



THE WAY TOWARDS IMPLEMENTATION.
COSTING OF THE NORMATIVE ACTS IN LATVIA

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Kyiv, December 6, 2018

MAIN PRINCIPLES

- Costing of laws and regulations is an integral part of mid-term **policy** planning and mid-term **budget** preparation process
- Calculation of the financial impact on state and local government budget is a part of regulatory **ex-ante** impact assessment procedure for the normative acts
- Financial calculations are not discounted (**nominal** value)
- Additional sources for funding can be found through reallocation within certain categories of budget subprograms, optimization of functions or applying for additional funds during the annual and mid-term budget preparation processes (New Policy **initiatives** or Priority Activities)
- If several institutions are responsible for the implementation of normative acts they all participate in the **working group** during the elaboration of the normative act and its regulatory impact assessment process.

COSTING TEMPLATE FOR NORMATIVE ACTS

Indicators	N – year	N+1	N+2	N+3
1. Revenues , total				
1.1. Basic budget, including revenue from service provision				
1.2. Special budget				
1.3. Local government budget				
2. Expenditure , total (2.1. – 2.3. – basic, special, local gov.)				
3. Financial impact ((3.1. – 3.3. – basic, special, local gov.)				
4. Funds obtained in compensation measures (+ value)				
5. Final financial impact (5.1. – 5.3. – basic, special, local gov.)				
6. Detailed description of revenues and expenditures				
6.1. Detailed description of revenues				
6.2. Detailed description of expenditures				
7. Changes in job positions	Shows planned changes in job positions of the implementation institution within 3 years			
8. Other information	If normative act needs additional funds it should be stated that Cabinet of Ministers will decide on this during the year N+1 budget preparation process.			

IMPLEMENTATION OF THE HEALTH CARE FINANCING LAW (2018)

- Activity in **Government Action plan** to provide sustainability of health care system and find additional funds for health care from social security payments connecting the provision of full health benefit basket with social security payments
- **Concept** paper “On the necessity of health care reform” (July 2017):
 - Includes long-term **KPI**, which are compatible with National Development Plan priority (to provide service accessibility in all health care levels)
 - KPI for 2018- 2023 are developed taking into account **WHO** suggestion to increase health care expenditure at least to 14% of total budget funds
 - The HR development plan, remuneration system, e-health, reorganization of institutions, potential financial sources are identified, indicators and indicative **financial calculations** provided
 - One of the **activities** mentioned in the concept paper, as well as in the Law On Social Security is the elaboration of the Health Care Financing Law.



MAIN FINANCING PRINCIPLES

- **Earmarked** funding for implementation: starting from 2019 implementation budget cannot be less as in the previous year, except for one-time activities, in 2020 financing of health care should be at least **4%** from GDP
- When funds for health care increase, **primary health** care gets additional funds
- The **gradual** increase of funds, which are directed to health care from social insurance payments
- The mid-term financial impact is calculated taking into account the previously determined **expenditure ceiling** for 2018-2020 and MoF mid-term **forecast** for 2020
- One of the sources for extra funds is a usage of EC allowed budget **deficit deviation** for implementation of health care reform (0.4% from GDP in 2018 and 0.5% in 2019), if:
 - the measure was mentioned in the **Concept** paper on Health Care Reform,
 - implementation of activity reduces **problem** identified earlier or the problem is identified in EC reports
 - outputs are **measurable** and easy to M&E
- Other sources for extra funds are **reallocation** from other budget subprograms and **payments** from social insurance.

IF THERE IS NO GREEN LIGHT IMMEDIATELY...

- In most cases, legislative acts are approved with the condition to implement within the **existing budget** (**reallocation, reorganization, optimization**)
- If the implementation requires extra funds ministry can claim it as a **priority** measure
- During mid-term and annual budget preparation process ministries internally evaluate the importance of priority measures and submit a **list** to Ministry of Finance and Cross-Sectoral Coordination Center (under PM)
- **MoF** submits an informative report and priority list to Cabinet
- After political discussions and using MoF **forecasts** the amount of budget development part is identified
- Cabinet submits to Saeima draft mid-term budget, which includes priority measures according to the available **development** part of the state budget



ROAD TO SUCCESSFUL IMPLEMENTATION

- The normative act is compatible with the mid-term or long-term **priorities** mentioned in the international or national policy planning documents
- The normative act should be costed according to **unified methodology** giving the opportunity to compare options, seek the optimal solution and prioritize initiatives
- Implementation process should be regularly **monitored** and evaluated against the success indicators
- Funding should be planned in **mid-term**, if possible, within the currently available budget