Chapter 2

Achieving results through integrated strategic planning and budgeting

This chapter examines the linkages between Slovenia's strategic planning and budgeting systems, and the ways in which these can be improved. It starts by considering why these linkages are so important. It goes on to examine the areas in which Slovenia may consider further action to strengthen the linkages: effective strategy development and implementation; embedding performance budgeting; and further simplification of the budget process.

Introduction

Times of fiscal constraint increase the importance for strategic budget decisions in order to maximise the use of available resources in the achievement of the government's strategic objectives. Traditionally, strategic planning and budgeting have been separate processes, each run independently from the other. Increasingly however, OECD countries are seeing the benefits of drawing linkages between strategic planning and budgeting frameworks to better target the use of public finances. Strategic planning helps a country establish its vision and detail how the vision will be achieved. Meanwhile, the outcomes of the programmes and policies developed to achieve strategic aims can be used to inform budget decisions. Performance budgeting provides a conduit between strategic planning and budgeting, as it is the mechanism by which strategic vision is translated into programme spending. Despite comprehensive strategic plans, a well-structured budget system, and public finance reforms, steps towards more effective strategy development and implementation, embedding performance budgeting, and further simplifying its budget processes could help Slovenia strengthen the links between what it wishes to accomplish and its fiscal ability to do so.

Why are linkages between strategic planning and budgeting important?

Aligning strategic planning and budgeting strengthens the means by which governments achieve their policy agenda. This is particularly important in an environment of economic and fiscal uncertainty. Firm linkages between strategic planning and budgeting frameworks enable government spending to be tracked against the achievement of policy outcomes and force the prioritisation of objectives when faced with limited resources. Without a clear understanding of where public finances are being spent and for what value, it is very difficult for governments to prioritise policies and programmes and to steer their implementation (OECD, 2011b).

There is debate as to what comes first, strategic planning or fiscal policy. Should strategic plans be developed within fiscal constraints, or should there be scope for internal reallocation of funds to meet strategic goals? There is no right or wrong answer, but ideally strategic planning should be undertaken keeping both the government's political priorities and the country's economic and fiscal context in view; and in the case of euro area countries the compulsory economic and fiscal rules agreed upon as part of membership. Conversely, the national budget should not be developed in isolation of strategic planning, but rather negotiation should occur between those responsible for budget allocations and those setting the strategic direction of ministries and portfolios. Finally, in the optimum environment, strategic human resource management planning should also be considered when developing strategic plans and making budget allocations. Unless the work is undertaken by appropriately skilled and experienced staff, strategic objectives cannot be achieved and public funds cannot be efficiently and effectively utilised in pursuit of those objectives.[1]

Many OECD countries are experiencing challenges in achieving an optimal degree of integration between strategic planning and budgeting at the national level. The reasons for this differ depending on the country. However, understanding the benefits of integration helps to motivate the search for a framework aligned to the country context.

Harmonising strategy and budget planning in Slovenia

In July 2010, in an effort to create stronger linkages between strategic planning and fiscal policy, the Slovenian Government issued a Decree on Development Planning Documents and Procedures for the Preparation of the National Budget. The decree established methods for the preparation of planning documents, setting policies and national priorities, for the governance of the budget memorandum, and it also established a fiscal rule. Considered the first step in an attempt to formalise sustainable linkages between strategic planning and budgeting, the decree outlines the:

- method for preparing development documents;
- drafting of policies and setting of national priorities;
- preparation of the budget memorandum and determination of a fiscal rule; and
- procedures and acts for the preparation of the state budget, its revisions and the supplementary budget as well as other related documents.

The central public administration has been undertaking work to develop two legislative proposals to further strengthen planning and public finance: a Development Planning Act and a New Public Finance Act.

The remainder of this chapter discusses areas where Slovenia may consider further action to develop stronger linkages between its strategic planning and fiscal policy by:

- effective strategy development and implementation;
- embedding performance budgeting; and
- further simplifying the budget process.

Effective strategy development and implementation

Strategic planning (known in Slovenia as development planning) is a powerful tool used to establish a vision for a country and to detail how the vision will be achieved. When undertaken effectively, strategic planning can help to communicate the government's agenda and priorities to the country's citizenry and also to the public administration charged with its implementation.

Strategic planning involves both horizontal (cross-government/inter-ministerial/inter-agency) and vertical (within government/a ministry/a sectoral policy issue) approaches to better allow the political and administrative levels to identify priority objectives, and allocate resources and decision-making authority accordingly.

There is generally a hierarchy of strategies (see Table 2.1), elaborated in detail in the *OECD Public Governance Review of Finland*.[2] There are country vision strategies, which have been developed based on consultation with a wide-range of stakeholders and ideally have buy-in from all the major political parties. These tend to be quite broad, described more in terms of vision statements, and longer term in nature – usually with more than a ten-year time horizon. In EU member countries these documents are increasingly linked to the EU agenda and requirements (e.g. Europe 2020).

There are also strategy documents which relate to medium-term timeframes of around three to ten years. For many countries these are government-specific documents relating to the implementation of the government's political agenda spanning longer than one electoral term. High-level, overarching national strategies set out the key national priorities that are to be targeted by government action. These generally cascade into sectoral strategy documents/high-level plans that outline priority targets and objectives within key areas of national concern.

In the short term (one to two years), ministry/department business plans outline how individual organisations contribute to the achievement of the sectoral and overarching national plans. Ideally these plans should anchor individual staff performance assessment objectives (see Chapter 3).

Table 2.1. **Analysis horizons: strategic and decision-making needs by planning timeframe**[3]

Analytical needs	Characteristics	Requirements	Examples
Foresight (long term: > 10 years)	Anticipation of, and preparation for, both foreseeable and disruptive/discontinuous trends, including future costs in today's decisions	Continuous scanning and consultation; pattern recognition; analysis of "weak signals"; future studies; consensual views	Future reporting (e.g. on climate change); horizon scanning; long-term budget estimates; scenario planning
Strategic planning (medium term: 3-10 years)	Anticipation of, and preparation for, foreseeable trends; prioritisation; including future costs in today's decisions; risk management	Analysis of historical and trend data; comparable information and analysis across government; consultation on values and choices	Government Programme; medium-term budget frameworks; workforce planning; spatial and capital investment planning; innovation strategies
Decision making (short term: 1-2 years)	Responsiveness; rapidity; accountability; ability to determine at what level decisions need to be taken	Quick access to relevant information and analysis; capacity for reallocation; overview of stakeholder preferences	Executive action; annual and mid-term budgets; crisis response

Source: OECD (2010), *Finland: Working Together to Sustain Success,* OECD Public Governance Reviews, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264086081-en.*

Strategic planning in Slovenia[4]

Strategic planning in Slovenia is consistent with the hierarchical approach discussed above (see Figure 2.1). Slovenia's Development Strategy 2005-2013 articulates the vision and objectives of Slovenia's national development. It paves the way for achieving national objectives sustainably and in line with European regulations (see Box 2.1), policies and strategies, particularly Europe 2020. The Development Strategy has four objectives relating to economic development, social development, cross-generational and sustainable development, and the development of Slovenia in the international environment. These are implemented through five development priorities which combine measures from different ministries.

Box 2.1. **Europe 2020: the European Union's strategy for growth**

Europe 2020 is the European Union's growth strategy for the period up to 2020. It is based on five set objectives, each with concrete targets for the EU as a whole. These five objectives focus on:

- **employment:** 70% of 20-64 year olds to be employed;
- **innovation:** 3% of EU GDP (public and private combined) to be invested in R&D/innovation;
- **education:** reducing school drop-out rates to below 10%; at least 40% of 30-34 year olds completing tertiary education;
- **poverty/social exclusion:** at least 20 million less people in or at risk of poverty and social exclusion;
- **climate/energy:** greenhouse gas emissions 20% (or even 30% if the conditions are right) lower than in 1990. Twenty percent of energy from renewables; 20% increase in energy efficiency.

The EU-level targets are translated into national targets for each member country. Each member country has adopted its own national targets in each of these areas.

Achieving the goals of the Europe 2020 strategy requires reinforced surveillance to address key macroeconomic challenges, and a thematic approach to speed up growth-enhancing structural reforms. Monitoring by the European Commission and Council is organised around the so-called "European Semester". This starts with the publication of the Annual Growth Survey. The spring meeting of the European Council, based on the Annual Growth Survey, takes stock of the overall macroeconomic situation, progress towards the five EU-level targets, and progress under the flagship initiatives. It provides policy orientations covering fiscal, macroeconomic and structural reform and growth enhancing areas, and advises on linkages between them.

Member countries then present their medium-term budgetary strategies in their Stability and Convergence Programmes and set out actions to be undertaken (e.g. in employment, research, innovation, energy and social inclusion) in their national reform programmes. In April these two documents are sent to the Commission for assessment. Based on the Commission's assessment, the Council issues country specific guidance to member countries in June/July. This means that policy advice is given to member countries before they start to finalise their draft budgets for the following year.

Where recommendations are not acted on within the given time frame, policy warnings can be issued. There is also an option for enforcement through incentives and sanctions in the case of excessive macroeconomic and budgetary imbalances.

The EU monitors developments on three fronts: macroeconomic factors, growth-enhancing reforms, and public finances.

Source: European Commission (n.d.), "Europe 2020", European Union, Brussels, *http://ec.europa.eu/europe2020/index_en.htm*.

The Development Strategy priorities are the basis of the programmes and measures of the National Development Plan 2007-2013, which is the key tool used to map the implementation of the strategy. An annual version of this plan, the National Reform Programme, defines short-term planning priorities. The Government Office for Development and European Affairs is responsible for strategy planning and co-ordination in Slovenia (see Box 2.2).

Box 2.2. **GODEA's role in strategy planning and co-ordination**

The strategic role of Slovenia's Government Office for Development and European Affairs (GODEA) has its origins in the Government Office for Growth which was established in 2005 and whose mission was to provide one clear centre for Slovenian strategic planning. In 2006, the Government Office for Growth began co-ordinating and monitoring the implementation of Slovenia's Development Strategy and Framework. It provided expert assistance to ministries and participated in drafting acts, implementing regulations, and other activities required to reach the Development Strategy's objectives.

