

Value for Money Division Ministry of Finance of the Slovak Republic

Slovak Spending Review in the Budget Framework



June 2019

Spending reviews recommended by OECD, IMF, EC

- Spending review should be an integral part of budget preparation process... (OECD, 2014)
- Value for Money (VfM), new government initiative in Slovakia - efficiency of public expenditures, resulting in increase in public sector productivity
- Three tools of VfM Division:
 1. Spending reviews
 - Targeted reviews by sector (education, health) or by a function (IT, wages). Proceed in rounds (roughly 3 reviews per year)
 2. Investment appraisals by MoF (four-eyes principle)
 - All investments above 40 mil. eur, or above 10 mil. eur in IT
 3. Optimization projects in state enterprises
 - Slovak Railways, Slovak Water Management Enterprise, Health insurance company

Spending reviews come in many shapes.

I Slovak ones are targeted and focus on value.

For now.

- Review „most“ of the public expenditure during the election term. Obligatory by law from 2020
- Cut „bad“, promote „good“ expenditure within each sector = allocative efficiency, not consolidation tool
- Executed by internal capacities – analytical units in ministries, MoF leads the process, methodology and analytical capacity
- Supplementing processes that should have been in place already, but are not routinely carried out (what happened to program budgeting?)
- Probably have more original research / analysis than in other countries. (e.g. calculating pay premium for public employees, reclassification of drug subsidies)
- Is not routine part enforced by budgetary processes yet – work in process, naming & shaming meanwhile

I Spending reviews implemented in the budget

Spending review measures are part of the
(1) budget negotiation (technical and political)

Spending review reports are part of **(2) budgetary documentation**, approved by the government

(Some) measures are incorporated into **(3) the state budget** (health and environment are the poster-child)

(4) Outcome indicators for each sector (e.g. amendable mortality in health, PISA in education etc.)

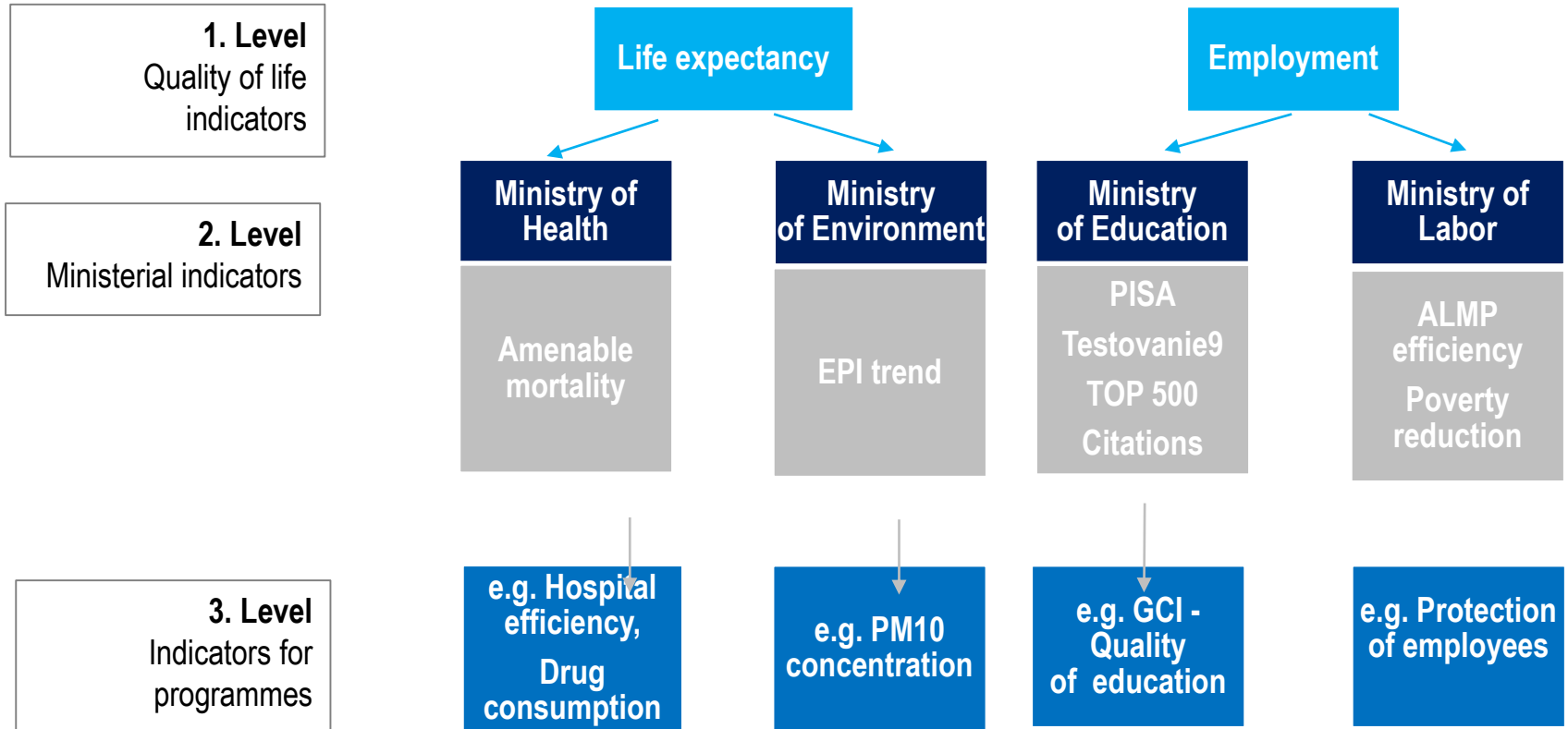
(5) Implementation Report is part of budgetary documentation (overseen by Implementation Unit)

