

Strengthening the impact of spending reviews

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Spending reviews defined

What is a spending review?

- > Spending reviews are tools for systematically analysing the **government's existing expenditure**
- > A core instrument for expenditure prioritisation and reallocation
- > They provide governments with means to support the sustainability of public finances through this systematic analysis of existing expenditure

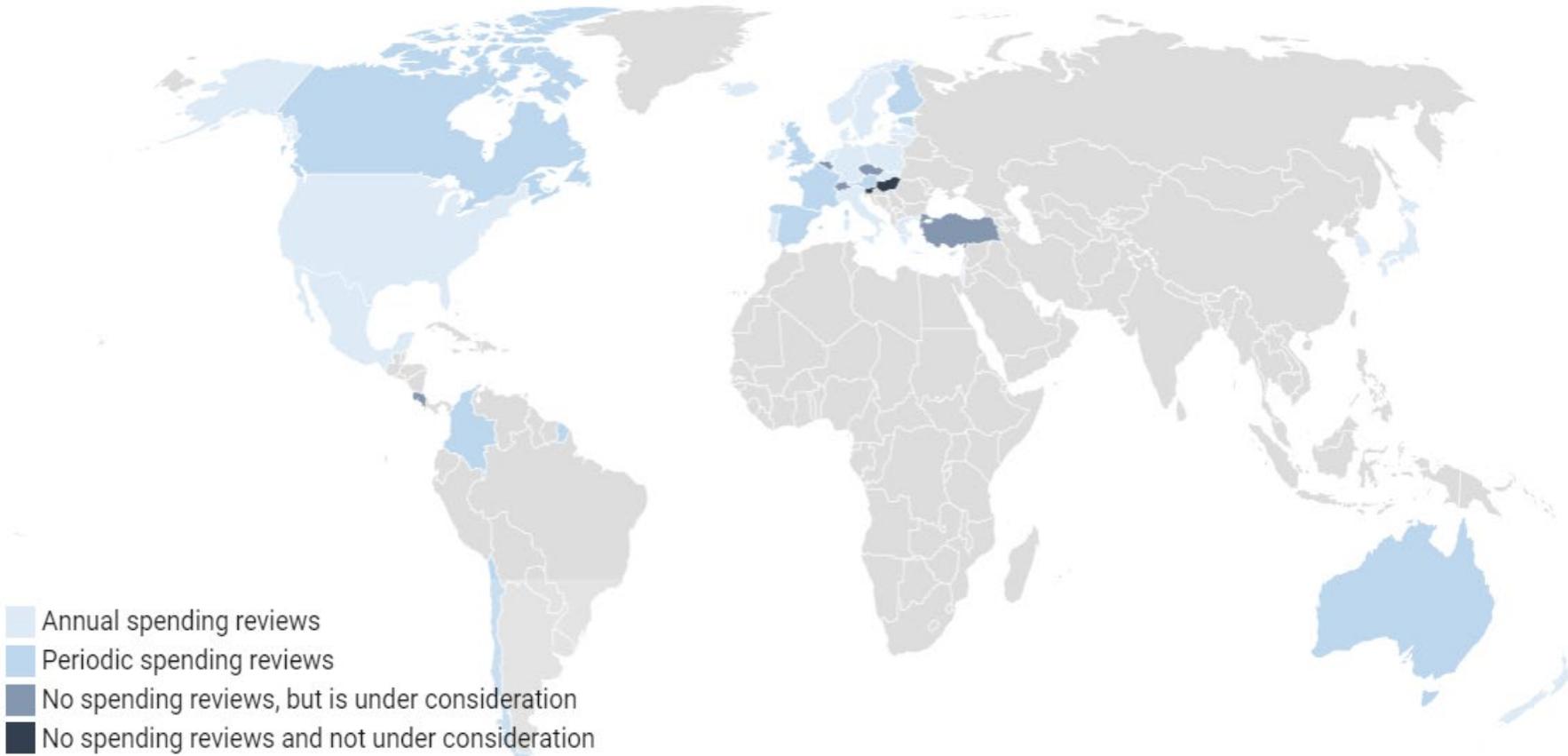
Purposes of a spending review

- > Enabling the government to manage the *aggregate* level of expenditure
- > Identifying *savings* or *reallocation* measures
- > Improving *effectiveness* within programmes and policies





