

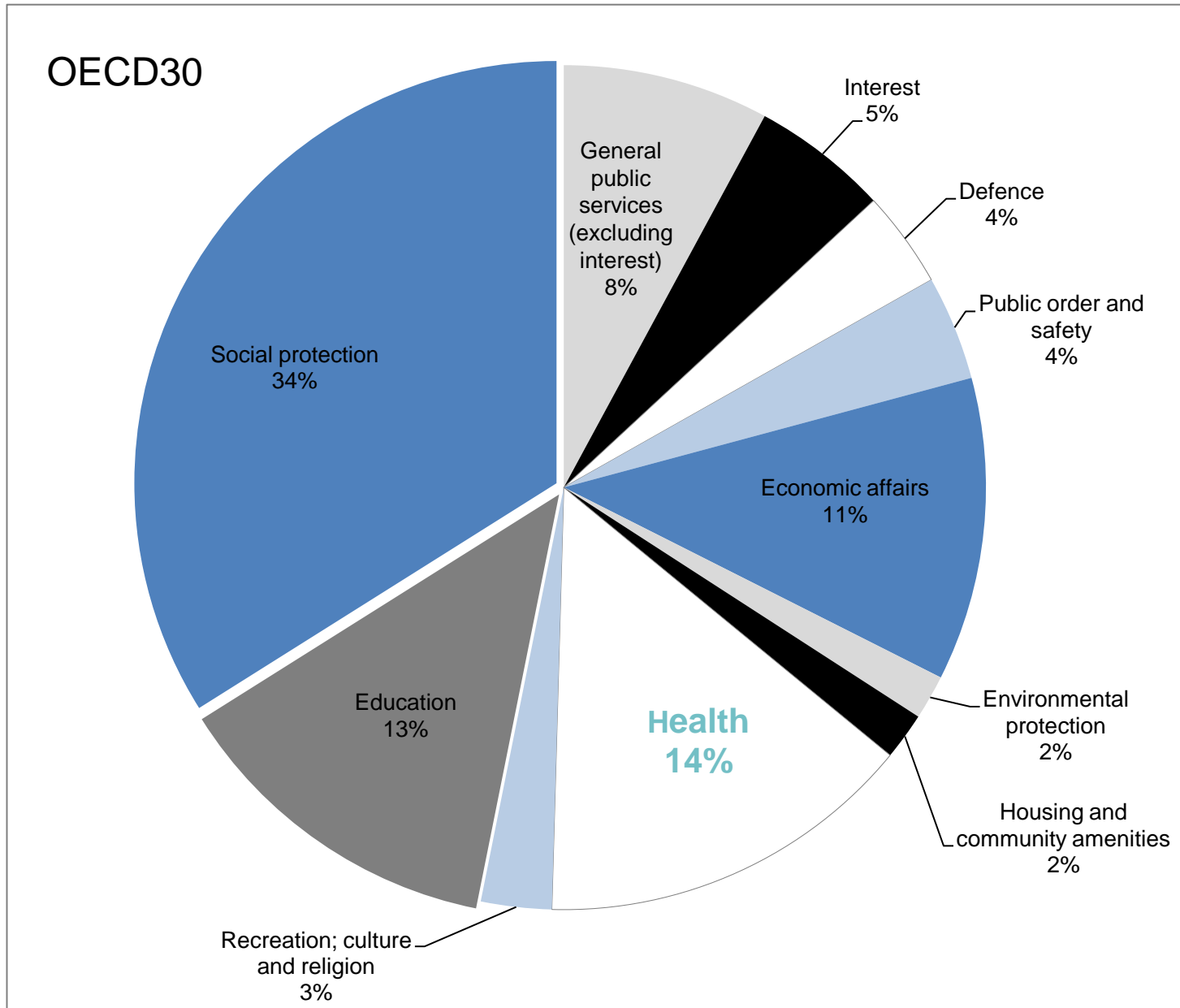
Fiscal space in the context of fiscal consolidation

Edwin Lau, GOV Directorate

1st Annual SBO Network on Health Expenditures
Session 5 – *Fiscal space for health expenditures*

