Spending reviews in the euro area

Effectiveness of the Public Expenditure
National Assembly of the Republic of Bulgaria

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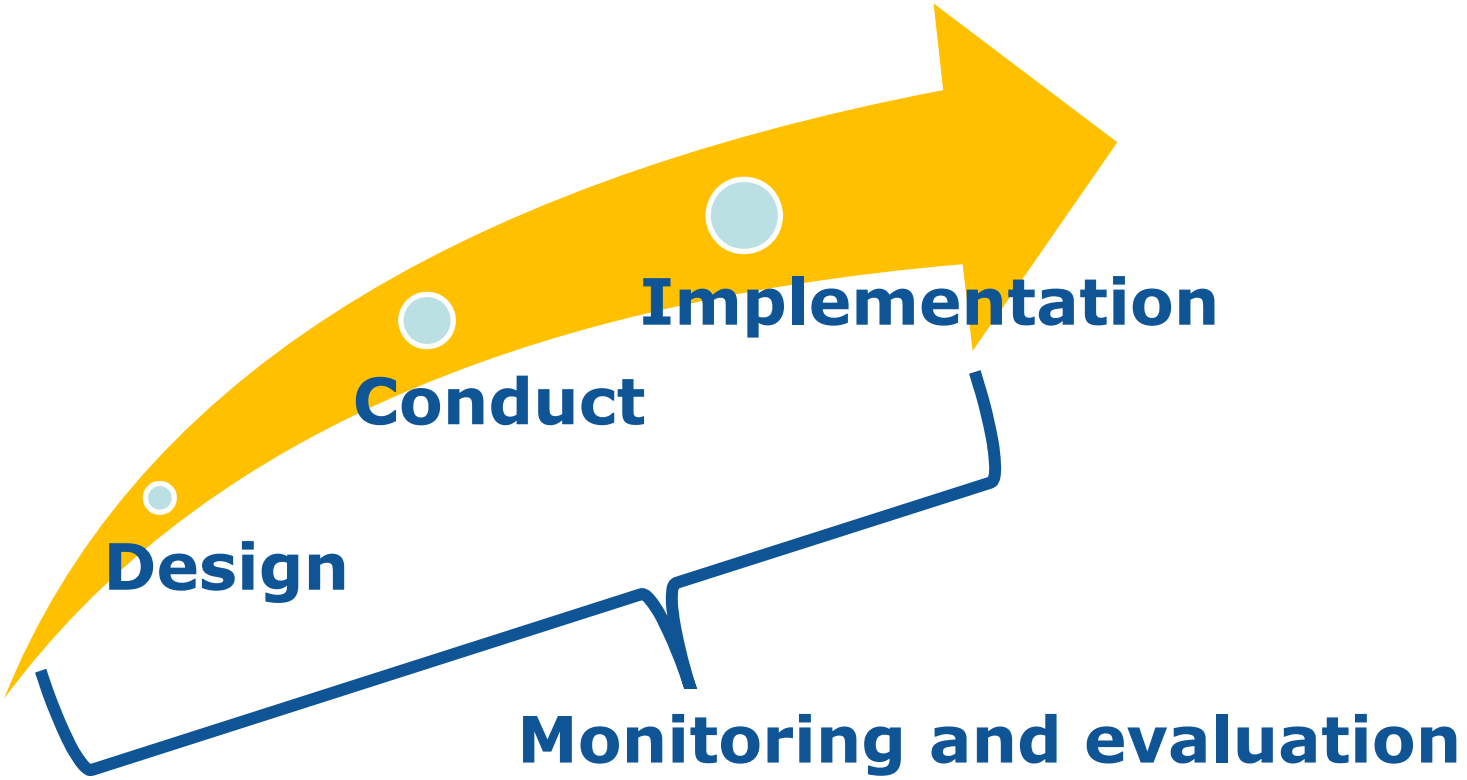
What is a spending review?

- *A systematic and in-depth **scrutiny** of **baseline expenditure** with the objective to detect:*
  - Opportunities for **cutting low-priority** or ineffective expenditures;
  - **Efficiency savings**;

- *Objectives*
  - Re-prioritising policies
  - Improving cost efficiency
  - consolidation

How does it work in practice?