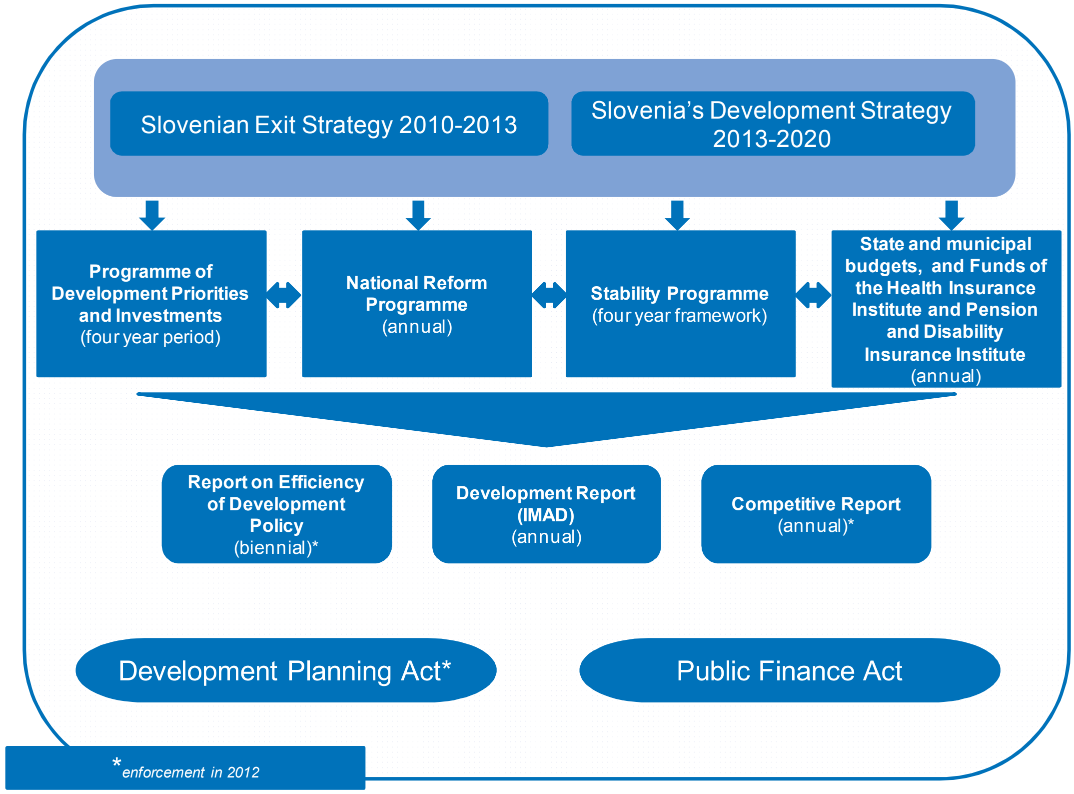
In 2008, the Government Office for Growth merged with the Government Office for European Affairs, creating GODEA. This new office, and in particular its development branch (the Development Policies and Structural Reform Department), has carried forward the initial mission of strategy co-ordination and monitoring. Thus, GODEA's responsibilities include co-ordinating and ensuring the coherence between national development planning and meeting EU objectives. With respect to the development of overall strategy, it plays a co-ordination role among ministries, orchestrating discussion in 16 development planning working groups. In addition to actively participating in the preparation of strategy documents, these groups report on policy implementation, propose amendments to the policies and suggest appropriate programme indicators.

Source: Information provided by the Government Office for Development and European Affairs, Slovenia.

The significant decline in economic activity during 2009 caused by the global financial downturn and the open structure of the Slovenian economy led the government to establish new economic and financial balances. In February 2010, the Government of Slovenia adopted the Slovenian Exit Strategy 2010-2013 with the specific purpose of addressing Slovenia's post-crisis planning. Through a series of economic, structural and institutional adjustment measures, it provides the timing and planning for the pace and sequence of phasing out anti-crisis measures, and sets the goals and path for post-crisis trends. The adoption of the Exit Strategy 2010-2013 resulted in an amendment to the Development Strategy 2005-2013.

Preparation for a new Development Strategy 2013-2020 began in April 2011. The new strategy will set out the vision and targets of development, strategic orientations, development policies and their priority areas, and the top-level priority orientations defined on the basis of national developments and challenges as well as global trends. The Programme of Development Priorities and Investments 2013-2017 (DRPI) (to be prepared for four-year periods) will operationalise the new Development Strategy. It will define the development priorities and estimate their financial impact, and it will do the same for each individual development policy. Individual policies will include evaluated priorities taking the form of measures/projects, foreseen structural and institutional changes and defined indicators. The DRPI will form the basis for the preparation of the mid-term fiscal scenario, the budget memorandum and the budget.

Figure 2.1. **Hierarchy of strategic planning in Slovenia**



Source: Government of Slovenia (2011), "National Reform Programme 2011-2012", Republic of Slovenia, Ljubljana.

The key to creating stronger linkages between strategic planning and budgeting is to ensure that strategic priorities are clear, translate into policies and programmes supporting their achievement, and have measurable indicators to enable performance evaluation. While Slovenia has developed an advanced system for its strategic planning, it may also consider strengthening its strategic planning practices in order to support closer linkages between the strategic planning and the budgeting system, by:

- sustaining a strong vision of national priorities in strategy development within the broader context of EU strategy;
- better aligning the Development Strategy and the coalition agreement;
- building clearer links between strategic and sectoral planning;
- building capacity for strategy implementation; and
- strengthening capacities for performance measurement.

Sustaining a strong vision of national priorities in strategy development

Balancing the EU and national strategic agendas

EU member countries are required to integrate EU strategic priorities and directives into their national planning, for example, how they plan to attain – at a national level – the targets set out in Europe 2020 (see Box 2.1). Smaller and/or newer EU member countries may, however, face particular challenges, and overly base the development of national strategies and priorities on those set by the EU without first developing a clear national vision of their own. For all EU member countries, there is a need to strike an appropriate balance between meeting EU obligations and anticipating the future EU context, and developing their own national direction. This challenge manifests itself differently among countries. For example in Estonia, strategies were developed and driven by a need to meet requirements for EU membership. This, however, fell short of providing a coherent, overarching, shared, strategic agenda that included broad input for achieving economic, environmental and social outcomes that could shape future opportunities for competitiveness and for managing risks (OECD, 2011b). Finland, on the other hand, has made it a priority to identify its position *vis-à-vis* the EU and then move forward in a cohesive manner (see Box 2.3).

Box 2.3. **Finland's approach to EU policy**

In April 2009, the Finnish Government adopted a report on Finland's EU policy. This report analysed the significance of EU membership to Finland, and set out basic principles and key objectives for Finland's EU policy. It also considered ways for Finland to develop its influence in the EU. The report was intended to help define Finland's objectives at the EU level for the coming period and outlined far reaching visions for the future development of the EU. In addition, it proposed that the findings and information contained in the report could serve as a basis for encouraging discussion and debate among citizens on EU membership and feed into a future project aimed at developing the co-ordination of EU issues and tools for better exerting influence as an EU member country.

Source: OECD (2010), *Better Regulation in Europe: Finland 2010*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264085626-en*; Finnish Prime Minister's Office (2009), *Government Report on EU Policy*, Prime Minister's Office Publications 20/2009, Helsinki, Finland.

In Slovenia, there is an awareness of the need to balance the EU and national strategic agendas. However, there are weaknesses in the practical application of this important objective. Establishing strategic priorities for Slovenia's EU policy and the management of EU regulations in order that these fit (or at least do not contradict) Slovenia's strategic priorities, are two key levers in this regard.

The preparation of the new Slovenian Development Strategy 2013-2020 is expected to encompass national priorities as well as the European-level priorities established in Europe 2020. The challenge for Slovenia will be to ensure a consistent approach when considering the impact of EU policy commitments on the budget and resources of line ministries. This dimension is less defined.

Cascading strategic objectives into ministries, taking account of the budget implications of EU regulations

Strategy documents describe in detail the assimilation of EU policy and priorities in Slovenia's national agenda. However, the issue is the extent to which the central public administration has assimilated this material and is making use of it to steer its policy positions and decisions and to assess the budgetary implications. How Slovenian ministries account for the costs of implementing EU regulations within the budget planning system is unclear. Implementation costs and how these will be met are only considered after negotiations in Brussels are finalised. While those who are developing umbrella strategies are aware of the linkages, this is not necessarily shared more broadly across the central public administration.

Slovenia has indicated that a special co-ordination group, to be led by the Minister for Development and European Affairs, will prepare Slovenia's draft positions on the EU budget review and negotiations for the next financial period. This will provide a mechanism through which synergies can be forged. Such thinking, however, needs to include linking European and domestic budgets, funding and planning, and move past the basic requirement of agreeing on negotiation positions.

Managing the negotiation and transposition of EU regulations

There is no systematic approach for the central public administration to give greater consideration to the impact of draft EU regulations on national development strategies or high-level priorities. One notable exception is the Ministry of Agriculture, Forestry and Food. The ministry has a well-developed approach to preparing negotiating positions that are directly related to Slovenia's national interest. This is in part because national policy in this area is so closely linked to European developments and in part because the ministry has an active and knowledgeable stakeholder group which keeps a close eye on developments.

Challenges surround the management, and especially the negotiation, of EU regulations. During interviews, ministries indicated that once a directive was agreed in Brussels, it was considered a "national" policy issue, implying it is only then that consideration is given to how this policy fits within national policies.

Managing EU regulations is particularly important given that approximately 80% of the legislation Slovenia enacts derives from or directly relates to EU membership. This is a theme shared with virtually all other EU member countries, as evidenced in the analysis carried out for the OECD's EU-15 reviews (see Box 2.4).[5]

As Slovenia prepares the Development Strategy 2013-2020, it should encourage ministries to think more proactively about the linkages and overlaps between national policy priorities in their operational areas and emerging draft regulations at the EU level, including funding and likely budgetary costs.

Box 2.4. The management of EU regulations

The three types of EC "regulation"

There are three types of EC binding legal instruments, of which Directives are the most common and important in practical terms for member countries to manage:

- **Regulation:** a general measure that is binding in its entirety and that is directly applicable without requiring transposition into national regulations.
- **Decision:** an individual measure that is biding in its entirety for the person(s) to whom it is addressed.
- **Directive:** addressed to the member countries and binding as to the results to be achieved, but leaving them the choice of form and method to realise the Community objectives within the framework of their internal legal order.

