



## **DETAILED PROJECT DESCRIPTION**

# **EVALUATION OF THE POSITION AND PERFORMANCE OF THE NATIONAL PRODUCTIVITY BOARD**

## TABLE OF CONTENTS

1. CONTEXT AND OBJECTIVES OF THE PROJECT .....	3
1.1 Context .....	3
1.2 Objectives of the Project .....	3
1.3 Relevance of the Project.....	4
1.4 Beneficiary EU Member State institution(s), target groups and other Stakeholders .....	4
2. DESCRIPTION AND IMPLEMENTATION OF THE PROJECT .....	5
2.1 Impact, Outcomes, Outputs and Activities .....	5
3. LOCATION AND DURATION .....	8
3.1 Location.....	8
3.2 Indicative timeline for the activities.....	8
3.3 Language .....	9
4. ORGANISATIONAL SET-UP .....	9
4.1 Organisation of the Project.....	9
4.2 Coordination with DG REFORM .....	10
5. RISKS AND UNCERTAINTIES ABOUT IMPLEMENTATION .....	11

## 1. CONTEXT AND OBJECTIVES OF THE PROJECT

### 1.1 Context

“*Evaluation of the position and performance of the National Productivity Board*” (“the Project”) is a country-specific project aimed at enhancing the capacity of the National Productivity Board to analyse productivity trends and recommend actions to improve productivity in Slovakia.

A decline in productivity growth has contributed to slowing down potential economic growth in the euro area and the EU as a whole. Boosting productivity has therefore become a priority to improve Europe’s economic growth prospects. In 2016, the Council of the European Union recommended EU countries the establishment of productivity boards to diagnose and analyse productivity and competitiveness trends, provide independent analysis of policy challenges and assess the effects of different policy options aimed at supporting productivity and competitiveness.<sup>1</sup>

Slovakia has established its National Productivity Board (NPB) in September 2019 – later than most other EU countries. The Institute for Strategy and Analysis was appointed as the Secretariat of the Board, to prepare the annual report and develop analyses about competitiveness and innovation in cooperation with external experts, and to participate in the European network of NPBs. However, the Institute is new to these tasks and has not yet developed the necessary capacity and expertise. In addition, detailed productivity data – in particular at the microeconomic, firm-level – is not easily accessible for analysis, with numerous administrative hurdles that complicate data sharing among public entities.

The mission of the Directorate General for Structural Reform Support (DG REFORM) of the European Commission is to provide support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilising EU funds and technical expertise. Slovakia has requested support from the European Commission under Regulation (EU) 2017/825 on the establishment of the Structural Reform Support Programme (“SRSP Regulation”). The request has been analysed by the Commission in accordance with the criteria and principles referred to in Article 7(2) of the SRSP Regulation, following which the European Commission has agreed to provide support to Slovakia, together with the OECD in the area of productivity and growth, with the purpose of supporting and strengthening the NPB through sharing of experience and learning from other productivity boards, identifying institutional and data gaps and helping to improve data access, advising on the nature of productivity analysis and the types of recommendations that the annual reports should carry out, under the conditions set in the Framework Grant Agreement (hereinafter “the Agreement”).

### 1.2 Objectives of the Project

The general objective of this Project is to contribute to institutional, administrative and growth-sustaining structural reforms in Slovakia that, DG REFORM states, is in line with Article 4 of the SRSP Regulation.

---

<sup>1</sup> COUNCIL RECOMMENDATION of 20 September 2016 on the establishment of National Productivity Boards (2016/C 349/01), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016H0924%2801%29>

The specific objective of this Project is:

- to support the national authorities in enhancing their capacity to formulate, develop and implement reform policies and strategies and in pursuing an integrated approach ensuring consistency between goals and means across sectors;
- to support the efforts of national authorities to define and implement appropriate processes and methodologies by taking into account good practices of and lessons learned by other countries in addressing similar situations.

DG REFORM states that the above is in line with Article 5 of the SRSP Regulation.

The achievement of the objectives is not solely the responsibility of the OECD and will depend partly but not only on Slovakia's action.

### 1.3 Relevance of the Project

Enhancing the capacity to understand the drivers of productivity gains to inform public policy action is particularly important and timely for Slovakia, which is faced with rapid technological changes and the need to upgrade the skills of its workers to protect their longer-term employability and make the economy more resilient to external shocks.

