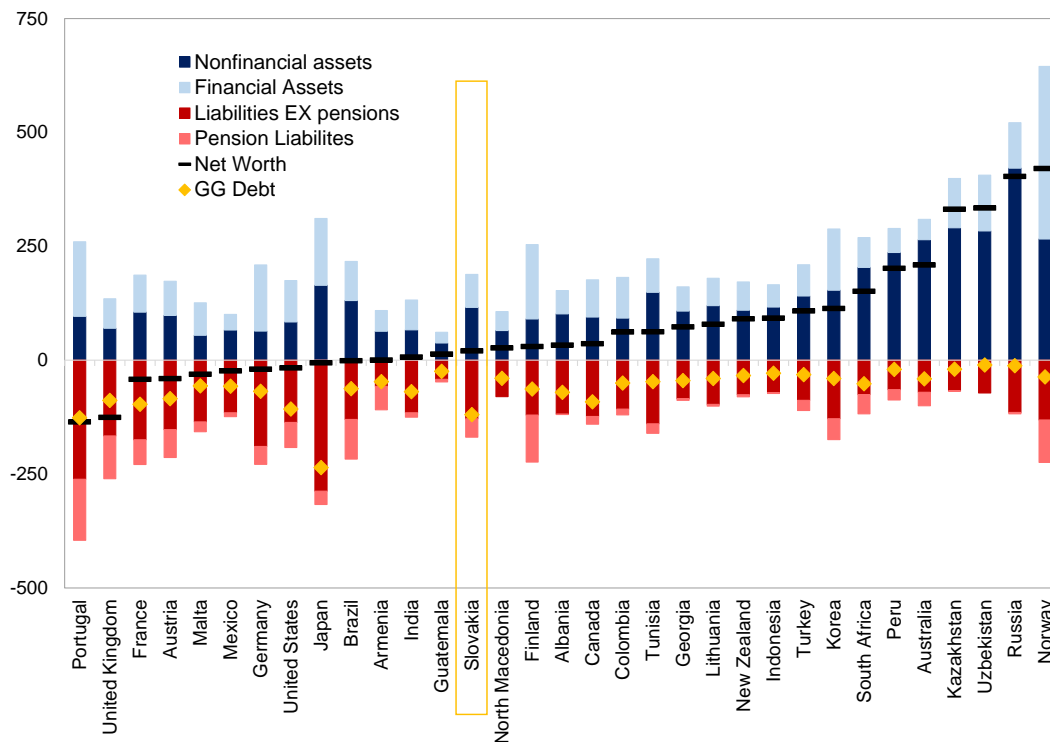


#### 15. Slovakia belongs to the group of countries with a relatively low public sector net worth.

This can be attributed to the relatively high liabilities of the general government that is estimated to be 119.5 percent of GDP in 2020 on a consolidated basis, of which debt securities and loans account for 51.3 percent of GDP, public servants' pension entitlements 40.3 percent of GDP, and other accounts payable 4.6 percent of GDP. The impact of the NBS's liabilities (65.4 percent of GDP)<sup>10</sup> is neutralized by its assets (67.6 percent of GDP, mostly financial assets). The country's net worth is strengthened by the public sector's holdings of non-financial assets that are estimated to be 116.1 percent of GDP in 2020, of which more than 80 percent are held by the general government.

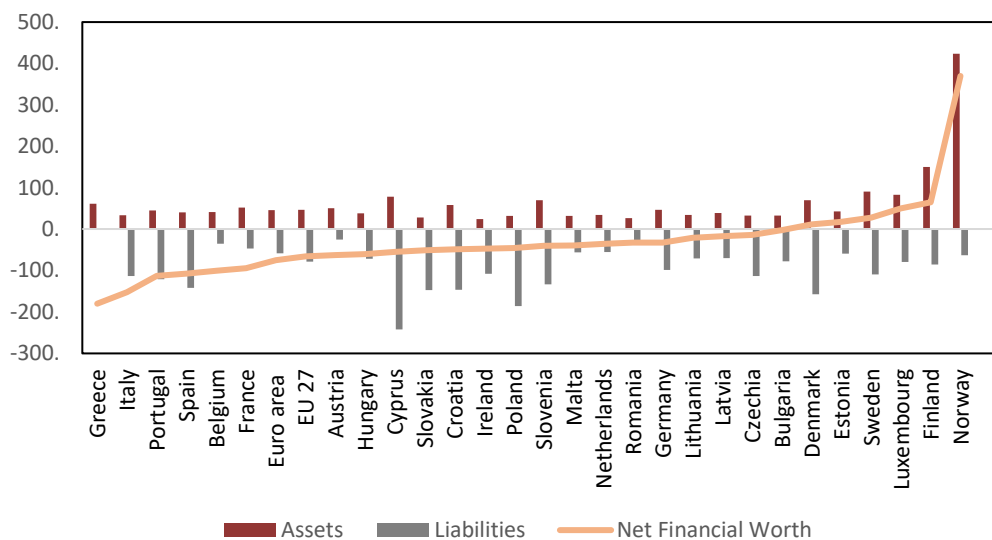
<sup>10</sup> The debt of the NBS includes liabilities to non-euro area residents (30.3 percent of GDP); banknotes in circulation (6.4 percent of GDP); liabilities to euro area residents; and other liabilities such as SDR and intra-euro system liabilities (12.8 percent of GDP).

**Figure 3. Public Sector Net Worth in Selected Countries**  
(Percent of GDP)



Source: Fiscal transparency evaluation reports, IMF PSBS database, and staff estimates.

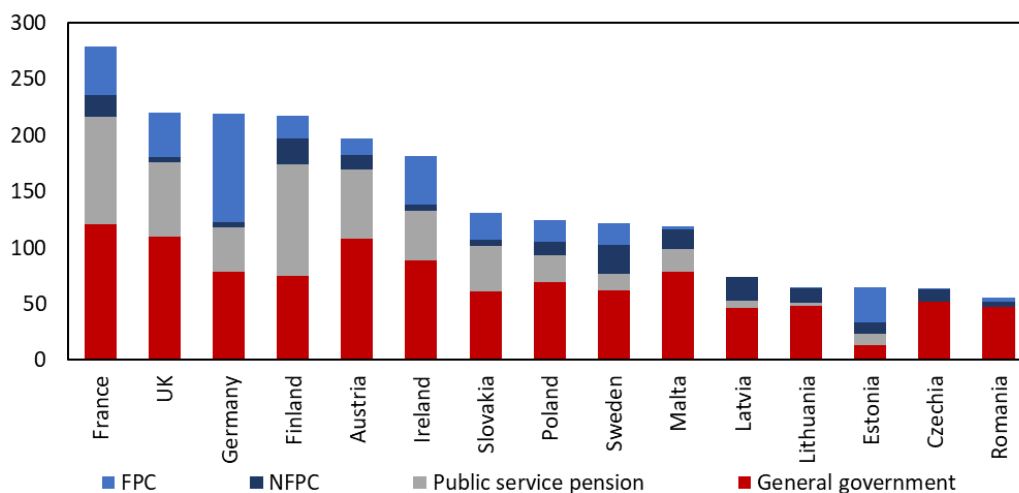
**Figure 4. General Government Net Financial Worth in European Countries, 2020**  
(Percent of GDP)



Source: Eurostat and staff estimates.



**Figure 5. Public Sector Gross Liabilities in Selected European Countries 2020**  
(Percent of GDP)



Source: Eurostat and staff estimates.

### 1.1.3. Coverage of Flows (Advanced)

**16. Fiscal reports cover cash flows, accrued revenue, expenditure, financing, and other economic flows.** The Annual State Closing Account provides data on cash revenue, expenditure, and financing as well as accrual data based on ESA 2010 for the general government. The report also includes a reconciliation between cash and accrual revenue/expenditure and the fiscal balance. The CFS provide data on accrued revenue and expense, and some information on the impact of other economic flows on net worth, but do not present comprehensive information explaining the changes in assets and liabilities. On the other hand, fiscal statistics compiled by the SOSR include, in addition to accrual-based revenue, expenditure, and financing data, information on holding gains/losses and other changes in volume by individual categories of financial assets and liabilities. These data provide useful explanations of changes in the integrated balance sheet due to economic events that are outside the government's direct control.

### 1.1.4. Coverage of Tax Expenditures (Good)

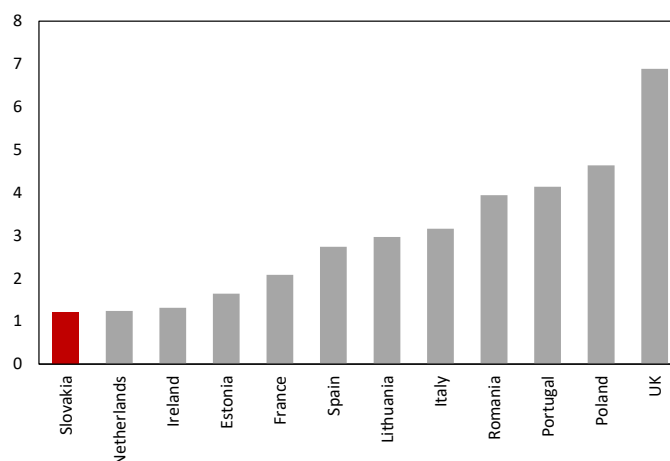
**17. The government publishes annually data on tax expenditures according to a methodology that is aligned with EU requirements.** The Constitutional Act of Budget Responsibilities (2011)<sup>11</sup> requires the government to regularly publish data on tax expenditures. This information is published annually in the budget documents. Information published with the budget documents includes both an analysis of tax expenditures by individual taxes (in order of importance namely, Personal Income Tax, Value Added Tax, excise duties, Corporate Income Tax, social insurance, and health insurance) and policy areas (e.g., support for the labor market, social mobility, families, research & development, and healthcare).

<sup>11</sup> Consistent with Article 14(2) of the EU Council Directive 2011/85/EU that relates to tax expenditures.

**18. There is an established methodology for calculating tax expenditures.** Published in 2015, it is based on the revenue loss method. The analysis is however static and takes no account of behavioral (or dynamic) effects. The coverage of the analysis is relatively broad and includes social security and health insurance contributions as well as revenue collected by subnational governments (SNGs).

**19. While the total value of tax expenditure is relatively small, the policy regarding their disclosure and management could be reassessed.** The estimated volume of tax expenditure is at the lower end of the range of EU Member States and has declined over the past decade, to only 4.2 percent of total revenue and 1.2 percent of GDP in 2020. There is (i) no statutory cap on the total volume of tax expenditure or the amount of new tax expenditures that can be authorized each year, (ii) no formal control procedure to review tax expenditure alongside regular budget spending during the budget negotiations, and (iii) no use of sunset clause to limit the number of years before a tax expenditure expires. Nor does the government carry out a periodic review of tax expenditure (every five years, say, as in the UK) to assess whether there continues to be a good justification for them compared to other policy goals and instruments.

**Figure 6. Tax Expenditure of Selected European Countries**  
(Percent of GDP)



Source: Slovakia's General Government Budget, 2022-2024. Eurostat. Various official reports of respective countries and staff estimates. Latest available data: 2020 (Slovakia), 2018 (Italy), 2017 (Lithuania, France, Netherland, Portugal, Romania, Spain, UK), 2016 (Ireland, Estonia), 2014 (Poland).

**Table 6. Slovakia. Tax Expenditure, 2012 to 2020**

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Percent of total tax revenue	7.3	4.9	5.4	5.1	6.0	5.0	4.5	4.3	4.2
Percent of GDP	1.8	1.3	1.5	1.4	1.7	1.4	1.3	1.2	1.2

Source. MFSR.

## 2. Frequency and Timeliness of Fiscal Reporting

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### 1.2.1. Frequency of In-Year Fiscal Reporting (Advanced)

**20. Slovakia publishes daily data on the execution of the State budget.**<sup>12</sup> It also compiles monthly cash-based fiscal reports covering revenue, expenditure, and financing for the central government and social security funds, that are published within one month after the reporting period. In addition, the MFSR compiles more detailed monthly central government cash budget execution data including revenue, expenditure, and financing following the budget classification. The latter is published within two months. Local government budget execution reports are published quarterly. Moreover, the SOSR publishes on a quarterly basis, three months after the reporting period, non-financial and financial accrual-based accounts, based on ESA 2010, as well as a financial balance sheet and the debt data for the general government and its subsectors.

### 1.2.2. Timeliness of Annual Financial Statements (Basic)

**21. Over the past five years, the consolidated financial statements have been produced and published within 12 months of the end of each fiscal year (see Table 7).** Unusually by international practice, audit of the CFS is carried out by a private audit company and not by the Slovak SAO (see Section 1.4.2). This external audit process is managed by the MFSR which has a 3-year contract with the private audit company (currently BDO International, formerly Deloitte) that undertakes the audit. The MFSR has established a committee for audit, chaired by its General Secretary. This committee receives the results of the audit process, the audit opinion of the audit company, and any qualifications to the accounts. It also manages the procurement process, and oversight of the contracted firm. The committee receives feedback from audited entities on any qualifications to their accounts and manages any disagreements or disputes with the auditor. The government could consider measures to streamline the process of preparing the CFS and expedite their publication.

**Table 7. Slovakia. Dates of Publication of Consolidated Financial Statements, 2014-2018**

Year of CFS	2014	2015	2016	2017	2018
CFS prepared	Sept 8, 2015	Sept 8, 2016	Sept 8, 2017	Sept 8, 2018	Sept 8, 2019
CFS audited	Oct 31, 2015	Oct 31, 2016	Nov 14, 2017	Oct 31, 2018	Oct 31, 2019

Source: MFSR.

## 3. Quality of Fiscal Reports

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### 1.3.1. Classification (Advanced)

**22. The budget itself and budget execution reports use administrative, functional, economic, and program classifications.** The budget classifications are used uniformly by all general government units. Presenting the budget and budget execution reports by administrative, functional, economic, and program classifications is required by the Law on Budgetary Rules (523/2004). The economic classification is aligned with the ESA 2010 and GFSM 2014 and the functional classification follows the United Nations' Classification of the Functions of Government (COFOG). Spending is also presented by

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<sup>12</sup> <https://www.mfsr.sk/sk/financie/statne-vykaznictvo/priebezne-plnenie-statneho-rozpocetu/>

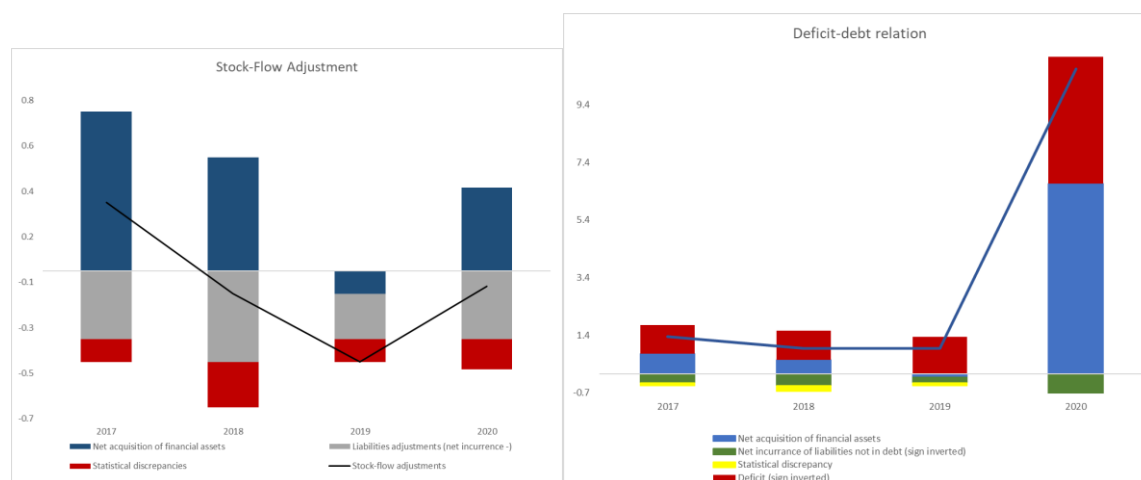
program and subprogram. Currently, the authorities are considering improving and simplifying the program classification (see also Section 2.3.2).