An increasing proportion of national regulations originate at the European Union (EU) level. While European Commission regulations have direct application in member countries and do not have to be transposed into national regulations, Directives do need to be transposed. This raises the issue of how to ensure that the regulations implementing EC law are fully coherent with the underlying policy objectives, do not create new barriers to the smooth functioning of the EU Single Market, and avoid "goldplating" and the placing of unnecessary burdens on businesses and citizens, Transposition also needs to be timely in order to minimise the risk of uncertainty as regards the state of the law, especially for businesses.

Negotiating EU regulations

Countries want to find ways of exerting stronger influence on the development of EU legislation. This is important for them in order to avoid creating technical as well as more fundamental policy problems for the transposition (implementation) of EU Directives into national law, and the creation of unnecessary burdens. But, member countries often find this process frustratingly difficult. Considerable energy, time, and resources are often deployed for EU issues, not just by central ministries but also by regulatory agencies which have a stake in EU legislation (e.g. telecoms).

Responsibility for overseeing negotiations is usually either with the Prime Minister's Office or the Foreign Affairs Ministry. In a few countries, the process relies on a ministerial network with no specific lead, which appears to work just as well. Co-ordination structures to cover the interests of different ministries and keep track of developments are often sophisticated and rigorous, standing out in contrast to the less well networked arrangements for domestic regulatory management. They ensure that negotiating positions are clear, but their real impact in terms of what needs to be achieved around the negotiating table is less clear. It was recommended to several countries that prioritisation of dossiers might help, to ensure that focus and resources went to key Directives. Specific guidance and training is often (not always) available for officials engaged in EU negotiations.

A recurring recommendation in the EU-15 reviews was to suggest that co-ordination approaches for the EU might inspire ideas for more effective co-ordination of national regulatory work. For example, this could be the establishment of a dedicated committee for national regulatory policy chaired at a high level at the Centre of Government.

Parliaments are directly involved in EU-related regulation, even when they do not play a major role in domestic regulatory management. Dedicated committees for the management of EU affairs have usually been set up. There is a small but clear tendency for parliaments to acquire stronger powers, for example to approve negotiating positions (if they do not already have this power).

Box 2.4. **The management of EU regulations** (*cont.*)

Transposing EU regulations

The transposition of EU regulations is often considered problematic. The issues are varied:

- Underlying policy differences which were not resolved in negotiation resurface when the Directive needs to be accommodated into the national context.
- The clarity of legal texts once they emerge from successive rounds of negotiation (Council working group, Council of Ministers, European Parliament) is much reduced (some texts are no longer coherent), complicating the task of transposition.
- Some countries use the opportunity of transposition to amend existing national laws, which can complicate matters.
- A few countries "goldplate"; that is, they go beyond what is strictly necessary to implement a Directive. This can be for fear of not doing enough, to avoid subsequent infringement proceedings, or to maintain high standards which are at risk from a "lower standard" EU Directive (this can be deemed a failure in negotiation).
- In other cases, the Directive is literally translated into national law, without regard for necessary adjustments to pre-existing regulations, as this may be seen as the only practical solution to an incoherent and complicated text, or reflect a worry that the country will be challenged if the wording is not strictly followed.

The speed with which Directives are transposed has improved, with countries showing smaller deficits over time. There is strong awareness of the importance of timely transposition, and countries are generally now meeting the 1% target set by the EU Council of Ministers. There is a need for caution over the interpretation of these trends. Some calculations compare the number of Directives transposed with the total stock of Directives going back to 1957, which of course yields a small and decreasing percentage. Transposition may be notified upon adoption of the first of several implementing acts (meaning that the process is not complete even if the Directive is said to have been transposed).

As with negotiation, institutional and co-ordinating structures for transposition are generally well-established. Most countries use existing national regulatory mechanisms for transposition (laws and secondary regulations approved by Parliament, for example). A few have fast track processes for approval. There are some institutional weaknesses. Monitoring of transposition is, surprisingly, not always done systematically. For example, not all countries have databases to track progress. The use of correlation tables (to check the provisions of the Directive against national provisions) is relatively rare. Impact assessments prior to transposition are often not carried out. This partly reflects uncertainty as to their value, since the directive cannot be amended, and may already be very prescriptive.

Interaction with EU Better Regulation policies

The national (and sub-national) perspective on how the production of regulations is managed in Brussels itself is important. Better Regulation policies, including impact assessment, have been put in place by the European Commission to improve the quality of EC regulations. The view from "below" on the effectiveness of these policies may be a valuable input to improving them further.

Box 2.4. **The management of EU regulations** (*cont.*)

There is a particular wish to improve the articulation of EU impact assessments with national impact assessments. Influencing the Commission's own regulatory management strategies is important for many countries. EU-level impact assessments are carried out before a draft Directive reaches the European Parliament. This means that amendments by the latter, which can be significant, are not assessed (an issue picked up by the recently published European Court of Auditors report on EU impact assessment). Another issue is that EU-level assessments do not necessarily capture the issues of concern to specific countries and settings (it may be hard for them to do so).

Source: OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264116573-en*; OECD (2010) *Better Regulation in Europe* (various titles), OECD Publishing, Paris.

Efforts are therefore needed to ensure that appropriate consideration is given to the impact of EU regulations on national strategies and priorities and that these are understood and considered by line ministries. This merits careful attention, balancing the value of the impact assessments carried out by the European Commission, with the need to take a more Slovenia-specific view. The work of the OECD with other EU member countries (the EU-15 reviews) on this issue notes that *ex ante* impact assessment of draft directives is a grey zone. It may be implicitly required as part of a country's overall impact assessment policy, but the reviews suggest that it is often not carried out. This seems to be partly because of uncertainty over its real value, as negotiations often generate major changes to a draft Directive before it is adopted, and because efforts are made to use the European Commission's own impact assessments. National and EU-level processes are not yet joined up.

The OECD has provided a range of EU member countries with advice on "how to do it better" with the negotiation and transposition of EU Directives and the general approach to influencing outcomes in Brussels. Examples of the advice given by the OECD in respect of two other member countries is set out in Annex D.

Better aligning the Development Strategy and the coalition agreement

Achieving linkages between umbrella strategy documents and the government's political agenda can be difficult and is a particular challenge faced by many coalition governments. High-level strategy documents, by definition, are established for periods which extend beyond the electoral cycle. There is a natural disconnect between shared visionary country strategies established for the longer term and the short-term plans of incumbent governments. While one can be used to support the other, the political agenda often dominates. Strategies prepared by a former government may not be honoured by a new government, and may not be replaced. This means that strategies can become ineffective, or even obsolete and meaningless.

Creating better linkages between the coalition agreement and the Development Strategy in Slovenia is largely a matter of political will. The Slovenian Development Strategy 2005-2013 was prepared based on consultation, which included political parties. However, while this document is considered by some to have a vision that is too broad, it does provide a direction for governments to work towards. Broader country vision documents can be helpful to governments by providing them with a more flexible context in which to implement their own agenda. However, this requires that the main political parties commit to working in the same direction, albeit perhaps along different paths.

Although the Development Strategy 2005-2013 being developed was based on consultation, there is still a disconnect between umbrella development planning and the government's coalition agreement where the full coalition agreement is not represented in the Slovenian Development Strategy 2005-2013. Since its adoption and up to 2011, the Development Strategy 2005-2013, which is an eight-year strategy, has seen three governments.[6, 7]

In Slovenia, this strategy disconnect is further exacerbated by the process for developing and executing the coalition agreement (see Box 2.5). As a result, there is a country vision strategy that is overly biased to the EU agenda, a coalition agreement that is not fully aligned to the umbrella strategy document (i.e. the Development Strategy), and administrative processes whereby ministers have the autonomy to progress matters within their own portfolios without agreement from the Cabinet. Despite the goodwill and efforts of those responsible for development planning, the disconnect is sizeable and means "all boats are not rowing in the same direction". This can create difficulties when prioritising government spending and progressing the work programme. It can also lead to conflicts among coalition members and a difficult political and administrative interface (see Chapter 4).

Box 2.5. **Development and execution of the coalition agreement in Slovenia**

The coalition agreement is developed at the political level at the start of a new term of government and signed by the coalition parties. The central public administration does not provide direct input or content to the development of the agreement, the exception being a list of necessary legislative changes.

Upon completion of the coalition agreement, the portfolio strategy plans (known as operational documents) are reviewed to reflect the coalition agreement, where programme development priorities and investments should reflect the ideas of the coalition, as well as merge the long-term vision and budget.

The coalition agreement is not a legally binding document and ministers and the central public administration are not obliged to work from it. Ministers are responsible for their own portfolio and can determine or progress issues within their portfolio during the term of government as long as it supports the implementation of portfolio legislation – a Cabinet decision is not required.[1]

1. The legislative procedure in the Republic of Slovenia is determined in detail by the Rules of Procedure of the National Assembly (Rules of Procedure). The **National Assembly** has the exclusive power to pass laws and oversees the work of the government: the government and individual ministers are independent within the framework of their jurisdiction, but are responsible to the Assembly for their actions. Legally, the government cannot adopt a policy without parliamentary consent. The National Assembly has the power to pass a vote of no confidence in individual ministers. It can also, on a proposal of at least ten deputies, propose a vote of no confidence in the Prime Minister. Any deputy of the National Assembly may propose a law: a law can also be proposed by at least 5 000 voters. The **government** issues regulations and adopts other legal, political, economic, financial, organisational and other measures required in order to provide the development of the state and the regulation of conditions within the competency of the state in all areas. The government can propose to the National Assembly the adoption of laws, the national budget, national programmes and other general acts, determining the fundamental and long-term political guidelines for individual areas within the competency of the state. In accordance with already adopted policy, a **minister of state** can issue policy guidelines regarding work and issue regulations and other acts within the direct competence of the ministry and its constituent bodies. However, the procedure for issuing a regulation within the ministry is not regulated and there is no regulation as to what kind of regulation should be issued (Government of Slovenia, 2005a).

