



The 2018 Country Report for Slovakia

Main findings

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DG Economic and Financial Affairs (DG ECFIN)

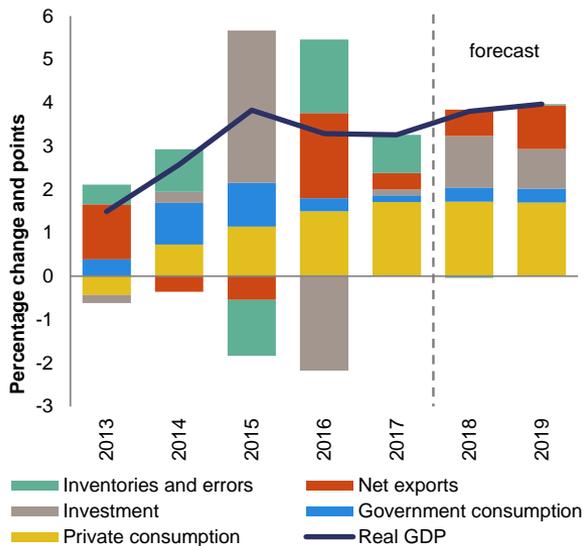
Overview

- *Economic context*
- *Implementation of 2017 country-specific recommendations (CSRs)*
- *Reform priorities*
- *2019 Country Report*

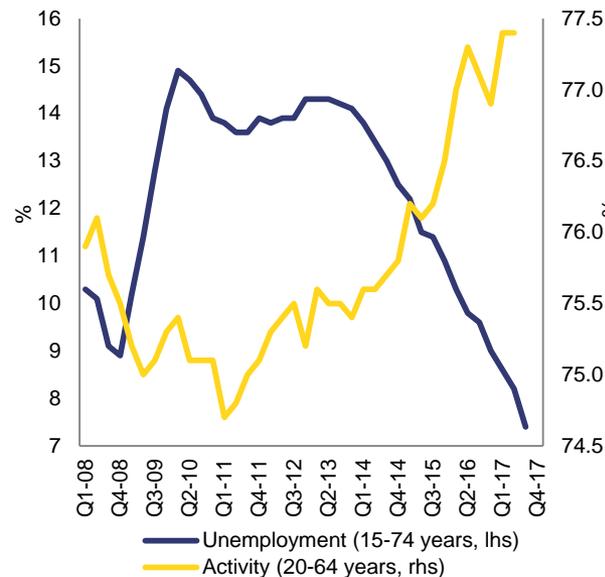
Economic Context

- GDP growth to accelerate in 2018 and 2019
- Real wages growing at ~3% p.a., boosting private spending
- Unemployment likely to decline further, but labour shortages rising
- Investment activity uneven and still below 2015 peak

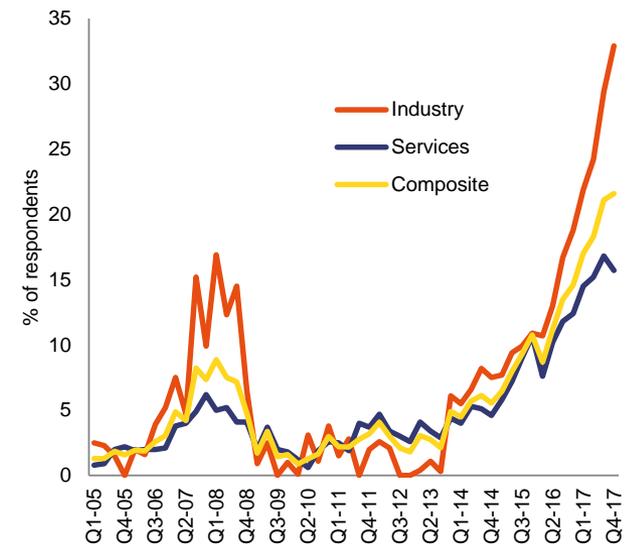
GDP growth



Unemployment and activity



Labour shortages



Implementation of 2017 CSRs

- **Some progress:**
 - Generating cost-savings in the healthcare sector
 - Improving activation measures for disadvantaged groups
 - Improving accessibility of childcare
 - Adopting and implementing a plan to address administrative and regulatory barriers for business
- **Limited progress:**
 - Improving the quality of education
 - Increasing the participation of Roma in inclusive mainstream education
 - Improving competition and transparency in public procurement
 - Improving the effectiveness of the justice system
- **No progress:**
 - Fighting corruption through stronger enforcement of existing legislation



