

Slovakia 2017



Total: 67.68

Rule of Law

Independence of the Judiciary : 4.17

Judiciary in Slovakia has become more independent during the past few years, although in comparison with neighboring Austria and Czech Republic, or even Romania and Poland, it is more dependent on political pressure, special interests or corruption. Yet the situation is better than in Hungary or Ukraine. Judiciary is more trusted by the citizens than before, mainly due to self-purge done by judiciary itself, but also to the natural rejuvenation among judges (retirement of the old-style ones and arrival of the better educated younger ones). In 2016, Constitutional Court operated with just 10 out of 13 envisaged members, due to the row between the President and Parliament over the appointment of new members. There are tendencies, both by the CC and by the state President Andrej Kiska, to establish a genuine system of checks and balances instead of an overall domination of the parliamentary majority.

Corruption : 5.1

Slovakia gradually albeit considerably progressed in fighting corruption during the last two decades. With a score of 51/100 in the Transparency International's Corruption Perceptions Index 2016, it has arrived to the better side of the division-line between less and more corrupt countries of the world. It is ranked as 54 (out of 176). But, among EU-28, it is 22nd. The FNF's own analyses told that progress, as compared to the utterly corrupt and failed state in the pre-1998 period, was largely to thank to the democratic orientation of the governments and civil society, EU support during the accession process, bold liberalization and deregulation of the economy and improvements in governance in general. However, not all organizations which are monitoring corruption internationally share such optimism – for instance, World Economic Forum equals Ukraine and Slovakia in levels of corruption. Despite promises to make anti-corruption struggle priority of his third term, PM Robert Fico has protected some of his Ministers exposed by CSOs as being in conflict of interest or maintaining illicit ties to business sector. In mid-2017, the accusations mounted against the Minister of Education, for his alleged mishandling of the EU funds. As for corruption in various parts of the administration, in December 2015 the portal GAN assessed the risk as high in judiciary, public procurement and public services, moderate in tax administration and low in police, land administration and customs.

Protection of Human Rights : 7.68

With its constitutional ban on same-sex marriages and complete disinterest in providing substitutes, Slovakia is in the group of members who fall below the average EU standards in the field. But, the biggest issues are still Romany and EU-assigned quotas for refugees, as well as the interconnected racism, xenophobia or religious hatred. In spite of a presence of Roma in politics (including among MPs), discrimination all too slowly retreats. Some lawsuits over forced sterilization during past decades are still dragging on. Percentage of Roma children in de-privileging “special” schools (for mildly mentally disabled) is still unusually high. A new legislation against it is still to bring results. Elsewhere, ethnic segregation persists. Atop those, new kinds of xenophobia rise with the hatred against, or distance towards refugees or other migrants, especially those from MENA or Muslim countries. Amnesty International, in its report for 2017, wrote about discrimination of customers from Turkey or Arab countries in a guesthouse in the capital Bratislava. Slovakian PM Fico verbally abused or denigrated migrants from MENA countries on numerous occasions, refusing to join the common EU system of quotas for reception of asylum seekers. New regulation on religious communities stipulates the minimum of 50.000 - instead of, so far, 20.000 - members per community to qualify as a “registered religion”. On the positive side, freedom of association, speech and expression, developed and not much disturbed civil society sector, and, non-neglect, also a remarkable level of economic freedom, all being a fruit of the post-1989 and post-1998 developments, still make Slovakia a country with acceptable record in human rights.

Political Freedom

Free and Fair Elections : 9.64

Freedom and fairness of the electoral process in Slovakia is on a high level. In such manner, the elections for the Slovakia's 150-seats unicameral parliament were held in March 2016. Members of parliament are elected based on proportional electoral system. Unlike previous convocations, when one single party ruled the government, this time a coalition of four parties was formed, named Direction – Social Democracy, Slovak People's Party, Bridge and Network parties, and led by Prime Minister Robert Fico. However, Network went out of the government only few months upon its formation, due to internal disputes over the party course. Prime Minister and Deputy Prime Minister faced no-confidence vote in September 2016, however only 36 MPs voted for their dismissal. Regional elections were set for the end of 2017, with ruling parties losing support according to opinion polls.

Absence of Unconstitutional Veto Players : 7.5

Democratically elected government has virtually unchallenged power to govern the country, since there are no unconstitutional veto players in Slovakia who could undermine the system. Cases of corruption among high ranking officials occur, confirming that certain illicit relations between wealthy businessmen and politicians still exist. One which brought the most of attention and which led to a no-confidence vote (see Free and Fair Elections section) was the case of Robert Kalinák, incumbent Deputy Prime Minister, who was accused of having close business ties to a wealthy businessman Ladislav Basternak and of helping the latter to avoid prosecution.

Freedom of Press : 7.4

Broadcast, print and online media outlets in Slovakia are free to operate and independently express their views. Certain threats to media independence arise from a strict defamation law, often interpreted against the interests of the sued journalists. That can lead to their self-censorship. Harsh rhetoric toward critical media outlets by government representatives are common, with Prime Minister Fico dominating in creating a hostile environment for journalists. Concentration of media ownership remained an unresolved problem in Slovakia. Public broadcasters are regulated by the Council for Broadcasting and Retransmission, whose members are appointed by the Parliament.