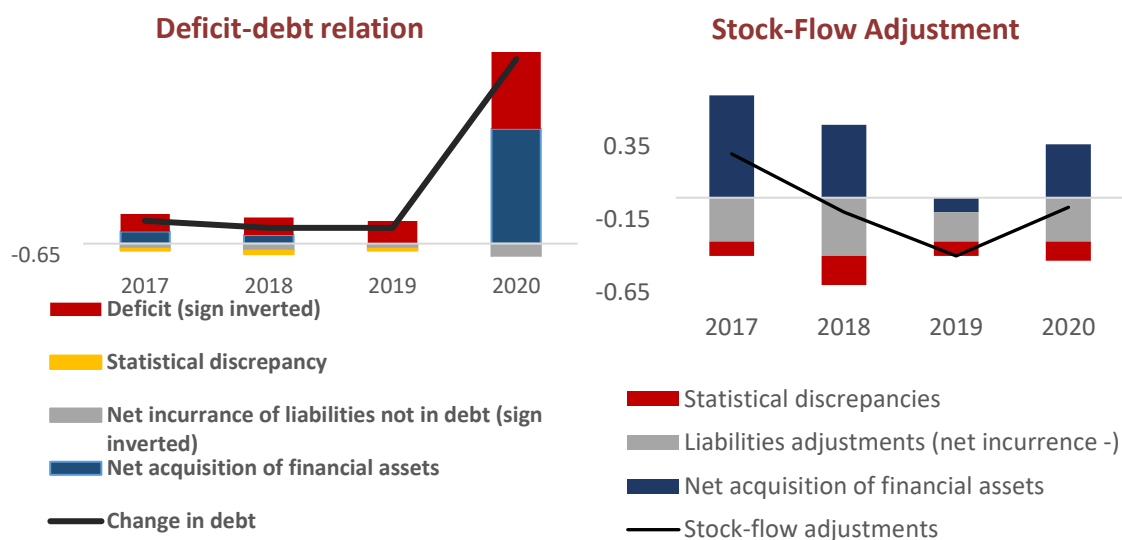
### 1.3.2. Internal Consistency (Advanced)

#### 23. Fiscal reports include all three reconciliations required by the Fiscal Transparency Code.

The State Closing Accounts include detailed annexes reconciling first, the fiscal balance with financing and, second, financing with the change in the debt stock. The reconciliation tables are presented by subsectors of the general government and separately for the State budget, individual state funds and non-market public enterprises, semi-budgetary organizations, hospitals, and other general government entities. In addition, the SOSR prepares on a regular basis a reconciliation of the fiscal balance and financing (comparing data on net lending/net borrowing derived from non-financial accounts with the net financing derived from financial accounts). The average discrepancy between the fiscal balance and financing over the past four years was 0.2 percent of GDP. The SOSR also publishes a reconciliation of the annual net financing with the change in the stock of general government debt twice a year (Figure 7), as part of the Excessive Deficit Procedures (EDP) notifications (EDP T3). The average discrepancy between the above and below the line transactions (i.e., non-financial and financial transactions) cumulated during the period 2017-2020 has been relatively low (0.1 percent of GDP). The MFSR finally publishes data on the holders of general government debt by sectors defined in ESA 2010. Based on the latter, around 50 percent of Slovakia's government debt is held by financial corporations and the remaining part by the rest of the world.

**Figure 7. Stock-Flow Adjustments of General Government**  
(Percent of GDP)





Source: Authorities documents, and staff estimates

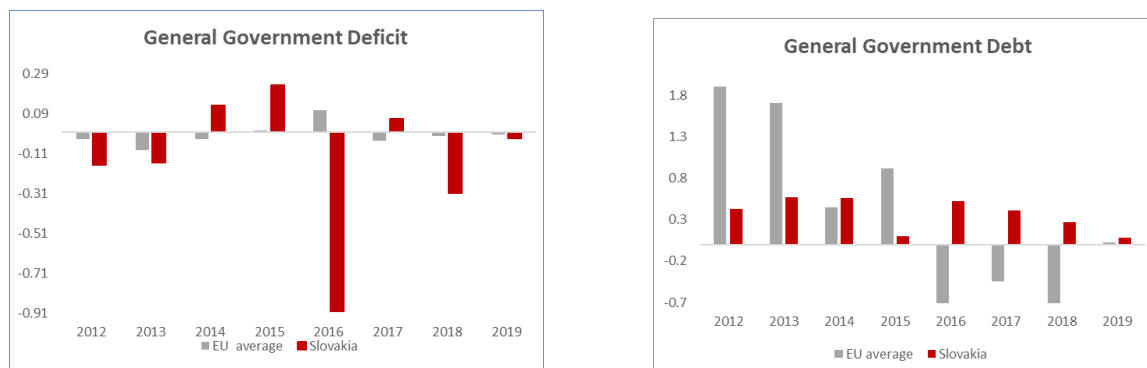
### 1.3.3. Historical Revisions (Advanced)

**24. Revisions to historical fiscal statistics are reported with an explanation for each revision, including a bridge table.** The SOSR follows a well-established revision policy in line with other EU countries and makes historical revisions to annual fiscal statistics data twice a year as part of EDP notifications. It publishes on its website explanations of each revision.<sup>13</sup> The Annual Summary Report compiled by the MFSR contains a section explaining the revisions of the general government deficit and debt data. This section also includes a detailed bridge table showing the transition from the old to the revised figures by quantifying all changes in the recording of government operations and other factors causing the revisions.

**25. Revisions to the general government deficit have exceeded the EU average in recent years** (Figure 8). Between EDP notifications in April 2015 and October 2021, the deficit for 2012 to 2019 was revised down by 0.1 percent of GDP on average, which is higher than the EU average (0.02 percent of GDP). In absolute terms, average revisions of the annual deficit figures have been 0.23 percent of GDP in Slovakia compared to an average of 0.04 percent across the EU. Revisions to the annual debt data averaged 0.4 percent of GDP during 2012-2019, equal to the EU average. The revisions of quarterly ESA 2010 estimates on an accrual basis have been substantial. The authorities have taken some steps to reduce the size of future potential revisions by improving the method of estimating accrued revenue from corporate income tax on a quarterly basis, but lack of capacity in the SOSR and MFSR for preparing quarterly estimates appear to constrain further efforts.

<sup>13</sup> [Reporting of Government deficits and debt levels by the Slovak Republic to the European Commission \(Eurostat\) as of 1st October 2021 for 2017 – 2021 \(susr.sk\)](https://susr.sk)

**Figure 8. Slovakia vs. EU Average. Historical Revisions for Deficit and Debt for 2012-2019 done over the period 2015-2021.**  
(Percent of GDP)



Source: EDP notifications, Eurostat news releases, and staff estimates.

## 4. Integrity of Fiscal Reports

### 1.4.1. Statistical Integrity (Advanced)

#### 26. Fiscal statistics are compiled by the professionally independent SOSR using *ESA 2010*.

The SOSR is a separate budgetary organization. Its professional independence is governed by the Statistics Act<sup>14</sup> which reflects the related EU regulations prescribing the statistical principles and quality criteria for producing official statistics. The Statistics Act<sup>15</sup> stipulates that the SOSR should be professionally independent in line with Regulation (EC) No 223/2009 of the European Parliament and of the Council. The SOSR, as an integral part of the European Statistical System (ESS), follows the European Statistics Code of Practice.<sup>16</sup> Since the SOSR must observe the EU regulations on community statistics, the compliance of the fiscal statistics produced by the SOSR with the underlying *ESA 2010* methodology is scrutinized by Eurostat on a regular basis. The regular EDP dialogue visits conducted by Eurostat review the institutional responsibilities within the Slovak government for implementing GFS requirements, EDP reporting, data sources, as well as the application of the *ESA 2010* methodology, specifically the delineation of the general government sector, recording of specific government transactions, and the application of accrual principles.

**27. Slovakia has met the Special Data Dissemination Standards (SDDS) since 1999.** Since then, the MFSR, SOSR, and NBS have regularly published data that comply with the quality and scope required by the standards. The National Summary Data Page<sup>17</sup> of Slovakia presents data on central and

<sup>14</sup> <https://www.epi.sk/zz/2001-540>

<sup>16</sup> See <https://ec.europa.eu/eurostat/documents/4031688/8971242/KS-02-18-142-EN-N.pdf/e7f85f07-91db-4312-8118-f729c75878c7>.

<sup>17</sup> <http://mmf.statistics.sk/sdmx/en/>

general government operations and debt according to the SDDS requirements. These data are published simultaneously on the website of the MFSR, the SOSR, and the NBS.

#### 1.4.2. External Audit (Not Met)

**28. The external audit process in Slovakia satisfies many requirements of good international practice.** The Slovak SAO meets accepted levels of independence as defined by the International Organization of Supreme Audit Institutions (INTOSAI)<sup>18</sup> regarding the appointment of its President, its legal framework, the determination of the SAO's budget, the hiring and remuneration of its staff, and the independence of its planning and operations. The mandate of the SAO is limited to auditing the government's report on the execution of the State budget and reports prepared by individual budget entities, SNGs, public corporations, as well as reports on public investment projects.

**29. The SAO, however, does not audit the government's CFS, a fundamental requirement of the FTC.** The Code requires that "annual financial statements be subject to a published audit by an independent supreme audit institution (SAI), which validates their reliability". As noted in Section 1.2.2., these audits are carried out by a private firm (BDO International since 2021, previously Deloitte) under the management and oversight of the MFSR. The SAO has no formal role in the process of hiring the audit firm, overseeing its work, or receiving and commenting on the audit opinion. It is highly unusual by international standards for an auditee of an SAI (the MFSR) to be responsible for hiring and overseeing the work of the auditor—thereby compromising the independence of the audit process.

**30. Leaving aside the lack of involvement of the SAO in the audit of the CFS, the quality of the work conducted by the private auditor would itself qualify for a "good" rating.** The reports prepared by the private audit companies have confirmed that the final accounts present a true and fair view of the government's financial position in line with international audit standards without disclaimer or adverse audit opinion. An assessment of recent CFS audits conducted by Deloitte indicate that the accounts have historically received many qualified opinions<sup>19</sup> but only very occasional disclaimers<sup>20</sup> and no adverse opinions. The trend in the number of qualifications noted by Deloitte, though still relatively high, has declined substantially over the years, from a comparatively high level of 163 qualifications for the 2010 accounts to 36 qualifications for the 2018 accounts.<sup>21</sup>

#### 1.4.3. Comparability of Fiscal Data (Good)

**31. The State Closing Account presents outturn data comparable to the original budget and is reconciled with the fiscal statistics but not with the CFS.** This annual budget execution report shows the results of State budget implementation on a cash basis (including revenue, expenditure, financing, and debt). The report also includes results based on the ESA 2010 methodology for the general government and its subsectors and detailed tables reconciling the nationally cash-based budget outturn

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<sup>18</sup> See INTOSAI, *Mexico Declaration on the Independence of Supreme Audit Institutions*. 2007.

<sup>19</sup> Defined as follows: "The auditor detected material, but not pervasive misstatements, or obtained insufficient evidence on which to base an opinion and concluded that undetected misstatements could be material but not pervasive." See IMF, *Fiscal Transparency Handbook*, 2018, page 48.

<sup>20</sup> Disclaimers arise when the auditor could not obtain sufficient evidence on which to base an opinion and concluded that detected misstatements could be material and pervasive. Examples from Deloitte's recent audits include lack of information received from the MFSR on the stock of goods reported on the balance sheet, and a disclaimer of the audit of the government's strategic reserve, 2010-2015.

<sup>21</sup> See presentation by Deloitte to the MFSR on their *Audit Reports, 2010-2018*, December 19, 2019.

with the ESA 2010 accrual-based results. The reconciliation tables are presented by subsectors of the general government and separately for the State budget, individual state funds, semi-budgetary organizations, individual non-market public enterprises classified in the general government sector, hospitals, and other general government entities. In addition, tables reconciling the fiscal balance with the government's financing operations and the change in the gross debt are also presented in the report.

**32. Information in the CFS is not reconciled with the cash budget outturn data and with the fiscal statistics, resulting in large discrepancies for key fiscal indicators.** Reconciliation is highly desirable as key fiscal indicators differ substantially across the various documents. For example, the fiscal deficit for the general government based on CFS was estimated at -7.8 percent of GDP in 2020, compared to estimates of -5.5 percent of GDP in the GFSM report submitted to the IMF and -8.4 percent of GDP in the budget execution report. A reconciliation of the results based on financial statements has been carried out occasionally by the SOSR for internal quality assurance purposes, but such a reconciliation is not prepared on a systematic basis.

## 5. Recommendations

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**Recommendation 1.1.** Enhance the coverage and valuation in the CFS and fiscal statistics by:

- Including data on the NBS, other public corporations under the MH Management, and subsectors of the public sector (distinguishing general government subsectors and public corporations and showing intra-sectoral flows and crossholdings of assets and liabilities among subsectors) (**Indicator 1.1.1**).
- Including estimates of the value of the stock of publicly owned forests and mineral resources (**Indicator 1.1.2**); and
- Using a market valuation for assets and liabilities (**Indicator 1.1.2**).

**Recommendation 1.2.** Conduct a comprehensive review of tax expenditures every five years to:

- Determine their macroeconomic and distributional impact.
- Scale back tax expenditures that are not generating benefits commensurate to their cost; and
- Assess whether there continues to be a good justification for each tax expenditure compared to other policy goals and instruments, including general government expenditure (**Indicator 1.1.4**).

**Recommendation 1.3.** Enhance the comparability of fiscal reports by:

- Consolidating existing data on the components of public sector net worth and presenting data on the stock of nonfinancial and financial assets and liabilities (**Indicator 1.3.2**).
- Presenting a reconciliation of the results reported in the CFS and the budget execution data and fiscal statistics, explaining all major deviations (**Indicator 1.4.3**).

**Recommendation 1.4.** Consider transferring responsibility for organizing, overseeing, and supervising external audit function from the MFSR to the SAO, underpinning this change with amendments to the legal framework for accounting and the SAO (**Indicator 1.4.2**).



