On The results of public spending review for the years 2023, 2024 and 2025 and suggestions regarding use of these results in the process of the Draft Medium Term Budget Framework Law for the years 2023, 2024 and 2025 and the Draft Annual State Budget Law for 2023

# Scope

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|  | ***On 18 March 2022 the Cabinet of Ministers approved the following:***  1. to carry out an analysis of sectoral budget financing, including reviewing functions financed by the State budget, analyzing policies and areas under the supervision of sectoral ministries, and horizontal review of the State budget programs to ensure a more economic and rational implementation of the functions financed by the State budget, reduce administrative burden and, if necessary, to make proposals for policy changes;  2. to continue improving the management regulation of the State budget planning and execution processes, including introducing prerequisites for wider use of automated data processing systems in the budget management process (for example, reports, information automation and exchange);  3. to initiate a review of mid-term expenditures, ensuring information and data processing and analysis to carry out the research of the policies and areas under the supervision of individual sector ministries and to optimize expenditures related to real estate rental and maintenance, as well to provide financial management analysis in municipalities. |

## Financial Results of the Spending Review

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|  | *Results were adopted by the Cabinet of Ministers on 11 October 2022.*  *In fiscal terms efficiency gains of* ***EUR 168,4 million*** *for 2023 were achieved, which provided additional funds for reprioritizing expenditures both within line ministries and for general government priorities:*   * *EUR 12,1 million were allocated for government priorities.* * *EUR 156,3 million were identified as ministerial internal resources.* |

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| Method of the Spending Review | 2023 | 2024 |
| ***Horizontal measures for the resource allocation in favor of the current priorities*** | **166 568 994** | **82 917 323** |
| **Review of base expenditures by line ministries**  *Internally revised resources for internal redeployment in line ministries with implications for the coming years* | **154 928 979** | **76 847 283** |
| **Review of the funding allocated for priority measures**  *Review of the allocated funding for priority measures from 2021 to 2023, assessing the relevance, results achieved and effectiveness of the priority measures* | **1 983 100** | **1 983 100** |
| **Surplus of the own revenues**  *Review of the surplus of the own revenues from 2017. to 2022.* | **9 656 915** | **4 086 940** |
| ***Medium-term spending review of State budget*** | **1 842 402** | **1 842 402** |
| **Optimization of real estate (office premises)**  *Analysis of costs related to rental and maintenance of real estate (office premises), summarized the planned work mode* | **1 842 402** | **1 842 402** |
| ***TOTAL:*** | **168 411 396** | **84 759 725** |

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

Methods of Spending Review:

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|  | **Horizontal measures for the resource allocation in favor of the current priorities** |

* **Review of base expenditures by line ministries**

The results of internally reviewed resources in line ministries with information on internal redistributions in favor of the current priorities with an impact on the coming years included. The State Budget has been reviewed several times because of the impact of Covid-19 and free financial resources were directed to current priorities. The centralization of various processes between the central government and subordinate institutions is still relevant and ongoing.

* **Review of the surplus of the own revenues**

Review of the surplus of the own revenues carried out to ensure economically rational use of the accumulated funds, including the financing of sectoral priorities and the improvement of own revenue administration and planning.

* **Review of the funding allocated for priorities and other activities**

The following components of the priority measures were evaluated: flexibility (reallocation of allocated funding); efficiency (implementation of expenditure and performance indicators); actuality of priority measures; public interest (whether the priority measure can be continued with less funding); the role of government (whether the priority measure is included in the Government Action Plan).

* **Funding allocated to measures to overcome the consequences of the spread of the Covid-19 infection**

Summarized information based on a form that was sent to line ministries and other central State institutions at the beginning of 2022, asking them to provide information of expenditure for Covid-19 measures in 2020 and 2021.

* **Analysis of performance indicators of the basic functions of the basic budget**

The scope of funding of performance indicators of basic functions of the basic budget in 2022 and implementation of performance indicators of basic functions of the basic budget in 2021 were analyzed.

* **Expansion of State and local governments’** **unified customer service centers in connection with cooperation with institutional customer service centers and their impact on budget expenditures**

An evaluation of demand by inhabitants of the State and local governments for unified customer service centers and efficiency of managing financial resources. The evaluation includes data on services from January 1, 2021, to September 30, 2021, and did not include the services provided by the call center. Summarized the opinion of the line ministries on the cooperation of the institution’s customer service centers with State and local governments unified customer service centers and their development.

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|  | **Analysis of the financing policies under the supervision of line ministries** |

* **Analysis of financing policies of the health sector.**

Analysis of the State-paid health care services received by a person who lives in EU or EEA member state, review of services provided by laboratories and possible improvements in the system of reimbursed medicines.

* **Analysis of financing policies of the agricultural sector**

Analysis of coverage of regional structural units and customer service centers of subordinate institutions of the Ministry of Agriculture, expenditure for the rent of buildings and premises in 2022 and financing for the maintenance of drainage systems.

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|  | **Analysis of the mid-term State budget expenditure** |

* **Analysis of costs of the real estate (office premises) rental and maintenance used by line ministries, other central State institutions and independent institutions**

After the Covid-19 pandemic, remote work has become a self-evident norm, the issue of the area of ​​real estate used by institutions is becoming more relevant, raising the question of the gradual reduction of the area used for offices and costs. Analysis of data and information (based on a form that was sent to line ministries, other central State institutions and independent institutions at the beginning of 2022) to improve costs related to rental and maintenance of real estate.

* **Medium-term cost analysis of ICT[[1]](#footnote-1) measures and systems maintenance**

Summarized the reasons for the growth of expenditures for ICT, analyzed dependence of the expenditure structure and volume on the organization of ICT provision and ICT solution architecture. Reasonably assuming the optimal organization of ICT provision and the use of modern, modular ICT architecture solutions will create prerequisites for the prevention of unjustified expenditure, the role of the State ICT resource accounting system “VIRSIS” is explained, and the necessary improvements in the accounting of expenditures for ICT are explained.

The registers created in the State administration and their maintenance costs in 2021 were analyzed, including information such as:

1. objectives of the register and evaluation of its achievement;

2. regulatory act, which determines the necessity of creating a register;

3. the year of creation of the register;

4. the number of units registered in the register;

5. register maintenance costs in 2021;

6. revenues in connection with the use of the register in 2021;

7. relevance of the register;

8. possibilities of transferring the register for maintenance to the non-governmental sector or for integration into the register maintained by another institution;

9. planned measures to improve the register;

10. public availability of the register.

* **Improvement of certain policies [aspects] of financial management**

The need to improve the accounting of budget planning and to make the internal control system and its monitoring mechanisms more effective in municipalities is emphasized, as implementation Ministry of Finance will provide local governments with methodological and consultative support in the implementation of the internal audit function.

Line ministries use research as a support tool to promote evidence-based policy planning. Summarized information of the studies of line ministries and their subordinate institutions in 2020 and 2021 published in the Research and Publications database.

1. Information and communication technology [↑](#footnote-ref-1)