

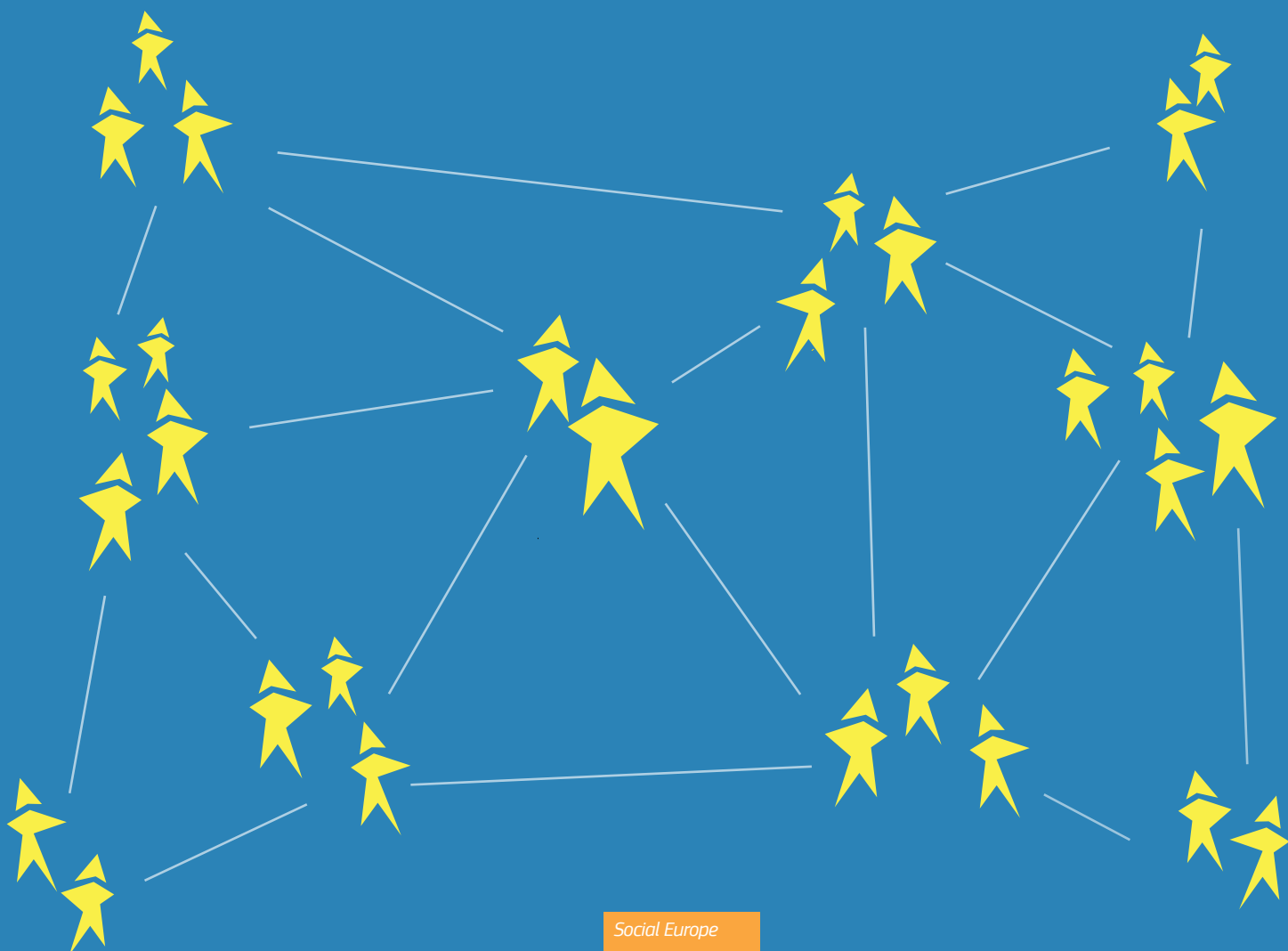


EUROPEAN SOCIAL POLICY NETWORK (ESPN)

National monitoring frameworks for public social spending

Slovakia

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Social Europe

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
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European Social Policy Network (ESPN)

**ESPN Thematic Report on
National monitoring frameworks
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Slovakia

2022

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Manuscript completed in January 2022

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QUOTING THIS REPORT

Gerbery, Daniel (2022). *ESPN Thematic Report on National monitoring frameworks for public social spending – Slovakia*, European Social Policy Network (ESPN), Brussels: European Commission.

