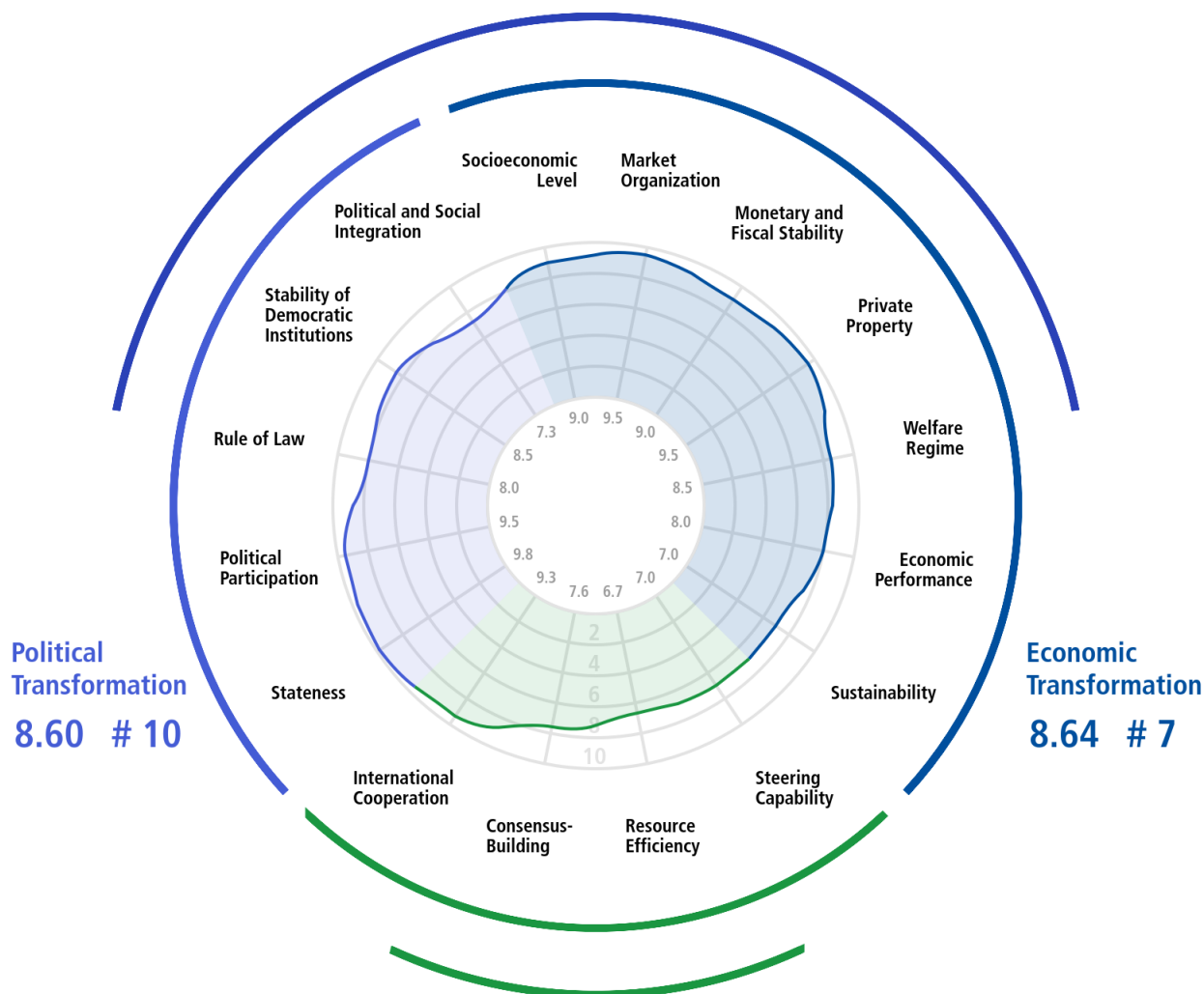


Slovakia

Status Index

8.62 # 9

on 1-10 scale out of 137



Governance Index

6.27 # 19

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Slovakia. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	5.4	HDI	0.848	GDP p.c., PPP \$	37459
Pop. growth ¹	% p.a.	-0.3	HDI rank of 189	45	Gini Index	23.2
Life expectancy	years	74.7	UN Education Index	0.834	Poverty ³	% 0.5
Urban population	%	53.9	Gender inequality ²	0.180	Aid per capita \$	-

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The performance of the center-right government that took office after the 2020 elections has been marked by increasing conflicts and personal animosities within the governing coalition, which has led to a rather chaotic situation. The government has focused on maintaining the coalition rather than implementing its planned reforms. In December 2022, the government faced a vote of no-confidence initiated by two opposition parties, Hlas-SD (Voice-Social Democracy), which is led by former Prime Minister Peter Pellegrini, and Freedom and Solidarity (SaS), which left the coalition due to ongoing personal conflicts with Igor Matovič (OĽaNO leader and finance minister).

While the government managed to implement some important reforms during the review period, most of the ambitious plans outlined in its manifesto were not fulfilled due to various crises and intra-coalition conflicts, such as the pandemic, the war in Ukraine, the recent energy crisis and high inflation. Despite these challenges, the government has made progress in areas such as judicial reform, anti-corruption efforts and media policies, contributing to improvements in the rule of law. The ruling coalition has also demonstrated a proactive EU policy, strengthened NATO ties and provided assistance to Ukraine, enhancing Slovakia's international standing.

However, the excessive use of fast-track procedures has continued following the pandemic, leading to tensions between the coalition and President Zuzana Čaputová, who opposed the de-institutionalization of the legislative process. Fiscal stability, which all political parties previously agreed on the importance of, has gradually deteriorated, partly due to the multiple recent crises and partly due to populist measures pushed by certain parties. An aging population and the absence of pension and health care reforms pose long-term risks to public finances, according to the European Commission.

The joint municipal and regional elections in October 2022 brought positive developments for democracy in Slovakia, with increased voter turnout and the re-election of local and regional politicians who fulfilled their election promises. Fascists, extremists and parliamentary parties without grassroots organizations were rejected by voters. However, the deep chasm between national and local politics has diminished optimism for the upcoming parliamentary elections, which are scheduled for September 2023.

In summary, the government has passed significant economic, welfare and judicial reforms. However, many of these reforms still need to be fully implemented, and many of the plans outlined in the government manifesto remain unfulfilled. Restarting policies in areas such as anti-corruption, tax and pension reform, and research and innovation will be necessary to make further progress.

History and Characteristics of Transformation

After the dissolution of Czechoslovakia in 1993, the independent Slovak Republic veered away from the path of democratic consolidation, led by the semi-autocratic rule of Prime Minister Vladimír Mečiar until 1998. This resulted in Slovakia's exclusion from the first round of EU enlargement negotiations in 1997. The Mečiar government clashed with opposition parties, the president, independent media, NGOs, ethnic minority representatives and churches. The rule of law and democratic norms were violated, and opaque privatizations resulted in economic difficulties, as state-owned banks amassed significant debt. Slovak society became highly polarized between supporters and opponents of liberal democracy and the market economy.

In the 1998 elections, the previously fragmented political opposition and civil society actors formed a broad anti-Mečiar alliance to dismantle the semi-authoritarian regime. The victory of democratic forces demonstrated the Slovak people's commitment to constitutional liberal democracy, pro-market reforms and international recognition. The first post-Mečiar government, led by Mikuláš Dzurinda (1998 – 2002), pursued a pro-Western foreign policy agenda focused on NATO, EU and OECD membership. The second Dzurinda government (2002 – 2006) introduced major structural reforms aligned with ideas from the Washington Consensus, including the implementation of a flat tax system, pension and health care reforms, incentives for foreign investors, and welfare state retrenchment. These reforms, coupled with a substantial influx of foreign investment, have led to unprecedented economic growth in Slovakia since 2006. However, public dissatisfaction with health care, social and labor market policies resulted in a complete overhaul of the composition of political parties following the 2006 elections. An ideologically diverse coalition composed of the left-wing Smer-SD party and national-populist authoritarian parties, the Slovak National Party (SNS) and Mečiar's Movement for a Democratic Slovakia (HZDS), raised concerns about the country's direction.

The first Fico government maintained the previous government's economic priority of meeting the criteria for adopting the euro in 2009 and initially pursued sound fiscal and monetary policies. However, in the aftermath of the 2009 global crisis, Fico increased the state's role in the economy through minor changes, leading to an increase in the budget deficit. Social policies lacked systematic planning, and Fico showed less regard for media freedoms, civil society and democratic institutions, while neglecting anti-discrimination and anti-corruption measures.

Center-right parties returned to power after the 2010 elections in response to corruption, cronyism and the poor performance of the Fico government. Iveta Radičová led a center-right coalition government that included the Slovak Democratic and Christian Union – Democratic Party (SDKÚ-DS), the Christian Democratic Movement (KDH), and two new parties, the liberal Freedom and Solidarity (SaS) and the newly formed Slovak-Hungarian Most-Híd party. However, Radičová's government collapsed in 2011 due to disagreements within the coalition regarding the European Financial Stability Facility (EFSF), which was strongly opposed by SaS. Despite the collapse, Radičová's government passed several important reforms focused on transparency, anti-corruption measures and democratic accountability. Notable reforms included the publication of all contracts involving public funds on the internet for validity, a new system for the selection of judges, changes to the Press Act, and amendments to the Labor Code to facilitate hiring and firing processes. The quality of democracy improved under Radičová's government, thanks to the involvement of dynamic civil society actors, watchdog organizations and the media.

The “Gorilla protests” in 2012, sparked by a corruption scandal between 2005 and 2006, highlighted public discontent and demotivation among center-right voters.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Slovak Republic has an unchallenged monopoly on the use of force throughout the country.

Question
Score

Monopoly on the
use of force

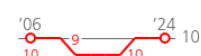
10



All citizens in Slovakia enjoy the same human rights and civil liberties, and the legitimacy of the state is widely acknowledged by the majority of the population. The Slovak Republic is a multiethnic country, with ethnic Slovaks comprising 83.8% of the population and Hungarians representing 7.7%, according to the 2021 census. It's important to note that the identification of ethnicity is a personal decision, and some members of the ethnic Roma minority may identify themselves as ethnic Slovaks, Hungarians or Rusins.

State identity

10



While the majority of ethnic Hungarians accept the Slovak Republic as a legitimate state, the historical coexistence between Slovaks and Hungarians has been marred by perceptions of unjust acculturation policies, especially due to the volatile borders between Czechoslovakia and Hungary in the 20th century. Nationalist politicians on both sides have exploited this sensitive issue, and policies adopted by successive Orbán governments have interfered in the politics of neighboring countries, such as granting citizenship to ethnic Hungarians living abroad. Despite no ethnic Hungarian parties entering parliament after the 2020 elections, the fragile situation surrounding the Hungarian “national question” has not substantially changed. However, at the local level, there have been no ethnically motivated political conflicts in recent times.

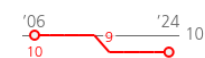
According to the constitution, the “state is not linked to any religion.” However, the Roman Catholic Church has not been fully separated from the state, as it receives funding from the state budget. The state fully finances the salaries of priests and subsidizes central church offices, building maintenance and church schools. Unlike in the Czech Republic, there are no strategies to separate the church from the state. After the 2020 elections, the role of the Roman Catholic Church has increased as many activists entered parliament on OĽaNO, Sme Rodina (We are Family) and Kotlebovci-ĽSNS party lists. Some of these members of parliament have been increasingly active in proposing legislation in line with their conservative ideology, mostly focusing on restricting abortion rights. These proposals have been unsuccessful so far.