Economic Freedom

Security of Property Rights : 4.83

Property rights in Slovakia are mostly respected. However, there are many problems plaguing the judiciary in the country. Judicial independence and impartiality in dealing justice are not sufficiently upheld. Court verdicts are often poorly written and justified, leading to court unpredictability. Public trust in courts is among the lowest in the EU, and judge selection system is not free of nepotism. Manipulation of the case assignment system is possible for judges occupying higher posts in the hierarchy. There are no specific courts for commercial cases, but only general courts, which is also posing problems, since many judges lack specialized knowledge in some specific commercial areas. Enforcement of contracts remains one of the most important problems in the judiciary, since on average it takes 2 years from the filing of the documents to the actual enforcement of the ruling. Bankruptcy procedures are also very lengthy, lasting up to 4 years, recovering little over half of the claim in average. Amendments of the bankruptcy legislation, both in 2015 and 2016, were adopted with the goal of preventing preferential treatment of creditors over rights of the shareholders. There are restrictions on foreign ownership in certain industries, such as in air transport or energy, but these are not prevalent. Expropriation of private ownership is possible, but only in the public interest and coupled with an adequate compensation; the new law on expropriation was adopted in July 2016, since the previous one was found as unconstitutional. Since 2011, disclosure of all contracts made by public administration or by SOEs had been a pre-condition for them to become valid, which has considerably undermined corruptive practices.

Size of Government: Expenditures, Taxes, and Enterprises : 6.35

Government expenditures in Slovakia are in line with other CEE post-transition countries, standing at 42% of GDP in 2016. Moderate public deficits are within the Maastricht criteria, but future spending due to alarming demographic changes should call for serious reforms. Public debt is also moderate, reaching 52% of GDP in 2016. It is expected to remain stable, or decrease. However, this level is very close to the legal public debt brake. There have already been discussions regarding amendments so as to create space for investments outside it. Slovakia has been recently experiencing strong growth rates, spurred by rising investments due to FDIs and rising private demand due to decreased unemployment and rising wages, although EU structural funds

allocation fall led to a lower investment level than expected. State-owned enterprises (SOE) are present in the economy and play a very important role in sectors considered to be national monopolies, most notably transport and energy. There are no privatization plans currently in place; in fact the government confirmed in February 2017 its commitment to a ban on further privatizations in “strategic industries”. Privatization was often connected to corruption and politics, leading to its bad image. SOE management is not regarded as efficient as their counterparts in private sector or in SOEs in other OECD countries. Taxes are moderate for European standards: corporate tax is set at 21% (one percentage point decrease from its previous level), while income tax is moderately progressive at 19% and 25%, upon a relatively high threshold. Due to high social security contributions, labour tax wedge stands at 41.5%, above the OECD average.

Regulation of Credit, Labour, and Business : 6.31

Business regulation is not perfect, but it is mostly conducive to entrepreneurial activities. Starting a business is easy and inexpensive, with the one stop shop office, but the minimum paid in capital of 2500 euro is unnecessarily high. This is, actually, often circumvented by just signing a declaration that the proprietor owns this sum. Obtaining a construction permit is a long process, mostly due to long and inefficient procedure at the municipality level, but it incurs very few actual monetary costs. Compliance with tax rules is burdensome, requiring long working hours, although most of the tax compliance is done online, most visible in the recent case of VAT electronic filing. Recent improvements include lowering the total number of property tax payments. Getting electricity is expensive, but overall not a very burdensome task. Inefficient government bureaucracy, corruption and restrictive labour regulations are often considered as biggest obstacles to a better business environment. Labour regulation changes that were made in 2015 regulated work through an employment agency, which decreased flexibility, since this area was not regulated prior to this action. The minimum wage is now following indexation, in line with the rise in the overall wages in the economy, a procedure that is expected to lessen political influence in determining its level; however, there was a significant rise of almost 10% in the minimum wage in 2017. Although labour regulation is overall flexible, fixed term contracts are restricted to the duration of only 24 months. Working hours are flexible, with the maximum number of work days a week being 6. But, the total number of overtime hours is limited to 400 annually. Reassignment obligations in case of redundancy, as well as trade union notification, pose obstacles in case of firing of redundancy. Notice periods, as well as severance pay, rise with the years in tenure, thus going in favour of more seasoned workers.

Freedom to Trade Internationally : 8.7

Freedom to trade is mostly respected in Slovakia, since production specialization is very important for all small and open economies. Slovakia is the most open-to-trade country among the new post-2004 EU members, with the highest level of exports in GDP, reaching 90%. The country has a very high FDI per capita stock, and is host to a very strong vehicle industry. As an EU member state since 2004, Slovakia implements the EU common trade policy. Therefore, tariffs are low, with the average mean tariff rate of 5.3%. Tariffs are mostly focused at the agricultural sector. However, non-trade barriers remain, such as in the field of necessary product certification and standardization. Slovakia is, due to its favourable geographical location, one of the major transit countries. Good quality of its public transport infrastructure is important to free trade, enabling timely and cheap transport, although the infrastructure in the eastern part of the country is less developed, and port facilities on the Danube are not satisfactory. Custom procedures are efficient, with low administrative procedures, requiring only 4 documents both for imports and for exports. Obtaining residence and work permits for non-EU nationals is often considered as burdensome

and time consuming, and is often made more difficult by the low usage of foreign languages by the administration.