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Summary

There are several monitoring frameworks dedicated to public social spending in Slovakia. They differ in terms of organisational settings, the ways in which they report the spending categories, and the objectives that they serve.

Each framework has its own strengths and weaknesses. Among the strengths of the Ministry of Finance's *Proposal of State Closing Account*, which contains, inter alia, data on the revenues and expenditure of public administration bodies, including data on public social spending, are its comprehensive coverage of public expenditure and its regularity. However, the general nature of the information, without a detailed picture of the structure of expenditure, represents its weakness.

The strength of the Statistical Office's *Social Protection in the Slovak Republic* lies in the fact that it provides regular online data on public spending in accordance with the European System of integrated Social Protection Statistics (ESSPROS) classification – as well as the regularly published document *Social Protection in the Slovak Republic*, which contains information on basic categories of social protection revenues and expenditure, as well as a comparison with other EU Member States on the basis of Eurostat data. A lack of information on the recipients of social transfers and social services remains its weak point.

The *Report on the Social Situation of the Population in the Slovak Republic*, produced by the Ministry of Labour, Social Affairs and Family (MOLSAF), has several advantages over the above-mentioned frameworks. It represents a more detailed and more analytically driven approach. The report provides information not only on social spending in all relevant fields, including the structure of the recipients of various social schemes and services, but also on the outcomes of social spending in terms of poverty and social inclusion indicators. Among the existing monitoring frameworks, only this report provides the highest level of granularity and focuses on social outcomes.

A specific form of monitoring framework is employed by the Council for Budget Responsibility (CBR), which was established in 2012 as an independent body to monitor and evaluate fiscal performance. A focus on the long-term sustainability of public finances, including social expenditure on long-term care and old-age pensions, represents its added value. The level of granularity is, however, quite limited.

As municipalities and self-governed regions represent important actors in the provision of social services, they are obliged to prepare plans for the development of social services that also include analyses of social and demographical developments, as well as analyses of the existing provision of social services. They also include a description of expenditure on social services. The documents are accessible via the websites of the self-governed regions or municipalities. Their weakness lies in the low level of granularity and the lack of an analytical approach.

When it comes to reporting/review tools, spending reviews play a crucial role. They have a decisive influence on the selection of topics that attract the attention of policy-makers and experts, by providing detailed empirical evidence, and by linking the analysis of social expenditure to social outcomes. The goal of a spending review is to review public policies, identify whether they provide value for money, and formulate policy recommendations. The spending reviews are accompanied by implementation plans, which set out the process of implementation and define institutional responsibilities. They establish preconditions for regular implementation reports, which monitor the implementation of the proposed measures. Implementation reports monitor progress in achieving the objectives defined by the spending reviews, as well as identifying gaps and the reasons for them.

1 Country-specific monitoring frameworks for public social spending

1.1 Country-specific dedicated monitoring framework(s)

Several monitoring frameworks dedicated to public social spending can be found in Slovakia. They differ in terms of organisational settings, the ways in which they report the spending categories, and the objectives that they serve.

The Ministry of Finance represents an important pillar of the overall public expenditure framework in two respects. Firstly, it submits, based on Act No 523/2004 on Budget Rules for the Public Service, the *Proposal of State Closing Account* to the Government by 30 April. It contains, inter alia, data on the revenues and expenditure of public administration bodies, including data on public social spending. The information provided by the document is rather general (aggregate level of social protection spending, transfers to public insurance agencies, and capital expenditure), without a detailed picture of the structure of expenditure. Subsequently, the Government submits the Proposal to the National Council and the Supreme Audit Office.¹ Once approved, the State Closing Account is published and remains accessible to the public.

