

Slovakia Value for Money Reviews: Progress and Considerations

International Monetary Fund
European Commission – Structural Reform
Support Service

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Outline of Presentation

- I. Progress of the First Round**
- II. Environment**
- III. Employment and Social Protection**
- IV. Education**
- V. General Considerations**

I. Progress of the First Round

General lessons



Link to the budget

- Involvement of the budget department is crucial
- Measures need to be visible and defined in the budget
- Baselines are necessary as an anchor

Volume and nature of measures

- Too many measures to be absorbed, analyzed and processed (e.g. transport had over 30 measures)
- Most measures in the transport and IT reports were focused on follow-up work and analysis rather than delivery of quantified savings
- Savings from specific health measures are being executed and tracked

Package of measures

- Need to demonstrate the better value for money by shifting from low priority/effectiveness to high value/priority spending
- Current savings being eaten up by previously unidentified pressures

I. Progress of the First Round

Specific issues



Transport

- Methodology for assessment of projects being developed
 - Unified CBA + new modelling developed
- No progress beyond identification of possible savings:
 - Rail services (no costing); Rail lines (€10m but upfront cost of €70m)
 - Bus services (no costing, large scope)

Health

- Majority of measures in place (120/174m) – seeing them in the data
 - 66m on track and being delivered (hospitals and insurance companies)
 - 50m happening, but some delays (medical equipment and CT/MRI)
 - 25m centralized procurement (takes time)
 - Prescription limits & exemptions for medicines not going ahead (political)
- Used VfM exercise as the ‘bad guy’ in negotiations with suppliers
- Overall envelope is not under control, mainly in health insurance
 - Volume, previous contracts coming into force, underestimation of costs
- Next years measures still being worked through with suppliers

II. Environment

Main Issues



Waste management

- Need to lift capacity utilization of existing plants, consider a mix of landfill tax increases and spending to encourage recycling

Flood protection

- Better adherence to high priority projects by administrative assistance to low capacity municipalities (no cost)

Air quality

- Reduce household reliance on fuel and coal heating, potentially through "cash for clunkers scheme (spend).

II. Environment

Advice and Assessment



- Interim report provides very strong structure, analysis and clear policy paths
- Low spending area, but some measures identified
- Need to create a package of savings in order to fund new spending
 - e.g. Landfill tax to complement recycling incentives
- Administrative arrangements and earmarking present a challenge to reallocations
 - Environment fund would receive the bulk of increased revenues, but spending needed elsewhere
 - EU funds are earmarked for specific spending – challenge is to direct them to highest return

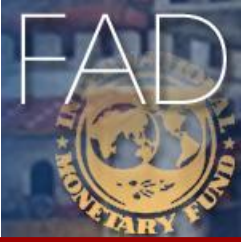
III. Employment and social welfare

Main Issues



- Interim report provides extensive analysis of wide range of benefits
 - Universal and means-tested benefits, social care (severely disabled, long-term care, voluntary pension system)
- Relatively low inequality and poverty
 - Need to understand remaining poverty (who?)
- Large % of budget absorbed by universal family benefits
 - Child benefit expensive and regressive at older ages
- Unemployment and GMI benefits not overly generous
 - But design does not appear to reflect good practice
- Incentives to enter labor force strong
 - Except for very low income groups (who are these?)

III. Employment and Social Welfare Advice and Assessment



- Set out context for spending review to guide policy focus in final report
 - Increasing spending pressures (pensions and social care); Reform of means-tested program may require extra resources to address remaining poverty gaps; Raising female LFP may require targeted spending (childcare subsidies, tax incentives)
- Identify possible sources of financing
 - Reducing age duration of child benefit & make more progressive
- Increase involvement of line ministry
- Other issues
 - Reorganize structure: social transfers, social care, unemployment/employment; More granular analysis of remaining poverty, unemployment, employment (age, gender, skills/education, location) ; discuss issue of benefit indexation

IV. Education

Main Issues



Primary and Secondary Levels

- Increasing teacher salaries (political commitment)
- Consolidation of schools
- Improvement of teacher training, ongoing professional development, and performance assessment

Higher Education

- Funding formula not linked to good outcomes in research and excludes teaching
- High proportion of post-graduates to undergraduates
- Accreditation system does not meet international standards



IV. Education

Advice and Assessment

Primary and Secondary

- Need clear baseline to account for salary increases and demographics
- Develop incentives for decentralization of consolidation (e.g., infrastructure spending)
- Explicitly link salaries to improvement in teacher quality (teacher training, development and assessment)

Higher education

- Bring accreditation up to ENQA standards
- Reallocate funding across undergraduate and postgraduate (including by raising postgrad entry requirements?)
- Implement employer, graduate and student surveys
- Consider institutional performance contracts

V. Conclusions



- Clarification of baselines
- Focus on policy decisions
- Clear specification and costing of reforms measures with links to budget
 - Small set of focused measures
 - Easily implementable and trackable
- Use spending increases to buy and/or motivate reforms
- Engage line ministries and stakeholders
- Follow up on implementation in link with the newly created Implementation Unit within Office of the DPM