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Foreword

The *OECD Journal on Budgeting* is a unique resource for policy makers, officials and researchers in public sector budgeting. Drawing on the best of the recent work of the Committee of Senior Budget Officials (SBO), as well as special contributions from finance ministries of member countries and from other practitioners, the Journal provides insights on leading-edge institutional arrangements, systems and instruments for the effective and efficient allocation and management of resources in the public sector.

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Table of contents

Foreword	3
Gender and Capital Budgeting	7
Acknowledgements	8
Executive summary	9
Introduction	10
The COVID-19 pandemic and gender equality	10
Gender equality and capital investments	14
Gender capital budgeting	19
References	24
How budgeting systems can prepare better for national emergencies: Six lessons from the COVID-19 crisis	27
Introduction	28
Spending modalities used to address the COVID-19 crisis	29
Lessons learned	30
Summary and conclusions	36
References	37
Notes	39
OECD Best Practices for Spending Reviews	41
About the Best Practices	42
Formulate clear objectives and specify the scope of spending reviews	43
Identify distinct political and public service roles in the review process	44
Set up clear governance arrangements throughout the review process	45
Ensure integration with the budget process	47
Implement recommendations in an accountable and transparent manner	48
Ensure full transparency of spending review reports and the review framework	50
Update the spending review framework periodically	51
FIGURES	
Figure 1. Share of women in the long-term care workforce	11
Figure 2. Unemployment rate in times of COVID-19	12
Figure 3. Distribution of employment in retail activities by sex	12
Figure 4. Unemployment rate in times of COVID-19 – gender disaggregated data	13
Figure 5. Women place more emphasis on their commute time when deciding whether to leave their jobs, while men prioritise pay	16
TABLES	
Table 1. Gender impact assessments: considerations for capital programmes	21
Table 2. Assessment of Emergency Spending Modalities: Key Requirements	34

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Gender and Capital Budgeting

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This paper looks at how the impact of capital investment on gender equality can be taken into account during the budget process. Capital investment is a policy area that is often overlooked as gender-relevant. However, capital investment has a powerful impact on the way in which society operates. Ensuring that the design of capital projects considers gender impacts plays an important role in advancing gender equality.

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Executive summary

Capital investments help to drive economic growth and productivity and ensure that essential infrastructure needed for society to function, such as roads, railways, hospitals and schools, is in place.

Public capital investment should broadly benefit the population at large, regardless of gender. To ensure this is achieved, particular attention should be paid to the gender aspects of capital investment, as women, men and gender-diverse people often use assets differently due to their different social roles, work patterns or preferences. For example, women often spend more time travelling and accompanying family members to schools, childcare centres, hospitals and other social services, as well as more frequently using public transport. As such, women may benefit more from bright and safe train stations, while men may benefit more from the construction of motorways. Taking the different needs of men and women into account when making capital investment decisions can help facilitate greater gender equality. By contrast, poorly planned and delivered capital investment can have harmful effects on societies.

In response to the COVID-19 pandemic, governments' economic recovery packages involve significant capital investments as a means of stimulating the economy. Future investments to support economic recovery represent an unprecedented opportunity to reduce inequalities while simultaneously aiming at closing the global infrastructure gap, stimulating the economy and strengthening governmental balance sheets. In order to promote fairer recoveries, and safeguard our societies and economies against future crises, it is imperative that capital investment decisions take into account the best available evidence on how projects can bring benefits to gender equality. Making well-informed decisions is critical as capital investments typically last for decades, defining our collective future by locking in the consequences of decisions that are being made now.

Each stage of the budget process offers opportunities to ensure that gender considerations have been taken into account in relation to capital investments. This paper identifies tools that can be employed at the budget formulation stage, when the government is determining what programmes and projects to include in the draft budget. For example, governments can verify that gender perspectives have been considered by requiring or encouraging the identification of gender goals for capital investments as part of as part of a performance-oriented approach to budgeting. Monitoring the performance and impact of capital investment in relation to gender goals facilitates continuous improvement in how the investment serves the needs of men and women across the different phases of its lifecycle.

Another way that governments can verify that gender perspectives are considered for capital investments is through requiring gender impact assessments to accompany capital budget proposals. Gender impact assessments can help provide information on the impact of capital investment proposals on gender equality, so that this evidence can be taken into account in project design and budget decision-making. Assessments of individual capital proposals can also provide information to support a more comprehensive gender impact assessment of the overall capital investment programme. Assessing how the overall package impacts gender equality can help governments make any adjustments necessary to ensure that it adequately supports the achievement of gender equality goals.

In bringing gender perspectives to bear on capital investment decisions during the budget process, countries face a number of key challenges. For example, gender impact assessments are often undertaken too late in the capital project lifecycle for the information to inform the design of individual projects. In addition, there is often limited availability of evidence and data in relation to the gender impact of capital projects. Actions to help overcome these challenges will help strengthen the quality of gender capital budgeting over time, supporting capital investment decisions that reduce gender inequalities.

Introduction

Gender equality is a keystone of a modern economy, and closing gender gaps has the potential to increase sustainable growth of the economy. In 2019, the global cost of ignoring gender discrimination across societies was estimated around USD 6 trillion, accounting for a loss of 7.5% of the global GDP (OECD, 2019^[1]).

In this context, capital investment plays a crucial role. It is often assumed that women and men benefit equally from new capital investments, but an adequate investigation into whether there are different impacts based on different needs and social roles is often lacking. This arises from factors such as differing employment patterns, care responsibilities and safety requirements.

Governments can use gender budgeting to focus government-wide policy making towards national gender goals. This paper looks at how gender budgeting can be leveraged as a tool within a broader infrastructure governance framework to help make more informed capital decisions that progress gender equality. It builds on the OECD's Framework for Gender Budgeting (OECD, 2019^[2]), the Recommendation of the Council on Budgetary Governance (OECD, 2015^[3]) and the Recommendation of the Council on the Governance of Infrastructure (OECD, 2020^[4]). It draws on experiences in OECD countries, including Austria, Canada, Iceland and Sweden, identifying lessons learnt from considering gender equality as part of capital investment decision making. The paper includes material on non-OECD countries, in particular G20 economies such as India and South Africa.

The first part of this paper looks at how the COVID-19 crisis has aggravated gender inequalities, and addresses the role of well-designed recovery investments. The second part of the paper explains why gender equality is an important consideration in the context of capital investment. It also provides examples of how an investment project can have different gender impacts, especially for end-users. The third part of the paper presents gender capital budgeting. This is the use of budgeting tools to ensure that gender equality considerations are taken into account in budget decision making. In this paper, references to women and men include gender-diverse people.

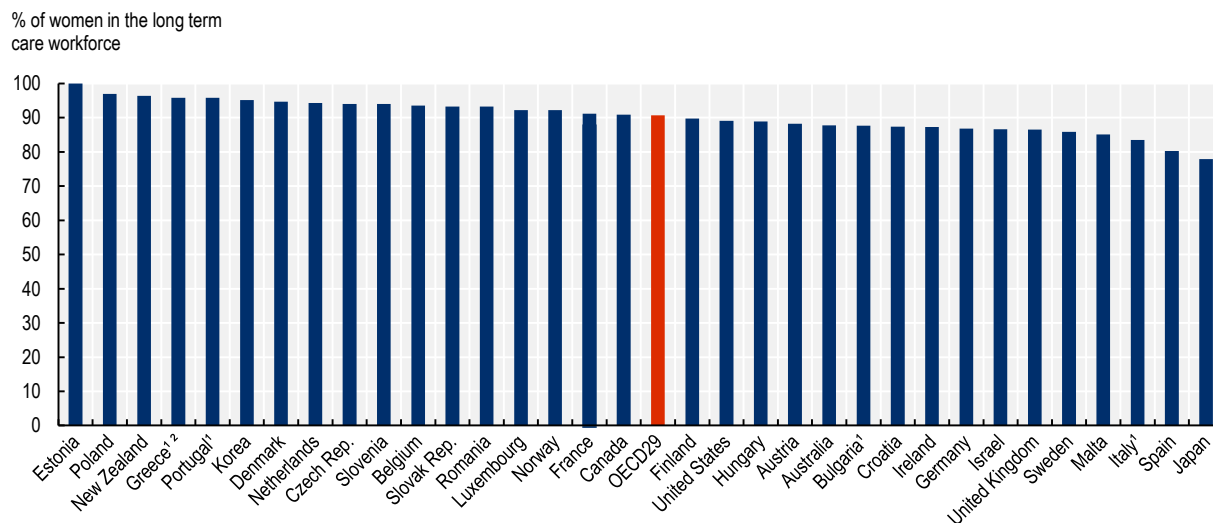
The COVID-19 pandemic and gender equality

The COVID-19 pandemic has had wide-ranging social and economic impacts globally, with different implications for men and women (OECD, 2020^[5]). The pandemic has aggravated existing gender inequalities for three main reasons:

- Women are the dominant share of employees in the long-term care sector, and provide most unpaid work at home.
- Women are more likely than men to work in social sectors — such as services industries, retail, tourism, and hospitality — that require face-to-face interactions and which have been most impacted by containment measures, as well as the sectors with higher non-regular job contracts and informality.
- Women have experienced increased violence, sexual exploitation, or abuse in the current crisis.

Figure 1. Share of women in the long-term care workforce

2016 or latest year



1. Long-term care supply was estimated based on ISCO 3 digit and NACE 2 digit.

2. Data must be interpreted with caution because of small samples.

Note: OECD average is unweighted and excludes Bulgaria, Croatia, Malta and Romania.

Source: OECD (2019^[6]), Women represent the overwhelming majority of LTC workers in all countries.

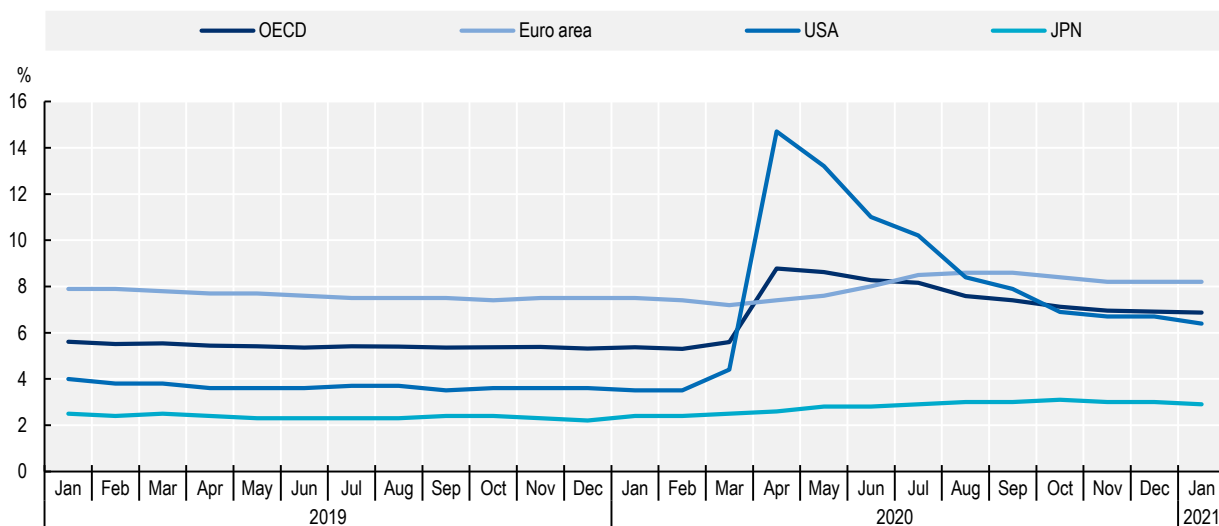
Firstly, women have been particularly affected by the crisis since they represent the largest share of employment in the long-term care sector. The high share of employment in long-term care (Figure 1) has generally meant that women are at the front of the battle against the pandemic. As front-line responders, health professionals, and community volunteers, women are exposed to a greater risk of infection (OECD, 2020^[5]).