Poor links to results in the budget

- Program budgeting – existing but formal and ignored.
- Public debate about inputs (expenditures on health care) instead of focus on outcomes (saved lives).
- Gradual improvement of budget structure through spending reviews
- Introducing performance based budgeting in health care from 2020

Area	Indicator	SK	Benchmark
Health care	Amenable mortality	250	153,5
	Life expectancy at birth (women)	80,7	83,1
	Potential years of life lost (women)	2 855,0	1 955,0
Labor and social care	Employment rate	70	71
	Long-term unemployment rate	6	4
	At-risk-of-poverty rate (after social transfers)	12	17
	Impact of social transfers (excluding pensions) on poverty reduction	35	34
Education	PISA	463	
	Early school leaving	6,9	11
	Citations per researcher (% of EU average)	50	100
	The rate of tertiary educated population	28,4	38,7
Environment	Population connected to waste water treatment plants	54,7	
	Air quality - The state of PM2,5	18,6	14,53
	Share of threatened species	25,5	23,6
	Greenhouse gas emissions	0,28	0,3
	Recycling rate of municipal waste	14,9	45
Informatization	DESI5 (Digital public services)	0,4	5

KPIs at all levels of public finance



- How to find linkages among levels? Outcome budgeting vs. programme budgeting.

I Lessons learnt

- **Political ownership**
 - Crucial for the exercise. It is never good enough
- **Internal analysts are value for money**
 - Rather than outsourcing the analysis, results are much better when an in-house analytical (and implementation) unit exists
 - Sectoral analysts are good cops, MoF are bad cops
- **Ambitious goals**
- **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 Main findings from OECD Budget review

1. Weak medium term budgeting framework
 - Without credible three year baseline estimates
2. Weak governance framework for CAPEX
 - Dependence on EU funds
 - Unstable budget planning
 - Strategic infrastructure planning without linkage to budget
3. Proper performance budgeting lacking
 - Performance information not linked to budget formulation

I Looking for answers

1. Introducing expenditure ceilings in Slovakia
 - Aggregate or ministerial ceilings?
 - Spending reviews integrated with formulation of ceilings
2. Performance budgeting / spending review interplay
 - What is the best way to pursuit performance debate?
3. Capital expenditures
 - How to strengthen the governance framework?

Thank you for your attention.

