On the base of the state basic budget and special budget and the results of the public Spending Review for the years 2025, 2026, 2027 and 2028

# Scope

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|  | ***On 28 March 2024 the Cabinet of Ministers approved the following:***   1. Implementation of performance based State budget programmes including performing an analysis according to performance, costs and international comparisons (benchmarking). 2. Analysis of State budget expenditures:    1. Line ministries to carry out a horizontal review of the State budget programmes, including review of the funding allocated to the priority measures, as well as an analysis of the implementation of performance indicators in 2023;    2. Line ministries to analyze the expenditures planned in the sector budget, provide proposals for the impact on the 2025 budget and the medium-term general government budget, and to prepare proposals for possible policy changes. |

## Financial Results of the Spending Review

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|  | *Results were adopted by the Cabinet of Ministers on 20 August 2024.*  *In fiscal terms efficiency gains of* ***EUR 138,1 million*** *for 2025 were achieved, which provided additional funds for reprioritizing expenditures both within line ministries and for general government priorities:*   * *EUR 0,1 million were allocated for government priorities;* * *EUR 138,0 million were identified as ministerial internal resources.* |

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| Method of the Spending Review | 2025 | 2026 | 2027 | 2028 |
| **Independent review of expenditures by line ministries**  *Internally revised resources for internal redeployment in line ministries (including review of the allocated funding for priority measures) with implications for the coming years.* | **116 019 127** | **98 720 435** | **133 833 950** | **131 336 566** |
| **Review of the funding allocated for priority measures**  *Review of the funding allocated for priority measures by Ministry of Finance from 2021 to 2023, from 2022 to 2024 and from 2023 to 2025 assessing the relevance, results achieved and effectiveness of the priority measures.* | **18 743 410** | **18 743 410** | **18 743 410** | **18 566 344** |
| **Centralization of the accounting function**  *To ensure a common accounting policy and methodology for obtaining comparable financial data for planning and execution of the State budget.* | **3 281 507** | **3 281 507** | **3 267 420** | **3 253 333** |
| **Creating a smart working environment**  *Development of a new approach to work organization in Riga and outside the capital, developing the availability of co-working spaces and promoting awareness of modern work organization opportunities.* | **63 049** |  |  |  |
| **Covering the costs of maintaining the Unified Website Platform of state and local - government authorities**  *Coverage of costs for those institutions that joined the Unified Website Platform in 2024 is ensured.* | **5 250** | **5 250** | **5 250** | **5 250** |
| ***TOTAL:*** | ***138 112 343*** | ***120 750 602*** | ***155 850 030*** | ***153 161 493*** |

**Draft basic budget and special budget base**

In accordance with paragraphs 13 and 17 of the Cabinet of Ministers Regulation No 15[[1]](#footnote-1), the Ministry of Finance submits to the Cabinet of Ministers for approval the draft basic budget and special budget base in accordance with the budget preparation schedule, accompanied by a list of measures not included in the basic expenditure. The 2025, 2026, 2027 and 2028 budget bases of the ministries are established in accordance with the requirements of Regulation No 15 and taking into account the decisions taken by the Cabinet of Ministers.

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

Methods of the Spending Review:

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|  | **Improving the linking of state budget** **expenditures with the goals and results of sectoral policies** |

* **Analysis of performance indicators of line ministries policies and linking them to funding**

Analyzed policy and resource management scorecards of ministries. For each scorecard, the dynamics of expenditures and the performance indicators of the policy included in it were analyzed separately. The “traffic light” principle is used to analyze the performance indicators of the policy, where the performance values ​​were reflected according to the following criteria: green - 100% performance, yellow - 95-99% performance, red - performance below 95%. As a result of the analysis, it was concluded that the ministries should choose indicators according to the funding contained in the policy and resource management scorecard, they should reflect the use of funding, as well as evaluate the methodology for determining the planned values ​​of the performance indicators of the policy and the possibilities of their achievement, work should continue on the improvement of the policy and resource management scorecards and the revision of the ministry structure, harmonizing it with the structure and content of policy areas and development planning documents.

* **Implementation of performance based budget programmes**

The chapter provides information on the creation of an interoperable information panel, which would include both the performance indicators of sectoral policies and the most essential services of the sector, as well as proposals for improvements to the construction of the state budget law. It was emphasized that the focus on results and cooperation between institutions in the implementation of policy areas would foresee the responsibility of budget implementers for their adopted decisions, actions and their consequences, as well as the achieved results. It has been determined that amendments to the Law on Budget and Financial Management are necessary, regarding the improvement of the medium-term planning and budget structure, the linking of the budget structure and allocated funding with the goals of sectoral policies and the actually achievable policy and performance indicators, as well as the need to reduce the administrative burden by making budget appropriations redistribution and determining the transition period for the gradual introduction of performance based budget planning processes.

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|  | **Horizontal review of the resource allocation in favour of current priorities** |

* **Analysis of the expenditures of line ministries and their impact on the 2025 budget**

A summary of reallocations of resources through spending reviews proposed by line ministries, reviewing, streamlining and redirecting funding to sectoral priorities and current issues. Ministries are responsible for effective and meaningful use of funds.

* **Review of the funding allocated for priority measures**

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).

* **Analysis of performance indicators of the basic functions of the basic budget of 2023**

To provide the public with an overview of the tangible and intangible benefits they and the country as a whole derive from the use of public budget resources, the Report includes performance analysis of the main functions of the basic budget. The correlation of performance of indicators with the level of performance of expenditures were analysed.

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|  | **Centralization of the accounting function** |

By centralizing the accounting function, a common accounting policy and methodology is ensured, which reduces the possibility of errors and ensures compliance with regulatory enactments. It also promotes the obtaining of uniform and comparable financial data, which is essential for the planning and execution of the state budget, as well as enables the more efficient use of technological solutions and automated processes, thus reducing the amount of manual work, costs and the risk of errors.

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|  | **A reduction in the expenditure of the basic functions of the state from the grant from the general revenues** |

The calculation of the reduction is based on the percentage reduction in expenditure on goods and services (11% - €50 million, 16% - €75 million, 22% - €100 million). The Ministry of Finance, after updating the base expenditure of the State basic budget and the State special budget in line with the decisions taken on the results of the spending review, calculated the reduction in expenditure for each ministry. The ministries made a breakdown of the funding to be reduced by programme, sub-programme and expenditure classification code, in accordance with the amount of the reductions determined.

1. Cabinet of Ministers Regulation No 15 of 17 January 2023 "Procedure for determining the total maximum allowable amount of State budget expenditure and the total amount of expenditure for each ministry and other central State institution for the medium term [↑](#footnote-ref-1)