**Table 8. Slovakia: Summary Evaluation: Fiscal Reporting**

	Principle	Assessment	Importance	Recs
1.1.1	<b>Coverage of Institutions</b>	<b>Good:</b> The CFS cover all public sector institutional units except the NBS, but do not separate subsectors.	<b>Medium:</b> Subsectors merit separate analysis, e.g., public corporations account for 72 percent of public financial assets but only 40 percent of public debt.	1.1
1.1.2	<b>Coverage of Stocks</b>	<b>Good:</b> The CFS cover non-financial and financial assets and liabilities, but deficiencies in coverage of natural resources and valuation.	<b>High:</b> Figure for non-financial assets reported in CFS differ from IMF estimate of market value of public sector non-financial assets (using on SOSR data) by 64 percent	1.1
1.1.3	<b>Coverage of Flows</b>	<b>Advanced:</b> Fiscal reports cover cash flows, accrued revenue, expenditure, financing, and other economic flows.	<b>Medium:</b> The impact of other economic flows on net financial worth is 6 percent of GDP.	
1.1.4	<b>Coverage of Tax Expenditures</b>	<b>Good.</b> Methodology complies with EU standards, but no estimates of dynamic effects. No caps on total volume.	<b>Low:</b> The volume of tax expenditures has declined to only 1.2 percent of GDP in 2020.	1.2
1.2.1	<b>Frequency of In-Year Reporting</b>	<b>Advanced:</b> Summary State budget execution data published daily. Monthly fiscal statistics on central government published within a month.	<b>Low:</b> The MFSR publishes daily cumulative State budget execution data.	
1.2.2	<b>Timeliness of Annual Financial Statements</b>	<b>Basic:</b> Audited CFS are published within 12 months of the end of the fiscal year.	<b>Low:</b> Published CFS are formally sent to or discussed by the National Assembly.	
1.3.1	<b>Classification</b>	<b>Advanced:</b> Fiscal reports use an economic, administrative, functional, and program classification.	<b>Low:</b> Classifications are based on international standards as relevant.	
1.3.2	<b>Internal Consistency</b>	<b>Advanced:</b> Fiscal reports reconcile fiscal balance and financing, stock-flow-adjustments, and debt issued and debt holders by ESA 2010 sectors.	<b>Medium:</b> In recent years, average discrepancies between fiscal balance, financing, and stock-flow adjustments were only 0.2 percent of GDP.	1.3
1.3.3	<b>Historical Revisions</b>	<b>Advanced:</b> Revisions to historical fiscal statistics are reported and explained, including a bridge table between the old and new time series.	<b>Medium:</b> Average revisions of deficit figures in absolute terms have been 0.23 percent of GDP in Slovakia compared to 0.04 percent in the EU.	
1.4.1	<b>Statistical Integrity</b>	<b>Advanced:</b> SOSR is professionally independent and observes international standards.	<b>Low:</b> Fiscal statistics are subject to the governance and code of practice of SOSR and Eurostat.	
1.4.2	<b>External Audit</b>	<b>Not Met:</b> Audit of CFS carried out by a private firm, without SAO oversight. National Council has a weak working relationship with the SAO.	<b>High.</b> Governance of audit process is an international outlier. It creates potential conflicts of interest for the MFSR and SAO.	1.4
1.4.3	<b>Comparability of Fiscal Data</b>	<b>Good:</b> Budgets outturns are comparable with the budget estimates and reconciled with the fiscal statistics, but not with the financial statements.	<b>High:</b> Fiscal deficits reported for general government was -7.8 percent of GDP in 2020 (based on CFS), -5.5 percent of GDP (GFS), and -8.4 percent of GDP (budget execution)	1.3

## II. Fiscal Forecasting and Budgeting

**33. Fiscal forecasts and budgets should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely and credible projections of the evolution of the public finances.** This chapter assesses the quality of Slovakia's fiscal forecasting and budgeting practices against the principles set by the following four dimensions of the IMF's Fiscal Transparency Code:

- The comprehensiveness of the budget and associated documentation;
- The orderliness and timeliness of the budget process;
- The policy orientation of budget documentation; and
- The credibility of the economic and fiscal forecasts, and the budget proposals.

### 1. Comprehensiveness

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#### 2.1.1 Budget Unity (Advanced)

**34. Budget documents provide detailed information on budgeted expenditure, revenue, and financing for most of the public sector.** The State budget is appropriated on a gross basis by the National Council. Annex I to the General Government Budget covers a wider set of budget data for most general government entities, equally on a gross basis. This report is presented to the National Council for information only. The entities included are Social Security Funds, municipalities and higher territorial units (HTUs), universities, healthcare providers, and some public companies (railways, motorways, etc.).

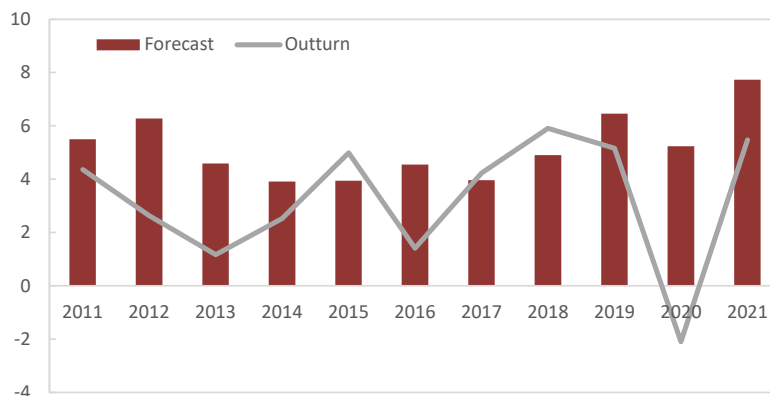
**35. Substantial efforts have been made in recent years to improve the comprehensiveness of the budget.** In the 2020 budget, more than EUR1 billion (1 percent of GDP) of public expenditure was missing, notably on green energies subsidies. In the 2022 budget, this number had decreased to EUR0.2 billion (0.2 percent of GDP), half of which related to spending financed by foreign grants.

#### 2.1.2. Macroeconomic Forecasts (Advanced)

**36. Budget documents contain extensive information on the macroeconomic forecasts, their components, and underlying assumptions used for the preparation of the three-year budget.** The Draft Budgetary Plan (DBP) includes a section dedicated to the presentation of the macroeconomic forecast for the three years of the multi-annual budget. The DBP presents all key macroeconomic variables, including real GDP, inflation, exports and imports, employment, wages, public and private consumption, and discusses how GDP growth, inflation, and employment growth impact fiscal forecasts. It outlines all key assumptions, including on the international economy, and makes comparisons with EU forecasts. Overall, the presentation of macroeconomic forecasts is comprehensive and clear.

**37. GDP growth forecasts are nonetheless affected by a significant, though declining, optimism bias** (Figure 9). Over the 2010-2019 period, the GDP growth rate used in preparing the budget was overestimated by 1 percentage point, a 25 percent deviation from the outturn. This bias has declined over time, from 1.2 percentage point in the 2010-2014 period (35 percent deviation from the outturn) to 0.7 percentage point (15 percent deviation from the outturn) in the 2015-2019 period. These discrepancies place Slovakia's forecasting errors for real GDP growth in an intermediate place among European countries,

**Figure 9. Slovakia. Forecasting Errors for Real GDP Growth, 2010-2020**



### 2.1.3. Medium-Term Budget Framework (Good)

**38. The 2004 Budgetary Rules Act requires that budget documents include a medium-term budget framework (MTBF) presented in different formats.** Paragraph 4 (1) of this Act stipulates that the budget of defined public entities shall be established each year for at least three financial years. While the budgets for the first year constitute binding ceilings on spending, the budgets for the two outer years are indicative. The annual DBP presents the MTBF, in the no policy change section, in the form of a summary table for the year of the budget and the next two years. This table shows:

- the main categories of tax and non-tax revenue of general government entities, as a percentage of GDP;
- expenditure of general government entities, presented by economic category and as a percentage of GDP.

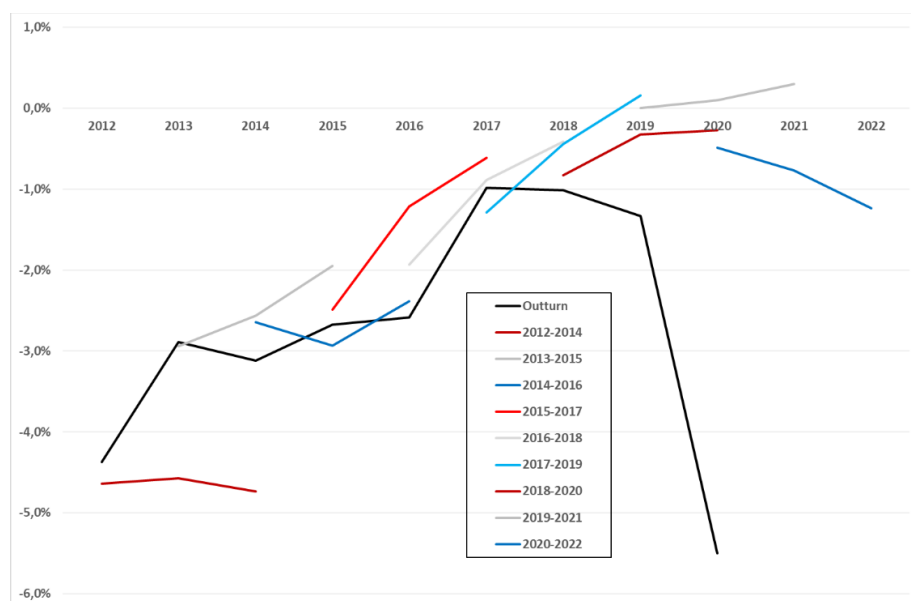
**39. In practice, the budget documentation includes information for general government on the outturns of the two preceding years, and three-year projections of revenue and expenditure by economic category and the main areas of public policy, but not by ministry or program.** The DBP also includes, in the section dedicated to the presentation of expenditure of selected areas, tables that present expenditure in absolute terms on a three-year basis for a series of public policies (education, healthcare, agriculture, etc.) and for specific economic categories of spending (payroll, investment, etc.). The amounts presented aggregate figures for the State Budget and figures for other general government entities involved in public policies.

**40. The MTBF is nonetheless affected by an optimism bias.** Except for the 2012-2014 and 2014-2016 MTBFs, years two and three of the multiannual trajectory show a recurrent bias as regards the fiscal balance (Figure 10). The main reason for this bias seems to be over-optimism regarding the control of expenditure (Figure 12), although the revenue forecast is not exempt of criticism either (Figure 11). It also appears that during the years 2012-to 2016, revenue and expenditure forecasts for both the budget year and the outer years were heavily underestimated. This gap was partially closed in the period 2017 to 2019, but even for these years, the comparison between the MTBF and outturns shows that the quality of the forecasts needs improvement. In its August 2020 Report on Compliance with the Fiscal Responsibility and Fiscal Transparency Rules for 2019, the CBR stressed the following points: (i) the three-year budget does not cover all measures necessary to meet the objectives set; and (ii) the approved budgets

repeatedly contain risks of revenue shortfalls that materialize. This was one of the reasons why the mandate of the Tax Revenue Forecasting Committee was recently extended to cover all tax revenue and some critical non-tax revenue (see also Section 2.4.1.).

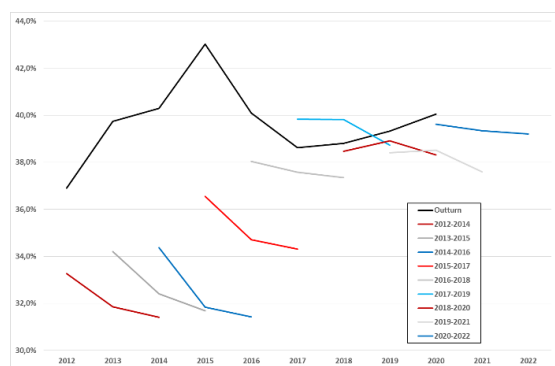
**41. Currently the MTBF does not appear to frame the preparation of the annual budget.** The systematic deviation between forecasts and the actual outturn shows that the estimates for the outer years have little influence on the preparation of the next annual budget. This is confirmed by the limited participation of line ministries in discussion on preparing the MTBF, which is drafted largely by the MFSR. More realistic projections and binding outer year ceilings would elicit greater involvement of line ministries, better reflect the reality of the budgetary constraint, and improve transparency. It would ultimately allow the MTBF to be used as a guide in preparing the next budget.

**Figure 10. Budget Balance Outturn vs. Forecast, 2012-2020**  
(Percent of GDP)



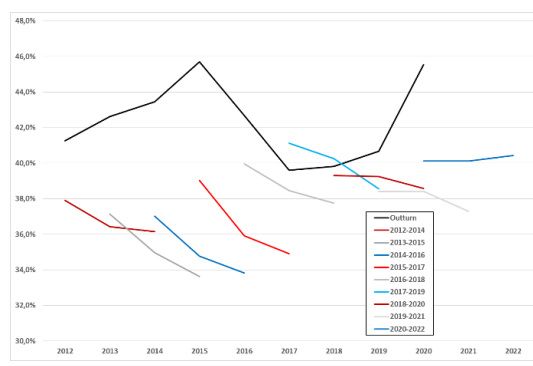
Source: Convergence Programmes

**Figure 11. Slovakia. Aggregate Revenue Outturn vs. Forecast, 2012-2020**  
(Percent of GDP)



Source: MFSR

**Figure 12. Slovakia. Aggregate Expenditure Outturn vs. Forecast, 2012-2020**  
(Percent of GDP)



**42. The authorities are developing the methodology for budget preparation to introduce binding spending ceilings in the medium term.** Moving to binding ceilings responds aims to provide stronger guidance to fiscal policy in the medium term. It is also an attempt to modernize the budget process by refocusing from the discussion on budget allocation every year, often incremental in nature, to a more strategic approach to budgeting. Cognizant of the fact that this requires the right tools are in place, the authorities are developing the methodology for all budget agencies to cost their no policy change (NPC), or baseline spending.

#### 2.1.4. Investment Projects (Good)

**43. The MFSR has made progress in improving its management of public investment projects since the IMF conducted a Public Investment Management Assessment (PIMA) in 2019 but the new procedures do not fully meet the FTC requirements:**

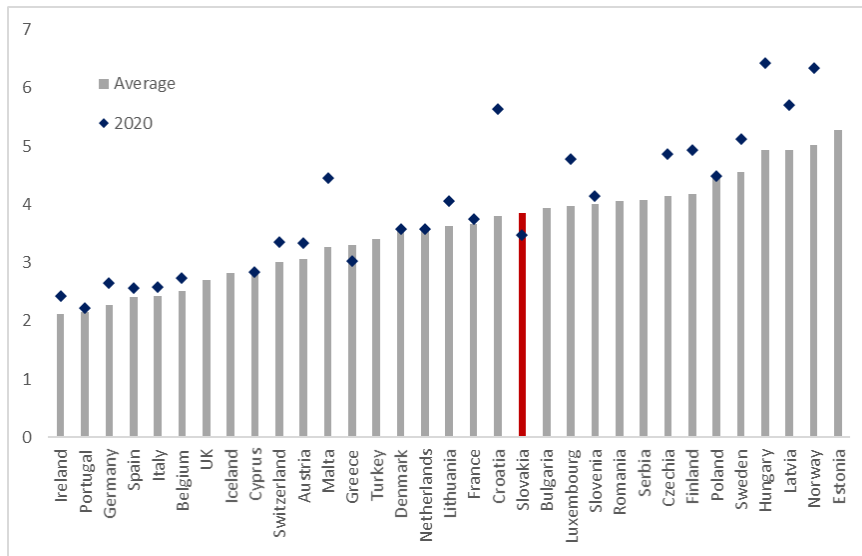
- A new Investment Authority (IA), modelled on the Infrastructure and Projects Authority in the United Kingdom, and similar arrangements in Ireland, has been established with 30 staff, within the MFSR's Value-for-Money Unit. The main goal of the IA is to increase the quality of investment projects and streamline project preparation, two areas that were criticized in the PIMA report.
- Methodologies for preparing feasibility studies and conducting cost-benefit analysis have been published and are required by law for all projects above EUR 40 million (and above EUR 10 million for IT projects). In November 2020, the mandate of the IA was extended to review all projects above EUR 1 million. The MFSR publishes their evaluation of projects 30 days after the publication of the feasibility study by the line ministry concerned. During 2021 alone, the IA evaluated more than 250 projects with a total cost of EUR 6.3 billion and identified potential savings of over EUR 800 million on these projects.

**44. An important deficiency of current procedures is that the government does not regularly disclose the value of its total obligations under multi-annual investment projects.** Information on the award of contracts and the total value of projects is published by line ministries, but this information is not currently consolidated for the general government and published by the MFSR. Such data, which could be published in the General Government Budget (GGB), are essential for the public to understand the level of spending commitments of the government over the medium term and would be a useful addition to the budget documents.

**45. There is an updated legal framework that when fully implemented will further modernize public procurement procedures.** A new Public Procurement Act was approved by the National Assembly in October 2021. The 2019 PIMA report noted that “most large procurements in Slovakia follow open and transparent procedures [but] ... weak administrative capacity and anticompetitive practices continue to impact negatively the tender procedures.” The new law should help to improve current practices. It will speed up and simplify procurement processes, align the regulations in Slovakia with EU directives on procurement, ensure the rights of interested contractors and suppliers, and improve controls on procurement by automating the evaluation and award of contracts, extending the use of e-procurement, and ensuring the efficient collection and analysis of data.

