

Slovakia: Improving social inclusion policies through a thorough spending review

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'Value for Money' is an initiative which is expected to help to modernise the public administration and increase the effectiveness and efficiency of public policies in Slovakia. It consists of an empirically-driven review of public spending and large-scale public investments, to assess their "value" as public goods and to identify economically viable alternative options. In the field of social inclusion, it has had extremely useful results.



Description

In 2016, the newly elected government (March 2016) undertook in its Manifesto to "regularly and systematically review public expenditure...with a view to achieving higher effectiveness of public expenditure, better public services, and consolidation of public finance". As a result, the initiative called *Value for Money* was launched under the auspices of the Ministry of Finance. This initiative has now become an analytical unit that reviews expenditure on public policies and assesses public investments (in principle, all public sector decisions have to go through this assessment). It is a key part of the effort to modernise public administration in Slovakia by reforming decision-making rules, ensuring that public policy processes are based on empirical evidence and thorough data analysis, as well as by strengthening the analytical capacities of the public administration. The initiative is high on the political agenda: it is included in the National Reform Programme and Stability Programme (IMF, 2016).

The spending review included in *Value for Money* aims at improving the use of public finances. The starting point of the review process is that public policies should not just comply with the law, but they should look for the best options (Value for Money, 2018). Rather than focusing on pure fiscal consolidation, attention is therefore directed at the "value" of the public policy instrument under consideration – value in terms of defined government goals, efficiency and effectiveness. The savings that

result from the review process are not used for fiscal consolidation: they are reallocated to government priorities.

The spending review is a permanent instrument, carried out in cycles that are aligned with the budgetary process. It begins by specifying the governmental priorities and setting the terms of reference for the review unit. The review's outputs also include assessments of existing measures and new proposals. The implementation of proposals is monitored by the Implementation Unit, which reports to the Deputy Prime Minister's Office for Investments and Informatisation of the Slovak Republic. This division of responsibilities (review on the one hand and monitoring of implementation of its results on the other) strengthens the review's potential impact.

The cornerstones of the spending review were established in 2016. In 2018 and 2019, social inclusion policies have come under scrutiny via a review of public expenditure on groups at risk of poverty or social exclusion. The review focused on the effectiveness and efficiency of current social protection and social inclusion policies, evaluation of the system of data collection, as well as examples of good practices and ways to learn from them (Value for Money, 2017). The first – interim - report, which addresses public expenditure on groups at risk of poverty or social exclusion (Value for Money, 2019), shows that this type of evaluation exercise is of great importance for both policy makers and experts.

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First, the scope of the review (which covers, for example, educational policies, family policy, the minimum income scheme, and social work) properly reflects the multi-dimensional nature of social risks. It may thus help to prevent policy debates being biased toward solutions that reproduce institutional divisions of responsibility between different actors. Secondly, the review brings about new approaches to analysing vulnerable groups. Thirdly, these analyses rely heavily on administrative data, thus helping to highlight the importance of ensuring the quality of these data. Last but not least, these analyses provide empirical findings that shed new light on the consequences of social inclusion policies, as well as on the living conditions of vulnerable groups. They are therefore useful not only to policy makers but also to experts, as they help identify problems that are not visible at first sight, and can provide guidance as to how these can be best addressed.

Outlook and commentary

Value for Money was launched on the initiative of the current government and, in view of the impressive outcomes it has delivered, it is crucial that it is maintained after the new parliamentary elections (in 2020).

To make the initiative even more valuable, it would be useful to broaden the currently quite narrow economic perspective on social inclusion issues and to pay more attention to their social determinants and consequences, moving beyond a focus on expenditure.

An important strength of *Value for Money* is that it uses the internal analytical capacities of the Ministry of Finance and other ministries. Thus, such review processes can further improve the public administration's expertise and its ability to produce evidence-based policies. Transparency of data and methodology is another strong aspect of the review process. All reports are accompanied by published datasets, available to the general public. However, data access still needs to be improved in Slovakia: the expert discussions would be significantly enriched if the administrative data were standardised and made available to a broader expert community.

In terms of thematic issues, more attention should be paid to children and child-related policies. In view of the gaps and complexity of this area, this may require specific, separate spending reviews. The same is true for the use of EU funds in the field of social inclusion.

Further reading

Government of the Slovak Republic (2016), *Manifesto of the Government of the Slovak Republic*.

International Monetary Fund (2016), *Slovak Republic. Spending Reviews of Health, Transport, and Information Technology*, Technical Assistance Report.

Value for Money (2017), *Terms of Reference: Group at Risk of Poverty and Social Exclusion*.

Value for Money (2018), *Value for Money in Slovakia*. Presentation available at <https://www.finance.gov.sk/en/finance/value-money/about-value-money/>

Value for Money (2019), *Revízia výdavkov na skupiny ohrozené chudobou a sociálnym vylúčením. Priebežná správa* [Review of expenditure on categories at risk of poverty and social exclusion. Interim report].

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