



SPENDING REVIEWS TOWARDS BEST PRACTICES

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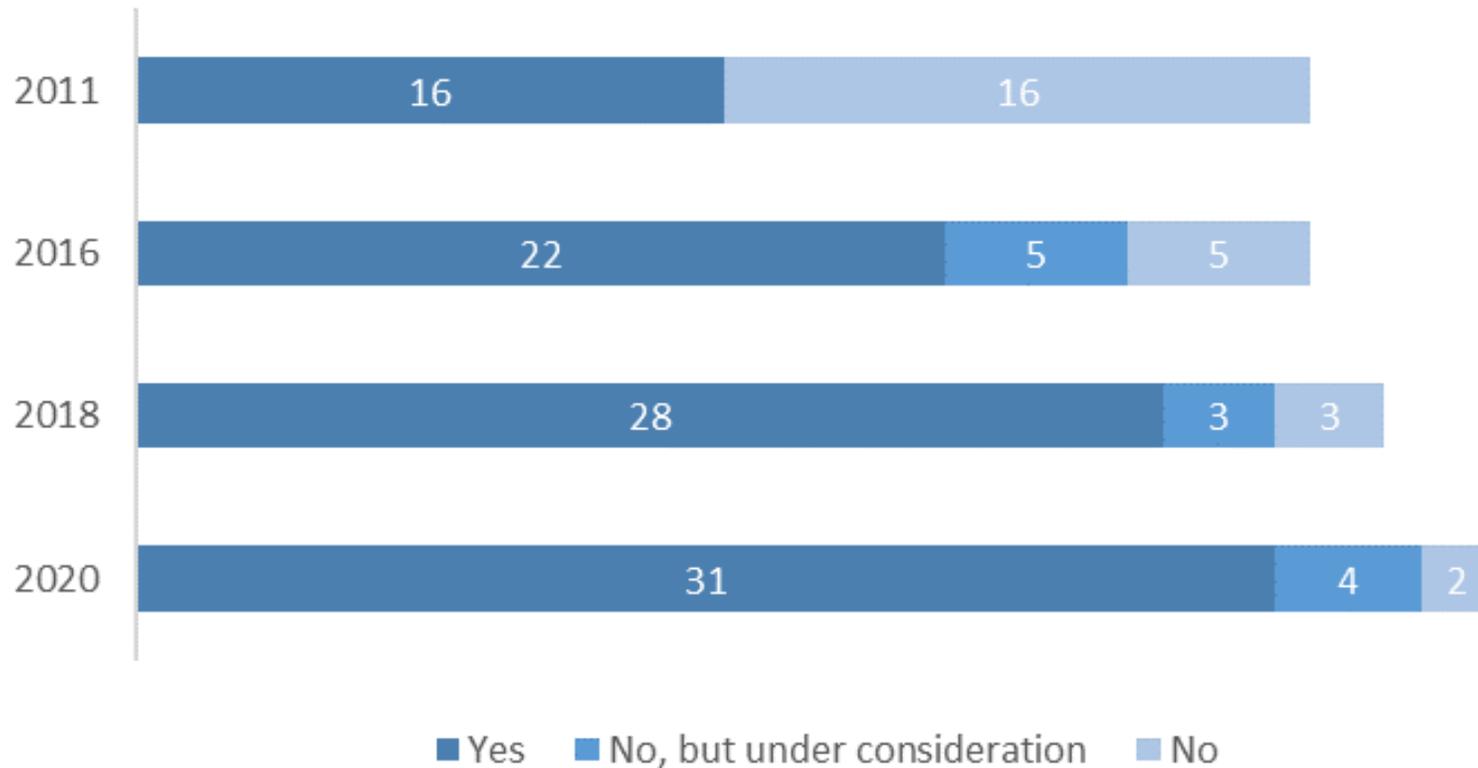
Spending reviews defined

- Spending reviews are tools for developing, assessing, recommending and adopting policy options by analysing the government's *existing* expenditure. They link these options to the budget process.
- The purposes of a spending review include:
 - Enabling the government to manage the aggregate level of expenditure.
 - Aligning expenditure according to the priorities of the government.
 - Improving effectiveness within programmes and policies.