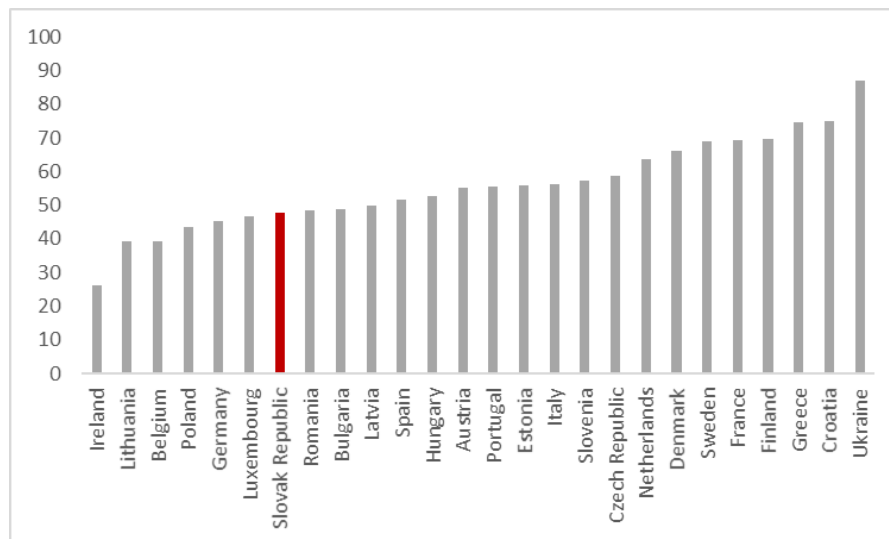
**46. Figure 13 and Figure 14 update data on public investment published in the PIMA report of 2019.** They show that public investment in Slovakia has averaged 3.8 percent of GDP over the last ten years, a similar rate to other European countries. The public capital stock, however, is at the lower end of the range of European countries. Two-thirds of public investment is financed by the EU.

**Figure 13. General Government Investment of European Countries, 2011–20**  
(Percent of Expenditure)



Source: Eurostat

**Figure 14. General Government Investment of European Countries, 2011–20**  
(Percent of Expenditure)



## 2. Orderliness

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### 2.2.1. Fiscal Legislation (Advanced)

**47. The 2004 Act on Budgetary Rules sets the budget calendar and the key content requirements of the draft budget.** Paragraph 14 of this Act defines the timetable for the preparation of the executive's budget proposal and its tabling in the National Council; paragraph 11 sets out an emergency procedure in the case of the late approval of the budget; paragraphs 6 to 10 define the content and structure of the budget.

**48. The framework for program budgeting is not fully described in the 2004 Act or other laws but stems from an MFSR manual.**<sup>22</sup> While Slovakia has been implementing program budgeting since 2005-2007, its fiscal legislation lacks the required framework of concepts and rules. Though the principle of program budgeting finds its roots in the 2004 Act, the comparison with other fiscal frameworks reveals gaps at the level of legislation: there is currently no legal definition of programs, and no legal definition of the rules governing the management of appropriations under a program-based budget. Instead, the rules and procedures of program budgeting are defined in a MFSR manual. There is thus a gap between the legal framework and current budget management practices which are defined in operational guidelines.

**49. Despite the advanced practice in terms of the budget process, the legislature's power to amend the executive's budget proposal is not specifically defined.** The fourth sub-paragraph of paragraph 14 of the 2004 Act stipulates that any proposals resulting in an increase in the share of the ratio of the general government deficit to GDP cannot be approved. This rule does not constrain the National Council in increasing spending, so long as amendments are made to raise an equivalent amount of revenue. The lack of any limits on the National Council's powers to amend the budget is unusual among advanced countries and may prove problematic in times when fiscal consolidation is critical.

### 2.2.2 Timeliness of Budget Documentation (Good)

**50. The budget in general is tabled in the National Council in October and is usually adopted by the middle of December of the year preceding the budget year.** This submission of the budget to the National Council and the Council's approval is in line with the legal requirements over the past five years. Paragraph 14 of the 2004 Act on Budget Rules requires the draft State Budget Act to be tabled in the National Council by October 15<sup>th</sup>, more than two months before the beginning of the year. The same Act does not explicitly stipulate a deadline for the adoption of the Budget by the legislature, but paragraph 11 of the Act provides for an emergency mechanism in the form of "provisional twelfths"<sup>23</sup> should approval be delayed after the beginning of the year. In practice, during the last five years, the draft State Budget Law was systematically tabled in the National Council before October 15<sup>th</sup>, and adopted in the first half of December, more than two weeks before the beginning of the financial year (**Table 9**)



**Table 9. Slovakia. Key Dates in the Approval and Publication of the Budget**

	Draft State Budget Law is finalized by Government and submitted to the Legislature	State Budget Law is approved by the Legislature
<b>2018 Budget</b>	11 October 2017	13 December 2017
<b>2019 Budget</b>	10 October 2018	5 December 2018
<b>2020 Budget</b>	14 October 2019	3 December 2019
<b>2021 Budget</b>	14 October 2020	9 December 2020
<b>2022 Budget</b>	14 October 2021	14 December 2021

Source: MFSR

### 3. Policy Orientation

#### 2.3.1. Fiscal Policy Objectives (Advanced)

**51. Slovakia has implemented fiscal rules for debt and operations which are both precise and time bound.** The 2011 Constitutional Act on Fiscal Responsibility established a fiscal policy objective for the general government debt not to exceed 50 percent of GDP (the “debt brake rule”). The Act sets up a precisely defined mechanism to ensure that measures will be taken to curb expenditure growth if the debt ratio comes close to 50 percent or if it exceeds this limit. The 2011 Act, which has the principal goal to reach long term fiscal sustainability of public finances, also created the Council for Budget Responsibility (CBR), an independent body in charge of monitoring and evaluating the performance of fiscal policy and evaluating compliance with the fiscal responsibility rules (see also Section 2.4.1).

**52. The other fiscal policy objectives applicable in Slovakia are those of the European budgetary surveillance mechanism in the Eurozone.** Notably, Slovakia, as a party to the Treaty on Stability, Coordination and Governance (TSCG) follows a medium-term balance objective. It also applies the expenditure rule of the Stability and Growth Pact which requires that general government spending does not grow faster in real terms than the average potential growth of the economy. The rules under the TSCG were suspended during the COVID crisis.

**53. The CBR has drawn attention to the fact that measures taken by the government to implement the debt-brake rule have been insufficient to give it full effect.** In its August 2020 Report on Compliance with the Fiscal Responsibility and Fiscal Transparency Rules for 2019, the CBR noted a series of signs of insufficient structural consolidation:

<sup>22</sup> The Budgetary Rules Act mentions, in paragraph 2, the “Government Program”. Our interpretation is that “program” in this context is referring to the government’s strategic policy goals and objectives not to program budgeting specifically.

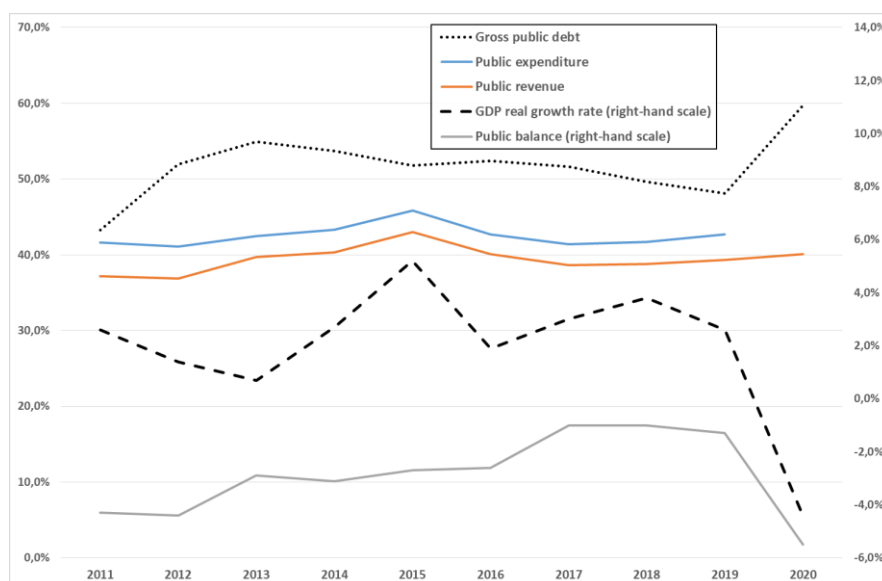
<sup>23</sup> A legal provision according to which spending may continue at 1/12<sup>th</sup> the rate of the previous year’s spending per month in the absence of an approved budget by the start of the year.



- repeated postponement of the target of a balanced budget and the attainment of the medium-term objective of a structural deficit of less than 0.5 percent of GDP;
- adoption of measures with negative effects on the deficit even when debt remained within the sanction brackets;
- overoptimistic assumptions on certain revenue and expenditure; and
- reduction of the debt/GDP ratio mostly driven by one-off measures rather than by structural changes.

The slow reduction of gross public debt (Eurostat definition) and the deficit, despite a globally favorable real GDP growth rate over the period, is illustrated in Figure 14 below.

**Figure 14. Main Macro-Fiscal indicators, 2011-2020**  
(Percent of GDP)



Source: Eurostat

**54. These findings support the intended amendment to the 2011 Act that would set up a binding overall expenditure ceiling over the four-year period of a National Council.** The debt-brake mechanism, though useful in the long run, seems to have been unable to instill sufficient discipline in the management of public finances. The intended reform (see Box 2), advocated by the CBR, would greatly help to impose the rigor needed in the short and medium term to avoid the use of revenue windfalls to finance structural increases of expenditure.

## Box 2. Slovakia. Introducing Expenditure Ceilings

**Expenditure ceilings as operational instruments for fiscal policy.** Proposed amendments to the Constitutional Act on Budgetary Responsibility envisage introducing multiyear expenditure ceilings. \* This is also foreseen as a milestone in the government's Recovery and Resilience Plan (RRP). General government expenditure limits will become the core operational instrument to achieve long-term fiscal sustainability. Expenditure limits are based on government's planned structural balances which are linked to the long-term sustainability objective.

**Exclusions.** Specifically, the limits will exclude i) expenditure driven by economic cycles and one-off expenditure; ii) general government debt service; iii) local government expenditure; and iv) EU-related expenditure. The expenditure ceiling will also be evaluated incorporating policies' impact (e.g., pension policy changes) on long-term fiscal sustainability.

**Enforcement.** The expenditure ceilings will be set for the four-year parliamentary term, though initially will only cover 2023 and 2024 (the remaining years for the current government). Once the four-year expenditure limits are approved by the National Council (in the form of a law), any increases in expenditure needs to be presented to the National Council with compensatory measures.

**Flexibility.** The National Council can authorize the government to adjust specific limits on public expenditure for individual parts of the budget within the overall limit. If the limit is unspent, especially for capital expenditure from previous years to the government could exceed the limit in subsequent years.

The amendments to the Constitutional Act on Budgetary Responsibility also envisage other reforms:

**Debt rule.** The debt brake will shift from gross to net debt. Moving to net debt targets will allow Slovakia to take full advantage of the current favorable market conditions to pre-fund future financing needs or beef up government's cash balances, which would mitigate roll-over risk.

**Sanctions and escape clauses.** The sanction measures (for breaking debt ceilings) will be more gradual under the new regime. The escape clauses will also be modified to reduce policy procyclicality.

**Assessment of compliance.** Under the current proposal, the CBR will be responsible for reviewing the compliance with the expenditure limit and for making a proposal to the Parliament to trigger the new extraordinary circumstance escape clause. The CBR's independence will also be strengthened from the initial appointment of its members.

Source: MFSR and IMF staff

\* In March 2022, the National Council amended the 2004 Budgetary Rules on Public Administration — Slovakia's Organic Budget law — and introduced multi-annual public expenditure limits (PEL). The PEL have been implemented for 2023-2025.

### 2.3.2. Performance Information (Good)

**55. Budget documentation provides some performance information but does not fully satisfy the requirements of the Code.** The information provided in the DBP includes:

- a breakdown of budget expenditures by category for the year of the budget, the next two years and the three preceding years;
- a presentation of the broad objectives of each public policy;
- a presentation of the results of key performance indicators (KPIs) for the four years preceding the current year. Most of these indicators are defined at the output or outcome levels.

### Box 3. Slovakia. Spending Reviews since 2016 — Successes and Challenges

Since 2016, the Slovak government has initiated a series of spending reviews with the aim of improving the efficiency of public expenditure. The initiative—known as the Value-for-Money (VFM) initiative in Slovakia—was anchored in the twin objectives of restoring fiscal sustainability and enhancing spending efficiency. The goal was to review all of government spending over the next four years (roughly a quarter each year), through a series of rolling policy and thematic reviews. An Implementation Unit was initially created in the Deputy Prime Minister’s Office—later moved to the Prime Minister’s Office—to generate political support for and spearhead the implementation of spending reviews. Analytical teams in line ministries were revamped to strengthen their capacity to support the process.

The first reviews covered health, transport, and IT spending. Later reviews covered environment, education, and social benefits, then agriculture, public wages, support for marginalized social group, and health again, followed by defense, the police, and culture. The results of these reviews and their proposed policy measures, are all published.

At the request of the VFM unit, the IMF conducted an ex-post assessment of the spending review process in 2020. It concluded that:

- The conduct of spending reviews has greatly contributed to the analytical capacity within the MFSR, improved cooperation across ministries and added depth to the traditional budgeting and spending control functions. For example, (i) data on wages and headcount collected from line ministries offered for the first time a comprehensive assessment of workforce pressures across government; (ii) the Social Exclusion review brought together multiple sources of administrative data from many sectors (education, social policy, etc.) and offered a multidimensional perspective to the problem, which would be difficult to address if each ministry acts separately.
- The reviews brought in international experts from various fields and allowed for benchmarking to provide better context on efficiency. For instance, international comparisons showed comparative scarcity or surplus of different types of public sector workers.
- Senior political buy-in was greatly improved as reviews progressed. This commitment culminated in the reform of the Budget Law in 2019, which institutionalized the 4-year cycle of rolling spending reviews and committed future governments to continue the process. Additionally, practical recommendations from earlier reviews were adopted by the Government’s program for 2020–2024.

Some of the challenges identified were:

- A low degree of ownership by some line ministries, largely due to their lack of capacity and limited involvement in the reviews.
- The reviews followed a different process to the budget, making implementation difficult. The absence of a credible medium-term budget further complicates implementation.
- The reviews were not anchored in robust baseline estimates of future spending, which did not allow the authorities to set clear top-down savings targets at the very start of the process.
- Some targets were too ambitious to guide practical implementation, and even when savings materialized, they were not reinvested in measures identified by the reviews.

Source: [The Slovak Spending Review Project](#), October 2020, IMF

#### **56. Performance information does not appear to inform the preparation of the budget.**

While data on past performance are reported, the targets for KPIs are rarely presented, which suggests that performance, despite being in place for many years, may be little used to inform the preparation of the three-year budget, and in budget negotiations between the MFSR and line ministries. As the KPIs presented in the DBP appear to be generally relevant and focus on outputs and outcomes rather than inputs, this finding does not call into question the government’s methodology for using performance information but rather its limited use as a practical tool of budgeting.

**57. Since 2016, multiple rounds of spending reviews have enabled close scrutiny of the performance of spending (see Box 3).** These reviews have provided useful insights on the quality of spending and boosted analytical capacity within the MFSR. The outcome of these reviews and

their proposed policy measures, are all published. There is scope however for better integration of spending reviews with the annual budget process.

**58. Making better use of performance information can better inform spending decisions, both directly and through spending reviews.** Establishing clear KPIs for the three years of the multiannual budget and clearly indicating which public entities and public managers are responsible for each indicator would help restore the use of performance at a level consistent with full program and performance budgeting. Ultimately, it would help to improve the allocation of budgetary resources and inform decisions on initiating spending reviews.

### 2.3.3. Public Participation (Not Met)

**59. The Slovak government publishes only a bare minimum of information on the budget for citizens.** The Citizen's Guide to the Budget provides basic information on the budget (largely based on the budget speech) but no information of the impact of the budget on typical citizens or different demographic groups. NGOs and individual citizens have no formal voice in the deliberations on spending proposals or on the execution of major investment projects at the central government level, though NGOs do play some role in the formulation of local government budgets. In contrast, since 2000, the public must be formally invited by the Ministry of Justice to comment on draft laws (including for example laws on PIT, CIT, and other taxes) but these arrangements do not apply to the budget law. The CBR provides comments on the DBP (see Section 2.4.1), but this opportunity does not extend to the general public or NGOs. Box 4 provides some sources of useful information for the authorities in improving its current practices, and a good practice example from South Korea. The government could also learn from the practices of some Slovak municipalities which involve civil society in the preparation and implementation of their budgets.