In addition to the high share of unpaid work women already did at home prior to the pandemic, women are more likely to have taken on increased care responsibilities as the crisis emerged. Responsibilities resulting from shutdown measures such as school closures and precautions for vulnerable elderly parents have more frequently fallen under the responsibility of women, even when both women and men are expected to work from home (OECD, 2020^[5]).

Secondly, the crisis has affected women differently because of the nature of their jobs. The scale of the economic impact of the crisis is still emerging and, it is difficult to predict exactly how it may affect women's jobs, business and incomes. For example, women are more likely to work in social sectors, such as services, industries, retail, tourism, and hospitality, requiring face-to-face interactions (see Figure 1).

Figure 2. Unemployment rate in times of COVID-19

Total unemployment, percentage of total labour force, February 2020 – February 2021

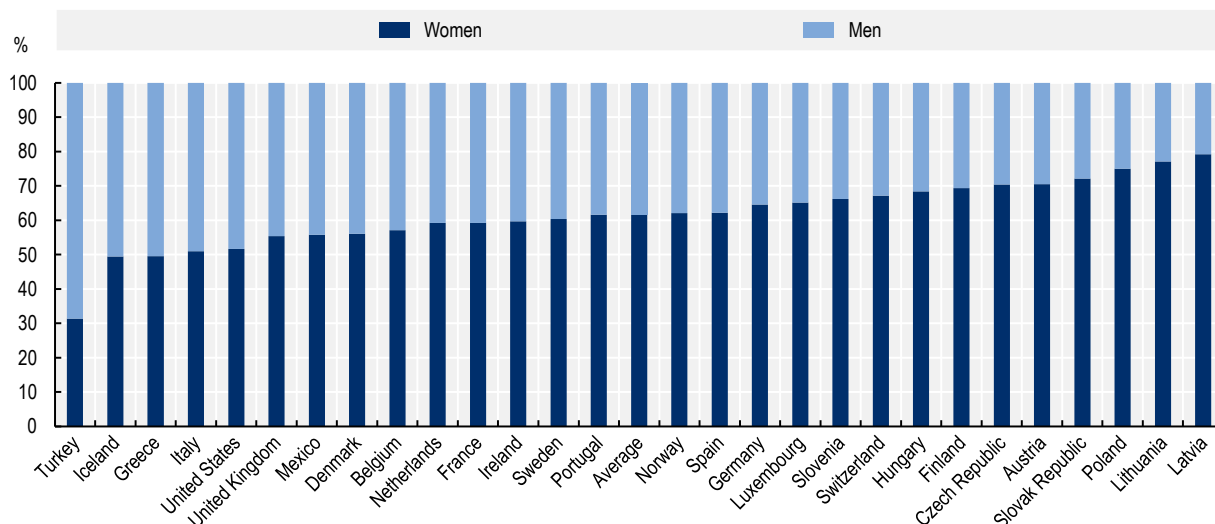


Source: OECD (2021^[7]), Unemployment rate, <https://data.oecd.org/unemp/unemployment-rate.htm>.

Women's labour protection tends to be weaker, especially around parenthood. However, the longer-term impact on employment and the distribution of job losses is, at this stage, much harder to predict. It will depend on the severity and duration of containment measures and the depth and breadth of the economic contraction. Overall, unemployment across the OECD has increased from 5.4% in 2019 to 8.4% in April 2020 and slowly improved again to 6.9% in December 2020 as shown in Figure 2.

Figure 3. Distribution of employment in retail activities by sex

Data from 2018



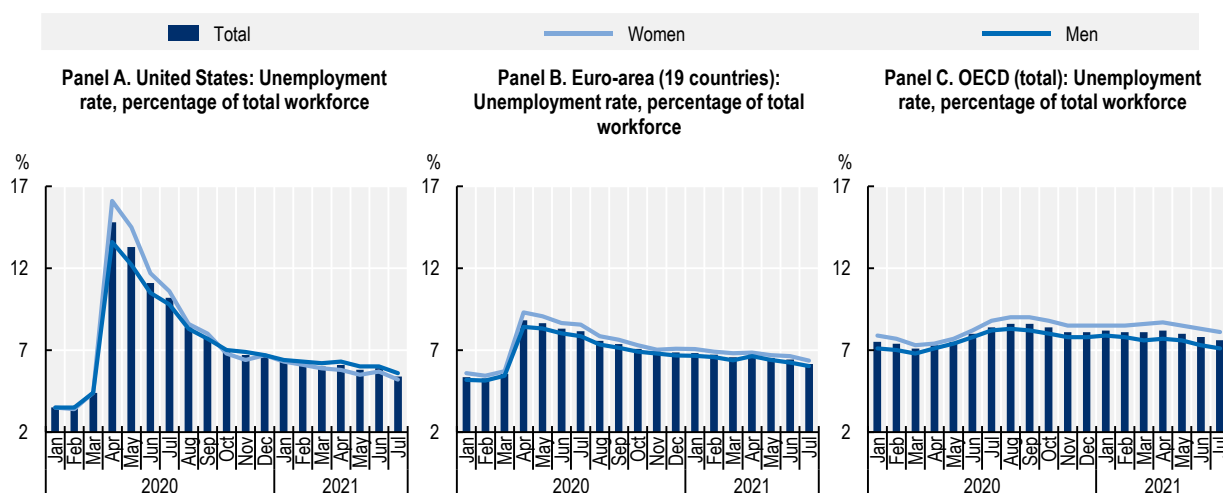
Note: Data refer to women's share of employment in ISIC Rev 4. category 47 (Retail trade, except of motor vehicles and motorcycles).

Source: Queisser, Adema and Clarke (2020^[8]), COVID-19, employment and women in OECD countries, OECD calculations based on data from ILO, ILOSTAT, <https://ilostat.ilo.org/data/>.

As shown in Figure 3, women hold the vast majority of jobs in retail activities. During COVID-19, some retail sectors – such as supermarkets, grocery stores and pharmacies - remained open, while most other retail activities were hit very hard by lockdowns. Those who work in the sectors that have remained open have had increased risk of being infected due to exposure to customers.

OECD data shows that the pandemic has also given rise to higher female unemployment in some countries. For example, Figure 4 shows that in the United States the female unemployment rate increased from 4.4% in March to 16.1% in April 2020. By December 2020, it had fallen to 6.7%, which was still three percent higher than the previous December. In comparison, the male unemployment rate also increased, but not as much. The continued roll out of COVID vaccinations will likely help reverse this situation.

Figure 4. Unemployment rate in times of COVID-19 – gender disaggregated data



Source: OECD (2021^[7]), Unemployment rate, <https://data.oecd.org/unemp/unemployment-rate.htm>.

Due to short-term work schemes and other supporting measures in the Euro-area, the increase in unemployment for both women and men has not been as high as in the United States, although unemployment as a whole remains higher in Europe. As shown in Figure 4, women's unemployment in the Euro-area also increased more than men's during the course of the COVID-19 pandemic.

Reaching the pre-pandemic unemployment rates, especially for women, remains one of the main challenges in recovering from the COVID-19 pandemic. The results from a panel of 68 countries in the period from 1980 to 2010 indicate that financial crises negatively impact women's participation in the formal workforce, their presence in politics, their educational attainment, and their health outcomes. Furthermore, the negative gender effects have been detected to last up to seven years after the end of a crisis, showing their lingering effects in the post-crisis era (Blanton, Blanton and Durson, 2019^[9]).

Thirdly, women have experienced increased violence, sexual exploitation, and abuse in the current crisis. Evidence from past crises and natural disasters suggests that confinement measures often lead to increased or first-time violence against women and children. The social consequences of COVID-19 - such as the inability to go outside of the household, loss of social interactions, children staying at home due to school closures, and tensions because of forced cohabitation – are some of the factors that have led to increased violence (OECD, 2020^[5]).

The role of well-designed economic recovery investments

In response to the COVID-19 pandemic, governments' economic recovery packages involve significant capital investments as a means of stimulating the economy and improving productivity over the medium-term. Making well-informed decisions is critical as capital investments typically last for decades and have implications for future outcomes as the investment can lock-in the consequences of decisions that are made now. Future capital investments to support economic recovery present an unprecedented opportunity to reduce inequalities while simultaneously closing the global infrastructure gap, stimulating the economy and strengthening governmental balance sheets. In order to promote fairer recoveries, and safeguard our societies and economies against future crises, it is imperative that capital investments consider gender equality implications.

The unequal economic and social impacts of the COVID-19 crisis means that wherever possible, policy responses should aim to promote a fair recovery, supporting gender equality goals in both the short and the long run.

During the containment phase of the COVID-19 crisis, decision making moved quickly and it was difficult to grasp the immediate impact of containment measures on men and women. Today, governments can take more time to design recovery packages, providing an opportunity to put in place well-designed capital investments that address gender inequalities, as well as other strategic approaches related to climate change or digitalisation, which are the two main pillars of the European Green Deal (European Commission, 2019^[10]).

When designing recovery packages, it is important to consider lessons learnt during the 2008 global financial crisis, which also had disproportionate impacts on men and women. At that time, responses included capital investment to create jobs and stimulate the economy. In reality, much of the employment was created in male-dominated sectors (e.g. construction and transport). This is one of the reasons why men's employment improved more quickly than women's employment during the recovery phase (Périer, 2014^[11]).

Forthcoming gender-sensitive capital investments can help alleviate inequalities. Where gender considerations guide capital investment, there is the opportunity for these investments to foster inclusive growth and maximise positive impacts, such as improved well-being, sustainable development and the empowerment of women and girls. In the context of the COVID-19 crisis, there is an opportunity to learn from past mistakes and avoid repeating them.

Gender equality and capital investments

Capital investments should ideally provide men and women with equal access to jobs and services. Many believe that women will automatically benefit from infrastructure projects in the same way as men, without acknowledging possible distinct impacts by gender. Women and men often use infrastructure services differently, due to their different social roles, work patterns or preferences. These are explored in more detail in the following paragraphs.

Different social roles

The different social roles that men and women may have can impact their infrastructure needs. For example, women tend to spend more time travelling and accompanying family members to schools, childcare centres, hospitals and other social services, as well as using public spaces such as parks and recreation centres more intensively. Evidence shows that women also generally use public transport more than men, and travel more frequently and for shorter distances at different times than men, as their responsibilities can differ (regarding shopping, childcare and care in general). As key users, it makes sense

for the location of these services, the design of public transport grids and the frequency of transport, to take the needs of women into account. Box 1 provides examples of how this has been done in different OECD countries.

