The background features a solid blue field. In the top-left corner, there is a lighter blue square. A thick, dark red horizontal bar is positioned below the top-left corner, extending towards the center of the slide.

CAPITAL BUDGETING IN SLOVENIA

PEMPAL Budgeting Community of Practice

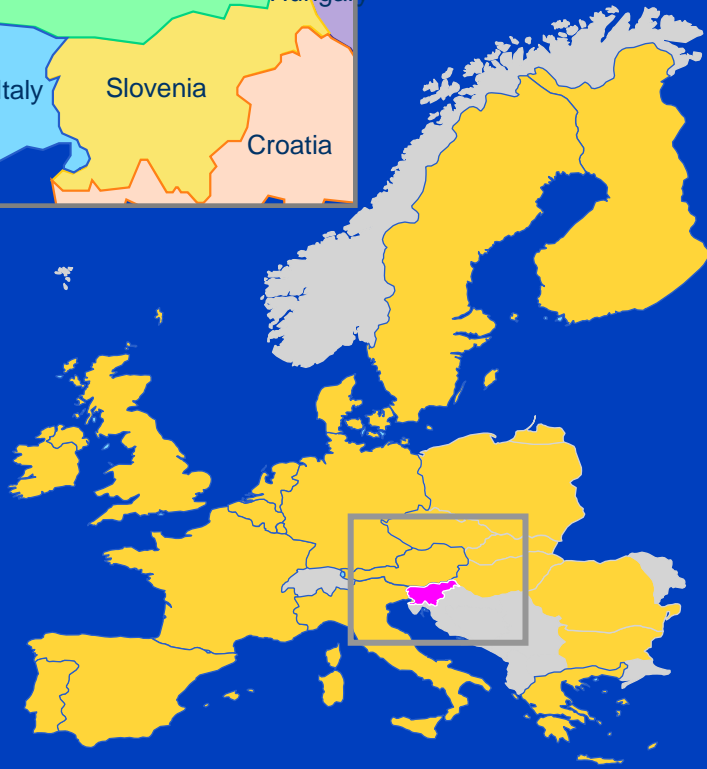
Minsk, 15 June 2011

OUTLINE



- Country context
- Strategic Planning
- Budget Preparation
- Project appraisal and documentation
- Implementation
- Monitoring and Audit

Country Context (1)



EU countries

Slovenia

- ◆ GDP per capita in 2009 = 88% of EU average (PPS)
- ◆ Small, open economy
- ◆ Track record of stable macroeconomic performance
- ◆ Average annual growth of 3% in past 10 years
- ◆ Euro adoption in January 2007

Country Context: impact of crisis

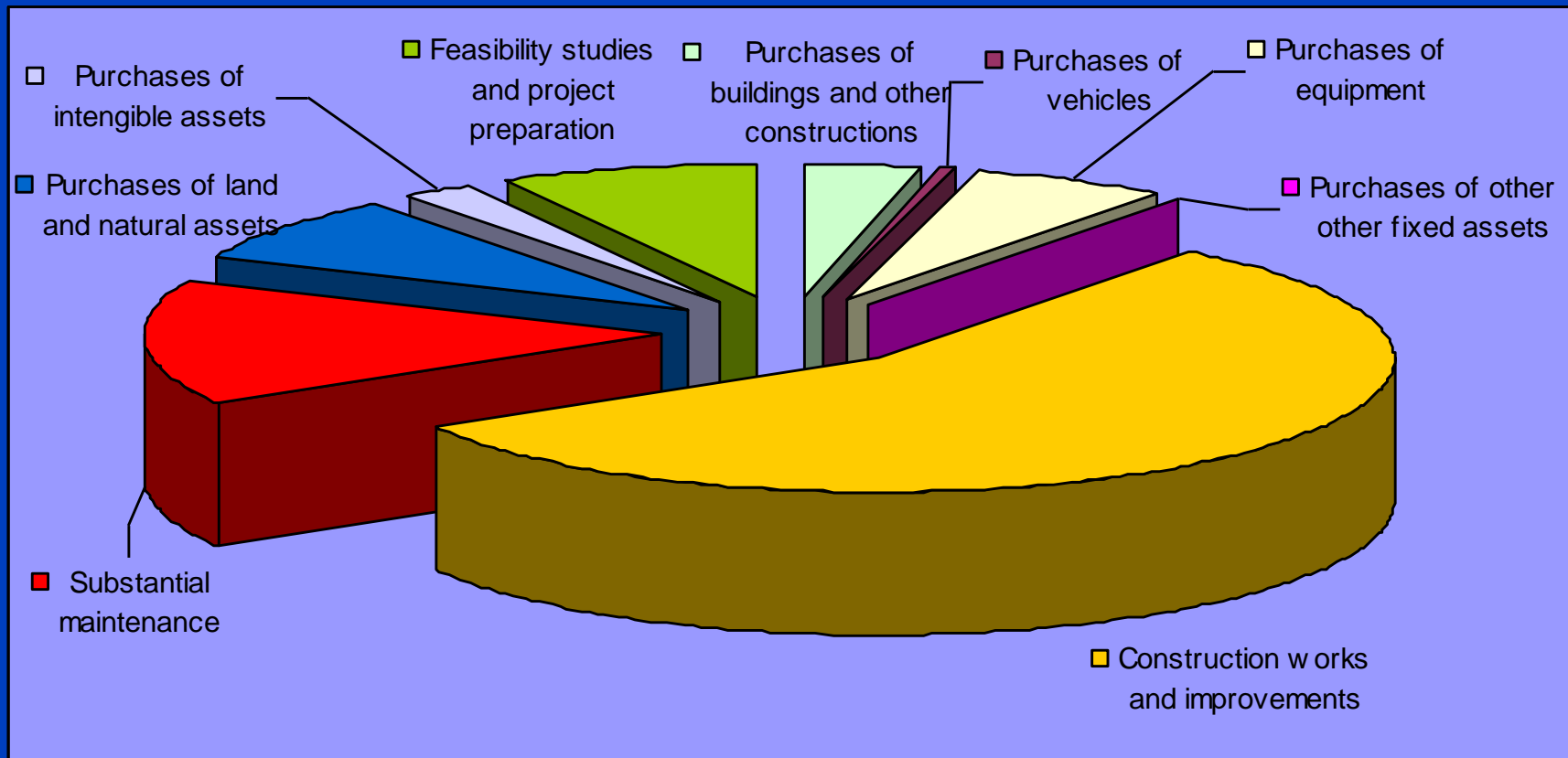
% GDP	2008	2009	2010	2011	2012	2013
GDP growth	3,7	-8,1	1,2	1,8	2,2	2,3
CAB	-6,7	-1,5	-1,1	-2,1	-2,1	-1,5
Revenue	42,4	43,1	43,5	44,2	43,5	43,0
Expenditure	44,2	49,0	49,0	49,7	47,4	45,9
GG Balance	-1,8	-6,0	-5,5	-5,5	-3,9	-2,9