The use of spending reviews in OECD countries



Almost all of the OECD countries are using spending reviews in one way or the other

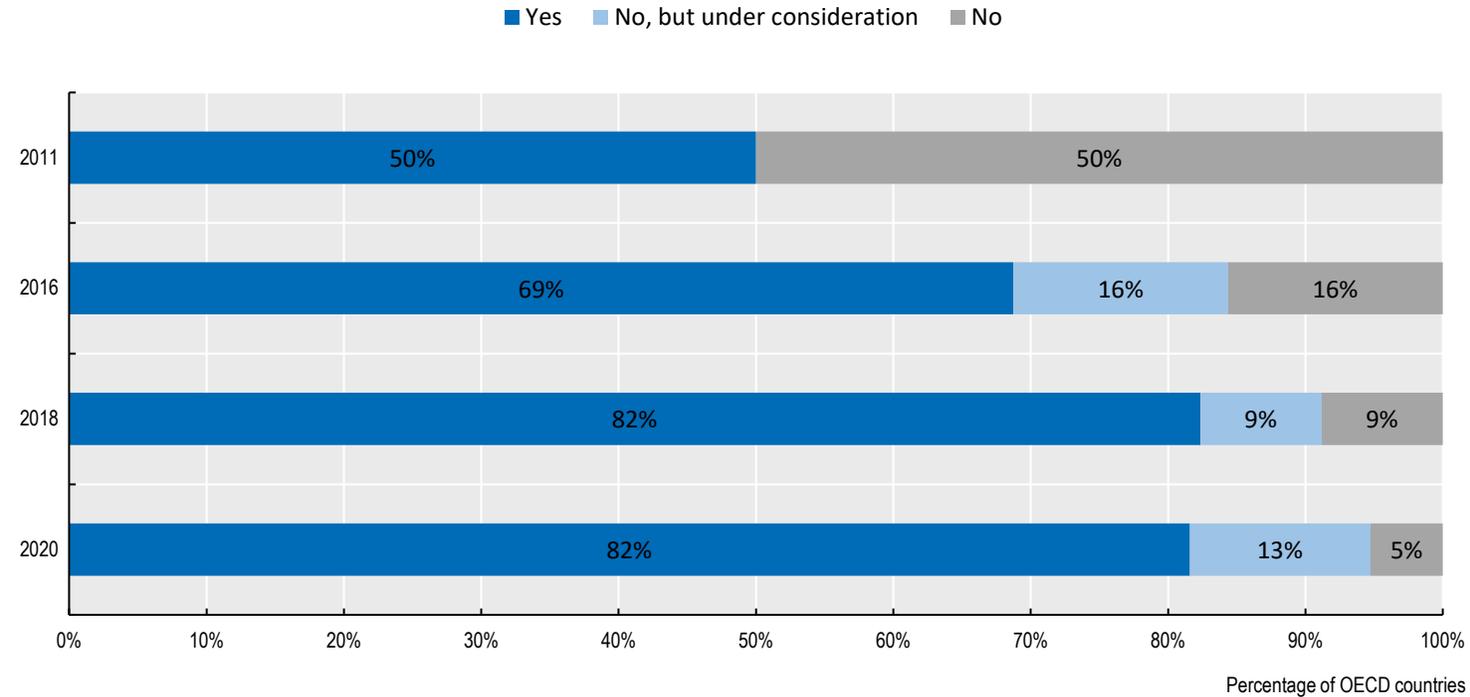




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Regular spending reviews

- Spending reviews make recommendations on how to reallocate resources from within existing baselines.
- The number of OECD countries that undertake spending reviews on a regular basis has increased steadily from 2011 to 2020.



Sources: OECD (2011), OECD Survey on Performance Budgeting, results for 32 countries; OECD (2016), OECD Performance Budgeting Survey, results for 32 countries; OECD (2018), OECD Performance Budgeting Survey, results for 34 countries; OECD (2020), OECD Survey on Spending Reviews, results for 38 countries.



Strong spending review practices are needed

- > Governments need to look critically into ways to **prioritise expenditure and facilitate reallocation of fiscal resources**
- > If applied well, spending reviews are an important and useful tool in **improving fiscal outcomes in the coming years**

The growth of spending review practices in OECD countries place governments in a better position to consider these challenges





How can spending reviews be used to tackle the challenges ahead?