Box 1. Examples of how infrastructure needs differ by gender, based on social roles

Iceland

As part of the introduction of gender budgeting in Iceland in 2009, each ministry was required to undertake a pilot project looking at the impact of spending on gender in one particular expenditure area. The objective of this exercise was to make the gender impact of spending across different areas more visible, and to make it possible to re-allocate expenditures and re-design policies in line with gender objectives. The Ministry of Interior looked at the gender impact of proposed spending on a new tunnel between two small towns in the north of Iceland. The government undertook a research project considering the different elements (transportation, community development, economic conditions, public service and social wealth) from a gender perspective. As part of this research, the Ministry of Interior discovered that the new tunnel would suit men better than women, as men would benefit more from increased job opportunities and less travel to work time. On the other hand, women were concerned about the possible loss of local services with the two towns being joined. This is in part due to different social roles of women who needed to work closer to their homes to be able to bring their children to and from school. The Ministry went ahead with the construction of the tunnel, but with a greater awareness of how negative impacts on women, who are already in a weaker position in rural areas, could be mitigated.

Sweden

Historically, major roads for cars and larger vehicles have been cleared of snow before sidewalks for pedestrians and bicycle paths in Karlskoga in Sweden. Analysis found that this approach to snow clearing was favouring men, who typically used major roads to travel to their workplace, while women were more likely to use pedestrian walkways and bikes to bring children to school or travel to work. This approach to snow clearing was therefore adjusted so that it was more gender equal, where pedestrian walkways and bicycle paths to schools are now cleared before families leave their homes. Changing the approach to snow clearing was not associated with additional costs, but did bring additional economic and social benefits since there was a reduction in pedestrian injuries due to the slippery conditions.

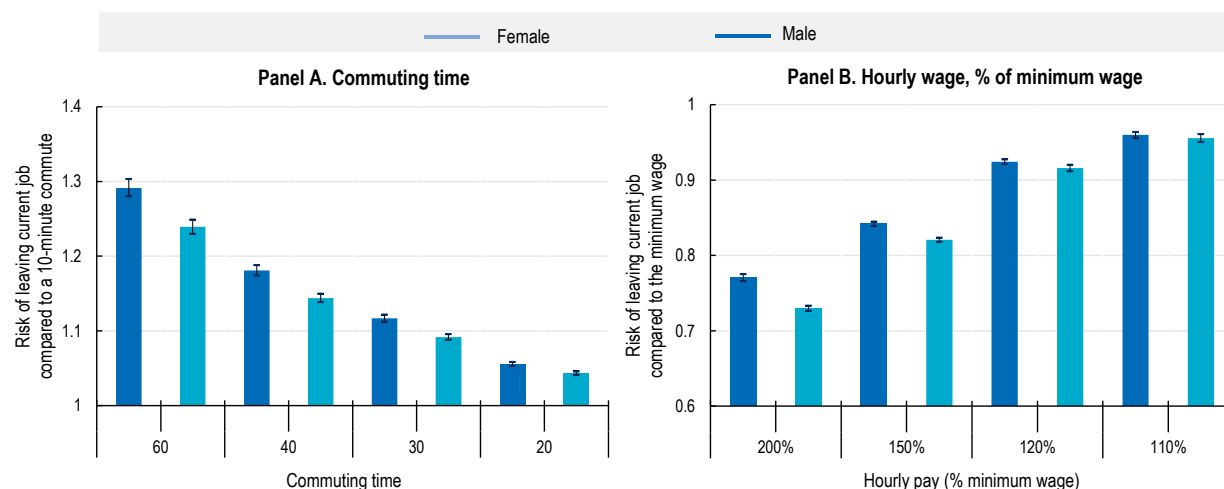
In order to mitigate any potential negative side effects of infrastructure investment related to gender, it is essential to get perspectives from important stakeholders early on in the infrastructure decision-making process, as highlighted by the OECD Recommendation on the Governance of Infrastructure (OECD, 2020^[4]). End-users constitute one important stakeholder group whom should be involved as early in the preparatory phase as possible to understand intended user outcomes and prioritise user needs (user-centred approach). This multi-stakeholder process is a key for better understanding, and ultimately improving, gender impacts.

Different working patterns

The infrastructure needs of men and women also vary due to differing working patterns. Research has identified that women are more likely to leave their jobs if the time it takes to commute to and from work increases. Figure 5 shows how the risk of women and men leaving their current job varies by commuting time. Longer commutes increase the probability of leaving a job for both men and women, but the effects

are greater for women. As an example, for women, having a 10-minute commute compared to half an hour commute to work, increases the probability of leaving their current job by 11.6%, compared to 9.1% for men, everything else being equal. Similarly, women who have an hour-long commute are 29.1% more likely to leave their current job than if they would have a 10-minute commute, compared with 23.9% for men.

Figure 5. Women place more emphasis on their commute time when deciding whether to leave their jobs, while men prioritise pay



Source: Nafilyan (2019^[12]), Gender differences in commute time and pay: A study into the gender gap for pay and commuting time, using data from the Annual Survey of Hours and Earnings.

The fact that a longer commute time to and from work is more likely to affect women leaving a job than men, indicates that women are more likely to take into account other duties related to their tendency to be primary caregivers when considering the commuting time. Women's commuting to and from work may also involve additional duties related to their social roles.

Other considerations include differences in where women tend to work relative to men. For example, women make up a larger share of employees in the social infrastructure sector, and thus, the location and transport options for these services should be designed with a gender lens in mind.

Capital investments that facilitate women's economic participation can generate significant economic benefits (see Box 2). Investments may even pay for themselves via increased labour force participation by women, and hence higher tax revenues. Public investment in physical infrastructure can create fiscal space in the long run by stimulating income growth and expanding the taxable income base (Seguino, 2017^[13]). Likewise, neglecting women's preferences in terms of transport and mobility may limit their economic participation and decrease tax income.

Box 2. Example of how capital investment can influence the work patterns of men and women

India – Access to Services

India has incorporated a column on gender outcomes in the government's budget, where ministries are mandated to identify gender-mainstreaming programmes and identify ways to improve women's access to services. The Planning Commission has ensured that national and state plans are gender sensitive, the Department of Commerce identified gender implications of special economic zones, and the Ministry of Urban Development introduced measures for clean and safe public toilets and adequate street lighting.

Better access to services can help improve the possibilities for women to participate in working life and increase their working hours. Certain economic zones can offer improved working conditions and higher salaries, and if these zones are designed with equal needs of women and men in mind, it could lead to changes in female work patterns. Finally, construction projects that improve safety such as public toilets and better street lighting, contribute to an increased likelihood of women commuting in urban areas.

Different preferences and needs regarding safety and security

There is also evidence that men and women have different preferences in relation to how they travel, and thus use infrastructure. For example, a study of eight European and Asian cities by Ng and Acker (2018^[14]) shows that women more frequently travel shorter trips, use public transport and travel more during off-peak hours. Generally, women are also more willing to reduce the use of private cars.

Even though much has been done to integrate gender perspectives in transport planning, it remains an area where inequalities persist. This includes gaps in access to transport infrastructure and services, segregation within the transport labour market itself, and weak representation of women in the decision-making process in the transport sector (EIGE, 2017^[15]).

The evidence on women's specific travel preferences suggests that transport design programmes should take gender needs and preferences into account, in line with the best practices brought by the Recommendation on the Governance of Infrastructure (2020). A good practice example is provided by the City of Vienna in Austria, where the transport preferences of women have been taken into account in the design of public transport for a number of years. To support this, data is collected to determine how different groups of people use public transport and spaces before a capital project gets underway (Foran, 2013^[16]).

Safety and security

Safety and security are also key factors in determining women's transport preferences and choices. This is an important topic for women living in urban areas where they are the main users of public transport and depend heavily on these systems for their mobility needs.

In a Gender and Mobility Report (Ramboll, 2021^[17]), safety and security are identified as important factors in whether women use public transport or not. This report analysed gender and mobility in Berlin, Copenhagen, Delhi, Helsinki, Oslo, Singapore and Stockholm. Globally, women rather than men identify personal safety and fear of harassment as a concern in relation to taking public transport. For example, women expressed concerns and fears around waiting at bus stops and train stations. Fear of harassment and assault also influence their travel behaviour, both in relation to the choice of transport and the time of the day travelled. Concerns were raised about both too few and too many people in these places, and the design of public space - stops, stations and whether there are staff present.

Considerations around women's fear of harassment and assault and the need to create public spaces and facilities where women feel secure when traveling alone have to be prioritised. These considerations should be factored in when developing new public transport facilities and improving existing ones. Improved urban infrastructure with a gender perspective demands proper lighting, safe public spaces and safe public transport to help mitigate safety-related risks that women face.

Implications

The different needs and preferences of men and women show that gender equality is an important consideration when it comes to capital investments. Several OECD countries already consider gender dimensions in a comprehensive manner, including Belgium, Canada, Czech Republic, Iceland, Latvia, Lithuania, Luxembourg, Spain and Sweden (OECD, 2020^[18]). Some examples are provided in Box 3.

Box 3. Examples of how gender is taken into account in capital investment across the OECD

Austria

According to the general legal framework (laid down in constitution and regulated in detail in the organic budget law), gender impact assessments must be undertaken for all projects/legal drafts up to specific thresholds, and one out of five performance objectives for every budget chapter has to be gender-related. As part of this, gender-related objectives must be set for capital investment.

Canada

As part of the Investing in Canada Plan, recipients of federal funding for new major public infrastructure projects are required to participate in the Community Employment Benefits initiative. This aims to support the diversification of recruitment, training and procurement practices for infrastructure projects. This initiative is also a requirement for all projects under the Disaster Mitigation and Adaptation Fund and for final proposals submitted for consideration to the Smart Cities Challenge. Projects and proposals are required to provide employment and/or procurement opportunities for at least three of the groups targeted by the initiative, including women, and report on progress against these targets on an annual basis.

Spain

According to Constitutional Act 3/2007 for effective equality between women and men, the principle of equal treatment and opportunities between women and men informs, on a horizontal basis, all public actions. As for capital investment, article 31 states that public administrations shall take gender perspectives into account in the design of cities, in urban policies, and in the definition and execution of urban planning (OECD, 2020^[18]).

Gender-responsive capital investments have the power to address gender inequalities and empower women by responding to diverse needs in society. This can maximise the benefits of investments for all citizens, for example through accelerating the socio-economic mobility of women. However, the consideration of gender needs as part of capital investment decisions is still not broadly regularised.

There is a need for new tools to help bring gender perspectives to bear on capital investment decisions. Given that the budget is the central policy document of every government, and the major role it plays in determining how resources are allocated to deliver outcomes, there is the opportunity for crosscutting priorities such as gender to be considered as part of the budget process. The following section looks at the role that gender capital budgeting could play in ensuring that gender considerations are taken into account during the budget cycle.