Slovakia's economy is characterised by a small number of very efficient foreign enterprises and a large number of not very productive local businesses. Labour productivity has benefited from integration through technology transfer and automation and has more than doubled since 1995.<sup>2</sup> Strong productivity growth in the foreign-owned sector, however, has not spilled over to most domestic firms. Around one-third of companies in Slovakia produce more than 70% of the total value added, and productivity of their workers is two times higher compared to the productivity of their remaining less productive companies<sup>3</sup>. The disparity in productivity between small and large enterprises is higher than in most other OECD countries, and this widening gap is reflected in wage developments. Between 2009 and 2016 the difference between the average salary of workers in businesses with over 250 employees and the average salary in businesses with up to nine employees increased by 40%.<sup>4</sup> Moreover, while productivity is catching up with the EU average in all of Slovakia's regions, the gap between the capital and other parts of the country remains significant.

### 1.4 Beneficiary EU Member State institution(s), target groups and other Stakeholders

The beneficiary EU Member State of the Project is Slovakia. The ultimate users of the outputs will be the National Productivity Board and the Institute for Strategy and Analysis that serves as the Secretariat to the Board.

---

<sup>2</sup> IMF (2019), "Slovak Republic: Article IV Consultation-Press Release: Staff Report." *IMF Country Report No. 19/220* (July 2019), <https://www.imf.org/en/Publications/CR/Issues/2019/07/11/Slovak-Republic-2019-Article-IV-Consultation-Press-Release-Staff-Report-47103>

<sup>3</sup> Výškrabka, M. (2018), "Glossy and Poor Companies in Slovakia ... a quick look at corporate data", *Institute of Financial Policy, Policy note*.

<sup>4</sup> OECD (2019), *OECD Economic Surveys: Slovak Republic 2019*, OECD Publishing, Paris, [https://doi.org/10.1787/eco\\_surveys-svk-2019-en](https://doi.org/10.1787/eco_surveys-svk-2019-en)

Target groups include:

- National ministries;
- Parliament;
- Business associations;
- Trade unions and workers' organisations.

## **2. DESCRIPTION AND IMPLEMENTATION OF THE PROJECT**

### **2.1 Impact, Outcomes, Outputs and Activities**

#### ***2.1.1 Impact and Outcomes***

It is expected that Slovakia, having been closely involved in implementation of the Project and consulted at all major stages of the activities to be implemented, adopts the outputs through its internal mechanisms and implements the work contained in the final outputs.

The overall outcome of the project is enhanced capacity of the NPB to analyse productivity trends and recommend actions to improve productivity in Slovakia. This should be reflected in rigorous and solid annual reports that analyse productivity developments from various angles and put forward policy recommendations to boost productivity, along with a strong visibility in relevant policy discussions in Slovakia. The longer-term impact should be that the NPB is supported by and receives buy-in from the various productivity stakeholders (ministries, the private sector, social partners), leading to a more effective and smoother implementation of its proposed reforms.

These outcomes are expected to contribute to achieving goal 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure) of the Sustainable Development Goals by helping identify productivity drivers to boost innovation, upskilling and growth in Slovakia.

Achievement of the outcomes and contributing to a longer term impact of this Project, depends to a large extent on the degree of adoption and implementation of the output by Slovakia and subsequent enforcement, as well as wider policy conditions, which remain outside the responsibility of the European Commission and the OECD. Such implementation remains the exclusive responsibility of Slovakia.

#### ***2.1.2 Outputs and Activities***

In order to achieve the outcome, the OECD shall produce the following outputs by implementing the activities listed below:

Output 1: Assessment report on the set-up and capacity of the NPB

The report will assess the current legal and governance set-up and analytical capacity of the NPB in comparison to the legal and governance arrangements of other productivity boards and similar bodies.

Activities:

- Examining the legal status of the Board, its membership, decision making processes, the division of labour between the Board members and its secretariat, the nature of the outputs produced by the Board, including the Annual Report on Productivity and Competitiveness. Special attention will be put into how to make effective policy recommendations on productivity and competitiveness, which are later reflected in policies, while safeguarding the functional autonomy and independence of the Board.
- Conducting a systematic comparison of the NPB's legal and governance set-up with other existing bodies.
- Discussing the initial assessment with the Board and its secretariat to identify which steps are needed to get the National Productivity Board closer to best practices.

Output 2: Working sessions for the preparation of the next Annual Report on Productivity and Competitiveness

The working sessions will present the Board and its secretariat with an analysis of the first Annual Report and provide practical advice for the preparation of the second Annual Report.

