Number of surveys informing this report: 5 surveys
Number of countries responded: 34 countries

Spending reviews: All but 6 OECD countries report conducting spending reviews

Gender Budgeting: 17 OECD countries have gender budgeting in place

José Ángel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development

Public spending decisions sit at the very core of government legitimacy, whether it’s about committing funds to deliver on government promises, making tough decision to ensure that governments don’t get financially overstretched, or engaging with citizens to ensure that the budget reflects their interests and aspirations. This new report shows how all OECD countries are putting into practice the OECD Principles of Budgetary Governance, and responding to cutting-edge challenges. For example, more than one in five OECD countries lack a central unit or agency to identify fiscal risks. This report shows how countries, measure, manage and mitigate fiscal risk. Timely and informative reading.

Rosemary Huxtable, Secretary, Department of Finance, Australia

Budgeting and Public Expenditures in OECD Countries 2019 shows how the OECD is committed to highlighting best practices on budgetary issues. In the case of Australia, the government received over 300 submissions on budget priorities as part of its 2018-19 pre-Budget submission process. This was just one way in which Australia has adopted an open and inclusive budget process. Beyond budget formulation, budgetary governance strengthens accountability at all stages of the budget cycle. Australia puts this into practice through the development of performance budgeting, publication of monthly financial statements and a commitment to open data on fiscal documents.

Martin Kelleners, Director, Federal ministry of Finance, Germany and Chair of the OECD Senior Budget Officials Network (SBO)

Budgetary governance means that public expenditure decisions are carefully made even during the ‘good times’. This report shows how good fiscal stewardship can help create room for fiscal policy priorities such as forward-looking investment, education and research and security. As an element of a broader budget modernization process in Germany, the German debt brake has enshrined in the constitution the principle of balanced budgets with cyclical adjustments. While the broad directions of this reform are presented in the 2015 OECD Budget Review of Germany, Budgeting and Public Expenditures in OECD Countries 2019 provides a comparative overview of what types of fiscal rules countries have put in place, their legal standing, tools for top-down budgeting, fiscal adjustment, and enforcement. A must for budgeteers everywhere!

Marcos Bonturi, Director of Public Governance Directorate, Organisation for Economic Co-operation and Development

Budget practices are increasingly seen in OECD countries as a means to better understand the trade-offs between spending priorities, as well as a way to support and accelerate the achievement of societal goals, such as gender equality and the greening of the economy. Budgeting and Public Expenditures in OECD Countries 2019 is our OECD flagship publication for budgetary governance: it covers the latest policies, frameworks and practices across OECD member countries. It is a true assessment of the “state of the art” in modern budgeting.
EXECUTIVE SUMMARY

Effective budgeting underpins economic well-being and inclusive growth and supports trust in government. The OECD undertakes a series of surveys and analysis approximately every three years to understand the latest policies, frameworks and practices in budgeting and public expenditures across its member countries. This report presents these findings.

Most OECD countries have experienced robust fiscal performance relative to the fiscal cuts that were needed following the global financial and economic crisis. The turn around has not been automatic and countries have had to take difficult decisions to address complex economic and social issues. While fiscal health has broadly returned to pre-crisis levels across the OECD, increases in public debt have reduced the capacity of many governments to respond to the next economic downturn.

Developments in budgeting have assisted governments with their decisions through such things as fiscal rules which have been widely adopted, along with the complementary practices of medium-term expenditure frameworks and top-down budgeting. However, in many cases further refinement of how the fiscal frameworks perform is needed relative to the aspirations held at the time they were designed.

All OECD countries have some flexibility in the way they execute budgets in order to manage unexpected events. Mechanisms include reallocating budget expenditure across spending areas within a single budget period and carrying-over expenditure from one year to the next. When such flexibility is provided, supplementary budgets, in-year and year-end reports have become a core means through which parliaments can hold governments accountable for decisions. Over recent years, there has been a trend across OECD countries towards stronger engagement of parliaments across the budgetary cycle, with parliaments performing a crucial role before a budget is delivered. There is also increased parliamentary involvement in medium-term budgetary frameworks, driven in part by the evolving fiscal framework within the European Union. Around one-third of OECD countries have a specialist research unit in their legislatures with responsibilities to analyse the government’s budget, and independent Parliamentary Budget Offices have become much more prevalent across the OECD.

This report includes a special focus on how governments manage and report fiscal risks. Based on the OECD survey data there are a variety of approaches in place across areas such as institutional responsibilities to the criteria for deciding which risks to report. The countries with the most advanced management of fiscal risks identified three channels to improve risk management practices. First, the comprehensive reporting of fiscal risks can increase awareness of the risks, which can then lead to more effective risk mitigation and management. Second, fiscal risk scenarios or stress tests can help to identify the channels through which public finances are most likely to be impacted during a crisis. Third, fiscal risk assessments can inform policymakers when setting fiscal targets or objectives.

As one of the most important and overarching policy documents, the budget should follow open and transparent processes, so that it -- and the policy decisions that it embodies -- is seen as the legitimate result of efforts to balance many competing interests and demands. Governments have made efforts to help citizens understand and engage in budget processes. Twenty three OECD countries now produce a citizen’s guide to the budget and over 80% of OECD countries make available budget data in an open, reusable format. However, only a minority of OECD countries produce impact assessments showing how the budget as a whole affects issues such as income distribution, environmental impacts, gender equality and effects on minority groups. Gender budgeting is a tool of public financial management that is becoming relevant in OECD countries that seek information about how gender inequalities can become embedded in public policies and the allocation of resources. The number of OECD countries reporting the use of gender budgeting has increased from 12 to 17 since 2016.
OECD countries use a range of processes to inform the quality of public expenditures. These processes include spending reviews, performance budgeting and programme evaluation.