Some administrative changes may help to support better linkages

Establishing guidelines for the development of coalition agreements could help to support greater consideration of the Development Strategy. Some countries establish certain expectations in their Constitution or supporting legislation. For instance, Slovenia may consider developing guidelines agreed by the Parliament on the expectations of incoming governments when preparing their coalition agreements. Such guidelines may specify the need to consider various inputs in the preparation of the agreement, such as higher level development planning and incoming government briefings from the central public administration. Finland's public administration produces vertical sectoral futures reports at the end of each term of government for consideration by the parties in Parliament when preparing their new Government Programme. This is a tool that the Slovenian central public administration could consider preparing as a contribution to discussions. In addition, such guidelines could also include timelines and standards for the preparation of supporting sectoral plans.

Transparency in the implementation of the coalition agreement could be enhanced through the preparation and use of a lower level document outlining how the coalition agreement will be operationalised throughout the term of government. Examples of such documents are provided by the Government Action Plan used in Estonia, or Finland's Government Strategy Document. To better support the achievement of results, the implementation of such a document should be monitored by a central authority (see Box 2.6). This can be further strengthened through obligations that all new programmes and policies be costed at the start of a term of government, funded within the fiscal expenditure limits, and incorporate workforce planning to ensure that consideration has been given to the existing capacity within the central public administration to implement the government's agenda.

Box 2.6. **Australia's Cabinet Implementation Unit**

The Cabinet Implementation Unit in the Department of the Prime Minister and Cabinet works with Australian government departments and agencies to ensure that the Australian Government's decisions are implemented on time, on budget and to expectations. The unit seeks to ensure that policy prepared for consideration by the Prime Minister and Cabinet has clear goals, a robust assessment of costs and benefits, and clarity about how it will be implemented. The unit helps departments and agencies to prepare their implementation plans and to identify, assess and manage implementation risks. The unit also monitors the progress of the implementation of key government decisions and reports to the Prime Minister and Cabinet on the status of these decisions.

Greater clarity regarding how the coalition agreement will be operationalised, and frameworks and guidelines on how to develop and implement the coalition agreement will help Slovenia's central public administration to focus on implementing the agenda early in the term of government. (These rules should include – at the start of government – what is expected of ministers and the corresponding timeframes for documents and plans).

Building clearer links between strategic and sectoral planning

Establishing high-level documents such as the Development Strategy (2005-2013 and 2013-2020) provides a degree of clarity for the central public administration and the broader community regarding the key issues that the Government of Slovenia will address. The current Development Strategy 2005-2013 provides information on which a ministry and/or agency is responsible for advancing specific priorities and targets.

The Government Office for Development and European Affairs has responsibility for creating the linkage between the Development Strategy and sectoral strategies, and for ensuring the coherence of development planning across line ministry portfolios. Heads of ministries and government offices are then responsible for the co-ordination of the development planning documents within their portfolios, i.e. sectoral planning (Article 16 of the decree).

Co-ordination occurs though working groups established under the Decree on Development Planning Documents and Procedures for the Preparation of the National Budget. Working groups have been established for each of 16 broad policy areas (see Box 2.7). These are led by a policy holder responsible for the policy area, and consist of participants from the Government Office for Development and European Affairs, relevant ministries, and the budget analysts from the Ministry of Finance responsible for budget oversight of the target policy area. The function of these working groups is to define and co-ordinate policy actions and projects, set priorities and co-ordinate goals measured by performance indicators.

Sectoral plans are developed based on the input from these working groups and it is intended that budget policy be resolved by the working groups before budget details are developed. It is anticipated that these planning documents will be used by the Government Office for Development and European Affairs to contribute to the development of the new Development Strategy 2013-2020.

As Slovenia prepares its new Development Strategy 2013-2020, it may also wish to examine how to provide central-level support for ministries as they develop their sectoral strategic plans. This could also help ensure that such plans link to the Development Strategy 2013-2020 as well as other sectoral strategy documents as appropriate. The development of sectoral plans by ministries will assist the central public administration at both political and official levels to identify the priority issues and programmes to best target for implementation in light of available resources.

Strategic planning in Slovenia has generally been implemented from the top down, potentially resulting in a lack of buy-in from programme managers in the line ministries. The Government Office for Development and European Affairs recognises that in the past, timeframes and structures utilised in developing high-level strategy documents (the Development Strategy 2005-2013 and Exit Strategy 2010-2013) have not necessarily allowed sufficient bottom-up planning from working groups and ministries. In revising its approach for drafting the new Development Strategy 2013-2020, it is aiming to ensure broader consideration of the key issues in setting policy areas. This may facilitate more of a bottom-up approach to planning by line ministries (as opposed to a top-down budgeting approach). Guidance has been prepared to help better shape the development planning documents that will be produced by the relevant working groups, although the final responsibility for the new Development Strategy 2013-2020 will rest with the Government Office for Development and European Affairs.

Box 2.7. **Planning and budget harmonisation working groups**

There is one umbrella working group which co-ordinates development planning and economic policy measures (led by the Minister for Development and European Affairs).

The 16 policy-area sub-groups are:

1. Medium-term Macroeconomic Framework and Fiscal Rule (led by the Minister of Finance);
2. Entrepreneurship and Competitiveness (led by the Minister of Economy);
3. Higher Education, Science, Technology and Information Society (led by the Minister of Higher Education, Science and Technology);
4. Labour Market (led by the Minister of Labour, Family and Social Affairs);
5. Education and Sports (led by the Minister of Education and Sports);
6. Culture (led by the Minister of Culture);
7. Transport and Transport Infrastructure (led by the Minister of Transport);
8. Energy (led by the Minister of Economy);
9. Agriculture, Forestry, Fishery and Food (led by the Minister of Agriculture, Forestry and Food);
10. Environmental and Spatial Policy (led by the Minister for Environment and Spatial Planning);
11. Social Security (led by the Minister of Labour, Family and Social Affairs);
12. Health Security (led by the Minister for Health);
13. Political Institutions (independent, not co-ordinated in this process);
14. National Security, Defence, Foreign Affairs (led by the Minister of Interior, Minister of Defence, and Minister of Foreign Affairs);
15. Governance of the Public Administration (led by the Minister of Public Administration);
16. Strengthening the Institutions of the Rule of Law, Freedom and Security (led by the Minister of Justice).

Source: Government Office for Development and European Affairs, Slovenia.

In the absence of clarity on how ministries will advance priorities over the coming cycle, there is a risk that the new Development Strategy 2013-2020 could set out priorities and targets that ministries may struggle to achieve in light of other day-to-day challenges. Managing the day-to-day will be of increasing importance given the commitment to reducing staffing numbers, and to generating savings and greater efficiencies. Ministries should collectively be aware of how different policy areas relate to meeting priorities in the new Development Strategy 2013-2020. In this way, their plans can more accurately take into account work for which they may not have lead responsibility, but which will require their input in terms of resource and staff allocation.

Building capacity for strategy implementation

Without effective implementation of strategic plans, intended results or outcomes may not be fully realised. It is not enough to develop clear strategic plans – consideration also needs to be given to the capacity of the public administration to implement such plans.

Ensuring the availability of the appropriate skills for implementation of tasks is important

The Slovenian Court of Audit has noted that strategic planning in Slovenia is strong at the concept-writing stage, but weak in implementation. The issues behind this relate to deficits in capacity and competence, i.e. the number as well as the skills of staff. Staffing needs to be targeted by matching staff with the right skill sets to the areas of need. This is a matter of workforce planning and ensuring the administration employs staff with the right mix of competences (see Chapter 3). Ensuring that the central public administration has the right number of staff with the right skills deployed where needed is essential to the efficiency and effectiveness of the central public administration's implementation of the government's agenda. This cannot be over emphasised, particularly given Slovenia's long-standing staff reduction programme (see Chapter 3).

The Slovenian central public administration faces a shortage of staff with programme and policy implementation skills and experience.[8] Ideally, an assessment of the necessary skills and experience should be conducted as policies and programmes are developed, but at a minimum such an assessment should occur during implementation planning. The central public administration needs to be very clear on the competences required at the different stages of policy implementation, and how they can be procured if they are not immediately available. This could involve a range of options, from staff transfers within the central public administration to the use of temporary-contract staff, external consultancies, etc. At the macro level, Slovenia could benefit from undertaking a capability audit[9] to identify the types of skills and experience presently available in the central public administration, where these are currently located, and what gaps exist. This should be linked to existing training programmes and should occur ahead of any future planned reform programmes.

Effective leadership is also needed to encourage attention to implementation and results

The implementation of policies and programmes is more likely to succeed if there is strong leadership from within the central public administration and support by the government in the implementation process. The senior leadership of the central public administration is not just responsible for policy development, but also for the operationalisation of that policy. This requires accountability systems to ensure that there is ownership for the achievement of results and outcomes. Chapter 4 considers the issue of leadership more broadly. It is an area which requires attention for creating a performance culture in the Slovenian central public administration. The motivation and performance of staff implementing policies and programmes is also a critical consideration. The pay and performance incentives of many staff have been frozen in response to the crisis. This has affected motivation. In addition, issues with the staff performance management framework currently work against motivating performance (see Chapter 3).

Strengthening capacities for performance measurement

Measuring the achievement of strategic outcomes enables the effectiveness of policies and programmes to be determined and communicated. Performance evaluations provide useful information to officials when making preparations for the allocation of the annual budget. However, in order for performance information to be used in the budget process, that information must first be developed.

Performance information should be specific, measurable, attainable, relevant and time-bound in order to be useful for public managers and decision makers (OECD, 2011b). Having defined performance areas to be used for strategic planning, appropriate indicators must be established to enable the effective measurement of results.

The Slovenian central public administration has acknowledged the difficulties of developing capacities to establish performance indicators and measuring the achievement of outcomes. This is underscored by the Slovenian Court of Audit which has in the past noted general difficulty within the administration to set attainable outcomes, and establish appropriate indicators to measure success in achieving outputs and outcomes.

The particular challenges Slovenia encounters when setting goals are: *i)* a lack of analysis on how to set the goals; and *ii)* a lack of measurability. When goals are unclear then it is highly unlikely that implementation will be effective. The necessary tools and training are not available for staff to provide guidance on how to set objectives, indicators and targets, etc.

During the OECD interview process, the Government Office for Development and European Affairs noted that the administration is finding it difficult to develop indicators and measures so that different policies/programmes can be weighed against each other in order to enable a more effective prioritisation of spending. This is not a problem unique to Slovenia, as the European Commission has cited this problem in the case of other member countries. While main programme and context indicators are already used in the budget process (Slovenia has had main programme goals and indicators for four years), there is an absence of appropriate programme indicators, i.e. the indicators are not fit for purpose and do not link to the actual outcome to be achieved. While there is a recently established process for linking indicators into the budget process, the challenge relates to the quality and appropriateness of the indicators used.

