

| Value for Money Division Ministry of Finance

| Value for money in Slovakia

January 2018



I From Yes minister, to Wire, to House of Cards

“We have to do *more* with *less*.”
James Whiting (The Wire, Season 5)



I Value for money - government initiative

- Spending review is part of broader initiative in the government manifesto
- Economic assessment of all public sector decisions (operations, investments, policies, regulations)
- Ex-ante by government agency and ex-post by an independent agency
- Emphasis on outcomes in public discussion (program budgeting)
- Benchmark against best at home and abroad - publicly, transparently and with reliable data

I Broader goals – mindset, institutions, data

1. Philosophical change

- not only „comply with the law“ but look for „the best option“

2. Strengthen institutions

- „four eyes“ principle
- analytical capacities everywhere in public sector
- implementation unit
- transform National audit office to performance auditor

3. Data and analytical tools

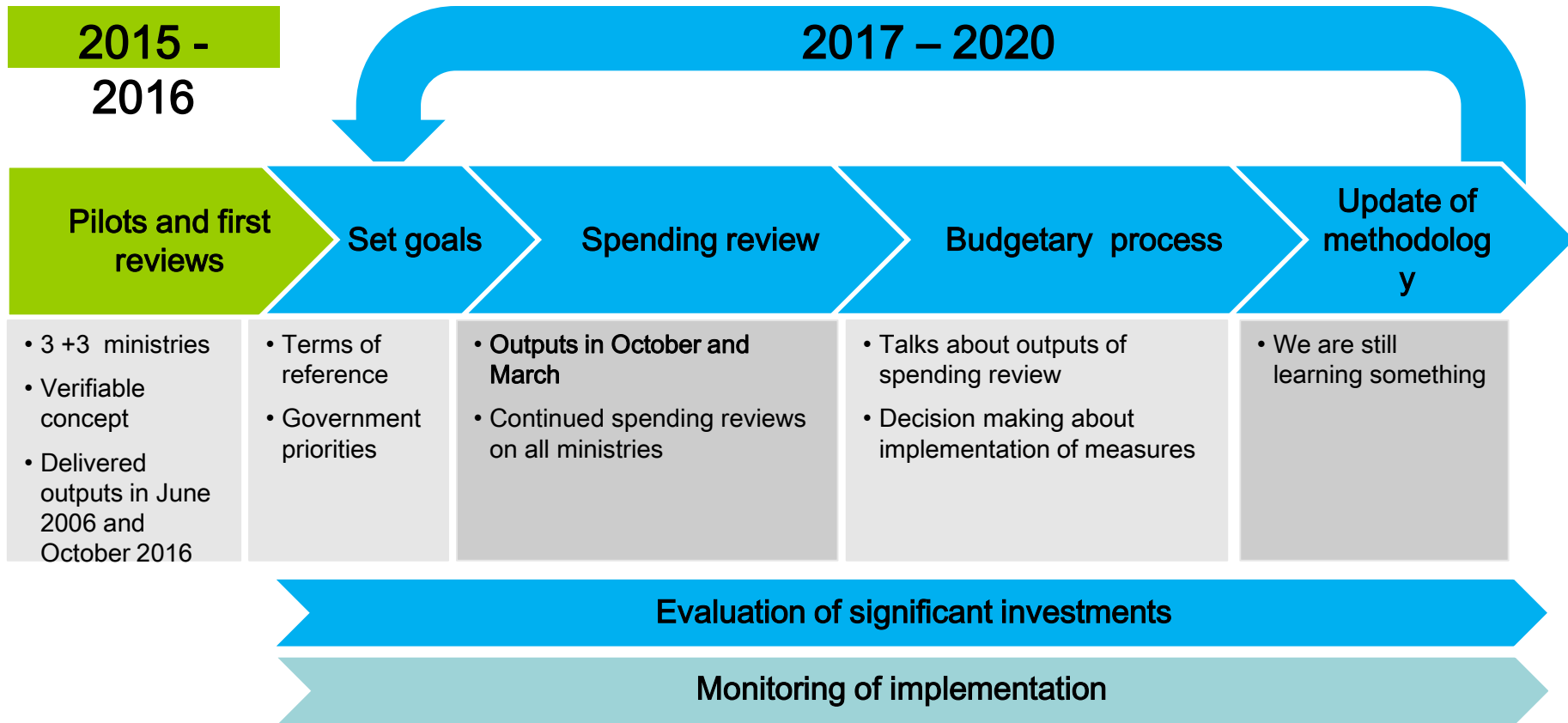
- CBA, CEA, CUA, CMA
- benchmarking

I Spending reviews focus on value

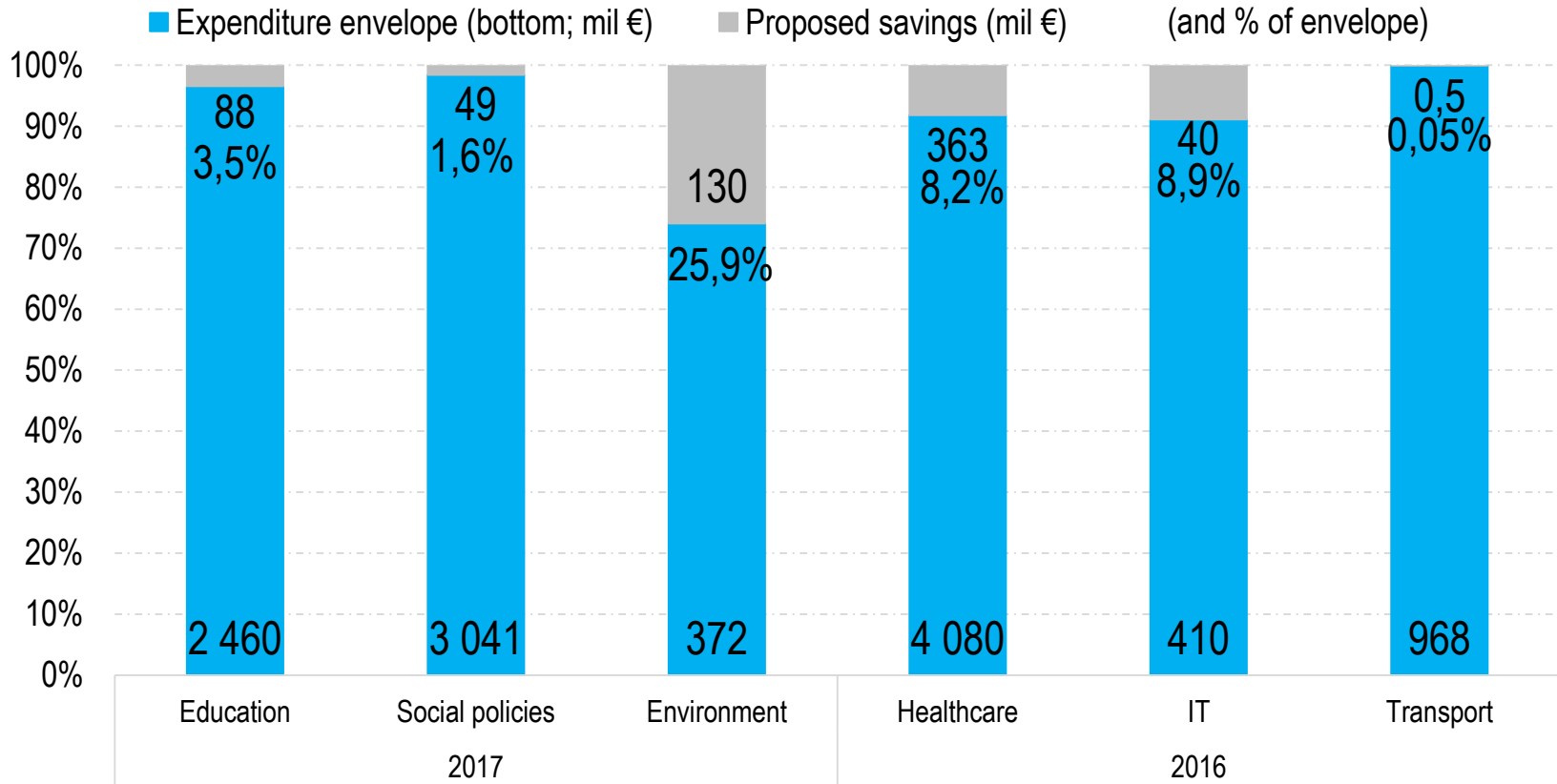
- Comprehensive (and regular) review of effectiveness and efficiency of expenditures, by sector or by a common topic (IT, wages, etc.)
- Review „most“ of the public expenditure during the election term
- Proceed in rounds (3 sectors per year)
- Cut „bad“, promote „good“ expenditure within each sector = focus on value rather than consolidation
- Aligned with budgetary process – work in progress
- Executed by internal capacities – analytical units in ministries, MoF leads the process, methodology and analytical capacity