#### Box 4. Public Participation in the Budget: Good International Practice

The International Budget Partnership includes an indicator on Public Participation in its *Open Budget Survey*. Unfortunately, most countries, advanced or developing, including EU Member States, perform poorly against this indicator. The average score for OECD countries is only 23/100.

The world leader (with a score of 61/100 in the 2019 Survey) is South Korea. The South Korean Ministry of Finance holds participatory meetings with citizens and NGOs during budget preparation to review expenditure ceilings and program priorities for 12 sectors, and e-consultations during budget execution. The discussions are held in a publicly accessible meeting hall and are televised nationally. The Ministry of Finance also actively engages with vulnerable and underprivileged communities directly or through NGOs. In addition, the National Assembly holds public hearings on the annual budget as well as to review the Board of Audit and Inspection's report on the audited annual financial statements. Any member of the public or NGOs may testify to the parliament during these hearings.

The UK government also invites public comments on its draft budget plans from citizens and advocacy groups. It publishes summaries of the responses. <https://www.gov.uk/government/publications/budget-representations-guidance/guidance-for-submitting-your-budget-or-autumn-statement-representation>

Useful sources of information:

- IMF, *Fiscal Transparency Handbook*, 2018, pages 81-84 (includes country examples). [Fiscal Transparency Handbook \(2018\) | imfsg](#)
- Global Initiative on Fiscal Transparency, *Guide to the Principles and Mechanisms of Public Participation in Fiscal Policy*. March 2016. [Public Participation Principles and Guide – GIFT \(fiscaltransparency.net\)](#)
- International Budget Partnership. *Guide on Citizens Budget*. 2013. <https://www.internationalbudget.org/>

## 4. Credibility

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### 2.4.1. Independent Evaluation (Advanced)

**60. Slovakia has an independent fiscal council, the CBR, that evaluates the credibility of the government's economic and fiscal forecasts.** The CBR was established by the Constitutional Law on Budgetary Responsibility of 2011. The Council is funded by the NBS, has a board of three members and a staff of 23 analysts, making it one of the best resourced fiscal councils in the EU. The CBR's mandate includes reviewing and commenting on fiscal developments and fiscal risks, monitoring the execution of the budget, undertaking policy costing, and conducting analysis of long-term fiscal sustainability. While assessing budget proposals prepared by the National Council is also part of the CBR's legal mandate, in practice the CBR has only a very limited dialog with the legislature with whom it has no formal reporting relationship.

**61. The process of preparing macroeconomic and fiscal forecasts is largely independent of the government.** The 2011 Law on Budgetary Responsibility established a Macroeconomic Forecasting Committee and, a Tax Forecasting Committee. The second committee covers some areas of expenditure as well as revenue. The Director of the IFP chairs both committees, which include members from inside and outside government, including the CBR.<sup>24</sup> The members are required to prepare their own forecasts which are then compared with those prepared by the IFP. The members, other than the IFP, are then required to vote on the latter's forecasts. The committees must agree on the forecasts (through an absolute majority of the members) before the IFP submits them to the National Council with the budget proposals.<sup>25</sup> The Statutes of the two committees protect their independence and require them to publish the minutes of their meetings, which typically occur three times a year. These minutes disclose any disagreements between the IFP and the other committee member on the forecasts, and how these disagreements were resolved. An important change in the Macroeconomic Forecasting Committee's Statutes in 2021 gave the CBR, formerly an observer on the Committee, full voting rights.

### 2.4.2. Supplementary Budget (Basic)

**62. The 2004 Act on Budget Rules sets limits on in-year amendments to the State budget but provides considerable room for the MFSR to make adjustments.** Only the National Council is allowed to increase spending above the approved State budget. Paragraph 16 of the Act also prevents transfers that would change a "binding indicator" of a chapter that is set by the MFSR, such as the amount of wages and salaries, the number of employees, capital expenditure, or co-financing. The MFSR is however allowed to modify these binding indicators (paragraph 17 of the Act) and authorize in-year virements accordingly. In practice, such virements have been consistently numerous over the past, and varied between 2,200 and 3,100 per year over the 2018-2021 period. Excluding transfers linked to EU co-financing, the number of transfers has never fallen below 1,000 a year over the same period and reached 1,500 in 2020. In-year transfers are reported to the National Council only at the end of the financial year.

**63. The high volume of in-year adjustments creates a risk of significant changes to the composition of the budget, without legislative approval.** The MFSR itself has not developed a policy to address this gap in the fiscal legislation. This legal lacuna contributes to the persistence of numerous requests by line ministries for changes in their budget appropriations, and most probably to insufficient efforts towards making precise forecasts of spending at the initial stage of budgeting.

**64. Significant contingency reserves further amplify opportunities for line ministries to increase their budget allocations (see Section 3.2.1).** In 2021, excluding an exceptional reserve

for managing the negative impact of the COVID-19 crisis, seven other reserve funds were at the disposal of the government, amounting to EUR 657 million (2.38 percent of State budget expenditure), or EUR 224 million (0.81 percent of the State budget) excluding the reserve for EU funds and payments to the European Union.

**65. Modest changes in current procedures could help improve the rating on this indicator.**

For example, the MFSR could set out specific criteria for the acceptance or rejection of requests for transfers by line ministries. This would encourage ministries to improve their initial budget estimates and most probably reduce the number of requests for transfers during the year. The MFSR could also submit to the National Council, perhaps on a quarterly basis, data on the number and amount of executed transfers.

### 2.4.3. Forecast Reconciliation (Advanced)

**66. Budget documentation includes a complete reconciliation between different vintages of forecasts.** This information is to be found in the following documents:

- The Stability Program presents a detailed reconciliation for the preceding year, which quantifies the contribution of various factors to the recorded changes. This presentation identifies the respective impact of macroeconomic factors, new policy decisions and other variables. The Stability Program makes a similar though slightly less detailed reconciliation for the current year.
- The DBP includes an updated version of the reconciliation for the current year which follows the same structure as the information in the Stability Program document.
- The Tax Forecasting Committee, in each revenue forecast, makes a reconciliation with the previous forecast which specifically identifies the respective impact of macroeconomic factors and changes of legislation.

## 5. Recommendations

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**Recommendation 2.1.** Extend the coverage of the National Council's approval to budget of general government entities falling under the spending ceilings as part of the draft Constitutional Act on expenditure ceilings (**Indicator 2.1.1**).

**Recommendation 2.2.** Issue instructions for the MFSR and line ministries to facilitate the implementation of expenditure ceilings through:

- Closer collaboration between Budget Policy Section, MFSR and line ministries on the preparation of NPC scenarios and costing of new policies;
- Developing manuals for line ministries to prepare NPC scenarios and cost new policies;
- Requiring line ministries to separate their NPC scenarios and new policies when presenting their medium-term budget requests; and
- Integrating the spending review cycles with the fixed four-year MTBF cycle for better integration of savings and policy proposals in the budget (**Indicators 2.1.3 and 2.3.1**).

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<sup>24</sup> The Macroeconomic Forecasting Committee, for example, comprises ten members that represent the IFP (chair), the NBS, the Slovak Academy of Sciences, the Institute of Informatics and Statistics (INFOSAT), the CBR (since 2021, formerly an observer) and five commercial banks.

<sup>25</sup> In the past, the National Council has sometimes changed the revenue estimates in the forecast by adding new tax measures to the budget package. However, this should be viewed as a policy change rather than a change in the underlying forecasts themselves.



**Recommendation 2.3.** Publish data on the government’s total commitments on major investment projects by:

- Including the value of the total obligations of the government under multi-annual investment projects with a value of EUR 40/10 million and above in a budget annex;
- Developing a set of MFSR directives to guide the evaluation of investment projects with a value more than EUR 1 million; and
- Implement other outstanding recommendations of the PIMA report, 2019 (**Indicator 2.1.4**).

**Recommendation 2.4.** Adopt Constitutional Amendment on expenditure ceilings (**Indicator 2.3.1**).

**Recommendation 2.5.** Use performance information more actively in budgeting by completing the draft budgetary plan with targets for KPIs for the budget and two outer years. (**Indicator 2.3.2**).

**Recommendation 2.6.** Create greater opportunities for public participation in the budget by:

- Including in the Citizen’s Guide to the Budget information on the impact of the budget on typical citizens and different demographic groups;
- Providing citizens and NGOs with a formal voice in the budget process, ideally through public hearings on the draft budget proposals; National Assembly hearings on the budget; and hearings on the audited financial statements of the government (**Indicator 2.3.3**).

**Recommendation 2.7.** Establish a set of published rules for better managing in-year transfers, and a mechanism to review and challenge the breakdown of spending under budget chapters to minimize the

**Table 10. Summary Evaluation: Fiscal Forecasting and Budgeting**

	Principle	Assessment	Importance	Rec
2.1.1	<b>Budget Unity</b>	<b>Advanced:</b> Information on most major general government entities, including social security funds, is provided to the National Council.	<b>Medium:</b> National Council only approves 40 percent of public expenditure; insufficient with the upcoming binding expenditure ceilings.	<b>2.1</b>
2.1.2	<b>Macroeconomic Forecasts</b>	<b>Advanced:</b> 2022 DBP includes a multiyear forecast of economic variables, with discussion of main drivers.	<b>Low:</b> Some optimism bias in macroeconomic forecasts but declining over time.	
2.1.3	<b>Medium-term Budget Framework</b>	<b>Good:</b> 2004 Act sets requirements, and DBP and Stability Program contain estimates for 3 years. But role of line ministries is limited. Details of policy measures are lacking.	<b>High:</b> In absence of binding ceilings, MTBF does not frame the annual budget as historical analysis shows.	<b>2.2</b>
2.1.4	<b>Investment Projects</b>	<b>Good.</b> Slovakia meets criteria on CBA and open and competitive procurement but does not disclose total value of multi-annual projects.	<b>Low:</b> Public investment averages 8-10 percent of total spending Only one-third financed by own funds of government, two-thirds is EU-financed.	<b>2.3</b>
2.2.1	<b>Fiscal Legislation</b>	<b>Good:</b> 2004 Act sets content, structure, and timetable of budget. National Council’s power to amend the budget is not specifically defined. .	<b>Medium:</b> Good practice requires role of National Council to be clearly defined.	
2.2.2	<b>Timeliness of Budget Documents</b>	<b>Good:</b> Budget is proposed to National Council more than two months before the start of the year and approved before the start of the year.	<b>Low:</b> Deadlines always met in the last five years.	

2.3.1	<b>Fiscal Policy Objectives</b>	<b>Good:</b> National and supranational rules set debt brake, MTO on structural balance and expenditure growth rule, but these rules have not been effective.	<b>High:</b> Strong need for binding medium-term spending ceilings to curb pre-COVID spending drift and facilitate fiscal consolidation.	2.4
2.3.2	<b>Performance</b>	<b>Good:</b> DBP contains information on inputs but output/outcome indicators are mostly backward looking. Performance overall plays a limited role in the budget decisions	<b>High:</b> More active use of performance indicators can better guide resource allocation in the budget.	2.5
2.3.3	<b>Public Participation</b>	<b>Not met.</b> A Citizen's Guide provides basic information on the budget, but citizens have no formal voice in budget deliberations.	<b>Medium.</b> Slovakia lags many advanced countries in providing the public with opportunities to influence the budget process.	2.6
2.4.1	<b>Independent Evaluation</b>	<b>Advanced.</b> The independent CBR provides strong oversight of the government's macro forecasts as well as its fiscal policies and performance.	<b>Medium.</b> Effective safeguards exist for protecting the independence of the two committees responsible for macro-fiscal and tax forecasting.	
2.4.2	<b>Supplementary Budget</b>	<b>Basic:</b> The law requires approval of the National Council for any increase in spending above the approved State budget, but loopholes allow extensive in-year movements by MFSR without approval by National Council.	<b>High:</b> Number of in-year transfers exceeds 2000.	2.7 & 2.8
2.4.3	<b>Forecast Reconciliation</b>	<b>Advanced:</b> Regular reconciliations in Stability Program, Draft Budgetary Plan distinguish impact of macro changes, new policies, and other variables.	<b>Low.</b> Authorities have a strong handle on sources of deviations across forecast vintages.	



## III. Fiscal Risks

**67. Governments should disclose, analyze, and manage risks to public finances and ensure effective coordination of fiscal decision-making across the public sector.** This chapter assesses the quality of Slovakia's fiscal risk analysis, management and reporting practices against the standards set by the three dimensions of the Code:

- General arrangements for the disclosure and analysis of fiscal risks;
- The management of risks arising from specific sources, such as government contingencies and guarantees, public-private partnerships (PPPs), and the financial sector; and
- Coordination of fiscal relations and performance between central government, local governments, and public corporations.

### 1. Fiscal Risk Disclosure and Analysis

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#### 3.1.1. Macroeconomic Risks (Good)

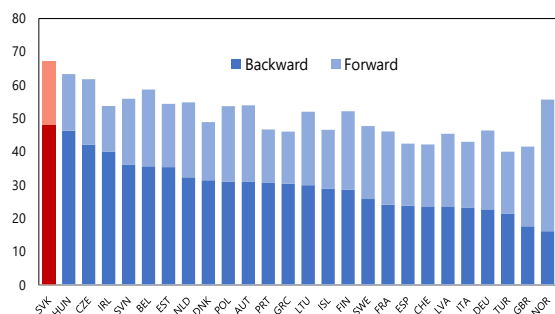
**68. The DBP presents a few macroeconomic scenarios around the baseline, specifically in high risk scenarios, but does not present their likelihood of occurrences.** The alternative scenario approach has been extensively used in the 2021 and 2022 budgets which included policy measures in case of prolonged COVID lockdowns and lower drawdowns of EU funds. The 2021 Stability Program contains a comparison of government macroeconomic forecasts with those from other public institutions (both international and domestic) alongside some discussion of the differences between these forecasts. It also contains macroeconomic forecasts under a risk scenario and an explanation of divergences between the previous year's forecasts and the updated forecasts as well as the actual outcome. The IFP also conducts an evaluation of past tax forecasts (e.g., the 2019 tax revenue forecast was evaluated in February 2021 after the corporate tax data were finalized). There has been occasional use of probabilistic analysis in the debt forecast in the past, but this is not a regular practice.

**69. As an open and highly integrated economy, Slovakia is highly exposed to external shocks, which heightens the need for robust macro-fiscal forecasting.** Goods exports amounted to 82 percent of GDP in 2020. This is highly concentrated by destination and product: 80 percent of total exports were destined to the EU, and the top two product categories—Electrical and machinery, and transport equipment—accounted for 64 percent of total exports. The country has been rapidly increasing its participation in the global value chain (GVC) with the sum of backward and forward GVC participation rising from 55 percent in 2000 to 67 percent in 2018 (Figure 15).<sup>26</sup> This has made the economy sensitive to external developments, as evidenced by the sharp production decline in the all-important car industry amid supply chain disruptions since 2021. Slovakia fares worse than the median in its peers in terms of macroeconomic volatility, as measured by the standard deviations of growth in nominal GDP and general government revenue growth (Figure 16).

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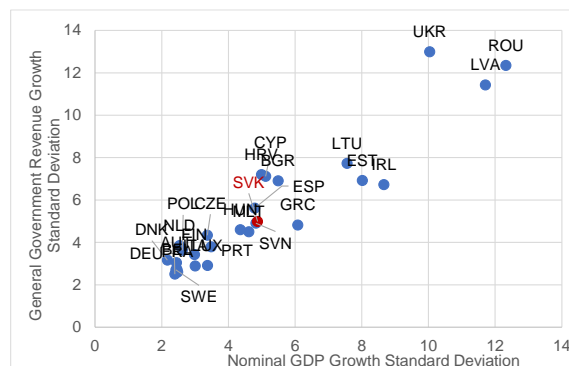
<sup>26</sup> Forward participation in GVCs is measured as domestic value-added in exports as a share of gross exports. Backward participation in GVCs is measured as foreign value-added share of gross exports.