Gender capital budgeting

The OECD's Framework for Gender Budgeting sets out that gender budgeting involves using the analytical tools of the budget process in a systematic way to promote equality (OECD, 2019^[2]). Gender gaps persist in all areas of social and economic life in OECD countries, and including gender perspectives in the budget process can have considerable impact on government-wide policy making.

Gender capital budgeting is the application of gender budgeting tools to capital investment decisions. This ensures that gender equality considerations are given due attention in decision making and assist in making informed decisions that progress gender equality goals.

Each stage of the budget process offers opportunities to ensure that gender considerations have been taken into account in relation to capital investments. The best opportunity to influence the decision-making process is during the early phases of the policy and budget cycles, although input during the evaluation phase can also be useful in terms of helping to formulate the budget for the following year.

This paper identifies tools that can be employed at the budget formulation stage, when the government is determining what programmes and projects to include in the draft budget. These are:

1. Requiring or encouraging gender goals for capital investment within performance frameworks
2. Requiring gender impact assessments to accompany capital budget proposals.
3. Undertaking a gender impact assessment of the overall capital investment programme included in the budget.

Existing use of these tools varies significantly from country to country. In Iceland, capital investment has been assessed in the framework of a generally comprehensive system of gender assessments. Some other countries, such as Austria and Canada, include most of these steps in their legal frameworks and guidelines, but in many countries, capital investment is often a part of a budget where gender related assessments are lacking.

To be effective, gender capital budgeting must take into account and be responsive to the realities of the budget process in an implementing country. Performance-oriented budgeting systems are more likely to facilitate gender capital budgeting than input-based systems. The results of gender capital budgeting may be more pronounced in countries where parliament and the executive both play an active role in the budget process, and ideally, where civil society has an active voice.

Tools for gender capital budgeting

There are a variety of tools that can be used to bring a gender perspective to bear on capital investment decisions during budget formulation. The choice of tool used by any country will depend on existing elements of their budgeting model. This section provides examples of tools which countries might consider.

1. Requiring or encouraging gender goals for capital investment within performance frameworks

Performance frameworks are useful tools for policy development and resource allocation as they provide information on the extent to which policies and programmes are achieving their intended results. Performance targets accompanying budget measures should ideally be aligned with national objectives, including gender objectives. Key performance indicators relating to gender goals are a useful tool for monitoring the gender impacts of spending, including capital investments.

Requiring or encouraging gender goals to be set for capital programmes as part of a performance-oriented approach to budgeting can help raise awareness of how capital investments are impacting gender outcomes. On the one hand, it encourages policy makers to think about what they are trying to achieve in

relation to gender and what capital investments they need in order to achieve it. On the other hand, it ensures that information is collected on the extent to which capital investments are achieving outcomes in relation to gender equality. Over time, information on how an investment is progressing in relation to its gender goals allows for future budget decisions that help better respond to gender objectives.

Monitoring the performance and impact of capital investment in relation to gender goals over time facilitates continuous improvement in how the investment serves the needs of men and women across the different phases of the programme lifecycle. As more gender performance objectives become embedded in the capital programmes of government, a gender perspective to evaluation and audit - which assess the effectiveness of capital investments at achieving their objectives - becomes automatic. Lessons from these evaluations can inform improvements in the design of future capital investments to improve outcomes

Despite considerable scope for performance information to provide information on how capital investment is serving different parts of society, gender goals for capital programmes tend to be scarce. Where gender goals are set by ministries delivering capital investment, they often have an internal focus. For example, in Austria - where as part of its performance budgeting system each federal ministry must set five outcome objectives, one of which is to relate to gender equality - the Ministry of Climate Action's has an objective in relation to transportation systems that states:

"Ensuring gender equality in mobility...raising awareness with regard to gender-relevant aspects in the transportation system. As such, specific training courses are offered in the ministry to sharpen gender competence in everyday mobility. In addition, awareness raising among planners of the transport companies (...) is in particular important."

The objective is for the number of people trained to increase by 100% in 2021. The objective is tracked by counting the number of people in traffic planning and control with "gender competencies".

Better training and capacity development in relation to the gender impact of infrastructure will help provide programme managers with the information needed to be able to set outcome objectives for capital investments. A further challenge in implementing a gender perspective to performance setting, and specifically for capital investment, is that effective monitoring requires gender-disaggregated data. The process of setting gender goals for capital investment helps identify what data needs to be collected.

2. Requiring gender impact assessments to accompany capital budget proposals

Ex-ante gender impact assessments of new budget measures can help the government gain an understanding of how different policies impact gender equality. Information from these helps underpin the application of a gender perspective in resource allocation. Requiring gender impact assessments to accompany capital budget proposals can help ensure that information on how investments are likely to impact gender equality can be taken into account in budget decision-making.

For example, in Norway, when developing large-scale capital projects, two assessments are required. Firstly, during the preparation phase, a life cycle (gender) impacts assessment is to be undertaken. Secondly, when all work has finished, an assessment is required to evaluate whether the assumptions from the preparation phase were really implemented. To improve transparency, these assessments can be done by independent institutions and should be published. These assessments are used to prioritise budget investments that progress gender equality goals.

Impact assessments should be applied systematically as early as possible in the planning of capital programmes, when alternatives and opportunities for risk avoidance and synergies are still politically, economically and technically feasible. In the project design phase, measures to prevent and minimise negative impacts should be identified. Likewise, compensation measures for any estimated residual impact should be identified as early as possible, and be planned and budgeted for.

In line with best practices from the OECD Recommendation on the Governance of Infrastructure, capital investment assessments should consider the potential impacts on gender over the whole life of a capital asset, including its disposal. For this reason, gender impact assessments should look at impacts not just in the construction phase, but also over the course of the asset's use. Table 1 illustrates potential considerations when conducting gender impact assessments for capital programmes.

Table 1. Gender impact assessments: considerations for capital programmes

Impacts	Phase	Considerations
Short-term	Construction phase	Share of women involved in construction activity
Medium-term	Implementation phase	Share of women as end-users of completed projects
Long-term	Outcomes phase	Economic: Impact of completed projects on labour force participation by women

Where construction and operation of infrastructure is necessary, innovative measures (academic support in measuring impacts; management systems to implement changes when weaknesses are detected) to manage any gender inequalities that are created throughout the construction phase and use of the asset should be factored into the analyses of the various options being considered. Impacts should be well considered and understood, even when it is presumed that they are balanced.

The constraints and opportunities identified through gender impact assessments can be addressed by specific actions detailed in a gender action plan. For example, this might include incorporating breastfeeding rooms in public or office buildings or making sure that streets, walkways and public spaces are well lit to facilitate women's use. Examples of how capital programmes in Canada have been adjusted to facilitate greater gender equality, based on information from gender impact assessments, are provided in Box 4.

Box 4. Canada: adjustments to capital programmes subsequent to gender impact assessments

Capital investment funding in local communities through a municipal Top-Up

The federal Gas Tax Fund supports thousands of infrastructure projects each year in communities across Canada. It supports a broad range of assets, such as local roads and bridges, public transit and water systems, which are expected to benefit all Canadians. These investments should support productivity and economic growth and strengthen cities and communities. In the short term, the construction of the projects had been expected to carry greater indirect benefits for men, who represent over 80 per cent of the total construction workforce. To facilitate greater gender equality, the Canadian Government took steps to increase women's representation in the construction workforce, including funding for an apprenticeship incentive grant for women to encourage careers in areas with low representation of women.

Making zero-emission vehicles more affordable

Research indicated that early adopters who purchase or lease zero-emission vehicles were more likely to be well-educated, high-income earners – often men. In order to make such vehicles more accessible and affordable to lower earners (often women), the Canadian Government provided funding to expand the network of refuelling and charging stations, as well as purchase incentives for new zero-emission vehicles. Over time, as ZEVs become more affordable and readily available, ZEV vehicle purchasers are expected to better-reflect the general vehicle-owning population

Source: Government of Canada (2019^[19]), Gender Report: Budget 2019.

One of the challenges with requiring gender impact assessments for capital budget proposals is that these projects are often outsourced to private companies, for example through public private partnership agreements. In these instances, normal requirements for gender impact assessments may not apply. For example, in Austria, capital projects are usually included in framework agreements between the federal state and the private company. A gender impact assessment still has to be done, but for the framework agreement rather than individual capital projects.

A further challenge is that ex ante assessments are often based on assumptions. Complimenting ex ante assessments with ex post gender impact assessments can help give a better understanding of how capital projects actually impact gender equality, and help improve the body of evidence for future impact assessments.

3. Undertaking a gender impact assessment of the overall capital investment programme included in the budget

Countries can use information from gender impact assessments relating to individual capital projects to undertake a more comprehensive assessment of how the overall capital investment programme included in the budget impacts men and women. This type of analysis helps give a better understanding of how the overall mix of capital projects will impact gender equality goals. The information may be used to adjust the overall programme of investments so that it will be more balanced in its gender impact.

Iceland undertook this type of assessment in relation to its capital investment programme in 2020 and 2021 (see Box 5).

Box 5. Iceland's gender impact assessment of its capital investment programme in 2020 and 2021

Iceland's capital investment programme for 2020, designed to help recover from the COVID-19 crisis, contained projects in transport infrastructure, building construction and maintenance, research and innovation, energy exchange and green solutions and digitalisation.

All proposals from line ministries had to include an estimate regarding the number of jobs created and their gender ratio. This estimate could not be achieved for all projects, due to lack of information. However, given the information that was provided, the Ministry of Finance estimated that around 85% of jobs created would be performed by men.

In the second phase of this programme – for the 2021 budget – line ministries had to provide additional information on the gender ratio of jobs created after construction was completed, as well as information on the general gender impacts of the capital facility on users. This enabled the Ministry of Finance to gather a clearer picture of how the capital investment programme impacted gender equality goals over the lifecycle of the capital assets.

Challenges and potential solutions

In applying these gender capital budgeting tools, countries face a number of key challenges. Two are worth highlighting in greater depth. First, gender impact assessments are often undertaken too late in the capital project lifecycle, and second, there can be limited availability of evidence and data in relation to the gender impact of capital projects. These challenges are described in more detail below, alongside suggestions for how they might be overcome.

Gender impact assessments are often undertaken too late in the capital project lifecycle

Where gender impact assessments are undertaken too late in the capital project lifecycle, there is a risk that the analysis cannot influence key decisions about what project to build and where to build it, resulting in missed opportunities to minimise negative gender impacts and maximise positive ones.

Understanding the gender impact of projects at the planning stage allows managers to adjust the design of the project so as to mitigate any negative impacts identified. Requiring gender impact assessments to accompany capital budget proposals can help encourage gender considerations to be built into the planning stage. OECD countries that consider gender dimensions at the planning stage of the infrastructure lifecycle include Belgium, Czech Republic, Iceland, Lithuania, Luxembourg, Spain and Sweden (OECD, 2020^[18]).

Limited evidence and data in relation to the gender impact of capital projects

In order to implement gender capital budgeting, governments need to have evidence and data in relation to the gender impact of capital projects. This might involve having an understanding of different travel patterns of men and women, or who uses public infrastructure such as roads, railways, parks or recreation facilities. Increased efforts to collect gender-disaggregated data in this regard facilitates better implementation of gender capital budgeting tools. A good practice example is provided by Sweden, which has a long history of gender mainstreaming, and devotes substantial effort into collecting *new* gender-disaggregated data.