Spending review cycle – all outputs are public

- 1) ToR (government); 2) Interim reports; 3) Final reports;
- 4) Implementation in state budget (government)



I Six reviewed sectors



- On average, the proposed savings are **8 % of the budget**
- KPIs go beyond proposed savings measures – value, data, accountability, transparency

I Beyond savings

- **Relevant savings** in Healthcare, IT and Environment
- Healthcare and Environment measures are **incorporated in the public finance budget**
- **Significant increase of value**, mainly in Environment
- We need **analytical partners** and line minister's ownership to get the job done well
- **Transparency** – all our reports and datasets are public, lot of media attention
- **Good investment project** - CBA by MoF for every major investment higher than 0,05 % GDP; 1,6 % GDP already reviewed

I Lessons learnt

- **Political ownership**
 - Crucial for the exercise. It is never good enough
- **Internal staff is value for money**
 - Rather than outsourcing the analysis, results are much better when an in-house analytical unit exists
 - In-house analysts are good cops, MoF are bad cops
- **Ambitious goals, optimistic reality**
- **Budget is key tool for MoF**
 - Use budgetary process as much as you can (spending limits, measures, performance goals, annex the spending review reports)
 - Ideally with clear spending baseline projections
- **Implementation is typical weakness**
 - And key to translate ideas into better services for citizens
 - Broader engagement is necessary
 - Set the implementation unit – in the center of government and elsewhere

I Budgetary process with VfM

- The 2016 and 2017 spending reviews have reviewed public spending amounting to 15.9 % GDP (39% of the total public expenditures), and identified potential savings worth amounting to 0.6% GDP (1.5 % of the total public expenditures)
- Spending review measures are part of the budget negotiation – technical and political
- Measures are incorporated into the state budget
- We are not consolidating, all savings are used to increase value within the sector (good times)
- Implementation Report is part of budgetary documentation – overseen by Implementation Unit

