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Usability of Municipal Performance-based Budgets within Strategic Planning in Slovakia: Perception of Elected Local Representatives[1]

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Abstract

The article aims to present the concept of performance-based budgeting at the local government level with a focus on its importance for strategic management at the local government level. The original intention of introducing programme budgeting, which is clearly linked to performance management and results, was to improve strategic-oriented public management, in particular by focusing on objectives and using performance information as well as performance measures. Much more attention has recently been paid to the importance and use of performance information and performance measures. Based on case studies, the authors analyse the significance of the performance information provided in the newly established performance budgets of municipalities, while the findings were supplemented by a perception of the current situation in the form of semi-

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structured interviews with elected representatives of selected local governments. The results of the article seek to highlight the advantages of implementing this concept, the appropriate ways and obstacles often encountered, and important recommendations for improving its use, summarised on the basis of more than a decade of experience since the introduction of this budgetary innovation on the basis of legislation as mandatory budgetary policy instruments in Slovakia for all self-governing regions and local governments in municipalities with more than 2,000 inhabitants. This leads to the conclusion of whether PBB, among other approaches, is an option or a real necessity for today's economic challenges, but at the same time to the actual need for changes in the methodology of this strategic management tool at the local government level.

Keywords:
budgetary innovation, local self-government, performance-based budgeting, Slovakia, strategic management

1. Introduction

For innovation in the public sector to be successful, there must be a match between its nature and the environment in which it takes place, which places demands on legitimacy, political sustainability, strengthening democratic values, and respect for citizens' needs in the innovation process (Korteland and Bekkers, 2008). The planning of local self-government activities takes place wherever self-governments exist. This stems from the need to properly implement the series of activities for which they were set up. A municipality is responsible for active control of local development processes through regulatory, initiation, organisational, and stimulus measures. This undoubtedly requires activity, creativity, innovation, and commitment in the activities of local authorities, knowledge of the conditions and mechanisms of its development, knowledge and skills to use modern management methods, rational decision-making, and development of appropriate tools to influence the scope and pace of this development (Blakely, Leigh, 2013, Drew et al., 2015, Dušek, 2021).

Performance-based budgeting itself is thus a relevant tool that can effectively link the necessary analyses and strategic plan with the budget, its financial capabilities, the interests of the members of the municipal councils, and all the actors involved. Unfortunately, in Slovakia, according to Hronec (2019), no conditions have been created for the real implementation of programme budgeting as a performance enhancer. Most of the indicators that were used were only nominal output indicators; relative output and outcome indicators were very rare. Self-governments do not attach much value to the real monitoring of performance outcomes.

Preparation of the budget as an operational plan according to the performance-

based budgeting model in specific areas inevitably requires the use of certain instruments at the disposal of policy makers in activities focused on the objectives and results to be achieved. A feature of this type of budgeting is the focus on planning programmes and projects required in specific areas. This article emphasises the role of indicators (performance indicators) in the decision-making process. The purpose of this paper is to examine the factors that affect the efficiency and effectiveness of performance measurement and to emphasise the link between strategic planning and performance-based budgeting to facilitate strategic consistency in decision-making.

This article will use a qualitative methodology based on a descriptive analysis of the research problem and a synthesis of different perspectives to draw general conclusions about the influence of individual factors and roles in the decision-making process on the effectiveness of performance-based budgeting systems and their relationship to specific organisational factors in local governments in Slovakia and to general societal objectives in that area, informing relevant conclusions and pointing to and possible limitations and future directions of development.

2. Theoretical background

According to Bryson (2020), strategy is ubiquitous in government, and many strategy-related approaches, such as strategic planning and management, are part of the standard toolkit of public managers and policymakers (Ferlie and Ongaro, 2015). It is undeniable that every 21st century policy maker or public manager faces a myriad of challenges on a daily basis, all of which require effective strategies. What public value should be generated? How and with whom? The term strategy is derived from the Greek word strategos (duke, general) and expresses clear connotations (Pravdová, 2015). Strategic planning, as an important phase of the strategic management process, represents the process of implementation and creation of its long-term strategy based on the defined objectives of the organisation and realistic development opportunities available in a constantly changing environment. In addition, strategic planning represents a process in which future objectives are determined together with stakeholders and according to these future objectives, responsibilities as well as resources are allocated (Gouda et al., 2014) accompanied by appropriate control (Sagat et al., 2021). In the 1980s, as a decade marked by the downsizing of traditional public sectors, with New Public Management (NPM) reforms strongly influencing the public sector, another important trend in this period was the increasing autonomy of agencies, such as the introduction of executive agencies (Pollitt et al., 2004), which increased their 'strategic space' (Ferlie, Parrado, 2018).

