On the results of public spending review for the years 2020, 2021 and 2022 and suggestions regarding use of these results in the process of the Draft Medium Term Budget Framework Law for the years 2020, 2021 and 2022 and the Draft Annual State Budget Law for 2020

# Scope

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|  | ***On 20 March 2019 the Cabinet of Ministers approved the following:****1. Horizontal review of the State Budget programme expenditure – improvement of the centralized purchasing of goods and services; more economical and rational implementation of the functions funded by the State Budget; mitigation of the administrative burden (also municipalities); implementation of the principle of “zero-based budgeting” for certain budget programmes/subprogrammes.**2. Review of the sector policy funding – health sector assessment by reviewing the effectiveness of inpatient healthcare funding; analysis of Ministry of Education and Science supervised areas (higher education, student loans, general education, school system); review of the allocated funding for priority measures; efficiency and improvement of the performance of sector functions.*3. Process and system improvement – determination of the necessary expenditure for the state function performance remaining at the same level; use of grants from general revenues that have not been used for the previous financial year; use of automatic data processing systems in the budget management process; tools for State Budget data visualization. |

## Financial Results of the Spending Review

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|  | *Results: was adopted by the Cabinet of Ministers on 20 August 2019.* *In fiscal terms efficiency gains of* ***EUR 93,7 million*** *for 2020 were achieved, which provided additional funds for reprioritizing expenditures both within line ministries and for general government priorities:** *EUR 48,0 million were allocated for government priorities;*
* *EUR 45,7 million were identified as ministerial internal resources.*
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| Method of the Spending Review | 2020 | 2021 |
| ***Horizontal review of the State Budget programme expenditure*** | ***4 670 193*** | ***4 670 193*** |
| **Internal resources from long term vacant posts***Analysis of expenditure for long term vacant posts.* | **3 738 479** | **3 738 479** |
| **Printing services***Analysis of expenditure for printing services.* | **201 741** | **201 741** |
| **Mobile telecommunications***Summarized types of purchase, tariff plans, analysis of expenditure for mobile telecommunications.* | **71 335** | **71 335** |
| **Landline telecommunications***Analysis of number count and monthly subscription fee.* | **117 537** | **117 537** |
| **Centralized purchasing of pharmaceutical products in Baltic states***Comparison of the purchasing procedure of pharmaceutical products.* | **541 101** | **541 101** |
| ***Review of the sector policy funding*** | ***89 019 894*** | ***29 832 339*** |
| **Higher education (reduction of doctoral budget places)***Analysis of expenditure related to higher education, number of students, number of study programs, number of graduates.* | **562 497** | **562 497** |
| **Higher education (reduction of State Budget places)***Analysis of dynamics of the number of students.* | **2 357 037** | **2 357 037** |
| **Review of allocated funding for priority measures and other measures***Revised 92 priority measures, identified 12 priority measures where it is possible to review the allocated funding.*  | **83 520 564** | **24 499 011** |
| **Efficiency and improvement of the small institutions** *Analysis of four small institutions, including their functions, expenditure, posts.* | **34 465** | **34 465** |
| **Analysis of sector museums***SWOT analysis of sector museums.* | **214 986** | **214 986** |
| **Review of the student loans***Analysis of expenditure for study and student loans.* | **749 042** | **1 259 392** |
| **General education (School lunches)***Analysis of expenditure related to number of students and lunches.* | **1 344 011** | **645 177** |
| **General education (Distance education)***Analysis of number of students who do not transfer to a higher grade during the school year, expenditure for these students.* | **237 292** | **259 774** |
| ***Process and system improvement*** | ***8 676*** | ***8 676*** |
| **Changes to the SAP system have been initiated***A single budgetary base and target ceiling information technology solution creation and long-term liabilities integration in Budget* | **8 676** | **8 676** |
| ***TOTAL:*** | **93 698 763** | **34 511 208** |

**Detailed information on benefits and results of the Spending review**

Methods of Spending Review:

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|  | **Horizontal review of the State Budget programme expenditure** |

* **Based on Canada's experience, a strategic review form for national budget programmes/ sub-programmes has been introduced.**

Strategic Review Form - a convenient, simple solution for self-assessing the actuality and performance/results of budget programmes/sub-programmes, using questions as a framework for evaluation.

Actuality:

* Is it in the government’s action plan?
* Is there a valid legislative act, which requires the implementation of a review item?

Performance/results:

* Do the review object have defined performance indicators to describe the purpose of the review object?
* Do the facility cost / investment is justified by the results achieved (value for money)?
* **Review of improvement of the centralized purchasing of goods and services.**

One of the most frequently mentioned options for the efficient management of public finances is centralized purchasing. Analyzed Electronic Purchasing System, summarized recommendations ofministries.

* **Ministries expenditure on telephone and printing equipment has been revised.**

The methods of purchasing mobile and landline telephone services, tariff plans, maintenance costs of the telecommunications system, costs of providing the printing service have been analysed.

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|  | **Review of the sector policy funding** |

* **Health sector assessment by reviewing the effectiveness of inpatient healthcare funding.**

Analyzed health sector financing policy, in-depth assessment of the efficiency of inpatient health care financing. To assess the situation in the health sector, general statistics on the health sector were used, incl. healthcare expenditure cross-border.

* **Revised expenditure on higher and general education, student loans.**
* **Evaluation of sectoral museums.**
* **Assessing the effectiveness of small institutions.**

Comparison of functions of four small institutions (Latvian Language Agency, National Centre for Education, The Study fund, Central Land Commission), analysis of expenditure and posts.

* **Review of the funding pre-allocated for priorities and other activities, assessing the relevance, results achieved and effectiveness of the priority measures.**

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|  | **Process and system improvement** |

* **The procedures for determining the expenditure of the State Budget base have been improved.**

Based on the current practice of calculating the State Budget base, evaluating it in the context of other stages of the budget process, the Ministry of Finance performed an analysis of the calculation of the State Budget base expenditure, prepared amendments of regulations that provide such changes:

1) Changed the time for calculating, specifying, and thus also approving the State Budget base from the beginning of the year to the middle of the year.

2) More clearly defined the responsibilities of the Ministry of Finance and the sector ministry in the calculation process and in the exchange of necessary information.

3) Specified the conditions that are taken into the calculation of the State Budget base.

4) Supplemented the conditions for the submission of proposals of ministries for changes.

5) More clearly defined the conditions that are taken specifying the State Budget base after approving.

* **A single budgetary base and target ceiling information technology solution has been established.**
* **Improved visualization tools for government budget data.**

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