- *Objectives and outputs need to be clear at each phase*
- *Process can be improved by recognising risks and building on success factors*

Key success factors:

- ✓ Strong and visible political **commitment** throughout the process;
- ✓ Well-defined **mandate** (including scope and coverage);
- ✓ Clearly designated "**task force/command centre**";
- ✓ **Ownership** of administration undergoing the review;
- ✓ Access to **data** and **information**;
- ✓ **Coordination** among stakeholders;
- ✓ Use of **pilots**;
- ✓ Transparent **reporting** to public sector staff and general public;
- ✓ Consistency with annual and multiannual **budgetary targets**;
- ✓ Independent ex-post **evaluation**;

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Spending reviews in the euro area

In 2013 ECOFIN Council:

"*Review budgetary processes and practices conducive to enhanced expenditure performance (e.g. spending reviews, performance-based budgeting, top-down budgeting etc.) aiming at achieving efficiency gains and sustainability in the public sector*"

Eurogroup "Thematic discussions on growth and jobs":

- Exchange of best practices among Member States
- High-level discussions at the Eurogroup -> common principles

Eurogroup common principles

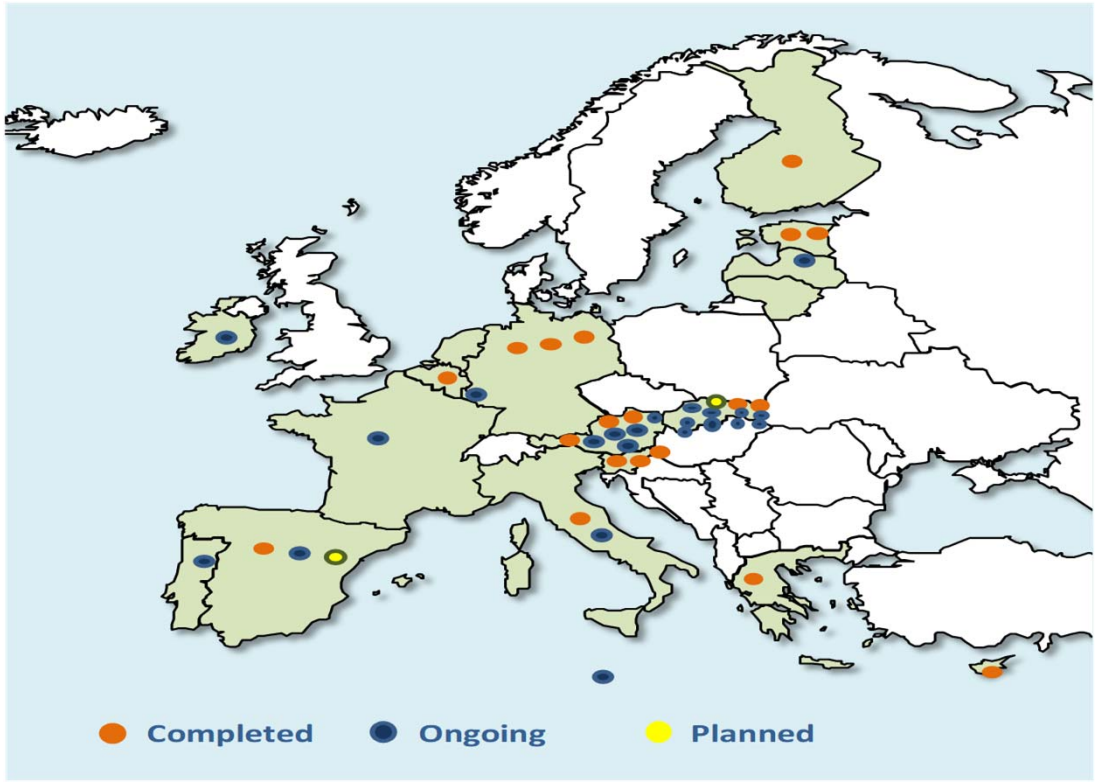
Common principles
(September 2016)

- Strong and sustained political **commitment**
- **Best practices** in design, conduct and implementation
- **Monitoring** and **communication** to the public
- **Consistency** with budget planning and fiscal framework

Eurogroup mandate

- **Review** national reform efforts with respect to the common principles.
- Encourage a **workstream** on the exchange of **best practices** and lessons learnt among Member States.