To increase performance and accountability, governments are transforming the planning and budgeting system from focusing solely on monitoring input levels and costs, to incrementally monitoring the results achieved (Curristine, 2005, Klimovský, Nemec,

2021, Klimovský et al. 2021). Based on the statement of Žofčinová (2018) that self-government represents the democratic basis of organisation and governance of public affairs in the conditions of modern democracies based on the principles of decentralisation and subsidiarity, it is appropriate to assume that it is at this level that high-quality and results-oriented forms of budgeting are expected. Performance itself in this context then represents the outcome of activities undertaken to achieve the intended purpose, and the information about the achieved results is thus important not only for the government (national or local) which wants to better manage the public sector, but also, to enable parliament (or council) to better exercise its oversight function. The OECD (2005) defines performance-based budgeting as the systematic use of information on the outputs, outcomes, and/or impacts of public policies to inform, influence, and/or determine the level of public resources allocated to these policies in a budgetary context, making performance budgeting a mechanism that should link funding to measurable outcomes and systematically use performance information (PI). This is a significant change in a budgeting system which focuses solely on monitoring expenditures to measure results achieved in relation to resources spent, but also needs to consider public expenditure reviews, programme evaluations, and budget preparation, i.e., planning based on available performance information (OECD, 2019). Klimovský (2021) defines the concept of performance budgeting or performance-based budgeting mainly from the works of authors such as Robinson, 2007; Redburn, et al., 2008; Kelly and Rivenbark, 2011; Lorenz, 2012, highlighting the fact that, despite the many results achieved, it is still a hot topic that continues to receive intense academic attention today (e.g., Lu and Willoughby, 2019, or Ho et al., 2019).

The authors de Vries, Nemec and Špaček, who in their publication Performance-based Budgeting in the Public Sector (2019), in collaboration with experts working in countries on four different continents, have had an undeniable influence on the development of the concept and have provided an extensive analytical perspective on performance budgeting and related phenomena in different countries. In one chapter, for example, the authors Ryan and Drew argue that defining effective performance monitoring is the most complex issue in the whole concept of performance-based budgeting. On the basis of their analysis, they conclude that effective performance budgeting cannot be implemented and developed on a spontaneous basis. According to them, those responsible for setting up performance budgeting must not only have the necessary knowledge, but also the commitment to build a robust performance-based budgeting framework that takes into account the diversity of practice. Based on the approach of the team of authors Janjić, Maksimović and Veselinović (2017), with defined directions of development, and then with their implementation, a specific policy becomes explicit and objective-oriented, based on which its results become measurable. In this sense, in order to create a performance budget as an operational plan, actors must necessarily use certain instruments, that is, strategic planning tools. The product of the strategic process is a document, a long-term plan, which defines the key issues of development. The strategic plan contains a conceptual concept of specific policies as well as a plan of the necessary activities to implement them.

According to Pratolo et al. (2020), many previous studies have already found that implementing PBB can help organisations achieve better performance (see, e.g., Crain & O'Roark, 2004; Lorenz, 2012). These authors also emphasise that the advantage of PBB implementation is that the mechanism is results or outcome oriented and specifically PBB can specify the relationship between organisational objectives, targets, programmes, activities, and key performance indicators (KPIs) (Rahman et al., 2019; Robinson & Last, 2009). As such, the achievement of KPI will lead to the achievement of organisational objectives, and the adoption of PBB is expected to improve this quality (Pratolo et al., 2020).

Territorial self-government is a community established by law for the inhabitants of a given region, which independently implements activities arising from the needs of its inhabitants in that territory. According to the Municipal Establishment Act, a municipality is an autonomous territorial self-governing and administrative unit of the Slovak Republic, which brings together persons residing in its territory. A municipality is a legal entity which, under the conditions laid down by law, manages its property and its income independently (369/1990 Coll., as amended). Self-government is thus understood as the performance of public administration tasks in a decisive manner and under its own its responsibility by entities separate from the State, which are not subject to any State interference in the performance of their tasks. It has a certain degree of autonomy. This autonomy reflects the transfer of the State's competences in a given area in specific matters to the community most affected by these matters. The level of autonomy of local government often varies according to the political system of the country.