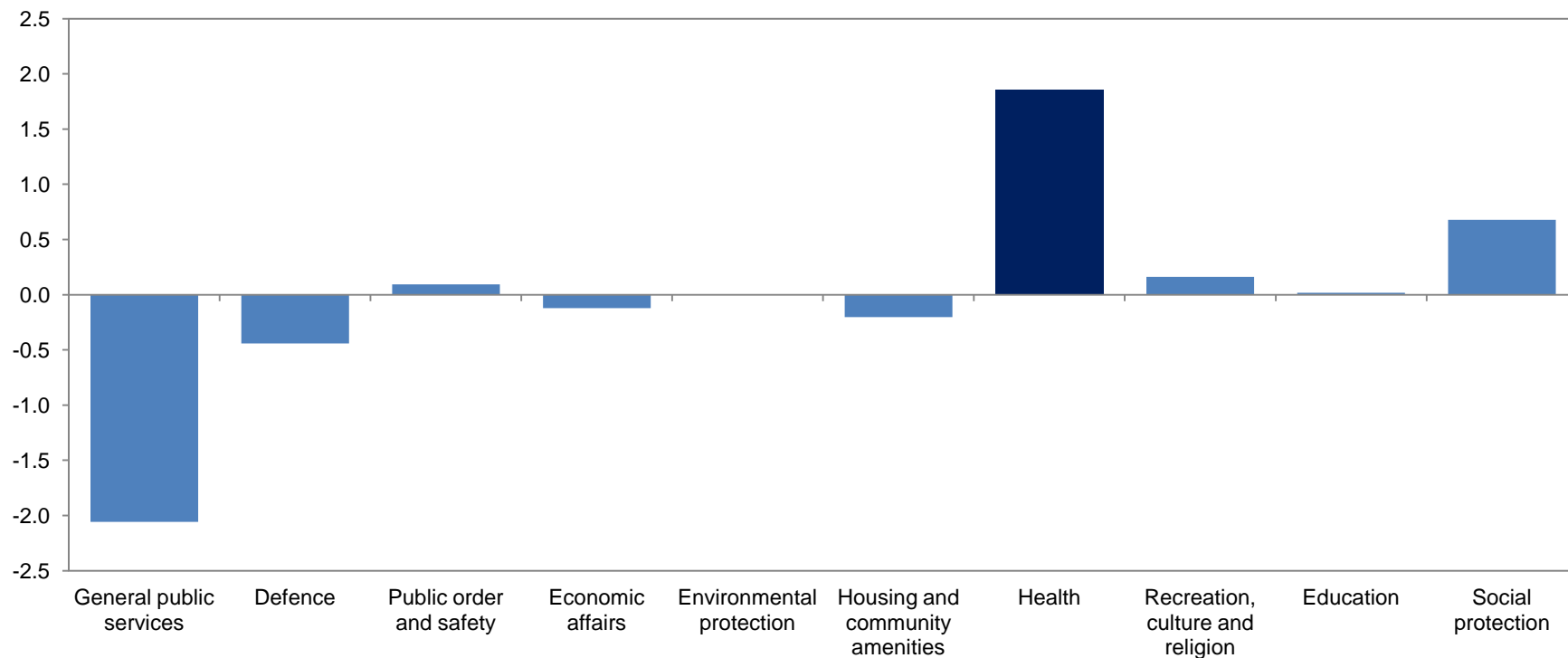
22 November 2011

Structure of general government expenditures, 2008



