

**Value for Money Division  
Ministry of Finance**

**Value for Money  
at the first checkpoint**

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21st November 2016

## Spending review context

- **Part of broader Value for Money initiative** aimed to improve analysis of government decisions – operations, investment, policies and regulation
- **Economic review of all major decisions and sectors** (spending review)
- **Goal to review most of public expenditure** within election term; as integral part of budgetary process
- **Institution building** - improve data, methodology and governance structure (support development of analytical units at ministries)

# I What we have done so far

- Published pilot reviews of Regional schools, Employment services and Revenue administration
- Spending Reviews of Health, Transport and IT approved by the Government with measures
- Measures (in health-care) included in the public finance budget, more analytical budget documentation in healthcare
- Formalised stronger role of Ministry of Finance
  - CBA review
  - better methodologies and techniques
- Specialised analytical unit, empowered state analysts

# First round of spending review analysed app. 8,5 % GDP

## Healthcare (5,2 % GDP)

- analysed drugs prescription, medical goods spending, radiodiagnostics and labs consumption
- identified yearly savings 363 mil. eur (6% of total spending), 174 of which are to be realized in 2017
- proposed hospitals operations, processes and purchases improvements

## IT (0,6 % GDP)

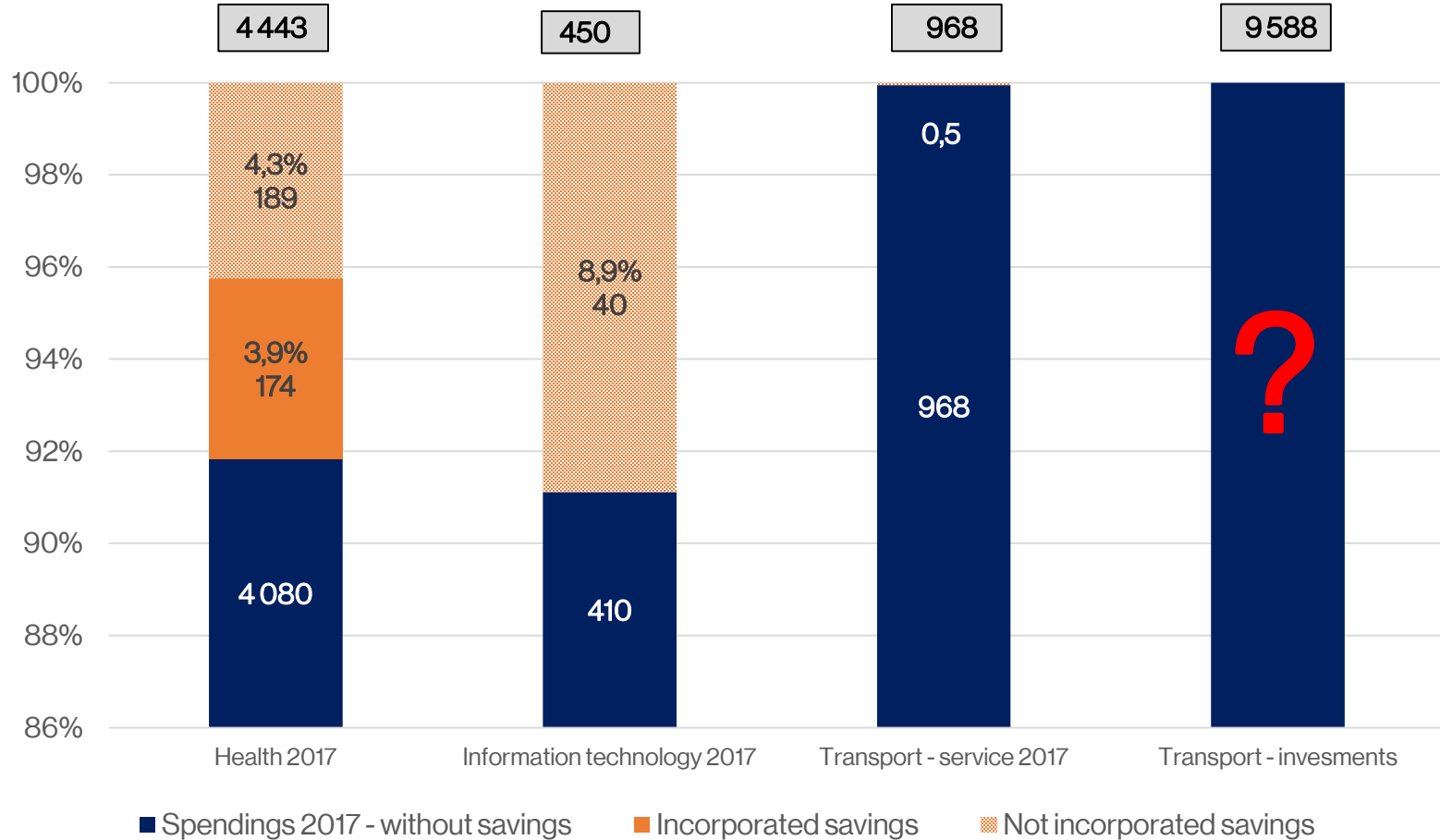
- Identified 3-8% improvements in OPEX (telco, licensing, cloud), and 3-4% in improved value
- Proposed roadmap towards governance guidelines concerning major investments, data collection
- Estimated international-cost effectiveness of IT spending