Commission surveys



- 43 reviews in 2019 (30 in 2017).
- 18 of the 43 reviews, already reported in 2017.
- More reviews are in the implementation phase.

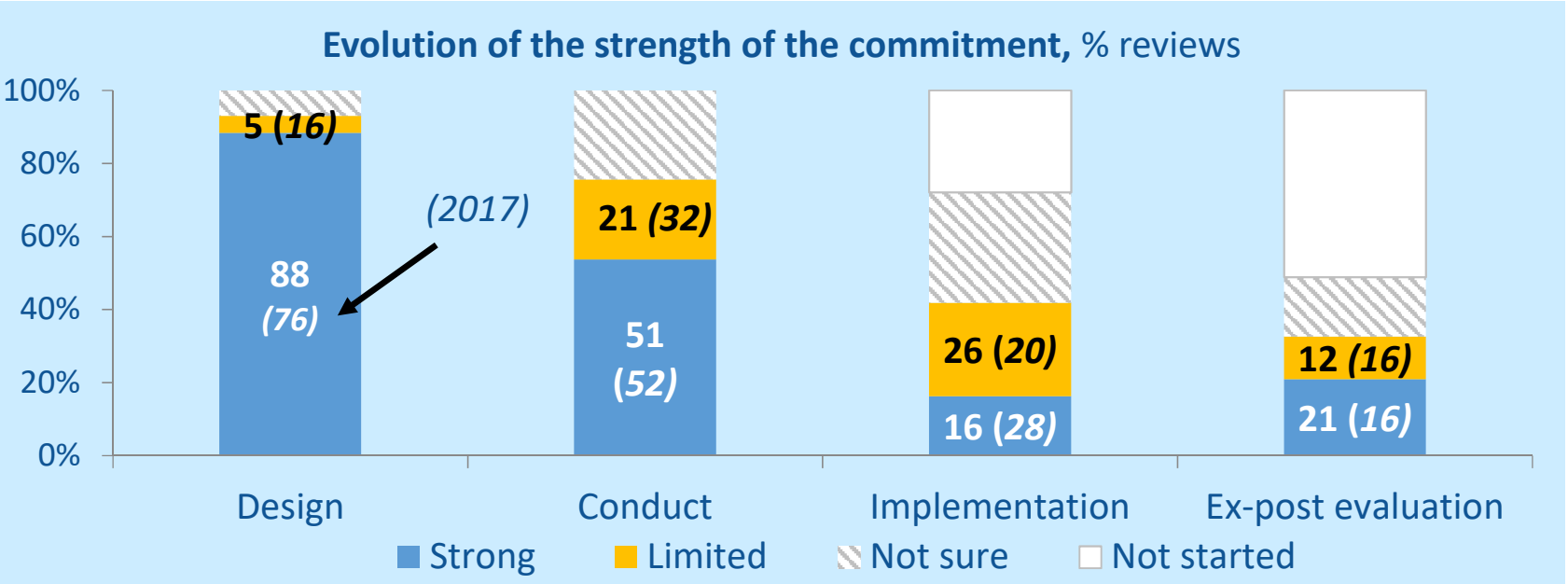
Comprehensive reviews: FI, FR, IE, IT (2), LV, LU, PT

Targeted reviews

- *social policies:* AT, BE, ES(2), SK(3)
- *education and culture:* AT, ES, SI(2), SK + *healthcare:* AT, ES, SK(2)
- *security, emergency and defence:* AT, MT, SK(2)
- *public services:* the judiciary (AT), trade services and water provision (CY), postal services (ES), procurement (DE), transport (SK).

Commitment

"Strong and sustained commitment at high national level, throughout the project, is essential for successfully carrying out spending reviews and implementing their findings into meaningful reforms."