I Health care measures in the budget

Table: Savings measures

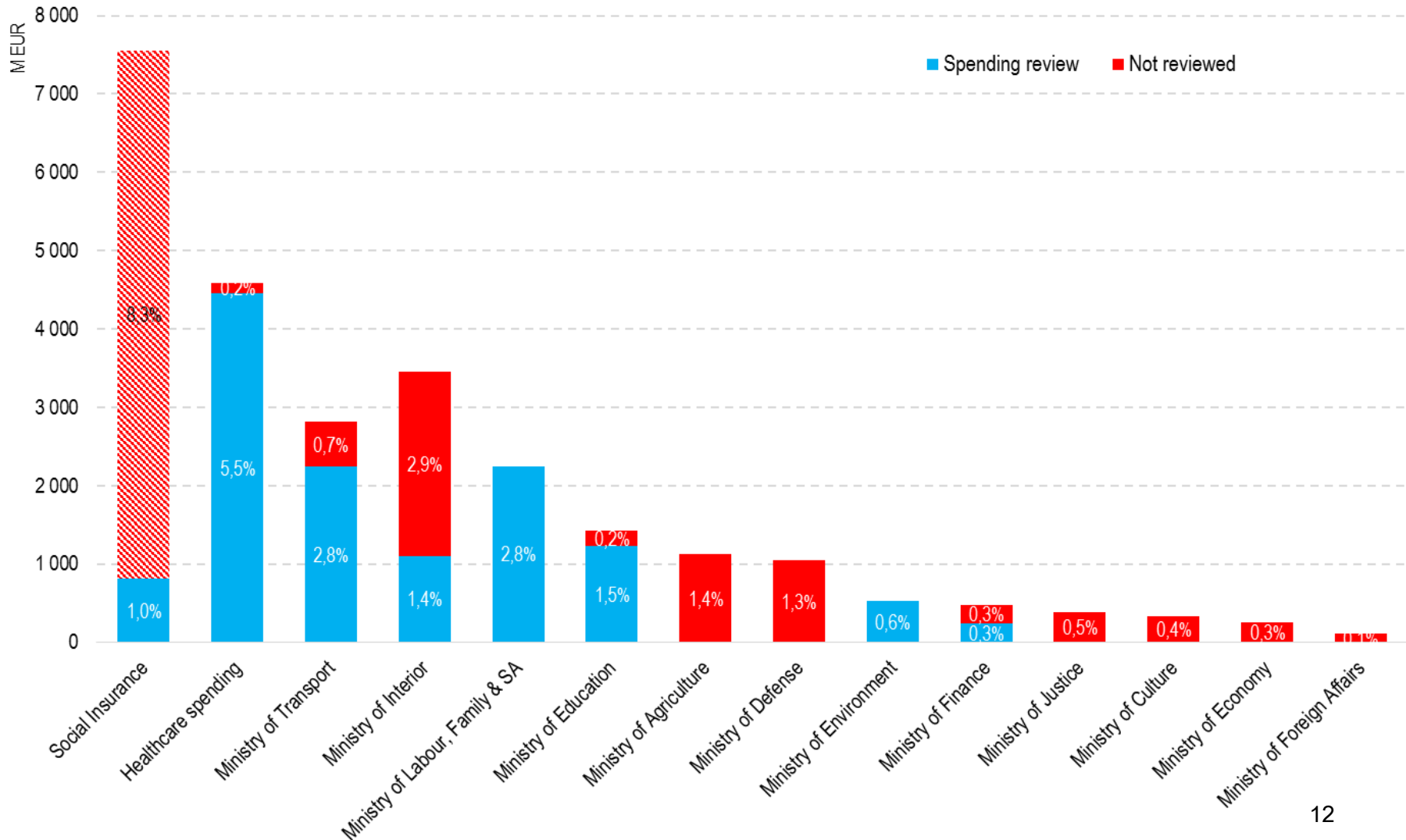
Million eur	2017	2018	2019	2020	Potential saving
Measures reducing costs of public health insurance (summary)	143	159	165	193	268
Overprescription of medications – introduction of prescription limits for outpatient service providers	20	20	20	20	59
Exceptions for medications – introduction of rules on refund of exceptions	10	10	10	10	10
Cost inefficient medications – central procurement of medications covered by health insurance	25	25	25	25	42
Special medical material – price reduction through reference pricing	35	45	45	55	55
Medical devices – reference pricing and inspection activities	15	15	15	15	15
Diagnostic exams – reduction of unit prices and limits to CT and MRI examinations	10	16	22	28	25
Diagnostic exams– introduction of limits for outpatient service providers	3	3	3	15	37
Improvement of inspection activities of VŠZP	25	25	25	25	25
Measures reducing hospital costs (subordinate organisations of MoH)	31	31	31	31	95
Operational expenses optimisation	5	5	5	5	10
Medical processes optimisation	15	15	15	15	74
Medication and special medical material procurement optimisation	8	8	8	8	8
Medical equipment procurement	3	3	3	3	3

