Performance budgeting – example of Slovenia

Katja Lautar

"A budget should reflect the values and priorities of our nation and its people."

Mary Landrieu



SLOVENIA – Indicators 2010

Area: 20,273 sq. kmCapital: Ljubljana

Population of 2 million

EU member state - May 2004

- Euro area January 2007
- Schengen Space December 2007
- OECD member (May 2010)



2009

-8,1

2010

1,4

2012n

0,2

2013n

2,0

6,0

4,6

0,3

4,0

0,3

2013n

-0,7

8,8

0,3

2,7

0,3

1,8

2011*

-0,2

% of GDP	2009	2010	2011n	2012n	2013n
General government balance*	-6,1	-5,8	- 5,5	- 3,0	-3,0
General government debt*	35,3	38,8	45,1	46,0	46,0

Source: SORS, *ESA methodology

	dec2009	dec 2010	dec. 2011
Total employment	844.655	818.975	817.311
Public sector employees (total)	157.252	159.297	160.868
% of public sector in total employment	18,6	19,5	19,7

Source: AJPES, SORS

Real growth (%)

Gross domestic product

Budgetary planning and changes in budget preparation

- Public Finance Act,
- Decree on Development Planning
 Documents and Procedures for the
 Preparation of the National Budget,
- the National Assembly's Rules of Procedure.
- Working groups on development planning and programme budget preparation → two-level preparation

Programme clasification

- Encouraging Entrepreneurship and Competitiveness
- Higher Education, Science, Technology and the Information Society
- 3. Labour Market
- 4. Education and Sport
- 5. Culture
- 6. Transport and Transport Infrastructure
- 7. Energy
- 8. Agriculture, Forestry, Fishing and Food
- 9. Environmental and Spatial Planning Policy
- 10. Social Security
- 11. Health Protection
- 12. Institutions of the Political System
- 13. National Security, Defence and Foreign Affairs
- Management of Systems of Public Administration
- 15. Strengthening Institutions governed by the Rule of Law, Freedom and Security
- Servicing the Public Debt and Payments to the European Union Budget, Reserves

3

Strategic development planning

New development policies classification

Budget preparation process

top down approach

Development strategy (several years)

Level of development policies (outcome indicators)

Fiscal council

National Development programme of Measures and Projects priorities (4 years) – adopted by parliament together with midterm budget.

Clear link between priorities, goals, activities and indicators with resources

level of development policies (2 fixed years + 2 indicative) – top down approach

Midterm budget scenario - fixed amounts on the

Fiscal rule and rule of fiscal consolidation (2 fixed years + 2 indicative) and memorandum proposals –

Level of development programmes (output indicators)

Multilateral negotiations in working groups by development policies – bottom up approach

Law on development planning

Level of development sub – programmes (preparation of LOGICAL FRAMEFORKS) – result indicators)

First government session met: fiscal rule, memorandum proposal, and midterm budget scenario from top down and logical frameworks from bottom up approach.

Activities from LOGICAL FRAMEFORKS (2 years) – input indicaotors)

General budget proposal (1 + 1 year) by development classification: negotiations within working groups and policies (between first and second government session)

Structural and institutional changes

Measures/Projects (1 + 1 year PLANNING)

Instruments/Investments (IMPLEMENTATION, REPORTING)

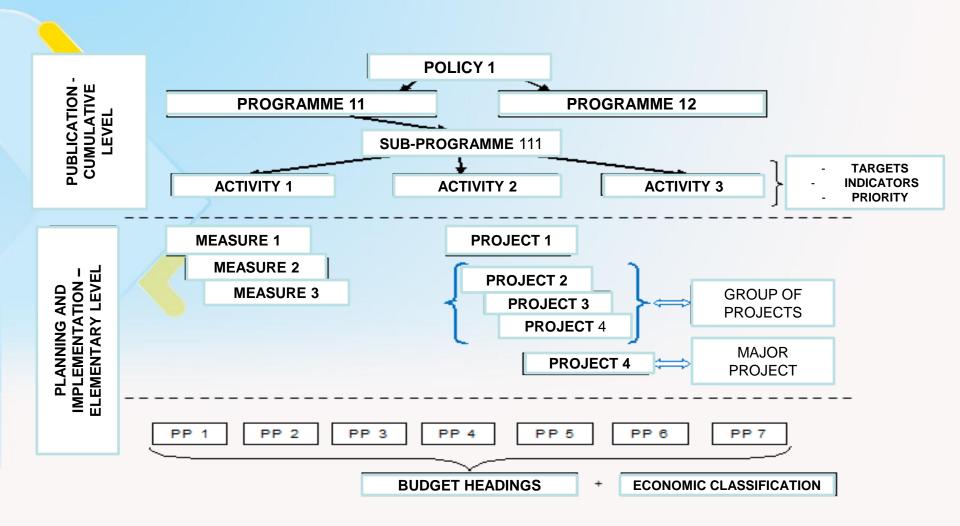
Specific budget by development policy classification and budget holders (1 + 1 year) = measures/projects by budget holders (final budget preparation after second government session – annual plans by holders) = by costs centres

New approach – level of measure/project should present costs centres without budget lines

