Spending reviews

International context, best practices & developments in Belgium

Disclaimer: the slides and presentation reflect my views and not necessarily those of the European Commission.

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Agenda

1. Spending reviews: what, why and how?
2. EU initiatives supporting spending reviews
3. Spending reviews in Belgium
4. Other recent improvements and conclusions

1. Spending reviews: what, why and how?

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What is a spending review?

- *“The process of identifying and weighing saving options, based on the systematic scrutiny of baseline expenditure.” (Bova et al., 2020)*

- Seeks efficiency gains or savings

- Are existing expenditure items … :
  1. still a (policy) priority,
  2. effective in reaching their goals,
  3. still cost effective (value for money)?

Why conduct a spending review?

Enhancing policy prioritisation by cutting low-priority or ineffective spending

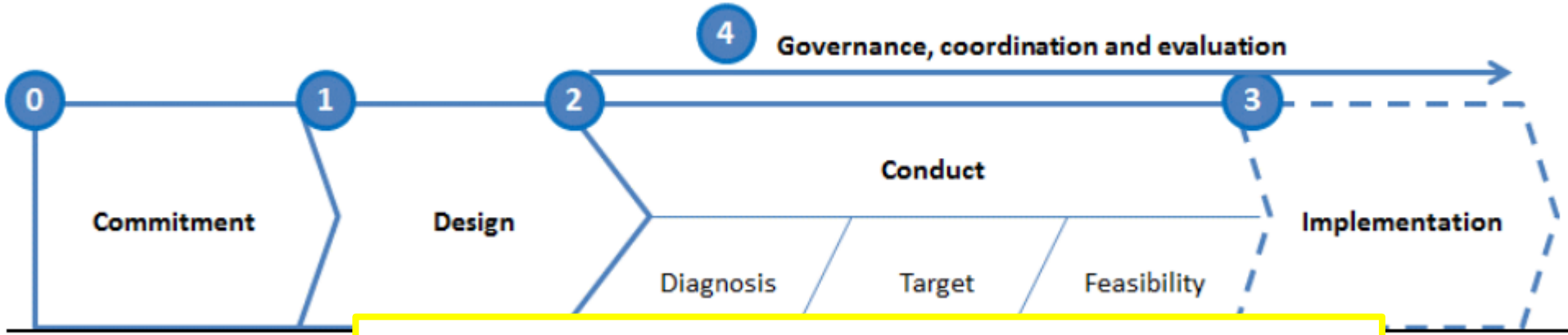
Improving cost-efficiency, making public service provision more efficient

Addressing consolidation needs, by freeing up fiscal space

- DOES NOT penalise efficient public organisations

How? Review process

Graph 6.1: **Phases of the illustrative spending review roadmap**



Source: DG ECFIN

BUT: focus on data quality!

This allows to identify:

- areas to be reviewed
- inefficient expenditure items
- (effects of) different policy options

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2. EU initiatives supporting spending reviews

Eurogroup common principles (September 2016)

Common principles

1. Strong and sustained political commitment
2. Best practices in design, conduct and implementation
3. Monitoring and communication to the public
4. Consistency with budget planning and fiscal framework

Eurogroup mandate

- Review national reform efforts
- Encourage exchange of best practices and lessons learnt
- Conduct surveys