Secondly, the Value for Money Division of the Ministry of Finance produces spending reviews, which have become a key tool for public policy-making in Slovakia. They provide an in-depth review and assessment of public expenditure, with the aim of assessing their efficacy and identifying and increasing their “value for money”. The spending reviews will be described in Section 2.

The Statistical Office of the Slovak Republic represents another important pillar of the overall public expenditure framework. It provides regular data on public spending in accordance with the ESSPROS classification. In addition to the online “DATAcube” database,² which is regularly updated, it regularly publishes the document *Social Protection in the Slovak Republic* (in accordance with the ESSPROS manual), which contains information on basic categories of social protection revenues and expenditure, as well as a comparison with other EU Member States on the basis of Eurostat data. The publication does not include information on the recipients of social transfers and social services.

A more detailed and more analytically driven approach, representing rather a specific monitoring framework, can be found in the *Report on the Social Situation of the Population in the Slovak Republic*,³ which is produced by the MOLSAF on an annual basis. The report has been published since the 1990s, being originally requested by the National Council with the aim of obtaining evidence on developments in social conditions in the period of radical economic and social transformation. Now, the report is prepared by the MOLSAF and submitted to the Government. The report combines administrative data (collected by the MOLSAF, other Ministries, and various relevant public policy bodies) and statistical data (collected by the Statistical Office). This allows for the coverage of not only social spending, including the structure of the recipients of various social schemes and services, but also the outcomes of social spending in terms of poverty and social inclusion indicators.

Preparation of the report is supported by a taskforce, which is established by the MOLSAF and includes representatives of agencies related to the MOLSAF (the Social Insurance

¹ The National Council of the Slovak Republic is the sole constitutional and legislative body, elected in general elections. The Supreme Audit Office is an independent external audit body, which audits how public resources and property are managed. It has competence over government, ministries, other state authorities and state administration in general, municipalities and higher territorial units, and other public institutions. It also audits natural persons and legal entities that manage the public funds, including funds from the European Communities.

²

http://datacube.statistics.sk/#!/lang/en/?utm_source=susr_portalHP&utm_medium=page_database&utm_campaign=DATAcube_portalHP

³ <https://www.employment.gov.sk/jsp/>

Agency, and the Central Office of Labour, Social Affairs and Family), the Statistical Office, and other Ministries. Before submitting the report to the Government, it is submitted to the Economic and Social Council, which serves as a forum for social dialogue. Information from the report is frequently used in public discussion of social policies by experts, journalists, and NGOs. Its relevance and structure also became the subject of academic research (Džambazovič, Gerbery, 2011).

A specific form of monitoring framework is employed by the CBR.⁴ The CBR was established in 2012 as an independent body to monitor and evaluate fiscal performance. When focusing on the long-term sustainability of public finances, it also monitors social expenditure and its impacts. The CBR produces various outputs. The *Report on the Long-Term Sustainability of Public Finances* is published on an annual basis. The CBR regularly publishes evaluations of general government budget proposals and medium-term budgetary objectives. In addition to evaluation reports, it prepares analytical studies and commentaries on actual developments in public finances. When it comes to social expenditure, the categories that constitute the largest share of social spending (such as the old-age pension system) also attract the closest attention of the CBR. As regards the pension system, the last *Report on the Long-Term Sustainability of Public Finances*, published in May 2021, argued that a postponement of the pension reform in Slovakia may translate into more extensive consolidation efforts necessary in the future.⁵

1.2 Separate monitoring framework(s) linked to schemes provided by employers

Not applicable. All relevant social protection healthcare schemes are monitored within the public monitoring frameworks.

