

Public Expenditure Review: Environment

Preliminary report

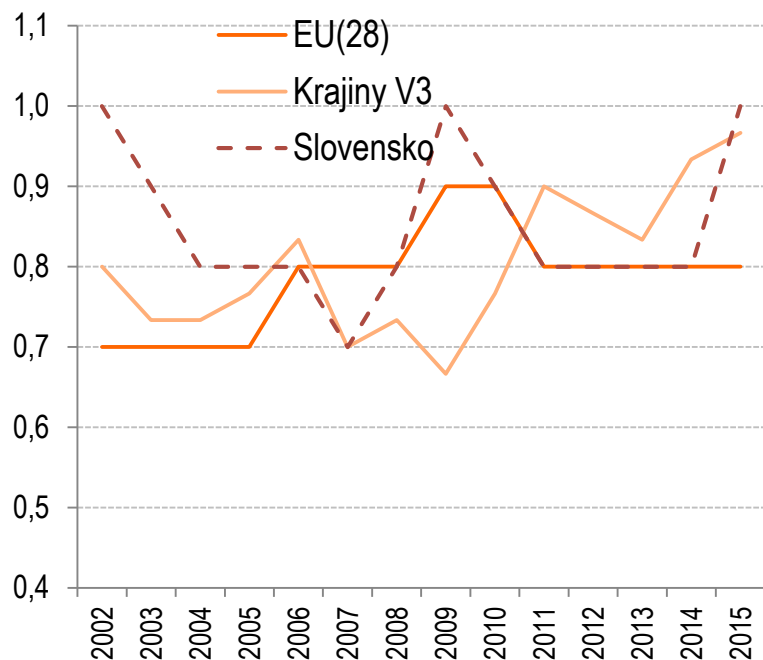


Spending review process

- **Draft budget of SR for 2017**
 - Resolution 473/2016 adopted for spending review of environment
- **Mandate for spending review**
 - Setting measurable objectives in areas
- **Preliminary report**
 - Analyzing subject areas to identify challenges
- **Final report**
 - Draft measures to achieve higher value for money will be included
- **Draft budget of SR for 2018**
 - Incorporating the effects of proposed measures on the budget for government approval

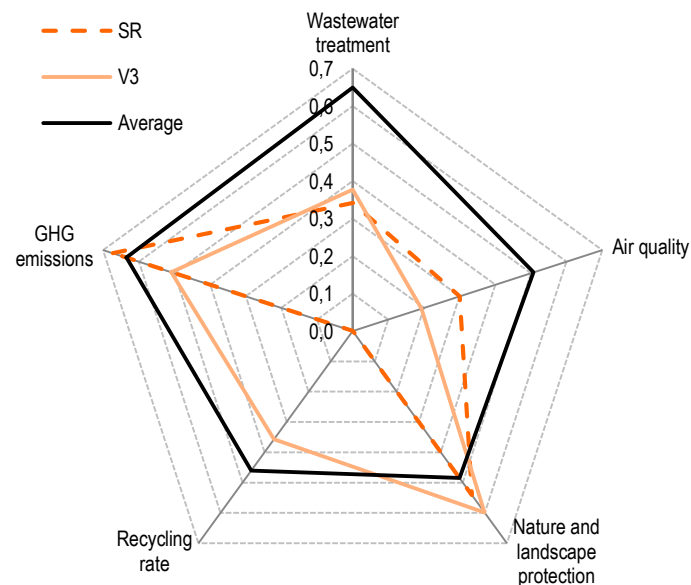
Average spendings achieving below average outcomes

Environmental protection expenditure of the public sector, as % of GDP



Zdroj: Eurostat

Position of SR in performance indicators pursuing environmental objectives



Zdroj: OECD, Eurostat, EPI

I Areas of review

- Wastewater management and water supply
- Flood prevention
- Waste management
- Ministry and its subordinate organisations
 - Operating costs comparison
 - Process of preparation and evaluation of investments
 - Analysis of IT expenditures
- Air quality and climate change
- Environmental burdens
- Nature protection and preservation
- Slovak Environmental Inspection
- Environmental Fund
- SVP, š.p. (Slovak Water-Management Enterprise, SOE)