- Impact of crisis through export channel → gradual recovery
- Automatic stabilizers + discretionary measures → need to consolidate

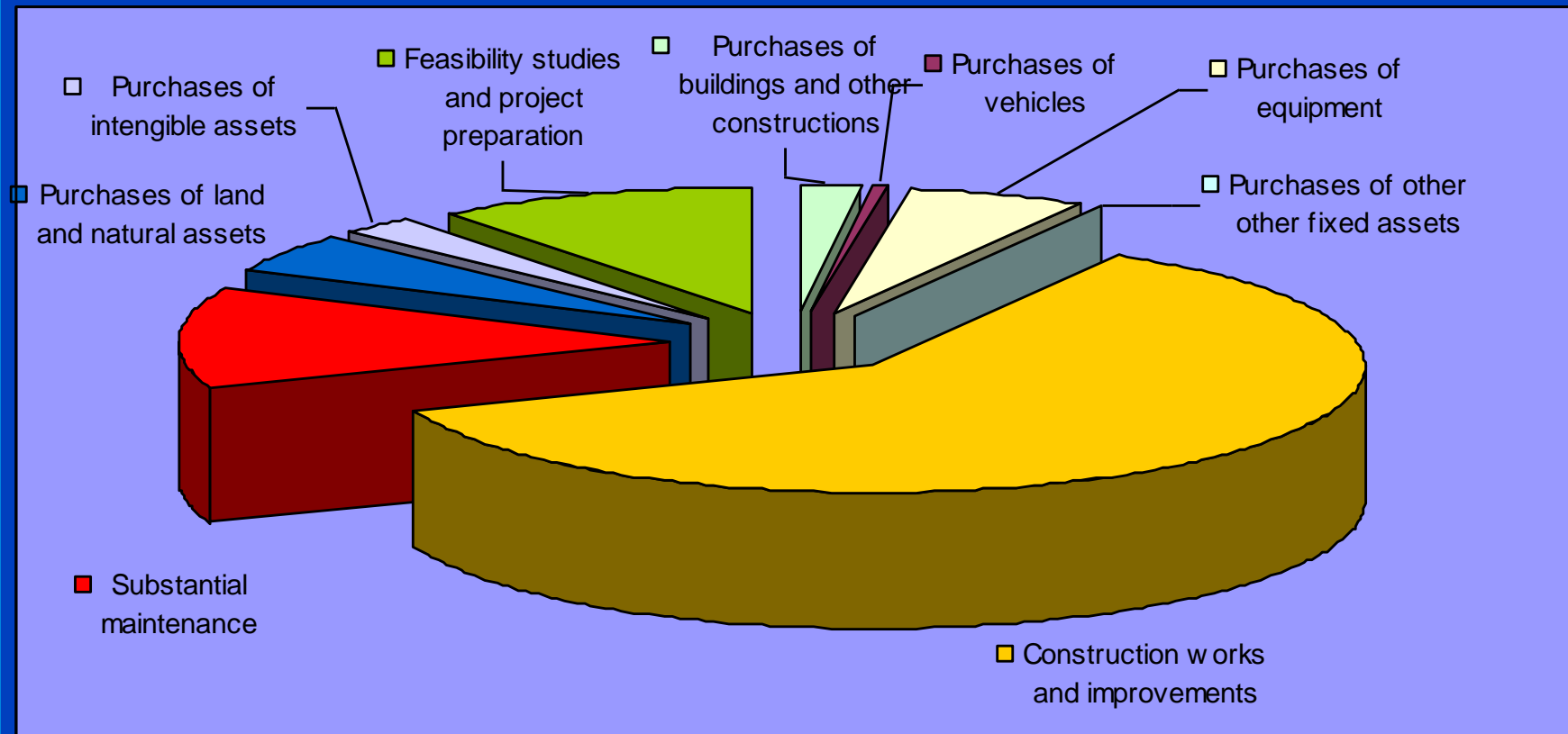
Country Context: Capital Expenditure

- Capital expenditure vs. Capital transfers
- State budget (2008): 981 mio EUR (2,6% GDP)
- State budget (2011): 1.151 mio EUR (3,1% GDP)
- Total general government investment: 4% GDP
- Significant shifts within during this period

Capital expenditure (2008)



Capital expenditure (2011)



Capital expenditure: main projects



- Roads: motorway cross, regional roads
- Hospitals: primary care, specialised clinics, ER
- Schools and research centres
- Transfers for sustainable energy
- Pending: railway infrastructure

Capital Budgeting Procedures

- **Strategic planning:** long-term development plans
- **The annual budget:**
 - The general budget (the statement of revenue and expenditure);
 - Financial plans of all budgetary users; and
 - **The Development Programmes Plan.**

Strategic Planning

- **Slovenia's Development Strategy (SDS):**
 - Sectoral strategies
 - Regional strategies
- **National Development Programme:** specific programmes and priority areas supposedly within the available budget
- **Resolution on National Development Projects**
(35)

Budget process

- **Top-down:** Public Finance Act & 2-year rolling budget;
- **Bottom-up:** Development Programmes Plan (DPP) an integral part of budget: contains all budgetary expenditure on investment and state aid
- **Investment:** n+4; disaggregated data by project (total cost, start/end of project, sources of finance)

Budgetary limitation

- Budget Implementation Law: “regardless of the resource allocation for investment in long-term development documents, specific laws or sectoral plans, the relevant respective annual expenditure on investment is determined by the annual budget “

Project Appraisal

- Unified methodology: codified in government decree:
 - Common assumptions for project appraisal and evaluation;
 - The contents of all investment documentation;