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Reform Priorities

Public Finances and Taxation

- **Taxation:**
 - Revenues are increasing but large VAT gap persists
 - Anti-fraud measures planned for 2018 to be assessed
 - Property taxation underdeveloped
 - 'Value for Money' spending reviews are good practice
- **Long-term sustainability**
 - Increases in pension age will mitigate adverse demographics
 - Healthcare is main driver of age-related spending increases

Financial sector

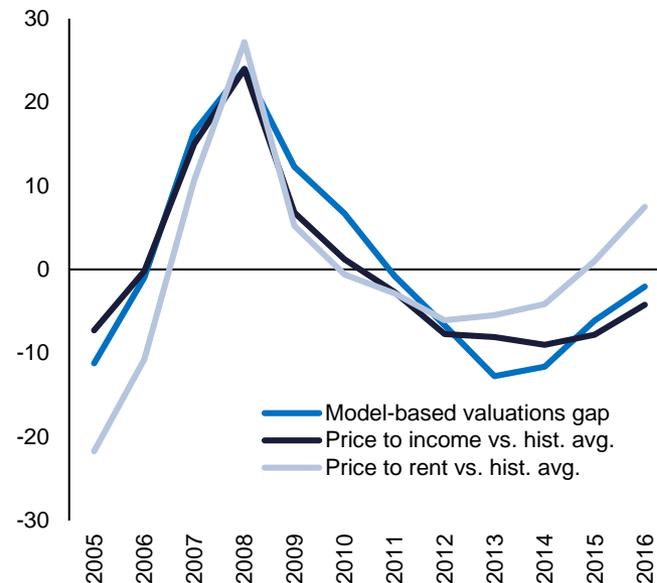
- **Banking sector:**

- Small, mainly foreign-owned
- Highly profitable, low leverage, solid capitalisation

- **Housing Market**

- House prices and lending growth accelerating
- No signs of significant overvaluation (yet)

House price overvaluation gap



Labour market, education & social policies

- **Labour market:**

- High LTU being addressed via action plan
- Participation in ALMPs still low; little 'upskilling'
- Vulnerable groups: Young, low-skilled, Roma
- High gender employment gap (→ childcare)

- **Education:**

- Low teachers' pay limits attractiveness of teaching
- Weak performance in students' basic skills
- Underfunded at all levels

- **Social policies:**

- Risk of poverty low but intensity of poverty is high

Investment

- **Barriers:**
 - Labour shortages
 - Corruption
 - Complex procedures, changing regulations (esp. tax), weak regulatory bodies
- **Business environment**
 - Governance survey results mediocre (WEF, World Bank)
 - RIAs are a step in right direction, increasingly used
- **Public procurement**
 - Modernisation underway, anti-competitive practices less frequent
- **Justice System**
 - Length of proceedings decreasing, but is improvement lasting?
 - Perceived independence lowest in EU (screening, appointment)