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EU initiatives

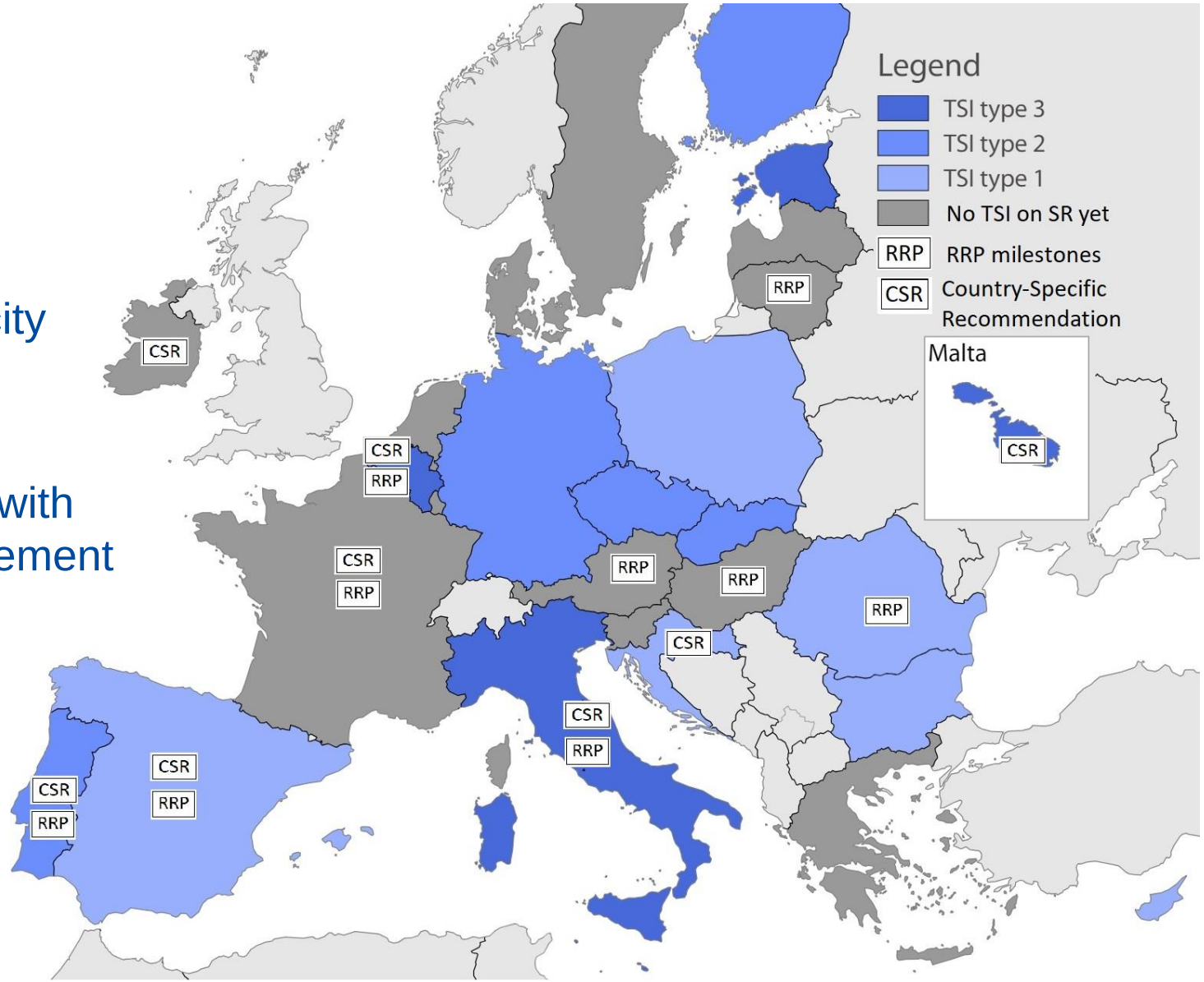
- **Country-Specific Recommendations:** 8 Member States since 2012
  - Recommended improvements: Improve savings, broaden coverage, independent evaluation, integrate into budgetary cycle

- **Recovery and Resilience Plans:** 9 Member States with SR milestones
  - Deliverables: Adopt legal acts, publish reports, build capacity

- **Technical Support Instrument:** supported 16 Member States since 2016
  1. To build capacity
  2. To link it to the budgetary cycle
  3. To integrate it with performance management

Spending review projects CSR / RRP / TSI

- Type 1 – build capacity
- Type 2 – link it to the budgetary cycle
- Type 3 – integrate it with performance management