 - The procedures for preparing and evaluating investment documentation and for taking decisions on investing;
 - The performance criteria relevant for decision making.
- Documents: project identification fiche, pre-feasibility study, feasibility study.

Types of investment documentation

	≤ 300.000	300.000 - 500.000	500.000 - 2.500.00	$\geq 2.500.000$
Project Identification Fiche	●	●	●	●
Pre-Feasibility Study				●
Feasibility Study		(●)	●	●
Implementation Study	(●)	(●)	●	●
Appraisal Report	(●)	●	●	●
Evaluation, Monitoring & Assessment	(●)	●	●	●

Project comparison and selection

- Centralised on government level for projects of national importance
- Joint motion by line minister and minister for spacial planning
- Must include: aim of proposed investment, consistency with long-term strategic documents, alternative approaches, assessment of variants in terms of cost-benefit analysis, environmental impact analysis, economic and financial analysis (NPV, IRR, cost-benefit ratio, etc), risk analysis and sensitivity analysis.
- As of late: the option for alternative sources of financing (i.e. PPP)

Implementation

- No centralised guidelines on ranking → priority-setting left to the responsible line ministry (within available budget)
- Projects on the list for EU funding priority
- Line ministries and agencies responsible for implementation
- Key determinant: available financing
- As of 2011: centralised public procurement agency (not operational yet).

Monitoring, Evaluation & Audit

- Operational project oversight during implementation and performance management left to implementing body
- For EU-cofinanced projects: Joint Monitoring Committees
- Risks rarely spelled out, no risk catalogues
- Audits: internal vs. external
- Court of Audit regularly checks compliance and value for money

Conclusion

- Capital budgeting in Slovenia strongly driven by budgetary constraints (soft part of budget);
- Solid methodology for project design, yet remains to be fully and consistently applied;
- Budget over-runs frequent → how to address;
- New Public Finance Act and more emphasis on performance budgeting with meaningful indicators