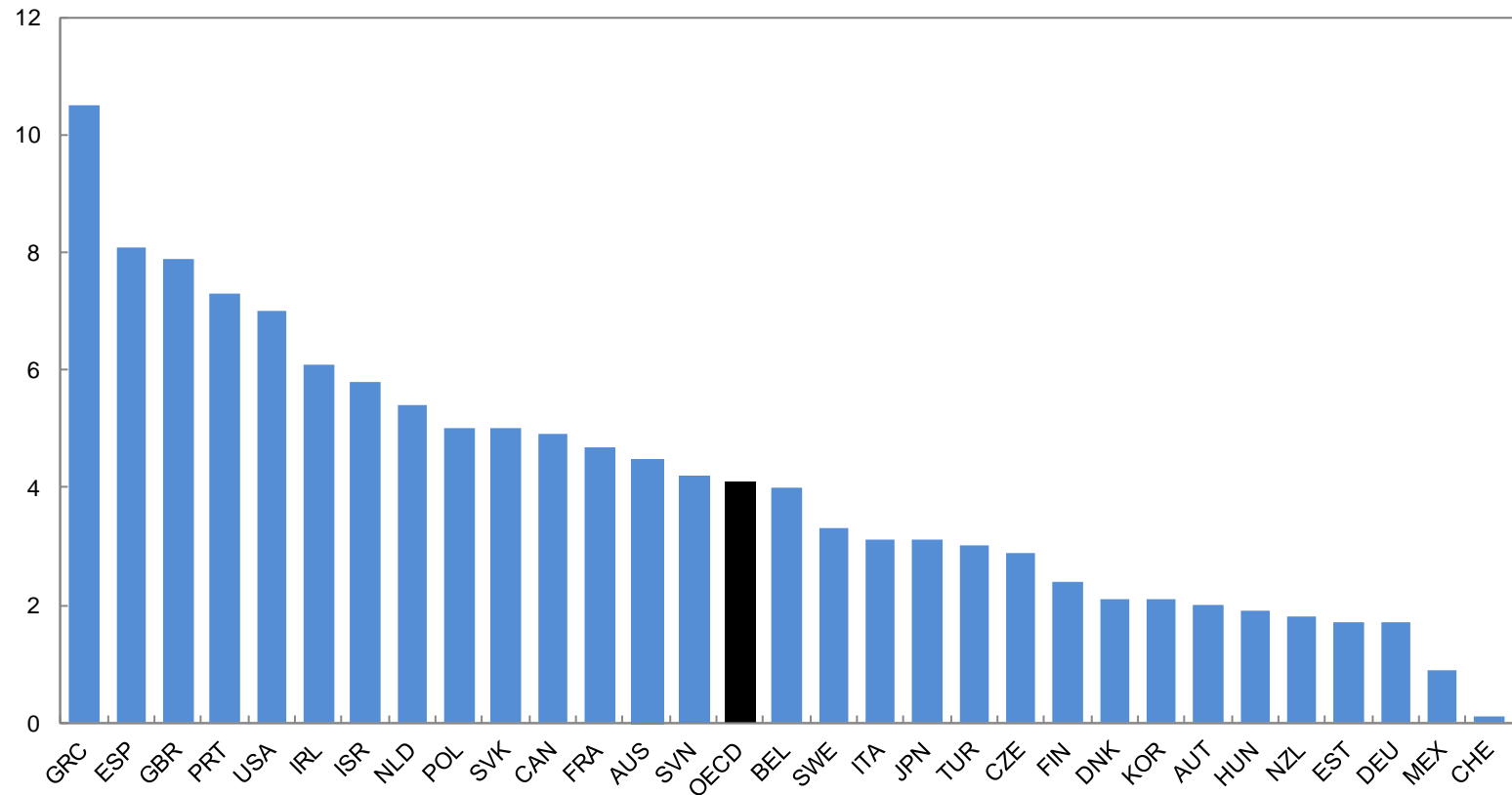
Change in structure of spending between 2000 and 2008

