

Spending Review Seminar

Enhancing Fiscal Management for More Resilient Economies

Monitoring the Implementation of Measures

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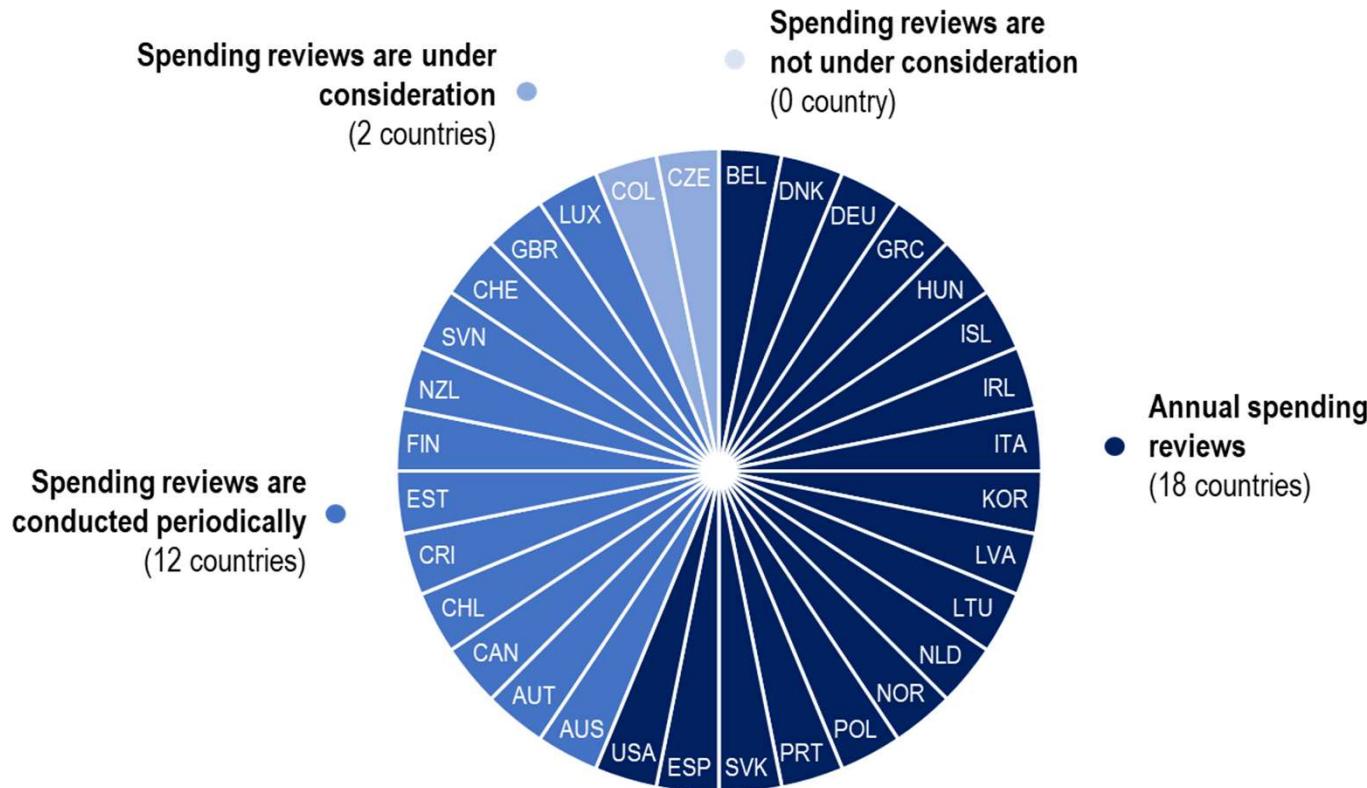


Spending reviews: A budget institution



Which OECD countries use spending reviews?