Through its policy working groups, the Government Office for Development and European Affairs has undertaken workshops to assist ministries to better align their work programme to the strategic priorities in the Development Strategy 2005-2013 and to develop targets and indicators in support of this work. A logical framework matrix is one of the methods employed for improving planning and fixing the targets and their values, defining responsibilities and subsequent monitoring and evaluation (see Table 2.2).

In practice, representatives from the Government Office for Development and European Affairs enter objectives and measures into a centralised database. While the Government Office has responsibility for co-ordination, in reality its role has gone beyond this remit to where the input of objectives and measures is tightly controlled. While it is recognised that the general lack of capacity within the central administration for developing indicators and setting objectives has required central assistance, this must be managed carefully so as to not disempower ministries. The current practice raises questions about the ownership by policy holders of their programme measures, and also their commitment to achieving established objectives in the longer term. While there is a strong need for a co-ordinating function, the responsibility of setting objectives and measures must rest with the policy ministries. A central authority remains necessary to "steer", ensuring alignment to broader strategic planning and government priorities.

Table 2.2. **Slovenia's logical framework matrix**

	Logic behind the initiative	Indicators	Information sources and assessment method	Assumptions/suppositions
General targets	What are the targets of the project?	Key indicators relating to the general target	Determined source of information and methodology	
Specific targets	What is the special target that needs to be achieved?	Which indicators clearly demonstrate that the target has been reached?		Correlation between the specific target and the general target: which factors and conditions need to be created in order to attain the target?
Expected results	List the expected results	Indicators relating to the result		The risks also need to be determined – the factors of uncertainty. Linking the project targets: what are the (general) factors that will facilitate the achievement of the results in accordance with the plan?
Activities	What are the key activities that need to be implemented and in what order, so as to achieve the results – the activities should be listed according to the results	List the indicators according to the activities		Activities and results: basic conditions for the launch of the projects shall be determined.

Source: Government Office for Development and European Affairs (n.d.), "Logical framework matrix", Government Office for Development and European Affairs, Ljubljana, *www.svrez.gov.si/en/areas_of_work/development_planning_and_structural_changes/logical_framework_matrix.*

The difficulties experienced by Slovenia in preparing appropriate and quality indicators can be linked to expertise and capacity for this work. The development of indicators and measures is a very specialised skill. Slovenia may consider a more formal programme of capacity building for the development of indicators and measures. For example, the OECD has been working with Poland to build capacity in support of the development of EU-related good governance indicators. While the OECD provided a generic methodology for developing indicators (see Box 2.8) and facilitated the capacity-building workshop, Poland is responsible for the development of the specific indicators. It is not appropriate for external bodies to develop indicators for a country as this is a country-specific process which depends largely on the targets the country wishes to establish and the data available to measure the results. It is also crucial for the country to feel that it has ownership of the indicators constructed. Australia, Canada, New Zealand and the United Kingdom provide useful examples of establishing effective indicators frameworks for measuring outputs and outcomes.

Monitoring and evaluating the achievement of results

Ideally, the implementation of strategic objectives should be monitored and evaluated in order to ensure that objectives and outcomes have been met, and for accountability purposes. Just as there is a hierarchy of strategic plans (Table 2.1) there are also different levels of monitoring and evaluation of policies and programmes.

Box 2.8. **OECD methodology for developing indicators**

- Define a **strategic objective** – a high-level goal.
- Establish **priority policies** for meeting the specific objective.
- Define **targets** – a concrete goal that states the degree of achievement that is expected with respect to an associated policy.
- Identify **activities** that support the achievement of each target – a specific programme, initiative or project to support reaching a target.
- Determine **indicators** – a quantitative or qualitative measure derived from a series of observed facts.
- Establish **output indicators** – which measure progress with an activity.
- Establish **outcome indicators** – of which there are two types:
  - **Intermediate outcome indicator** – an indicator that measures the results of activities in terms of their contribution to corresponding targets.
  - **Final outcome indicator** – an indicator that is set in a longer term perspective and should provide information on whether an objective is being met.

Source: OECD (2011), "Performance measurement and indicator development for priority V: good governance indicators in Poland", OECD, Paris, unpublished.

In Slovenia, at the umbrella level of strategic planning, the Institute for Macroeconomic Analysis and Development monitors the implementation of the Development Strategy. This is based on a system of development indicators, structural indicators and other qualitative and quantitative criteria. The achievement of development policies and objectives and the implementation of documents are monitored based on a set of programme and contextual policy indicators prepared by the Government Office for Development and European Affairs (see Table 2.3), in co-operation with the relevant ministries and by taking into account preliminary evaluations.

Table 2.3. **Indicators used to create linkages between programmes and the budget**

Policy	Programmes	Sub-programmes	Activities/measures/project
Four-year general targets	Four-year specific targets (outcome indicators)	Anticipated four-year results (result indicators)	Two-year direct outputs
"Report on policy efficiency and effectiveness" prepared by the Government Office for Development and European Affairs			Establishing the "Efficiency between inputs and direct outputs report" prepared by the Ministry of Finance

Source: Government Office for Development and European Affairs (n.d.), "Monitoring and efficiency of policies", Government Office for Development and European Affairs, Ljubljana, *www.svrez.gov.si/en/areas_of_work/development_planning_and_structural_changes/monitoring_and_efficiency_of_policies*.

Thus far Slovenia has not introduced a government-wide system of programme evaluation as exists in some OECD countries (e.g. Australia, Canada, the Netherlands, and the United Kingdom). However, a few pilot evaluations were undertaken in 2005-2008, which included the Tax Office and State Road Agency. During these pilot sessions ministry representatives, with the assistance of the IMF, attempted to identify the most important areas to be measured in terms of performance. The results indicated that in addition to the quality of performance data (discussed earlier), there are also bottlenecks in the political and administrative systems with respect to monitoring and evaluation.

Once the issue of performance data quality is resolved, Slovenia could look to introduce a targeted use of annual programme review for a limited number of programmes. The Budget Department in the Ministry of Finance could work with ministries to identify appropriate target programmes and could then propose a review programme for the year to Cabinet. Reviews should consider the appropriateness of programme objectives, indicators, and quality of data measuring results. Programme financial management, personnel management and basic operations such as procurement should also be considered.

Neither the Budget Directorate in the Ministry of Finance nor the Government Office for Development and European Affairs currently has the capacity for programme evaluation or programme review. Further expansion of evaluation would require additional resources for these two bodies.

Embedding performance budgeting

Strategic planning sets the priorities and goals that the government and the public administration wish to achieve. From this, outcomes are developed, the programmes put in place, and indicators are developed to measure the achievement of the objectives. The information collected from measuring programme and policy results can also be used to inform budget decision making. Performance budgeting provides a potential conduit between strategic planning and budgeting. It is the mechanism by which strategic vision is translated into programme spending via commonly agreed performance objectives and indicators, thereby facilitating linkages between strategy and the budget.

The information collected from measuring policy and programme performance can be used for:[10]

- informing/guiding decision making regarding the allocation and reallocation of resources in the national budget – this is performance budgeting in the strictest sense;
- internal portfolio management purposes or as inputs to decision making: planning and strategy setting; budget formulation (for budget proposals or in the allocation of funds in organisations funded through top-down budgeting); setting performance targets and monitoring whether they are met or identifying high performance or poor performing programmes for further evaluation;
- reporting and accountability of the use of funds for auditing but also for managerial and political accountability.

Performance information can be supplemented by statistical and financial data, as well as independent or external performance information (i.e. independent performance audits).

Performance budgeting in Slovenia and developments

Slovenia has been undertaking performance budgeting for the last 11 years, but this has been more presentational – it is not realistically operational and there is little transparency. In 2008, with the new government there was a desire to align national priorities to resources. Since then, the Government Office for Development and European Affairs (development planning) and the Ministry of Finance (budget) have been working more closely to create some initial links between the planning and budget processes.

A framework for performance monitoring and reporting in Slovenia's central public administration was established in 2001. Since 2002, the financial plans of budget users must contain physical, financial and descriptive indicators to measure the achievement of objectives, as well as reports on the results achieved in the first part of the current budget year. In addition, since 2003 the Ministry of Finance has developed a web application for the unified preparation of the state budget and accounts that requires budget users to provide certain indicators. However, in practice the quality of these data is uneven.

In 2009, while preparing the state budgets for 2010 and 2011, the government launched a "target-oriented budgeting" project. The budget manual for 2008-2009, prepared by the Ministry of Finance in 2007, established requirements for individual budget users to be responsible for monitoring their performance and efficiency. The manual clearly states "…that the financial plan of a direct budget user must be performance oriented and this must also be reflected in the explanations to the financial plan. This implies a clear definition of goals and the related results" (Aristovnik and Sljak, 2009). The Decree on Planning Documents and Procedures for the Preparation of the National Budget expanded upon these requirements to link planning and budgeting. Based on the decree, the Government Office for Development and European Affairs created the 16 policy working groups discussed earlier as a mechanism for working with ministries to define programme objectives and performance indicators and to co-ordinate policy.

Taking performance budgeting forward in Slovenia

As a small country, Slovenia must ensure that it does not embark on any overly ambitious programme to implement the strictest form of performance budgeting, i.e. basing budget decision making purely on the use of performance information. Not only is a direct link between performance information and budget allocation relatively rare, but comprehensive monitoring seems to be more needed in larger administrations, where the government is trying to get a clear overview of performance across sectors. Such an approach also requires the right pre-conditions to secure success, including not least capacity for developing indicators, and comparative data. Even OECD countries that are relatively advanced in performance budgeting, such as the United States, have recently reassessed very ambitious and comprehensive performance monitoring (e.g. the U.S. PART system) in the light of data quality and the value of the resulting performance information for budgetary decision making. This cannot be emphasised strongly enough. Only robust data should be used to determine funding allocations – as weak or poor data can lead to weak or poor decisions. Slovenia is encouraged to pursue realistic and achievable steps to fully operationalise the elements of performance budgeting currently being pursued. This will take time to embed within the operations and culture of the central public administration and to be accepted by decision makers. To achieve this, Slovenia may consider implementing incrementally over time:

- targeted use of programme review and evaluation in support of budgetary decision making;
- reducing and simplifying the budget classification system to better support the integration of performance information; and
- relaxing budget controls through top-down budgeting can help to increase the flexibility and accountability of budget and programme managers.