Governments may need to engage in partnerships with the private sector, academia and civil society to ensure that relevant data are defined, measured, collected, analysed and synthesised in ways that are useful for decision makers and the public. As broad expertise in collecting, connecting and interpreting quality data might not exist across all sectors (especially for capital investment), capacity building is a key enabler of data-driven approaches to the sustainable operation and planning of infrastructure projects.

Inclusive and meaningful stakeholder consultation with citizens is another way through which governments could increase the availability of evidence on gender aspects relating to capital investment. Consultation facilitates a good understanding of service needs and preferences and helps to ensure that capital investment is culturally appropriate and well aligned with user needs. To be most effective, stakeholder consultation should be integrated throughout the life of the asset and be strengthened by comprehensive stakeholder analysis to identify all potential female users, as well as non-user groups, which could be affected directly or indirectly.

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How budgeting systems can prepare better for national emergencies: Six lessons from the COVID-19 crisis

This article discusses how budgeting systems can be better prepared for national (and global) emergencies such as COVID-19, with special reference to the health sector. What spending modalities and flexibilities were introduced during the pandemic to provide emergency funding for health services? What are the emerging lessons? Which of these mechanisms should be sustained or refined in the future to enhance preparedness and responsiveness in health spending or other areas of budgeting?

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Introduction

Global emergencies such as the Asian Financial Crisis in the 1990s, the Global Financial Crisis (GFC), 2008-2009, and the COVID-19 pandemic can create huge pressures on public finances. In the aftermath of the GFC, global public debt increased by more than 20 percentage points of GDP. Standing at 83% of global GDP in 2018, before the onset of the COVID-19 crisis, public debt rose to 100% of GDP at the end of 2020 because of the forceful response of governments around the world (IMF Fiscal Monitor, 2020^[1]; IMF Fiscal Monitor, 2020^[2]).

Data from the IMF indicate that countries have provided substantial discretionary fiscal support to member countries during the COVID-19 crisis: up to 35% of GDP for advanced economies, up to 14% of GDP for emerging markets, and up to 6.5% of GDP for low-income developing countries.¹ The size of emergency financing provided to the health sector in OECD countries ranges from 5% of GDP to more than 20% of GDP (James et al., 2021^[3]; IMF Fiscal Monitor, 2020^[1]; IMF Fiscal Monitor, 2020^[2]). This massive support is not surprising given that the COVID-19 crisis was a health crisis first and foremost. It was thus different in nature from other crises, such as the GFC. But sectors other than health have faced similar challenges during the COVID-19 crisis, for example by adjusting spending priorities, maintaining accountability and transparency, and releasing emergency funds fast (ACCA, 2021^[4]).²

As Heller (2006^[5]) noted in a classic article, in emerging and developing countries especially there are limited opportunities and financing to create additional "fiscal space"³ to meet the competing demands for scarce public resources that arise during crises. Heller sets out a framework for assessing the available options. Raising more revenue as a share of GDP against the backdrop of economic difficulties may be challenging and counterproductive. Earmarking revenue towards health (for example, through off-budget funds) may reduce resources for other equally important government priorities. Options for reprioritising spending may require politically difficult trade-offs such as cutbacks in social assistance, spending on law and order, and government payroll. External grants may provide fiscal space (in contrast to borrowing which increases future debt service payments and have a bearing on fiscal sustainability) but few donors are prepared to make commitments beyond one or two years. Grants can be volatile and reduce the incentives for the government to generate revenue. A further constraint is that emergency spending programmes or projects need to be fiscally sustainable over several years and viewed within the context of a comprehensive and forward-looking fiscal and budgetary framework.

The Heller framework has been updated for the health sector (Tandon and Cashin, 2010^[6]) and by adding a public financial management (PFM) perspective. Barroy and Gupta (2021^[7]) unpack ways in which overall PFM improvements can increase budgetary space for health by improving spending efficiency and other means. Examples include the development of multi-year spending plans, realistic cost estimates, improved cash forecasting and planning, effective management of public procurement, and a tailored internal control and accountability framework. Such reforms are important but tend to be slow acting and depend critically on the available financial capacity and capability of the health authorities, especially in their central finance or budget departments. Lack of capacity may restrict the ability of health authorities to engage in an effective budget dialog with their counterparts in the finance ministry.

The effectiveness of emergency spending is not only a matter of funding levels. The quality of budgeting systems and processes is also a critical enabler of fast, well-directed spending while maintaining adequate control and accountability.

There are several ways to adapt spending modalities and measures to respond to a crisis. These include implementing existing laws that cater for national emergencies, having recourse to flexibilities that already exist in PFM laws and regulations (such as in-year adjustments to spending allocations, supplementary budgets, and contingency funds or reserves), and adopting additional measures through legislation or administrative orders.

Key questions considered in this article are:

- What have been the main spending modalities introduced during the COVID-19 pandemic to provide emergency funding for health-related spending?
- What are the emerging lessons from these modalities?
- What procedures and spending modalities can be sustained/refined in the future to enhance preparedness and responsiveness?

In considering these questions, the goals and objectives of the health community need to be balanced against those of the central financing authorities, namely the Ministry of Finance, the Central Budget Office (CBO) and the National Treasury.⁴ It is well known that the policy and operational objectives of these “two communities” are different and to some extent conflicting (Chakraborty et al., 2010^[8]). The CBO’s focus is on a unitary system of centralised rules and procedures from which flexibilities and divergences are tolerated to a limited extent. The health community’s focus is on the delegation of functions from the finance ministry, increased flexibility, and the need to manage public revenues – revenue collection, pooling of resources and purchasing – in ways that support progress toward universal coverage (Cashin et al., 2017^[9]; Chakraborty et al., 2010^[8]; Kutzin, 2001^[10]). Delegation of functions can bring substantial benefits where the environment is favourable, and where health ministries, subnational governments, or insurance funds have sufficient capacity and skills to undertake efficient and effective oversight of their budgetary operations.

Unfortunately, in many low- and middle-income countries (LMICs), strong financing capacities do not always exist. In some countries, finance ministries have not yet relinquished control of budget execution and internal control mechanisms to line ministries (including health) whose capacities may not extend much beyond the exercise of basic accounting and financial control functions. Capacities for analysing issues related to financial policy and for planning and managing budgetary resources are often very limited. In Francophone countries, accounting and control functions in principle are already devolved to line ministries through the system of public accountants and financial controllers but, in practice, these functions remain under the tight supervision of the finance ministry who are the employers of these officials. Capacities and capabilities for undertaking efficient budgeting and PFM functions appear to be especially low in health ministries in which significant functions are devolved to off-budget entities such as health insurance funds, and the private sector (Barroy et al., 2019^[11]; Krause et al., 2016^[12]).⁵ The lessons from COVID should take account of these varying practices and experiences regarding the devolution of core PFM functions.

Spending modalities used to address the COVID-19 crisis

Regarding the COVID-19 pandemic, a first step in many countries was to carry out a rapid response assessment of the crisis, to prepare possible options and modalities for emergency financing and, as appropriate, to have these options considered and approved by the government. The approved funding modalities for emergency spending fall into several broad categories (James et al., 2021^[3]; IMF Fiscal

Monitor, 2021^[13]); see also several blogs⁶ that describe the experiences of various LMICs. Additional sources of funds, not considered in this article, were also provided in some countries through new borrowing or the rescheduling of existing loans, emergency funding programmes agreed with the IMF and other lending institutions, capital injections, and government guarantees.

1. Use of existing budgetary instruments and modalities which include the following:
 - Approving new budgetary allocations for emergency health financing through the issuance of supplementary budgets which are provided for in many countries' PFM laws in addition to the annual budget.
 - Activating existing legislation on contingency funds or reserves to provide emergency and temporary financing for natural disasters or serious economic or social shocks. These funds are typically equivalent to about 1-2% of the annual budget and were thus insufficient in most countries to meet the full cost of COVID-19-related emergency spending.
 - Reprioritising budgetary allocations in the existing annual budget to create fiscal space for COVID-19 responses. These adjustments could include temporary postponement of low-priority activities, boosting the health workforce in hospitals and health centres, and prioritising the purchase of health infrastructure and equipment.
 - Creating targeted extra-budgetary entities or funds to manage COVID-19 related transactions financed through the budget or external sources.
 - Creating new programmes and budgetary codes to deliver emergency spending.
2. Use of special instruments and spending modalities which include:
 - Accelerating transfers of spending authorisations to sub-national governments.
 - Frontloading funds to service providers such as hospitals and health centres.
 - Contracting out the delivery of health-related goods and services to private providers.
 - Accelerating procurement processes balanced by attention to the possibility of fraud and financial misreporting.

Lessons learned

The following six lessons can be learned from the experience of countries that have adopted the policies, instruments and modalities described above.

Lesson 1. Effective health financing systems and effective emergency responses require critical PFM fundamentals to be in place

These fundamentals include reliable interfaces between planning and budgeting systems (Allen et al., 2020^[14]), medium-term expenditure frameworks that provide predictability in the allocation of resources (Allen et al., 2017^[15]), performance budgeting systems that focus on outputs and outcomes not only inputs, and reliable internal controls and cash management (International Health Partnership (UHC 2030), 2017^[16]). However, sound PFM systems are lacking in many LMICs, as underscored by a recent WHO study of sub-Saharan African countries (Barroy et al., 2019^[11]). This study shows, for example, that 13 of 26 African countries on average underspent their annual health budget allocations by more than 15% in 2016 and that the trend had deteriorated since 2008. Barroy and Piatti-Funfkirchen (Barroy and Piatti-Funfkirchen, 2021^[17]) demonstrate that many LIDCs chronically underspend their health budgets and deprioritise health spending during the fiscal year. The latest Global Report of the Public Expenditure and Financial Accountability (PEFA) Programme, based on an analysis of 549 assessments carried out to the end of 2019, shows that many LMICs have improved (slightly) their PFM performance since the mid-2000s but in others performance has deteriorated (PEFA Secretariat, 2020^[18]).

The need for LMICs to implement effective PFM reform strategies is thus paramount, but such reforms tend to slow moving and institutionally constrained. Some countries, however, have demonstrated progress during the COVID-19 pandemic. Rwanda, for example, put in place good budget execution mechanisms (including a financial management information system and a modern chart of accounts) that helped their emergency responses. Jordan and Papua New Guinea have published information on procurement contracts, including the persons or companies who ultimately benefit from these contracts (“beneficial ownership”). Countries such as Ecuador, Kenya, Kyrgyz Republic, and Nicaragua amended their legal framework for procurement and require the collection of data on beneficial ownership. Colombia, Honduras, and Ukraine have added a module to their e-procurement platforms presenting detailed information on all emergency procurement (IMF Fiscal Monitor, 2021^[13]).