According to the 2021 census, the number of self-identified Roman Catholics dropped from 62% to 55.8%, and the number of non-religious people increased to 23.8%. The Roman Catholic Church has continued to be politically active, particularly on issues of immigration, LGBTQ+ rights and the Istanbul Convention.

Basic services (e.g., water supply, transport infrastructure, communication, health care services, education, jurisdiction) have been in place throughout the country. Access to modern sanitation remains limited due to the legacy of the state socialist regime, with only 82% of the country covered. Basic infrastructure services have not been limited or disrupted by the COVID-19 pandemic. The state’s administrative structure functions throughout the entire territory, and the state extracts and allocates state resources on a broad basis. Administrative tasks are conducted in part by local state administrative institutions and in part by regional and local municipalities. The situation in the self-built segregated Roma settlements, where the state administration is failing to provide full access to basic infrastructure (e.g., water, sewerage and electricity), is not optimal, and only a few municipalities have implemented effective policies (e.g., loans and subsidies to help Roma citizens build their own new homes with full access to basic infrastructure). The COVID-19 pandemic worsened access to basic services in Roma settlements temporarily, while the state closed off several Roma settlements in the eastern part of the country after reports of a cluster of coronavirus cases in five of them.

No interference of religious dogmas

9



1

Basic administration

10



1

2 | Political Participation

All elections in Slovakia, including parliamentary, presidential, regional, local and European elections, are conducted in a free and fair manner without significant restrictions. Slovakia's unicameral parliament is elected through multiparty elections using a proportional electoral system with a 5% threshold in a single nationwide constituency. The president is directly elected every five years.

The procedures for registering candidates and parties in Slovakia are fair and transparent, ensuring a level playing field. The rules regarding the registration of parties and candidates are liberal and promote a fair registration process.

The Election Campaign Act, the Broadcasting Act and the Slovak Press Act regulate media conduct during elections, emphasizing equal access to mass media for all candidates.

All adult citizens are automatically registered as voters, and the state distributes information about elections and political parties to citizens' home addresses. The rules governing elections are generally clear and transparent. However, one point of concern is that all election-related complaints are considered by the Constitutional Court, which risks being overwhelmed in the weeks following an election. However, there have been no serious concerns raised regarding the integrity of elections thus far.

The most recent presidential and European elections took place in 2019, and their outcomes were influenced by the 2018 murder of investigative journalist Ján Kuciak and his fiancée. The former ruling party, Smer-SD, led by Robert Fico, experienced losses in those elections. In October 2022, the first joint regional and local elections were held, with the incumbent governors retaining their positions. These elections were also conducted in a free and fair manner.

The directly elected president, parliament, government and other democratic institutions in Slovakia possess the necessary authority to effectively govern in accordance with their constitutional roles. The constitutionally defined powers are not disputed by political actors, and there are no non-democratic veto powers that restrict the roles and functions of constitutional actors. While various interest groups and business lobbies do exert influence on Slovak politics, their influence does not infringe upon the constitutional order in any manner.

Free and fair elections

10



1

Effective power to govern

10



1

Association and assembly rights are constitutionally guaranteed and upheld by the authorities. Article 29 of the constitution provides political rights and the freedom to join political and civic groups. The freedom of association and assembly can only be limited in accordance with the law. Furthermore, the law can only restrict these rights to the extent necessary in a democratic society for a legitimate purpose.

Association /
assembly rights

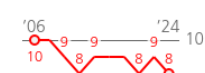
10



Freedom of expression is protected by law in Slovakia, ensuring the existence of independent media outlets and journalists who benefit from robust legislation and case law that safeguard their rights. However, certain behavioral and cultural factors exhibited by the political elite can constrain freedom of expression to some extent.

Freedom of
expression

8



Following the murder of investigative journalist Ján Kuciak in 2018, the new center-right coalition government pledged to make changes to media legislation and the criminal code. However, implementation was slow, primarily due to conflicts within the coalition, particularly opposition from Sme Rodina and OĽaNO's conservative members of parliament. In June 2022, the parliament passed comprehensive media reform aimed at enhancing transparency. Media outlets will be required to register as a public sector partner, enabling the public to access information about a media outlet's owners. Additionally, media organizations must disclose the names of investors and donors who contribute more than €2,000 annually. This requirement also applies to disinformation platforms. While this legislation represents progress, the OĽaNO-led coalition included protective measures for politicians. The controversial "right of reply" to media content was replaced with a more limited "right of expression." Originally, the right of expression was intended to be used to deny, supplement, clarify or explain factual allegations. However, amendments initiated by Sme Rodina and OĽaNO extended the right of expression to value judgments based on disputed claims, such as columns or opinion pieces. Consequently, there is little difference between the new "right of expression" and the previous "right of reply," which had been criticized by the current governing parties when introduced by Smer-SD. Furthermore, the government did not alter the selection procedure for the director-general of the public radio and TV broadcaster RTVS, which remains under parliamentary control, thus perpetuating politicization of the process.

Overall, the relationship between journalists and politicians remains adversarial, with journalists frequently subjected to verbal attacks from state representatives. For instance, in late September 2022, the country's leading editors-in-chief condemned the rhetoric of OĽaNO leader and Finance Minister Igor Matovič, who accused the media of corruption, claimed they spread falsehoods, and compared journalism in Slovakia to Nazi propaganda. While Matovič later issued an apology, it was perceived as insincere. Despite such incidents, there are currently no institutional attempts by policymakers to curtail freedom of expression.

3 | Rule of Law

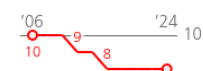
The parliamentary system in Slovakia has demonstrated effective checks and balances. During the review period, notable improvements were made to checks and balances, particularly those related to the judiciary (refer to section 3.2). However, the pandemic, energy crisis and Russia's invasion of Ukraine resulted in a concentration of power in the government, diminishing the role of parliament. Although the Slovak president holds limited constitutional powers and primarily serves as a moral and political authority, Zuzana Čaputová has effectively utilized her constitutional prerogatives to provide balance. In contentious cases, she has appealed to the Constitutional Court, whose decisions are respected by key political and social actors. The court has gradually enhanced its reputation as an independent arbiter.

Nevertheless, the OĽaNO-led coalition government has passed numerous laws using a fast-track procedure, which contradicts the constitution. This procedure is permitted only under specific circumstances, which were not adequately justified. Several constitutional lawyers have argued that legislation related to the pandemic does not automatically justify the use of fast-track procedures. Moreover, the excessive utilization of fast-track procedures has persisted beyond the pandemic. Since the 2020 elections, over one hundred laws have been passed in an expedited manner, with only half of them related to the pandemic. This abuse of fast-track procedures raises concerns about the separation of powers, as it diminishes the role of parliament in scrutinizing legislation.

The most contentious case in 2022 was the “family package” worth €1.2 billion, championed by Finance Minister Igor Matovič (the OĽaNO leader and former prime minister) in response to rising inflation. While SaS voted against the package and another coalition party, Za Ľudí, abstained, OĽaNO and Sme Rodina, with the support of far-right extremist members of parliament, managed to pass the package. President Čaputová initially vetoed the bill, but it was subsequently overturned with the help of far-right members of parliament. She then turned to the Constitutional Court, arguing that there was no justification for a fast-track procedure regarding the measures in the package set to take effect next year. In December, the court ruled that the conditions for fast-track legislative proceedings had indeed not been met. This decision is a significant step in strengthening the rule of law and ensuring that expedited legislative procedures are not abused in the future. However, the ruling coalition found ways to circumvent the constitution and, with clear populist intentions, modified the legislative proposal for the 13th pension, making it a one-off benefit. These proposals mirror the legislative behavior of the previous Smer-SD-led coalition, which had previously been criticized by the current government parties.

Separation of powers

8



1

After the collapse of communism in Slovakia, one of the key tasks during the transition period was to reform and align the judiciary with the new democratic conditions. The judicial system is formally protected from unconstitutional interference by other institutions and is professionally differentiated. Generally, Slovak courts have operated independently from the executive branch during the review period. Judicial reforms in Slovakia have been implemented gradually. While the formal rules and institutions align with EU standards and norms, informally, the judiciary in Slovakia suffers from deep-rooted behavioral and cultural legacies. On the one hand, Slovak judges are selected through open, competitive and transparent procedures, where decisions are predominantly made by the judges themselves. On the other hand, the courts face issues of widespread nepotism and cronyism. This, coupled with a weak accountability mechanism and perceived corruption, has led to a consistent decline in public trust in the courts.

During the Radičová government's tenure (2010 – 2012), extensive judicial reforms were launched, introducing several measures to enhance transparency in the judiciary. These measures included making all court rulings publicly available on the internet, requiring more detailed asset declarations from judges, implementing public selection procedures for new judges and court presidents, and reintroducing compulsory evaluations of judges every five years.

The formal post-graduate education system is overseen by the Judicial Academy of the Slovak Republic and monitored by EU institutions. The academy conducts initial training twice a year, aiming to inform judicial candidates about developments in the Slovak judicial system and court practices in a broader European context and equip them with the necessary skills to become judges or prosecutors. This inclusive and professional model exists; however, informal limitations persist in terms of professionalism. Alexander Brörtl, a former judge of the Slovak Constitutional Court and ex-member of the Judicial Council, remarked in a 2012 interview that “the generation of about 50-years-old still dominates the courts, and their mentality, stereotypes, and education have not changed.” This remains true despite comprehensive reforms and the significant impact of numerous NGOs and initiatives promoted by some judges. Progress has been slow. It appears that the influence of so-called “corporatist” interests still holds sway over Slovakia's judiciary, where various factors can influence judges, including corporate interests, the judiciary itself, informal networks or politicians who are willing to intervene.

Judicial reform emerged as a major issue in the 2020 elections. Toward the end of 2020, the government introduced a comprehensive judicial reform prepared by Minister of Justice Mária Kolíková. The reform encompassed changes to the Judicial Council, the establishment of the new Supreme Administrative Court, property checks of justices, an age cap for justices, changes in the appointment process for Constitutional Court justices, as well as alterations to the territorial layout of district and regional appeal courts. While many of these reforms were successfully

Independent
judiciary

8

'06 -9 '24 10

Year	Score
'06	-9
'10	8
'24	10

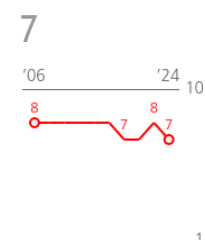
1

implemented, the proposed reduction in the number of district courts, aimed at weakening long-established connections between justices, politicians, oligarchs and organized crime, was not approved as planned due to resistance from the Sme Rodina party, a junior coalition partner. The reform of appellate courts faced similar challenges, resulting in the establishment of eight courts, one in each region, instead of the initially proposed three. Both reforms aimed to enhance economic efficiency, but local interests prevailed.

In late December 2020, the parliament removed the Constitutional Court’s power to review constitutional laws (i.e., those laws passed by a constitutional majority of 90 members of parliament). Although the Constitutional Court does not have general competence to review constitutional laws, it does possess the authority to intervene when necessary to protect the fundamental principles of the constitution. Some legal experts argue that this change removes an existing constraint on the majority’s will, contrary to the Slovak Constitution, which entrusts the Constitutional Court with its “guardianship” (Article 124).