Targeted use of programme review and evaluation in support of budgetary decision making

Governments have an obligation to spend public funds in the most efficient and effective manner possible. They also need to be able to determine how successfully policies and programmes achieve desired outcomes in order to take decisions regarding future spending.

While general performance monitoring, as discussed above, may be burdensome and may not necessarily provide all of the contextual information to inform budgetary decision making, the use of performance reviews, such as programme reviews, allow performance information to be gathered and analysed in a specific programme context in order to identify poor-performing spending areas. Programme reviews assess individual and/or multiple programmes for shared populations and objectives either within or across departments/ministries and identify efficiencies, effectiveness, coherence and/or synergies in accordance with the policy purposes of the programmes (OECD, 2011h). Programme reviews can be used to support government's decision to continue funding, to eliminate programme duplications and/or rethink delivery of policy either by restructuring or cutting activities.[11]

In Slovenia, there is need for a broader use of programme reviews to assess resource requirements based on performance. Pilot sessions (discussed earlier) indicate there is little evidence of systematic performance information being provided and used in the budget process. However, line ministries did report some progress in using programme objectives to influence budget choice – examples included an increase in funding for protective clothing for police officers by the Ministry of Interior; increases in subsidies to reduce unemployment by the Ministry of Labour, Family and Social Welfare; and additional spending on nuclear safety by the Ministry of Environment and Spatial Planning.

In order to effectively use programme reviews to inform government decision making, performance information must be robust. As discussed in the previous section, Slovenia needs to strengthen capacities to set and manage an indicator system for measuring policy and programme performance. One approach is to use programme reviews in a highly targeted fashion – i.e. developing a pilot or pilots – selecting specific areas to evaluate based on where information is needed for an informed policy decision, but also where good data is available and where it is possible to develop indicators. Pilots of this sort can be conduits for building capacity in programme reviews but also in quality data and indicator development.

The performance audits of the Court of Audit could also be viewed as inputs to budget consideration. There is an opportunity for the government to use these as a source of evaluative information on programme performance. Given the limited resources for evaluation in Slovenia, the Ministry of Finance, Government Office for Development and

European Affairs and the Court of Audit should collaborate on an agenda of performance audits targeted on substantively important programme areas.

Implementing programme reviews into the budgeting process will require more oversight of results from the Centre of Government. Part of this role can be filled by the performance audits of the Court of Audit. Yet consideration should be given as to where this function could be staffed. Ultimately, the results of the review function should inform budget decisions. Organisational change and additional resources would be required to add substantive review to policy decisions. In the future, budget decisions should reflect programme review and assessment of budget policy. However, this will require more appropriately trained staff. In addition, as it currently stands, Slovenia would require considerable capacity building in order to undertake more complex spending reviews, the full implementation of performance budgeting, and the setting and measuring of programme and policy outcomes.

While evaluations can support government decision making, the budget procedures must exist to enable the reallocation of funds based on these decisions. The Slovenian budget procedure provides various possibilities to reallocate expenditures during budget implementation and to deviate from the budget approved by the legislature (Kraan and Wehner, 2005). Budget reallocation can occur through amendments to the approved budget; restrictions imposed on approved spending; transfers among spending items; and the use of budget reserves. However, as budgets are approved at the sub-programme and spending unit level, a majority of transactions are administrative actions which are reallocations needed to adjust narrowly defined spending authority. While there is opportunity for budget reallocations, what is not clear in Slovenia is how reallocation decision making is determined and if it is based on performance against government objectives.

Reducing and simplifying the budget classification system to better support the integration of performance information

Over two-thirds of OECD countries include non-financial performance information in their budget documents. However, some have moved beyond the presentation of performance information in documentation and sought to alter the classification and structure of their budgets from traditional concentrations on organisational units to considering budgets in terms of outcomes and goals that tend to cut across these units. Certain budget classifications are more conducive to the integration of performance information than others (Pollitt, 2001). For example, programme or outcome and/or output classifications are more open to incorporating performance information than line-item budgets. The line-item format tends to facilitate micro-control and to make it difficult to include any type of information on performance. By contrast, budgets with a single consolidated appropriation for all operational costs increase financial and managerial flexibility and facilitate the integration of performance information (OECD, 2007).

The Slovenian budget system has a complex account structure (see Box 2.9). Over the past several years, the government has modified programme classifications to better tie to policy areas. The number of policy areas and programmes has been reduced, simplifying the budget classification. Slovenia has classified its budget activity into 16 policy areas, 54 programmes, and 116 sub-programmes. The number of programme breaks has been almost cut in half from 24 policy areas, 94 programmes, and 196 sub-programmes. Functional classification has been broken into 10 functions, 69 sub-functions and

111 classes. Resource allocations in the Budget Memorandum are determined at the level of the institutional classification by sub-programme. The budget detail presented at the level of institution, programme and economic classification totals approximately 9 000 budget line items.

Box 2.9. The five major classifications of budget expenditures in Slovenia

There are five major classifications of budget expenditures:

1. **Institutional classification** – who spends the money?
2. **Economic classification** – how is the money spent, for which type of expenditure (e.g. for current expenditure for personnel, travel, or purchases or capital expenditure)?
3. **Programme classification** – for what is the money used (i.e. on which programme or policy)?
   - **Policy** – set of programmes with common general objectives.
   - **Programmes** – complete sets of sub-programmes meeting common objectives. Programmes are further broken into:
     - ❖ **Sub-programmes** – complementary activities or projects.
     - ❖ **Activities** – groups of actions needed to achieve objectives or expected results.
     - ❖ **Projects** – economically inseparable set of activities needed to meet objectives.
4. **Functional classification** – on what is the money spent as defined by the United Nations Statistical Division classification?
5. **Source of funds** – from which funds will the expenditure occur?

The Ministry of Finance has been working to simplify the budget classification system by moving toward programme classification.[12] However, the continuing focus on economic classification conflicts with this progress. Despite simplification attempts, the account structure for the Slovenian budget is still very detailed, creating a potential conflict between accountability to programme managers and micro-controls on the budget. The complex structure also has the effect of making the budget less transparent. Only experts and technicians can possibly understand the implications of such detailed presentations. Reducing input data and expanding programme data in the budget should help to make the budget more effective and transparent to users. To be effective, however, this needs to be undertaken in conjunction with the development of concrete and meaningful performance indicators and with giving managers managerial discretion to achieve agreed-upon performance objectives. Otherwise, the risk is that the budget becomes more opaque (i.e. less clear about where money actually goes) without an increase in accountability since the performance indicators are not realistic.

It should be noted that the initial alteration of budget structures can help to promote a greater emphasis on outputs and outcomes. Yet even countries that have altered their budget structures continue to struggle with the integration of performance and financial information. For example, in the mid-1990s the Swedish Government changed the structure of its budget to more closely reflect government policy priorities. Its restructured financial classification divides the budget into 27 expenditure areas and creates a programme classification. Several attempts have been made to more closely integrate the financial and performance parts in budget documentation. Despite these efforts, discussions on the budget in government and Parliament centre on expenditure areas and appropriations. There remains a clear separation between the financial and the performance aspects of the budget (OECD, 2007). It will be important for Slovenia to keep this experience in mind as it looks to revise its budget structure.

Relaxing budget controls through top-down budgeting can help to increase the flexibility and accountability of budget and programme managers

In a top-down approach to budgeting, the Cabinet, via the central budget authority, sets ceilings for line ministries to formulate their respective budget proposals. Budget ceilings are usually set taking into account the economic assumptions and the strategic and fiscal priorities of the government.[13]

Top-down and bottom-up approaches to budgeting should be undertaken in a two-staged budget formulation process: the establishment of ceilings by the central budget authority represents the first stage of budget formulation, and the preparation of bottom-up estimates represents the second. To support a performance-oriented approach to budgeting, as part of top-down budgeting processes, the central budget authority may also delegate greater responsibility to government organisations over the allocation of resources within their top-down ceilings (Hawkesworth and Von Trapp, 2011).

While elements of a top-down budgeting approach exist, Slovenia has yet to devolve responsibility to budget users for allocating their financial resources. The benefit of a top-down approach when combined with budget user devolution is the flexibility gained in the achievement of programme outcomes. However, for this to be effective, greater accountability is required from the line ministries now responsible for allocating money to their individual appropriations.

Despite operating a tightly controlled budgetary system, Slovenia has a history of line ministry budget overspends, which to date have not been effectively managed. Based on this, stronger accountability mechanisms are needed if a full utilisation of top-down budgeting in Slovenia is to be effective at meeting its objectives. These mechanisms could include performance reports and performance evaluations. Performance reports aim to more explicitly measure performance and are an important vehicle for ministries and agencies to define and justify performance targets and/or compare the performance results of previous years against present targets. Performance evaluations, even more than performance reports, offer "results-" oriented data on outputs and outcomes and can provide measures of efficiency or cost effectiveness. They may also offer more nuanced information that is useful in budgeting decisions, such as external factors affecting performance, organisational/capacity constraints, etc. Thus, a performance evaluation, unlike a performance report, may not only reveal or report a poorly performing organisation, programme and/or policy which do not demonstrate value for money, but also perhaps demonstrate that an increase of funds (not a reduction) is warranted to improve performance and ensure objectives are achieved. Unlike performance reports, evaluations are self-contained (i.e. more easily related to a specific organisation, policy or programme) and usually conducted in a more objective fashion. (Performance reports are communications tools and therefore tend to be less objective – they are generated by the organisation itself as a means to support its budget proposal and strategy [OECD, 2011d]). Regardless of the mechanism(s) developed and implemented, this accountability needs to occur at the ministerial and administrative levels, and requires a strong move to a performance-oriented administration. For as long as there is a culture of overspends and few appropriately placed accountability mechanisms, Slovenia will not reasonably be able to devolve responsibility to ministries for the allocation of resources within their top-down ceilings.

To fully utilise a top-down budgeting approach, behavioural change is needed. Budget managers and line ministries must assume more responsibility for defining programme objectives and measuring performance. Budget controls from the Ministry of Finance must be relaxed, providing more flexibility for budget managers to manage resources to achieve programme objectives. Managers could be given more discretion as they demonstrate accountability. In addition, reducing economic classification allocations (as discussed earlier) can help provide budget managers with greater flexibility to reallocate funds within their portfolio.