**Figure 15. Slovakia. Global value chain participation**  
(Share of gross exports)



Source: OECD

**Figure 16. Slovakia. Macro-Fiscal Volatility (2001–2020)**  
(Standard deviation)



Source: World Economic Outlook.

### 3.1.2. Specific Fiscal Risks (Not met)

**70. Most specific fiscal risks are reported in published documents, but there is no summary report of the main specific fiscal risks.** The Annual Summary Report contains information on some specific fiscal risks related to contingent liabilities, the liabilities of major state-owned enterprises (SOEs) and PPPs, loan guarantees, and long-term fiscal pressures arising from pensions and healthcare. Contingent and implicit liabilities are also reported in annexes to the general government budget. Guarantees under the bank loan warranty program introduced during the COVID-19 pandemic are reported in the budget documents and the Stability Program. An ageing report by the EU’s Working Group on Ageing Populations and Sustainability (AWG), to which the government contributes, contains more detailed discussion of long-term pension liabilities including pension expenditure projections under different macroeconomic and demographic scenarios. Bank deposits that are guaranteed under the government’s insurance scheme are reported in the Deposit Protection Fund’s annual report.

**71. Slovakia is particularly exposed to the long-term costs of an ageing population** As reported in the Annual Summary Report, contingent risks, including the government’s backstopping of the liabilities of public corporations and loan guarantees, amounted to 21.7 percent of GDP as of 2020. Separately, the maximum exposure to depositor guarantee liabilities stands at 43 percent of GDP. With one of the fastest ageing populations in the EU, Slovakia faces high long-term ageing related fiscal liabilities. Social security pension liabilities amounted to 365 percent of GDP (Table 2), and healthcare and long-term care liabilities to 150 percent of GDP (in net present value). The implicit liabilities related to population ageing have been revised up significantly from Euro 106.8bn in 2019 (113.4 percent of GDP) to Euro 360.8bn in 2020 (391.8 percent of GDP). This reflects mainly the reduction in the discount rate due to the reduction of nominal interest rates in the AWG 2021 projection, and to a lesser extent by the legislation adopted during 2020 to revise the pension system (Box 5).

**Table 11. Slovakia. Specific Fiscal Risks (2020)**

	Maximum exposure (€ million)	Percent of GDP
<b>Contingent liabilities</b>	19,990	21.7
Capital on demand and guarantees/ESM	6,148	6.7
Capital on demand and guarantees/EFSF	2,372	2.6
State-owned companies	5,216	5.7
Guarantees	646	0.7
<b>Implicit liabilities</b>	363,441	394.7
PPP projects	4,050	4.4
Population aging related long-term risks	360,753	391.8
Pension (by 2064)	204,721	222.3
Healthcare (by 2064)	80,886	87.8
Long-term care	57,002	61.9
Education	16,656	18.1
<b>Financial sector</b>		
Total guaranteed deposit	39,561	43.0
<b>Contingent events</b>		
Natural disasters	N/A	N/A

Sources: 2020 Annual Summary Report; the Deposit Protection Fund 2020 Annual Report.

**72. Fiscal risks related to off-balance sheet fiscal support during the COVID-19 pandemic were moderate.** In addition to direct fiscal aid, the government also provided below-the-line support by rolling out loan guarantee programs, deferring income taxes and social contributions for affected businesses, and introducing debt moratoria for bank loans. The eventual take up of the loan guarantees, totaling 1.1 percent of GDP is smaller than initially announced (4.0 percent of GDP), and moderate among peers. The corporate sector and the financial sector have weathered the COVID-19 crisis well (partly helped by the government's support programs), with little increase in corporate bankruptcies or non-performing loans (NPLs). The tax deferrals announced by the government have cash flow implications but do not affect the fiscal balance on an accrual basis.

**Table 12. Slovakia. Policy Measures in Response to COVID-19**  
(Percent of GDP)

	2020	2021 (est.)
Above-the-line measures	2.1	3.6
Below-the-line measures		
Public credit guarantees	0.7	0.4
Tax deferrals	0.5	0.1
Debt moratoria	0.5	0.1

Sources: 2022 Draft Budget Plan, National Bank of Slovakia.

### 3.1.3. Long-term Sustainability of Public Finances (Good)

**73. Various publicly available documents assess the long-term sustainability of public finances** Both budget documents and the Stability Program discuss long-term fiscal sustainability and report medium- and long-term sustainability indicators, including a comparison with earlier estimates. The budget also includes a long-term debt projection (over 20 years) and discusses the long-term trend in pension expenditure (up to 2070). More detailed analysis of long-term pension liabilities is included in Slovakia's contribution (country fiche) to the AWG ageing report, most recently the 2021 pension projections which include analysis of long-term pension expenditure trends under various economic and demographic scenarios. The CBR also undertakes and publishes its own analysis of fiscal sustainability.

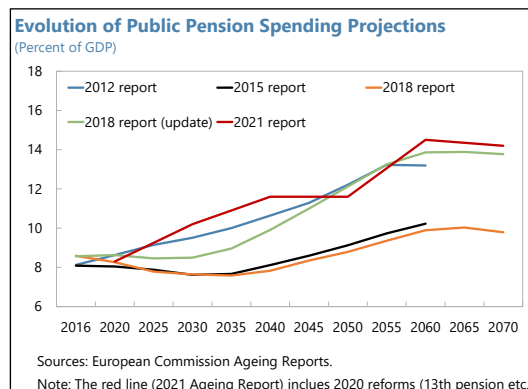
**74. These reports consistently underline the significant challenges facing Slovakia due to ageing, against the backdrop of several pension reforms lately.** Slovakia's old-age dependency ratio is projected to increase by 37 percentage points from 2019 to 2070, one of the largest increases in the EU (Figure 17). Old-age pension spending is projected to rise to 14.2 percent of GDP by 2070, from 8.3 percent in 2019. Pension reforms in 2019 and 2020 have significantly raised long-term pension expenditure (see Box 5). Overall, the CBR assesses the long-term sustainability of public finances as high risk in its most recent report. Cognizant of this, the authorities have announced consolidation efforts in the 2023 budget, though the specific consolidation measures are still to be laid out. In addition to pensions, healthcare spending is also projected to increase, but there is no report on the sustainability of the public health insurance. The IMF estimates that the net present value of Slovakia's healthcare spending will rise by 26.5 percent of GDP between 2015 and 2050.

## Box 5. Pension Reforms in Slovakia

**Earlier pension reforms have improved the sustainability of Slovakia’s pension system.** The 2004 reform established a new universal three-pillar system to replace the earlier reliance on a public Pay-As-You-Go system. A major reform in 2012 significantly improved the sustainability of the pension system, mainly by unifying the retirement age and indexing it to life expectancy, moving pension indexation to inflation-only, and raising the assessment base for contributions.

**However, the reforms introduced in 2019 significantly raised long-term pension expenditure.** The statutory retirement age, previously indexed to life expectancy, was capped at 64 years. In addition, women’s retirement age, which was supposed to converge to men’s retirement age by 2024, was reduced for mothers by six months for every child (up to three children). These and other changes were estimated to raise the public old-age pension in 2070 by 5.5 percent of GDP.

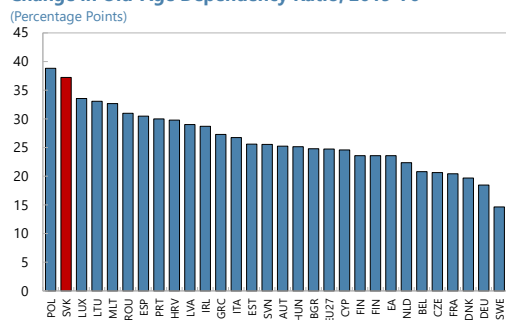
**Pension policy changes made in 2020 on balance further raise long-term pension spending moderately.** Reforms that led to higher pension costs include introducing a thirteenth pension to replace the Christmas bonus with higher benefits, and retroactively lowering the retirement age of mothers only partially offset by a freeze of the minimum pension.



**Ongoing pension reforms are expected to have a mixed impact but will overall improve pension sustainability.** A constitutional amendment passed in December 2020 set the following principles: i) the abolishment of the retirement age ceiling of 64; ii) the introduction of a parental pillar, allowing working children to transfer part of their social security contribution directly to their parents; iii) allowing retirement once a certain number of years of working has been reached; iv) ensuring that having children should not negatively affect one’s pension benefits. These reforms are yet to be implemented through an amendment to the social insurance law. The authorities have committed to restore the link between retirement age and life expectancy in its Recovery and Resilience Plan, as one of the milestones set for Q4, 2022.

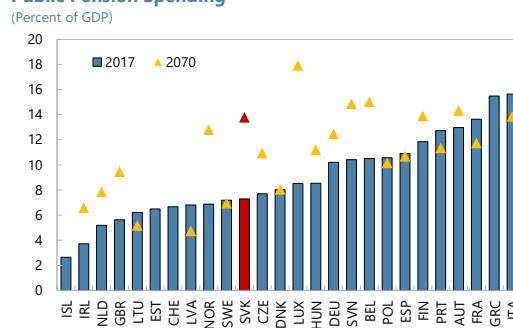
**Figure 17. Slovakia. Old-Age Dependency Ratio and Public Pension Spending**

**Change in Old-Age Dependency Ratio, 2019-70**



Source: The European Commission Ageing Report 2021.

**Public Pension Spending**



Sources: OECD; and European Commission 2018 Ageing Report.

## 2. Fiscal Risk Management

### 3.2.1. Budgetary Contingencies (Basic)

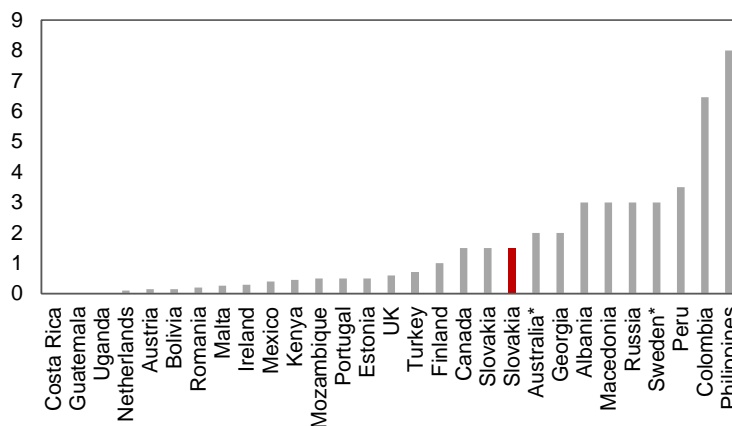
**75. Slovakia includes eight separate contingency reserves in the budget but without clear access criteria or in-year reporting on their utilization.** The practice of having various reserves contrasts with the single reserve found in many countries and was designed by the government's coalition partners to limit the amount of discretion exercised by the MFSR in allocating these resources. The total size of the reserves (1.5 percent of the budget excluding the COVID-19 reserve, 3.6 percent including this reserve) is close to the average level of reserves held in comparator countries (see Figure 18). Apart from the COVID-19 reserve, the main reserves include appropriations for potential spending on co-payments on EU-financed projects, for new legislation, and for public service salaries (since salary increases for public servants are determined after the budget has been approved). Information on actual spending against the reserves are published only in the government's mid-year and end-year reports on budget execution, but no more regular information is published on spending during the year.

**Table 13. Slovakia. Contingencies Reserves in the Slovak Budget for 2021 (€ million)**

Name of Reserve	Budget Allocation (Euro million)
Reserve of the government	5
Reserve of the Prime Minister	2.5
Reserve of EU Funds	433
Reserve for new legislation	111
Reserve for emergencies (floods, etc.)	11
Reserve of the judiciary	20
Reserve for public salaries	74
Reserve for COVID-19 spending.	1,041
Total reserves	1,698 (3.6% of total budget)

Source: MFSR; Annex 6 of the State Budget documents.

**Figure 18. Size of Contingency Reserves in Selected Countries**  
(Percent of Expenditure)



Source: IMF Fiscal Transparency Evaluations and other IMF staff estimates. Figure for Slovakia excludes the Covid reserve (2.1 percent of the budget) which is an exceptional provision.

\*Indicates reserve at end of MTBF period.

**76. The law gives the MFSR almost complete discretion on how to allocate the contingency reserves when requests are submitted by the budget entities.** The usual criteria of urgency, unforeseeability, unavailability, and inability to absorb within existing budget appropriations are not strictly applied.<sup>27</sup> Against that, the fragmentation of the total resources available for spending on contingencies into several components limits the potential cost to the government.

### 3.2.2. Management of Assets and Liabilities (Basic)

**77. A well-established legal framework regulates public debt and the risks around government's debt are analyzed and disclosed.** A balance sheet presenting assets and liabilities for the whole public sector is published annually on the MFSR's website. The Annual Summary Report of the state contains some more detailed information on financial assets, e.g., tangible assets, which is the largest component of financial assets, the government's shares in joint stock companies and other public corporations, and cash deposits. However, no analysis is undertaken of the risks that these assets are subject to.

**78. Fiscal rules set in the Constitutional Act on Budgetary Responsibility (2011) include multiple debt ceilings with corresponding penalties for breaching these limits.** In addition, changes to the 2004 Law on Budgetary Rules, made in March 2022 introduced multi-year expenditure limits (Box 2). The Debt and Liquidity Management Agency (ARDAL) publishes the government's debt management strategy, though the most recent published strategy is for 2015–18. ARDAL is preparing an updated strategy.

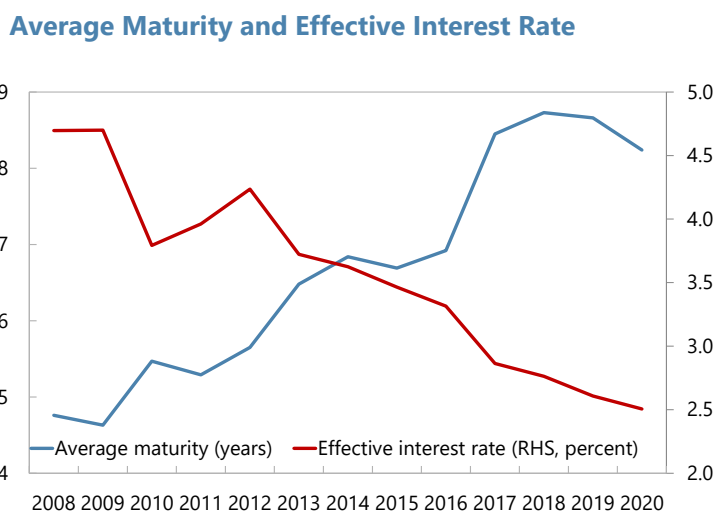
**79. There is monthly publication of public debt data, including information on the ownership of assets and liabilities.** The Budget and Stability Programme sets out the government's medium-term

<sup>27</sup> For a definition of these concepts, see IMF, *Fiscal Transparency Handbook*, 2018, page 113.

borrowing strategy. ARDAL also announces the government's borrowing plan for the next year and publishes a monthly report on the agency's activities and an overview of government securities including information on the ownership of these securities. The results of auctions of government debt are published on a timely basis. ARDAL also publishes an annual report which includes some discussion of risk management.

**80. Overall risks to general government debt have remained moderate despite the spike in 2020 due to COVID.** Slovakia's gross public debt increased markedly from 48.1 percent of GDP in 2019 to 59.7 percent of GDP in 2020. While this would have breached the upper debt ceiling, a 48-month escape clause was triggered with the installation of a new government in April 2020. Nevertheless, Slovakia remains a highly rated borrower (S&P: A+, Moody's: A2, Fitch: A). With Euro denominated government debt, exchange rate risk is minimal; the average maturity of public debt has been steadily rising — 8.3 years in 2022, while effective interest rate remains low (Figure 19).

**Figure 19. Slovakia. Average Maturity and Effective Interest Rate of General Government Debt**



Sources: The Slovakia Debt and Liquidity Management Agency.