Lesson 2. Programme budgeting can help facilitate emergency financing of COVID-19 responses

Good examples of programme budgeting are mainly confined to OECD countries or some emerging markets with advanced PFM practices. Several countries across different income levels have leveraged their existing programme-based budgeting approaches by adding a COVID-19 programme to their health budgets or using existing programmatic envelopes to redirect expenditure toward the emergency response (Barroy et al., 2020^[19]). The use of existing programme structures may be more cost effective than setting up an extra-budgetary fund (see Lesson 4). Examples include Burkina Faso and France, while Honduras and Rwanda have tagged COVID-19 spending in their information systems (IMF Fiscal Monitor, 2021^[13]). In these examples, COVID-19 targets were defined within a country’s existing performance monitoring frameworks to ensure good expenditure tracking. In Mexico, New Zealand, and South Africa, where programme budgeting has long been standard practice, this approach clearly enabled an agile response to the crisis, as well as the tracking of emergency spending (Barroy et al., 2020^[19]). However, only one-third of SSA countries had introduced some form of programmatic classification to present their health budgets in 2017, while only one country in the Africa region uses programmes as the unit for budget appropriation in health (Barroy et al., 2019^[11]). Thus, the extent to which programme budgeting can be used to support emergency financing initiatives remains limited in many countries.

Lesson 3. Balancing flexibility and speed of response against transparency and accountability is key

Countries such as Australia, Belgium, Ghana, and India have tried various approaches to balance flexibility and speed of response against transparency and accountability requirements. The approaches include fast-track spending authorisations at the central level, accelerated procedures for fiscal transfers to subnational levels, and advanced payments to health service providers as a complement to retrospective reimbursements (Barroy et al., 2020^[19]). In some countries, COVID-19-related spending is included in regular budget execution reports; the Maldives has prepared dedicated reports; other countries such as Colombia, France, Honduras, and Peru have published data on dedicated transparency portals (IMF Fiscal Monitor, 2021^[13]).

Many of these emergency procedures or the related budgetary transactions, however, have not yet been evaluated or audited by national audit institutions or other oversight agencies. Countries may also be politically constrained in making comprehensive disclosures of information on emergency financing (as well as other fiscal transactions) and may lack efficient financial information systems. Where audits have taken place, they show mixed results. Audits from the Ebola and COVID-19 crises in Sierra Leone and South Africa have identified many cases of financial irregularity and fraud arising from weak PFM and procurement systems - Auditor General of Sierra Leone (2014^[20]; 2020^[21]); Auditor General of South Africa (2020^[22]; 2020^[23]). Some countries have stepped up the audit functions during COVID-19 (Rahim et al., 2020^[24]; IMF Fiscal Monitor, 2021^[13]) with the use of interim audits (Honduras, Peru, Sierra Leone, and

South Africa) and concurrent controls (Honduras and Peru). But creating an enhanced internal and external audit function that also exhibits financial and political independence remains a key challenge in many LMICs. Weak governance systems and endemic corruption are other constraining factors (IMF, 2020).

It should be noted that more than half of OECD countries and many LMICs operate a compulsory health insurance fund which is characteristically an extra-budgetary entity outside the normal budget process (James et al., 2021^[3]). These funds are normally regulated by rules on reporting, audit, etc., set in a country's organic budget law or equivalent, but may not conform with good practice requirements of accountability and transparency, as well as operational efficiency. Nevertheless, they can also be useful vehicles through which emergency financing operations can be expedited because they function outside normal, and typically slow moving, budget processes.

Lesson 4. Extra-budgetary entities or funds have been useful in some cases but can create large fiscal risks and a potential accountability deficit

More than 40 countries (both advanced countries and LMICs) have set up special entities or funds during the COVID-19 pandemic for managing emergency spending, notably in the health sector (Rahim et al., 2020^[24]; Allen and Rahim, 2022^[25]). In most cases, these funds operate outside the normal budget process. They have created opportunities for flexible health-related responses such as an improved capability for managing external sources of financing and better co-ordination across different sectors affected by the pandemic. Botswana, for example, made use of its fund to combine and track public and private support, and Sierra Leone's external audit authority carried out a real-time audit on the use of emergency funds (IMF Fiscal Monitor, 2021^[13]).

The establishment of extra-budgetary entities, however, may create serious risks, especially of transparency and accountability (Rahim et al., 2020^[24]; Allen and Rahim, 2022^[25]). The entities may increase fragmentation in the provision of health services, a sector that is often already characterised by multiple funding flows (Barroy et al., 2020^[26]). It has been argued that the funds should not be regarded as permanent features of the fiscal regime for health services, should be wound up after the pandemic, based on clearly defined sunset clauses, with any surplus revenues being returned to the treasury (Rahim et al., 2020^[24]).

Lesson 5. Ministries of finance should build an analytical framework for assessing the appropriateness of emergency funding modalities, and whether they are sustainable beyond the crisis and, if not, consider terminating them

Some CBOs may have established formal procedures and criteria for evaluating the spending flexibilities and modalities proposed by health authorities to deliver emergency financing, but most rely on ad hoc discussions between these two entities. Key criteria from a finance ministry perspective include the following:

1. Are the proposed spending modalities covered by existing legislation?
2. If not, what legal instrument is the health authorities proposing?
3. Is there a fiscal/economic justification for why the proposed mechanism is required, its expected impact, and the cost of implementation?
4. Will the emergency spending be covered by existing budget allocations or require a supplementary budget?
5. If the health authorities propose to set up a special entity or fund to manage emergency financing, what is its justification as opposed to the use of existing mechanisms such as creating a new spending programme or additional budget lines?
6. What are the arrangements for reporting emergency spending to the CBO and the legislature?

7. How will the economic/fiscal/social impact of the spending be measured and monitored?
8. Do the health authorities, especially the central finance department in the health ministry, have sufficient skills and resources to design and manage the new spending modalities and monitor their impact?
9. What will be the procedures for evaluating and auditing the new spending modalities?
10. What are the arrangements for winding up the mechanisms after the crisis is over and, if required, returning any surplus funds to the treasury?

Table 2 illustrates some key areas where a dialog would be required between the finance ministry and the health authorities to demonstrate that a particular spending modality is justified economically and financially. Boxes marked in red are those in which fiscal risks are potentially most acute.

All new spending proposals related to the COVID-19 pandemic should be reviewed against the ten criteria listed above. In addition, at the end of the crisis, finance ministries should review the measures taken by health authorities to provide emergency support, consider which measures might be justified to sustain beyond the crisis, and institutionalise elements of the analytical framework for application in future crises. Where key criteria have not been satisfied, health ministries should consider what capacity building efforts may be needed to respond more efficiently and effectively to future crises.

Table 2. Assessment of Emergency Spending Modalities: Key Requirements

Spending modalities/schemes	Does the scheme require a new legal mandate?	Does it require a full economic and fiscal justification?	Are there alternative delivery mechanisms?	Does it require reprioritization of existing budget allocations?	Does it require additional reporting arrangements?	Does the health ministry have financial capabilities to manage the scheme?	Is it covered by existing external audit provisions?	Should the scheme be terminated at the end of the crisis?
Rapid response assessments	No	No	Not relevant	No	No	Probably, yes	Not relevant	Not relevant
Use of supplementary budgets and contingency reserves	Probably, no	Yes	Not relevant	Yes	No	Yes	Yes	No
Accelerated transfers to subnational governments	Yes	Yes	Probably, yes	Probably, yes	Yes	Probably, no	No	Probably, yes
Front loaded funds to service providers	Yes	Yes	Probably, yes	Probably, yes	Yes	Probably, no	No	Probably, yes
Contracting out services to the private sector	Yes	Yes	Possibly, yes	Probably, yes	Yes	Probably, yes	No	No
Accelerated procurement procedures	Yes	Yes	No	Probably, yes	Yes	Probably, yes	No	Probably, yes
Creation of new programmes and/or budget codes	No	No	No	No	No	Probably, yes	Yes	No
Creation of extra-budgetary entities/funds	Yes	Yes	Probably, yes	Yes	Yes	Probably, no	No	Probably, yes

Source. Author.

Note: Cells marked in yellow indicate areas where a substantive dialog between the finance ministry and the health authorities is likely to be required. Cells marked in red are areas where the finance ministry may want to challenge the health authorities most strongly.

Lesson 6. Capacity constraints in finance departments often limit the ability of LMICs to manage health-related resources efficiently and effectively

Anecdotal evidence (for example, on Argentina⁷) suggests that CBOs and health authorities in some advanced countries and LMICs managed efficiently the process of taking decisions on emergency funding allocations and the mechanisms for disbursing these funds to beneficiaries. But in many LMICs, there are huge remaining constraints in human resources and finance skills, and lack of an effective dialog between the CBO and health services on budget related issues. Some CBOs are unable to exercise an effective “challenge” function when faced with new spending proposals put forward by spending ministries such as health. Krause, et. al., (2016^[12]) have defined four core “capabilities” of finance ministries (analytical, delivery, co-ordination, and regulation) of which the last - which includes establishing a financial framework for spending ministries and overseeing their financial performance - is the most important in the present context. For most LMICs good internal control of spending is also a key requirement, and indeed is often the main role of finance ministries. As budgeting systems mature, CBOs should be able to move away from their traditionally narrow focus on internal control and give more emphasis to analytical, co-ordination, monitoring, and regulatory functions.

In the finance departments of health ministries, staff capabilities are typically weak, comprising a few accountants but limited capacity to analyse financial plans and budgets. For decentralised health functions, the capabilities of subnational governments are typically even less than the centralised finance departments, but some health insurance funds may be more professionally managed. Barroy et. al (2019^[11]) emphasise the need for “an institutional and cultural shift in health ministries [in undertaking PFM functions] which should pay attention to improving people’s skills, responsibilities, accountabilities, motivation and rewards.” More positively, some countries have been able to harness digital technologies to deliver emergency health services and cash transfers efficiently (Una et al., 2020^[27]; Una et al., 2020^[28]) which should represent a permanent benefit for the health sector but may pose additional challenges to the central health authorities in co-ordinating and managing health finances and resources.

Summary and conclusions

1. Fiscal space is often heavily constrained during periods of national emergency in LMICs. Improving PFM functions to increase the efficiency of health services is one mechanism for expanding fiscal space, but many such reforms take a long time to implement and mature. The health sector will not always be the primary recipient of emergency financing, as it was during the COVID-19 pandemic. Finance ministries and CBOs could consider drawing up rules for emergency financing that have general applicability during crises, drawing on the lessons of the COVID-19 pandemic.
2. New spending flexibilities and modalities need to be fully justified and balanced by accountability. Some of the spending modalities proposed by health authorities to deal with the pandemic may not be affordable, may create fiscal risks, and may undermine fiscal sustainability. They should be rigorously assessed by the finance ministry before being approved by the government and adopted by the health authorities. The criteria adopted by the finance ministry to assess the viability of such schemes should be reviewed after the crisis and lessons drawn on their applicability in future crises.
3. Some spending modalities proposed by health authorities, notably the large number of special COVID-19 funds, can only be economically and financially justified to the extent that the pandemic persists. Most of these funds should then be wound up based on clearly defined sunset clauses, and any surplus resources returned to the treasury.
4. Most LMICs need to focus attention on improving the basic features of PFM that are fundamental to financing critical spending, including the health sector. Weak capacity and capabilities of finance staff working in health ministries (as well as CBOs) is another serious constraint in many LMICs and should be a focal point for future capacity development support.
5. Some flexibilities (for example, in-year virement of budgetary resources, supplementary budgets, end-year carryover of unspent funds, contingency reserves, single-source procurement) already exist in the budgeting systems of many countries and can be adapted to deal with national emergencies. Some countries also have special laws and emergency procedures that can be automatically triggered during an emergency. These provisions may need to be supplemented by other spending modalities to deal with specific issues raised by the crisis, (for example, shortages of medical supplies, slow and inefficient contracting processes), but care should be taken not to overstretch the capacities of the central health authorities or undermine existing financial management practices in the delivery of services.
6. Countries should focus resources on improving the quality of their institutions and governance arrangements without which spending on health and other core public service will remain vulnerable to risks of corruption and financial mismanagement. National audit offices and anti-corruption agencies have an important role to play in that process.

