



Slovakia's "Value for Money" initiative

One week after the Brexit vote, Slovakia assumed the presidency of the Council of the European Union for the first time since its accession in 2004. This was an additional challenge for Bratislava, which continues to rely on steady growth that is tightly linked to trade with other Member States. Recently, in order to streamline public spending in several sectors, it embarked on an innovative reform programme.

In the early 2000s, Slovakia was nicknamed the "Tatra Tiger"¹ for having the highest growth rates (along with the Baltic States) of the ten accession candidate countries. The country experienced only a short period of recession in the wake of the 2009 economic crisis – the same year in which it adopted the euro – and its cumulative real GDP growth rate of 38% between 2004 and 2014 was the strongest of all 28 EU Member States². An attractive tax regime³ and a highly-qualified labour force have led a number of industrial firms to set up shop (particularly those in the automotive sector, making Slovakia the world's largest car manufacturer per capita).

Although the IMF and the OECD consider that Slovakia is the most likely country among their members to carry out reforms, and an OECD report⁴ has shown that Slovakia's adoption of the euro has boosted GDP by 10 percentage points, a number of economists have pointed out significant delays in certain sectors (such as healthcare), major regional disparities and a genuine lack of government effectiveness.

Rethinking government action by changing mindsets

In late 2015, Martin Filko, director of the Institute for Financial Policy (IFP), Štefan Kišš, economist at the Ministry of Finance, and Ľudovít Ódor, one of three members of the Council for Budget Responsibility, laid the groundwork for a far-reaching government project entitled "The Best of All Possible Worlds – Value for Money in Slovak Public Policies" (*Najlepší z možných svetov – Hodnota za peniaze v slovenskej verejnej politike*)⁵. The result of their joint efforts is a new comprehensive model for drafting, managing and assessing public (and financial) policies.

The authors drew inspiration for their project from similar experiences in a number of countries (Canada, Finland, Ireland, the Netherlands, and the UK), particularly with respect to spending reviews. The goal is to raise awareness of the need for intervention at every level of public sector decision-making, and to make the programme part of the budget process by committing to completing it before the end of the legislative session. In this, they were supported by the European Union, the OECD and the IMF, who offered to send experts to provide joint technical assistance during the initial assessments.

"Value for Money" is structured around three priorities⁶:

¹ In reference to the country's main mountain range: <http://www.investopedia.com/terms/t/tatra-tiger.asp>

² [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Real_GDP_growth_2004%E2%80%9314_\(%25_change_compared_with_the_previous_year_average_2004%E2%80%9314\)_YB15-fr.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Real_GDP_growth_2004%E2%80%9314_(%25_change_compared_with_the_previous_year_average_2004%E2%80%9314)_YB15-fr.png)

³ In 2004, the country introduced a flat-rate income, corporate and VAT tax of 19%, which was eliminated in 2012 in favour of a return to a progressive rate.

⁴ <https://www.oecd.org/fr/eco/Five-years-in-a-balloon-estimating-the-effects-of-euro-adoption-in-Slovakia-using-the-synthetic-control-method.pdf>

⁵ <https://www.etrend.sk/ekonomika/najlepsi-z-moznych-svetov-hodnota-za-peniaze-v-slovenskej-verejnej-politike.html>

⁶ <http://www.mfsr.sk/Default.aspx?CatID=11301>

- The key criterion for any public policy must be value for money. It is not enough for a measure to be "in accordance with the law" – it should also be "the best possible option", duly justified and quantified on the basis of real-world economic and social data.
- Institutional reform should culminate in a new division of roles in various phases of the process. To prevent conflicts of interest, the remits of non-ministerial bodies (sector-specific analytical units consisting of experts and economists, Council for Budget Responsibility, Government Audit Office) need to be strengthened and their independence ensured.
- Several cost analysis methods must be used. In addition to spending reviews⁷, which will be both domain-specific (education, healthcare, etc.) and cross-cutting (information technologies), cost/benefit analyses will be carried out on investment projects and draft regulations, and benchmarking (against the best foreign practices) will be applied to operational expenses.

Using the programme as a real source for ideas

Following the March 2016 legislative elections, Robert Fico's new coalition government issued a "Manifesto of the Government of the Slovak Republic 2016–2020"⁸. The document, which represents a first step towards ownership of the project, sets out the government's priorities for the next four years. A "Value for Money" unit was set up within the Ministry of Finance, tasked with coordinating the programme's implementation in three "problem" sectors that represent nearly 40% of government spending: healthcare, transport and information technology.

During a joint conference held in late July 2016, the three ministers responsible for these sectors – Tomáš Drucker (healthcare), Roman Brečely (transport) and Peter Pellegrini (digital affairs) – presented the initial intermediate reports compiled by analysts. They spoke about the expected savings, although they conceded that they faced problems in gathering certain types of data needed by the various teams. Although the initiative was hailed by the community of experts, several expressed doubts about the long-term viability of a government project that seeks to be truly effective and in line with expectations⁹.

Starting in the autumn of 2016, the Value for Money initiative was rolled out in three additional sectors (education, environment and social issues). The European Commission and the IMF issued two spending reviews (in August 2016 and March 2017) of the first wave of the rollout¹⁰. The reviews praised the accuracy of the country's expenditure review process and the adherence to a very tight schedule, but they also noted that there is room for improvement in proposing new initiatives that are expected to generate short-term savings and long-term improvements in processes.

Overcoming adversity and pursuing a shared project

Despite all of this, a tragedy could have seriously threatened the Value for Money initiative – on 28 March 2016, Martin Filko perished in an accident¹¹. Peter Kažimír, Minister of Finance, paid homage to him: "Martin Filko was my closest aide and a friend (...). He and his team carried out a huge pile of work that is irreplaceable for the ministry, even though it's rather invisible to the public. The institute he headed is a unique body in the entire Slovak public sector"¹².

On 29 November 2016, the Slovak Parliament adopted the 2017 budget bill¹³, which had been drafted based on the initial experiences with the initiative, and which reassigned spending in several categories. Three days later, the Institute for Financial Policy, now headed by economist Lucia Šrámková, signed a memorandum of cooperation with the Government Audit Office relative to continuing the Value for Money initiative¹⁴. Among other measures, the memorandum calls for an exchange of experts during the analysis and assessment phases.

Jean-François Adrian

⁷ http://www.mfsr.sk/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=11190&documentId=14809

⁸ <http://www.vlada.gov.sk/manifesto-of-the-government/>

⁹ <https://spectator.sme.sk/c/20225671/value-for-money-project-implemented.html>

¹⁰ <https://goo.gl/sZ9CPC> and <https://goo.gl/Q3LVt2>

¹¹ <https://newsnow.tasr.sk/featured/dead-body-found-in-danube-river-identified-as-martin-filko/>

¹² <https://newsnow.tasr.sk/featured/kazimir-filko-was-my-closest-aide-his-passing-hurts-me/>

¹³ <https://spectator.sme.sk/c/20398782/parliament-adopts-2017-budget.html>

¹⁴ <https://www.nku.gov.sk/documents/10157/749295/Projekt+%E2%80%9EHodnota+za+peniaze%E2%80%9C+je+z%C3%A1kladom+partnerstva+medzi+NK%C3%A9+a+IFP/4684161c-fd6e-41d1-88f3-15a776f5c151>