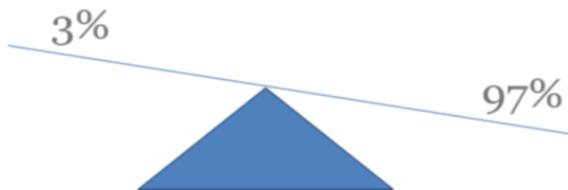


SPENDING REVIEWS

- ▶ Spending reviews are widely used as a **strategic budgeting** tool in OECD countries. They systematically analyse **baseline expenditures** to identify scope for efficiency gains.
- ▶ The purpose is to give the government **improved control over the level of aggregate expenditure**, and to improve **expenditure prioritisation**.



WHAT IS A SPENDING REVIEW?

A spending review is an examination of the implementation efficiency and effectiveness of existing government policies. Rather than a budget, which focuses on new marginal expenditure, spending reviews scrutinise baseline expenditures. The results can be used for either or both of the following two purposes, i) to give the government improved control over the level of aggregate expenditure and, ii) to improve expenditure prioritisation.

The use of spending reviews has increased over time across OECD member countries. They are a widely used strategic budgeting tool, and since 2018, all but eight member countries report to using reviews to some extent.

Spending reviews are conceptually similar to the Public Expenditure Reviews (PER) that are more commonly used in low and middle-income countries. PERs are broader in nature compared to spending reviews, typically covering the entire budget process.

WHY IS THIS IMPORTANT FOR THE HEALTH SECTOR?

Given the tough fiscal pressures facing many health systems today, spending reviews can prove an invaluable tool. The process of implementing a review is led by the Ministry of Finance. However, health ministries should actively engage with the spending review process, which can produce some of the following results for the health sector:

- ▶ Spending reviews can help health ministries identify areas of wasteful or inefficient spending. This provides an opportunity to assess the cost-effectiveness and sustainability of AIDS, tuberculosis and malaria interventions.
- ▶ Savings can be reallocated within the health sector or returned to the government's consolidated account.
- ▶ Bring awareness to the budgetary constraints and challenges facing the ministry of health.
- ▶ Increase profile to the implementation of health policies.

CONSIDERATIONS FOR SUCCESSFUL IMPLEMENTATION

▶ *Spending reviews as part of the budget process*
Spending reviews should be integrated as part of the budget preparation process, on a regular, rather than ad-hoc basis. The frequency should depend on the regularity with which government sets budget allocations for the health sector. However, spending reviews are a resource-intensive activity, all aspects of the process need to be designed so as to deliver the best possible return.

▶ *Responsibility for the spending review*
Spending reviews require political leadership at the top level, to approve the review procedure, set the criteria for the identification of savings and ultimately the decision on which saving options to adopt. Responsibility for the spending review should be assigned to the civil service rather than outsourced to the private sector, to harness their knowledge of government programmes. This is contingent however on the capacity of civil servants to undertake this role.

▶ *The results of the review are connected to the formulation of the next budget*
During the budget preparation process, where decisions about new spending proposals are put forward by health ministries, the spending review should present savings options to permit savings and new spending options to be considered simultaneously.

▶ *Spending reviews require a strong information base*
Success requires the continuous development of performance indicators for the identification of savings options. Where possible, ensure that reviews commission outcome (impact) and efficiency-orientated evaluations.



FURTHER READING

- OECD (2019), *Budgeting and Public Expenditures in OECD countries 2019*;
- OECD (2019), *Good Practices in Performance Budgeting*.