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Notes

¹ IMF Fiscal Monitor Database, July 2021. Data on financial support includes additional spending and foregone revenues, equity, loans, and guarantees.

² According to a survey carried out by the ACCA (2021), the most important challenges faced by the public sector during the COVID-19 pandemic include adequately responding to the financial needs of businesses and individuals (44% of respondents); having adequate IT capacity to respond to the crisis (42%); maintaining accountability and transparency in the reporting of emergency spending (41%); formulating innovative policy responses to the crisis (40%); adjusting spending allocations (38%); reducing and detecting corruption and fraud related to emergency financing (32%); and releasing emergency financing fast enough (30%).

³ Defined by Heller (2006^[5]) as “room in a government’s budget that allows it to provide resources for a desired purpose without jeopardising the sustainability of its financial position or the stability of the economy.”

⁴ The CBO and the National Treasury are frequently designated as departments of the finance ministry, but in some countries have the status of separate entities with ministerial rank.

⁵ A similar picture emerges with respect to the devolution of budgetary functions from central to subnational governments in the health sector. Often due to donor funding constraints or other types of expenditure earmarking, the discretionary fiscal space that is available at subnational level for reallocations is quite limited.

⁶ For example: <https://p4h.world/index.php/en/blog-lessons-for-managing-public-finances-from-COVID-19-response>; <https://p4h.world/index.php/en/who-adjustments-health-purchasing-part-of-covid-19-health-response-survey-results-lessons-future>; <https://p4h.world/index.php/en/who-wb-no-calm-after-the-storm-time-to-retool-country-pfm-systems-in-health-sector>

⁷ See a PowerPoint presentation by Martin Sabignoso on “Public Financial Management Adoption to Support the COVID-19 Response in Argentina”. July 2021.

OECD Best Practices for Spending Reviews

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Spending reviews are widely used in OECD countries. They have become a core instrument for expenditure prioritisation and reallocation and a permanent feature of the budget process in many countries. Spending reviews provide governments with means to support the sustainability of public finances through systematic analysis of *existing* expenditure. This is particularly important as baseline expenditure has grown unsustainably in certain spending areas across OECD countries. This paper looks at how spending reviews are applied in OECD countries and presents best practices for using spending reviews. Every country is different and uses different approaches. However, there are common features to successful spending reviews where valuable lessons can be drawn from experiences across OECD countries which are reflected in the best practices.

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About the Best Practices

The government's existing baseline of expenditure is often the *de facto* starting point from which a government prepares its budget. Spending reviews look at this stock of existing expenditure and have a crucial role in helping governments manage public spending through reallocation of fiscal resources.

As such, spending reviews are tools for systematically analysing the government's existing expenditure. They are clearly linked to the budget process. The purposes of a spending review include:

- Enabling the government to manage the aggregate level of expenditure.
- Reallocating expenditure according to the priorities of the government.
- Improving effectiveness within programmes and policies.

Spending review practices differ across countries. They may be comprehensive in nature and focus on the total government expenditures, or they may be more specific and focus on expenditures in specific sectors or areas. They also vary in frequency and duration.

Although there is no one-size-fits-all methodology for spending reviews, there are certain key success factors that can be identified from experiences of OECD countries. The Best Practice highlight core features common to the successful use of spending reviews. They identify the elements that contribute to the enduring nature of spending reviews and are effective for assisting governments in managing pressures on fiscal sustainability and the prioritisation of governmental objectives. The Best Practices draw on the experience of the Committee of Senior Budget Officials and OECD's support towards member countries in the design and implementation of spending reviews.

Formulate clear objectives and specify the scope of spending reviews

Clear objectives

The objectives of a spending review must be clear. This may include a reduction in overall spending, a shift in spending from one government priority to another, or to make specific spending more effective. Different objectives shape the structure of the review process and the roles of participants.

The objectives of a spending review should be communicated from the outset and framed within formal Terms of Reference. These are usually prepared by the Ministry of Finance and the ministries involved in the review. The Terms of Reference should clearly express the objectives, scope, the main tasks, governance structure and access to information, deliverables, timetable and milestones, as well as the resources available for a review. Setting an indicative savings target for each spending review is beneficial as it maintains focus on identifying savings during the review process.

Box 6. Spending reviews in Ireland

In Ireland, the government's spending reviews aim to improve the allocation of public expenditure across all areas of government. The Department of Public Expenditure and Reform is responsible for spending reviews and the way in which spending reviews integrate with the annual budget process. The Irish Government Economic and Evaluation Service (IGEES), established in 2012, supports the Department in this role in conjunction with the departments being reviewed and external experts. Through the IGEES, the government is systematically assessing the efficiency and effectiveness of government expenditure by applying dedicated resources to spending reviews.

The objectives of spending reviews specifically consider the extent to which the government is achieving its goals through the expenditure committed from any given activity. The scope of the Spending Review 2020-2022 has broadened from the previous approach adopted from 2017-2019 to encompass policy analysis and evaluation in addition to the focus on expenditure re-prioritisation.

Clear scope

After determining the objectives of a spending review, the scope of the review informs how best to achieve the objectives. Within the coverage of a spending review, all expenditures should be eligible for review, including capital expenditure, mandatory expenditure, and extra-budgetary expenditure.

It is not feasible to review all areas of government spending in-depth every year, nor is it desirable to do so as the effort would duplicate the work of previous spending reviews and there is insufficient time for a ministry to implement the decisions from a previous review. Governments should regularly and periodically plan for spending reviews. This allows governments to adopt a strategic approach to spending reviews by scheduling the programmes it will review each year and provides time to implement the findings from a review before repeating a subsequent review.

The scope of a spending review can vary depending on its objectives and can cover the activity of a single ministry or cross-ministerial functions. There are certain trade-offs between a broad and a narrow scope of spending reviews. A broad scope can increase the breadth of analysis and increase stakeholder buy-in, and result in improved data availability and collaboration across ministries, while it may also constrain the development of deeper and more impactful analysis.

Cross-governmental reviews can be complex, as they involve multiple ministries, but they can also improve co-ordination and identify overlaps of ministries.

Box 7. Spending reviews in Germany and Estonia

In Germany, the first two spending reviews took place in 2015 and were on intermodal transport and a job-training scheme. These reviews had a limited scope while the Ministry of Finance and the relevant line ministries accumulated experience in undertaking spending reviews. In subsequent rounds of spending reviews, the scope of the review was increased, as did the complexity of the reviews by analysing the inter-relationships between several expenditure programmes within a given area of policy.

In Estonia, the government introduced spending reviews into its public financial management processes in 2016. After undertaking two reviews covering almost 3% of the national budget, the government has recently conducted several spending reviews covering both the activities of a single ministry and multiple ministries. As such, the objective is to scale up the use and scope of spending reviews and make them a standardised instrument in the budget process.

Identify distinct political and public service roles in the review process

Political leadership

Political leadership and support is critical to ensure the viability and sustainability of spending reviews. This leadership is particularly important at the inception where the objectives and scope of reviews are set and at the conclusion where final decisions on adopting recommendations are made. Political support for spending reviews is usually strongest at the beginning of a political term.

The incentives for a spending review can affect the level of political commitment to the review. If a spending review is to identify efficiencies to reallocate expenditure, political commitment is likely to be greater if the relevant minister and line ministry are to retain a proportion of the efficiencies identified in order to fund new priorities within that ministry.

Box 8. Spending reviews in the Netherlands

During the formation of government, following general elections, the coalition agreement includes a statement on spending reviews. The statement identifies the priority and focus of the new government's spending review programme over the four-year term of government. The coalition agreement is politically binding but is an instrument for the executive of the government and does not have a legal status through parliament. Political leadership is demonstrated through key stages of the spending reviews:

- The Cabinet determines the topics and/or areas of government to review based on government priorities and the politics of the day.
- The Cabinet approves the terms of reference of a spending review and publishes the terms in the Budget Memorandum along with guidance information on the conduct of the review.
- The Cabinet determines which recommendations from the spending review it will approve.

The analysis underpinning a spending review occurs through a non-political working group, co-ordinated by the Ministry of Finance. Both the report by the working group and the Cabinet's decisions are released publicly.

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. This includes an active engagement by public servants in articulating the scope of the review, desired outcomes and outlining areas where ministerial involvement is needed.

Spending reviews are a resource-intensive and specialised activity where sufficient resources need to be dedicated to the process. It is essential that Ministry of Finance staff have expertise in undertaking reviews and understand the challenges facing the line ministry being scrutinised. Likewise, it is important to build close collaboration with line ministries, both to enhance the capacity for conducting spending reviews and to create trust and a sense of ownership of the spending review process.

Box 9. Building capacity on spending reviews

A number of countries have established specialised units within finance ministries to co-ordinate spending reviews. The units support capacity building of public servants and build institutional knowledge so lessons from one spending review can be applied to future reviews.

- Latvia implemented spending reviews as an integrated part of the 2016 State Budget. Latvia has since looked at how to improve the process by carrying out deeper analysis of spending and the possible ways to reduce the administrative burden. A separate division (Budget Development Division) was established within the Budget Department in mid-2018 dedicated to spending review.
- Norway established a specialised unit for spending reviews in the Ministry of Finance to build capacity and scale up the use of spending reviews. Located within the Budget Department, the unit works closely with line ministries to reach agreements on the set of recommendations put forward to ministers for final decision.

Set up clear governance arrangements throughout the review process

Clear roles and responsibilities

A clear governance structure at all stages of the spending review process is essential for their success.

- The Ministry of Finance performs a fundamental role in a spending review. It is involved at all stages and is responsible for the link between a spending review and the budget process.
- Line ministries are also involved in all stages of the spending process and are responsible for implementing the decisions from a review in co-ordination with the Ministry of Finance.
- The Cabinet may also be engaged in the process, most notably at the beginning of a spending review, when the topics and scope of a review are determined and at the conclusion when recommendations are adopted.

Governance arrangements for spending reviews are usually articulated in Terms of References. A two-fold governance arrangement can be formed whereby a steering group is assigned with overseeing the process, and a working group with carrying out the day-to-day operation of spending reviews.

Steering groups

A steering group provides oversight during the review process. It brings findings and recommendations to the relevant ministers, who discuss the findings within the cabinet. The steering group also assigns tasks to the working group, and supervises and co-ordinates its contribution. Members of the steering group typically include senior representatives from the Ministry of Finance and the line ministry (ministries) involved in the spending review.