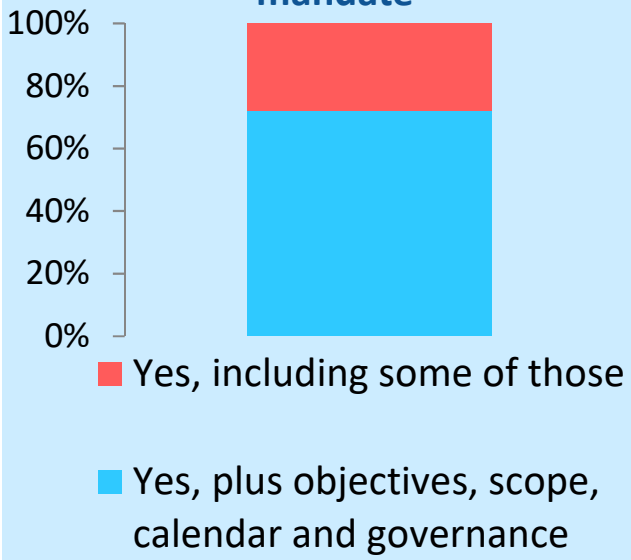


- Commitment is usually conveyed in a **formal strategic mandate** but with limited communication to the public.
- Only few MS have **legal provisions** or **procedural practices** that sustain the commitment.

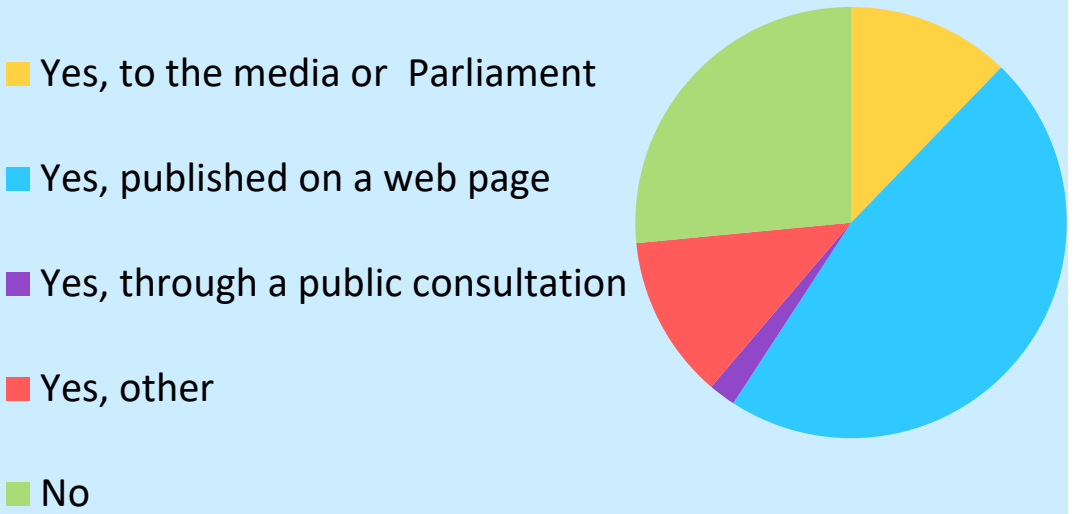
Design and implementation (1)

"The design and implementation of spending reviews should follow best practices that include: (i) a clear strategic mandate specifying the objectives, the scope and a centre of coordination, (ii) the use of pilots to build expertise…."