Sectoral policies

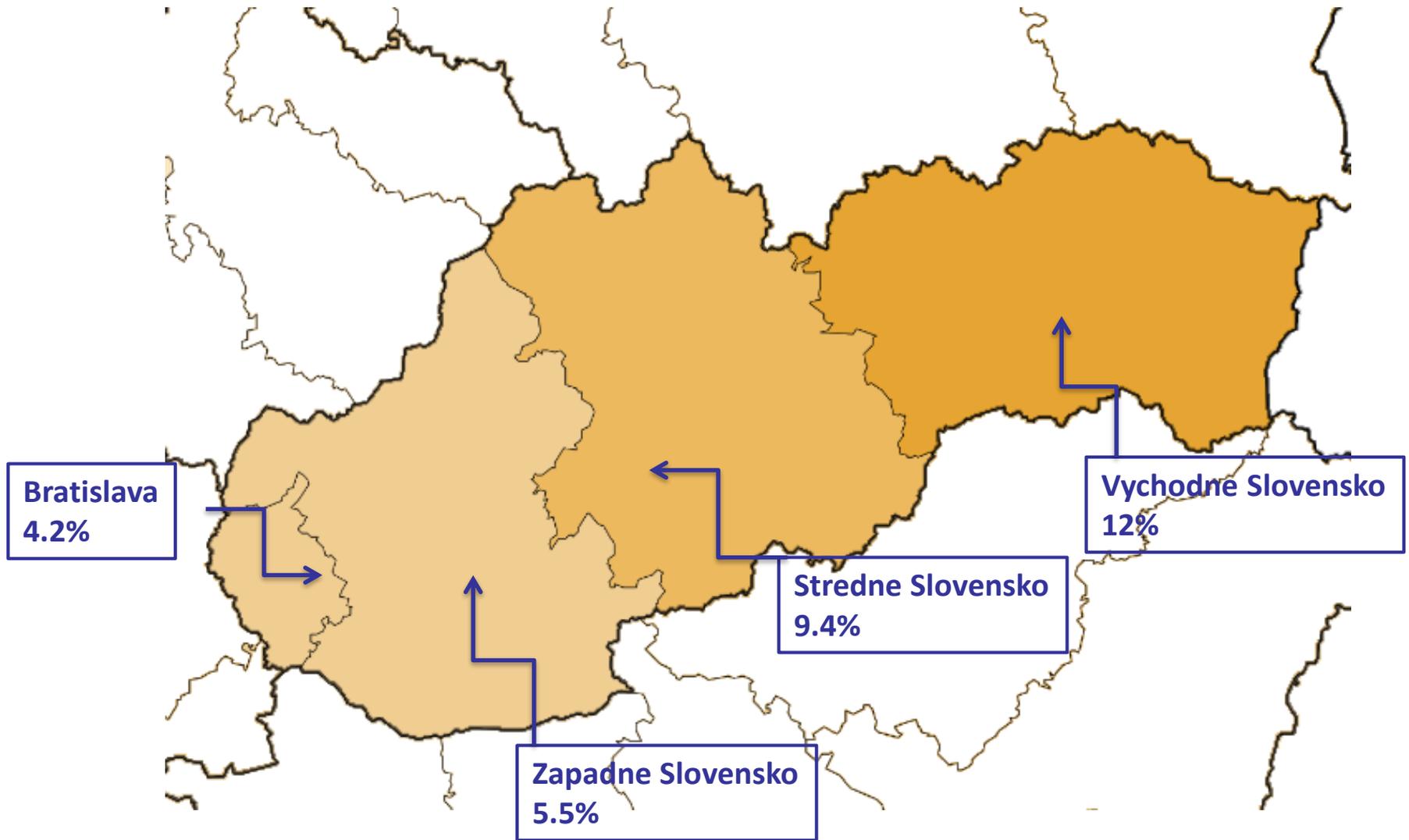
- **Research, development and innovation (RDI)**
 - Total R&D investment on rising trend but volatile
 - Business R&D among lowest in EU
 - RDI framework weak, fragmented
 - Future: Smart Industry and better business cooperation
- **Digital economy:**
 - Slovak ICT sector one of the most productive in SK
 - 13,000 specialist vacancies
 - Digital Single Market and e-government underdeveloped
- **Energy**
 - 'Stop status' uncertainty, hinders renewables investment



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Looking ahead: The 2019 Country Report

Regional divide: Unemployment rates (2017)



Latest CSRs (July 2018)

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1 % in 2019, corresponding to an annual structural adjustment of 0.5 % of GDP. Implement measures to increase the cost-effectiveness of the **healthcare system** and develop a more effective healthcare workforce strategy.