Activities:

- Analysing the first Annual Report on Productivity and Competitiveness with the aim of identifying gaps and lessons that will inform the preparation of the next report. The analysis will primarily address the following aspects: focus, structure, analytical background work, including the methodology and data sources for a detailed productivity analysis.
- Conducting two working sessions with the Board and its secretariat to present the findings of the analysis of the first Annual Report and provide advice on the focus, structure and analytical background needed for the preparation of the second Annual Report. The development of the analytical background will be further developed under Outputs 3 and 4.

Output 3: Methodology for analysing productivity trends

Enhanced methodological capacity and improved availability of, and access to, national data will help the NPB to provide productivity analysis from various perspectives and develop evidence-based policy recommendations. Activities:

- Capacity building to improve data availability for multiple strands of productivity analysis and their use. Drawing from experience and best practices developed at OECD in the context of the [MultiProd](#) and [DynEmp](#) projects, this activity will provide guidelines and overview best-practices across countries for overcoming existing barriers preventing NPB from analysing confidential national microdata (notably, relying on distributed analysis models applied to firm-level data). Another capacity building exercise will aim to liaise with the Slovak Statistical Office to improve the availability of regional data for productivity analysis.

- Drawing on OECD expertise and other countries' experiences, support the efforts of NPB to define and implement appropriate methodologies for analysing cross-country and cross-industry productivity; labour market skill mismatches; GVC integration; and, the impact of the activities of foreign-owned enterprises on national productivity.

#### Output 4: Indicators and analysis to inform the next Annual Report

In the absence of certain data described above (in particular, microdata), indicators for the next Annual Report will be based on currently available national statistics and OECD databases.

Activities:

- Selected cross-country and cross-industry productivity indicators.
- Regional labour productivity indicators at an aggregate level using regional GDP estimates and turnover-based labour productivity for the industry and construction sectors.
- GVC related indicators and comparisons of multinationals' versus domestic firms' labour productivity building on OECD's Trade in Value Added ([TiVA](#)), Inter Country Input-Output ([ICIO](#)), Trade in eMployment ([TiM](#)) and the Analytical Activities of MultiNational Enterprises ([AMNE](#)) databases
- Indicators on skills, and other employment characteristics (e.g. age, gender), by industry, based on combining Labour Force Survey (LFS) and System of National Accounts (SNA) employment statistics.

#### Output 5: Study visits to other EU countries

The study visits will provide an opportunity for the Board and its secretariat to meet with other productivity boards and similar bodies and discuss governance arrangements, reporting and methodological approaches.

Activities:

- Organising two study visits to different European countries to meet with productivity boards and relevant stakeholders.
- Preparing a study visit report documenting the lessons and experiences discussed with other productivity boards.
- Involving the Board in one of the meetings of the [OECD Global Forum on Productivity](#) to discuss aspects related to productivity analysis and related public policies.

### 3. LOCATION AND DURATION

#### 3.1 Location

The Project shall be carried out in Slovakia and France. It is expected that physical meeting, presentation and/or conference with the national authorities will take place in Slovakia, France and in two other European countries where the study visits will be conducted, and which will be determined in the course of the Project.

#### 3.2 Indicative timeline for the activities

The operational implementation period of this Project is expected to last 16 months. The operational implementation period is measured from the date that the detailed project description is approved by the Steering Committee.

The schedule of the activities and outputs is set out as indicated in the following table (indicative timeline) assuming continued support and commitment by Slovakia and assuming no delays in getting access to relevant policy, legal and regulatory documentation, as well as data, in establishing meetings with relevant stakeholders and in the organisation of relevant meetings.

**Table 1: Indicative Timeline (by month from start of the Project)**

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
0.	<i>On-site launching</i>	*															
1.	<b>Output 1:</b> <i>Assessment report on the set-up and capacity of the NPB</i>	*	*	*	*												
2.	<b>Output 2:</b> <i>Working sessions for the preparation of the next Annual Report on Productivity and Competitiveness</i>			*	*	*									*	*	*
					1 <sup>st</sup> session (lessons from first report and preparing second report)											2 <sup>nd</sup> session (inputs for finalisation of second report)	



3.	<b>Output 3:</b> <i>Methodology for analysing productivity trends</i>				*	*	*									
					Stocktaking of methodology & data											
4.	<b>Output 4:</b> <i>Analytical work informing the next Annual Report</i>						*	*	*			*	*	*		
5.	<b>Output 5:</b> <i>Study visits to other EU countries</i>							*	*	*	*	*	*	*	*	*
								1st visit			2 <sup>nd</sup> visit		Visit report			

### 3.3 Language

Reports and meetings will be conducted in English. The presentations, working sessions and study visits will be conducted in English. Slovakia will take care of the translation of all relevant documents necessary for the performance of the Project. Slovakia will also take care of the translation of the reports in case it deems it necessary, subject to a separate agreement between the OECD and Slovakia on the modalities, according to OECD standard terms. Slovakia will also provide interpretation services during meetings/trainings if required.

## 4. ORGANISATIONAL SET-UP

### 4.1 Organisation of the Project

The Project is organised in the following way:

#### 4.1.1 OECD

The OECD team is responsible for coordinating and administering the Project, as well as consulting with DG REFORM of the European Commission and the Slovak project team (see below), on the Project's outputs.

The OECD will create a team of economists and analysts with extensive experience on the work of productivity boards and similar bodies, on data and methodologies for analysing productivity trends, as well

as proved experience on reform implementation. The team who will be directly responsible for managing the Project and prepare the outputs will include:

- The Director and Deputy Director of the Country Studies Branch at the Economics Department and the Deputy Director of the Science, Technology and Innovation Directorate of the OECD;
- Two Division Heads;
- Three senior economists;
- Three economists;
- One junior analyst.

A senior and a junior policy advisor will review and comment on the substantive outputs. Their work will aim to ensure quality control and consistency across the Project, that the work is on track of meeting pre-defined objectives and that key corporate priorities of the OECD are mainstreamed in its realisation. Advisors will also be helping to prepare the substantive inputs for the launches of the report or other outputs which will involve senior officials.

#### ***4.1.1 Resources to be outsourced***

The OECD will rely on internal resources to manage and implement the Project.

#### ***4.1.2 Resources to be made available by Slovakia***

Slovakia will constitute a project team including representatives of the National Productivity Board and the Institute for Strategy and Analysis, which have been identified by Slovakia as relevant. Slovakia will appoint a project team leader who will act as national contact point for the activities and ensure coordination within the OECD and with other national stakeholders.

Slovakia will provide all necessary equipment, its experts and any documents, data and information necessary for the implementation of the Project. Slovakia will also provide full support of technical equipment to the OECD, including available rooms for meetings in their premises, internet access, teleconference facilities and organisation of the meetings with other stakeholders.

## **4.2 Coordination with DG REFORM**

Section 4.4 of Annex I to the Agreement will apply.

## 5. RISKS AND UNCERTAINTIES ABOUT IMPLEMENTATION

There are a number of risks associated with the implementation of the Project, which the OECD will take steps to identify and mitigate. See Table 2 below for information regarding external risks.

<b>Table 2: External Risk Analysis and Mitigation Efforts</b>	
<b>Risk</b>	<b>Mitigation</b>
<p><i>Lack of effective co-operation by Slovakia or government bodies.</i></p> <p><i>Slovakia and other stakeholders might refuse meetings, provision of expertise or relevant information that is needed to advance in the analysis of policies and the production of recommendations.</i></p>	<p><i>The project has been structured in response to request from the authorities and closely matching their needs and the country's priorities. The scope of work has been discussed and agreed with the authorities. These risks are mitigated by government-wide obligations with EU institutions and by close co-operation with the coordinating Ministry, DG REFORM and the OECD.</i></p>
<p><i>Lack of cooperation from Slovakia and the other stakeholders in participating in the workshops.</i></p>	<p><i>Slovakia will take the lead in proposing and selecting the participants in the workshops/trainings, for discussion with the project team at the OECD.</i></p>
<p><i>Negative perception of recommendations.</i></p> <p><i>The media, and some segments of the government or parliament, may be led to oppose recommendations, in part because of opposition from strong interest groups that feed potentially biased information.</i></p>	<p><i>The OECD is committed to ensure understanding and acceptance of the recommendations to the greatest extent possible, while recognizing that there will always be interest groups that will oppose reforms.</i></p> <p><i>In addition to working closely with responsible government bodies, the OECD will work throughout the project to engage stakeholders in the public and private sectors, conducting workshops and seeking the views of businesses and civil society associations</i></p> <p><i>Final recommendations will be presented at a dissemination event. The OECD will communicate its recommendations in a clear and simple summary.</i></p> <p><i>Throughout the project, the OECD will work closely with DG REFORM and Slovakia to achieve consistency of the messages put out to the public via media.</i></p>