The direction of community development and the tasks set by the municipal authorities are formulated in the development strategies. The strategy is a comprehensive concept for managing the development of organisations, including municipalities. The development policy of the municipality should take into account, among other things: the geographical location, the economic structure and its specifics, the demographic situation and local labour market, technical and social infrastructure, the natural environment, the resources that can be used, the leading areas of development, the characteristics of the local community or cultural heritage and traditions (Czuma-Imiołczyk, 2019).

Linking the allocation of funds in a budget period to some information about expected policy outcomes in the form of performance budgeting then itself represents a planning and budgeting system based on strategic planning information, particularly in the context of the organisation's objectives, and requires quantifiable data along with resource allocation to provide meaningful information about programme outcomes (Bleyen et al., 2017). Thus, performance-based budgeting brings a new managerial perspective to the use of public resources. It supports the motivation of managers (budget managers) to seek the most efficient ways of delivering public services. It also gives them greater freedom in the use of budgetary resources and the ability to respond flexibly to changed conditions in the environment in which the municipality operates. This brings greater transparency in budgeting and puts emphasis on the relationship between inputs and performance of the self-government (how the self-government is performing in

achieving its objectives) (Baláži, 2010). In Slovakia, since 2009, all municipalities with a population of over 2,000 inhabitants must implement this form of budgeting (MFSR 2010).

Performance budgeting classifies expenditure according to the type of service and the objectives, as opposed to traditional budgeting, which tracks the number of inputs. However, this does not work at all in Slovakia, according to Hagara, Kišš and Ódor (2019). The setting of performance-based budgeting when it was introduced in 2004 was in line with OECD practice (2004), but has remained virtually unchanged since then. According to the OECD (2020), the Slovak performance-based budgeting system has lost momentum, become more formalistic and does not contribute to accountability for results and information on the allocation of public resources. In practice, this means that it is compulsory, but is not the tool it should be. Public policy priorities should also be set on the basis of their potential to improve the citizens' quality of life in the long term. We add here that it is not the right way to set public policy priorities for election periods, as is often the case.

Performance-based budgeting is constantly being improved and adjusted abroad. The benefits of results-oriented budgeting often become apparent after a long period of experimentation and adaptation. In recent years, there has been a trend towards reducing the detail of programmes and focusing on priority expenditure titles (e.g., Austria, France, the Netherlands). At the same time, measurable indicators have been significantly reduced, in some countries by up to half (the Netherlands or France). Experience from other countries suggests that the problems that plague Slovakia in performance-based budgeting (measurable indicators, programme structure, and coverage of public expenditure)[4] are not isolated. However, best practices show the most significant benefits of result budgeting just after a period of innovation and adaptation to the budget process (OECD, 2019).

3. Data and methods

The article aims to present the concept of performance-based budgeting at the local government level with a focus on its importance for the economic development of a country. The research was based on a literature review of the publications and official data available in the field under study, while the findings were complemented by semi-structured interviews with representatives of selected local governments.

RQ1: What are the main challenges in implementing performance-based budgeting in the context of executing strategic plans?

4 Areas have been identified by comparing international practice with Slovak, working with data during expenditure reviews, or in existing studies on public policy outcomes

RQ2: Does the PBB correspond to the reality in terms of the main challenges in implementing the concepts and boundaries of performance-based budgeting through legislation and is it evaluated?

The research was conducted in the Slovak Republic context at the level of local government with a focus on the challenges of performance-based budgeting. The interviews were conducted in 2021. The survey was a follow-up to the analysis of secondary data and aimed to better understand the data obtained from the analysis and to refine the information on performance-based budgeting in municipalities. The data on municipalities was obtained by studying available documents and in particular semi-standardised interviews with staff responsible for the local government budgeting. The logic of the selection of municipalities respected the considerable fragmentation of the structure Slovak settlements in terms of size (by population) and also in terms of continuity or discontinuity of their development (in terms of staffing of local governments). For each challenge, respondents had the opportunity to assess its importance using a Likert scale with values of 1 not important to 5 very important.

The object of the research was to identify and verify the main challenges of an adequate setting of programme-based budgeting at the local government level. Our effort was to identify the most important opportunities and limitations of the current setup.