All OECD countries use spending reviews



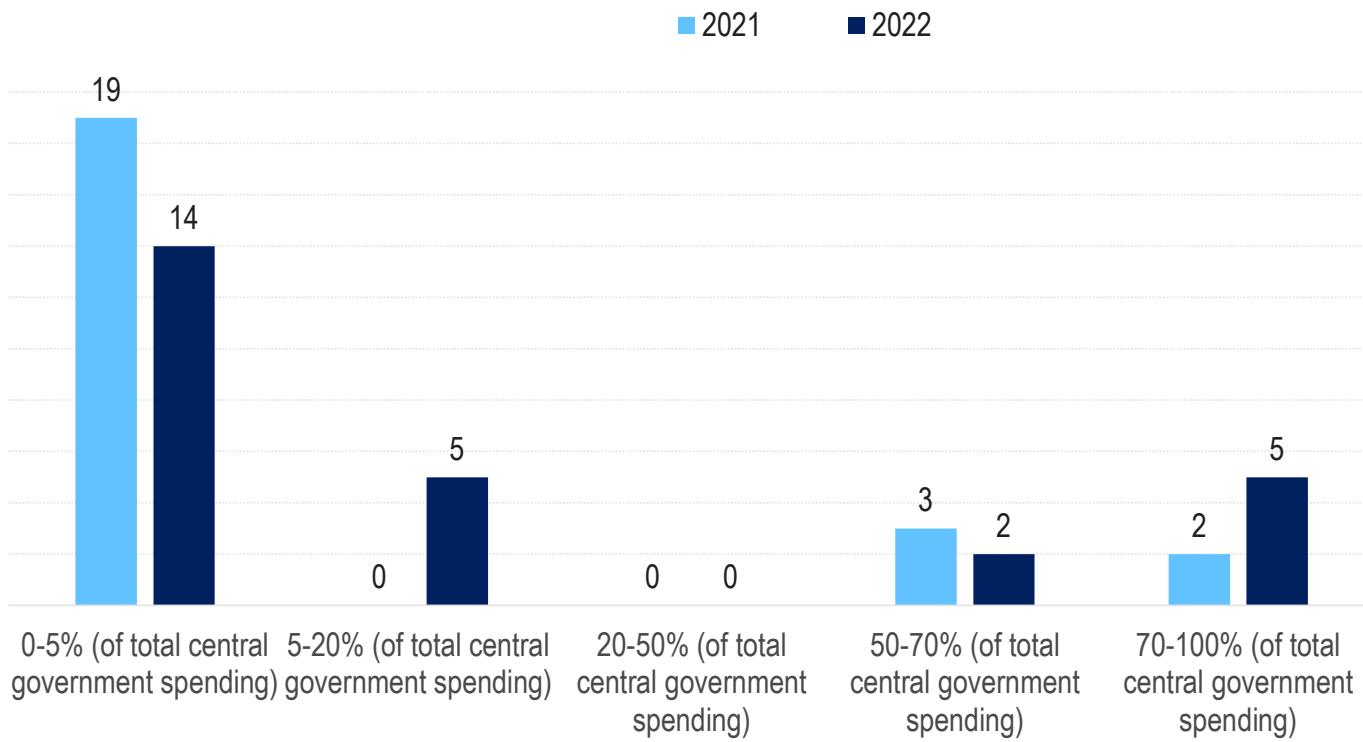
- The number of OECD countries that conduct spending reviews has increased over the past decade.
- Spending reviews are a core institution in budgeting to review baseline expenditure.

Note: Luxembourg conducted one pilot spending review in 2014.

Source: 2023 OECD Survey on Spending Reviews.



How much public spending is reviewed?



- Spending reviews are used to review all baseline spending over time:
 - Some OECD countries review parts of the baseline **annually** (e.g. Ireland and the Netherlands).
 - Some OECD countries review baseline spending **periodically** (e.g. Canada and United Kingdom).

» Spending reviews are a core institution in budgeting

OECD Spending Better Framework



Source: OECD Spending Review Framework.



OECD Best Practices for Spending Reviews

- Within the OECD Best Practices for Spending Reviews, best practices 3, 4, 5 and 6 are **relevant to monitoring and implementation**.
 - > Define **roles and responsibilities** between the ministry of finance and line ministries
 - > Align with medium-term **planning and budget frameworks**, including evaluation and performance budgeting frameworks
 - > Consider the **implications for implementation** when developing the recommendations
 - > Provide **mechanisms to monitor** the implementation of spending reviews
 - > Ensure the governance arrangements and decisions from spending reviews are **publicly available** to underpin the legitimacy and understanding of the spending reviews.