Source: Commission services

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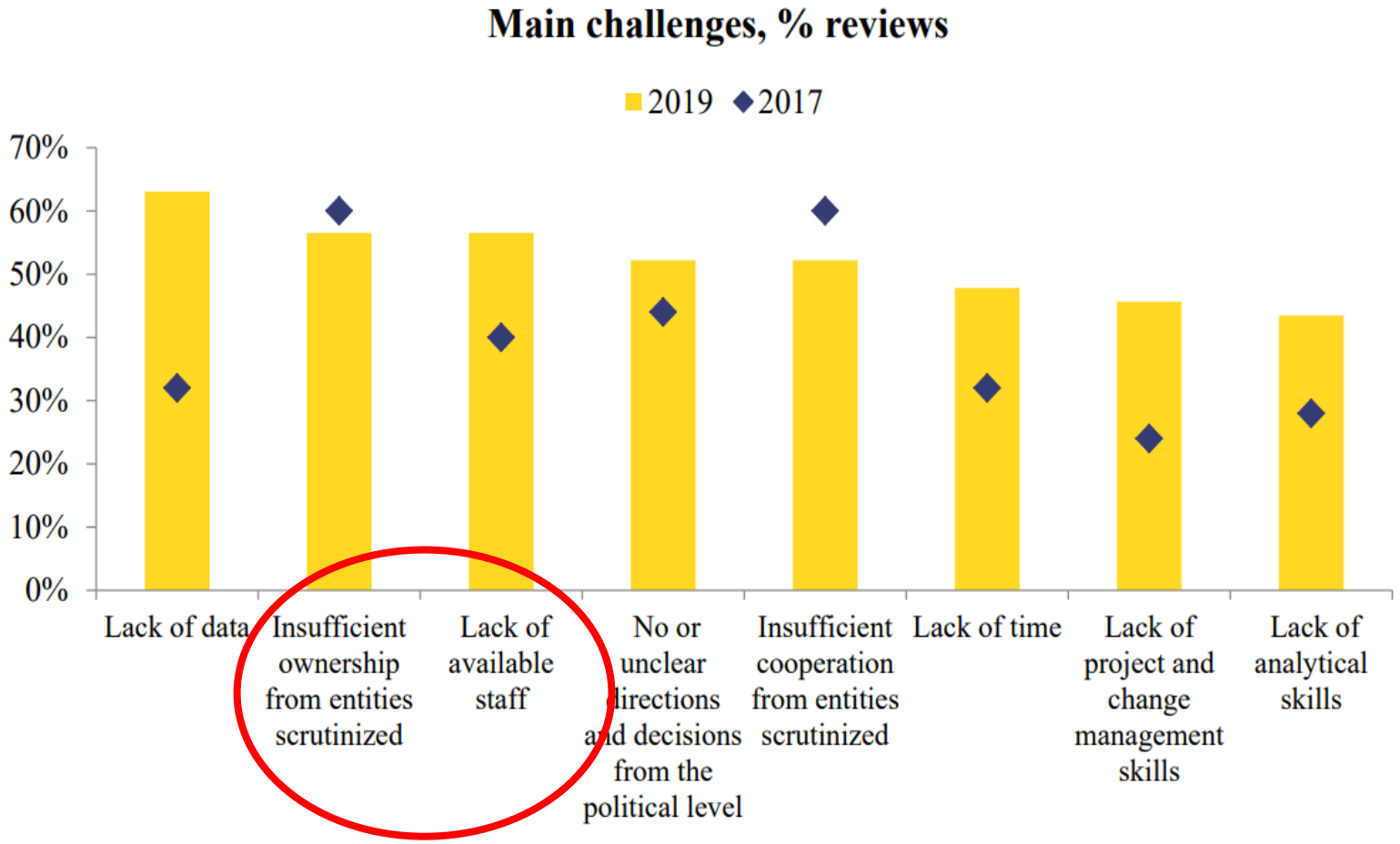
Previous survey results (2019): issues

- Limited access to data and resources
- Little use of quantitative indicators
- Only few had legal basis
- Little budget integration
- Low Ministry ownership

Graph 5: Main challenges for spending reviews



Source: Member State replies to European Commission survey

3. Spending Reviews in Belgium

Spending reviews in Belgium

- Component 6.1 of the Recovery and Resilience Plan, on the conduct of spending reviews at five different levels of government*.

