



EUROPEAN COMMISSION
Structural Reform Support Services
MEETING OF EXPERTS

Draft proposal for the evaluation of the long run sustainability of the municipal financial structure in Lithuania

SOSE S.p.A

30th of January 2018
Office of the Government,
Room 263, Gedimino av., 11 Vilnius

DATI CHE CREANO VALORE.

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- **Methodology** for the analysis of the long run sustainability of the financial structure of Lithuanian municipalities
- The analysis will be based under **no policy scenario**

STEPS OF THE PROJECT

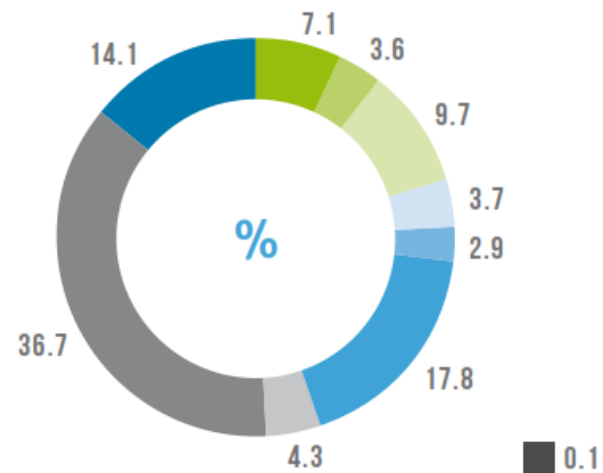
- 1) Selection of expenditure functions
- 2) Data analysis and collection (Eurostat, Associations of local authorities, Lithuanian Department of Statistics, Questionnaire)
- 3) Estimation of standard expenditures and standard level of services by expenditure function (performance evaluation)
- 4) Evaluation of the infrastructural gap (optional?)
- 5) Assessment of fiscal capacity
- 6) Fiscal gap analysis (policy scenario?) at municipal and aggregate level

1) EXPENDITURE FUNCTIONS

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

-  GENERAL PUBLIC SERVICES
-  DEFENCE
-  SECURITY AND PUBLIC ORDER
-  ECONOMIC AFFAIRS
-  ENVIRONMENTAL PROTECTION
-  HOUSING AND COMMUNITY AMENITIES
-  HEALTH
-  RECREATION, CULTURE AND RELIGION
-  EDUCATION
-  SOCIAL PROTECTION



