

Slovakia 2018



Total: 65.84

Political Freedom

Free and Fair Elections : 9.64

Calm situation in Slovak politics in the middle of the term of the incumbent government has turned “up-side-down” after the murder of investigative journalist Jan Kuciak and his fiancée in February 2018. His death triggered mass protests in many cities all over Slovakia, demanding a resignation of the Prime Minister Robert Fico’s government and snap parliamentary elections. Although PM Fico resigned, the government was only reshuffled in March. The ruling coalition, consisting of Smer – Social Democracy, Slovak’s People Party and Bridge party, elected new government only a week after Fico’s resignation, with Peter Pellegrini from Smer SD as new Prime minister of Slovakia. The mandate of his government was approved by the President, himself facing a tasks to calm down the political crisis in the country and to restore public confidence in state institutions. Changes on six positions took place within the Government, including the replacement of the Interior Minister Robert Kalinak. In general, elections in Slovakia are free and fair, whereby political parties are able to organize and operate without restrictions. Regional elections took place in November 2017, resulting in a loss of support for the ruling Smer SD, due to public discontent accumulated even before the last crisis had started. Electoral changes in 2017 extended the term in office of the regional assemblies to 5 years and introduced single round - instead of two rounds` - electoral system at the regional level.

Absence of Unconstitutional Veto Players : 7.5

Slovakia doesn’t have unconstitutional veto players. Elected officials are those in charge of political decisions. However, the murder of a journalist who had investigated close ties between Italian mafia and politicians, pointing out even at the former Prime Minister Robert Fico, emphasized the corrupt practices in the country and the influence of businesses onto politics. Slovakia has got long-standing problems with corruption among high-ranking officials. Furthermore, this event led to dissolution of the government led by PM Fico, and reiterated a low public trust in democratic institutions in country. Although new PM Peter Pellegrini was appointed, many have still believed that the direction of the country politics was still managed by Fico, who remained the party president. It appears as the “model” which is “successfully” implemented in many Central European countries, at the expense of democracy. In a notable event prior to this crisis, two former ministers were sentenced to jail due to favoring friendly oligarchs.

Freedom of Press : 7.4

Although still not reflected through the score, due to methodology and time lag, freedom of the press has largely deteriorated in Slovakia after an investigative journalist was murdered in early 2018. Jan Kuciak investigated ties between Italian mafia and politicians, in a case implicating former Prime Minister Robert Fico. His death triggered political crisis in Slovakia and also widespread concerns over very weak institutional protection of journalists. It is expected that current climate will further contribute to self-censorship among media professionals. Even before, journalists were often targets of harsh rhetoric and verbal attacks by the former PM and his Government. Hostile environment they had created, together with political and editorial pressure, seriously jeopardized journalistic independence in the country. Defamation is punishable by imprisonment. Slovakia is facing an increasing trend of concentration of media ownership in the hands of domestic oligarchs, which is hindering media pluralism. Increasing control over state media was evident in a case of the freshly appointed director of the state-owned broadcaster Radio and Television of Slovakia, who replaced several editors and suspended a political talk show.

* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

Rule of Law

Independence of the Judiciary : 2.5

Independence and efficacy of judiciary, as well as consistency of court decisions in similar cases, are serious problems. According to portal GAN, corruption risk is high for companies seeking justice at Slovakian courts, whereby the trust is very low. Citizens - according to Freedom House`s report Nations in Transit 2018 - are most skeptical of all EU countries about independence and quality of the judicial system. Bertelsmann noted a high level of nepotism and cronyism in the appointments in judiciary. Meanwhile, positive developments included the end of the row between Parliament and President over Constitutional Court nominations and removal of a controversial judiciary strongman Štefan Harabin, who had thereby obtained various high positions and made a number of disputed decisions.

Corruption : 5

Slovakia has been stagnating regarding anti-corruption struggle for several years now, around 50/100 points in the Transparency International`s CPI listing, which in 2017 put it to the place 54/180. Besides judiciary, corruption risk is high also in public procurement and public services. Between various local governments, differences are huge. According to Transparency Slovakia, the level of transparency thereof varied in 2016 between 87% (Vranov nad Toplou) and 86% (Bratislava – Nové Mesto) on one and 32% (Šurany and Humenne) on the other end. Increased focus is put to the use of EU structural funds, often suspected to have had been misappropriated

in the past, not least in infrastructure projects but also in education. Civil society is very active in creating a corruption-hostile social climate. In politics, it became a hot topic, which prompted government to create new anti-graft bodies and prepare new legislation. Bold economic, pro-market reforms at the beginning of this century narrowed the space for corruption but the lack of proper institutional reforms and of political will so far have prevented Slovakia from breakthroughs in anti-graft such as those seen in similar countries, e.g. in Estonia or Georgia. Thus, in October 2017, the first two ex-Ministers ever were sentenced to prison for tender fixing. In February 2018, a journalist investigating organized crime and political corruption Ján Kuciak and his fiancée were killed in Bratislava, in a first assassination of that kind in the history of the country. That led to the personal change at the top of the Government.

Protection of Human Rights : 7.75

Human rights record in Slovakia rose to a relatively acceptable level taken its recent history, at first of communism and then of populism, all until 1998. Civil society - especially NGOs and think tanks - is very active, yet struggling to take firmer domestic roots in financing. Freedoms of association, speech and expression are well respected, although the latter suffered a blow with the murder of the investigative journalist Ján Kuciak in February 2018. On the negative side, there is a rising xenophobia, slow retreat from discrimination and segregation of Roma and uneasiness in accepting asylum seekers under EU quotas. In September 2017 Slovakia lost the case at the EU's Court of Justice and subsequently joined the resettlement process, but by the end of 2017 it received just 16 of the envisaged 902 asylum seekers. Some officials even hinted that they preferred "Christian" over other migrants coming. The draft law on same-sex partnerships has suffered many setbacks and criticism and LGBT persons are still lacking it. Besides, conservative groups strongly oppose Istanbul Convention on prevention of domestic violence against women and vulnerable groups, wherefore its ratification is not in sight.