We used public web-based information on PBB in Slovak towns and collected our own data manually. We supplemented the data with the results of semi-structured interviews with local government officials. The respondents, composed of staff from selected municipalities (towns with more than 2,000 inhabitants from each self-governing region in Slovakia) with a potential impact on PBB implementation, had the opportunity to express their opinion through a pilot survey and answer open-ended semi-structured questions. The sample was formed by purposeful sampling based on direct contact and cooperation of the authors of this article. However, this sampling method does not guarantee that the sample is representative. The survey was not anonymous. For the purposes of this research, all data by which a respondent could be identified was deleted. A total of 40 respondents from the eight regions of the Slovak Republic participated in the survey. We consider the 40 municipalities selected from 139 towns with more than 2,000 inhabitants[5] for semi-standardised interviews to be sufficient. The data obtained were not significantly inconsistent with the results of the secondary data analysis. The interviews create a prerequisite for capturing the perception of challenges and barriers to performance-based budgeting by relevant officials. The Trnava and Bratislava regions had the highest number of participants, followed by the Trenčín, Nitra and Prešov regions with a significantly lower number of respondents. The smallest number of respondents were from the Žilina and Košice regions. As the representation of respondents is not uniform in terms of regions, the responses of the participants were not analysed by this

5 according to the valid legislation, PBB is obligatory for municipalities larger than 2000 inhabitants.

characteristic.

The questions were formulated in such a way as to allow one to answer the research question, which was intended to highlight the importance and barriers to the implementation of quality performance-based budgeting for the strategic management of towns and municipalities in Slovakia. The interviews were based on the findings of relevant studies (e.g., Bleyen et al., 2016; Grossi et al., 2016; Jethon & Reichard, 2021) and focused on the OECD's understanding of performance budgeting set out in the 2015 Recommendation on Budgetary Governance, which includes among its ten principles of modern budgeting the principle that 'performance, evaluation and value-for-money are integral to the budget process', noting that such information should 'clarify rather than obscure or impede, accountability and oversight'. The challenges were identified on the basis of the results of the OECD and the Slovak Ministry of Finance (Value for money department – VMD) and examined at the level shown in Figure 2.

4. Analysis of performance-based budgeting as a tool for purposeful and transparent conceptual strategic planning - case study of the Slovak Republic

Slovakia is an extremely fragmented European country in terms of its local government structure, which means that policy making is not easy to coordinate (Jüptner, Klimovský, 2021). Improving the quality of public administration is one of the country's development priorities and is also a matter required by the public (Draft National Priorities for the Implementation of Agenda 2030 approved by Government Resolution No. 273/2018 of 13 June 2018). A key challenge in this area is the need for better coordination and coherence and synergies between cross-cutting policies led by key public administration bodies, which will help to improve the link between policies and strategic decisions and planned expenditure, identify gaps, eliminate budgetary fragmentation and unnecessary duplication at the national and regional levels. Despite many positive steps, the Slovak Republic still struggles with the low efficiency of the strategic management of regional development and, in particular, low cooperation with regional development actors in the creation and implementation of regional development strategies. The OECD has long highlighted these shortcomings in its documents on development and public administration in Slovakia due to inadequate strategic management.

The National Strategy for Regional Development of the Slovak Republic (2017) presents insufficient effectiveness and directness of public policies, including regional development policy and economic and social development programmes of higher territorial units and municipalities, as evidenced by the fact that despite investments from EU funds in the regional period, Slovakia is still one of the countries with the largest regional disparities at the NUTS 3 level among Member States (OECD, 2020).

Well-functioning result-oriented budgeting that systematically uses information on policy outcomes in budgetary decision-making, whether in the form of direct input for expenditure allocation or as context for budget planning, then provides information-driven budgeting to both public and public outcomes, greater transparency of public spending and accountability for policy outcomes (OECD, 2019). Results-oriented budgeting is therefore a key tool for aligning spending with the most important public policy objectives.