The use of spending reviews

Adoption of spending reviews 2011 - 2020



The number of OECD countries conducting SRs **has increased** over the past decade



THE BEST PRACTICES



BP1: Formulate clear objectives and specify the scope of SRs

I. The objectives of a spending review must be clear

- The objectives of a spending review should be communicated from the outset and framed within formal Terms of Reference.
- Different objectives have implications for the structure and roles of participants.

II. Clearly specify the scope of a review

- All expenditures should be suitable for a review as all programmes can run their course and change.
- Recurring, or periodic approach, to spending reviews is recommended as it allows governments to schedule the programmes it will review each year.



BP2: Identify distinct political and public service roles in the review process

I. Political leadership

- Political leadership is particularly important at the beginning where the objectives and scope of reviews are set, and at the conclusion where final decisions on adopting recommendations are made.
- Incentives can affect the level of political commitment for a spending review

II. Public servants carry out spending reviews

- Public servants prepare the analyses and scenarios for a spending review and implement the recommendations adopted from spending reviews.
- Both MoF and line ministries need to have expertise in undertaking spending reviews.



BP3: Set up clear governance arrangements throughout the review process

I. Clear roles and responsibilities

- A clear governance structure at all stages of the spending review process is essential for the success of a review (MoF, LMs)

Steering Groups

- The steering group provides oversight during the review process.
- It brings findings and recommendations to the relevant ministers.

Working Groups

- The working group analyses spending review topics.
- The working groups consist of staff from the Ministry of Finance and relevant line ministries, where external consultants may also be involved.



BP4: Ensure integration with the budget process

I. Alignment with the budget process

- Spending reviews should be systematically integrated into the preparation of the government's budget.
- The spending review timetable should be planned so that findings are available in time for the budget formulation process.