Box 10. Steering groups in Norway

In Norway, all spending reviews comprise a steering group and a working group. Representatives from the Ministry of Finance, line ministries and if applicable relevant agencies are all represented on both the steering group and the project team. Whilst a representative from the Ministry of Finance chairs the steering group, a representative from a line ministry often holds the position of project manager in the working group. The working group works closely with external experts (if applicable) in order to ensure the quality of work and to ensure that the spending review includes relevant stakeholders and knowledge resources from both the line ministry and relevant stakeholders. The steering group has the overall responsibility for the quality of the material submitted to the government. The members of the project team and the steering group have a joint responsibility in ensuring the quality of the spending reviews. As a final step before the conclusions of a spending review are finalised, the working group, including the external experts, give a presentation of the main findings and recommendations to the relevant ministers, and as such, government ministers get a first-hand insight to the spending review, which is an important step in ensuring political acceptance of the findings.

Working groups

The analytical capacity of a spending review is concentrated in the working group. They analyse topics according to the objectives of the spending review, prepare options based on efficiency, effectiveness, and value-for-money and propose recommendations to the steering group. Working groups usually consist of staff from the Ministry of Finance and relevant line ministries. External experts may also be involved in the working groups as appropriate. In the case of an external representative, it is important to find individuals who understand the workings of government so they can contribute effectively.

It is essential to effectively engage line ministries in the spending review process in order to promote the ownership and legitimacy of the conclusions of spending reviews, as well as to benefit from the information and expertise at their disposal.

Box 11. Working groups in the Netherlands

In the Netherlands, the Ministry of Finance initiates spending review topics and draws up procedural guidelines and forms working groups. The working group is chaired by an independent expert, and the Ministry of Finance and line ministries provide a joint secretariat. Members of the working group are at a director level, or higher. The key rule is that no member of the working group may “veto” another member’s proposal. Before a report is finalised, an inter-departmental committee chaired by the Ministry of Finance checks whether the working group has followed the procedural guidelines presented in the terms of references.

Ensure integration with the budget process

Alignment with the budget process

Spending reviews should be systematically integrated into the preparation of the government's budget. This link to the budget process allows recommendations from spending reviews to be connected to the government's fiscal management and appropriation processes. Most OECD countries link the spending review process to the annual budget process or the medium-term expenditure framework.

The spending review timetable should be planned so that findings are available in time for the budget formulation process so governments can compare merits of new spending proposals against changes to the composition of existing spending.

This timeframe can be highlighted in the Terms of Reference for the spending review.

Box 12. Spending reviews in New Zealand and Norway

In New Zealand, where spending reviews are referred to as 'baseline reviews,' the Treasury and the relevant line ministry assess the financial position of that ministry. The 2018 baseline review of the Ministry of Social Development was used to assess the reprioritisation of spending and the future funding needs of the ministry. The government published the terms of reference, an interim report and final report of the completed review. The Cabinet's decisions from the baseline review were then included in the government's 2019 Budget.

In Norway, spending reviews are aligned with the budget process and a routine part of budget planning. The Norwegian government initiates a budget strategy conference in autumn where the economic outlook over the medium-term is discussed. Based upon that discussion, the government decided its priorities and guidelines for the budget process for the following year. Mandates for spending reviews have been an important part of the discussion, where the results of previous spending reviews are also reviewed. Soon after the final spending review report is delivered, the Ministry of Finance, in close cooperation with line ministries, present the recommendations to the government for approval. Thus, recommendations from spending reviews that have direct effect on spending are integrated into the budget process.

Alignment with medium-term frameworks

A medium-term horizon (3-5 years) can enhance the effectiveness of spending reviews. Longer time horizons increase the range of options governments can consider compared to a single year. In many instances, the findings from a spending review can only be implemented over the medium-term, such as redesigning the delivery of public services and proposing legislative changes.

It is important that the recommendation of a spending review are included in the government's medium-term expenditure framework. It reflects the implementation of the recommendations in concrete terms, provides increased transparency and a greater degree of certainty about future funding levels.

Box 13. Spending reviews in Denmark

Spending reviews have been undertaken for more than 20 years in Denmark. They are led by the Ministry of Finance, with the government using them to reallocate resources and increase efficiency. The spending reviews inform budget negotiations and decisions on multi-annual budget agreements. The reviews are conducted over a relatively short period, where the decision on which reviews to conduct is taken in January or February and the reviews are undertaken over the ensuing months with the aim of having the findings available by the beginning of May. This ensures the findings of a spending review are available when the government decides on budget priorities in June.

Evaluations and performance budgeting frameworks

Spending reviews align to the government's budget cycle, focus on the efficiency and effectiveness of delivering public services and conclude with options that identify how existing expenditure can be allocated to achieve the government's priorities. As such, they differ from an evaluation of public policy. Given that spending reviews are prepared within a short period, collecting additional information can be challenging, highlighting the importance of quality and availability of existing information and data.

Evaluations, performance information frameworks and performance audits by supreme audit institutions can yield valuable information and should be available and used in the spending review process. Likewise, spending reviews are an important mechanism to improve the availability and quality of the performance information considered during the budget preparation process.

Box 14. Use of performance information for Spending Reviews in Mexico

The Ministry of Finance of Mexico systematically uses performance information for the preparation of spending reviews. The Ministry's Performance Evaluation Unit provides information on the level of achievement for each budget programme. It also monitors the follow-up of recommendations from earlier evaluations.

The National Council for the Evaluation of Social Development Policy (CONEVAL) also prepares an annual "Considerations for the Budget Process" document. It analyses the contribution of budget programmes related to national social policy priorities.

Implement recommendations in an accountable and transparent manner

Recommendations from spending reviews are clear

Spending reviews should conclude with clear recommendations. The recommendations are an essential element of a spending review and bring the review to a conclusion. In order to support the preparation of recommendations, the analyses that takes place in the working group may include scenarios and options for consideration.

Box 15. Spending reviews in Greece

Greece started implementing spending reviews after the 2008 financial crisis. The first reviews were a comprehensive, top-down exercise with strong leadership from the Ministry of Finance that focused on identifying savings to improve fiscal balances. Today, the process has shifted away from focusing mostly on savings, towards also assessing the quality of spending and allowing for reallocation of resources, with stronger involvement of line ministries. Greece has been working on embedding the reviews as a permanent technical process that produces possible savings options to be included in the government's budget process every year. To achieve this, all possible options for savings and reallocations are explored and a portfolio of possible spending review measures is built for each review area, and the measures that are to be implemented in the upcoming budget are selected by political leaders.

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. Line ministries and the Ministry of Finance keep ministers informed of the progress on implementing decisions from spending reviews.

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 in full and on time. This increases awareness of potential fiscal risks to the government and acts as an early warning signal to any potential issues.

Box 16. Monitoring the results of spending reviews

Slovak Republic: The government established a Value-for-Money Unit within the Ministry of Finance to strengthen the analytical capacities that inform decisions on public expenditure. The Value-for Money Unit has increased the scale and sophistication of spending reviews, as evidenced by expanding the spending reviews from a single sector to cross-government reviews. In this context, monitoring the implementation of spending reviews is a priority activity where the implementation of results is systematically reported on, and any potential risk is tracked.

United Kingdom: After the publication of a spending review, the Treasury is responsible for overseeing its implementation, including spending controls during the year, and monitoring potential risks (e.g. savings that have been identified in the spending review but may fail to materialise) through regular engagement by the Treasury's spending teams with spending departments.

Ensure full transparency of spending review reports and the review framework

Conclusions of spending reviews are available publicly

Transparency supports the integrity, accountability, and oversight of spending reviews. Governments determine the timing of spending review reports and resulting decisions. The final reports from a spending review should be available publicly along with the final decisions adopted from the reviews, even for difficult spending reviews that result in major fiscal consolidation measures. This facilitates their effective implementation and increases transparency around budget decisions.

Box 17. Spending reviews in Latvia

In 2015, Latvia amended its budget laws to include a systematic programme of public spending reviews. The Ministry of Finance is responsible for conducting the spending reviews. Each year the Cabinet approves the scope of the spending review programme. In 2019, the scope referred to priority topics for horizontal review (e.g. public procurement), public policy (e.g. inpatient healthcare), and system improvements (e.g. data automation). The reports from the spending review programmes for the past five years are available on the Ministry of Finance website. The results are also produced in an accessible format to show the reallocation of expenditure brought about by the spending reviews in that year.

The governance arrangements and guidance materials are available publicly

Clear communication is crucial and underpins the integrity of the process. A new spending review should include an announcement of its high-level objectives and the areas of expenditure to be examined. It should be accompanied by the review's terms of reference and other guidance materials.

Box 18. Spending reviews in the United Kingdom

In the United Kingdom, spending reviews are a co-ordinated exercise across the whole-of-government. Emphasis is placed making guidance material and related information public. Two features of the guidance materials are notable:

- **Framework approach:** The guidance materials outline the relationship between spending reviews and the government's planning and performance framework. The materials show how the findings from spending reviews contribute to the preparation of departmental plans, the annual budget, annual reports, and public expenditure statistical analysis publications.
- **General guidance on performance:** The Treasury produces frameworks, and guidance publications on performance, public value, appraisal, and evaluation. For example, 'The Green Book' provides guidance on such things as social cost-benefit analyses, sensitivity analysis and the capital expenditure to better understand the efficiency and effectiveness of expenditure.

Update the spending review framework periodically

The framework should be updated according to ever-changing challenges

A spending review framework is a government policy and like all government policies, it should be reviewed periodically to ensure it is performing as intended. It 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. The increased use and broader application of spending reviews illustrates how spending reviews have evolved to suit the circumstances of a country.

Such a review should consider how spending review policy has performed over time relative to its objectives. It should have regard for changes in institutional capacities and risks that may arise through the implementation of the policy. In doing so, the review can assist in bringing about increases to the effectiveness of the policy and the maturity of institutional capacities.

In addition to such a fundamental review at certain intervals, each individual spending review should identify lessons from its experience that can inform future spending reviews within the government's existing policy guidance.

Box 19. Canada and Ireland: evolving objectives of spending reviews

Canada: The Canadian government has used spending reviews since the 1990s and the objectives of those reviews have changed alongside changes in the economic environment. During the fiscal crisis in the 1990s, reviews aimed to address budget deficits through expenditure reductions. In 2003, the expenditure reviews focused on results during a time of greater economic prosperity. This focus continued until the late 2000s when the focus moved to strategic reviews with an emphasis on gaining oversight and understanding of expenditure outcomes.

Ireland: During the 2008 financial crisis, the main objective of Ireland's comprehensive expenditure report was to identify areas where public expenditure could be decreased in order to meet challenging fiscal objectives. Today, the process is more collaborative where line ministries have greater involvement in the review process. For the most recent spending reviews, the objectives were to create a stock of analysis to inform the government's resource-allocation decisions, to underpin the efficiency and effectiveness of spending with a focus on outcomes, provide evidence for potential reforms, and to ensure that the findings were embedded within the budgetary process.

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