- > The question is not whether fiscal consolidation will be needed, but **when** it will be done and **how** it should be designed
- > Spending reviews can assist governments in making **better informed** decision on savings/reallocation measures
- > **Strengthen the impact** of spending reviews by building on existing practices and ensuring the reviews play a role in **budgetary decision-making**



Strengthening the impact of spending reviews



Spending reviews cover a small share of the budget

- › Increase the scope of spending reviews and analyse a **significant share of the budget**
 - › Carry out **comprehensive spending reviews** to analyse the main spending areas of the government
- › Address policy areas that are a **priority of the government**
- › Include an **indicative savings target** when conducting a spending review to focus the review process.



Weak links with the budget process

- › Align the spending review **timeline** with the budget calendar
- › Carry out spending reviews on a **regular basis** so that they are seen as a regular part of the budget process
- › Conclude with options/recommendations that **can be implemented in the budget**
- › Ensure that spending review decisions are considered as part of the **budget discussion**



Lack of interest/capacities in line ministries to participate

- › Have **clear incentives in place** as this can affect the level of commitment for a spending review
- › Build up **expertise to carry out spending reviews** in line ministries
- › Support **from other key stakeholders such as IFIs, SAI** in driving the review process
- › Engage with **political leaders** to ensure strong political commitment



Lack of monitoring mechanisms

- › *Spending reviews are a resource intensive exercise – they need to show results!*
- › **Track the results of spending reviews** to identify its impact
- › Ensure that spending review decisions are **implemented in the budget**
- › Strengthen **medium-term frameworks** and access to good quality **performance information**





Why is it important to strengthen spending reviews?

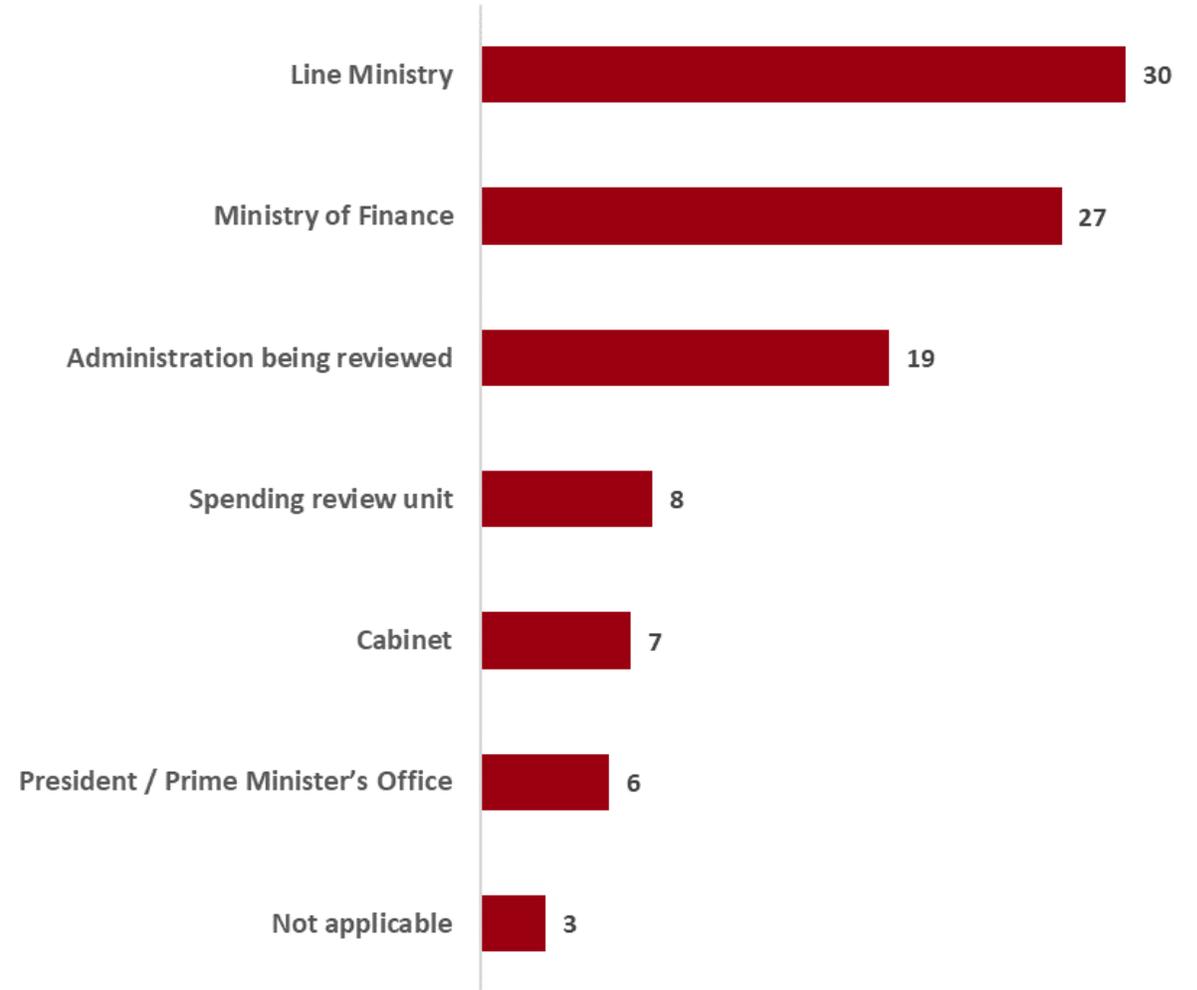
As governments formulate responses to support economic recovery in the coming years, it is specifically important to have strong spending review processes in place

- > Strong spending review practices reinforce the **capability of governments to make tough decisions**
- > Systematically taking stock of existing expenditure will lead to a **more productive public sector**



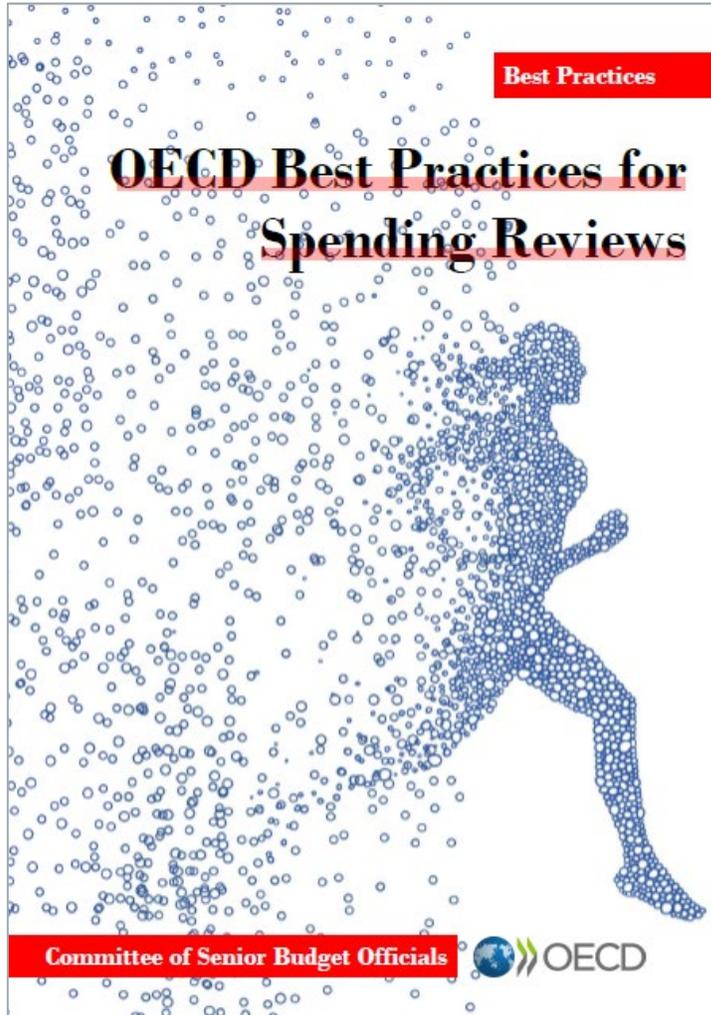
The implementation of spending reviews can involve many different parties. The number of parties illustrate the scope of participation within government, and the complexity of the processes. Spending reviews work best with processes that align to budget institutions and settings.

Entities involved in implementing 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 alignment 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

Thank you!

<https://www.oecd.org/governance/budgeting/spending-reviews/>

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