Establishment of a strategic mandate



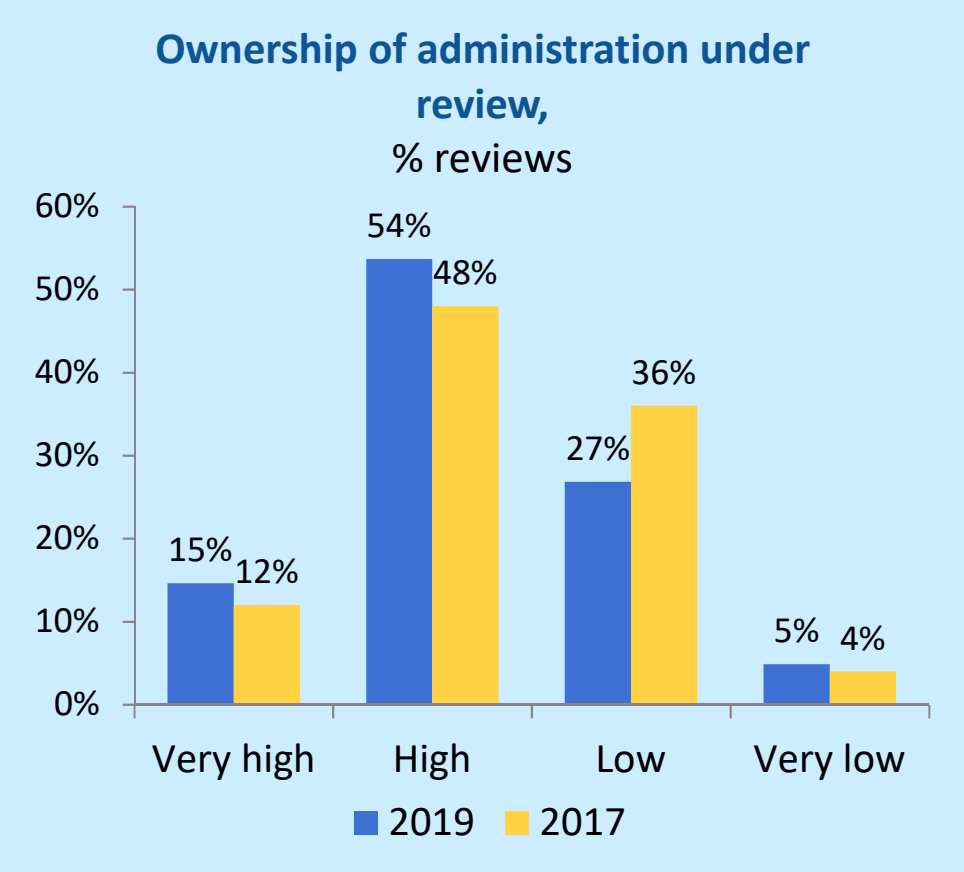
Public nature of the strategic mandate, % reviews



- Some key elements of the mandate often missing or not made public.
- Quantified targets in the mandates are still an exception.
- Equity objectives are more frequent than in 2017.

Design and implementation (2)

"…(iii) the provision of adequate resources and access to data, (iv) the use of guidelines for consistency in producing diagnosis, baselines, reform options and implementation roadmaps..."

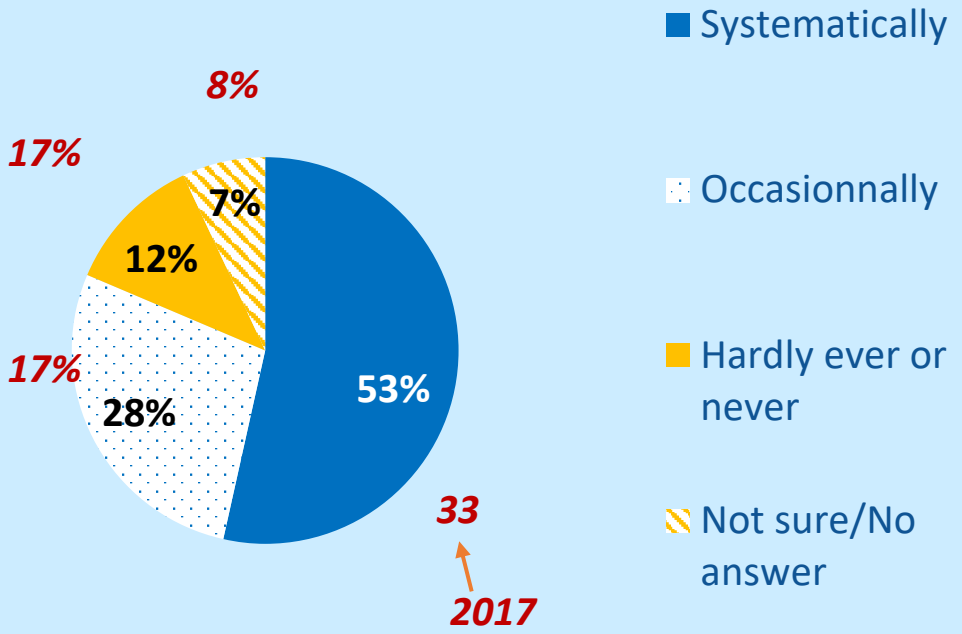


- Limited access to data and resources (more of a challenge than in 2017).
- Diagnoses based on more comprehensive analyses than in 2017.
- Reform options are increasingly being developed.
- Implementation roadmaps are still left aside.

Design and implementation (3)

"…(v) the use of fact-based analysis linking spending across budget and administrative structures to policy outcomes."