Abuse of office and corruption remain the most critical long-term sociopolitical challenges undermining the stability and quality of democracy in Slovakia. In the past, the majority of allegations were inadequately investigated, which led to widespread frustration and distrust among citizens, who were already angry about the level of corruption under the Smer-SD government. This negative sentiment contributed to the sweeping victory of OĽaNO in the 2020 elections, which dramatically changed the situation. A number of high-profile judges, police officers, ministers, top-administrative officials and oligarchs were arrested and charged with serious crimes. During the period under review, efforts to fight high-level corruption continued, with several former high-ranking officials charged with bribery offenses. These steps in fighting corruption are significant. Moreover, they are complemented by the judiciary reform (see Q3.2 Independent Judiciary) and changes to high-ranking personnel in police, courts and the prosecutor’s office. However, concerns have arisen over the use of the prosecutor general’s discretion to close cases, with the prosecutor general (elected in December 2020) stopping investigations and/or prosecutions of several high-level officials charged with corruption or abuse of power (including leading figures in Smer-SD and Sme Rodina). Moreover, the prosecutor general even stopped cases where the legality of the criminal charges had been upheld by higher-level courts. Combined with delays to lobbying reforms and legislation on conflicts of interest and asset declarations, this has undermined the efficiency of prosecuting abuses of office. In sum, fostering trust in the political class will require additional systemic and sustained efforts.

Prosecution of
office abuse



Civil rights are largely respected in Slovakia. As an EU member state, the country has institutions to supervise the observance of civil rights, such as the Constitutional Court, the Supreme Court, general courts, prosecutor offices, the Office of the Ombudsman (Public Defender of Rights), a special committee of parliament and the National Center for Human Rights. These independent authorities play an important role in safeguarding civil rights but would benefit from clearer mandates, amended legal status, and sufficient resources to exercise their roles more effectively. In association with EU accession, Slovakia strengthened its non-discrimination against illegal interference by public administrative bodies. Roma and LGBTQ+ people, single parents, pensioners, and patients with specific diseases can be classified as belonging to vulnerable groups.

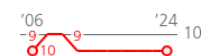
The Roma remain the most vulnerable segment of society; they are frequently subject to mistreatment by the state authorities (including the police) and discrimination on racial grounds (especially in the labor market and access to education). Human rights NGOs, including advocacy groups and watchdogs, have a key role in enforcing the equal treatment of Roma, while negative social attitudes still prevail. It was also confirmed during the COVID-19 pandemic, as the government used the army and police force to prevent COVID-19 spreading in marginalized Roma settlements. The Center for the Research of Ethnicity and Culture (CVEK) has argued that this deepened the stigmatization of an already stigmatized community. The energy crisis, high inflation and the war in Ukraine have further exacerbated the situation of the Roma minority.

The LGBTQ+ community continues to face significant stigmatization, enduring hatred, attacks and inequalities, with the state failing to adequately protect the rights of LGBTQ+ individuals. This culminated in a terrorist attack in Bratislava in October 2022, in which two gay men were shot. Even before this tragic event, the LGBTQ+ community's substantiated demands were neglected or simply ignored – a situation that has not improved following the attack. For example, the parliament has yet to approve the long-awaited bill that would provide legal recognition for same-sex partnerships.

According to a Council of Europe recommendation, the Slovak authorities need to deal with the segregation of Roma people and the use of minority languages in public and online hate speech.

Civil rights

9



1

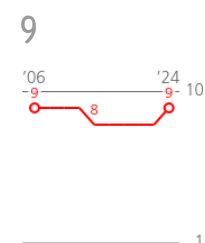
4 | Stability of Democratic Institutions

The ensemble of democratic institutions is effective and efficient. As a rule, political decisions are prepared, taken, implemented and reviewed through legitimate procedures by the appropriate authorities. Democratic institutions operate within a parliamentary democracy framework. After the 2020 elections, there was a complete makeover of the composition of the government. The polarization between the government and opposition has increased as the dividing line has shifted from policies to politics since 2016, when the far-right ultra-nationalist party Kotleba – ĽSNS gained seats in parliament. The 2020 pandemic, the 2022 energy crisis, high inflation and disagreements over implemented measures have increased tensions between national, regional and local governments concerning competencies and effectiveness. The war in Ukraine and the refugee crisis have posed significant challenges to democratic governance. However, the state administration and municipalities cooperated effectively.

During the period under review, all issues were ultimately resolved in accordance with the constitution and democratic requirements. These issues included escalating political conflicts within the ruling coalition and between coalition and opposition parties; frequent attacks on President Zuzana Čaputová; a referendum on the possibility of shortening the election term; and the fall of the government in December 2022.

Another example is the third referendum on the possibility of shortening the election term. This issue had previously been subject to two referendums in 2000 and 2004. Initially raised by Peter Pellegrini's Hlas party, the Constitutional Court stated in July 2021 that the constitution does not provide for such a referendum. Consequently, Robert Fico's Smer-SD joined the initiative, and the referendum questions were revised to inquire about amending the constitution to enable a referendum on early elections. On January 21, 2023, the referendum took place. However, it did not reach the required level of participation, rendering the referendum invalid. In Slovakia, referendums often serve as an attempt by the opposition to mobilize voters against the government in office. Over the past 30 years, only one out of nine referendums (on EU membership) was deemed valid, having surpassed the 50% threshold requirement.

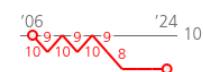
Performance of democratic institutions



The majority of political parties in Slovakia are committed to democratic institutions or at least rhetorically support democratic norms and institutions. Influential business actors, the clergy, and the military also accept most democratic institutions as legitimate. However, a recent investigation has disclosed substantial corrupt ties between high-ranking representatives of the Smer-SD party, police officers, judges, prosecutors, and rogue businessmen, who de facto ignored the legitimate power of the institutions in which they operate. Smer-SD's aggressive responses to accusations of corruption and the formation of a "criminal group" raise concerns about trust in democracy. According to representative opinion polls, Slovaks are increasingly dissatisfied with democracy in Slovakia. For example, according to Eurobarometer Spring 2022, 67% of Slovaks are dissatisfied with how democracy works in the country. This is the most negative attitude toward democracy within a country in the European Union.

Commitment to democratic institutions

8



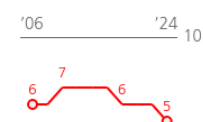
1

5 | Political and Social Integration

Slovakia's party system exhibits a low degree of institutionalization. At times, the system is dominated by a single party, often employing nationalist or left-wing appeals, while at other times, it involves multiple parties. This pattern has led to increased fragmentation on the center-right of the left-right political spectrum. Although the dominance of a left-wing party and the fragmentation of right-wing parties have been relatively stable over time, the specific parties within these groups tend to change. Nevertheless, a consistent feature of the system is the parties' strong ties to their leaders. Since the 2020 elections, no parliamentary party has replaced its leader and maintained political relevance.

Party system

5



1

The high level of party instability and ongoing fragmentation is further complicated by increasing cross-cutting polarization. Party competition revolves around three dimensions: the far-right versus the left, liberals versus conservatives, and ethnic divisions. Following the 2020 elections, established patterns of party competition weakened as several major parties adopted mixed appeals. The winner of the elections, Prime Minister Matovič's party, OĽaNO (Ordinary People and Independent Personalities), exemplifies such a mixed appeal. OĽaNO lacks institutionalized membership or territorial organization and is essentially a coalition of minor parties and personalities.

The previously dominant self-declared "social democratic" party, Smer-SD, faced little competition on the left until its former vice-chair, Peter Pellegrini, founded a new left-wing party called Hlas-SD (Voice-Social Democracy) in September 2020. Support for both parties substantially increased, reaching 35% (around 20% for Hlas and 15% for Smer). The center-right of the party system became even more fragmented after the 2020 elections, lacking strong representation in parliament. The libertarian Freedom and Solidarity (SaS) gradually shifted toward the center-right on

economic policy. The ethnically mixed party Most-Híd, which represents Hungarian-Slovak interests, failed to secure enough support to enter parliament, and no Hungarian-ethnic parties surpassed the 5% threshold. As a result, there is only one ethnic Hungarian member of parliament in the entire parliament who ran on OĽaNO's list. The Slovak National Party (SNS) lost support and failed to meet the threshold. In February 2021, the right-wing extremist party ĽSNS experienced a split due to the leader's attempt to consolidate power, resulting in a splinter group called Republika. This new party is less radical, disavows Holocaust denial and calls for EU reform rather than an exit. Former Prime Minister Robert Fico expressed openness to Republika as a future coalition partner in the next government.

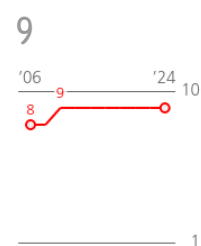
The non-parliamentary party Progressive Slovakia, led by European Parliament vice-president Michal Šimečka, is the only culturally and socially liberal political party in Slovakia, and its support has been growing.

After the 2020 elections, the main parties represented in parliament consist of loose groups of individuals selected by their respective party leaders. These groups span center-right conservatives, self-declared social democrats, economic and moderate social liberals, and right-wing extremists. Overall, all parties are centered around elites and struggle to effectively aggregate societal interests. Support for parties remains highly personalized and depends largely on the appeal of the party leaders. Consequently, volatility and polarization are contingent on a leader's ability to attract support and address pressing political issues.

While parties remain elitist and rather weakly rooted in society, civil society is well-anchored in diverse interest groups that are well-differentiated and organized. The interaction between labor and business follows the continental European model. There are umbrella organizations in all special interest and professional sectors that represent and mediate the demands of interest groups vis-à-vis the government and its institutions. The main social interest groups have access to the policymaking process through the tripartite social dialogue and various advisory bodies (e.g., councils at the government and ministerial levels). The social dialogue includes not only business and professional organizations but also civil society organizations (e.g., trade unions, consumer groups, NGOs and churches).

Most organized interest groups enjoy some access to policymaking. While business associations are in a better position to provide policy proposals, as they have more resources and some of them operate or support think tanks, trade unions are less well-equipped and have suffered from fragmentation. However, in the past, the main umbrella trade union organization KOZ (Confederation of Trade Unions), representing almost 30 sectoral unions, has benefited from close ties to Smer-SD, and was able to push for its interests. KOZ focused primarily on increasing the minimum wage and an assortment of less controversial issues, such as workplace security. However, under the new leadership, KOZ has gained greater independence from

Interest groups



1

Smer-SD and the new president has demonstrated her bargaining skills. For example, for the first time since the establishment of social dialogue, an agreement on the minimum wage was settled between the trade unions and employers' associations in 2022, without the government's intervention.

In Slovakia, democracy has been firmly anchored thanks to EU membership, and there are vibrant and influential pro-democratic civil society actors. These actors, together with the media and democratic parties, have successfully countered and prevented the rise of non-democratic politicians to power. In this sense, Slovakia benefits from the legacy of fighting the authoritarian regime of Vladimír Mečiar, including sensitivity to restrictions on opposition rights and aversion to the concentration of executive power. The sudden political crisis after the murder of Ján Kuciak and his fiancée in 2018 fostered broad popular protests and movements in support of democratic values.