Source: MFSR

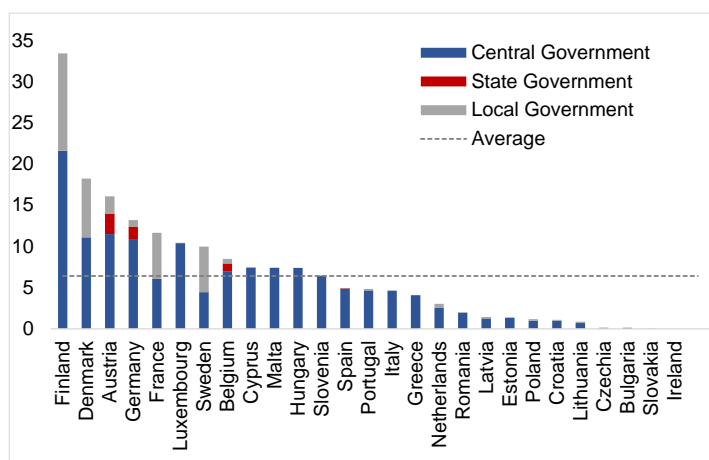
### 3.2.3. Guarantees (Not Met)

**81. Information published by the government on loan guarantees and other forms of indemnity is incomplete and not consolidated into a single document.** The volume of government guarantees in Slovakia recorded by Eurostat for 2019 is among the lowest of all EU Member States, representing only 0.01 percent of GDP (Figure 20). However, these figures do not include the issuance of guarantees related to the COVID-19 crisis, nor other forms of indemnity issued by the government, for example guarantees related to the European Stability Mechanism (ESM) and deposit insurance (see Section 3.2.5). The law states that no guarantees can be issued by local governments or public corporations. As required by EU law, Slovakia has also established a Deposit Protection Fund with total covered deposits amounting to Euro 39.56 billion at the end of end-2020. Calls on guarantees to meet non-performing loans were very small in 2020 and 2021 (less than Euro 0.5 million) but are expected to increase. No maximum value of new guarantees is authorized by law. The MFSR does not undertake any analysis of the likelihood of guarantees being called.



**82. The government has provided substantial loan guarantees related to the COVID-19 crisis.** The total amount of such guarantees issued is Euro 1.033 billion (1.1 percent of GDP) of which €646 million was issued in 2020 and €387 million in 2021. COVID-related guarantees have also been issued for loans provided by government-owned Slovak Guarantee and Development Bank (SZRB) and Eximbank, and qualified commercial banks, with some programs targeting small and medium enterprises.

**Figure 20. Government Guarantees in Europe**  
(Percent of GDP, 2019)



Source: Eurostat

Note that *these data do not include:*

1. Government guarantees issued within the guaranteed mechanism of the Framework Agreement of the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).
2. Derivative-type guarantees meeting the ESA2010 definition of a financial derivative.
3. Deposit insurance guarantees and comparable schemes.
4. Government guarantees issued on events which occurrence is very difficult to cover via commercial insurance (earthquakes, large scale flooding, etc.).

### 3.2.4. Public-Private Partnerships (Good)

**83. Limited use has been made of PPPs in Slovakia.** Liabilities related to PPP projects are reported in the annex to the budget and the SAR. Information on the expected annual receipts and payments over the life of the PPP contracts are also publicly disclosed. The 2020 SAR shows liabilities arising from PPP projects amounted to €4.05 billion (4.4 percent of GDP) at the end of 2020. There are currently only three PPPs, two of which are road project (Figure 21). The government's commitments extend over the duration of the concession agreements, which for the R1 expressway projects and the new prison facility construction project run until 2041 and for the D4/R7 project until 2050.

**Figure 21. Slovakia. The Present Value of Future Expenditure on PPP Projects**

<b>% of GDP</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>	<b>2050</b>	<b>Total</b>
R1 Expressway	0.13	0.12	0.11		2.7
D4/R7 Bypass	0	0.05	0.05	0.02	1.4
Rimavská Sobota prison facility construction	0	0.02	0.02		0.3
<b>Total</b>					<b>4.4</b>

Source: MFSR

**84. The regulatory and methodological framework for preparing, selecting, and managing PPP projects is sound<sup>28</sup>.** While there is no dedicated PPP law, the government has published a PPP strategy. The government has now adopted a cautious approach to proposing new PPPs, favoring EU-financed projects, with the MFSR playing a gatekeeper role (though non-binding) in the preparation and approval of PPP projects. Signed PPP concession contracts are published in the Central Register of Contracts. Currently there are no legal limits on the PPP obligations. The MFSR in cooperation with the European Commission and the European Investment Bank’s PPP Expertise Center, has started a new initiative to standardize PPP appraisal and contracting processes, including regular reporting to the MFSR. Currently there are no new PPP projects in the pipeline.

### 3.2.5. Financial Sector (Advanced)

**85. The National Bank of Slovakia (NBS) assesses the risks of the financial sector through its bi-annual financial stability reports.** These reports discuss developments in Slovakia’s financial sector, the general stability of the financial sector, and major risks including under stress scenarios. Slovakia’s financial sector is dominated by banks (9 banks, 15 foreign bank branches, and 3 building societies), which account for 73 percent of financial market (excluding the central bank) assets.

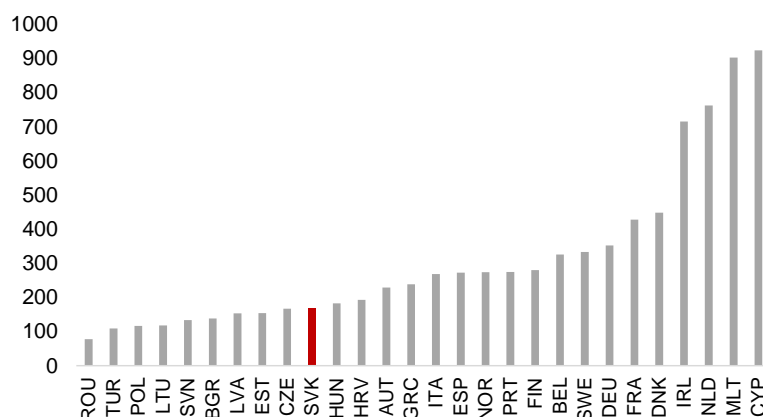
**86. The state’s direct exposure to the financial sector is limited.** As of November 2021, the total bank holding of government bonds amounted to EUR8.7 billion. Banks also have outstanding loans amounting to EUR1.6 billion to the central and local governments. The state-owned SZRB, established in 1991, is a specialised financial institution with a mandate to provide funding to support SMEs, agriculture, towns, municipalities, and housing. The SZRB is part of the banking system and supervised by the NBS. Its total liabilities amounted to 0.6 percent of GDP at end-2020. Eximbanka is a specialized financial institution combining banking, guarantees and insurance activities with the aim of supporting exports, whose total liabilities amounted to 0.5 percent of GDP at end-2020. It is classified as part of the general government.

**87. The government also underwrites the Deposit Protection Fund** (see also Section 3.2.3). In line with European directives, the government is the ultimate guarantor for domestic deposits of up to EUR 100,000 in Slovakia banks. Total covered deposits amount to EUR 39.56 billion at end-2020, or 41 percent of GDP. The Fund’s financial assets amount to EUR 268.7 million, or 0.7 percent of total guaranteed deposits. This is lower than the scheme’s target of 0.8 percent under EU rules. The Fund publishes an annual report containing financial statements.

**88. Slovakian banks are well capitalized and have remained stable during the COVID-19 pandemic.** Slovakia’s financial sector is relatively small among EU countries (Figure 22). Banks hold comfortable capital buffers in excess of the required minimum (Figure 24). The NBS’s November, 2021 Financial Stability Report notes that banks have been resilient during the pandemic and the short-term risks associated with the crisis are gradually fading.

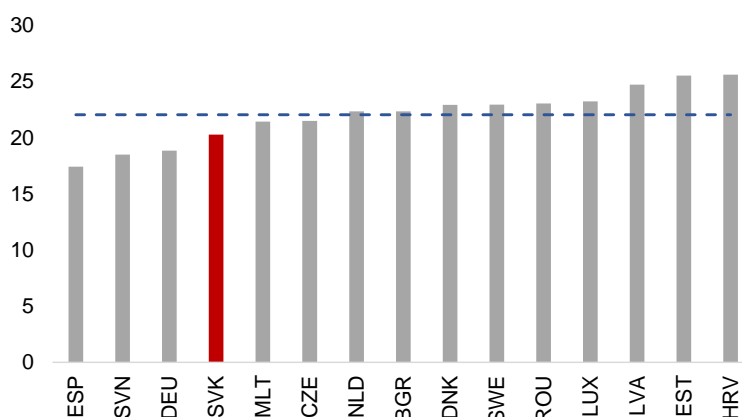
<sup>28</sup> Slovak Republic: Public Investment Management Assessment, 2019.

**Figure 22. Slovakia. Non-Equity Liabilities of Financial Corporations, 2020**  
(Percent of GDP)



Source: Eurostat

**Figure 23. Slovakia. Regulatory Capital to Risk-Weighted Assets, 2020**  
(Percent of GDP)



Source: IMF Financial Stability Indicators

### 3.2.6. Natural Resources (Basic)

**89. Although there is no comprehensive estimate of the value of natural resources, data on two important components, forestry and mineral deposits assets, are disclosed in various publications.** Since 2017, the value of forests is included in the notes to the financial statements of the state enterprise that manages state-owned land. This information is regularly updated by an expert of the National Forestry Center, is part of the off-balance sheet assets of the general government and is included in the estimate of Slovakia’s net worth reported in the SAR. The Slovak Minerals Yearbook published by the State Geological Institute provides information on the total amount of mineral deposits and output, but does not value the outputs, although in principle this value could be derived using international market prices and data on the volume of production.

**90. Fiscal revenue from mineral resources is very small.** Total natural resources revenue accounted for only 0.01 percent of general government revenue in 2020. Slovak imports

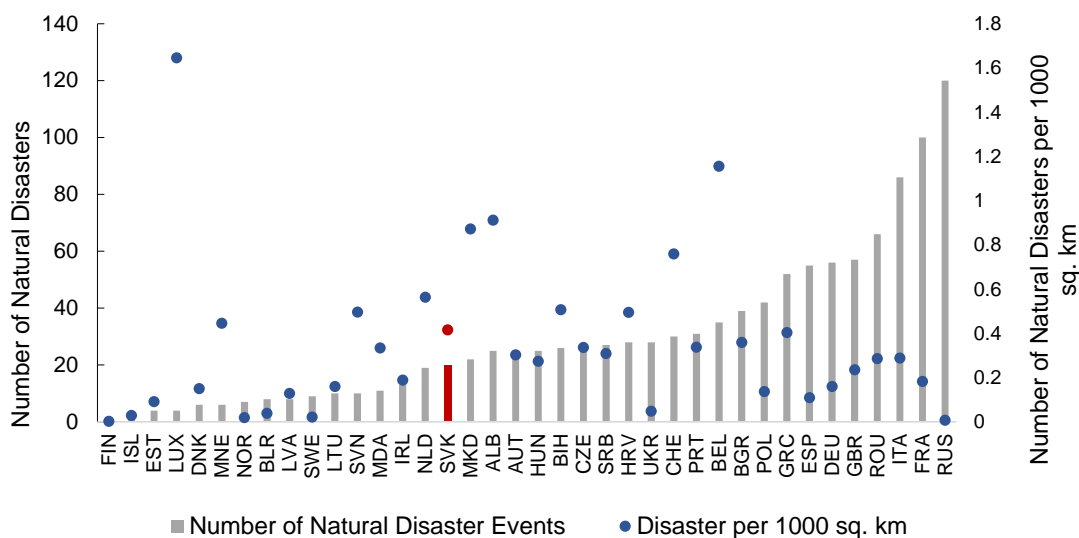
almost all its oil and gas needs. Exports of mineral resources amounted to EUR2.1 billion in 2020 (2.3 percent of GDP).

### 3.2.7. Environmental Risks (Basic)

**91. The government identifies and discloses the main fiscal risks from natural disasters in qualitative terms but does not quantify these risks.** Various reports by the Slovak Hydrometeorological Institute, while not focusing on imminent environmental threats, include some assessments for the future from the hydrological/meteorological/climate point of view. Floods have been the most frequent source of natural disasters over the past 20 years. Relief for major natural disasters can lead to significant fiscal costs. While there is some information on the costs of disaster relief (e.g., compensation to farmers after floods and expenditure associated with rescue activities following landslides), there are no comprehensive estimates of the overall fiscal impact of past natural disasters. However, the budget includes a reserve for emergencies such as floods (see Principle 3.2.1 and Table 12).

**92. Slovakia is not particularly vulnerable to natural disasters (Error! Reference source not found.).** The occurrence of natural disasters over the past twenty years has been relatively low among European countries, though less so when scaled by countries' land sizes.

Figure 24. Natural Disaster Events in Selected European Countries, 2000–21



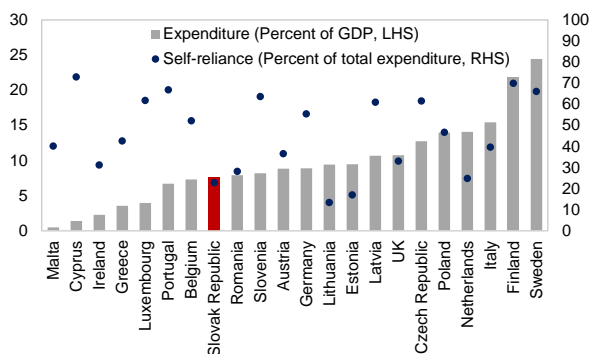
Source: International Disaster Database

### 3. Fiscal Coordination

#### 3.3.1. Subnational Governments (Good)

**93. Information on the performance of local governments' revenue and spending is published annually and there are limits on their borrowing.** Local governments ran a small aggregate surplus in 2020. Local governments include 2890 municipalities (cities/towns and mostly villages) and 8 higher territorial units (regions). The share of local governments in GDP was 7.6 percent in 2020. Local government rely heavily on central government transfers, with own resources amounting to only 23 percent of their funding (Figure 25).

**Figure 25. Size and Self-Reliance of Subnational Governments in Selected European Countries, 2020**



Source: IMF GFS database

**94. Some elements of central oversight of local government finances exist, but there are gaps.** The MFSR monitors the financial performance of subnational governments, but this is done in aggregate. On capital projects, while coordination between central and local authorities is strong for EU-funded projects, local governments' overall capital spending plans are not discussed with the central government. Nevertheless, a summary overview of their large public works with corresponding sources of funding is published.

**95. There are strong safeguards against moral hazard and excessive borrowing by local governments.** These safeguards include strict rules on local government borrowing and debt (see Box 6), and the central government does not guarantee liabilities incurred by local governments. Total local government debt is low, amounting to merely 2.36 percent of GDP in 2020. Information on local government debt is published in the SAR.

#### Box 6. Slovakia. Limits on Local Government Borrowing

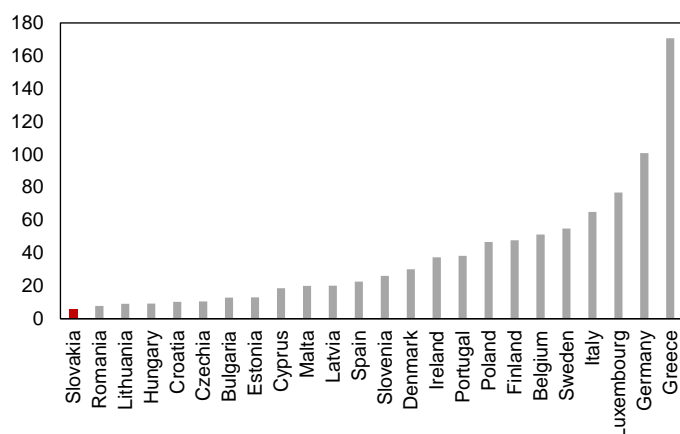
Among various restrictions on local government debt and borrowing, the Constitutional Act on Fiscal Responsibility (2011) specifies that if the total debt of a municipality or a self-governing region reaches or exceeds 60 percent of its current revenue in the previous year, the entity concerned shall pay a penalty equal to 5 percent of the difference. In addition, budgetary rules require that local governments' borrowing can only be used for capital expenditure and that the amount of annual debt payments must not exceed 25 percent of actual revenue in the preceding fiscal year.

