

BUDGETARY PROCEDURE REFORMS IN SLOVENIA –

*Assesment of Public Expenditure Management
Systems, by SIGMA, (Support for Improvement in
Governance and Management in CEE Countries, OECD &
EU, July 15, 2000), AND UPDATE*

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SLOVENIA - ASSESSMENT OF PUBLIC EXPENDITURE MANAGEMENT SYSTEMS -

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**BUDGETARY PROCEDURE
REFORMS AS PUBLIC
EXPENDITURE MANAGEMENT
REFORMS IN SLOVENIA**

**.....IT IS ALL ABOUT
TRANSITION OF GOVERNMENT
ROLE IN ECONOMIC LIFE IN
SLOVENIA.....**

1. Public Expenditure Management Systems - Legislation

- **The Constitution**
- **Standing Orders of the National Assembly (SONA)**
- **Law on Public Finance or Organic Budget Law (OBL)**
- **Annual Law containing provisions for the implementation of the State Budget**
- **Law on Financing of Local Communities**
- **Public Sector Accounting Law, Law on Public Funds etc.**
- **Decrees, Instructions, Methodologies and other Bylaws, etc..**

2. Parliament - Executive Relationship

- **SONA create working relationships between the government and the Parliament in the preparation and approval of the state budget.**
- **SONA regulates :**
 - **Budget memorandum in which the basic goals and tasks of budgetary policy are stated,**
 - **When the government must submit the draft budget,**
 - **Rules concerning supplementary budgets,**
 - **Rules for how to handle a situation where a state budget has not been approved before the start of the fiscal year.**
 - **Concerning the annual financial statement on the government's implementation of the state budget.**
- **Amendments proposed by members of the national assembly may not change the balance between revenues and expenditures as proposed by the government plus other rules in new SONA (2000-2001).**

3. Scope of the Public Finance and State Budget

- **Public expenditures are already rather high (about 43-44 per cent of GDP).**
- **The central government budget expenditures correspond to 25-26 per cent of GDP (net 21-22).**
- **Almost equally large are the expenditures of the two extra-budgetary funds for pensions and health insurance.**
- **Large number of extra-budgetary operations with various legal positions (funds, public institutions, etc).**
- **Local government operations and expenditures correspond to only some 5 per cent of GDP.**

4. Medium-term Economic and Budgetary Framework

■ Presently, the state budget is not conceived in a medium-term context. The state budget for the year 1999 and 2000 was prepared in a two-year (1999 - 2000) framework. The 2002 and 2003 is being prepared in such a manner

- Intention is to move in the direction of medium-term planning and budgeting. The Budget Memorandum shall (and now does) comprise the main macro-economic assumptions, the fiscal policy targets and the planned measures for achieving them for the next three years.
- The design and the implementation of the methods and procedures remain to be accomplished.
- The efforts to design the budget in a medium-term framework – and to produce convergence programmes – might be facilitated if the Ministry of Finance had a more direct and close relationship to the IMAD.

5. Budget Preparation Process

- **The budget preparation phase is now clearly structured and planned. According to the new timetable:**
 - **the Government approves a Budget Memorandum in early April.**
 - **Minister of Finance issues a budget circular specifying the priorities, the economic indicators, technical provisions, and forms to be used.**
 - **IN THE MEAN-TIME, TWO-STEP AND STRONG TOP-DOWN APPROACH HAD BEEN INTRODUCED**
 - **Spending units are invited to submit their budget proposals in late May-June.**
 - **The Ministry of Finance starts negotiations with them in early June and July .**
 - **In early September the final negotiations are carried out within the Government.**

6. Budget Management of Public Investments

- Improved procedures for investment planning have recently been approved.
- Organic Budget Law (OBL) prescribe a:
 - synchronised planning procedure for capital investments,
 - which will include systematic evaluation and selection of projects within an overall budgetary financial ceiling provided for in the budget.
 - The Ministry of Finance will have a more decisive role than hitherto in the preparation of the investment plan.
- **Plan of Developmental Programs IMPLEMENTED** (1st time for 2001 Budget)

7. Presentation of Budget Documents to the National Assembly - part I

- The budget proposal should be submitted to the National Assembly no later than 1 October.**
- At the same time a Budget Memorandum is submitted – adopted earlier by the Government**
- According to the OBL the revised version of the Budget Memorandum, fully consistent with the final draft budget, will be presented to the National Assembly at the same time as the draft budget is submitted.**

7. Presentation of Budget Documents to the National Assembly – part II

- **The state budget structured according to:**
 - **Ministries and spending units which in turn are further subdivided.**
 - **The number of lines in the budget amounts to some 2,500 divided from 2001 on into:**
 - **23 Budgetary Areas**
 - **89 Main Programs**
 - **300-400 Subprograms (including budget items and within that economic categories (salaries, goods and services, transfers, capital expenditures)).**
 - **FURTHER METHODOLOGICAL CHANGES IN IMPLEMENTATION**

8. Execution and Monitoring of the Budget I - Execution

- The execution of the approved state budget relies heavily:
 - on ex-ante financial planning and control
 - and checks on liquidity.
- It would be optimal to spend more time on budgetary planning and negotiating activities, rather than implementation: OBL respects this recommendation.
- A *functional classification* of state expenditures according to COFOG (1999) has been initiated and implemented in 2000, 2001 and thereon

8. Execution and Monitoring of the Budget II - Execution

- The Government is also authorised to block expenditures under certain conditions.
- Only under very specific conditions may unused funds be carried over from one year to the next.
- The legally maximised state borrowing.
- LIB authorises to reallocate between spending units and lines the spending units, the Minister of Finance and the Government.
 - some exceptions (not increase salaries, not decrease investments).
 - In some cases the National Assembly must be informed of such reallocations.
 - NEW RULES IN 2001 AND 2002 AND THEREON

8. Execution and Monitoring of the Budget III - Monitoring

- Accounting for most state operations is centralised in the Ministry of Finance, information is available, if so required, on line and in real time.
- A decision has been taken to:
 - expand the Budget Inspection unit belonging to the Ministry of Finance and
 - create small units for internal audit in major spending units.
- A decision has been taken to introduce:
 - a Treasury Single Account system and
 - a Treasury General Ledger system.
- **NEW LAW ON COURT OF AUDITORS**

9. Accounting and Reporting I. - Accounting

- In late March 1999 the National Assembly adopted a Public sector Accounting Act.
 - Central government, local authorities, the social security funds and a range of other public operations will use *uniform rules for accounting and annual reporting*.
 - Accounting is to be on a cash basis for budget financed operations.
 - A *uniform economic classification* of expenditures and revenues complying with GFS and ESA95 requirements has recently been introduced.

9. Accounting and Reporting II. - Reporting

- **National accounts broadly corresponding with the ESA95 standard are now estimated on a quarterly basis.**
- **Full attention should be given the need to upgrade the Slovene national accounts statistics. (Complete, high quality and timely presented national accounts statistics in full compliance with the ESA95 standard is of great importance for a (prospective) EU member state.)**

10. Capacity for Up-grading the Budgetary System

- Several important procedural and technical changes are being planned focusing on budget management issues:
 - ◆ New functional-program structures
 - ◆ New Public Procurement Rules
 - ◆ Top-down procedures: power vs. procedures
 - ◆ New spending units structure
 - ◆ New Public “Zavods” law
 - ◆ New Public (State) Employees law etc...
- Additional and adequate technical assistance:
 - IMF/WB – Center for Public Finance &nd
 - EU assistance absorbed (e.g. a twinning project with the Swedish government).