

## **THE ROLE OF EMPIRICAL EVIDENCE AND GOVERNMENT PROJECT OFFICE IN THE FORMATION OF THE SLOVENIAN DEVELOPMENT STRATEGY**

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### **EXTENDED ABSTRACT**

**Purpose** Financial crisis (2008) and the war in Ukraine (2022-) show that governments have to develop more resilient national development strategies in order to adequately respond to pressing disrupters and unpredictable shifts in the world. The Slovenian government (2014-2018) took Sustainable Development Agenda 2030 (UN) as the baseline platform for its development strategy. The purpose of the article is to show that strong political commitment and a project-based approach (Government Project Office) were the most crucial steps in its implementation, and why certain strategic projects (e.g., green tax reform) were not implemented at the end.

The Slovenian government identified ten strategic projects to be implemented in line with its SDGs strategy. The Government Project Office (GPO) reported at the Government sessions on all projects in progress and drew attention to projects that were lagging behind. One of the key projects was green tax reform (GTR) in order to stimulate structural transformation of the Slovenian economy and its sustainable development.

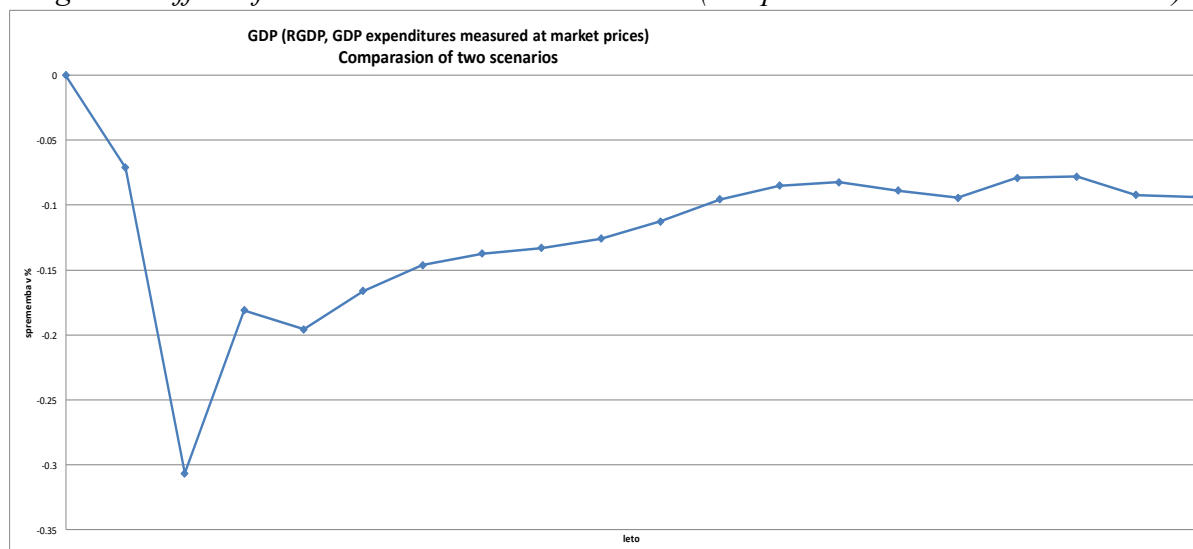
**Design/methodology/approach** GPO was not so much a legal-formal organizational construct but more a way of approaching the management of interdepartmental projects at the government level. The task of the GPO was to monitor the performance of project managers, take care of the project information system, ensure methodologically uniform implementation of projects, draw attention to bottlenecks, and maintain a knowledge base (archive of project documentation, examples of good practices, database of errors). The value added of GPO was its assistance in strategic project promotion, in inter-ministerial coordination and monitoring the implementation process. The office has also trained future project managers and members of their teams by mentoring members and project managers.

The main goal of GTR is to tax bad things (pollution) instead of good ones (income) in order to ensure fiscal neutrality and to improve the situation in an environmental and economic sense (double dividend). We do not go into the topic since conditions for double dividend have been largely discussed elsewhere (Bovenberg and Goulder 1997; Goulder, 1995; Bosquet, 2000; Sokolovska 2020). E3ME model (dynamic simulation econometric model) was used for analyzing the macroeconomic effects of the new green tax. Analysis was based on a comparison of two empirical scenarios, baseline scenario where the green tax was not introduced, and a projection that assumed the introduction of the specific green tax. Comparison between two scenarios was made for some key economic variables (exports, GDP, employment), and in subsequent analyses, where green tax was also recycled in various ways.

**Finding No. 1.** The Effect of the yearly carbon tax in the amount of EUR 15/tCO<sub>2</sub> on GDP is presented in the Figure. Introduction of an extra annual carbon tax would lead to the highest drop in Slovenia's GDP in the second year relative to the baseline scenario with no introduction

of a carbon tax. After the second year, the difference between the two scenarios would gradually decrease. This confirmed our expectations and theoretical findings in the literature. Companies need time to implement new technologies, and consumers need time to adjust their consumption patterns. Thus, policy makers should introduce green tax gradually, transparently, and predictably.

Figure 1: Effect of carbon tax introduction on GDP (comparison to the baseline scenario)



(Source: Kešeljević and Koman, 2014)

**Finding No. 2.** Budget should reflect strategic priorities. The implementation of the Strategy with supporting strategic plan, strategic priorities and projects should be based on medium-term planning and program budget. Experience from Slovenia and some other countries (Finland) show that developing a strong medium-term dimension in budgeting process beyond the traditional annual cycle is a real challenge due to political constraints and short-sighted of many politicians, especially in a coalition government.

**Finding No. 3.** In spite of positive contributions of the GPO and implementation of the ministerial project offices, the GPO was completely disintegrated and dismantled in the next government mandate.

**Originality/Value.** The comparison between different scenarios was carried out in order to identify the optimal fiscal instrument for Slovenia to achieve the double dividend. Analysis showed a relatively small impact of the new green tax on GDP. That was the main reason why GTR was not implemented as one of the key strategic government projects. The major challenge in the creation of the Slovenian development strategy was how to integrate sustainability goals and strategic orientation within the budget (program budget) and how to preserve some good practices as GPO.

**Keywords:** Sustainable development, National development strategy, Green tax reform

**JEL classification:** H23, Q44, Q50

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