OECD Best Practices for Spending Reviews

1. Formulate clear objectives and specify the scope of spending reviews.
2. Identify distinct political and public service roles in the review process.
3. Set-up clear governance arrangements throughout the review process.
4. Ensure integration with the budget process.
5. Implement recommendations in an accountable and transparent manner.
6. Ensure full transparency of spending review reports and the review framework.
7. Update the spending review framework periodically.

» II.

Effective monitoring and implementation arrangements



Effective monitoring and implementation arrangements

Effective monitoring and implementation commence at the start of a spending review, not at implementation

1. Initiate the spending review

2. Set-up governance

3. Conduct the spending review

4. Decision making and reporting

5. Integrate into the budget

6. Monitor and implement

Relevant considerations:

- Anticipate monitoring and implementation in the Terms of Reference, including to establish the **transparency** of spending review documents.
- Develop **recommendations** in a way that informs monitoring and implementation.
- Include the fiscal impacts from spending review decisions in the **medium-term expenditure baselines**.
- Identify the governance arrangements for implementation, not just the spending review by recognising the respective expertise of line ministries and the ministry of finance.
- Recognise the role of **stakeholders** who are relevant to implementation, including audit offices.

How does the transparency of spending reviews support implementation?

1. Budget transparency and spending reviews

Main documents	Relevance to implementation
1. Spending Review Framework	Shows how spending reviews are defined and relate to other frameworks in government
2. Terms of reference for spending reviews	Shows the objectives, scope, governance and context of the review
3. Spending review reports	Shows the analysis that contributed to the decisions
4. Spending review decisions	Sets expectations on what ministries are to deliver

Country examples:

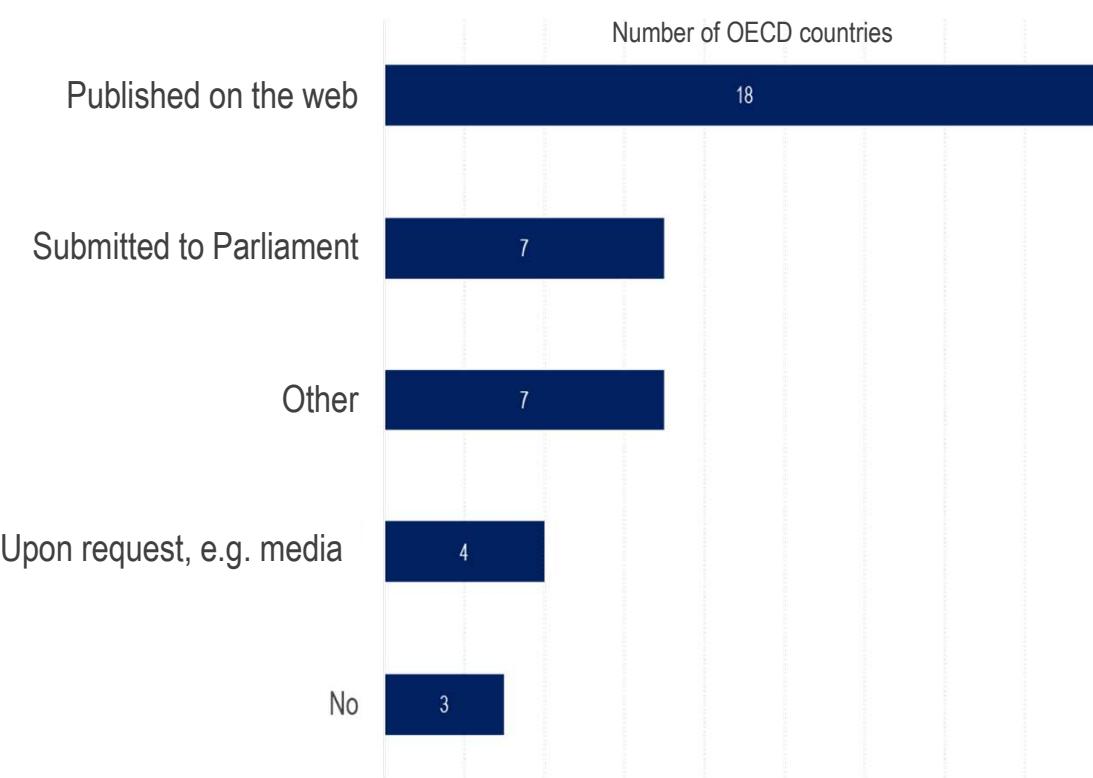


Ireland: Included in departmental reporting and baseline updates to the budget.