- Spending reviews are now in place in the majority of OECD countries and assist in identifying areas for potential savings, and re- the improving alignment of public expenditure with strategic and political priorities. The approaches adopted in Canada and the United Kingdom emphasise the benefit of aligning reviews to thematic priorities and a framework of public value.
- Performance budgeting is increasingly prevalent but countries still struggle to make effective use of performance information in budgetary decision making. The use of performance “dashboards” by countries such as Canada, France and the USA seems well aligned to the aspirations of the tool, similarly Australia’s focus on indicators supports the communication of performance results.
- Programme evaluation has yet to demonstrate a close relationship to making budget decisions, although structured approaches that apply in Chile, Canada and Korea, appear to point to a way forward.

Having a sound framework to budget for capital expenditure is essential to ensure it meets a nation’s development needs in a cost-effective and coherent manner. More than half of OECD countries report having a strategic infrastructure plan covering all sectors. A similar proportion now adopt a short-listing approach based upon cost-benefit analysis aligned to a government’s strategic agenda. Further, a range of evaluative mechanisms are used to assess value-for-money, however it is notable that the evaluations are not yet routinely made fully available to the public. The number of public-private partnerships has increased over the past 10 years; however, the number remains low relative to the range of investment activities governments undertake. One institutional aspect related to these developments is an increase in the number of infrastructure and PPP agencies across OECD countries. The final Chapter of this report provides short Country Profiles, summarising how OECD countries apply public financial management practices in their national context. While approaches are varying and distinctive, the OECD Recommendation of the Council on Budgetary Governance provides a frame of reference for considering how budgeting systems can better support fiscal and policy objectives and contribute to the legitimacy of expenditure decisions. Towards this end, it demonstrates that the various themes of Public Financial Management (PFM) are interconnected and mutually supportive. In addition, the Country Profiles highlight that most OECD countries have one or more areas of national practice that are notable in international terms, and can provide useful points of reference and inspiration for other country practitioners.
The report on Budgeting and Public Expenditures in OECD Countries 2019 provides a comprehensive analysis of the frameworks, policies and practices in place in OECD countries. It comments on the extent to which OECD countries implement the OECD ten principles of budgetary governance, including the following topics.

1. **An introduction to budgeting**

   Everywhere, budgeting is the same and different. Dr. Allen Schick takes a look at how budgeting has evolved and highlights where budgeting remains specific to national circumstances, as well as areas where there are converging international practices.

2. **Fiscal policy management**

   OECD countries have adopted a range of budgetary governance reforms since the global financial crisis. The report takes stock of the impacts on national budgets over the past 10 years.

3. **Budgeting institutions, rules and frameworks**

   Over recent years, most OECD countries have adopted fiscal objectives, frameworks and rules that support a medium-term approach to budgeting and increase the certainty under which governments manage fiscal policy. The report identifies the main approaches OECD countries have adopted and compares the merits of these approaches.

4. **Budget management and control**

   The report identifies the range of tools and practices available to central budget authorities in OECD countries. The analysis gives a special focus to fiscal risks and the way OECD countries identify, analyse, disclose and mitigate fiscal risks.

5. **Parliament’s role in budgeting**

   Within OECD countries, the role parliaments play in budgetary governance is increasing and is encouraging fiscal responsibility through greater transparency, debate and oversight, including through the role of audit.

6. **Open, transparent and inclusive budgeting**

   Citizen participation and budget transparency in a government’s budget can take many forms. The report looks at established and emerging practices across OECD countries. The report gives a special focus to gender budgeting as a tool to address inequalities and to assess the impacts of policies and the allocation of resources.

7. **Quality of expenditures**

   Increasingly, OECD countries are finding more effective ways to look at whether the allocation of public resources deliver the intended results and are aligned to government priorities. The report analyses developments in the way governments assess the performance of public expenditures.

8. **Capital budgeting, infrastructure, governance and public-private partnerships**

   The report provides a snapshot of practices in OECD countries for capital budgeting and investment management, including infrastructure governance and commercial transactions such as public-private partnerships. The report compares the practices to the OECD Infrastructure Governance Framework.

The report includes profiles on the budget governance practices in OECD countries.
THE OECD’S 10 DIMENSIONS OF BUDGETING

1. Budgeting within fiscal objectives
2. Alignment with medium-term strategic plans & priorities
3. Performance, evaluation & VfM
4. Quality, integrity & independent audit
5. Transparency openness & accessibility
6. Participative, inclusive & realistic debate
7. Fiscal risks & Sustainability
8. Capital budgeting framework
9. Comprehensive budget accounting
10. Effective budget execution
The Budgeting and Public Expenditures Division is part of the OECD’s Public Governance Directorate.

For more information, visit us at:
https://www.oecd.org/gov/budgeting/

For more information regarding this publication, contact:
Edwin Lau, Head of Division at Edwin.Lau@oecd.org

Other resources on public budgeting: