

Spending Reviews in Poland: First lessons and challenges

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- Early lessons from pilot reviews
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Background and context

- Conceptual work on spending reviews since ~2010
- 2015 budget – first one under the new expenditure rule
 - Fixed nominal ceiling for the state budget
- Demand for tools supporting prioritisation of expenditures
 - Role for reviews
- Decision to build capacity in MoF and pilot reviews (early 2014)
- Reorganisation of MoF: Expenditure Policy Dept created in July 2014
- First pilots started at the turn 2014/2015



Objectives

- Decision to start from **value for money** reviews – seeking **efficiency gains** [more output / outcome for the same level of spending] and not savings
 - As fiscal situation generally favourable
 - As considered more conducive to building support for the instrument among other ministries
 - NB. potentially more challenging:
 - harder to operationalise objectives
 - harder to ensure full engagement of line ministries



Organisation

- Currently Minister of Finance not PM setting up / initiating reviews
- Expenditure Policy Dept – key role, including draft list of topics to be covered by reviews & draft ToR
- Institutional setup:
 - Steering Committee (political level)
 - Working Group (operational level)



Steering Committee

- Composition
 - Deputy Minister of Finance
 - State (under)secretary PM Chancellery
 - Deputy Minister – relevant ministry& Secretary: Director Expenditure Policy Dept MoF
- Tasks:
 - Accepts ToR
 - Accepts reports / requests changes
 - Accepts recommendations or adopts own recommendations
 - Passes recommendations to the Minister of Finance



Working Group

- Composition:
 - MoF staff – mainly Expenditure Policy Dept
 - Staff of relevant ministry / institution
 - Possibly PM Chancellery staff
- Role
 - Carrying reviews, writing reports
 - In case of fundamental disagreement: list of differences and alternative lists of recommendations



Topics / questions guiding spending reviews

- Policy objectives in an area covered by SR. Coherence of objectives of individual instruments. Linkage to societal needs
- Effectiveness of policy intervention
 - Do programs reach their objectives?
 - How is effectiveness affected by regulatory environment, program design, etc.?
 - Alternative solutions?
 - Interactions of programmes and unintended consequences?
 - Information gaps?
- Efficiency of policy intervention
 - Can objectives be reached at lower cost – what are the alternatives?
 - How is efficiency affected by regulatory environment, program design, interactions, etc.?
 - Information gaps?
- Recommendations: resource re-allocations and/or programme design, (simple) regulatory fixes
 - Focus on practical implementation of recommendations



Current stage and outlook

- Ongoing pilot spending reviews:
 - Support instruments for low income families (World Bank playing important role)
 - Housing policy interventions (with OECD support)
- Pilots to be finalised in the coming weeks
- Look at potential for re-allocation of resources within areas; no expenditure reduction scenarios considered
- Vision for the future:
 - Part of the budget process – recommendations leading to decisions on budget allocations
 - Thematic reviews covering most budget expenditures over a 4 year cycle



Lessons learnt

- Importance of political support
- Capacity constraints – analytical competencies in MoF & line ministries
- Mindset in public administration (difficulty in assessing own instruments)
- Perceptions of SR role in future spending decisions
 - novelty of the instrument
 - practice of proposing legislative acts leading to new spending throughout the year
- Often vague formulation of policy objectives of specific instruments & broader spending areas
 - Challenge for SR, but...
 - ... also source of SR value added (explicit formulation)



Challenges & open questions

- Ensuring credibility and effectiveness of spending review instrument:
 - VfM vs. savings objectives
- Addressing disincentives of spending ministries to co-operate and share information
- Changing the culture of public discourse on public expenditure – focus on outputs, outcomes and efficiency
 - New budget structure (performance-based classification) may help, but won't fix it



Challenges & open questions

- Evaluation system in line ministries
- Formalisation of procedures for spending reviews vs. flexible ad hoc solutions
- Role of the Supreme Audit Office
- Communicating the results to politicians and the public



Thank you!

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