Economic Freedom

Security of Property Rights : 4.94

Property rights in Slovakia are mostly respected. However, judiciary in the country is facing problems. Judicial independence and impartiality in dealing justice are not always attested. There are strong indications of political influence in sensitive cases. Court verdicts are often poorly written and justified, leading to court unpredictability. There are signs indicating at manipulation with the case assignment system. Public trust in courts is, therefore, among the lowest in the EU. Judge selection system is not free of nepotism. There are no specific courts for commercial cases, but only general courts, which is also posing problems, since many judges lack the specialized knowledge in some specific commercial areas. Enforcement of contracts remains one of the most important problems in the judiciary, since it on average takes 2 years from the filing of the documents to the actual enforcement of the ruling. There are no rules on the maximum number of adjournments. Bankruptcy procedures are also very lengthy, lasting up to 4 years, not recovering even half of the claim, on average. The new code of civil procedure introduced pre-trial conference as a way of better managing of court procedures. The changes of the Company Code in 2017

have increased responsibilities of statutory bodies in order to strengthen the bankruptcy framework, which followed the previous amendments of the bankruptcy legislation (in 2015 and 2016) which somewhat prevented preferential treatment of creditors over the rights of the shareholders. As in other countries, there are some 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; however, there were plans for expropriation of private healthcare companies, but these are now on hold. 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. The area of public procurements is still prone to many problems, including corruption. The amendments to the Public Procurement Act as of September 2017 were carried in order to streamline and simplify procedures, in order to make SMEs more capable of bidding.

Size of Government: Expenditures, Taxes, and Enterprises : 6.16

Government expenditures in Slovakia are mostly in line with other CEE post-transition countries, standing at 41% of GDP in 2017. Public deficit decreased from -2.2% in 2016 to -1.8% of GDP in 2017, but the new government plans to continue using deficits to finance its political goals. The previous plan of the government to balance the budget by 2018 was postponed until 2019 and there is now a discussion to change the public debt break rule in order to make higher spending by the government possible. The coalition government intends to increase spending (pensions, infrastructure) but also to reduce some taxes (on farmers and micro businesses, even possibly the corporate income tax). Public debt is also on a slow downward spiral, reaching 50% of GDP in 2017. Vigorous growth continues, reaching 3.4% in 2017, based on rising exports, investment and domestic consumption. Although unemployment has hit historical low - below 8% this year - it is still high in the eastern part of the country. State-owned enterprises (SOE) are present in the economy and play a very important role in network industries, and in transport. The government also holds stakes in a number of energy companies. There is a potential political interest to increase state ownership over some key energy assets. There are no further privatization plans currently in place, but there is a political shift in the opposite direction. 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. The temporary special taxes on regulated services (telecommunications, healthcare, energy, insurance, etc.), reaching 8.7% of the profits, and a tax on banking, are still in place. Taxes are moderate by European standards: corporate tax is set at 21%, while income tax is moderately progressive at 19% and 25%, upon a relatively high threshold. VAT rates are 20% (standard) and 10% (preferential). Due to high social security contributions, labour tax wedge on the average wage stands at 41.6%, - above the OECD average.

Regulation of Credit, Labour, and Business : 6.26

Business regulation is mostly conducive to entrepreneurial activities. Participatory legislative procedures are not well organized or are often disregarded, which makes legislative process less transparent and predictable. This is further exacerbated by the lack of trust in professionalism and impartiality of the existing regulatory bodies. The case of quick cancelation of changes in energy pricing and change of the head of the Regulatory Office for Network Industries (URSO) shows a politicization of this post. Court ruling repealed the obligation of energy producers to pay for

distribution access in 2018, which further increased uncertainty and unpredictability of the local regulatory environment. Corruption, complex administrative procedures, fast-changing regulations and the poor quality of regulatory bodies weigh on the business environment. On the other hand, starting a business is easy and inexpensive with the one stop shop office in place. But, it takes almost a month, with the minimum paid-in capital of 2 500 euro. Obtaining a construction permit is a long process, mostly due to long and inefficient procedure at the municipality level, but it incurs very low actual costs. Getting electricity, on the other hand, is fast but very expensive. Labour regulation is often changed: in 2015 changes regulated the work through an employment agency, while the more recent changes brought limits on seasonal work and temporary posting, and increased bonuses for working in shifts. 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. Reassignment obligations in case of redundancy, as well as trade union notification, pose obstacles in case of lay off of workers. Notice periods, as well as severance pay, rise with the years in tenure, thus playing in favour of more seasoned workers. The minimum wage was increased in 2018 by more than 10%, reaching 480 euro. Inefficient government bureaucracy, corruption and high tax rates are often considered as the biggest obstacles to a better business environment.

Freedom to Trade Internationally : 8.69

Freedom to trade is mostly respected in Slovakia. 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, whose products are shipped around the world. As an EU member state since 2004, Slovakia implements the EU common trade policy. Tariffs on manufactured goods are low, with the average Most Favoured Nation tariff rate of 5.1%. But EU agricultural tariffs could be much higher, especially on sugar and dairy. Non-trade barriers also pose a problem to trade, such as product certification and standardization. Due to its favourable geographical location, Slovakia is an important transit country for goods. 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, while port facilities on the river 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.