  - Reform R-6.01 “Spending reviews” of the Federal State
  - Reform R-6.02 “Spending reviews” - Flemish general revision and spending norm’ of Flanders
  - Reform R-6.03 “Spending reviews” - Zero-based budget’ of the Walloon Region
  - Reform R-6.04 “Spending reviews” of the Brussels-Capital Region
  - Reform R-6.05 “Spending Reviews” of the French-speaking Community

** Annex to the COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Belgium. Interinstitutional File 2021/0169, of 6 July 2021.*

Spending reviews in Belgium

Milestone	Federal level	Flemish Region	Walloon Region
205 **COM: FULLFILLED**	**Complete pilot and report** Covers tax expenditure, primary expenditure and social security sector.	**Integrate spending review process into the budgetary process** To cover 11 policy domains by 2025.	**Complete pilot and report** Covers all expenditure and revenues, to be organised in four waves by 2022.
206 **COM: ASSESSMENT ONGOING**	**Integrate spending review process into the budgetary process** Define strategy and calendar for future reviews, in line with Eurogroup guidance.		**Integrate spending review process into the budgetary process**
207 **[Q4 2023]**	**Include quantitative outcomes into annual and multiannual planning**	**Include quantitative outcomes into annual and multiannual planning**	**Include quantitative outcomes into annual and multiannual planning**
208 **[Q4 2024]**	**Spending review ex-post analysis (report publication)**	**Spending review ex-post analysis (report publication**	**Spending review ex-post analysis (report publication**

Spending reviews in Belgium

Milestone	Brussels-Capital Region	French-speaking community
205 **COM: FULLFILLED**	**Complete pilot and report** Covers: mobility and social housing.	
206 **COM: ASSESSMENT ONGOING**	**Integrate spending review process into the budgetary process**	**Complete pilot and report**
207 **[Q4 2023]**	**Inclusion of quantitative outcomes into annual and multiannual planning**	**Integrate spending review process into the budgetary process**
208 **[Q4 2024]**	**Spending review ex-post analysis (report publication)**	**Spending review ex-post analysis (report publication)**

4. Improvements & conclusions

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Notable improvements: scope / frequency

Improvements:

- More comprehensive studies
- New pilot studies
- Reviews conducted annually in more cases
- More ‘green’, healthcare still prominent

Federal Ministry
Republic of Austria
Finance

Green spending reviews of the

Federal Ministry of Finance

AIReF Independent Authority for Fiscal Responsibility

Study on medication dispensed through prescription

Notable improvements: governance

Improvements:

- Dedicated units / task forces (incl. in line ministries)

  = easier communication with + more ownership by line ministries
- Clear guidance / division of labour (terms of reference)
- Legal basis for conducting SR (+ use of results)
- More monitoring of follow-ups, more ex-post evaluations

Notable improvements: links with budgets

Improvements:

- Clearer targets up front
- Identifiable savings results
- Review results available on time and included in budgets

Conclusions and remaining questions

- EU instruments helped put spending reviews back into national spotlights
- Improvements through RRF-commitments and TSI-support
- More transparency, more integration with budgets, more legal basis

- **Remaining questions:**
  - How to increase savings?
  - Challenges for spending reviews at decentralized level?
  - How to retain capacity and commitment long term?

Thank you for your attention!

Bova, E., Ercoli R., and X. Vanden Bosch, 2020, Spending Reviews: Some Insights from Practitioners, Discussion Paper no.135, European Commission.

Hoogeland, M., Dimitriadis L., and M. Mandl, 2024, How have spending reviews recently evolved through EU initiatives, Discussion Paper no. 200, European Commission.

For questions, you can reach us via email:

ECFIN-spending-review@ec.europa.eu

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X. Additional slides

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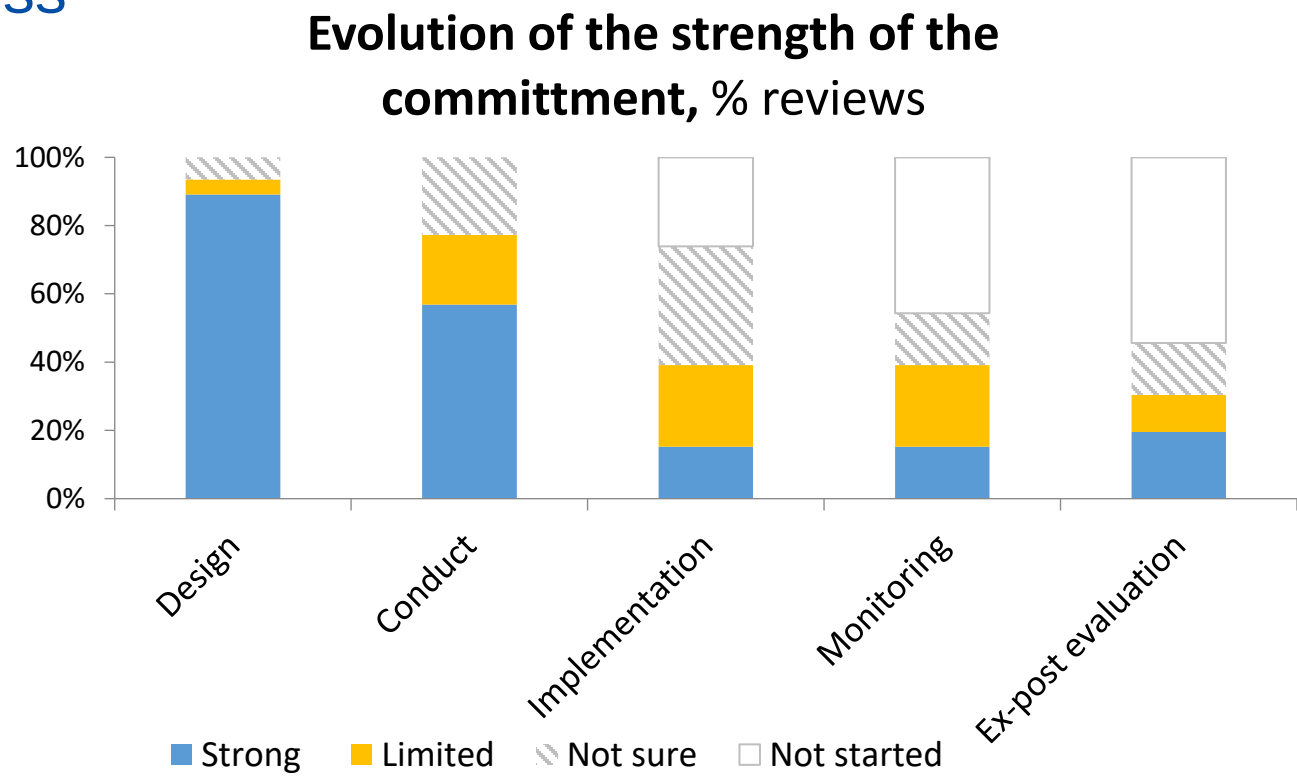
Previous survey results (2019): commitment

- Political commitment crucial for success
- Typically, commitment comes as:
  - endorsement of mandate
  - getting involved in governance
- But:
  - commitment dropped off over time
  - communication to public lacking