1.3 Distinction between current expenditure and capital expenditure

Only some monitoring frameworks distinguish between current expenditure and capital expenditure. The Ministry of Finance's *Proposal of State Closing Account* includes data on all types of spending, including capital spending. The *Report on the Social Situation of the Population in the Slovak Republic* provides a detailed overview of expenditure in the field of social transfers and social services, which includes, for example, information on the structure of expenditure by social services providers. The CBR also takes into account both current and capital expenditure. The Statistical Office does not distinguish between the two types of expenditure.

Spending reviews, as described in the next section, also take into account capital investment. For example, the spending review on social inclusion discussed capital expenditure on extending the childcare facilities networks (Value for Money Division, 2020). The same applies to the spending review that focused on education expenditure (Value for Money Division, 2017b).

1.4 Type of monitoring: level and outcomes

Among the existing monitoring frameworks, only the *Report on the Social Situation of the Population in the Slovak Republic* focuses on social outcomes. It relies on standard indicators of poverty and social exclusion that are used in EU monitoring of social inclusion (the at-risk-of-poverty-or-social-exclusion rate, at-risk-of-poverty rate, and material and social deprivation rate). When describing the values of these indicators, comparative data for EU Member States are used. Furthermore, the report also uses indicators of other social outcomes, including the indicators published by the European Institute for Gender Equality

⁴ <https://www.rrz.sk/en/>

⁵ <https://www.rrz.sk/en/report-on-the-long-term-sustainability-of-public-finances-at-18-may-2021-2/>

and the indicators at national level (e.g. prevalence of domestic violence during the COVID-19 pandemic).

1.5 Level of granularity of public social spending

The level of granularity varies across the frameworks presented here. A high level of granularity can be found in the *Report on the Social Situation of the Population in the Slovak Republic* and in the spending reviews. The former provides data on the structure of expenditure on social transfers, social services, and labour market policies. Each type of social transfer is described in terms of expenditure in a given year and the year-on-year change. The same applies to social services and labour market policies. Information on expenditure on social services includes a breakdown by type of social services facilities (old people's homes, homecare services, social services homes, etc.) and type of provider (public/private). Moreover, the report contains information on other expenditure related to social protection, including, for example, expenditure on IT systems supporting social protection administration, or payments for membership of international organisations.

Expenditure is usually expressed as nominal amounts in a given year, accompanied by a description of the annual percentage change. Moreover, the report provides information on the differences between planned expenditure and their real utilisation.

1.6 Breakdown of public social spending

When reporting on the provision of the different types of social transfers, the *Report on the Social Situation of the Population in the Slovak Republic* provides data on the socio-demographic characteristics of beneficiaries (gender, age, composition of household, and region). When it comes to social services, a distinction between public and private providers is available.

1.7 Timing and public accessibility of data

Each monitoring framework presented here follows its own timing. The *Proposal of State Closing Account*, which is prepared by the Ministry of Finance and provides only very general information, is published in the first half of the year.⁶ The Statistical Office regularly provides information on spending, in accordance with the ESSPROS requirements. The CBR *Report on the Long-Term Sustainability of Public Finances* is published in the first half of the year. The social report published by the MOLSAF provides actual and timely data each year.

Information provided under the national framework is publicly accessible in the form of published reports and online databases (provided by the Statistical Office).

1.8 Sub-national frameworks

As municipalities and self-governed regions represent important actors in the provision of social services, they are obliged to prepare plans for the development of social services that also include analyses of social and demographical developments, as well as analyses of the existing provision of social services. Each municipality prepares a "community plan for social services"⁷ on the basis of the national strategic framework, *National Priorities of Social Services Development*. Each self-governed region prepares a "conception of social services development", taking into account municipalities' plans and the national priorities.

⁶ The Ministry of Finance submits the proposal to the Government by 30 April. Subsequently, the Government submits the Proposal to the National Council and the Supreme Audit Office by 20 May.