percentage points of GDP



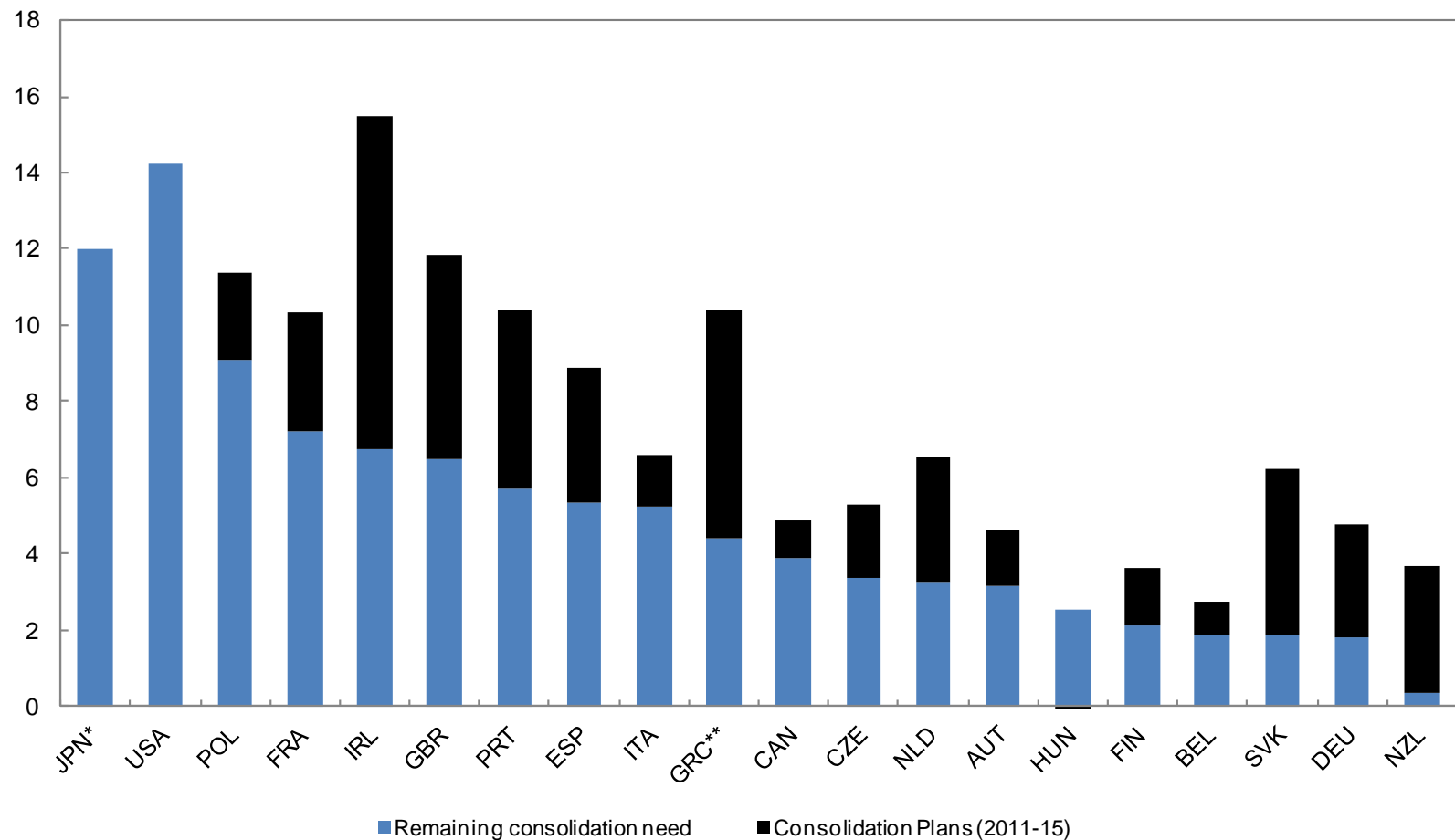
Ambitious Deficit Targets: Intended Deficit Reduction by 2013...

