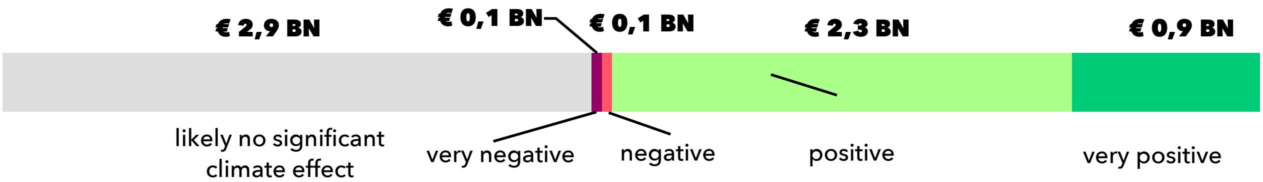
Last update: 12/03/2021

GREEN RECOVERY TRACKER REPORT: SLOVAKIA

The first complete draft of Slovakia's Recovery and Resilience Plan (RRP) was published on 8 March 2021. Civil society groups were able to participate in a limited way in stakeholder groups during the very early development phase of the plan, but it is unclear how the results of these consultations were implemented. Despite this, civil society experts provided recommendations via media and advocacy. Overall, we find that the measures included in the draft plan, with investments equaling 6.5% of Slovakia's GDP (2019), are likely to make a positive contribution to the green transition. Our analysis identifies the following spending shares:



The Slovak RRP includes a "Green Economy" category with five components, which include many promising measures, such as investments in energy efficiency, renewable energies, and industry decarbonization. However, there are still areas of concerns, such as support for fossil gas boilers included in the energy efficiency pillar. Furthermore, while the plan's exclusion of support for fossil power generation is in line with EU green transition requirements, the €220m allocated to renewable energy generation are insufficient to fully exploit the potential of renewables for a green recovery, especially after years of legal restrictions on the expansion of renewables. The actual effect of the plan thus depends on whether its implementation will be accompanied by other measures, and whether there will be additional reforms to align national planning with the target of climate neutrality by 2050. Lastly, given Slovakia's relatively poor track record in using EU funds, ensuring the outlined measures are implemented successfully may be a challenge in itself.

In focus: Green Spending Share

We find that Slovakia's draft recovery plan (RRP) achieves a green spending share of 30%, below the EU's 37% climate spending benchmark.

Our calculation of the green spending share aims to mirror the approach used for the official assessment of national recovery plans, which distinguishes between measures contributing fully to climate mitigation (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures are weighted using a coefficient of 40%, which is applied to the associated costs. All individual assessments can be accessed via the country page on our website.

Wuppertal Institut

E3G

Last update: 12/03/2021

OUR HIGHLIGHTS

Good Practice

EU requirements leading to improvements in the development of the plan

EU-wide guidance encouraged the national ministries involved in the drafting of the national recovery plan to support more climate-related measures. Furthermore, it is positive that the Environment Ministry is set to oversee the implementation of measures on industry decarbonization and the renovation of family houses.

Bad Practice

Support for fossil gas boilers

Alongside many positive measures, a program to improve the energy efficiency of 40,000 family houses in Slovakia includes €50m for investments into fossil gas boilers, even though cleaner solutions, which could contribute to tackling the dual challenges of heat decarbonization and tackling energy poverty, are available.

To Our Surprise

A recovery plan development process not aligned with legislative requirements

The draft plan released on 8 March 2021 was submitted for the required official public consultation at a relatively early stage in order to achieve agreement among ministries and coalition parties. This could prove to be problematic later on as the legislative process requires that consultations on official documents are only held in the final stage of their development.

GENERAL CONTEXT

Before the COVID-19 crisis hit, the political debate in Slovakia was dominated by the fight against corruption and the pursuit of economic growth alongside fiscal policy discipline and a balanced budget. Especially the Economic Ministry, which is also responsible for the energy sector, is also actively working to remove regulations. Within climate politics, the effects of climate policy measures such as a carbon border adjustment mechanism on jobs in the steel industry, and other industries, was a key issue. Furthermore, the environmental and economic impacts of biomass and other sources of renewable energy generation were a strongly debated topic. Lastly, the ongoing Just Transition process of the Upper Nitra hard coal region in Slovakia is widely regarded as a case of good practice for planning and realizing a Just Transition.[1]

KEY FOCUS AREAS OF THE SLOVAK RECOVERY DEBATE AND THE RECOVERY PACKAGE

The development of the National Recovery Plan in the context of the EU Recovery Facility is taking place against a backdrop of a governmental crisis, with parties in the governing coalition strongly competing about the allocation of the funds. In a highly unusual move, the governing parties even released separate papers on the Recovery Plan, and the Agriculture Minister threatened to resign if the allocation of funds to his sector would not be increased. It seems that the governing parties divided the responsibilities and the allocation of funds based on the results they achieved in the last election. Notably, a request by the most potent political party for an increased budget for their ministries resulted to an increase of €270m in investments allocated to green measures, including €120m to be spent on renewable energy.

In its official framing of the recovery measures, the government is stressing the importance of economic convergence towards the GDP of other European countries, of responding to ongoing demographic changes, and the challenges and opportunities of technological change, with Slovakia being described as being particularly vulnerable to potential job losses caused by increasing automation. In this realm, the government identifies "the speed of adaptation of education and the social system" as the decisive factor for success.