⁷ The community's plan for social services represents an obligation defined by the Act No 448/2008 on Social Services. Municipalities prepare the documents with the aim of defining a framework for developing the social services they provide, and planning the financial resources that the provision of social services requires.

According to Act No 448/2008 on Social Services, both types of documents must include analyses of existing provision, with breakdowns by type, form, and service provider, as well as analyses of the demand side (i.e. requirements that come from the population of the region or municipality, including the demographic and social situation in the given locality). In most cases, these analyses include a description of expenditure on social services. The documents are accessible via the websites of self-governed regions or municipalities.

Some self-governed regions and municipalities publish monitoring reports on developments in social services, providing data on the actual spending within social services.⁸

2 Reporting/review tools for public social spending

Spending reviews play a crucial role in public policy discussions in Slovakia. They have become a strong influence on the selection of topics that attract the attention of policy-makers and experts, by providing detailed empirical evidence, and by linking the analysis of social expenditure to social outcomes.

In March 2016, the newly elected Government committed itself in its Manifesto to “regularly and systematically review public expenditure [...] with the aim of achieving higher effectiveness of public expenditure, better public services, and consolidation of public finances”. As a result, the initiative called “Value for Money” was launched under the auspices of the Ministry of Finance. This initiative has now become an analytical unit that focuses on the review of spending on public policies and the evaluation of public investment. (In principle, all public sector decisions undergo the assessment.) It is a key part of the effort to modernise public administration in Slovakia by reforming the rules of decision-making, embedding public policy processes in empirical evidence and thorough data analyses, and strengthening the institutional capacities of public administration. The initiative is high on the political agenda, as it is included in the National Reform Programme and the Stability Programme (IMF, 2016).

The spending review included in Value for Money is aimed at improving the use of public finance. The starting point of the review process was that public policies should not just comply with the law, but should seek the best options (Value for Money, 2018). Rather than focusing on pure fiscal consolidation, attention is paid to the value of given public policy instruments in terms of defined governmental goals, taking into account efficiency and effectiveness. The goal is to evaluate whether public resources are used in the best possible way to achieve the goal of high-quality public services (in the broadest sense). Furthermore, savings that result from the review process are not used for fiscal consolidation; rather, they are reallocated to spend on the government’s priorities.

A spending review is a regular instrument carried out in cycles aligned with the budgetary process. It begins by specifying the governmental priorities and setting the terms of reference for the review unit. A spending review’s outputs also include, inter alia, revisions of existing measures and new proposals. The implementation of proposals is monitored by the Implementation Unit (which reports to the Deputy Prime Minister’s Office for Investment and Informatisation of the Slovak Republic). This division of responsibilities (a review on the one hand and monitoring the implementation of its results on the other hand) strengthens the potential impacts.

⁸ For example, the self-governed region of Bratislava prepared a *Report on the Provision of Social Services in Bratislava Region in 2020*, which is available at: <https://bratislavskykraj.sk/socialne-veci/koncepcne-materialy-a-dolezite-dokumenty/>. The city of Bratislava – as a municipality – prepared a *Monitoring Report for the Community’s Plan for Social Services Development*, which is available at: <https://bratislava.blob.core.windows.net/media/Default/Dokumenty/Monitorovacia%20spr%C3%A1va%20Komunitn%C3%A9ho%20pl%C3%A1nu%20soci%C3%A1lnych%20slu%C5%BEie%20HMSR%20BA%20na%20roky%202020-2021%20za%20rok%202020.pdf>.

The cornerstones of the spending review were laid in 2016. Between 2018 and 2020, social inclusion policies came under scrutiny via the review of public expenditure on groups at risk of poverty and social exclusion. The review focused on the effectiveness and efficiency of current social protection and social inclusion expenditure, an evaluation of the data-collection system, and examples of good practice and ways in which to learn from them (Value for Money Division, 2017a, 2020). In 2017, a review of education was carried out (Value for Money Division, 2017b). It paid attention to the situation of children in poverty and children with disabilities, in terms of their access to education and their educational outcomes. All of this was done in relation to the level of social/educational expenditure and its structure. The reviews directly contributed to legislative/policy changes. For example, the conditions of the specific allowance, an in-work benefit for those who are long-term unemployed and receive minimum-income benefit, have changed. Eligibility conditions have become more inclusive, and the period of provision has been extended (Value for Money, 2021).