Change from the deficit trough in 2009/10 to the targeted deficit in 2013

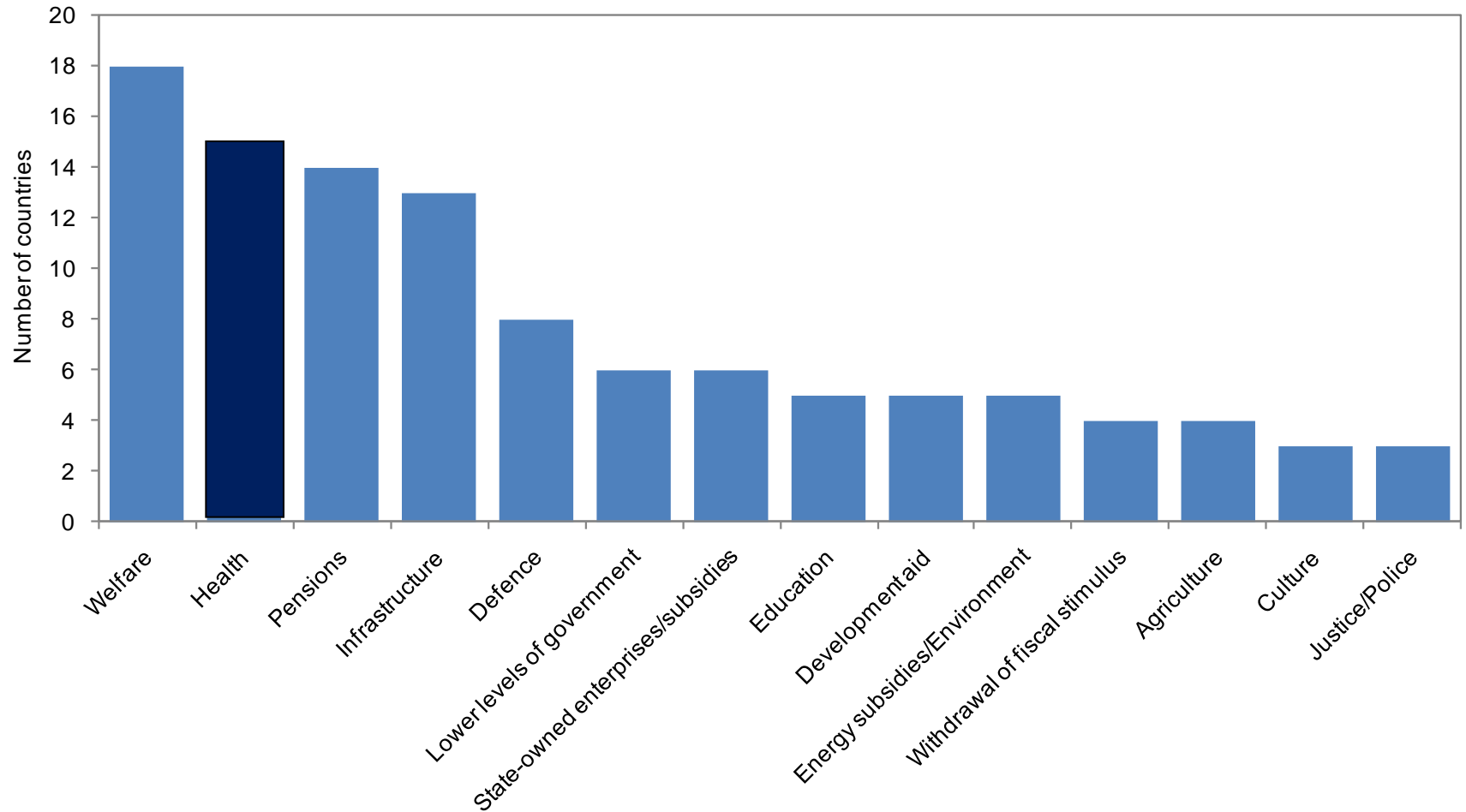


Fiscal balances need to be improved more to achieve 60% debt-to-GDP ratios by 2025

Following announced consolidation from 2011:
remaining required improvement in underlying
primary balance, % of potential GDP