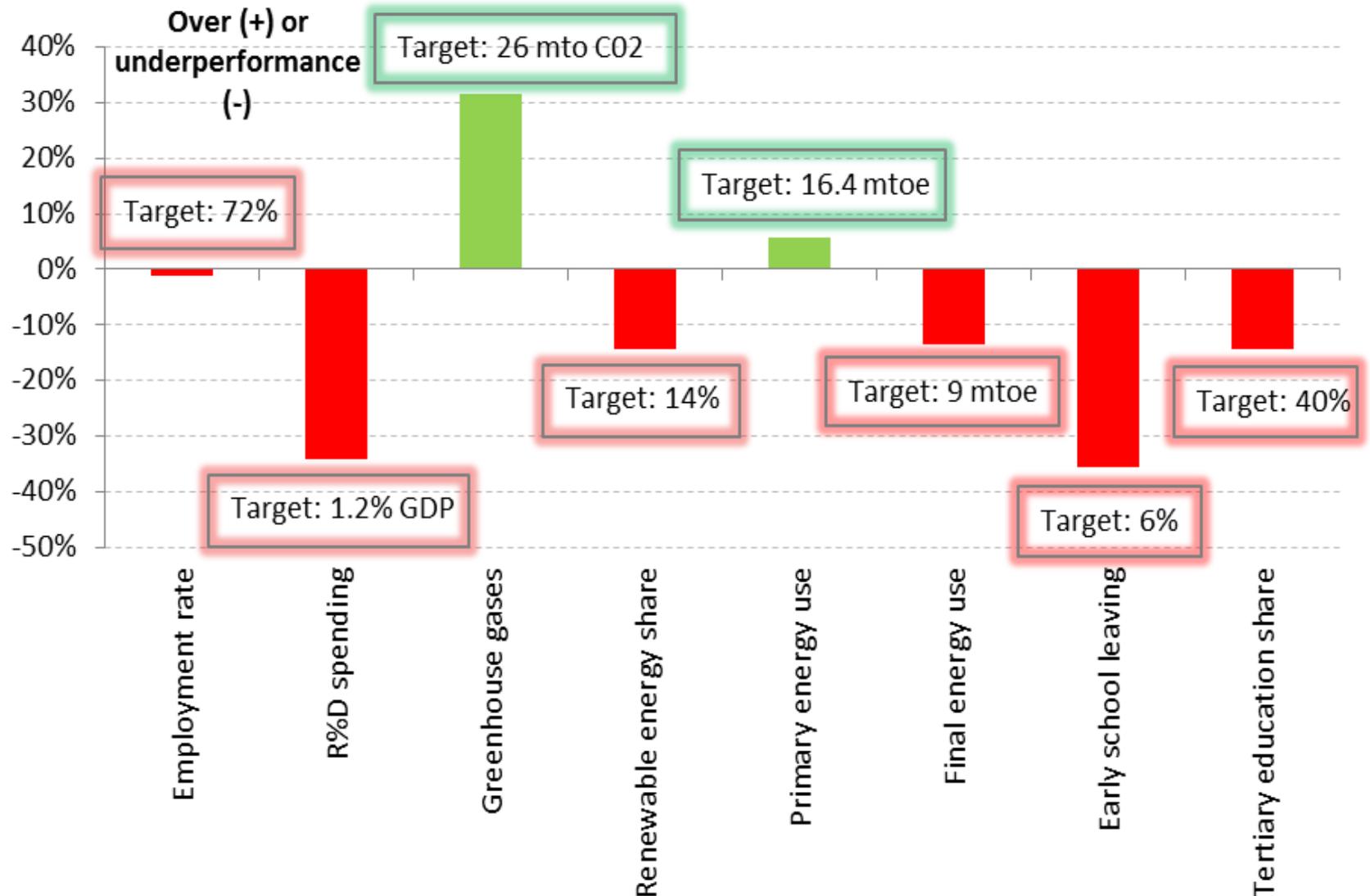
2. Reinforce **activation and upskilling** measures, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. Foster women's employment, especially by extending affordable, quality **childcare**. Improve the **quality and inclusiveness of education**, including by increasing the participation of Roma children in mainstream education from early childhood onwards.

3. Increase the use of quality-related and lifecycle cost criteria in **public procurement** operations.

Tackle **corruption**, including by ensuring enforcement of existing legislation and by increasing accountability at the level of police and prosecution. Improve the effectiveness of the **justice system**, in particular by safeguarding independence in judicial appointment procedures.

Reduce the fragmentation of the public **research system** and stimulate business innovation, including for small and medium-sized enterprises.