Spain: Annual follow-up reports on the implementation of spending reviews.

2. Publication of Spending Review Reports

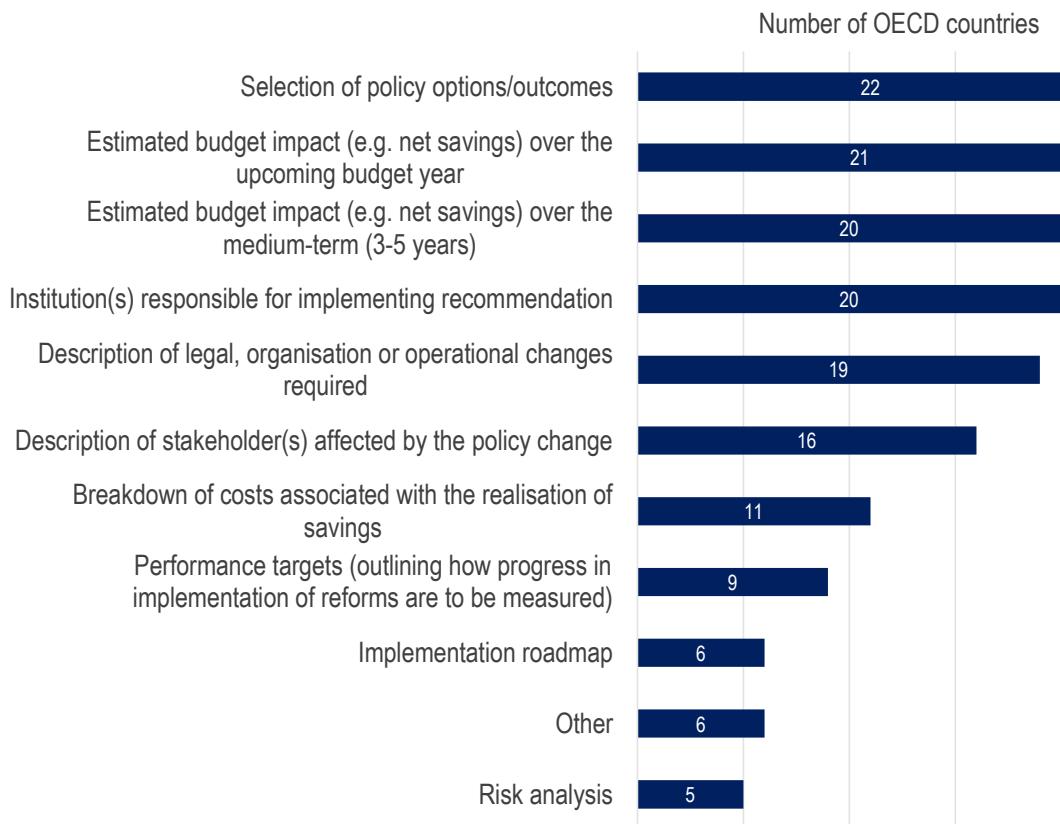


How do spending review recommendations support implementation?

Well-developed recommendations from spending reviews:

- Identify the relevant policy areas, programmes and outcomes.
- Specify the estimated budget (financial) impact by programme for the coming budget year and the medium-term expenditure baseline.
- Refer to the ministries and other relevant organisations that are responsible for implementation.
- Description of the organisational and operational changes that will be required.
- Identify performance information and targets, including milestones.