In terms of political values, Slovakia remains split into two camps. Dissatisfaction with how democracy functions has increased during the review period. According to Eurobarometer Spring 2022, 67% of people in Slovakia are dissatisfied with democracy in the country, an increase from 58% in 2018 and much higher than the EU average (41%).

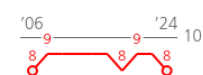
Trust in the parliament and government remains low and is decreasing (28% and 29%, respectively). It is below the EU average. These attitudes were reinforced during the COVID-19 pandemic, as concerns over the state of democracy increased (FOCUS 2021).

Democracy enjoys nearly universal approval. According to the World Values Survey 2022, 88% of Slovaks believe that it is important to live in a democratically governed country. Only one relevant parliamentary party explicitly questions democratic values, the Kotlebovci-ĽSNS, which received 10.4% of the votes in the 2020 elections. In October 2020, the Specialized Criminal Court sentenced the party's leader, Marián Kotleba, to four years and four months in prison. (Kotleba has appealed the verdict and remained free at the end of the review period). Kotleba was found guilty of using neo-Nazi symbols when donating the exact sum of €1,488 to three poor families – a figure that carries symbolic meaning for neo-Nazis and white supremacists.

Slovakian civil society is relatively well-differentiated and organized. Interest groups have a direct influence on policymaking. According to the Government Council for Non-Governmental Non-Profit Organizations, over 64,000 organizations exist in Slovakia (see Q2.3). Specific historical legacies (e.g., mistrust of strangers, a parochial political culture, social pessimism, and passivity) have for decades influenced social capital and created strong social networks between relatives and close friends. According to the European Quality of Life Survey 2016 and the Citizenship Empowerment report in 2017, Slovakia has somewhat lower levels of

Approval of democracy

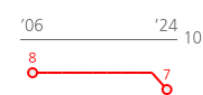
8



1

Social capital

7



1

interpersonal trust than neighboring Central European countries. The comparatively lower level of trust among Slovaks is also observed in more recent surveys, such as Eurobarometer 2020 and the European Social Survey 2020 (Wave 10). Although during the COVID-19 pandemic levels of interpersonal trust decreased further (most likely due to attitudes toward preventive measures and vaccines), a similar downward trend can be observed in many countries, not only in Slovakia.

II. Economic Transformation

6 | Level of Socioeconomic Development

Slovakia continues to enjoy a very high level of human development (45 out of 191 countries in the 2022 Human Development Index). Income inequality remains relatively low; the Gini coefficient was 23.2 in 2019. However, poverty rates have slightly increased in the wake of the COVID-19 pandemic, with the number of people at risk of poverty increasing within a year from 11.4% to 12.3% of the population. Overall, the intensity of poverty in Slovakia remains relatively high. Compared to EU and OECD countries, some groups (e.g., Roma) still have limited access to work, social housing and education. The pandemic, the war in Ukraine and the energy crisis have had a negative impact on marginalized communities, and the long-term consequences of these multiple crises are difficult to assess.

The increase in employment, which began after the pandemic, continued during the review period, with the unemployment rate falling to 5.9% in December 2022 (Slovakia's Labor Office). This rate is close to the pre-COVID-19 level of 5.6%, recorded in 2019, which was the lowest level in Slovakia's history. Active labor market policies have slightly improved, with the unemployment rate falling below 10% across all regions in December 2022. Large ethnic and gender disparities in the labor market persist. The Roma minority, young people and women continue to be disadvantaged in terms of access to the labor market. The poverty rate among Roma is more than six times higher than among the general population.

According to the EU SILC MRK 2020 analysis (initiated by the Office of the Governmental Proxy for Roma Communities and the Slovak Statistics Office), 87% of marginalized Roma households are at risk of poverty and 52% face severe material deprivation.

Women's employment opportunities conflict with care responsibilities, as high-quality and affordable care services, especially for children under the age of three, are still lacking. These issues remain insufficiently addressed by social inclusion policies. Slovakia's UNDP Gender Inequality Index score has slightly improved

Question
Score

Socioeconomic
barriers

9



1

(from 0.191 in 2019 to 0.180 in 2021). The gender employment gap remains close to the EU average (at 8.5% in 2021). However, the gender pay gap in Slovakia (18.4%) remains wider than the EU average (14.1%), in spite of significantly higher tertiary attainment rates for women in Slovakia. Slovakia's score in the European Union's Gender Equality Index has slightly improved to 56.0 out of 100 points, although this is 12.0 points below the EU average. Since 2010, Slovakia's score has increased by 3.0 points, but its ranking has dropped by two places, which indicates slow progress.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	105710.1	106728.9	118656.6	115468.8
GDP growth	%	2.5	-3.3	4.9	1.7
Inflation (CPI)	%	2.7	1.9	3.1	12.8
Unemployment	%	5.8	6.7	6.8	6.1
Foreign direct investment	% of GDP	2.2	-1.1	0.8	3.5
Export growth	%	0.8	-6.3	10.9	2.3
Import growth	%	2.2	-8.1	12.1	4.0
Current account balance	\$ M	-3532.0	671.9	-2874.8	-9384.6
Public debt	% of GDP	48.0	58.9	61.0	57.8
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-1.4	-5.5	-5.3	-
Tax revenue	% of GDP	18.8	18.6	19.3	-
Government consumption	% of GDP	19.6	20.9	21.1	20.6
Public education spending	% of GDP	4.3	4.8	4.4	-
Public health spending	% of GDP	5.5	5.8	-	-
R&D expenditure	% of GDP	0.8	0.9	-	-
Military expenditure	% of GDP	1.7	1.9	1.8	1.8

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition is consistently defined and implemented. Entry and exit barriers in the product, factor and capital markets are low or do not exist. Slovakia fully complies with international rules for the equal treatment of companies. Prices are fully liberalized, and the shadow economy is in decline. According to the Kaufmann and Kaliberda electricity consumption method, the shadow economy declined by more than half between 1993 and 2016, from 16.2% to 7.52% of GDP (Hošová 2019). According to a different methodology, it averaged 16.9% of GDP between 2003 and 2018 (Enste 2018). According to Friedrich Schneider (2022), the size of the informal economy decreased to 13.1% of the total economy in 2021.

According to the Business Environment Index (IPP), conducted by the Business Alliance of Slovakia (PAS), Slovakia lags behind the most business-attractive countries in the world and is failing to catch up. When assessing the first half of 2022, entrepreneurs in Slovakia reported the greatest deterioration in the area of price stability, while the sustainability of public finances and the efficiency of state management were also reported to have declined significantly.

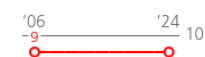
Despite some improvements during the review period, it still takes a significant amount of time and resources to establish and run a business in Slovakia due to the complex legal framework for businesses.

Slovakia adheres to EU antitrust and competition laws and has enacted legislation to prevent monopolies and concentration of market power. The country has established antitrust institutions, although at times the response can be slow. The Anti-Monopoly Office (PMÚ) regularly imposes fines on companies involved in cartels or engaged in abusive practices of dominant market positions, such as in the electricity or telecommunications sectors. Some of these companies, which have multinational ownership, have successfully challenged PMÚ decisions in Slovak courts. In such cases, the European Commission assumes responsibility for implementing a coherent antitrust policy, but this process can be lengthy.

Since the new government assumed power in 2020, the PMÚ has been more active and has encountered fewer obstacles in implementing its decisions. The PMÚ chair, whose second term in office expired in 2021, continued to serve since the selection of a new chair had been unsuccessful in December 2021. The selection process was criticized by Transparency International in Slovakia for having only one candidate. In December 2022, a new chair was finally elected after a public hearing.

Market organization

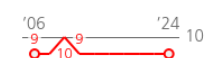
9



1

Competition policy

9



1

Foreign trade is fully liberalized, and the country is integrated into the European Single Market. There are few non-tariff barriers. Entry and exit barriers within the product, factor and capital markets are low or nonexistent. There is no state intervention obstructing free trade. Slovakia has one of the most open economies in the world. However, there is a risk that lower global trade would be particularly harmful.

Slovakia's trade deficit increased sharply in 2022, reaching almost €824 million, according to the Slovak Statistical Office in November 2022. This was the highest monthly deficit over the last decade. Despite the value of exported machinery and transport equipment (including cars) reaching a record high, the negative balance was primarily influenced by a substantial increase in the value of imported natural gas, oil, electricity and automotive supplies. In the first 11 months of 2022, exports to EU member states increased by 17.7% and accounted for 80.3% of total exports. The most important EU trading partners are Germany (22%), followed by the Czech Republic (11%), Poland, France and Hungary. Outside of the European Union, the United States remains Slovakia's largest trading partner. Imports from EU member states accounted for 62.6% of total imports and increased by 20.5% year-on-year.

Slovakia has a two-tier banking system, consisting of the National Bank of Slovakia (NBS) and private commercial banks, which are primarily owned by foreign banking groups or are branches of foreign banks, with Austrian, Italian and Belgian groups being notable players. The banking system has remained stable and consolidated over time. During the review period, the banking sector operated in two distinct periods: the COVID-19 pandemic and the subsequent energy crisis, high inflation and war in Ukraine. Throughout these phases, the labor market remained relatively stable, and the banking system maintained its stability and health due to the NBS's rigorous monitoring of risk management practices. The banking sector in Slovakia is well-capitalized and liquid, as confirmed by European Central Bank assessments. The solvency ratio of banks remained steady (19.9% in Q3 2021, compared to 19.3% in the European Union), and profitability improved with a higher return on equity (8.7% ROE in Q3 2021, compared to 7.1% in the European Union). Slovakia's non-performing loans ratio is the same as the EU average (2.1% in Q3 2021), while the cost-to-income ratio declined to 54% in Q3 2021 (compared to 60.4% in the European Union). Banks in Slovakia benefited from the ample liquidity provided by the central bank, accounting for approximately 10.9% of total liabilities in Q3 2021. The ratio of bank capital and reserves to total assets in Slovakia has increased by 0.3 percentage points since 2020, reaching 7.6% in 2021.

The Slovakia SAX Index, a major stock market index tracking the performance of large companies listed on the Bratislava Stock Exchange, has shown an upward trend during the review period. The index is a capitalization-weighted total return index with a base value of 100 as of September 14, 1993.

Liberalization of
foreign trade

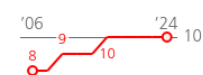
10



1

Banking system

10



1

The NBS, in compliance with EU directives, holds important supervisory powers over banks. It can require specific reports, scrutinize banks' plans and conduct inspections based on stress tests. The NBS also has supervisory authority regarding customer protection in the banking sector. The NBS effectively utilizes its powers, particularly in relation to housing loans, as household debt levels have been increasing.

The reputation of the NBS and its domestic and European performance used to be highly respected. However, since the appointment of Peter Kažimír as governor, its reputation has weakened. Kažimír previously served as finance minister in Smer-SD governments and has twice faced corruption charges brought by the National Criminal Agency (NAKA). In the first case, the charges were dismissed by the general prosecution based on controversial grounds, citing a violation of the law when bringing charges against the NBS governor. The general prosecution argued that Kažimír had been prosecuted solely on the testimony of one cooperating defendant.