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Director

[Value for Money Division](#)

Ministry of Finance of the Slovak Republic

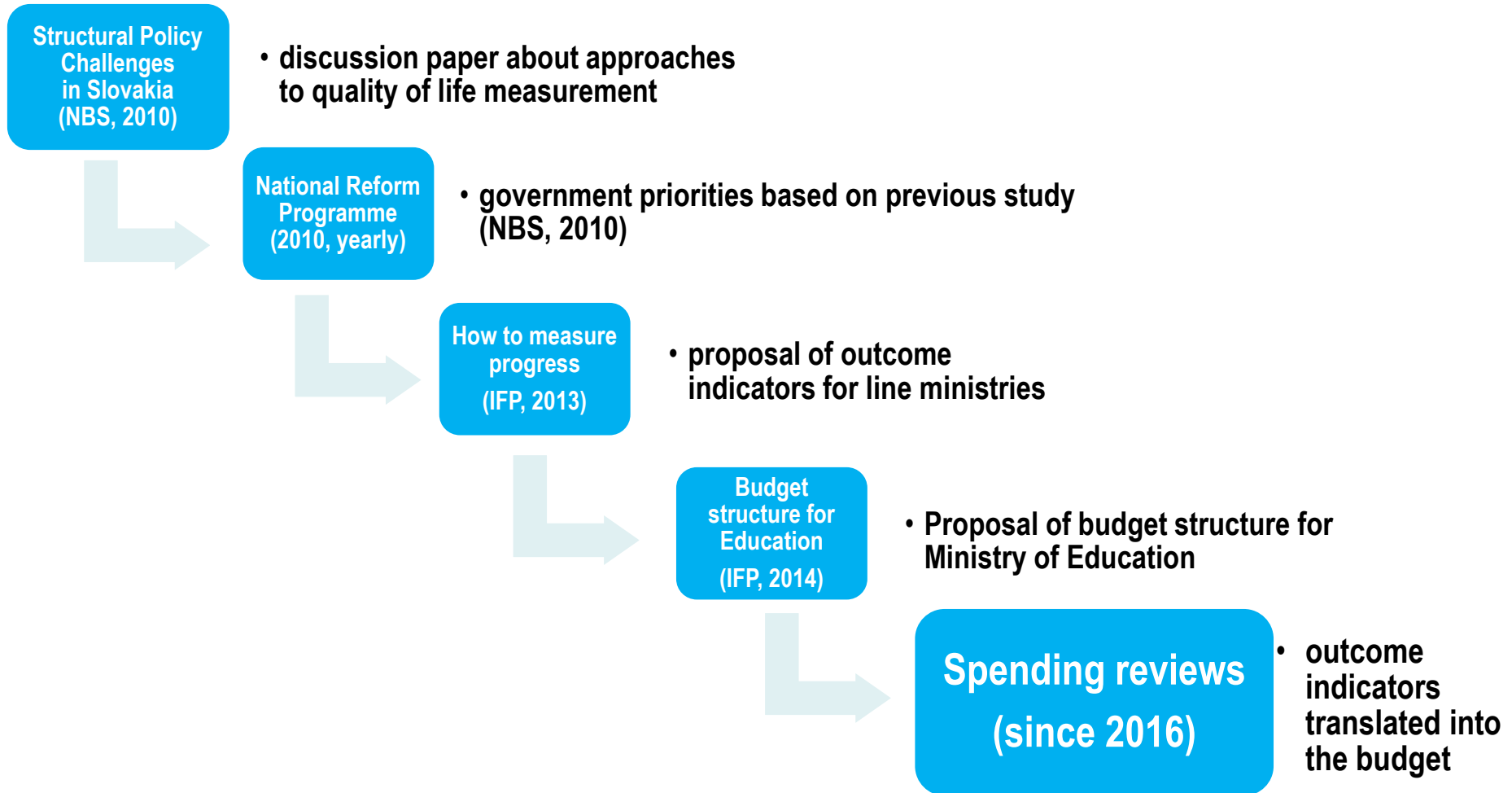
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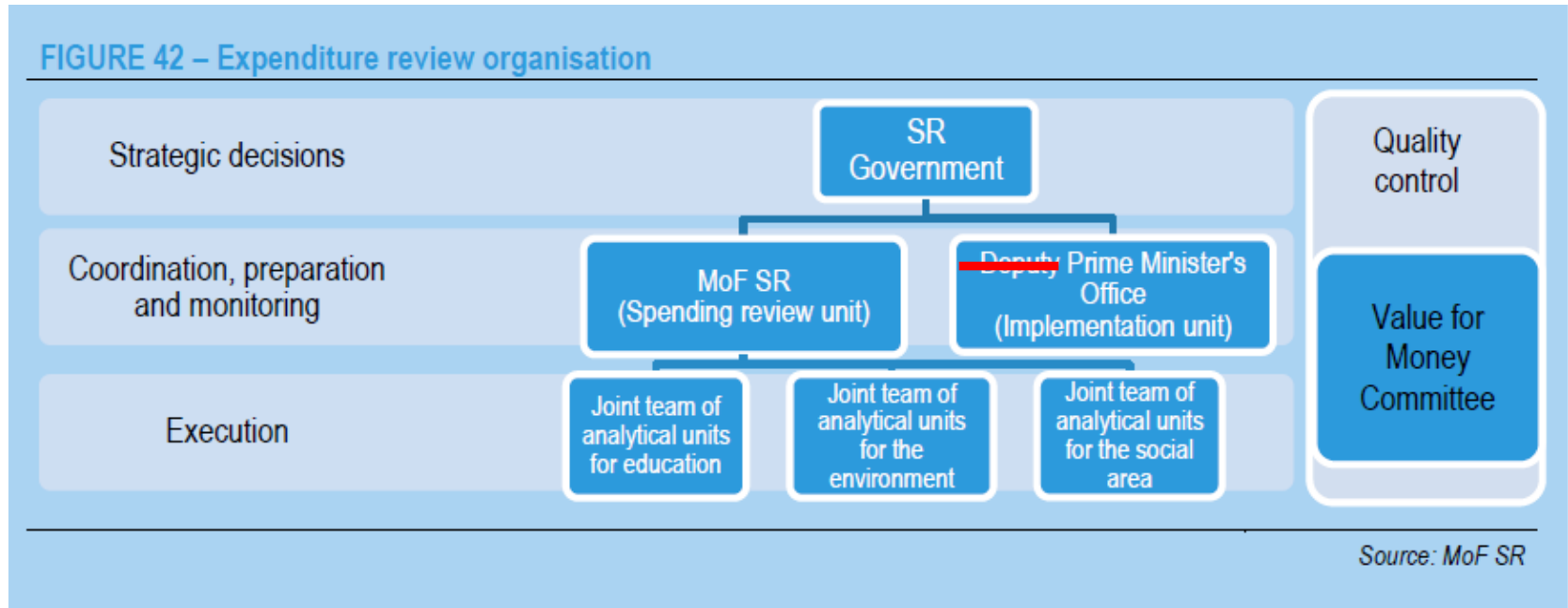