Europe 2020 targets: Challenges in R&D, energy and education



Higher education: The good news

- **Participation**

- Tertiary attainment rates rising (31.5% in 2016, +8 p.p. since 2012)
- Women strongly outweigh men in student population

- **Job market**

- High employment rates of graduates (82.5% in 2016, similar to EU)

- **Ambitions**

- How to get to top ten in EU? (National Education Development Plan)

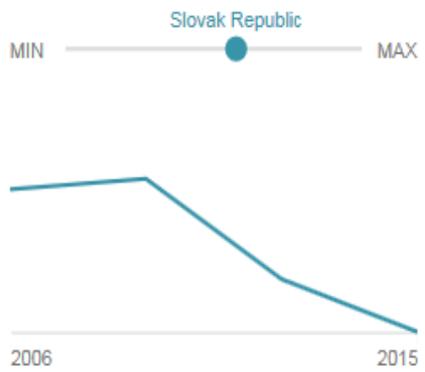
Higher education: Challenges

- **University funding**
 - Funding per student low but similar to CEE peers
- **Quality**
 - Lack of internationalisation
 - Mismatch with labour market needs
 - Revision of accreditation and evaluation procedures? (April 2018 reform proposal now agreed?)
- **Administration**
 - Rigid and complex power relations (Powerful deans?)
 - Low level of autonomy (28th out of 29, EUA University Autonomy Scorecard)
 - Opportunities to raise external funds?

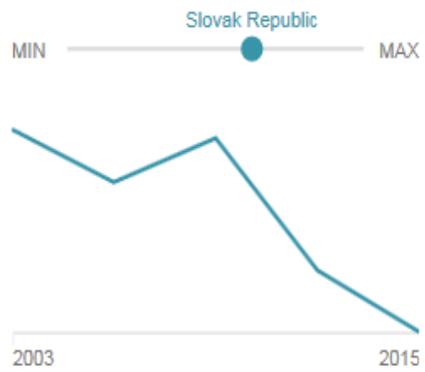
Education: PISA (2003-2015)

Average performance

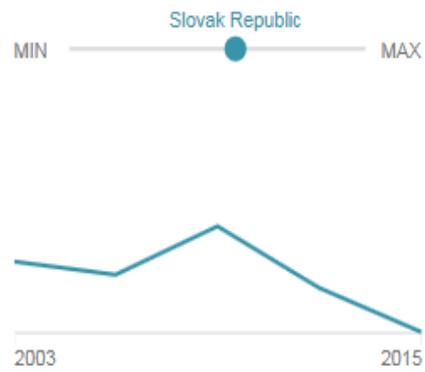
Science



Mathematics

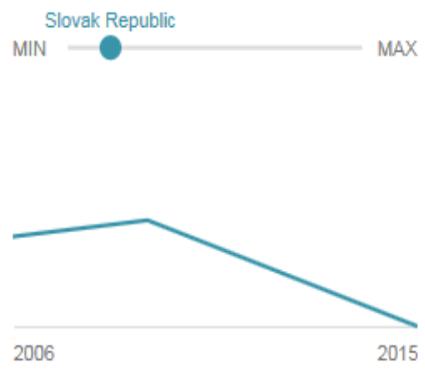


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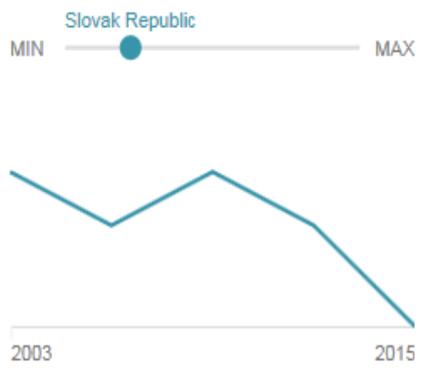