According to the results of the Value for Money Department (2020), which we were able to verify through semi-structured interviews, the problem remains that the performance budget is created as if only to present the planned areas of expenditure. Strategic planning within administrative units and structured smaller municipalities in the Slovak Republic must reflect the budgetary needs set by law and the system must be consistent within itself (Šramel, Mihálik, 2019). However, we can clearly see that the whole strategic planning process lacks internal coordination. The main strategic plans are tied to the dominant areas of interest of the public policies in the country, but they are not followed and do not cooperate at the national, regional and municipal levels in their implementation (Garaj, Bardovič, 2020). Strategic planning and subsequent budgeting are specific in that they have predefined frameworks through policies defined by delegated and original competences by Act 416/2001. These are in line with the COFOG budget functional classification. The ten main planned areas of public spending are precisely defined by legislative acts: regional development (Act No. 539/2008 Coll. on the Support of Regional Development), public works (The Act No. 254/1998 Coll. on Public Works), social policy (Act No. 448/2008 Coll. on Social Services and on Amendment of the Consolidated Act No. 455/1991 on Business Registration), transport (The Act No. 56/2012 Coll. on Road Transport), lifelong learning (The Act no. 61/2015 Coll. on Vocational Education and Training and on Amendments and Supplements to other Laws), land use planning (Act No. 50/1976 Coll. on Land-use Planning and Building Order), environment protection (Act no. 24/2006 Coll. on Environmental Impact Assessment), tourism (Act no. 91/2010 Coll. on the Support of Tourism) and sport (Act no. 440/2015 Coll. on Sport). The performance-based budgeting itself is regulated by Act no. 324/2007 Coll., Amending Act no. 583/2004 Coll. on budgetary rules of territorial self-government and on amendments to certain acts as amended by Act no. 611/2005 Coll., which entered into force on 01.09.2009 (all Acts are available at: SLOV-LEX).

For a realistic linking of policy results to the budget process, it would be advisable to monitor a smaller number of high quality, internationally comparable output indicators and to reformulate the programme structure. The literature which discusses the negative impact of too much information agrees with tracking fewer indicators (OECD, 2020; World Bank, 2016). In addition, each municipality has its own programmes and subprogrammes created according to the local situation and the decision of the elected representatives. The specificity of performance-based budgeting is that, for example, according to the document 'Practical and specific manual for creating programme structures at the levels of local and regional self-government' based on 'Methodology of

Performance-Based Budgeting of the Ministry of Finance valid for state budget' (Ministry of Finance of the Slovak Republic, 2007), in performance-based budgeting, it is intentions and objectives that become an important condition for the allocation of budgetary resources. Ergo, the allocation of expenditure to programmes and their parts (subprogrammes and elements/projects) - i.e., to individual activities implemented by the local government - is subject to the objectives that the local government wants to meet in the short or medium term. It is therefore not possible to directly compare programmes and subprogrammes between municipalities.

Figure 1:

Criteria for the location of intentions and objectives at individual levels of the programme structure

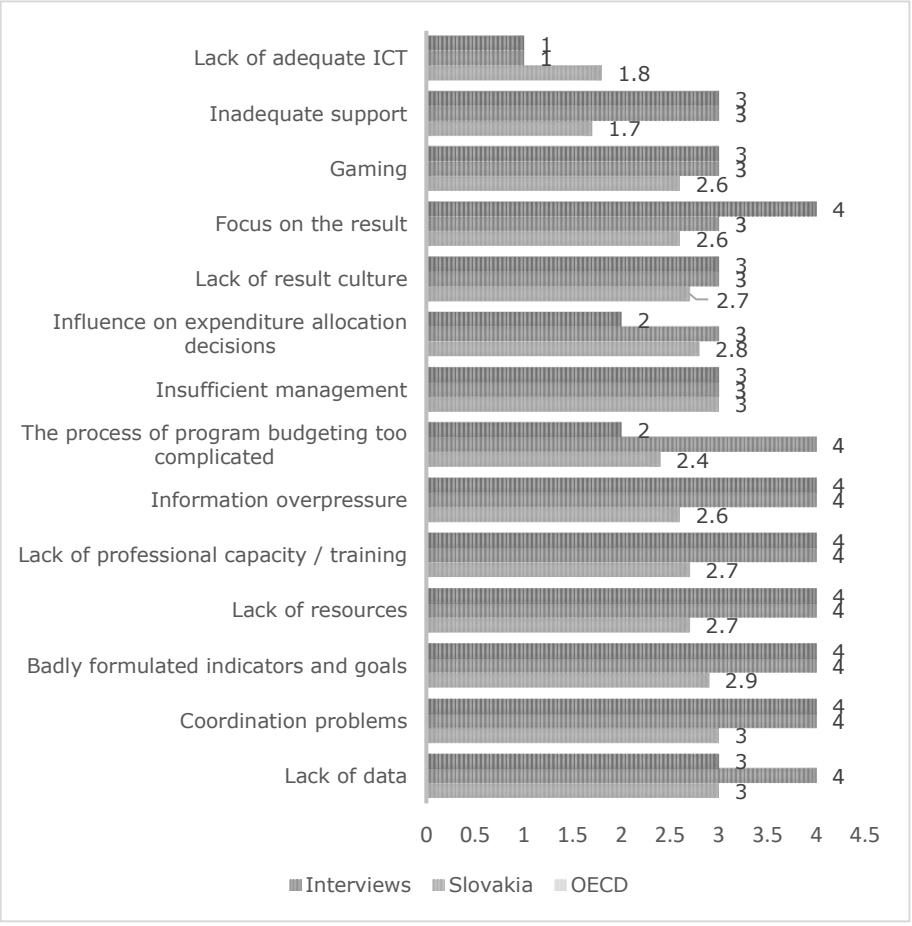
Level of programme structure	Formulation of intention	Formulation of output-oriented objective	Formulation of short-term results-oriented objective	Formulation of medium-term results-oriented objective
Programme	Always formulated	Whenever the programme is not further subdivided	Can be formulated if the program is not further subdivided	Can be formulated if programme is not further subdivided
Subprogramme	Can be formulated	Whenever the subroutine is not further subdivided	Can be formulated if the subroutine is not further subdivided	Can be formulated
Element	-	Always	Can be formulated	-