Spending reviews represent an important evaluative exercise for both policy-makers and experts (Gerbery, 2019). They properly reflect the multi-dimensional nature of social risks, and thus may set the tone for policy debates (which are often biased towards solutions that reproduce institutional divisions of responsibilities). The analyses show the importance of good-quality administrative data and bring about new approaches to analysing vulnerable groups (which rely heavily on the availability of administrative data).

As regards methods, the spending review quantifies all expenditure on existing policies, assesses its efficiency, and examines existing data-collection systems. Quantification of the expenditure may be a difficult task, as the spending review on social inclusion showed. It was required to identify all policies and measures that relate to the social inclusion of vulnerable groups at risk of poverty and social exclusion, ranging from social policy transfers to educational policies or housing policies, and to collect all relevant expenditure.

Spending reviews show a high level of granularity. The spending review on social inclusion (Value for Money Division, 2020) provided a very detailed picture of three categories of expenditure: on social inclusion in the field of education; on social inclusion in the field of labour market and social policies; and on social inclusion in the field of housing and infrastructure. Furthermore, it reviewed expenditure on the social inclusion of vulnerable groups funded by the European Structural Funds. Expenditure was expressed in nominal amounts, as well as in terms of a percentage of GDP.

The spending review on education (Value for Money Division, 2017) provided information according to the level of education (pre-primary, primary, secondary, and tertiary) and the type of provider (public/private). Expenditure was expressed as nominal amounts, proportions of GDP, and proportions of public administration expenditure.

Spending reviews also help to monitor social outcomes. Examining social outcomes while reviewing expenditure lies at the very heart of the spending review exercise. The review of expenditure on categories of people at risk of poverty and social exclusion emphasised the link between spending levels and social outcomes in various areas, including social transfers for households in poverty, support for the reconciliation of private and working life, support for the education of vulnerable children, their educational outcomes, and the accessibility of childcare provision. The review of education-related expenditure drew attention to outcomes such as PISA results, unemployment of graduates, and repetition rates among pupils.

The goal of a spending review is to review public policies, identify whether they provide value for money, and formulate policy recommendations. The latter include proposals for new measures and proposals for amending existing ones. When it comes to vulnerable categories at risk of poverty and social exclusion, the policy measures proposed focus on improving the efficiency, adequacy, and availability of existing tools and the testing of new tools that have proven to work well abroad or in the Slovak non-governmental sector (Value for Money Division, 2020). What is more, the review brings about "value and saving measures". While the first category is aimed at increasing "value for money", the second

category focuses on the identification of financial savings. Saving measures should serve as a source of financial resources for implementing new measures or changing existing ones.

The report on the spending review on vulnerable categories at risk of poverty and social exclusion proposed value measures totalling €262.8 million designed to improve social inclusion. These measures led to a saving of €13.7 million. The spending review on education proposed value measures totalling €1,184 million, bringing savings of €80 million. As the spending reviews are submitted to the Government, the proposed measures become mandatory for the relevant Ministries.

The spending reviews are accompanied by implementation plans, which set out the process of implementation and define institutional responsibilities. They establish preconditions for regular implementation reports, which monitor the implementation of the proposed measures. Implementation reports monitor progress in achieving the objectives defined by the spending reviews, as well as identifying gaps and the reasons for them. Monitoring of implementation relies on measurable indicators that are set by the implementation plans.

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Websites of institutions and agencies:

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- Ministry of Labour, Social Affairs and Family: www.employment.gov.sk
- Social Insurance Agency: www.socpoist.sk
- Statistical Office: www.statistics.sk

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