8 | Monetary and fiscal stability

Since Slovakia's accession to the eurozone, anti-inflation and forex policy have been in the hands of the European Central Bank. Since the 2020 elections, inflationary pressures have intensified and become more broad-based, linked with COVID-19, the energy crisis and the war in Ukraine. Inflation has been driven by adverse supply-side developments and rising production costs. According to European Commission estimates, the inflation rate reached 11.5% in 2022, and the European Commission forecasts it to increase to 13.9% in 2023.

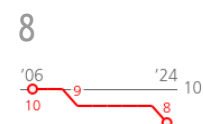
Fiscal consolidation was previously an area of solid consensus among political actors, as demonstrated by the establishment of an independent fiscal council, the Council for Budgetary Responsibility (RRZ), in December 2011. The RRZ is tasked with monitoring and evaluating fiscal policy and its impact on fiscal development. However, during the period under review, general government spending significantly increased due to the COVID-19 pandemic, the recent energy crisis and the war in Ukraine. Slovakia incurred extraordinary expenditures in health care, the economy and social support, especially with regards to support for families with children. According to Eurostat, Slovakia's budget deficit was 5.5% of GDP in 2021. Moreover, the OECD 2022 report noted that the pandemic led to sizable deficits and a sharp rise in the public debt-to-GDP ratio, which increased from 48.1% before the pandemic to 63.1% in 2021.

Regardless of its partisan composition, the government generally respects the analyses and recommendations of the Council for Budgetary Responsibility, the Ministry of Finance's Value for Money (VfM) analytical unit and the European Commission, albeit to a limited extent. However, the previous consensus on fiscal

Monetary stability



Fiscal stability



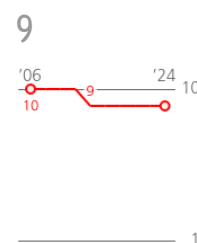
stability has become less relevant, particularly with regard to large-scale policies proposed by Igor Matovič, who served as prime minister from March 2020 to April 2021 and as minister of finance from April 2021. Nevertheless, the main risks to public finances are primarily long-term and related to population aging, as well as the lack of pension and health care reforms. Unfortunately, these issues have not been adequately addressed by policymakers in Slovakia. The budgeting framework continues to exhibit gaps in terms of coverage, time horizons and reliance on cash accounting. The Council for Budgetary Responsibility projects that the deficit for 2023 may reach as high as 5.6% of GDP. While the proposed budget for 2023 has been deemed realistic, negative risks and developments in certain areas have been identified in its structure. The council has argued that the creation of reserve funds totaling €3.4 billion to address high energy prices would be a prudent measure.

9 | Private Property

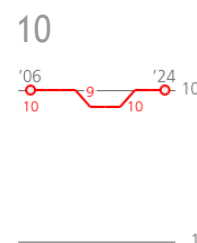
Private property rights in Slovakia are respected, and authorities regulate the acquisition, use and sale of property. Property rights are sometimes restricted by the overriding rights of the constitutionally defined public interest, such as highway construction projects, the protection of cultural heritage and environmental protection. In such cases, owners receive financial compensation at market value. Since the 2017 constitutional amendment, agricultural and forestry lands are no longer considered commodities but non-renewable natural resources protected by the state. However, there is no legislation regulating this measure. Neither the Matovič nor Heger governments passed any relevant legislation to enhance protection for private property rights. Moreover, political instability and weak judicial independence seem to have negative implications for resolving conflicts over property rights. Such cases are often tedious and sometimes result in questionable outcomes.

Since the 1998 elections, the privatization of state companies in Slovakia has followed market principles. Private enterprise is the central pillar of the Slovak economy; most state-owned utilities and companies were privatized by 2006, and there is a considerable flow of foreign direct investments and multinational corporations into the country. While the pandemic primarily affected small private companies, and therefore the government was not compelled to acquire equity stakes or nationalize affected companies to prevent bankruptcy, the energy crisis has changed the mindset of some Sme Rodina and OĽaNO representatives. Yet, despite the change of rhetoric, there has been no action.

Property rights



Private enterprise



10 | Welfare Regime

Since joining the European Union, Slovakia has developed a comprehensive social security system that covers the most common social risks associated with a developed market economy. The system is built upon three main pillars: social security, state social support and social assistance. State social support is regulated by law and primarily financed through employee-employer contributions. It ensures basic benefits for the entire population and has a satisfactory institutional and organizational structure. Social policy in Slovakia encompasses both financial and non-financial benefits, including direct and indirect payments, as well as tax base deductions and subsidies.

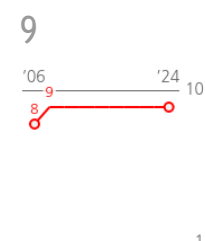
In 2004, Slovakia implemented a three-pillar pension system following the recommendations of the World Bank. While the first two pillars are mandatory, the third pillar serves as a voluntary supplementary pension savings system. In 2015, a minimum pension was introduced, providing coverage for almost the entire population above the age of 64 who have contributed to the system for at least 30 years.

The recent center-right government prioritized the sustainability of the pension system and adopted a reform of the first pillar in 2022. The retirement age is now based on average life expectancy, a measure taken to address the risks associated with an aging society.

Slovakia has a mandatory health insurance system that ensures access to health care, pharmaceuticals and medical devices for all residents. The state covers health insurance costs for children, students, pensioners, the registered unemployed and women on maternity leave. In principle, everyone has the right to free health care, although in some cases, patients are required by law to contribute partially or fully to expenses such as dental care and medicines. The majority of health expenditure (80% in 2019) is publicly financed.

Access to health care is generally good, with only a small percentage (2.7%) of the population reporting unmet health care needs prior to the pandemic. Total health expenditure has remained relatively stable over the last decade, representing 7.0% of GDP in 2019, which is lower than the EU average of 9.9%. The majority of health funding comes from employer and employee contributions, with one-third sourced from general tax revenues to cover specific groups not covered by payroll contributions. However, the quality and efficiency of health care services in Slovakia are relatively low compared to other EU member states due to a significant outflow of doctors and nurses to other countries, resulting in staff shortages.

Social safety nets



The OĽaNO-led government has also implemented hospital reforms aimed at enhancing the expertise and specialization of hospitals by redefining their roles and statuses based on the type of care they provide to patients.

During the COVID-19 pandemic, the government introduced various job retention and short-time work schemes, helping to keep unemployment below 7% between 2020 and 2022. Thanks to these measures, unemployment remained relatively low, with the unemployment rate decreasing to 5.9% in December 2022. The government also improved benefits for the unemployed, extending the duration of existing entitlements and introducing a new benefit for self-employed individuals affected by the pandemic. However, the pandemic highlighted long-term structural challenges in the labor market, such as a shortage of highly skilled workers in various sectors and a lack of digital skills.

The risk of poverty in Slovakia is low due to a relatively even income distribution. However, the ongoing energy crisis may have a negative impact on marginalized communities and poorer households. Around 400,000 out of 1.8 million households are at risk of energy poverty, according to the estimates of several analysts.

The legal system in Slovakia guarantees equality of access to work, education and social services. Discrimination based on gender, race, religion or social origin is prohibited by law. However, despite these legal protections, there is compelling evidence of systemic discrimination against certain ethnic groups concerning access to employment and accommodation (rental). Moreover, evidence suggests that children born into disadvantaged families face limited access to education. Given their limited social skills, which they may not have acquired given their disadvantaged backgrounds, these children are often placed in special educational groups.

Both men and women have the same degree of opportunity in the education system. Education at state schools is free at all levels. Women account for a larger percentage of students within the tertiary education system. In addition, women comprise 46.9% of the labor force, although they continue to be under-represented in leadership positions across various sectors of society. This can largely be attributed to ineffective family policies, which mean that the burden of childbearing and child care is predominantly carried by mothers. As a result, women are often excluded from work for extended periods of time, which leads to significant disadvantages.

According to the Gender Equality Index, Slovakia ranks 24th in the European Union, scoring 56.0 out of 100 points, 12.0 points below the EU average. Since 2010, Slovakia's score has increased by 3.0 points. However, overall, Slovakia's ranking has dropped two places, suggesting that the pace of improvement is too slow. However, there have been some improvements in the domain of economic power (i.e., in economic decision-making). In this sub-domain, Slovakia ranks 21st with a score of 26.3 points. Legislative gender quotas are not used for elections in Slovakia,

Equal opportunity

8

'06 9 '24 10

Year	Score
2006	8
2009	9
2024	9

1

and – while gender equality is promoted rhetorically – active support for women’s enhanced political representation and participation is lacking. According to the European Institute for Gender Equality, women’s access to public office remains uncertain, and all indicators of gender equality for Slovakia are below the EU average.

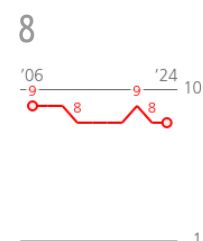
Despite the implementation of the Anti-Discrimination Act, racism toward Roma people remains strong in Slovakia. A structured support system intended to enable marginalized groups to overcome their initial disadvantages has been insufficient. This problem has been greatest for the Roma community, who still struggle to access education and employment. Slovakia’s education system insufficiently addresses the special needs of Roma children. Despite its initial promises and newly approved strategies, the OĽaNO-led government has failed to secure a sufficient number of Roma-speaking teaching assistants or provide any special Slovak language support for Roma children. Since 2015, the European Commission has initiated proceedings against Slovakia for breaching the Racial Equality Directive. The European Commission conceded that Slovakia had taken measures in recent years but argued that the measures had not been sufficient to resolve the segregation of Roma in schools. So far, the European Commission has not taken the case to the Court of Justice.

In late 2021, the OĽaNO-led center-right government approved the new Strategy for Roma Equality, Inclusion and Participation until 2030. However, during the COVID-19 pandemic, the authorities failed to provide proportionate and non-discriminatory measures for Roma settlements. Moreover, factions within the governing coalition, most notably conservative members of parliament for Sme Rodina and OĽaNO, have fought against gender equality and LGBTQ+ rights in the name of traditional family values.

11 | Economic Performance

Between 2000 and 2019, Slovakia was one of the fastest-growing economies in Europe and managed to maintain a high rate of economic growth. However, since 2019, the economic boom has slowed down unexpectedly due to several external shocks that have affected Slovakia’s export-oriented economy. Since the start of the COVID-19 pandemic, exports of goods – a strong pillar of the Slovak economy – have declined. Slovakia’s economy weathered the COVID-19 pandemic relatively well, thanks to timely policy support, including job retention schemes. The recovery has been slow, and inflationary pressures have been rising. After a sharp contraction in real GDP in 2020, economic activity bounced back in 2021. However, economic growth has since slowed down again due to new global supply bottlenecks, which have adversely affected Slovakia’s industry-heavy export sector. The Russian invasion of Ukraine is expected to cloud the economic outlook further in the coming

Output strength



years, lowering projected annual GDP growth to 2.3% in 2022 and 3.6% in 2023, as increasing energy and commodity prices have inflated production costs and eroded the purchasing power of households. Nonetheless, public investments financed by the Recovery and Resilience Facility (RRF) and European Structural and Investment Funds (ESIF) are expected to benefit economic growth.

Slovakia continues to be the world's largest producer of cars per capita, although this further increases the country's already-high dependence on this sector and on export performance. The slowdown in growth has exposed the associated risks and limitations of an economic development that relies heavily on the car industry and export performance. Moreover, long-term economic growth prospects continue to suffer from weak infrastructure, shortages of highly skilled labor, low R&D spending, and the mixed performance of public governance. Future growth requires investment in education, innovation, infrastructure and energy technology.