Source: Own processing of authors according to the Ministry of Finance of the SR, 2007

However, as our research shows, it is also a problem that local authorities have exaggerated expectations of the implementation of the programme budget as such (and do not realise that its implementation and proper use will also depend on their decisions within this instrument and also as a link to local government strategies).

Figure 2:

Main challenges in implementing performance-based budgeting - comparison of OECD results and interviews



* 5 very important challenges, 0 not important challenges
OECD - OECD average
Slovakia – Results of VMD (Ministry of Finance SR, 2020)

Source: Own processing of authors according to the OECD, Value for Money Department, and interview results

Currently, the structure of the programme often makes it difficult to identify an appropriate indicator. The formulation of measurable indicators should be supported by an appropriate programme structure with optimal detail, substantive monitoring irrespective of the source of expenditure (no duplication of monitoring of the same

expenditure from Euro funds) and comparability of substantively identical expenditure. However, the performance budget does not fully allow this at present. Expenditure to achieve the same objective is often budgeted in different programmes. It is not possible to say how much it cost to achieve the objective.

In Figure 2 we see an overview of indicators that identify the limits of PBB implementation in the reality of the Slovak public space. As can be directly quoted from the graph, we note differences in the respondents' views in the subjective assessment of their problems compared to the OECD assessment level. The analysis carried out in the Slovak summary survey shows a relatively high level of presence of problematic factors and elements in the implementation of PPB in individual municipalities (levels 3-4 of the five evaluation levels). Looking at the eight self-governing autonomy regions in the country and concerning the considerable fragmentation of the municipalities operating within these regions, we come to the question of the meaningfulness of strategic planning and budget implementation in practice; the issue is the need for professional skills for implementation, the availability of sufficient and relevant data, access to technology, etc. These factors strongly influence the feasibility of the strategy at the required level and the achievement of results that are reasonably acceptable in practice.

On the basis of the interviews, it is possible to present some specific findings, either in terms of objective mapping of the facts (fulfilment of planning intentions given by law) or in terms of the subjective perception of selected problems (described by the implementers of these strategies in the pursuit of PPB). In general, municipalities in the western part of the country, especially around the capital Bratislava, are significantly fulfilling the strategic plans under the law. In the Bratislava self-governing region, we find seven strategic documents covering the areas of transport, environment, social policy, education and territorial development. Social policy is the main planning axis here. In addition to a general mapping strategy, there are two specifically targeted documents that are more deeply concerned with the target groups of mentally disabled people and women victims of violence. The period of validity cannot be determined for all strategies. In other cases, the documents are valid for the current period in the self-governing region of Bratislava. Based on the available findings, the strategies are primarily developed in the medium term. The follow-up element in the planning period is one case of a strategy for the prevention and elimination of violence against women. The regional strategic policy pays moderate attention to strategic documents that do not have a legal obligation to elaborate. From the point of view of the implementors of these strategies, they aptly speak of "a sufficient amount of available information" and "the ability of their teams to process this information for the purpose of implementing a realistically achievable strategy." Conversely, they point to the 'administratively very burdensome process of programme budgeting', even on the basis of past experience and good professional knowledge; they refer to 'incorrect and unaddressed, overly general formulation of proposed objectives and budgeting on the basis of general information from the past'. They also point to 'minimal support in case of problems from competent addressing authorities' and stress that the problem is 'the process of managing the separate strategies from the moment of their

initial creation after implementation', as well as 'absence of evaluation of expenditure and control of achieved objectives in practice'.