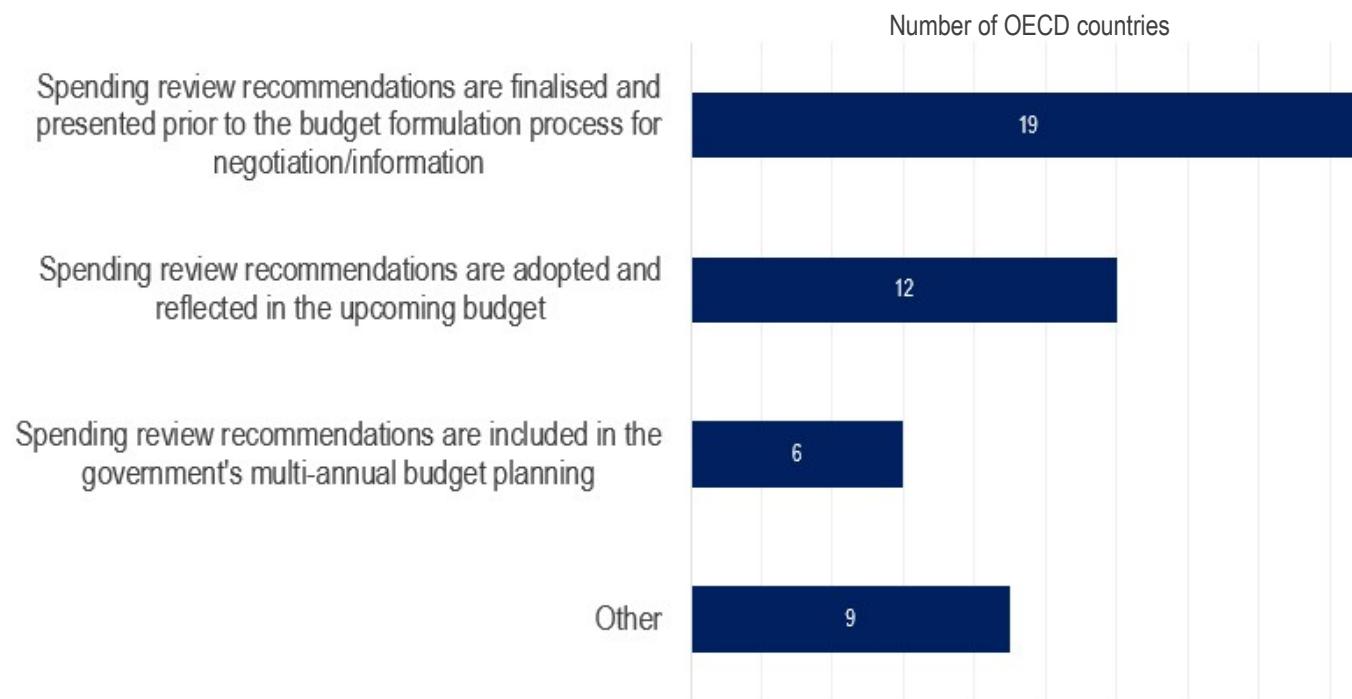
Content of spending review recommendations



» How do budget decisions from spending reviews support implementation?

- The government's decisions after concluding a spending review are included in the upcoming budget and medium-term expenditure outlook.
- The change in expenditure baselines from the existing funding to the funding with spending review decisions shows the financial impact from implementation.
- In the absence of including spending review decisions in the budget and medium-term expenditure baselines, the incentives for line ministries to implement the decisions are weaker.

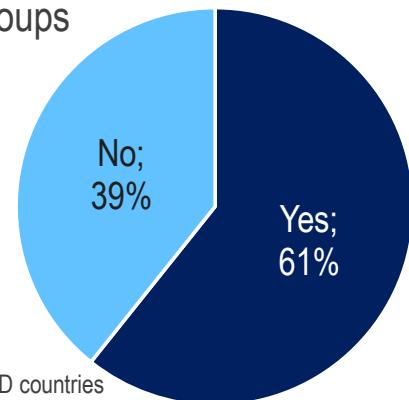
Spending reviews and the budget process



How does the governance of spending reviews evolve to support implementation?

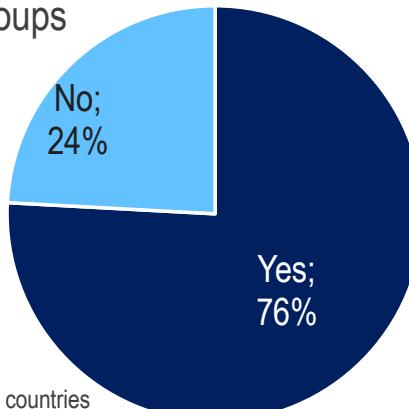
1. Governance when conducting a spending review

Steering groups



Percentage of OECD countries

Working groups



Percentage of OECD countries

2. Governance when monitoring and implementing a spending review

Line Ministry

Assign responsibility A member of the Ministry's Executive Team, supported by a project team