Source: MoF SR



Two more rounds to cover the rest

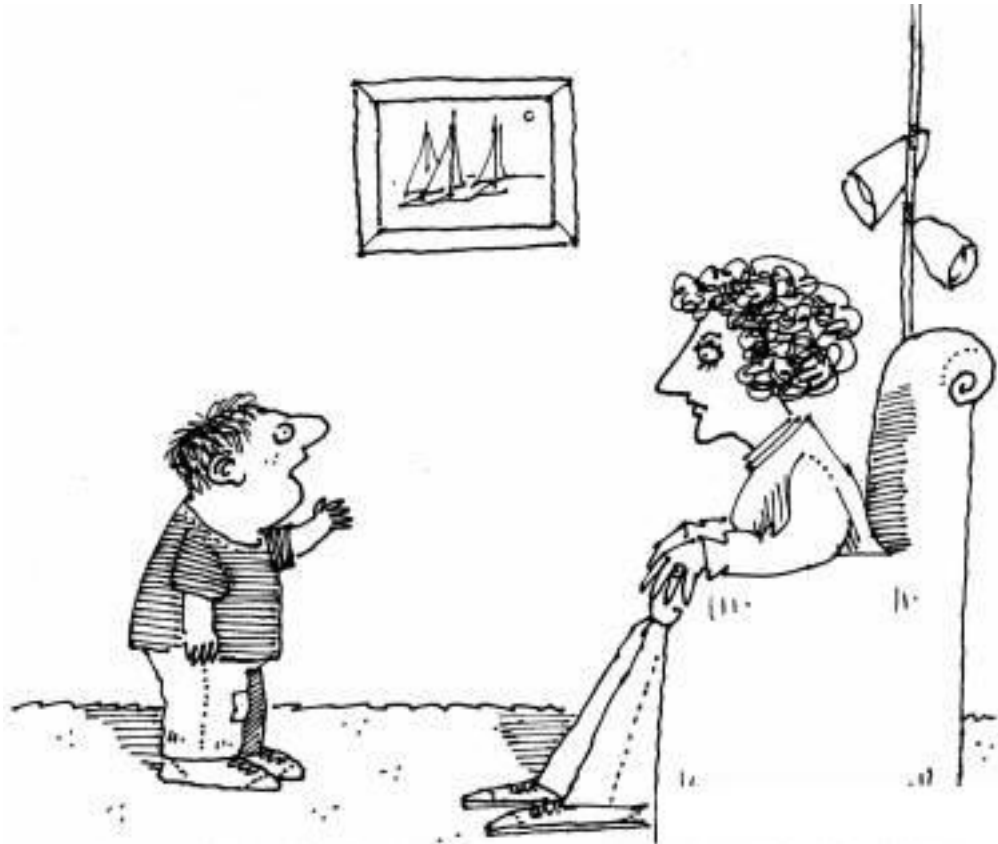
Public spending, covered by spending review (2017)
Labels show spending as % of GDP



I Third round (2018)

- **Agriculture and rural development spending review**
 - The aim of the revision is to assess the efficiency of the MARD SR spending with the emphasis on attainment of better results
 - 1,8 bn. Euro (1,9 % GDP)
- **Integration of the at-risk-of-poverty-and-social-exclusion groups spending review**
 - Focus on current protection and inclusion policies
 - Evaluate the current system of data collection, highlight examples of good practices
- **Employment and compensation in general government spending review**
 - Main objective is to identify possibilities of efficiency increase in HR utilization
 - Approx. 234 thousand employees and up to 3,3 bn. Euro (4,1 % GDP)

I Of course I know the value of a dollar ...



"OF COURSE I KNOW THE VALUE OF A DOLLAR...
THAT'S WHY I ASKED FOR TEN OF THEM."



Štefan Kišš

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