

PERFORMANCE BUDGETING: EXPERIENCE, NEEDS AND CHALLENGES IN SLOVENIA

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Content

- I. Introduction
- II. Legal structure of strategic planning and program budgeting
- III. Development / medium-term oriented program budget – performance management approach
 - National development policies versus EU priority policy areas*
 - Two step approach in budget preparation - confronting strategic goals and budget needs*
 - Present and proposed new structure of budget documents*
- IV. Information system support to program budgeting
- V. Problems and Challenges

I. Introduction

1. *Three stages* in the implementation of strategic planning and program budgeting – PFM reforms:

- *first stage (1999-2001)* - institutional set-up (generic public finance law with budget preparation, adoption, execution, financial control and audit procedures of the general, central, local government and social funds budgets), and initial program structure approach to budgeting (policy prioritization, program classification of budget activities, institutional classification of general government entities)
- *second stage (2002-2008)* - initial multi-year budgeting (two year roll-over budgets) and information system upgrade (integration of budget preparation and execution with built-in financial control instruments and integrated single account treasury system)
- *third stage (2009-2011)* - start of integrating strategic planning and program budgeting approach (law on developing planning, program structure of budgets with performance goals, targets and indicators, budget negotiations based on policy /program priorities), and an initial step of program efficiency reporting (policy prioritization based on effective performance results) and evaluation

2. *Slow progress* - as a result of weak political support, lack of clearly defined strategic plan by the government, and human resource gap in the MoF

II. Legal structure of strategic planning and program budgeting

Regulation:

1. Law on development planning*
2. Decree on development planning and budget preparation and execution
3. Law on fiscal stability/fiscal rule*
4. Law on public finance

Strategic documents:

1. Development strategy of Slovenia 2014-2020 - SRS*
2. Other strategic documents (sectoral ,horizontal)
3. State development policy program(4-years) - DPRP*
4. Nacional reform program (annua-updatedl) - NRP
5. Partnership program 2014-2020 (EU funds)

Budget documents:

1. Stability program (annual-updated)
2. Budget memorandum (annual)
3. Budgets (2-year roll-over) - state, local communities, pension, social and health funds (annual)

Analysis and evaluation documents:

1. Development report (annual)
2. Efficiency report on development policies (two-year)**
3. Competitiveness report (annual)**

*/ documents in final phase of preparation

**/ documents not regularly prepared or on a standstill

III. Development / medium-term oriented program budget - performance management approach

1. The main reason for the adoption of the PFM approach

- primary orientation on top-down approach and formulation of medium-term fiscal framework (MTEF)
 - focus on development policies targets and their evaluation within macro fiscal limits
 - approach to enhanced efficiency of development policies and transparency of budget documents
 - intention to introduce performance management practices in public administration and in public sector in general

2. Medium-term approach of fiscal planning and budgeting

- focus on the ability of the government to maintain public finances at a credible and serviceable position over the medium and long term in line with prevailing mix of spending and revenue policies and taking into account debt servicing costs and future socio-economic and environmental factors

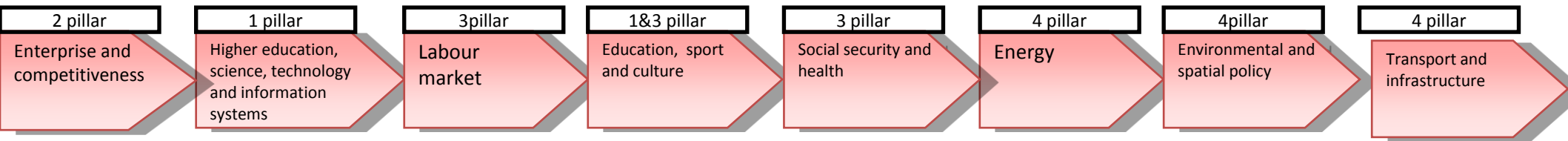
well designed MTEF forces stakeholders to deal with the medium-term perspective of budgeting, rather than adopt only year-by-year approach, and aims to improve the quality and certainty of medium-term fiscal planning by combining prescriptive yearly ceilings withh descriptive forward estimates

III. Development/medium-term oriented budget – performance management approach

- 3. Definition of development policies in the budget - financial implementation of strategic development goals
 - budget structure of development policies is important for efficient implementation of strategic documents and therefore must not be administrative (like COFOG - functional classification of sectoral policies) but has to reflect development goals and targets changes
 - program - performance oriented budgeting allows for better relationship between limited financial inputs and required economic output/outcomes (poor policy specifications undermine effective use of performance goals, results and indicators in evaluating policy efficiency)

- 4. Performance management tool - “Logical framework“
 - works at the level of sub-programs and expenditure are structured according to measures and not by line ministries
 - measures, results, goals at the level of sub-programs are linked to the level of programs and policies
 - allow an establishment of new process of budget preparation (working groups, multilateral negotiations, measure prioritising at the level of programs and policies)
 - designed to improve project planning and evaluation process
 - structured as both a planning and management tool