### 3.3.2. Public Corporations (Good)

**96. All transfers between the government and SOEs are disclosed in the budget document and the SAR discusses the financial performance of SOEs.** Investments, subsidies and capital transfers to the SOEs that belong to the general government, as well as their dividend payments to government are reported in the budget. An annex to the budget reports on the state's ownership share, the value of equity, and the profit/loss of selected major SOEs, both in recent years as well as projections for the coming years. The SAR provides an overview of profit, dividend, and changes in the equity of the main SOEs that account for 84 percent of the total equity of all SOEs. Total state equity in these companies amounted to 24.1 percent of GDP as at the end of 2020. The report also discusses in more detail the performance of several major SOEs.

**97. While SOEs' total liabilities remain small, many are loss making.** In comparison to European peers, Slovakia's SOE debt is low, standing at 4.7 percent of GDP as at end of 2019 (Figure 26). SOEs play an important role in public investment<sup>29</sup>, supported by transfers from the central government. The financial performance of SOEs is uneven: about half of the companies suffered losses in 2020 according to the latest SAR.

**Figure 26. Slovakia. Total Non-Equity Liabilities of SOEs, 2019**  
(Percent of GDP)



Source: IMF GFS database

**98. The financial supervision of SOEs needs to be strengthened to monitor risks.** All SOEs are required to produce annual financial statements that are subject to external audit, but only a minority of central government SOEs follow International Financial Reporting Standards (IFRS). There is an oversight unit for SOEs at the MFSR, housed within the State Reporting Section, but its focus is essentially on collecting and consolidating information rather than monitoring the companies' performance. The authorities are preparing legislation to empower the MFSR to exercise the state's ownership rights (currently, this function is decentralized to the respective line ministries) and monitor the economic and financial performance of the SOEs. A provision in the Constitutional Act on Budgetary Responsibility (2011) requires the government to publish information on the fiscal risks associated with SOEs, but this has not yet been implemented.

### 3.2.6. Natural Resources (Basic)

**99. Although there is no comprehensive estimate of the value of natural resources, data on two important components, forestry and mineral deposits assets, are disclosed in various publications.** Since 2017, the value of forests is included in the notes to the financial statements of the state enterprise that manages state-owned land. This information is regularly updated by an expert of the National Forestry Center, is part of the off-balance sheet assets of the general government and is included in the estimate of Slovakia's net worth reported in the SAR. The Slovak Minerals Yearbook published by the State Geological Institute provides information on the total amount of mineral deposits and output, but does not value the outputs, although in principle this value could be derived using international market prices and data on the volume of production.

**100. Fiscal revenue from mineral resources is very small.** Total natural resources revenue accounted for only 0.01 percent of general government revenue in 2020. Slovak imports almost all its oil and gas needs. Exports of mineral resources amounted to EUR2.1 billion in 2020 (2.3 percent of GDP).

### 3.2.7. Environmental Risks (Basic)

**101. The government identifies and discloses the main fiscal risks from natural disasters in qualitative terms but does not quantify these risks.** Various reports by the Slovak Hydrometeorological Institute, while not focusing on imminent environmental threats, include some assessments for the future from the hydrological/meteorological/climate point of view. Floods have been the most frequent source of natural disasters over the past 20 years. Relief for major natural disasters can lead to significant fiscal costs. While there is some information on the costs of disaster relief (e.g., compensation to farmers after floods and expenditure associated with rescue activities following landslides), there are no comprehensive estimates of the overall fiscal impact of past natural disasters. However, the budget includes a reserve for emergencies such as floods (see Principle 3.2.1 and Table 12).

**102. Slovakia is not particularly vulnerable to natural disasters (Error! Reference source not found.).** The occurrence of natural disasters over the past twenty years has been relatively low among European countries, though less so when scaled by countries' land sizes.

## 4. Recommendations

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**Recommendation 3.1.** Deepen existing macroeconomic risk analysis by including probabilistic fan-charts and retrospective comments on the realization of previously published risk scenarios (**Indicator 3.1.1**).

**Recommendation 3.2.** Prepare and publish an annual consolidated fiscal risk statement that summarizes the size, probability, and potential impact of fiscal risks to the public finances, covering the risks included in Pillar 3 of the FTC (**Indicator 3.1.2**).

**Recommendation 3.3.** Regularly publish long-term projections of the health insurance fund and the long-term sustainability of health-related expenditures, similar to the projections of pensions sustainability (**Indicator 3.1.3**).

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<sup>29</sup> The bulk of SOE spending comprises three enterprises that are classified as part of the general government (highways, rail tracks, and water management), and four large non-financial enterprises (e.g., energy generation) that are outside of the general government.

**Recommendation 3.4.** Publish comprehensive information on government guarantees to include:

- Extending Annex 4 of the budget documents (on contingent liabilities) to provide basic data on guarantees (both COVID-related and others) and to discuss and analyze recent trends in the issuance and call on guarantees.
- Also consider introducing a legally binding ceiling on the amount in Euros of new guarantees issued each year, and/or on the total stock of guarantees (**Indicator 3.2.3**).

**Recommendation 3.5.** Support the special unit in the MFSR responsible for overseeing SOEs by providing resources, operational manuals and guidelines for conducting their activities, and obtaining required information from the companies:

- Prepare and publish an annual report on the financial performance of SOEs, to include the cost of their quasi-fiscal activities (**Indicator 3.3.2**).

**Table 14. Slovakia: Summary Evaluation: Fiscal Risks**

	Principle	Rating	Importance	
3.1.1	<b>Macroeconomic Risks</b>	<b>Good:</b> The budget includes forecasts of both macroeconomic and fiscal variables under baseline and alternative macroeconomic scenarios.	<b>Medium:</b> Slovakia's high participation in the global production chain increases exposure to external shocks.	<b>3.1</b>
3.1.2	<b>Specific Fiscal Risks</b>	<b>Basic:</b> Major specific fiscal risks are reported in various reports and budget documents but no overall summary is provided	<b>Medium:</b> High specific risks, especially liabilities related to long-term ageing.	<b>3.2</b>
3.1.3	<b>Long-term Fiscal Sustainability</b>	<b>Good:</b> Long-term forecasts of pension liabilities and sustainability are regularly published with some consideration of risk scenarios, but no similar analysis of the health sector.	<b>High:</b> The NPV of social security pension and health (including long-term care) liabilities are 222 and 150 percent of GDP respectively.	<b>3.3</b>
3.2.1	<b>Budgetary Contingencies</b>	<b>Basic:</b> Eight separate reserve funds in the budget limit MFSR's discretion in allocating funds for contingencies.	<b>Low:</b> Reserves comprise only 1.5% of budget, excluding COVID-19 reserve.	
3.2.2	<b>Asset and Liability Management</b>	<b>Good:</b> Debt management is authorized by law and government's financial position is analyzed and disclosed; but there is no comprehensive asset management strategy.	<b>Medium:</b> Total assets and liabilities of the public sector are 188 and 168 percent of GDP, respectively.	
3.2.3	<b>Guarantees</b>	<b>Basic:</b> Information on most guarantees is published but not consolidated in a single report.	<b>Medium:</b> Government's total exposure to guarantees is moderate, except for Covid-19, that was at least 1 percent of GDP.	<b>3.4</b>
3.2.4	<b>Public-Private Partnerships</b>	<b>Good:</b> Obligations under PPPs are regularly disclosed. Concession contracts are published online. A dedicated legal framework could provide better oversight of the sector.	<b>Low:</b> Present value of future expenditure on PPPs amount to only 4.4 percent of GDP.	
3.2.5	<b>Financial Sector Exposure</b>	<b>Advanced:</b> Government support to the financial sector is quantified and published; financial sector stability is regularly assessed.	<b>Medium:</b> Financial sector is well capitalized and financially stable – low risks of default..	



3.2. 6	<b>Natural Resources</b>	<b>Basic:</b> Some information is published on outputs and fiscal revenues, but no estimates of the value of major natural resource assets.	<b>Low:</b> Natural resources are not an important revenue source for Slovakia (only 0.01 percent of general government revenue in 2020).	
3.2. 7	<b>Environmental Risks</b>	<b>Basic:</b> The government identifies and discusses the main risks from natural disasters in qualitative terms, but largely without quantification of potential fiscal impacts.	<b>Low:</b> Natural disaster occurrences have historically been low. But global warming may increase these risks. .	
3.3. 1	<b>Sub-national Governments</b>	<b>Advanced:</b> Financial information on sub-national governments is published quarterly. There are strict legal limits on their borrowing.	<b>Low:</b> SNGs ran a small surplus in 2020 and their debt level was only 2.4 percent of GDP.	
3.3. 2	<b>Public Corporations</b>	<b>Good:</b> Transfers between the government and SOEs are disclosed, but there are no reports on the overall financial performance of the sector.	<b>Medium:</b> Around 50 percent of SOEs were loss making in 2020.	<b>3.5</b>

## Annex 1. Slovakia. A comparison with other FTEs

Indicator	Description	Russia (2013)	Ireland (2013)	Romania (2015)	Portugal (2014)	Turkey (2015)	Albania (2015)	Finland (2014)	United Kingdom (2016)	Austria (2017)	Macedonia (2018)	Malta (2018)	Lithuania (2019)	Russia (2019)	Estonia (2020)	Slovakia (2022)
<b>Fiscal Reporting</b>																
1.1.1	Coverage of Institutions	Green	Green	Green	Green	Green	Yellow	Green	Dark Green	Green	Yellow	Green	Green	Green	Green	Green
1.1.2	Coverage of Stocks	Green	Green	Green	Green	Green	Yellow	Dark Green	Dark Green	Green	Red	Green	Dark Green	Green	Green	Green
1.1.3	Coverage of Flows	Green	Yellow	Green	Yellow	Dark Green	Yellow	Green	Dark Green	Dark Green	Yellow	Green	Green	Green	Green	Dark Green
1.1.4	Coverage of Tax Expenditure	Yellow	Green	Red	Dark Green	Yellow	Red	Green	Green	Green	Red	Red	Green	Green	Green	Green
1.2.1	Frequency of In-Year Reporting	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green	Dark Green
1.2.2	Timeliness of Annual Financial Statements	Dark Green	Green	Yellow	Yellow	Green	Red	Dark Green	Red	Green	Green	Green	Green	Green	Green	Yellow
1.3.1	Classification	Green	Green	Dark Green	Green	Green	Dark Green	Green	Green	Green	Dark Green	Green	Dark Green	Green	Green	Dark Green
1.3.2	Internal Consistency	Yellow	Green	Dark Green	Dark Green	Yellow	Yellow	Dark Green	Dark Green	Green	Yellow	Dark Green	Yellow	Green	Green	Green
1.3.3	Historical Revisions	Yellow	Yellow	Yellow	Green	Red	Red	Green	Green	Green	Red	Green	Yellow	Green	Green	Green
1.4.1	Statistical Integrity	Green	Dark Green	Green	Dark Green	Green	Red	Dark Green	Dark Green	Dark Green	Yellow	Dark Green	Dark Green	Green	Dark Green	Dark Green
1.4.2	External Audit	Yellow	Dark Green	Yellow	Green	Yellow	Yellow	Dark Green	Green	Red	Yellow	Green	Green	Yellow	Dark Green	Red
1.4.3	Comparability of Fiscal Data	Yellow	Green	Dark Green	Green	Yellow	Yellow	Dark Green	Dark Green	Green	Yellow	Green	Green	Green	Green	Green

Indicator	Description	Russia (2013)	Ireland (2013)	Romania (2015)	Portugal (2014)	Turkey (2015)	Albania (2015)	Finland (2014)	United Kingdom (2016)	Austria (2017)	Macedonia (2018)	Malta (2018)	Lithuania (2019)	Russia (2019)	Estonia (2020)	Slovakia (2022)
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**Forecasting and Budgeting**

2.1.1	Budget Unity	Green	Yellow	Green	Green	Yellow	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Green
2.1.2	Macroeconomic Forecasts	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
2.1.3	Medium-term Budget Framework	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
2.1.4	Investment Projects	Yellow	Grey	Yellow	Yellow	Green	Red	Green	Green	Green	Yellow	Yellow	Green	Yellow	Yellow	Green
2.2.1	Fiscal Legislation	Green	Grey	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green
2.2.2	Timeliness of Budget Documents	Green	Yellow	Yellow	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green
2.3.1	Fiscal Policy Objectives	Green	Green	Green	Green	Yellow	Red	Green	Red	Green	Yellow	Green	Green	Green	Green	Green
2.3.2	Performance Information	Green	Green	Yellow	Yellow	Green	Green	Green	Yellow	Green	Yellow	Yellow	Green	Green	Yellow	Green
2.3.3	Public Participation	Yellow	Grey	Yellow	Yellow	Red	Red	Yellow	Yellow	Red	Green	Green	Yellow	Green	Red	Red
2.4.1	Independent Evaluation	Yellow	Green	Green	Green	Red	Red	Green	Green	Green	Red	Green	Green	Green	Green	Green
2.4.2	Supplementary Budget	Green	Green	Yellow	Green	Red	Yellow	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Yellow
2.4.3	Forecast Reconciliation	Yellow	Red	Yellow	Red	Yellow	Red	Green	Green	Red	Red	Yellow	Yellow	Yellow	Yellow	Green

Indicator	Description	Russia (2013)	Ireland (2013)	Romania (2015)	Portugal (2014)	Turkey (2015)	Albania (2015)	Finland (2014)	United Kingdom (2016)	Austria (2017)	Macedonia (2018)	Malta (2018)	Lithuania (2019)	Russia (2019)	Estonia (2020)	Slovakia (2022)
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**Fiscal Risk management**

3.1.1	Macroeconomic Risks	Yellow	Green	Yellow	Light Green	Yellow	Yellow	Light Green	Green	Yellow	Light Green	Green	Light Green	Light Green	Light Green	Light Green
3.1.2	Specific Fiscal Risks	Red	Yellow	Yellow	Yellow	Red	Yellow	Red	Red	Red	Red	Red	Red	Light Green	Red	Yellow
3.1.3	Long-Term Fiscal Sustainability Analysis	Red	Red	Red	Yellow	Yellow	Red	Yellow	Green	Green	Yellow	Yellow	Light Green	Yellow	Light Green	Light Green
3.2.1	Budgetary Contingencies	Green	Yellow	Yellow	Yellow	Light Green	Yellow	Green	Light Green	Light Green	Yellow	Yellow	Green	Green	Light Green	Yellow
3.2.2	Asset and Liability Management	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Light Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Light Green	Light Green
3.2.3	Guarantees	Light Green	Yellow	Light Green	Light Green	Light Green	Light Green	Light Green	Yellow	Light Green	Light Green	Yellow	Light Green	Light Green	Light Green	Yellow
3.2.4	Public Private Partnerships	Red	Grey	Grey	Yellow	Yellow	Red	Yellow	Light Green	Red	Red	Yellow	Red	Red	Red	Light Green
3.2.5	Financial Sector Exposure	Yellow	Yellow	Red	Light Green	Light Green	Green	Green	Green	Light Green	Green	Green	Green	Light Green	Green	Green
3.2.6	Natural Resources	Yellow	Grey	Red	Grey	Red	Red	Yellow	Green	Red	Red	Grey	Light Green	Light Green	Yellow	Yellow
3.2.7	Environmental Risks	Yellow	Grey	Red	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Green	Yellow	Yellow	Yellow
3.3.1	Sub-National Governments	Green	Light Green	Light Green	Yellow	Yellow	Light Green	Yellow	Yellow	Red	Red	Green	Light Green	Green	Green	Green
3.3.2	Public Corporations	Yellow	Yellow	Yellow	Yellow	Light Green	Yellow	Light Green	Yellow	Light Green	Yellow	Yellow	Light Green	Yellow	Light Green	Light Green