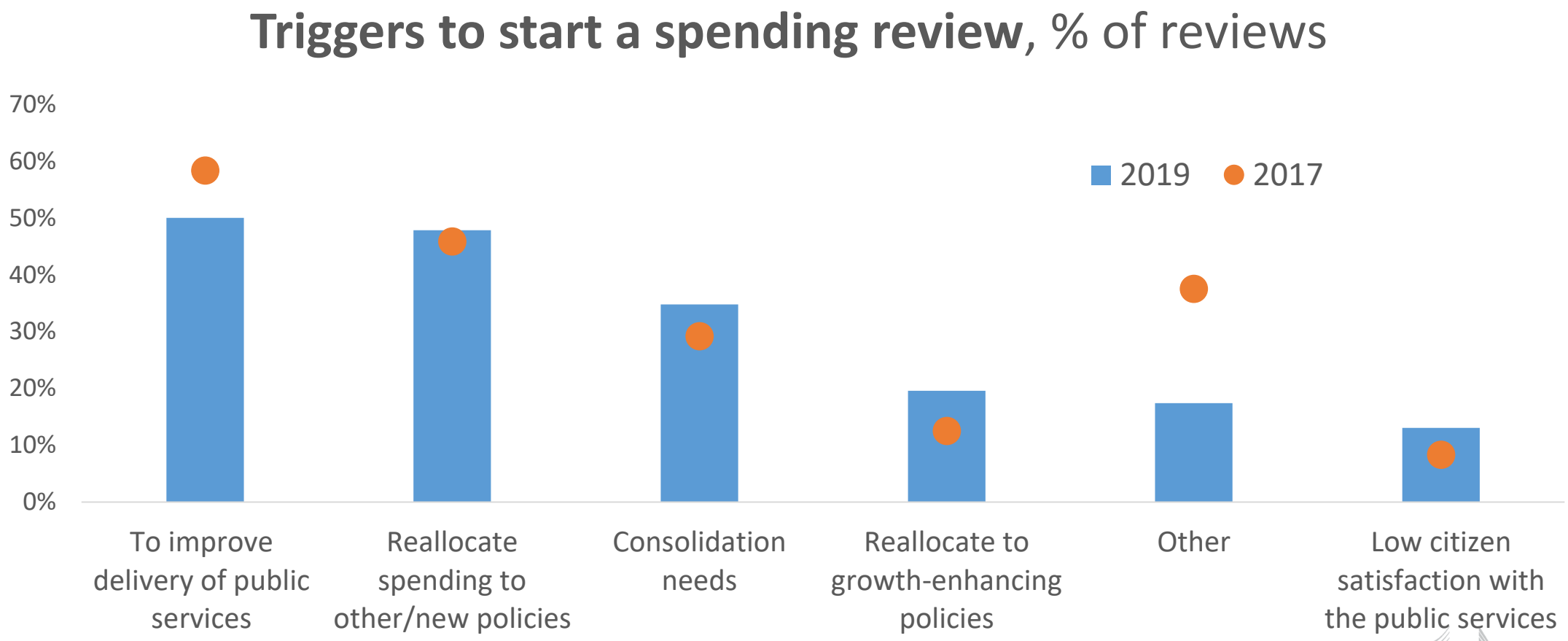


Source: Member State replies to European Commission surveys

Further reading:

- Bova et al 2020, European Economy Discussion Paper: Spending Reviews: Some Insights from Practitioners - European Commission (europa.eu)
- European Commission 2019, spending review survey: com_technical-note-to-eg_spending-reviews-to-promote-investment.pdf (europa.eu)
- European Council 2016, common principles for improving expenditure allocation: Eurogroup statement - thematic discussions on growth and jobs: common principles for improving expenditure allocation - Consilium (europa.eu)
- IMF 2022, How to Design and Institutionalize Spending Reviews: How to Design and Institutionalize Spending Reviews (imf.org)
- OECD 2016, Government at a glance 2017: Government at a Glance 2017 | Government at a Glance | OECD iLibrary (oecd-ilibrary.org)
- OECD 2022, Best practices for spending reviews: OECD Best Practices for Spending Reviews | OECD Journal on Budgeting | OECD iLibrary (oecd-ilibrary.org)

Previous survey results (2019): triggers



Source: Member State replies to European Commission surveys

2 examples of improvements

Austria

- Combining with green budgeting methodology
- More monitoring of follow-ups
- Reports now public and annexed to budgets
- Results used to prioritize green expenditure in budget

Portugal

- Focus now more on efficiency
- Now 3 teams, each with own tasks:

1. **Monitoring team >** develop methodology for review, identify areas for reviews, monitor implementation
2. **Coordination team >** decide scope, approve terms of reference, …
3. **Thematic team in each Ministry** > conduct reviews, write reports, propose policy options