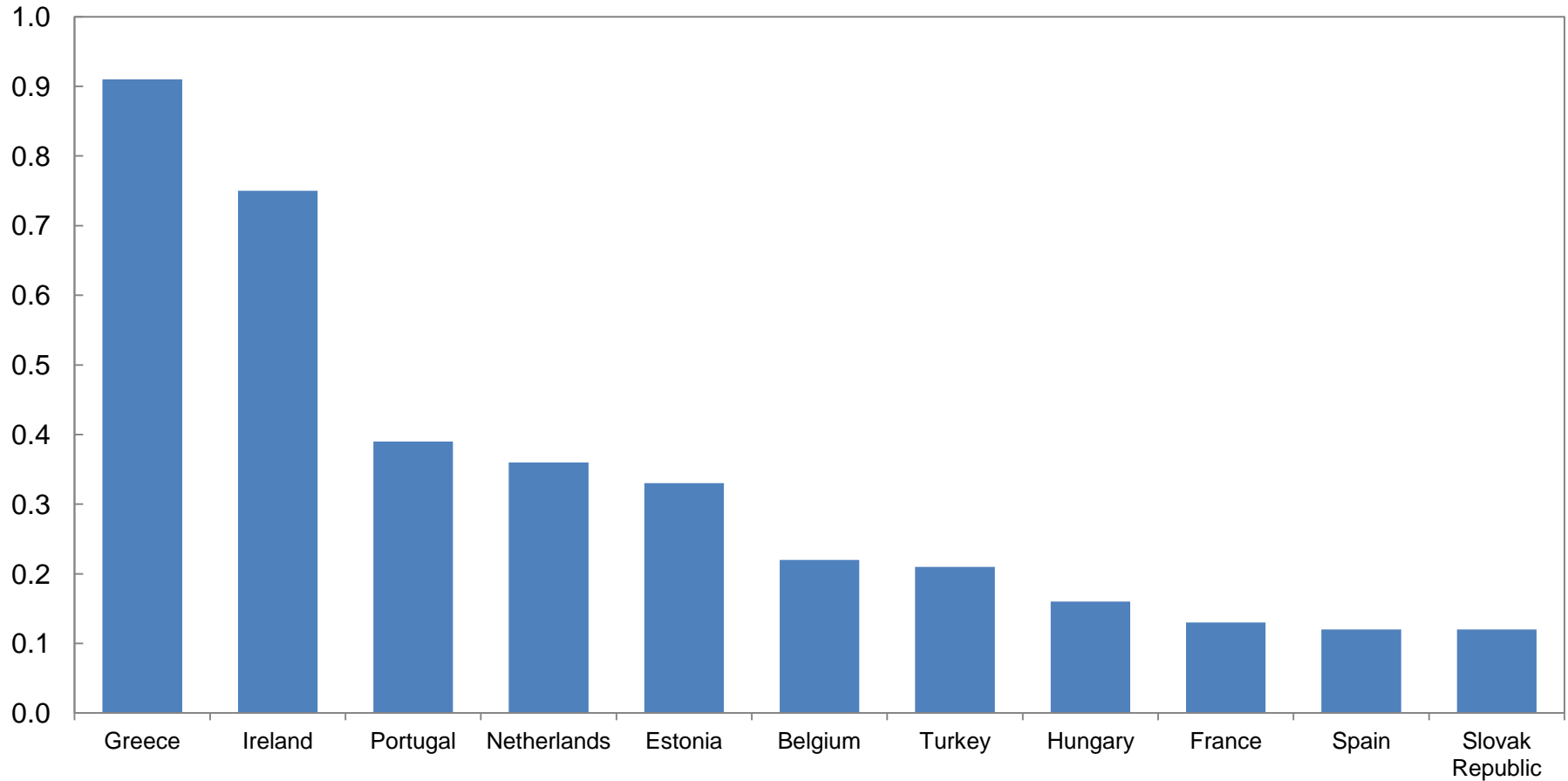


Social expenditures are most frequently targeted area