Looking more closely at the east of the country, municipalities and regions here show slower growth in regional development and higher levels of underdevelopment compared to other parts of the country (significantly lower concentration of financial flows, limited transport access, lack of professional and expert skills, etc.). Respondents from towns in the border part of the Prešov self-governing region speak of a significant lack of "professionally skilled human resources", pointing to a "high staff turnover" which undermines the possibility of working with a team of experts in targeted strategic management and budgeting. According to the objective findings, policy planning areas in the region mainly cover transport, social policy, economy, energy, territorial development, education and youth. The topic of youth and youth policy as a sub-area of social policy is even treated separately as a single document, although without legal obligation or accessibility of free budgeting sources for processing. The timeliness of the documents processed shows a high proportion of cases where it is not possible to determine the period of validity. The availability of more than one planning period is registered only in two cases of the secondary education and youth strategy. Long-term consecutive budget lines are absent. Interviewees speak of "the inability to establish key budgetary policy objectives due to a lack of realistically useful information", but also point to "a huge amount of unnecessary information, the separation of which they feel overstocked." As a result, plans are often drawn up without relevant evidence, as if only on the basis of past experience or the obligation to draw up such plans, but in whatever form.

The results of the survey suggest that in many cases the planning itself is 'bespoke'. Following the example of the state programme budget, an unnecessarily large number of evaluation indicators are defined by the municipalities themselves and the performance of the programmes as such is immeasurable, or there is no effort to realistically control and use the information thus obtained and to use it for the final evaluation of the implementation. The consequence of such a procedure is the meaningless and irreversible redirection of funds to ongoing programmes without assessing the relevance of their use for the benefit of the country in terms of its priority strategic objectives. Even more similar to the findings of Jethon and Reichard (2021), local governments perceive performance information in the budget as having little relevance because it is rarely results-oriented and does not help them in political struggles and policymaking. Moreover, councillors are reluctant to read budgets cluttered with data that is irrelevant to them.

Figure 3 summarises the shortcomings in municipal programme budgeting in Slovakia identified in the interviews, dividing them into two main areas: measurable indicators and programme structure. At the same time, in addition to identifying the problem, we point to the desired state.

Figure 3:

Identified shortcomings in Performance-based Budgeting *

Area	Issue	Target state
Measurable indicators	high number	lower number of internationally comparable, result indicators
	low quality	formal quality control
	absence of evaluation	public evaluation of the main indicators
Programme structure	insufficient detail	expenditure at the level of policies and activities
	duplicity	joint monitoring of materially the same expenses
	(In) comparability of the same expenditure	standardisation of administrative expenditure

* Data of Value-for-Money Department confirmed by semi-structured interviews

Source: Own processing of authors according to the Value-for-Money Department

It should be borne in mind, as the OECD (2019) points out, that specifically for the population, performance budgeting should deliver in particular:

- increased transparency
- strengthening the public debate on results
- public involvement in the budget process

and thus, not only the necessary presentation of the planned use of funds.

Therefore, when evaluating programmes in terms of their impact on the population, we must also examine the following:

Utility/impact is a comparison of the intended or achieved of the programme objectives with the needs of the target group.

Stability/sustainability is an assessment of the prospect of the expected positive changes resulting from the implementation of parts of the programme after its completion (whether the expected positive changes will not become obsolete in a short period of time).

5. Discussion and conclusions

Performance-based budgeting cannot be seen as an end; it is a tool. In this way, funds

are directed to address specific problems, enabling policy makers to establish better links between the resources that exist in activities, development strategies, programmes and results to be achieved. This model focuses on planning, i.e., expecting results and monitoring what has been achieved in previous periods with approved, spent funds. Therefore, we cannot be satisfied with just implementing it, but must look for ways to achieve specific, defined strategic objectives. On the other hand, we also must realise that the strategic planning network should work perfectly throughout the country at all levels, state, regional, and municipal. At present, we see an inappropriate structure of relationships that lacks a basic model framework covering the needs of implementors. Regional plans, including budgeting objectives and setting purposes, lack coordination and interaction. This is also why it is more difficult to understand than traditional budgeting. Successful implementation is also contingent on changing the mindset of everyone, both budgeters and councillors, as well as citizens. Motivation for better results should come from the experience of other countries, which clearly shows that the introduction of a performance budget makes sense. A performance budget is much clearer, more useful and provides clear information to citizens and organisations that exist and co-exist in the region. A clearly defined and targeted funding target increases the credibility of local authorities.