## Transport (2,7 % GDP)

- Major infrastructure projects „priorities“ up to 10% of GDP. Case for improved assessment. (work in progress)
- Identified improvements in data (and modelling), methodology and process of investment selection
- Value in investments in railway traffic management
- Seeks for improvements in maintenance, case for increase funding of local roads
- Implementation issues

# Relevant savings?

The volume of revised fields and identified savings (mil eur)



# | Transport remains a challenge

	Health	Transport	IT
Relevant savings	✓	x	✓
(mil. eur)	363	0,5	22-40
Connection to the budget	✓	x	x
Significant increase of value	?	x	?
Improvement of future investments	✓	✓	✓
Cooperation on revision	✓	x	✓
Transparency	✓	✓	✓

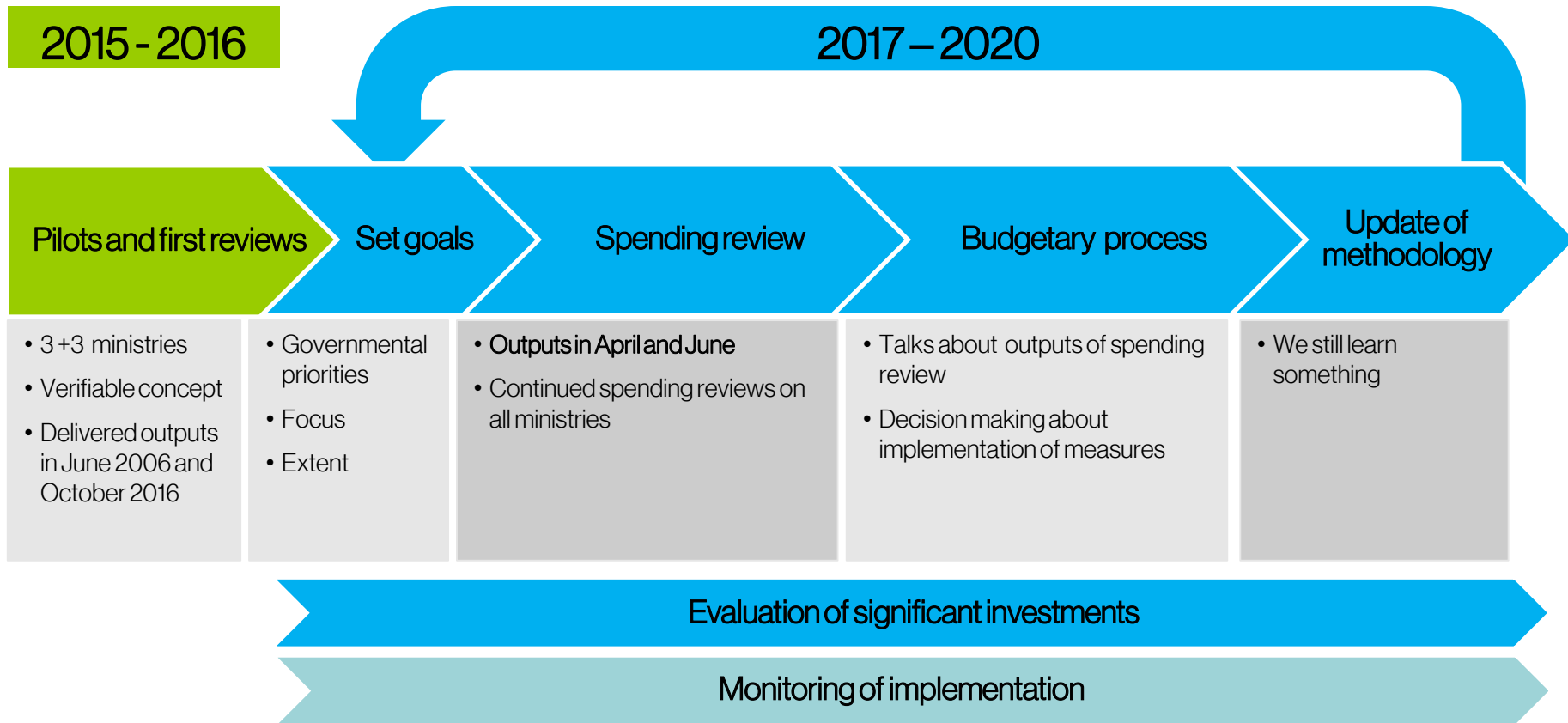
# I Indicators of success

Task is to bring more value in the sector (education, labour and social policies, environment).

1. Relevant size of measures (rule of thumb 10%)
2. Measures in the budget
3. Significant increase of value
4. Analytical capacity at the line ministries- cooperation on revision
5. Transparency – released reports

# Process finetuning

- Final reports end-June, budgetary negotiations in summer (approved by government in mid-October)





## | Link to budget

- Spending review reports annexed to the budget
- More analytical health chapter with measures in main text, includes outcomes (amendable mortality); recognised by minister of health
- **Challenges:** other chapters not in the budget; no formal expenditure ceilings; ownership by line ministries; programme budgeting restart; sanctions for non-compliance?