The Ministry of Finance should work with the Ministry of Public Administration and the Government Office for Development and European Affairs to establish appropriate strategies for fiscal control and the accountability and managerial frameworks to support the use of top-down budgeting.

Further simplifying the budget system

Fundamental to achieving the central government's policies and programme priorities are well-functioning budget systems and the institutions that support them. The Slovenian budget system is well structured and has generally provided an effective base for the country's public finance system.

Since the 2005 OECD review of its budgeting practices (Kraan and Wehner, 2005), Slovenia has continued implementing reforms to strengthen its public finances. These have included expanding performance budgeting, strengthening development planning and linkages between planning and budgeting, and implementing a fiscal rule and the use of a medium-term fiscal framework to improve budget financial planning and the sustainability of public finances. However, more can be done to continue modernising Slovenia's public budget system in order to better support budget decision makers and inform the legislature and the public about the government's fiscal policy, including:

- reorganising economic and budget functions;
- simplifying the budget cycle;
- increasing the transparency of budget data; and
- expanding the role of the Parliamentary Commission for Budgetary and Other Public Finance Control in Audit.

Reorganising economic and budget functions

Governments need a well-functioning budget system and supporting institutions with clearly defined roles, adequate capacities, relevant capabilities, and good co-ordination to achieve their policy and programme priorities.

In terms of the budget cycle, the central budget authority takes the lead in preparing the annual budget and enforcing the control of expenditures during its implementation. The power of a central budget authority comes from its role in helping governments achieve sound budget outcomes, particularly fiscal discipline. The location of the central budget authority within the executive apparatus generally, but not always, rests with the Finance Ministry.[14]

As described in Box 2.10, Slovenia's economic and budget finance functions are split across a number of different bodies:

- the Institute for Macroeconomic Analysis and Development (IMAD);
- the Ministry of Finance;
- the Government Office for Development and European Affairs (GODEA); and
- the Fiscal Council.

Box 2.10. Organisation of economic and budget finance functions in Slovenia

Institute of Macroeconomic Analysis and Development (IMAD)

The Institute of Macroeconomic Analysis and Development (IMAD) is an independent government body responsible for monitoring, analysing and evaluating current trends, as well as the economic, social and environmental dimensions of development. Its director is appointed by the government for a five-year term. It has approximately 60 staff: 50 economists, of which 10-15 are fiscal economists who are experts on specific economic variables (for example, unemployment, trade and monetary policy). Some of these staff are devoted to research on the economic implications of social topics – for example, environment, local development, and investment. IMAD produces a biannual economic forecast and its economic assumptions are used by the government. IMAD's director participates in government discussions on the Budget Memorandum. It is a highly respected institution whose analysis is perceived as strictly objective and without bias (OECD, 2011e).

Ministry of Finance

The Ministry of Finance has three departments staffed by macroeconomists:

- The Macroeconomic Analysis and Governmental Accounts Department, with a staff of five, is responsible for statistical reporting, annual financial reports and contributing to the drafting of the Stability Programme.
- The Fiscal Forecasting Department, with a staff of four, develops the fiscal forecasts for Slovenia. It developed the fiscal rule and together with the Macroeconomic Analysis Department provides input for drafting the Stability Programme.
- The International Finance Department, with three macroeconomists, is responsible for the preparation of the Stability Programme.

Government Office for Development and European Affairs (GODEA)

The Government Office for Development and European Affairs has two departments staffed by economists and strategic development experts:

- The Economic and Financial Policies Department has a staff of eight, and is responsible for the co-ordination of economic and financial policy at the EU and national levels.
- The Development Policies and Structural Reform Department has 11 staff members, responsible for strategic development and development policies.

Box 2.10. **Organisation of economic and budget finance functions in Slovenia** (*cont.*)

Fiscal Council

The Fiscal Council was established in 2009 to provide an independent assessment of fiscal policy and the implementation of structural reforms. Five independent economists have been appointed to the Fiscal Council. Thus far, the Council has no staff or independent analytical capacity. Its reports have been characterised as a collection of independent views, not presenting a consensus of the Council. Its main tasks are:

- *ex post* evaluation of the stability and sustainability of fiscal policy set out in the annual Budget Memorandum and the Stability Programme;
- assessment of the adequacy of fiscal targets with the medium-term macro-fiscal framework;
- annual evaluation of the effectiveness of public spending, including EU funds;
- annual assessment of the trends of individual categories of government revenue and expenditure in terms of the sustainability of public finances;
- appraisal of the consistency of fiscal policy with the long-term sustainability of public finances when considering the aging population;
- assessment of the transparency of public finance and the quality of economic forecasts used in the process of budget preparation;
- evaluation of the effectiveness of implementation of structural policies from the perspective of ensuring long-term sustainability of public finances, economic growth and employment; and
- appraisal of general government debt management and guarantee schemes from the point of view of sustainability and stability of public finances.

The functions of these four organisations appear to overlap in some cases or be ill-placed. For example:

- The macroeconomists in IMAD develop economic assumptions and forecasts, as do the two macroeconomic offices within the Ministry of Finance which develop the Stability Programme and the medium-term fiscal framework (MTFF) for the government.
- The Government Office for Development and European Affairs has an Economic and Financial Policies Department which has responsibility for the co-ordination of national and EU-related economic and financial policy.
- The Fiscal Council has a very broad mandate, but no staff to support its five principals. Thus, additional resources will almost certainly be needed to fill its mandate.
- Personnel budgeting is divided between the Ministry of Finance and the Ministry of Public Administration, potentially creating a lack of co-ordination in budget policy for government salaries. Review of capital budgeting is separated from review of operating budgets, resulting in budget policy incoherence for policy areas.

- The budget functions of the Ministry of Finance are not optimally structured for the activities of a modern budget office. Thirty of the 85 staff members are allocated to the Budget Department, where only 15 of these staff are budget analysts assigned to review specific ministries or programmes. Small staffs are allocated to capital budgeting, review of local community budgets, and the two macroeconomic units.

The roles and responsibilities of Slovenia's four organisations ought to be clarified and the relationships between them better defined. For example, the functions of the Fiscal Council should be re-evaluated. Doing so could be approached in two ways. The first would be to transfer the functions of the Fiscal Council to IMAD, an organisation with a large support staff. This would require IMAD itself becoming fully independent and would reflect structures in other OECD member countries (e.g. the Central Planning Bureau – CPB – in the Netherlands). Another approach would be to increase the Fiscal Council's resources and place the institution put under Parliamentary authority. This however, would require evaluating whether or not the Fiscal Council should – and has the resources to – undertake costing and/or budget impact analysis.

Slovenia should consider consolidating smaller budget offices into the Ministry of Finance's Budget Department, expanding budget analyst staff by programme area and ending organisation by type of funding. Organising budget staff by programme rather than type of activity reviewed has been an organisational principle followed by many OECD countries, including the last organisational change within the Office of Management and Budget in the United States.

Simplifying the budget cycle

The budget cycle also plays a critical role in determining the efficiency and effectiveness of budgetary decision making. The budget cycle refers to all the major decision-making events surrounding the budget: formulation, approval, execution, reporting, and audit of government accounts.

Slovenia prepares and enacts annual budgets for two consecutive years on a rolling basis.[15] Article 13(a) of the Public Finance Act requires the government to submit a complete budget for the subsequent year together with the budget for the budget year. The budget for the subsequent year is to include the Budget Memorandum, the proposed central government Budget with explanations, proposed sales of assets, and proposed changes in law. The only budget documents required for the budget year that are not required for the subsequent year are proposed financial plans for the social security funds and public funds and agencies founded by the central government. Two separate tables, each showing budgets by line item for one year, are submitted.

The rationale for considering budgets for two consecutive years is to limit non-substantial changes from year-to-year and to provide greater stability for ongoing government activity. In the current budgetary situation where budget consolidation is required over a period of years, enacting two budgets could provide greater certainty for budget users to plan expenditures within the constrained resources. In the event the budget is not enacted, spending can occur against the second-year approved budget from the prior year. This takes effect in election years. No budget is considered in an election year until amendments are proposed by the new government.

Currently, there are many changes proposed in the second-year budget when it becomes the budget for the present year. The Ministry of Environment and Spatial Planning estimated that 20% of the budget lines were amended when the second year became the current year. Guidance limits changes to those cases where there are substantial changes in economic assumptions, changes in policy, or substantial deviations in current requirements from those budgeted for the subsequent year. This said, when there are changes in the level of budget, an impact evaluation should be undertaken *vis-à-vis* performance indicators and programme outputs. Based on conversations with ministry budget officials, it was not clear if the estimates for the second year were given as much attention as the proposals for the budget year. Under current law, local governments and indirect budget users may propose budgets for two years. The proposed Public Finance Act amendments would mandate two-year budgets for both.

Extensive second-year revisions are required every year when the consecutive year's budget becomes the current budget. It appears that ministries are focusing a majority of their attention on the budget year, assuming that changes will be made to the out-year's budget at a later date. This raises the question of the value of this procedure.

As discussed earlier in the section on top-down budgeting, a reduction in the number of line items along with the introduction of medium-term expenditure ceilings should reduce the need for detailed budget planning in the second budget year, thereby simplifying the budget process while maintaining the stability of funding levels. The planned implementation of the medium-term fiscal framework could reduce the need for out-year figures by budget line, particularly if the second-year budget lines are not considered firm. Alternatively, if budget decisions were made at a higher level, detailed shifts could be made without budget amendments.

Parliamentary scrutiny and approval of the budget

The approval stage of the budget cycle is an important opportunity for debate of the executive's policy and priorities. The Slovenian Public Finance Act requires the government to table the draft budget in the National Assembly before 1 October each year. Following the presentation of the budget by the Minister of Finance, it is referred without debate to the committees of the Parliament. The National Assembly has 14 standing committees that generally correspond with individual ministries or cover related areas. Following the ten-day consideration period for sectoral committees, the Committee on Finance and Monetary Policy exercises a co-ordinating function. This committee has five additional days to deliberate on and co-ordinate various amendment proposals. The Finance Committee consists of 15 members – 8 coalition members and 7 opposition members – and is chaired by a member of the ruling coalition. No specialised budget analysts are attached to the legislature. The Finance Committee has one staff person to provide administrative support.