Lastly, the government's priorities also include measures supporting the green transition, arguing that investments in green technologies can reduce the costs facing companies through stricter climate change policies. In particular, the government identifies the growing role of the European Union in climate policy and new decarbonization targets as key drivers of changes to the economic structure.

Context indicators[2]	Slovakia	EU average
GDP (2019)	**93.9 bn €**	
GDP (per capita, 2019)	**17210 €**	**31130 €**
GDP (per capita, 2020, provisional)	**16680 €**	**29640 €**
Debt (% of GDP, 2019Q4)	**48.5 %**	**77.6 %**
Debt (% of GDP, 2020Q3, provisional)	**60.8 %**	**89.8 %**
Unemployment Rate (December 2019)	**5.6 %**	**6.5 %**
Unemployment Rate (December 2020)	**7.0 %**	**7.3 %**
Real GDP forecast for 2020	**- 5.9 %**	**- 6.8 %**
Real GDP forecast for 2021	**+ 4.0 %**	**+ 3.7 %**
EU recovery funding (grants only)	**6.3 bn €**	

FINANCING AND ADDITIONALITY OF SLOVAKIA'S RECOVERY PACKAGE

Slovakia plans to use only the grants portion of the EU Recovery Facility, not the loans. In the past, Slovakia has faced challenges in fully absorbing EU funds, such as the Cohesion Funds, with just 53% of the overall funds for 2014-2020 spent to date.[3] The opportunity to reallocate funds, and additional flexibility in the wake of the pandemic, has made this issue temporarily less severe. However, this past experience illustrates that the implementation of the planned recovery measures will in itself be a challenge. An increase in capacities for planning and implementing decarbonization measures at the national and regional level could be an important solution for these issues.

GOVERNANCE OF THE RECOVERY PACKAGE

Recovery measures are not effectively linked to broader climate policy frameworks or measures. Measures within the "Green Economy" components of the draft RRP refer to EU climate targets and initiatives, but do not include conditionalities or links to specific targets. At present, Slovakia's national policies are not yet in line with a full decarbonization by 2050, with, for example, the National Energy and Climate Plan being out of date.[4] The development of the recovery measures has not yet been used as an opportunity to move other national decarbonization processes forward.

A dedicated law on a mechanism to support the recovery and resilience plan was published for public consultation in March 2021.[5] The planned law includes some rules and control mechanisms, such as obligatory contracts with actors set to receive the funds, including compulsory fines when targets are not met. However, it is too early to say where these measures will be sufficient, and, problematically, no formal role for civil society actors in the monitoring of the plan's implementation has been agreed yet.

NOTEWORTHY SHORT-TERM LIQUIDITY AND STATE AID DECISIONS ("COMPANY BAIL-OUTS")

The Slovak government introduced several state-guarantee schemes to ease liquidity pressures, covering both SMEs and large firms, with a total envelope of up to €4bn.[6] Furthermore, a wage subsidy aid scheme has been set up to preserve employment and support self-employed individuals.

From a climate perspective, the most notable decisions took place in the mobility sector, where airport operators received €30m in state aid, while the operators of public transport systems in major cities did not receive support through the state budget, with the Transport Ministry arguing that it cannot provide such support as it is not formally responsible for these operators.[7]

OVERVIEW: MOST IMPORTANT MEASURES OF THE RECOVERY PLAN BY SECTOR

Sector	**Most important measures with effect on green transition**
Energy	• Development of new renewable energy generation and repowering, investments into grid infrastructure (€220m, very positive)
Mobility	• Investments in sustainable transport (€700m, very positive) • Infrastructure for alternative fuels, including hydrogen (€50m, negative)
Industry	• Investments in the decarbonization of industry (€350m, positive)
Buildings	• Renovation of buildings (€650m, positive) • Support for fossil gas boilers (€50m, very negative)
Agriculture, land use and forestry	• Climate change adaptation, including afforestation (€150m, positive)

This report was written by Felix Heilmann (E3G) and Juraj Melichar (CEE Bankwatch Network). We are grateful to Marcel Glasa (Friends of the Earth-CEPA), Lucia Szabova (Concerned Mothers), Dana Marekova (Green Restart), Jan Karaba (SAPI), Pavol Fabry (Greenpeace Slovakia), Jozef Ridzon (SOS Birdlife, Slovakia), Dan Kollar (Cycling Coalition), Liliana Rastocka (Slovak Climate Initiative) and Johanna Lehne (E3G) for providing valuable inputs.

REFERENCES

[1] Just Transition (2021). Slovakia
[2] European Commission (2021). Winter 2021 Economic Forecast; Eurostat; own analysis
[3] European Commission (2021). Cohesion Fund
[4] Slovak Ministry of Economy (2019). Integrated Energy and Climate Plan; European Commission (2020). Assessment of the final national energy and climate plan of Slovakia
[5] Slov-Lex (2021). Zákon o mechanizme na podporu obnovy a odolnosti a o zmene a doplnení niektorých zákonov
[6] IMF (2021). Policy Responses to COVID-19
[7] Denník E (2021)