Source: OECD

2) DATA ANALYSIS + QUESTIONNAIRE STRUCTURE

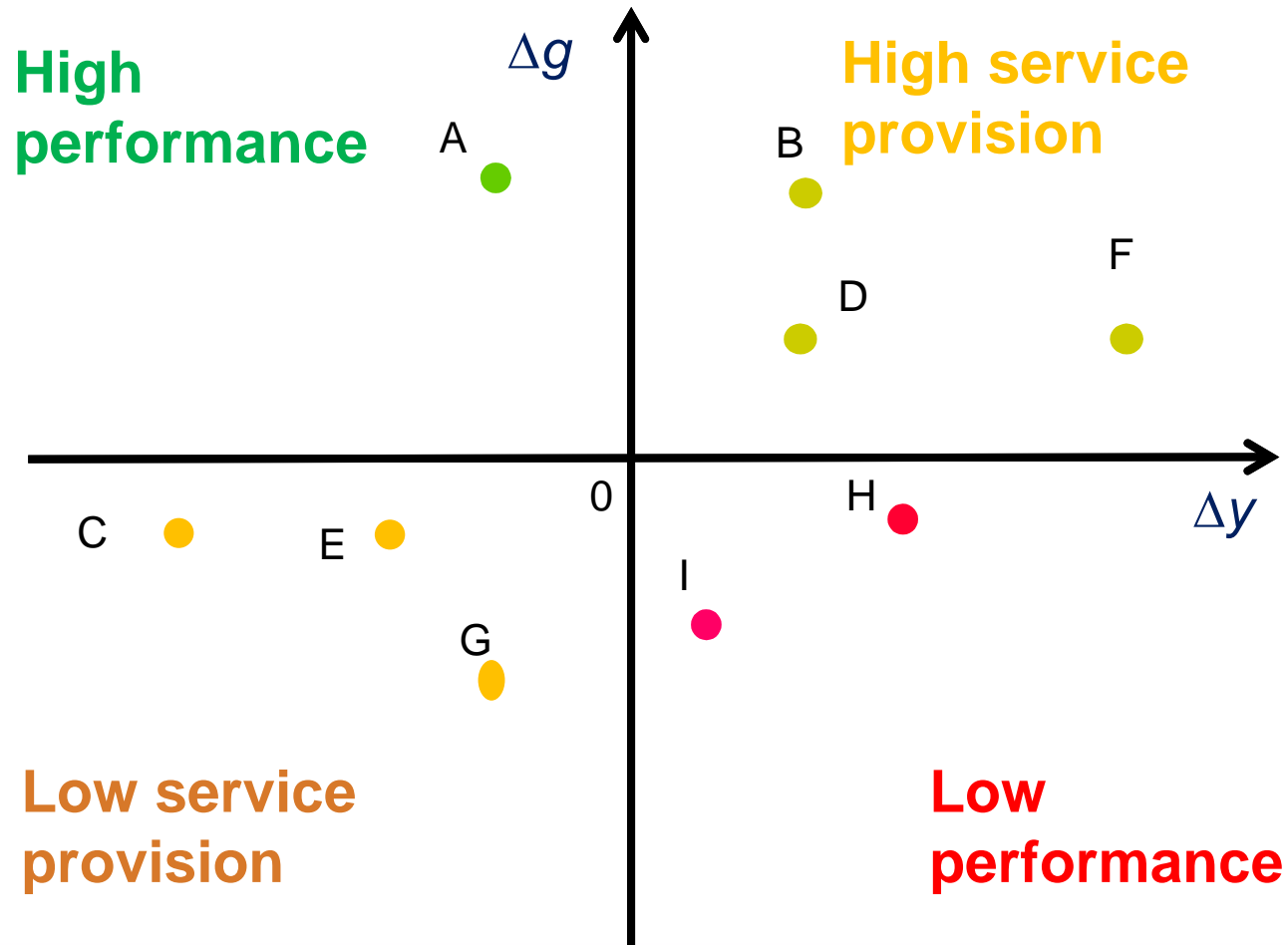


Pilot scheme with 2 selected municipalities

3) PERFORMANCE EVALUATION: EXAMPLE OF A CONCEPTUAL RESULT

Δg = actual services – standard services

Δy = actual expenditures – standard expenditures



6) FISCAL GAP ANALYSIS

For each local government and in aggregate at macro level

Standard expenditure
(current and capital)



Potential revenues
(fiscal capacity + grants)



Fiscal gap



If different from zero evidence of structural imbalance

Compared with

Actual expenditure, services and infrastructural endowment

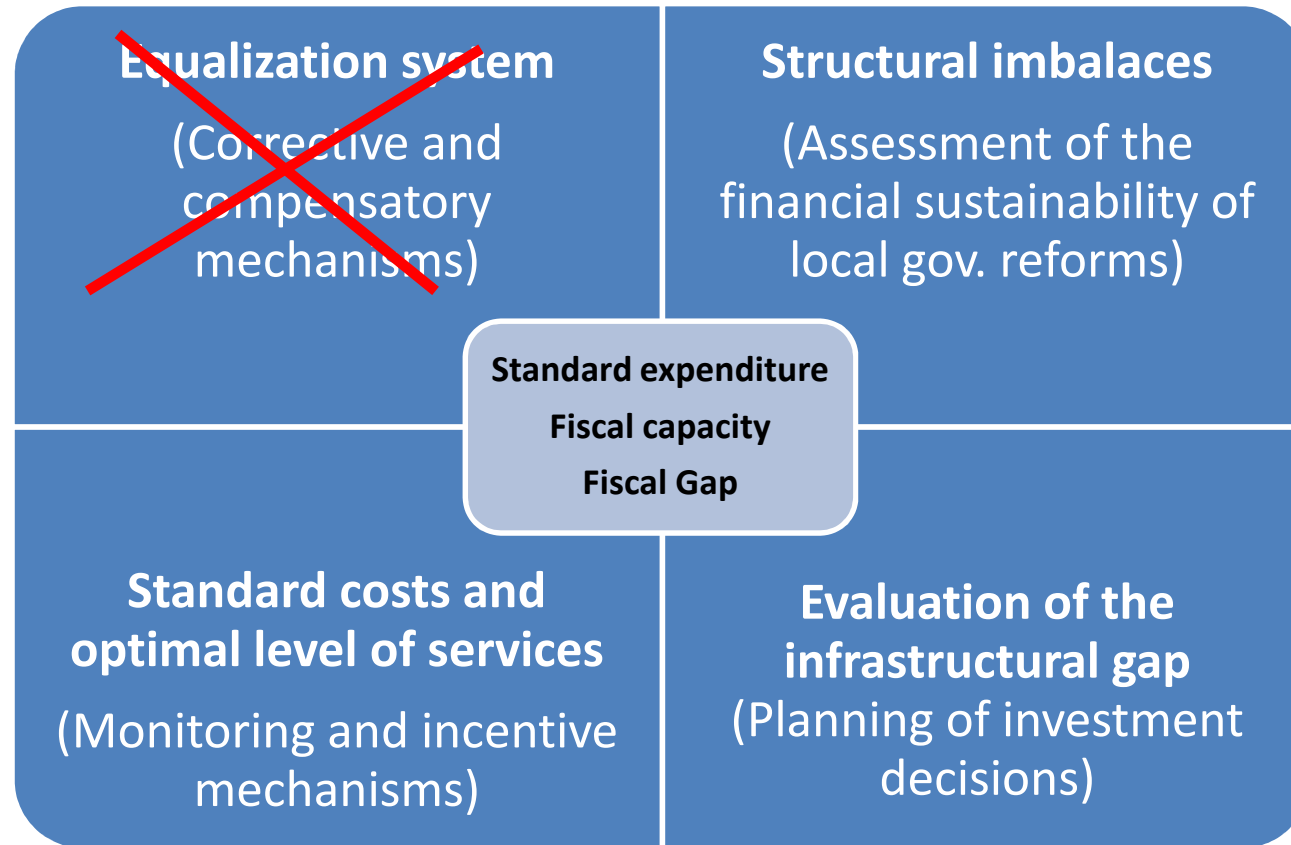


Management efficiency analysis

Evaluation of infrastructural gap



CONCLUSIONS



Fiscal gap analysis => for the evaluation of the long run sustainability of the municipal financial structure in Lithuania

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