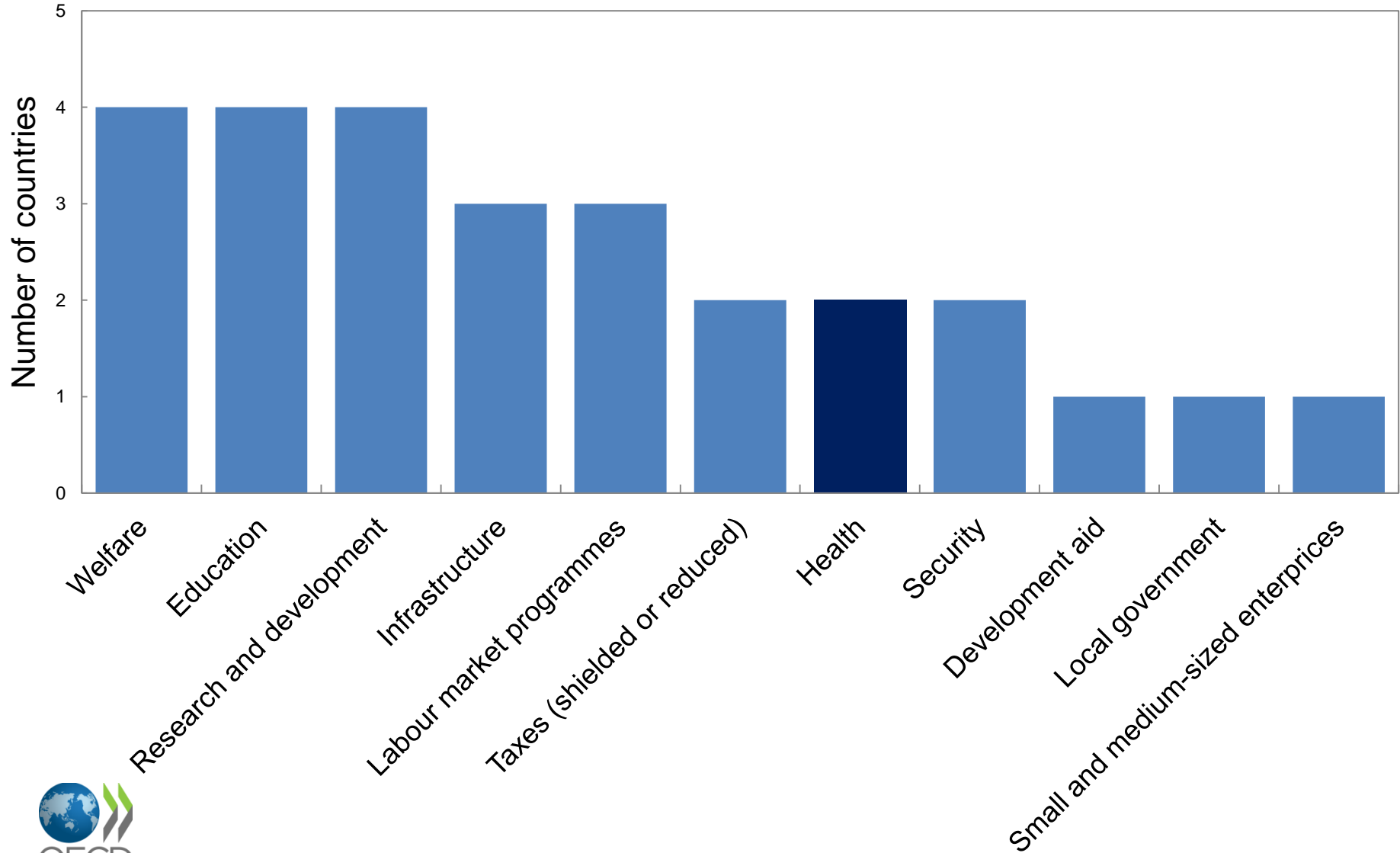


Fiscal consolidation plans in OECD countries (2011-2015) : Impact on health sector