12 | Sustainability

Slovakia has considerable natural resources, primarily water and wood. Industrialization and general economic development are still higher priorities than environmental protection. As an EU member state, Slovakia adheres to strict environmental standards; however, its historical legacy still influences the policymaking process and administrative approach to the environmental agenda. However, the overall performance is mixed.

According to the OECD's 2022 report on Slovakia, Slovakia has significantly reduced its carbon and energy intensity, mainly thanks to changes in the structure of the economy, but progress has slowed in recent years and air pollution remains high. Between 1990 and 2019, economy-wide greenhouse gas (GHG) emissions decreased by 43%, which constitutes an important change. At the same time, the greenhouse gas intensity of the economy remains significantly higher than the EU average. Air pollution, solid waste management and biodiversity conservation have been the three main environmental challenges in Slovakia. Public awareness of environmental issues has gradually increased in recent years. For example, almost 70% of citizens are worried about climate change, and three-quarters of Slovaks want economic and political actors to be more actively involved in the fight against climate change. The same proportion of people agree that renewable energy sources should be financially supported, with the population also supporting the production of clean energy (whether solar, wind, water, biomass or geothermal). On the other hand, citizens are often unaware of basic information about climate change and are not willing to pay higher prices or taxes to address climate change-related issues.

During the period under review, the government that was formed in 2020 included leading representatives of environmental initiatives who were committed to advancing ecological priorities. Thanks to their activities, several reforms have been implemented, such as restructuring the national parks, eliminating plastic bottles and

Environmental
policy

8



1

cans, improving waste management, and stopping the import of nuclear waste. Building on preparatory work undertaken by the previous government, Minister of Environment Ján Budaj has presented a national strategy to achieve climate neutrality by 2050. However, this goal is particularly challenging because Slovakia has one of the most energy-intensive industries in the European Union. Despite the high energy intensity of the economy, environmental taxes stood at 2.4% of GDP in 2020, close to the EU average. At the same time, the share of government expenditure on environmental protection is higher than the EU average. Nevertheless, overall, progress toward climate neutrality remains complicated.

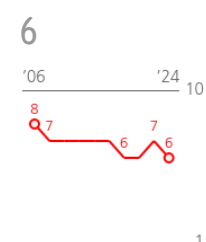
Slovak governments have not implemented OECD recommendations and have not aligned the implicit taxation on CO₂ emissions and other pollutants across different fuels and uses. The CO₂ tax is yet to be introduced in sectors not covered by the EU-ETS, and the tax rate on diesel has not been raised. Air pollution remains high. Moreover, a shift toward environmental taxes, as recommended by the OECD, is progressing slowly.

Furthermore, the practical implementation of environmental protection policies in Slovakia faces challenges. Protective policies are often sidelined and benefit private interests, as evidenced by the construction of recreational areas (e.g., hotels and ski resorts) in protected zones. These activities can often be linked to political representatives, mostly from the Sme Rodina party. Moreover, EU subsidies intended to enhance environmental protections are often the target of corruption.

Slovakia has a developed and functional system of educational institutions offering all levels of education, from preschool to tertiary education, as well as lifelong learning programs. The 2021 U.N. Education Index score for Slovakia (0.834) is similar to neighboring countries in the region. However, the quality of education in Slovakia is declining compared to more developed countries due to the low level of state spending on education and insufficient implementation of innovative teaching and learning methods. While public spending on education, according to the World Bank, rose to 4.6% of GDP in 2020 (the same level as in 2015), it is still lower than in 1992 (5.4%) and among the lowest in the European Union. R&D spending in Slovakia has been stagnating. At 0.9% of GDP in 2020, R&D spending remains markedly below the EU average of 2.3%.

Progress in this area is very slow, with reforms often poorly prepared and ineffective due to a lack of political consensus and administrative chaos. During the period under review, some policies have improved. Notably, the system for evaluating the quality of tertiary education, measures to encourage the remigration of highly skilled Slovaks from abroad, and efforts to streamline the public governance of research and innovation were passed. However, overall, relatively few reforms have been implemented.

Education policy /
R&D



Governance

I. Level of Difficulty

Despite the challenges posed by the post-pandemic effects, the war in Ukraine and the recent energy crisis, Slovakia has overall experienced socioeconomic improvement, resulting in a relatively low level of structural constraints on governance. While some medium and minor structural shortcomings persist, severe infrastructural deficiencies have not emerged during the review period.

First, regional disparities continue to exist, with the western part of the country, particularly the Bratislava region, benefiting from export-oriented manufacturing foreign direct investment (FDI). However, the central, southern and eastern regions still lag behind. In these regions, slow improvements in infrastructure can be observed, primarily due to EU-sponsored investment programs and FDI. While investments came to a halt at the end of 2020 due to the pandemic, the situation has improved during the review period, with FDI in Slovakia increasing by €286.20 million in December 2022.

Second, the long-term unemployment rate has gradually decreased and remained unchanged at 4% in 2022, particularly for low-skilled individuals and those residing in disadvantaged regions.

Third, poverty, low educational attainment, poor health outcomes and discrimination faced by the Roma population remain long-term, serious challenges to good governance.

Fourth, representatives from the high-tech industry consistently highlight that Slovakia's education system does not provide enough high-skilled workers, especially in technical fields. Although the government has implemented some reforms, such as a dual education system, the impact of these reforms has been limited thus far.

Fifth, there remains a significant gap between the demand and supply of highly skilled workers in various sectors. The COVID-19 pandemic has further highlighted the shortage of medical professionals due to brain drain. The health care sector in Slovakia is expected to face additional challenges due to the aging workforce in the health sector, exacerbating the shortage of professionals.

Structural
constraints

2

'06 _____ '24 10



Slovakia has a long and vibrant civil society tradition and committed civil society actors, including numerous citizen associations, civil society initiatives and platforms, and large interest-based organizations that participate in social dialogue. There are around 64,000 non-governmental organizations, including foundations and civil society associations. One of the NGO sector's important sources of funding is tax assignment (corporate and individual taxpayers can assign up to 3% of their tax to selected NGOs). For example, in 2018, around 800,000 taxpayers were assigned a total of €64 million, €2 million more than the previous year. However, the majority of NGOs are active mostly on a local level and focus on leisure, charitable and sports activities. On the other hand, since 1998 and thanks to broad mobilization against Mečiar's semi-autocratic rule, several important NGOs and foundations have emerged and play a very active "watchdog" function, monitoring government, state, political party and business activities, while also raising public awareness.

During the review period, these NGOs were most effective in providing information on the rule of law and corruption, the OĽaNO-led coalition's nominations to public offices and other key decisions. These organizations include the Stop Corruption Foundation, VIA IURIS, TIS, SGI, IVO, INEKO and many others. In the past, these organizations have demonstrated an ability to influence society, politics and decision-making. However, the movement For a Decent Slovakia, which emerged from the protests against the murder of investigative journalist Ján Kuciak and his fiancée, demobilized after the 2020 elections. This demobilization was due to disappointment with the performance of the new government during the pandemic and the escalating political tensions among the coalition partners. Moreover, civil society has been subject to significant rhetorical attacks from the Smer-SD leader.

Specific historical legacies (e.g., mistrust in strangers, a parochial political culture, social pessimism and passivity) have for decades influenced social capital in Slovakia. This has resulted in the creation of strong social networks among relatives and close friends. Slovakia has somewhat lower levels of interpersonal trust than the neighboring Czech Republic. Society is still not particularly open to social relationships that promote cohesion and the inclusion of strangers, but there is a strong tendency toward social bonding, which promotes mutual support.

Slovakia's political landscape is characterized by high levels of confrontation and conflict. However, all conflicts are resolved through authorized institutions, whether in the parliament between parties or in the Constitutional Court between institutions.

Slovakia's population remains prone to ethnic nationalism and racist sentiments, especially in areas with a significant Roma population living in segregated and socially excluded settlements.

The dividing line between conservatives and liberals on cultural-ethical issues (e.g., reproductive behavior, family models, LGBTQ+ rights, abortion and gender issues) has become increasingly prominent and shapes public discourse. Polarization along this dividing line has recently intensified, leading to tragic incidents like the murder

Civil society traditions

2

'06 _____ '24 10



Conflict intensity

3

'06 _____ '24 10



of two LGBT+ individuals in front of Tepláreň, a gay bar in Bratislava, in 2022. Despite the initial shock and public condemnation, Slovak members of parliament are yet to extend the rights of same-sex couples. While this hate crime targeted the whole LGBTQ+ people in Slovakia.

This cleavage between conservatives and liberals on cultural-ethical issues has the potential to widen and radicalize the 2023 election campaign. Due to a dramatic loss of political support, Igor Matovič joined the extreme conservatives and has often published posts that insult transgender people on social media.

In the past, the most salient division in Slovak society was along ethnic lines, which was manifested in party politics. However, in the last few years, this confrontational line has become less salient at both local and national levels. Due to ideological differences and personal animosity among ethnic Hungarian leaders, the Hungarian minority (representing an estimated 10% of the electorate) has not been represented by any ethnic party in parliament since the February 2020 elections, the first time this has occurred in Slovakia's history. Consequently, during the period under review, the fragmented and polarized Hungarian political elite focused on party integration, which led to the successful establishment of Aliancia–Szövetség (Alliance) at the beginning of 2021. The new party has a realistic chance of surpassing the 5% threshold in the upcoming early elections. However, serious internal frictions persist, mainly related to Victor Orbán's policy toward Slovakia.

II. Governance Performance

14 | Steering Capability

Slovakia's capacity for strategic planning is rather weak in terms of institutions and personnel, as there is no central coordination unit in the government office or parliamentary committee that coordinates strategic planning. However, a number of strategic documents exist, primarily due to EU post-accession conditionality, as the European Commission requires them for structural funding and coordination. There are also many other documents that have been elaborated on at municipal, regional and sectoral levels over the past two decades. Moreover, due to EU conditionality, the RIA procedure was established in 2001 and has since been improved over time. However, impact assessments are only required for measures initiated by the government and not for bills submitted by members of parliament. Consequently, the pursuit of short-term political gains often takes precedence over the fulfillment of strategic priorities outlined in official documents.

Question
Score

Prioritization

7



1

In early May 2021, the government adopted a new manifesto following the change in government, as Finance Minister Eduard Heger became the new prime minister and Igor Matovič took over his portfolio. However, the manifesto merely omitted previously achieved goals and added measures related to the management of the pandemic.

The management of the COVID-19 pandemic revealed the Slovak government's inability to focus on strategic priorities. Although goals were formulated, both the goals and the policies to achieve them were frequently changed in unpredictable ways.

The government outlined seven priority areas in the National Recovery and Resilience Plan:

- Fiscal reforms: pension reforms, multi-annual public expenditure ceilings, a public investment management reform and a pro-growth tax reform.
- Green economy: expansion of renewable energy, renovation of housing and public building stock, decarbonization of industry, and strengthening of nature/biodiversity protections.
- Health care reforms: modernization, improved access and efficiency, strengthening primary care, digitalization, and the integration of long-term care.
- Public administration/business environment reforms: reduced regulatory burdens, digitalization of insolvency procedures, more robust public procurement and improvements to the justice system.
- Education reforms: updated curriculum, more inclusive education and improvements to higher education performance.
- Research and innovation reforms: increased R&D investment in decarbonization and digitalization, and support for high-skilled students and researchers.
- Digital transformation acceleration: digitalization of schools and government services, high-speed networks, digital skills, and cybersecurity.