Public sewerage systems

- The constructed public sewerage system is not fully utilized – approximately **280 000** residents with access to public sewerage system were not connected (2014)
- An ineffective solution for small villages not eligible for funding through the EU funds
- More than 18 mil. eur from Environmental fund were invested to projects **without recorded** results

Sewerage system projects funded by Environmental Fund in Bežovce (in eur)

	2013	2014	2015
Approved financial allocation	367 000	200 000	200 000
Population	979	982	971
<i>Connected population</i>	<i>0</i>	<i>0</i>	<i>0</i>

Source: IEP based on Water Research Institution and Environmental Fund

Flood control: missing project prioritization in practice

Flood control measures by 2019

	Number of projects	Construction and maintenance costs	Averted damage
Priority 1	19	168 mil. eur	762 mil. eur
Priority 2	4	16 mil. eur	31 mil. eur
Priority 3	5	43 mil. eur	15 mil. eur
Out of FRMP	4	Unknown	Unknown
Sum	32	227 mil. eur*	808 mil. eur*

*Sum of Priority 1, 2 and 3 only

Source: SVP, š.p., FRMP

Higher value for money for the cost of 227 million €

	Construction and maintenance costs (mil. eur)	Averted damage	Protected residents
Reality	227	808 mil. eur	22 000
FRMP	227	2 348 mil. eur	60 000
Theoretical scenario	227	2 926 mil. eur	81 642

Source: IEP according to FRMP

Waste management

- The waste processing capacities are due to an extensive construction in the past sufficient, except for the capacities for biowaste and paper

Waste processing capacities

	Amount of waste recovered in 2016	Current capacity, March 2017	Capacity needed for the 2020 targets	Need to increase capacities
Biowaste	357	915	1292	29%
Paper	140	195	302	35%
Plastics	75	215	155	-39%
Glass	106	147	115	-28%
Incineration	479	795	361	-120%
Co-incineration	276	482	-	-

- The costs of landfill closures were significantly heterogeneous

Theoretical savings estimate based on the best practice, in €

	Median	Total costs	Theoretical savings
Closing down and decontamination of landfills	55,4	51 781 997	17 035 100

Source: IEP based on MoE SR, SEPP

Air protection and climate change

- Investments headed mainly to the large sources of pollution, which produces less than 20% of the total volume of dust particles
- Households lack stronger motivation to switch to cleaner fuels (low rate of implicit taxation, low-quality wood heating)
- In the case of large subjects (NEIS), long-term top producers of solid particles are U.S. Steel and SE in Prievidza

Share of the top 5 industrial polluters, 2015

	Solid pollutants	Sulfur dioxide	Nitric oxide	Carbon monoxide	Organic substances
U. S. Steel Košice	47,03%	11,44%	22,87%	74,84%	15,30%
Slovenské elektrárne	8,32%	71,78%	13,13%	0,24%	1,78%
Považská cementáreň	3,11%	0,01%	2,53%	1,38%	0,39%
FORTISCHEM	2,94%	0,01%	0,23%	0,19%	0,02%
Duslo	2,58%	0,00%	2,16%	0,07%	0,11%

Source: NEIS

Organisation in the sector and investment

- The MoE SR and its subordinate organisations are below the average of the reference sample in selected operating costs
- Procedures for effective decision making on investment projects are missing
 - OP QE - no feasibility study is required
 - For government budget investments current legislation does not require a cost-benefit analysis (CBA) and feasibility study (e.g. ISOH)
 - The assessment of different alternatives is often only formal
- BCG Audit in SVP = possible 30% savings (25 mil. eur) in OPEX
- A similar audit in VV, š.p. should be done



The Environmental Fund

- Improvement of the fund revenue and expenditure estimate and decision on the financing of the green objectives is necessary
- A high percentage of unsuccessful applications (80 %) represents administrative burden
- There is a space for higher transparency (according to the model of OP QE).
 - Publishing details of project evaluation would help improve public control
 - The current criteria are based mostly on the subjective element
 - Abroad, similar funds allow public control to a greater extent