Ministry of Finance

Spending Review co-ordination
Guidance for implementation

Liaison across government
Finance Department liaises with the Ministry of Finance on baseline updates and the budget process

Expenditure Teams
Baseline updates and the budget process

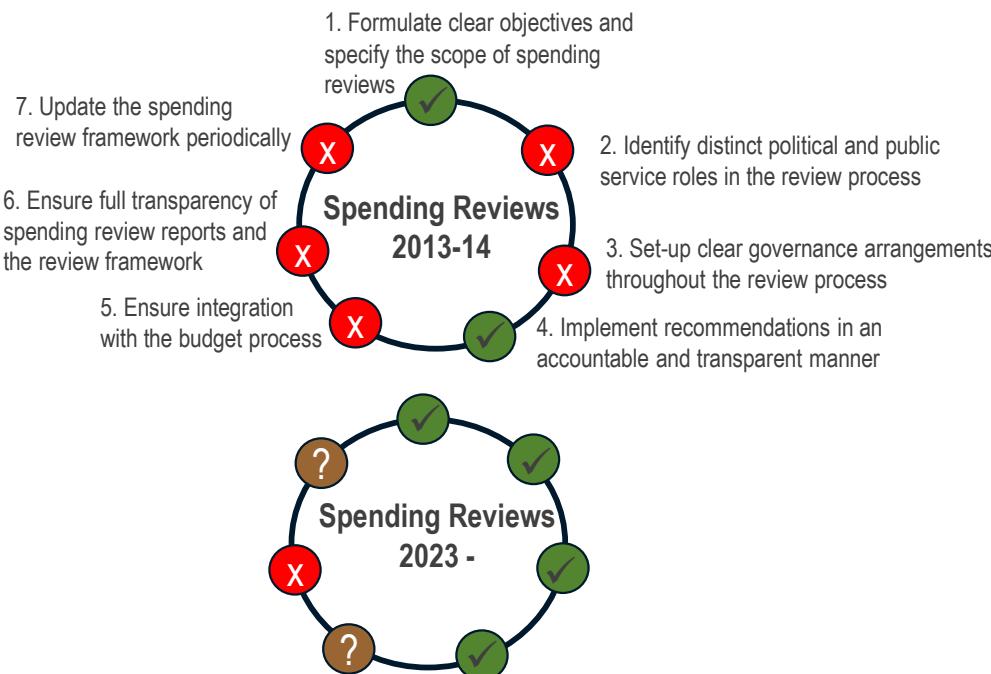
Accountability mechanisms
Departmental planning and reporting

How do stakeholders influence the implementation of spending reviews?

Audit offices have influenced the development of spending reviews

Country example: Recognising stronger capacities

 **Portugal:** Audit report by the Tribunal de Contas on the government's capacity to undertake spending reviews.



Source: Report 3/2024, Tribunal de Contas, Portugal.

Country example: Influencing the design of the framework

 **United Kingdom:** The National Audit Office has completed multiple reports on the government's spending reviews.

- > Spending Review 2010 – Improving data and value-for-money assessments.
- > Spending Review 2015 – Including climate and environmental considerations
- > Spending Review 2018 – Improving planning and the spending review framework
- > Spending Review 2024 – A planning and spending framework that enables long-term value-for-money

Source: National Audit Office, United Kingdom.



Concluding remarks

- Spending reviews are a core budget institution, but they can be challenging to initiate, design, conduct and implement. They require political leadership and administrative capacity that align with the budget and public management arrangements of a country. It is difficult to 'copy and paste' spending review arrangements from one jurisdiction to another.
- Spending reviews help address the marginal bias of budgeting by systematically analysing existing expenditure to better enable ministries to operate efficiently and respond to the priorities of the current government.
- Implementing a spending review can be more complex than conducting a spending review. Giving effect to change always is. But it also draws on the operational strengths of line ministries. These strengths can be supported by anticipating implementation when designing the spending review and developing recommendations.
- Monitoring arrangements that integrate the implementation of spending reviews into the operations of line ministries tend to be superior to ones that require additional resource to report on progress. Exceptions are for monitoring reports to underscore the legitimacy of spending reviews or to address capacity constraints.
- The OECD's support to budget office and line ministries on the development and application of spending reviews focuses on country circumstances, specifically the connection to modern budget frameworks and public management accountabilities.

Thank you

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