II. Alignment with medium term frameworks

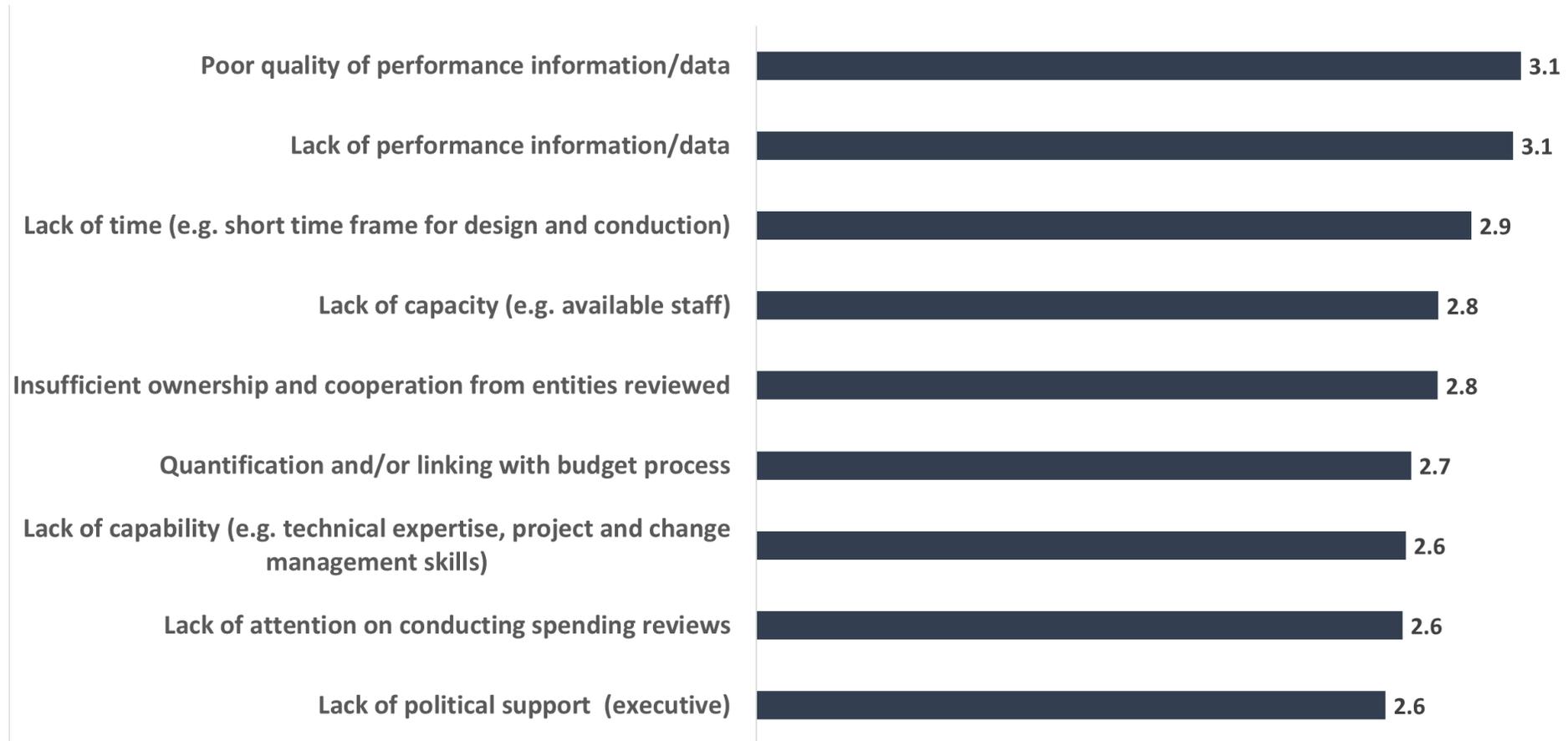
- A medium-term horizon can improve the effectiveness of spending reviews.
- In many instances, the findings from a spending review can only be implemented over the medium-term.

III. Alignment with evaluations and performance budgeting

- Evaluations and performance information can have valuable input and should be available and used in the spending review process.



Challenges in conducting spending reviews



Note: 1= No challenge, 2=Low challenge, 3= Medium challenge, 4=High challenge



BP5: Implement recommendations in an accountable and transparent manner

I. Spending reviews conclude with clear recommendations

- The recommendations are an essential element of a spending review and bring the review to a conclusion.
- The analyses that takes place in the working group includes scenarios and options for consideration.