Reports on the efficiency of the policies and evaluations

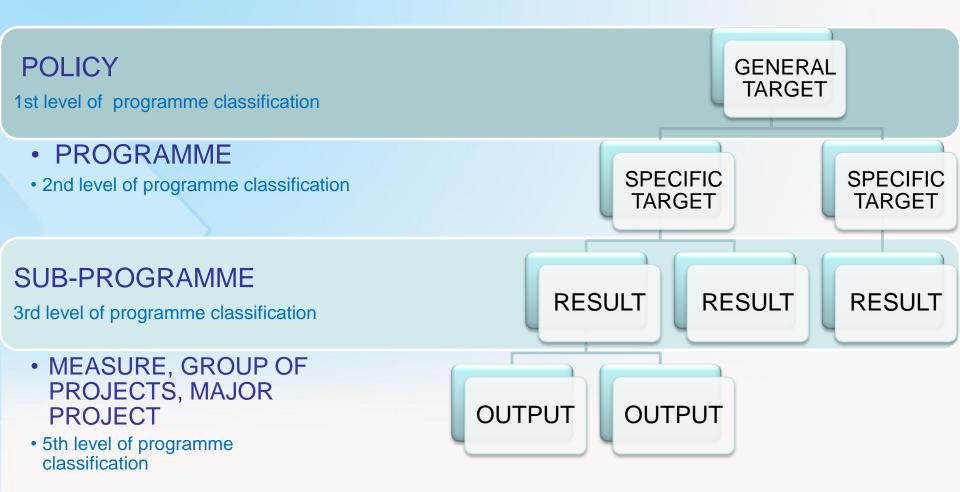
Budget performance reports

Graph: Program classification



Source: Budget Preparation Instructions 2010

Graph: Hierarchy of targets, a new structure



Source: Ministry of Finance and Government Office for Development and European Affairs

Graph: Hierarchy of targets and indicators

General targets of individual policies

IMPACT indicators are used at the highest level of general targets.
They measure the impact of a set of measures; they are long-term
indicators. Target values are determined four times a year / or for
the periods covered by the National Programme of Development
Priorities (NPDP) or the Slovenian Development Strategy (SDS)

Specific targets of individual policies

Results – collected measures and projects within the framework of subprogrammes

Measures and projects of individual documents

- In the general, specific targets of individual documents are achieved with a time lag as far as results are concerned, therefore indicators are wider-oriented (as a specific target is not affected by measures only, but other factors as well). For this purpose, OUTCOME indicators are determined. Target values are determined four times a year / or for the periods covered by the NPDP or the SDA
 - RESULT indicators applied when measuring and aggregate impact of individual outputs at the level of measures and projects (result contains related measures or projects.) Target values are determined four times a year / or for the periods covered by the NPDP or the SDS
 - Effects of measures and projects are measured by the OUTPUT (outcomes which are evident as soon as measures/projects are completed). Target values are determined yearly.

POLICY

80 general targets

- 1 10 general targets on the policy
- 1/3 of policies two targets or less, 1/3 of policies three of four targets, others more

PROGRAMME

330 specific targets

- 1 30 of specific targets on the programme
- 1/3 of programmes two targets or less, 1/3 of programmes between 3 and 5 targets, others more

SUB-PROGRAMME 597 results

- 1 25 results on sub-programme
- 1/3 of sub-programmes two targets or less, 1/3 of subprogrammes between 3 and 5 targets, others more

Quantity of indicators and target values

- General, specific targets and results: the majority of indicators for the period until 2014
 - examples for the period until 2020: renewable energy sources, sports areas and facilities
- Outputs compulsory assessment for the next two years (two years for which two budgets are prepared)
- Quantity of identified indicators per one target:

60% of targets	1 indicator
20% of targets	2 indicators
20% of targets	3 or more indicators

Machiavelli: " ...all cruel measures need to be made at the beginning..."

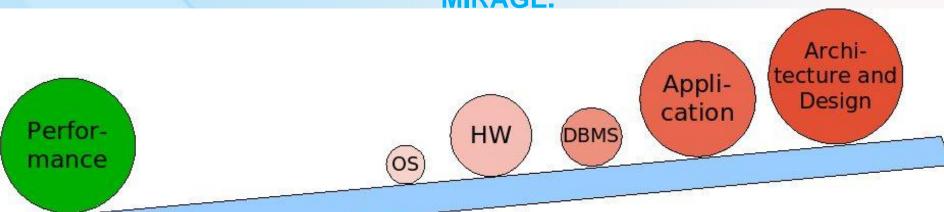
Policy evaluation:

- Development of programme indicators (rethinking of the LFA: connection of activities – results and outputs – with the indicators, rethinking of the causalities between goals and activities and indicators,...)
- Establishing of the monitoring system (data base of all strategic programmes, linkage of expenditures and physical indicators,...) - under way
- Creation of the reporting system under way
- Development of evaluation models
- Further development of performance-oriented budget:
 - complete elaboration of a performance budget introduction of cost centres
 - Cash flow principle to Accrual Method Accounting?
- Modernisation of public sector / changes in monitoring and implementation, as well as a bureaucratic apparatus?

Fundamental and radical reforms will be needed if the objective of substantially reducing public spending, while making it more efficient, is to be achieved.

(Tanzi and Schuknecht, 1997)

THIS OBJECTIVE SHOLUD BE SEEN AS ACHIEVABLE AND NOT JUST A MIRAGE.



Thank you for attention! katja.lautar@gov.si