DEVELOPMENT POLICIES - GOVERNMENT WORKING GROUPS



1.pillar: Dinamic business environment

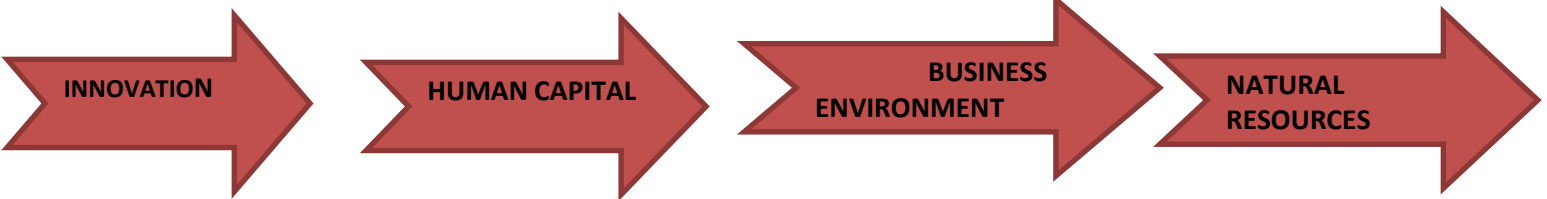
2.pillar: R&D, knowledge/education, innovation

CHALLENGES & PRIORITIES

3.pillar: Investment in human capital /increase labour productivity

4.pillar: Transition to a low-carbon and eco-efficient economy

Internal Market	ICT potential	Reducing administrat. burden	Higher value added of products, services	Higher productivity and better jobs	fairer and more motivating social policy	integr. of external costs for sust.use of resources	Mgmt. of energy and climate policy
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SUSTAINABLE DEVELOPMENT - EU PRIORITY POLICY AREAS

Two – step approach of general government budget preparation

I. First step: February to April

Top-down phase: negotiations in 12 working groups

1. First government budget meeting: February 1.1
to define target fiscal balance and public debt 1.2 to define policies priorities and expenditure policies limits
2. Second government budget meeting - May
- 2.1 MoF proposal of target fiscal balance and public debt (4 years) 2.2
- MoF proposal of target expenditure limits (4 years) 2.3
- MoF proposal of macro fiscal scenarios and estimated fiscal risks (4 years)

II. Second step: July-September

Bottom-up phase: negotiations in 12 working groups

3. MoF coordination meetings with working groups: July
- 3.1 to prepare financial plans of LMs within expenditure limits 3.2
- to prepare performance policy descriptions for financial plans (targets, results, financial resources-logic framework method)
4. Third government budget meeting: September
- 4.1 MoF proposal of final budget documents (2+2 years) 2.2
- MoF proposal of reform legislation 2.3
- MoF proposal of budget implementation regulation

Present (for central government) and proposed new budget documents structure (for general government)

Central government budget (2-years)

1. Budget memorandum
2. General (economic classification)
 - 2.1 Revenues and expenditure
 - 2.2 Financial investments
 - 2.3 Borrowing
3. Sectoral (institutional classification)
 - 3.1 Direct budgetary users financial plans (functional classification)
 - a. Sectoral policies (24)
 - b. Main programs
 - c. Subprograms
 - d. Line – items
4. Development programs structure (functional classification)
 - 4.1 Sectoral policies (24)
 - 4.2 Programs and projects of direct budget users
 - 4.3 Structure of financing and term structure

General government budget (4-years)

1. Stability&reform program
2. General (economic classification)
 - 2.1 Current revenues and expenditure
 - 2.2 Capital revenues and expenditure
 - 2.3 Changes in financial assets & liabilities (including revaluation account)
 - 2.4 Priority development policies (9+3) (program classification) with medium-term expenditure limits
3. Development programs structure (program classification)
 - 3.1 Development policies (9+3)
 - 3.2 programs and projects of direct and indirect budget users
 - 3.3 Structure of financing and term structure
4. Public sector enterprises
 - 4.1 Contingent liabilities for state budget

Information system support to program budgeting

MFERAC System

Approved
budget



Execution

Accounting

APPrA System

Budget preparation and audit

1. step - Scenario commitments, limits on programs, budget users demand
2. step - Budget preparation
3. step - Reporting system

Information on budget commitments and execution

1. Automatic procedures
2. Over-night data transfer



Information technology support – program and subprogram classification

PROGRAM and SUBPROGRAM

Informacije:

- Splošni cilj (C1351)
Dvig konkurenčnosti slovenskega turizma
- Specifični cilj (C1383)
Uspešna rast in razvoj turizma v skladu z načeli trajnostnega in regionalnega razvoja
- Rezultat (C1405)
Povečan turistični obisk

Opis cilja	Druge lastnosti cilja	Dodajanje kazalcev
Šifra	C1405	Naziv rezultata: Povečan turistični obisk
Naziv (ang)		
Nadrejeni specifični cilj	C1383 - Uspešna rast in razvoj turizma v skladu z načeli trajnostnega in regionalnega razvoja	
Začetni datum	1.1.2011	Končni datum: 1.1.2014
Sortiranje	1405	
Namig uporabniku		
Namig uporabniku v ang.jeziku		

Program goal:

- Goal code
- Code name
- Period (initial, final date)
- Goal description
- Required goal

V. Problems and Challenges

1. Macro fiscal planning and budget preparation

- Establish macro fiscal approach incorporating general government accounting, statistical and methodological framework (by taking into account other public entities their budgetary activities)
- Publish medium-term macroeconomic and fiscal forecast and alternative scenarios
- Calculate and publish main contingent liabilities (guarantees, international commitments, social commitments, PPPs, legal claims and tax expenditures) of all public entities

2. Policy evaluation

- Indicators (development of program thinking of the Logic Framework: 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 programs, linkage of expenditures and physical indicators)
- Creation of the reporting system
- Development of evaluation models

3. Further development of performance-oriented budget:

- Complete elaboration of a performance budget – introduction of cost centres
- Cash flow principle transformation into Accrual Method Accounting