Overall, the OĽaNO-led government has set strategic priorities that align with the recommendations of international organizations (e.g., the OECD and European Union). However, some priorities have been postponed in favor of short-term political benefits (e.g., support for families). Furthermore, the government has shown serious shortcomings in the prioritizing and organizing of policies.

Previous democratic and economic reforms introduced by Slovak governments were generally driven by the European Union and the country's obligations as a member of the European Union. The implementation of these reforms and policy measures has been largely effective. Since Slovakia's accession to the European Union, frequent amendments to basic legal regulations and the adoption of new regulatory measures have combined with poor coordination to create numerous implementation problems and increased transaction costs for society.

During the period under review, the government's performance in implementing legislation did not improve due to several reasons. Despite promising numerous reforms, the new center-right government has failed to offer specific measures, timelines and implementation plans (see section 14.1 Prioritization). Following OĽaNO's victory in the 2020 elections, which can primarily be attributed to its mobilizing last-minute anti-corruption campaign, the most anticipated reforms involved tackling corruption and strengthening the judiciary. Minister of Justice Mária Kolíková (*Za ľuďí – For the People*) swiftly prepared (by the end of 2020) a comprehensive judicial reform. It included a reform of the Judicial Council, the establishment of the new Supreme Administrative Court, property checks of justices, an age cap for justices, changes in the appointment of Constitutional Court justices, and changes in the territorial layout of district and regional appeal courts. However, the implementation of these measures has faced opposition not only from opposition parties led by Robert Fico's Smer-SD but also from those justices and prosecutors who are affected by the reforms. Moreover, the originally planned reduction in the number of district courts, which aimed at weakening long-established ties between justices, politicians, oligarchs and organized crime, has been blocked by the coalition party Sme Rodina.

The OĽaNO-led government also committed itself to far-reaching structural reforms aimed at improving the business environment by stepping up investment in infrastructure, R&I, human capital and public services. In the autumn of 2020, the Ministry of Finance prepared a working draft of Slovakia's post-pandemic national recovery plan. However, this draft was not coordinated with the government's coalition partners and led to protracted negotiations within the coalition. Consequently, subsequent investment and adopted reforms have remained modest.

The substantial frictions within the governing coalition – along with the short-term pressures associated with the COVID-19 pandemic, the recent energy crisis and the war in Ukraine – have further contributed to delaying and watering down reforms in fields such as tax, pensions, health care and education.

Implementation

7



1

In the lead-up to Slovakia's accession to the European Union, policy learning was enhanced through the adoption of EU legislation and participation in various cooperative schemes. The European Union has had a significant impact on Slovakia, particularly Slovakia's membership in the eurozone and shared commitment to fiscal discipline.

However, policy learning within the OĽaNO-led government has been uneven. While some reforms recommended by international organizations have been partially implemented, others have been neglected. For instance, Slovakia has not followed OECD and European Commission recommendations to shift the tax burden from labor to property, alcohol and air pollution, nor has the government increased energy taxes. Another example of limited political learning is the “family package” introduced by Finance Minister Igor Matovič (OĽaNO) and approved in December 2022. Despite expert warnings, Matovič failed to consider the potential consequences of the policy package. This reform is likely to contribute to inflation without effectively increasing the birth rate and will also impose additional burdens on municipalities. Infighting within the governing coalition and the immediate pressures of multiple crises have further hampered progress in areas such as pensions, health care, education and institutional reforms to combat corruption.

Overall, during the review period, domestic reforms have been driven by political interests and the expertise of individual ministers. The government's policy learning, performance and flexibility have been limited by the priorities of individual coalition parties and party leaders. While civil service performance has shown improvement in terms of international cooperation and the ability to provide relevant solutions based on best practices and knowledge exchange, these efforts have often been undermined by senior political leaders, such as Matovič, Boris Kollár and Milan Krajniak, who do not prioritize evidence-based policymaking.

15 | Resource Efficiency

During the review period, the government's use of available human, financial and organizational resources was not very effective.

The OĽaNO-led government's manifesto included a section on “effective public administration,” which was very similar in its objectives and approach to the “efficient, reliable and open public administration” reform launched by the Smer-SD government in 2013. The new policy aims to reduce and optimize public administration costs, including wages. However, the reality is that the number of employees and the public administration budget have been increasing. In 2022, the public sector employed 429,000 people, with the planned expenditure on wages amounting to €9.8 billion. Thus, one-fifth of the total public administration budget was spent on personnel expenses.

Policy learning

7



1

Efficient use of assets

7



1

Political hiring and firing have decreased compared to the previous Smer-SD-led government. Administrative recruitment is competitive and regulated at the national level but is less transparent at the regional and local levels.

Public service performance improved slightly during the EU accession process, when EU conditions stimulated civil service, regionalization and decentralization reforms. The new coalition government introduced the new Common Assessment Framework (CAF) to improve the quality of public administration. In October 2021, the parliament passed an amendment to the Civil Service Law, which provides for the unconditional dismissal of senior civil servants by the secretary-general of the service, who serves in the Ministry of the Interior, and indicates that OĽaNO aims to increase the centralization of state administration.

A balanced state budget used to be an uncontested priority in the past. Gradually, it has vanished due to the multiple recent crises and populist measures. The pandemic, the recent energy crisis and the war in Ukraine have disrupted the consolidation of the state budget. Besides the recent crises, public finance risks remain predominantly long-term in nature (e.g., population aging and a lack of pension and health care reform). The government lacks a long-term vision for the end of the government's current term in office. This approach deviates from what appeared to be the previous consensus over fiscal responsibility. According to the Council for Fiscal Responsibility (RRZ), public debt reached 62.2% of GDP at the end of 2021. For 2023, the budget assumes a year-on-year increase in the deficit to 6.4% of GDP. The budget foresees a gradual reduction in the deficit to 4.1% of GDP by 2025. The resulting long-term burden on public finances is estimated to be up to 0.7% of GDP.

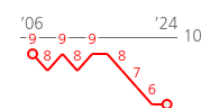
Without EU funding, the Slovak economy would not grow at all in 2023. RRZ predicted that the economy will underperform due to the war in Ukraine, while the risk of being hit by a recession next year has increased significantly.

The current draft budget has not been prepared in accordance with the expenditure ceilings, as the Ministry of Finance and the RRZ have not yet agreed on the final methodology. The RRZ has warned the government that its intentions to achieve a general government deficit of 3.4% of GDP in 2024 and 2.7% of GDP in 2025 are not realistic, as no measures to achieve the targets have been prepared.

After the February 2020 elections, the new government established a coalition council as an informal forum to coordinate political priorities, legislative activities, and communication. Most importantly, the council negotiates solutions to potential disputes between the coalition parties. However, deep conflicts soon emerged due to disputes between the coalition partners, namely between OĽaNO leader Igor Matovič and Economy Minister Richard Sulík (SaS). Consequently, the government reverted to Slovakia's traditional pattern of departmentalism, with ministries divided between the coalition partners and following the controlling party's priorities. These tensions ultimately resulted in the vote of no confidence and the fall of the government in December 2022.

Policy
coordination

6



Corruption remains the most sensitive political problem, undermining political stability, good governance and the quality of democracy in Slovakia. The main theme in the February 2020 parliamentary elections was political and judicial corruption and integrity. Consequently, the 2020 coalition government has opened the way for the prosecution of corruption. However, overall performance has been mixed.

On the one hand, Slovakia has adopted an anti-corruption policy for the period from 2019 to 2023, has appointed an anti-corruption coordinator and ethics adviser, and has established the Corruption Prevention Department. In addition, the number of initiated proceedings concerning corruption and individuals convicted of corruption has risen substantially since the 2020 elections. During the period under review, efforts to tackle high-level corruption continued, and several former high-ranking officials were charged with bribery offenses. On the other hand, the use of the prosecutor general's power to close cases has raised concerns and undermined police efforts. This might erode cooperation with law enforcement, the effectiveness of the fight against corruption and the public's trust in the integrity of public institutions. Moreover, the advancement of anti-corruption reforms has been slow. The new Office for the Protection of Whistleblowers finally began operating in late 2021, two years after it was supposed to. Despite the delay, however, the office has already successfully protected several whistleblowers from being dismissed.

Legislation addressing lobbying, "revolving doors," asset declarations, conflicts of interest among members of parliament and public procurement is currently in its preparatory stage and is unlikely to be passed before the next elections.

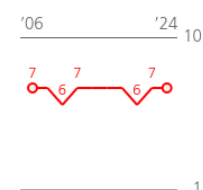
16 | Consensus-Building

The majority of the main political parties agree on the desirability of fostering democracy, the rule of law, and human rights. During the period under review, support for liberal democratic values varied among parliamentary parties, but there was a general consensus over democracy. The previously dominant far-right party Kotlebovci-ĽSNS split, and the new party Republika has exhibited more moderate attitudes. Nevertheless, both groupings cast doubt on democratic political values and institutions. This is further exacerbated by increasing conspiratorial tendencies among the general population. The seemingly strong consensus on democratic values that emerged after the 2020 elections has eroded due to incompetent governance and a focus on short-term popularity rather than long-term priorities. Pro-Western foreign policy remains the main anchor of Slovakia's democracy. Most political leaders still have reservations over the state of the rule of law in Hungary and Poland. However, with early elections on the horizon, the future seems less certain, and there are indications that moves toward illiberalism are gaining traction in the short term.

The mainstream political parties agree on the desirability of fostering a market economy, but differences of opinion arise when it comes to the precise nature of the market economy. Given increasing populist tendencies, it seems likely that a socially oriented market model will prevail, although the specific details of this model remain

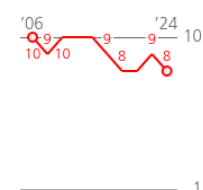
Anti-corruption policy

7



Consensus on goals

8



ambiguous. The OĽaNO-led government's intervention in the market during the recent energy crisis exemplifies this trend. As a result, the previous consensus has weakened, especially on issues related to EU priorities (e.g., the need for fiscal consolidation and a balanced budget). However, a number of independent institutions could still prevent attempts to erode basic market principles. These institutions include the debt-brake law, the Council for Budgetary Responsibility, the Slovak National Bank and Slovakia's membership in the eurozone.

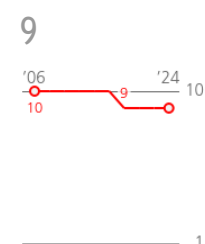
For a long period, there were no anti-democratic veto players in Slovakia. During the review period, the influence of extremist political forces persisted in public discourse. The right-wing populist, extremist party Kotleba-ĽSNS gained seats in parliament after winning 8% of the vote (20,000 more votes than in 2016). However, the party has split, and Kotleba was found guilty of supporting and propagating movements that oppress fundamental human rights. Consequently, in April 2022, Kotleba lost his seat in parliament. Following the split within his party's leadership in January 2021, a new party called Republika was formed, displaying somewhat less radical-right attitudes. The new party has since gained public support. Even though these far-right parties received limited support in the 2022 regional and municipal elections, many observers believe Republika could end up in a ruling coalition after the next general election given the party's increasing popularity.

