

Spending review  
of education  
Preliminary report

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The preliminary report on the review of public expenditures of regional schools and universities was drafted in cooperation of the Ministry of Finance of the SR and the Ministry of Education, Science, Research and Sport of the SR as part of the Value for Money initiative.

The Value for Money Unit (UHP) of the Ministry of Finance and the Educational Policy Institute (IVP) of the Ministry of Education were responsible for drafting of the preliminary report. Štefan Kišš led the team at the UHP, Martina Erdélyiová, Martin Kmeľko, Matej Kurian, Samuel Škoda, Miroslav Škriečka and Zuzana Laffersová (Institute for Financial Policy of the MF SR) participated in its preparation. At IVP, under the guidance of Matej Šiškovič, Ján Toman and Michal Rehúš drafted the report. Daniela Zápražná prepared analytical calculations. Inputs were provided by Pavol Galáš, Dávid Martinák and Samo Varsik. The Ministry of Education's Section for Regional Education, Section for Universities, Section for Science and Technology, Section for Structural Funds of the EU, Section for Budget, IT Section, Personnel office, Office of the Minister of MŠWaŠ SR and the Slovak Centre of Scientific and Technical Information of the SR made valuable proposals and shared their comments.

Moreover, the experts Peter Drál', Renáta Králiková, Martina Kubánová, Juraj Vantuch and Emil Višňovský contributed to this report by giving valuable comments.

## Introduction and summary

*Spending reviews are part of the government Value for Money initiative that aims to reform rules, set up processes and strengthen institutions that will in turn support adoption of good decisions in line with public interest and significantly improve value for money within Slovak public sector.*

*In the second year of spending reviews, spending on education, labour market policies, social policies and environment, which sum up to 7.2 % GDP, is being evaluated. The preliminary report identifies areas with the greatest potential for efficiency improvement. Identified issues will be elaborated in more detail by June 30th in the final report. The final report will also include measures along with an implementation action plan. The government will approve the final report of the spending review along with the general government budget by October 15th.*

*Spending reviews will evaluate a majority of public spending during the current election term. It will review both effectiveness and efficiency of spending and will identify measures that will increase value for money in public finances, hence allow fiscal savings, enhanced public services for citizens (results) and/or reallocation of finances to government priorities. Measures proposed within spending reviews are in line with long-term sustainability of public finances.*

*Developed countries use spending reviews as a standard tool that helps governments find reserves within public policies for more efficient use of public funds as well as for savings necessary to meet national and European fiscal commitments.*

The spending review of regional schools and universities will assess annual spending amounting to 3.0 % of GDP. The review will be linked to the upcoming National Programme for Development of Education and Upbringing aiming to efficiently allocate additional funds directed to education. In regional education, the review will be focused particularly on optimization of the network of schools (and will be linked to the pilot evaluation of the primary school network), on increasing the attractiveness of the teaching profession including the compensation system. Regarding university education, the review will reassess the accreditation process and the method of financing and evaluation of results of university science. The review will reassess the compliance between the structural funds programming activities and the identified priorities of the department.

### Spending and outcomes

- Slovakia allocates 4 % of GDP<sup>1</sup> for education (€3.4bn, around 10 % of total public spending) in 2017. This is approximately by 1 % of GDP less compared to EU average. The difference has been diminishing over the past few years. The 2017 – 2019 general government budget forecasts that Slovakia will reach EU average of education spending to total public spending ratio, given unchanged trend in EU.
- Additional spending will be primarily allocated for measures identified in the National Reform Programme and Spending review Final Report.
- Slovak 15-year-olds rank quite low within international comparison. The international testing PISA shows a below-the-average and worsening performance of Slovak students and strong impact of socio-economic background.
- To measure the quality of universities is challenging; however, the proxy indicators imply under-average outcome when internationally compared.
- Slovakia has been steadily reporting a high share of young people with secondary school education. The share of citizens with university degree is yet relatively lower in contrast to EU; the difference has been decreasing within young adult group, though.

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<sup>1</sup> According to COFOG which classifies every spending item by its function

- The structure of graduates is substantially different from the one within the EU, with higher number of graduates from master programmes and smaller number of bachelor graduates.

### **Regional education**

- It accounts for €1.5bn out of total spending (1.8 % GDP). Teachers' salaries are the most significant spending item - they account for more than 50 % of total spending.
- By international comparison worsening performance of 15-year-old students and low attractiveness of teaching profession both pose a challenge.
- Teaching profession's attractiveness is negatively affected by low wages, lagging more in young teachers group. Wage increases, as stipulated in Manifesto of the Government, should rise so that teachers' salaries will present 67 % of wage of people with university degree (currently amounting to 63 %); the OECD average is 85 %.
- Remuneration system has insufficient link to teaching quality. Neither credit bonus, nor career brackets reward practical use of professional skills. Straightforward evaluation criteria assessing level of teachers' professional skills are missing.
- System of schools funding does not sufficiently reflect personnel and economic challenges of schools operation (for example it does not take into account number of years served by teachers, on which their salaries depend to large extend).
- There is room for more effective use of funds (for example, stricter funding rules for emergency situations, firmer legislative funds provisions framework for schools construction).
- The network of primary schools also offers room for further rationalization. State supports small schools as well as schools of different founders within the same village or town. Minimum size threshold for school to be included in the network of schools is a formal notion and the existence of minimum thresholds has not yet been significantly translated into actions.
- When rationalizing, it is key not to restrict access to education and also take into account potential effects on quality and inclusion.

### **Universities and science carried out at universities**

- Combined public and private spending for tertiary education and university science accounts for 1.1 % GDP, with one quarter originating from private sources. Spending on teachers' wages accounts for more than 60 % of total spending.
- Slovak science, science carried out at universities included, falls behind those in developed countries, even in fields with large representation of scientists. In low-quality, predatory journals, it has the second highest share of outputs out of all OECD countries.
- Quality appraisal is crucial for funding of universities. The Accreditation Commission, as a central element of quality appraisal, does not meet international standards of appraisal processes and criteria. The absence of internal and external monitoring mechanism is a challenge as well.
- Subsidy system for universities does not differentiate teaching quality, it motivates them to compete by increasing outputs without regard to quality.
- Similarly, criteria of outputs-based science funding do not differentiate quality of outputs. The publications' evaluation criteria for funding are not justified. Science appraisal within accreditation process does not include expert assessment which would be in line with international standards.

### **Spending by organizations under the Ministry of Education, Science, Research and Sport of the Slovak Republic (MESRaS)**

- The MESRaS's current spending (without transfers) was on average €201 mil. per year. It is without regional educational offices, which were transferred to Ministry of Interior budget chapter in 2013, current spending accounts for €161 mil. per year.

- Spending on personnel has been growing since 2012 by 4 % on average. Its decomposition shows average decrease of employed staff by 1 % per year coupled with annual wage increase of 5 %.
- Spending of organizations under MESRaS was significantly affected by EU funds use. Therefore spending on personnel as well as on goods and services doubled between 2012 – 2014, and subsequently fell almost to its original level in 2016.
- Investments within the education sector accounts for 10 % of total chapter (on average €150 mil. annually).
- Almost all past and future investments within the budget chapter of Ministry of education are being carried out through the Research and Development as well as Research and Innovation operational programmes respectively.