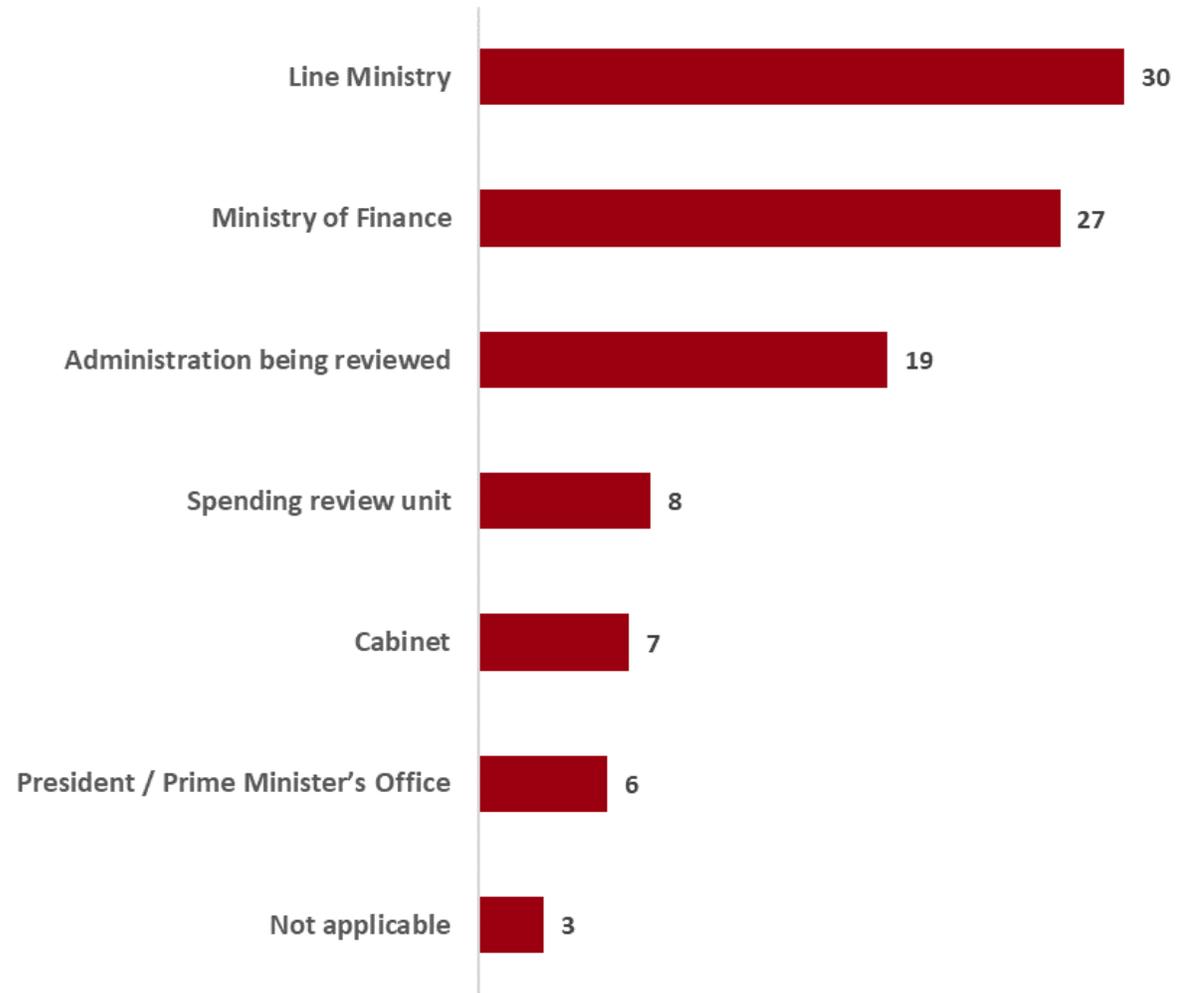
II. Monitor implementation of spending review decisions

- The relevant ministry (or ministries) is accountable for implementing the conclusions of spending reviews in co-ordination with the Ministry of Finance.
- It is essential for the Ministry of Finance to monitor the implementation of spending review decisions and hold line ministries accountable for delivering the agreed conclusions.



Entities involved in implementing spending review decisions

(Number of countries)





BP6: Ensure full transparency of spending review reports and the review framework

I. Conclusions of spending reviews are available publicly

- This supports the integrity, accountability, and oversight of spending reviews.
- This facilitates their effective implementation and increases transparency around budget decisions.

II. The governance arrangements and guidance materials are available publicly

- A spending review should include an announcement of its high-level objectives and the areas of expenditure to be examined.
- The same applies to the review's terms of reference and other relevant materials.



BP7: Update the spending review framework periodically

- I. The framework should be updated according to ever-changing challenges**
- The increased use and broader application of spending reviews illustrates how spending reviews have evolved to suit the circumstances of a country.
 - The framework should take stock of changes to the environment in which it operates as well as reflecting on strengths and potential weaknesses observed within the current spending review framework.
 - Likewise, each individual spending review should identify lessons from its experience that can inform future spending reviews.



The future of spending reviews

- Governments will soon be forced to look critically into ways to prioritise expenditure and facilitate reallocation of fiscal resources.
- If applied correctly, spending reviews can be an important and useful tool in improving fiscal outcomes in the coming years.



THANK YOU!

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