At present, the influence of anti-democratic party representatives is marginal. However, they are no longer labeled "toxic," and it is likely that mainstream political actors would include them in a coalition to achieve a parliamentary majority if necessary. Similar instances have occurred in the past, for example, regarding support for pro-family laws and anti-LGBTQ+ policies, as well as during the coalition crisis when SaS exited the coalition.

Slovakia is marked by several cultural (e.g., ethnic, political, regional and religious) and social (e.g., social status and rural-urban) cleavages. Traditionally, Slovak cleavages are crosscutting rather than cumulative, meaning deep conflicts along ethnic, class, regional or religious divides are very rare. The political leadership does not try to depolarize structural conflicts. Instead, political parties and their representatives position themselves as advocates of a particular group on one side of a given cleavage.

Ethnic nationalism continues to play an important role in politics, and radical nationalists (Kotleba-ĽSNS and Republika) are represented in parliament. However, the more moderate nationalist SNS (Slovak National Party) failed to pass the 5% threshold for seats in parliament. Slovak-Hungarian tensions have diminished in recent years. Roma and a few Muslim immigrants have replaced ethnic Hungarians as the main targets of hostility for far-right and nationalist politicians. The OĽaNO government made no serious attempt to prevent the escalation of cleavage-based conflicts. Instead, Igor Matovič escalated the cultural cleavage on social media, targeting sexual minorities and transgender people.

Anti-democratic actors



Cleavage / conflict management



Since independence, Slovakia has developed fairly stable institutions that support consultation with civil society actors. Social dialogue between the government, trade unions and employers was already established in the former Czechoslovakia. Since then, various interest groups have had the right to participate in decision-making, including chambers of commerce, municipal organizations, professional chambers, and organizations of doctors, nurses and lawyers. Due to their elitist character, parties lack experts and expertise, and governing parties often need to consult civil society actors. In addition, the legislative process is open to public consultation, and the current coalition government often opens strategic documents to public consultation. As a rule, governments actively consult key civil society groups, but they tend to be politically selective in considering their proposals. Ultimately, business and employers' organizations are always the most influential. However, the OĽaNO-led government failed to strengthen the systemic funding of NGOs by increasing the share of income tax that goes to NGOs.

However, following the vote of no confidence, recent developments indicate that political actors are increasingly resorting to the fast-track adoption of laws to circumvent criticism from civil society and other relevant stakeholders. All leaders are attempting to promote their political priorities in the hopes that they can gain support in the upcoming early elections.

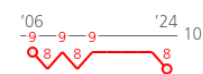
Slovakia remains split over the legacies of two authoritarian regimes (fascist and communist). The process of reconciliation has been complicated and it has taken longer to establish institutions able to cope with the country's totalitarian past.

The Nation's Memory Institute (ÚPN) was established in 2002; its main responsibility is to provide access to records of the secret police (STB). Allegedly, some top figures of the former ruling party HZDS, including Vladimír Mečiar, were collaborators of the STB. Allegedly, there have been instances in which the archives were manipulated and utilized against public and political figures, including Budaj, one of the leaders of the 1989 anti-communist revolution. These suspicions ruined Budaj's political career in 1990. However, he was able to build his own party, and he was elected to parliament and became minister of environment on the OĽaNO party list. In summer 2022, a "lost" STB volume on Budaj reappeared. It includes a handwritten statement from 1979 stating that Budaj would report on two close friends who were active in the dissident movement. Even after 30 years, this case confirms the sensitivity of such allegations.

In June 2021, the parliament passed the long-awaited law lowering the pensions of former members of the secret police, which was proposed by ÚPN in 2013. However, Smer-SD appealed to the Constitutional Court, and this issue remains pending.

Public consultation

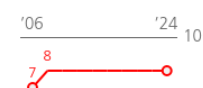
8



1

Reconciliation

8



1

17 | International Cooperation

Slovakia is fully integrated into the international community, including the United Nations, the OECD, and the European Union. Leaders and diplomats use EU membership and alliances to advance the country's priorities. In recent years, Slovakian governments (including the incumbent government) have placed particular emphasis on the direct material benefits of EU membership. Since the 2019 European elections, public discourse has been slowly changing, and post-materialist values (e.g., EU climate policies) have increasingly gained support – mostly among the younger generation – and subsequent relevance in policymaking. Slovakia is a voluntary party to the United Nations' High-Level Political Forum on Sustainable Development and has prepared a medium-term strategy for development cooperation. According to the European Commission, the country has made progress toward achieving its Sustainable Development Goals (SDGs). For example, Slovakia performs better than the EU average on a number of SDGs, such as reducing poverty and inequalities. Meanwhile, some progress has been made in improving health and well-being and the quality of education, although Slovakia still lags behind the EU average on some indicators in these areas. However, progress on reducing environmental pressures, supporting energy consumption from low-emission sources and improving resource productivity is required. Slovakia needs to strengthen its climate action, promote the use of affordable and clean energy, and encourage more responsible consumption and production practices. The country has become increasingly dependent on EU structural funds to meet its developmental goals and lacks alternative means of development. Despite several attempts at reform, the rate of absorption of EU funds has remained low, although it has improved slightly during the review period.

The government endorses many of the European Commission and OECD recommendations and is aware that growth opportunities lie in a more sustainable and higher value-added economy. The most visible progress has been made in the areas of justice and anti-corruption. However, Slovakia's main economic goals, namely reinstating sound public finances by 2024 (including reducing the tax burden for low-income persons and compensating the subsequent tax revenue gap by increasing indirect, property and environmental taxes), are unrealistic given the impact of the COVID-19 pandemic, the recent energy crisis and the war in Ukraine on Slovakia's small and open economy.

Effective use of support

9



1

Since 1998, all Slovak governments have been trustworthy and reliable partners in their relations with the international community. An underlying state priority is to be recognized as a credible partner by the international community, especially by the United Nations, OECD, OSCE, Council of Europe, NATO, European Union and eurozone, as well as in bilateral relations with individual states. Slovakia's compliance with existing international agreements is relatively high. However, some compliance challenges occur when economic costs are too high, for example, regarding ILO core labor standards, climate change agreements and human rights conventions.

During the period under review, the OĽaNO-led coalition acted responsibly. In particular, the government engaged in coordinated international and multilateral efforts, notably with Slovakia's closest neighbors (the Czech Republic, Austria, Hungary and Poland), to manage the COVID-19 pandemic. However, Slovakia's credibility has been damaged by the opposition's increasingly pro-Russian stance. At the end of 2021, Smer-SD as well as the far-right ĽSNS invoked anti-U.S. sentiments, mobilizing against Slovakia's bilateral defense agreement with the United States, which was eventually signed in February 2022. This mobilization, which has helped to increase the popularity of Smer-SD, has gradually decreased since Russia's invasion of Ukraine. The credibility of the country improved as Slovakia became one of the most significant providers of humanitarian and military assistance to Ukraine.

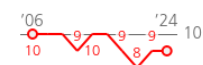
Slovakia's foreign policy and international cooperation are fully dedicated to its Euro-Atlantic orientation and very active. During the review period, the government consistently supported EU foreign and NATO security policies, especially regarding support for Ukraine (e.g., sanctions against Russia, welcoming Ukrainian refugees and providing military equipment). Slovakia also supported the European Union's short- and long-term policy goals in the western Balkans, which traditionally constitute territorial priorities for Slovakia's development programs.

Since the 2020 elections, Slovakia's efforts to act as a credible and reliable partner within the European Union and pursue cooperative regional and international relations have improved. However, the government's policies have been frequently challenged by the opposition (Smer-SD and far-right groups), while Hlas-SD has demonstrated support for EU values.

Slovakia is an active member of the Visegrád Group (or V4) alongside the Czech Republic, Hungary and Poland. Despite cultural heterogeneity, the countries share some goals and stances on international politics. Therefore, whenever suitable, these countries unify to strengthen their position(s) in international negotiations. However, this applies only if the countries align in their goals. Following Russia's invasion of Ukraine, Hungary alone has maintained positive relations with Russia. Consequently, Slovakia's positive relations with Hungary are activated only if there are shared demands in international politics.

Credibility

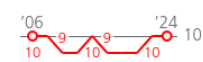
9



1

Regional cooperation

10



1

With respect to Ukraine, the Slovak public and political representatives showed strong support by welcoming Ukrainian refugees, providing military equipment and imposing sanctions on Russia after its invasion of Ukraine. These positive attitudes emerged despite the generally negative sentiments toward irregular migration demonstrated during the 2015 migration crisis.

Finally, Austria is invited to the V4 meetings when a mutually relevant topic is discussed. Cooperation between Austria and the V4 was unusually active during the term of Austrian Chancellor Sebastian Kurz, who shares a culturally conservative ideology. However, the connection weakened (but remained neutral rather than negative) after his term.

In late September 2022, an increase in irregular migration prompted Austria and the Czech Republic to reintroduce temporary checks on their borders with Slovakia. This was initially opposed by Minister of Interior Roman Mikulec (OĽaNO), who emphasized the importance of protecting the Schengen Area's external borders, including the Hungarian-Serbian border. To demonstrate this point, Slovakia increased the number of police officers on the Slovak-Hungarian border who conducted joint patrols with their Hungarian counterparts. In addition, Slovak police officers were also sent to the Hungarian-Serbian border. During this time, the Slovak authorities cooperated fully with their Austrian and Czech neighbors. At the end of 2022, checks along the borders were canceled due to the decline of migrants.

Strategic Outlook

Events during the review period have shed light on both the strengths and weaknesses of democracy in Slovakia. While there has been an increase in polarization, populism and the concentration of power in the hands of the executive, several independent authorities and institutions – including the president, the Judicial Council, the Constitutional Court, some ordinary courts, the media and civil society – have demonstrated resilience. The upcoming 2023 parliamentary election will be crucial for Slovakia's democracy and its recovery from multiple recent crises. Voters will have to decide the future governance of the country, but the available choices are limited and frustrating. At present, the most popular party is Peter Pellegrini's Hlas-SD, followed by Robert Fico's Smer-SD and the far-right Republika, which is gaining support. While Progressive Slovakia and SaS primarily appeal to urban voters, Slovakia remains predominantly rural with traditional and conservative values.

In addition to these short-term challenges, there are significant medium- and long-term issues to address. Strengthening the rule of law is crucial to confronting medium-term challenges. It is hoped that ongoing corruption trials involving prominent politicians and oligarchs will be concluded in court. However, combating democratic backsliding requires more than just trials. Trust in democracy must be restored through targeted actions against fake news, hoaxes and disinformation spread by disinformation websites.

The pandemic and multiple crises in 2022 have slowed economic growth and highlighted the risks and limitations of Slovakia's economic development strategy, which heavily relies on the car industry, exports and EU funds. The country needs well-designed strategic policies to maintain economic competitiveness and ensure sustainable growth. Addressing corruption, reforming the judiciary and improving the quality of public administration are crucial in this regard, but they are not sufficient on their own. Investments in neglected areas such as education, research and development, and information and communication technology (ICT) are essential. However, mobilizing support and necessary resources may be challenging as some key pillars of effective governance are faltering. Concerns, such as efforts to curtail the competencies of the Constitutional Court, are likely to persist. The trajectory will depend on the performance of critical democratic anchors, including EU institutions, civil society and the media, and their ability to subject the future government to effective scrutiny.