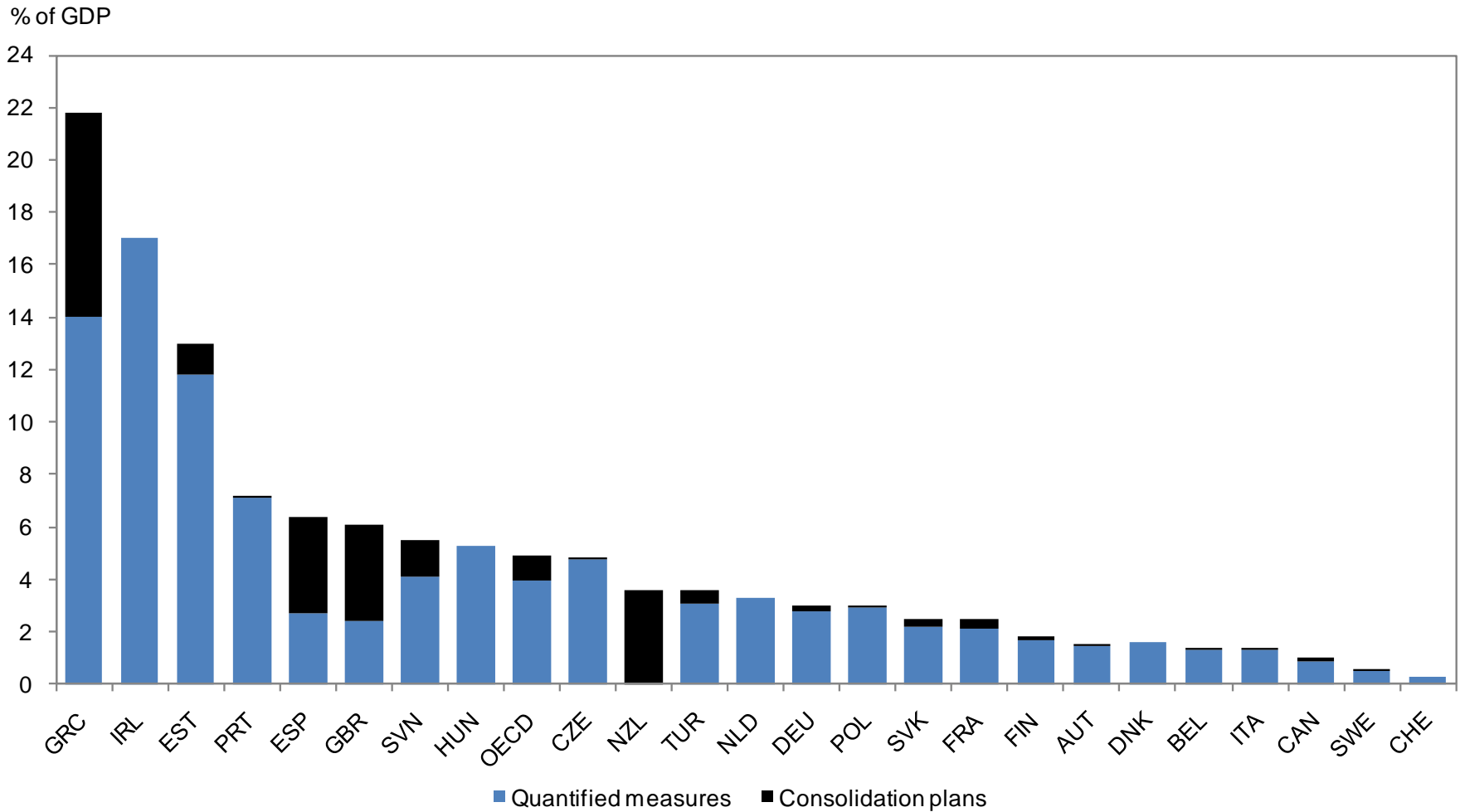
% of GDP



Areas shielded from fiscal consolidation



Large consolidation plans need to be more detailed



Spending Reviews

Spending Reviews

Functional review

Primary criteria: efficiency - Identify how the existing policies can be conducted with less resource

Examples:

- Finland “Productivity Programme”(2005-15)
- Greece “Functional review of central ministries” (2010-11)

Strategic review

Primary criteria: efficiency & prioritisation - Identify what the government should or should not do

Examples:

- Australia “Comprehensive expenditure reviews”; “Strategic review” (2007)
- Canada “Programme Review”(1994); “Strategic Review” (2009)
- Denmark “Spending review” (ongoing)
- Netherland “Interdepartmental Policy review” (1982; 2009-present)
- UK “Spending Review”(1998-present)

Primary responsibility for different stages of the Spending Review process

	Prime Minister's Office/Cabinet	Ministry of Finance	Line Ministries	Commission, Committee
Methodology & steering		Australia; Canada; Denmark; Finland; Netherlands; UK		
Selection of review scope (where all programmes are not reviewed)	Denmark (Economic Committee) (following MoF nomination)	Australia		
Preparing of reports & proposals		Australia (sometimes jointly with line ministry); Denmark (sometimes jointly with line ministry, also including use of consultants); UK (also mixed working groups)	Australia (sometimes); Canada; Finland; Netherlands (working party under independent leadership)	
Supervision & review of reports		Finland; UK	UK	Australia; Canada; Denmark (sometimes); Netherlands
Final decision-making	Australia; Canada; Denmark (Economic Committee); Netherlands; UK	Finland		
Monitoring follow-up		Australia; Canada; Finland; Netherlands; UK		