In general, the preparation of a performance budget is not significantly different from the preparation of a traditional budget. However, there is a significant difference in the content of the elements that are typical of performance-based budgeting, namely intentions, objectives, measurable indicators, and also comments.

This simply means that a performance budget contains not only information about spending (how much we are going to spend in the next year or over three years), but also information about what we do (what the outputs of our work are) and what we are trying to achieve through the budget (what results we achieve). However, from a strategic management perspective, it would also be necessary to be clear about what the long-term impact will be and how remedial action will be taken if targets are not achieved. As strategic planning has become a popular part of public administration life (also in Slovakia, partly as a necessity for obtaining EU funding – see e.g., Economic and Social Development Programmes), it happens that the commitments - i.e., the objectives contained in these strategies remain 'just on paper' and are not translated into budgets. Therefore, no expenditure is budgeted for these commitments (objectives), which means that they are not fulfilled.

It can be stated that in many countries the principles of performance budgeting have been used quite successfully in the area of public finance management for many years; in the practice of Slovak self-governments, performance-based budgeting is a relatively new element. The obligation to implement performance-based budgeting was introduced Slovakia by law more than ten years ago. However, is it only a 'paper' obligation or do municipalities actually use this tool as a relevant part of strategic management and planning?

For comparison, research conducted in Poland (e.g., Emerling, Wójcik-Jurkiewicz, 2018) states that although activity-based performance budgeting has been interpreted many times, it is still not uniformly understood. More importantly, however, they point out that the concept of replacing the traditional budget in public sector entities with performance budgeting points to the possibility of such a conversion, but at the cost of introducing a number of changes in areas associated with previous 'habits' associated with the traditional budget. It points out that the implementation of such a change in practice will be met with resistance from public sector employees who have so far mainly used traditional classifications.

In Hungarian public finance, the provision of reliable and truthful information has become highly valued, and therefore the demand for a switch to accrual accounting and the elaboration of performance-based budgeting has become insistent. For example, the research result of Lentner, Molnár & Nagy (2020) for example, yielded the following findings:

- management efficiency improved and became more transparent, while accountability also improved;
- more efficient management of public funds and more successful decision-making due to better information.

The new accounting system serves to achieve greater management efficiency, more transparent, successful and consistent financial control and mitigation of the risk of errors. However, increased standardisation, transparency and control could not have been implemented without a rethink and transformation of public finance management and its legislation.

In Germany, according to Jethon and Reichard (2021), the problem is that local officials perceive the usability of non-financial information in the budget as low and do not use such information intensively for budget composition or other purposes. German municipal budgets are usually voluminous due to their highly detailed structure and the large amount of performance data displayed, which rarely informs about outcomes. Such information does not, for example, meet the needs of councillors in their struggles with political opponents.

Our study makes practical and theoretical contributions in the field of municipal performance budgeting, with the aim of contributing to the debate on the use of performance information in the context of public sector performance management. Successful implementation of performance-based budgeting at the local government level requires specific knowledge, especially related to strategic management, and managers need to be trained to improve their related competencies. The quality of the human resources required also appears to be a problem based on the interviews conducted, as they often also do not have sufficient mastery of the issue, even though they formally carry it out. We also see many inconsistencies in the area of p. planning and the results obtained, we also see many inconsistencies, namely between the setup of the current legislation and the ideal PBB fiction. The ability to develop programmes and indicators that serve as a

basis for strategic management and relevant municipal policy making is also an indisputable necessity in this area. Moreover, in terms of theory, the results of the study provide insights into the determinants and challenges of implementing Performance-based Budgeting as a realistic component of strategic management in local governments. The problem with measuring the performance of local governments is that we are often unaware of their considerable heterogeneity in terms of operating conditions. Effectiveness and its measurement, as it has been understood so far, is meaningless. But what should local government strive for? The problem is that it is not clearly defined. Basic indicators should focus on indicators of objective satisfaction of the population, such as population growth, the number of live births, positive migration, crime reduction, divorce rate, relative environmental indicators (e.g., m^2 of green space per capita), etc., of which many are not currently being monitored at all. Unfortunately, recent research activities in this field have remained fragmented, but their findings facilitate a more comparative approach. For this reason, and based on the findings especially at the level of barriers in the form of information overload, lack of professional capacity/training, lack of resources, poorly formulated indicators and objectives, and coordination problems, but also in the context of similar problems in countries such as Hungary, Poland, and Germany, we consider it necessary to undertake more in-depth international research and identify ways to eliminate these barriers.

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