Based on the committee's review of the budget and various amendments, it prepares a report to the President of the National Assembly. Within 30 days after the tabling of the initial draft budget to the committees of the Parliament, the government reacts to the report of the Finance Committee and tables a second budget proposal, a supplemented draft that responds to the amendments is put forward by members.

The Slovenian process appears to work without being too complicated. However, if the review process in the Finance Committee were extended and the government worked more closely with the committee, it might be possible to simplify the process by eliminating the submission of a revised budget.

The budgetary oversight function of legislatures contributes to transparency and public financial accountability. The presentation of the budget and related documentation in the legislature is normally the first opportunity for public scrutiny of the government's spending priorities. Legislatures and their committees require an adequate amount of time to reflect upon and debate budget documentation prior to approval. This is particularly important in order to ensure that legislative committees (which exist in all OECD legislatures and which provide the most in-depth scrutiny of the budget) have sufficient time to review, debate, and propose amendments. The OECD "Best Practices for Budget Transparency" (OECD, 2002) recommends that the executive's draft budget should be submitted far enough in advance to allow for its proper review by the legislature. This should be no less than three months prior to the start of the fiscal year and the budget should be approved by the legislature prior to the start of the fiscal year (OECD, 2011c).

The overall timeframe for parliamentary scrutiny of the budget in Slovenia is limited. The use of standing committees for budget review and the Finance Committee for co-ordination functions seems to allow broad input while maintaining fiscal discipline. However, the overall time allowed for parliamentary review and approval is about 45 days. In contrast, legislative debate on the budget ranges from one month in Australia to up to eight months in the United States. In approximately half of OECD member countries the legislature has up to 3 months to debate the budget: in 12 countries it has 2 months and in 3 countries it has only 1 month. Should Slovenia consider reducing the number of budgets submitted from two years to one, this time savings could be used to increase the amount of time available for legislative debate.

Increasing the transparency of budget data

Budgets for two consecutive years are presented in two separate tables showing only one year's data. This presentation is required based on an interpretation by the Public Finance Act, which specifies requiring a budget for the consecutive year. Presenting budget data as two multi-page tables showing one year's data is extremely difficult for most people to understand, including for parliamentarians and citizens.

While Slovenia ranks high in terms of the openness of its annual budget process, the information provided is not in a form that is easily accessible. Here, accessible does not mean made available, but rather how it is made available. The results of the 2008 Open Budget Survey (OECD, 2009b) indicate that Slovenia is one of 12 countries ranked as providing substantial information to the public. Only five countries (France, New Zealand, South Africa, the United Kingdom, and the United States) make extensive information publicly available as required by generally accepted good public financial management practices. The current presentation of the budget information in Slovenia does not completely fulfil this standard and thus should be reconsidered. The survey noted several recommendations for governments to improve budget transparency, including by disseminating budget information in a manner that makes it understandable and useful to the wider population, such as through a citizen's guide to the budget and institutionalising mechanisms for public involvement in the budget process, including public hearings during budget formulation and at regular intervals throughout the budget cycle. Civil society can also help by producing and disseminating simplified versions of key budget documents, ensuring wider access to budget information.

Of particular interest to Slovenia should be the development of a citizen's guide to the budget. It was apparent to the OECD that the government and central public administration are not that successful in communicating the budget decisions of government. This was evidenced in interviews with civil society and trade unions who, for example, either did not seem to be aware of the total package of fiscal consolidation measures being implemented by government, or did not want to acknowledge it. It is easy for interest groups to only focus on how cuts affect them, but in times of crisis it is necessary to have a view of the full picture, including the need for fiscal sustainability and the extent to which all parts of society are sharing in the burden of fiscal consolidation. While greater communication may not necessarily gain the government additional support for the measures, it can help soften criticism. Communicating government decisions in a form and manner that citizens and social partners understand and hear can help to demonstrate, for example, that in times of crisis one societal group is not targeted more for cutbacks than another.

By making the information more user-friendly, a citizens' guide to the budget can help to raise awareness of public budgeting and decision making to the general public (see Box 2.11). Such a document can help governments explain how public funds are being used. However, relatively few governments currently publish a citizens' guide to the annual budget. Some countries publish a budget summary that has some of the features of a citizens' guide. For example, on budget day the New Zealand Treasury publishes a budget executive summary and separately a "key facts for taxpayers" card and a tax "ready reckoner". Some other countries also publish budget overviews and/or "budget at a glance" documents that summarise the contents of the budget (e.g. Australia, Canada and the Netherlands). There are also some related guides published by governments and NGOs that describe other aspects of public finances. Examples are the United Kingdom Government's pre-budget report; the guide produced by the United States Government to accompany its end-of-year financial report; and the guide to the Croatian budget process produced by the Institute of Public Finance (Petrie and Shields, 2010). A useful first step for Slovenia could be to publish a guide to the audited end-of-year financial statements in addition to the citizens' guide to the budget.

Box 2.11. **Characteristics of a "citizens' guide to the budget"**

Publishing a good citizen's guide to the budget includes:

- publishing both the citizens' guide to the budget at the same time as the budget and publishing other guides at different points in the budget cycle (including a supplement on the passage of the budget if significant changes have been made by the legislature to the initial budget), with the analysis in the documents linked;
- publishing the guide at the same time that the annual budget is presented to the legislature;
- being stand-alone and user-friendly, aimed at the general public;
- containing a common core of information, while recognising that each guide needs to be tailored to individual country circumstances and public financial management capacity;
- being widely disseminated and encourage public understanding and discussion of the state of the public finances; and
- having sought civil society feedback on the contents and format of the guide.

Source: Petrie, Murray and Jon Shields (2010), "Producing a citizens' guide to the budget: why, what and how?", *OECD Journal on Budgeting*, 10(2), OECD Publishing, Paris, *http://dx.doi.org/10.1787/budget-10-5km7gkwg2pjh*.

Expanding the role of the Parliamentary Commission for Budgetary and Other Public Finance Control in Audit

Slovenia's National Assembly has created a Commission for Budgetary and Other Public Finance Control to oversee financial reports produced by the government and the Court of Audit. The commission has nine members and is chaired by a representative of the opposition. Its mandate is to supervise the implementation of the state budget, the budgets for the pension and health insurance funds, local authorities and public enterprises. It reviews the annual financial statement on the state budget and the audit reports of the Court of Audit. The annual financial statement is also discussed by the plenary session of the National Assembly.

The capacity of the commission for audit scrutiny is very limited. The commission convenes once per month on average. Its members also serve on other commissions, resulting in competing demands and commitments. In addition, the number of commission staff is limited, thus requiring the commission to rely of the Court of Audit for staff support. This results in a relatively small amount of time available to review the audit reports. One important change from the 2005 OECD budget review of Slovenia (Kraan and Wehner, 2005) is that the relationship between the commission chair and the Court of Audit is apparently currently quite supportive, in contrast to the friction between the two institutions reported in the review.

The role of the Parliament's Commission for Budgetary and Other Public Finance Control in Audit Reports should be expanded. The amount of time that the commission now has to give attention to many of the Court of Audit reports is limited. Thus, either the commission should be expanded or converted into a full committee, or it should have additional staff capacity. As the government moves toward more emphasis on performance management, the commission's role should be expanded. Alternatively, the Standing Committees of Parliament could assume a greater role for reviewing performance.

Notes

1. Indicators are also required to monitor and evaluate progress.

2. Please refer to Chapter 4 “Strategic insight” in the *OECD Public Governance Review of Finland: Working Together to Sustain Success* (OECD, 2010b) for a complete discussion of analysis horizons, and specifically pages 117-121 for horizon scanning.

3. Continuous scanning is the requirement for foresight. Horizon scanning is the example of continuous scanning, and is a developed methodology. Weak signals refer to issues that are coming up, but the signal is not yet clear. These concepts were elaborated in the Public Governance Review of Finland.

4. Based on Government of Slovenia (2005b, 2006, 2010a, 2011).

5. The EU 15 reviews, carried out between 2008 and 2010, analysed regulatory policy znd governance developments in the 15 original member states of the EU, including the capacity to manage EU regulations.

6. The Janša Government was elected in 2004, the Pahor Government was elected in 2008 and the new coalition government was elected in December 2011.

7. At the time of closing this report (end 2011) the composition of coalition members had not been agreed.

8. Skills and experience shortages are not unique to Slovenia and have been experienced by other small countries, such as Estonia.

9. Capability audits/reviews generally assess how well-equipped the public administration is to deliver the government’s agenda now and into the future and to provide advice on where support is needed to make improvements. An example is the UK Civil Service Capability Review Programme.

10. Based on the accompanying guideline for the OECD 2011 Performance Budgeting Survey (OECD, 2011d).

11. Programme reviews provide a useful tool to support decision making. However, spending reviews (either functional or strategic), while more complex, can make a greater contribution to decision making, both in terms of analysis and recommendations under alternative funding levels, and in terms of the budget process (OECD, 2011e).

12. The expected amendments to the Public Finance Act will propose adopting the GFS 2001 standard for budget classification, a broader definition of general government, and complete coverage of government economic and financial activities. The GFS 2001 introduces a new economic classification and prescribes a full set of accounts and full balance sheets for the general government sector.

13. To be effective, top-down budgeting should ideally be undertaken utilising a medium-term fiscal framework. Slovenia recently implemented a fiscal rule and the use of a medium-term fiscal framework to improve budget financial planning and the sustainability of public finances.

14. In 2005, in 25 of 30 OECD member countries, the central budget authority was located within the Finance Ministry (OECD, 2005).

15. Several OECD member countries do approve multi-year fixed expenditure frameworks, for example the Netherlands, Sweden and the United Kingdom. In the United States, multi-year budgets are approved for defence and for some major procurement agencies such as the National Aviation and Space Administration (NASA). In these examples, revisions are made within agreed totals that cover two or more years. Some US states enact budgets that specify approved levels for two years. In constructing these, two annual increments are incorporated into a two-year budget proposal.

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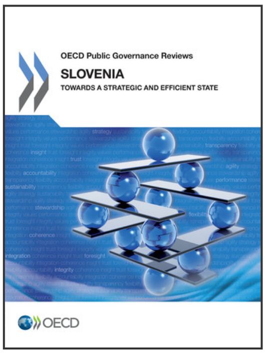

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