Additional slides

Step by step towards discussion about outcomes



Not a job for one person or one department

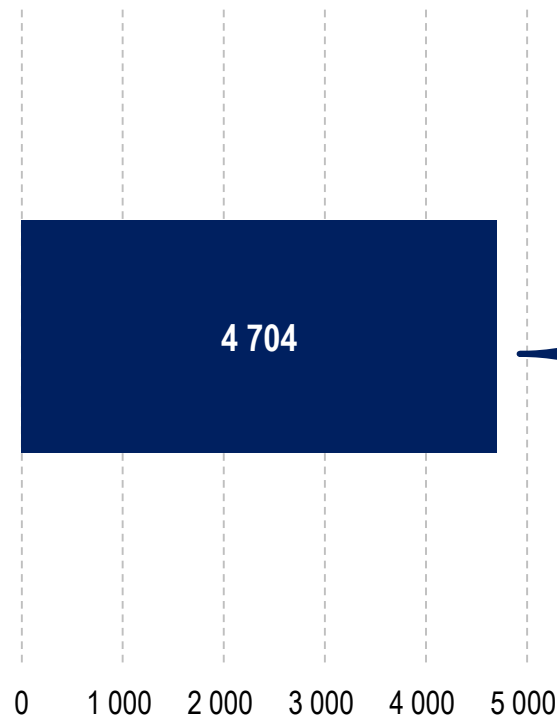


- started with 5, now 20 analysts at the MoF, more at the line ministries
- funded by the EU structural funds, external support from the IMF and EC SRSP
- independent advisory committee – Quality control, but also external support for the project

New programme structure of health insurance

- Since 2019, health insurance expenditures budgeted also in program structure

Health Insurance expenditures in GGB 2018-2020 (in mil. eur)



Health insurance expenditures in GGB 2019-2021 (in mil. eur)