Share of top performers

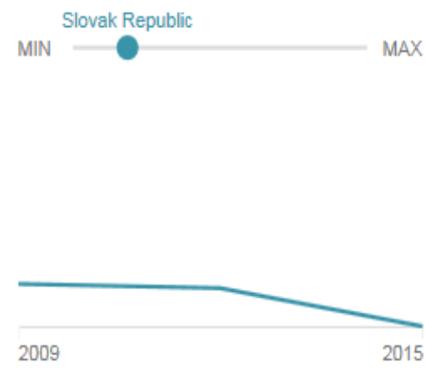
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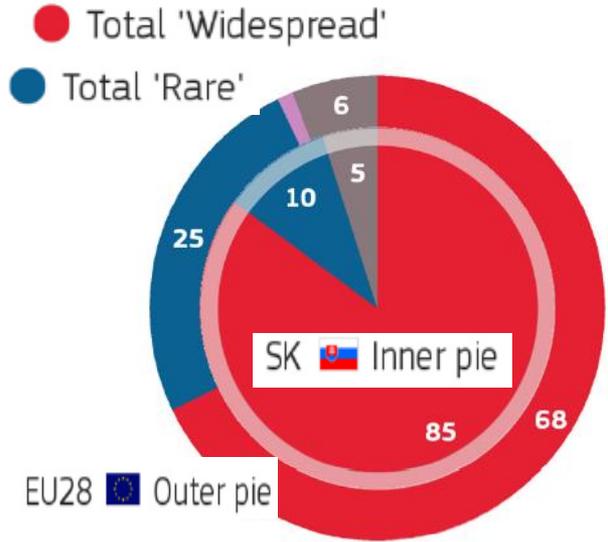


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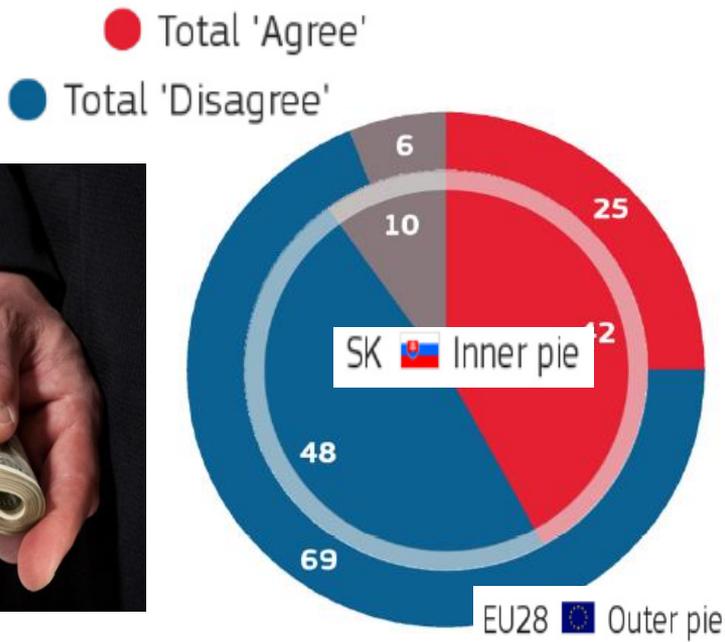


Corruption: Eurobarometer (Oct 2017)

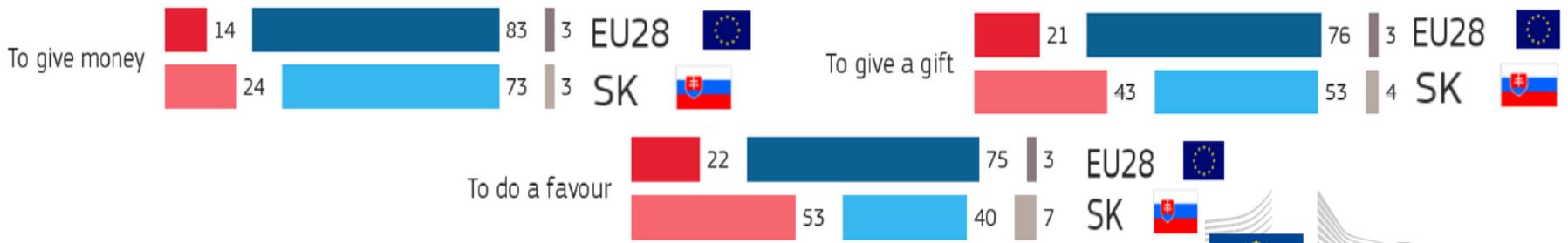
How widespread?



Affects daily personal life?



When wanting something from the public administration, it acceptable to...?



Source: European Commission





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Thank you

Q&A