Policy outcomes for the end-user factored in the analysis, % review



The use of **fact-based analysis** still limited

Attention to **citizens' satisfaction** in reform options has increased

Monitoring and communication

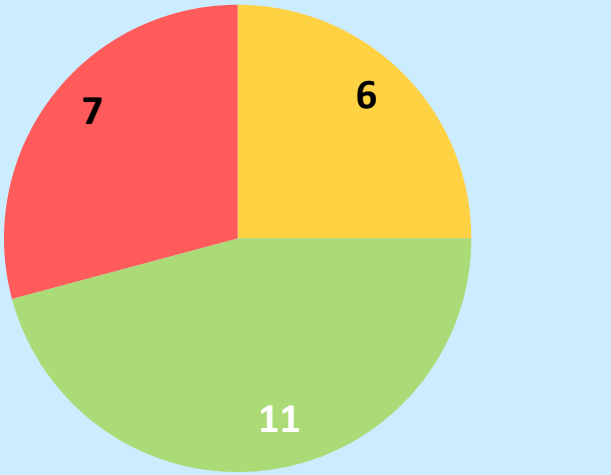
"Monitoring and communication to the public on the progress and outcome of reviews should be regular and transparent. Spending reviews themselves should be subject to independent ex-post evaluation to learn lessons for future reviews."

- Monitoring **limited** in the conduct phase and **focused mostly on processes**; **regular** in the implementation phase.
- Monitoring provides **information** to the government and less so to the public.
- **Ex-post evaluation available only for 3 Member States**, and rarely public.
- **>50% of reviews covered by the media**, at least once a year; reporting is mostly on reform decisions.

Consistency with the budget

"The ambition and conclusions of a spending review should be consistent with annual and multiannual budget planning. The national fiscal framework should include the principle of running regular spending reviews to inform budget making."

Incorporation of the decisions in the next year budget plan, number of reviews



Legal requirement to integrate conduct of spending review in the budget process only in IT, LV, SK

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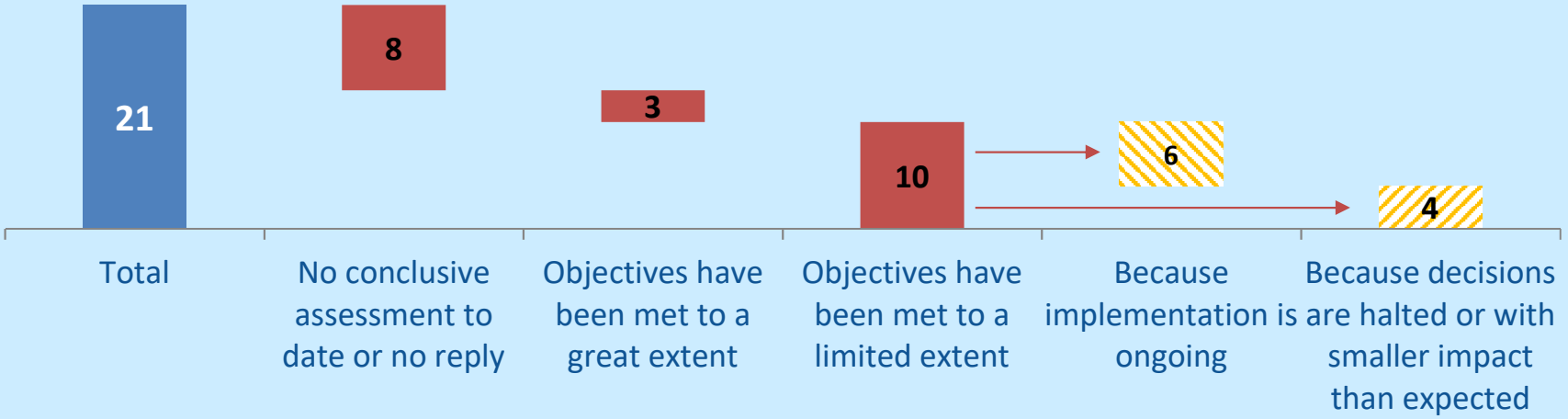
Results and challenges (1)

How have spending reviews performed?

Status of the results to date versus project objectives,
nb of reviews



Some reviews are already bearing fruits in terms of policy and cost savings

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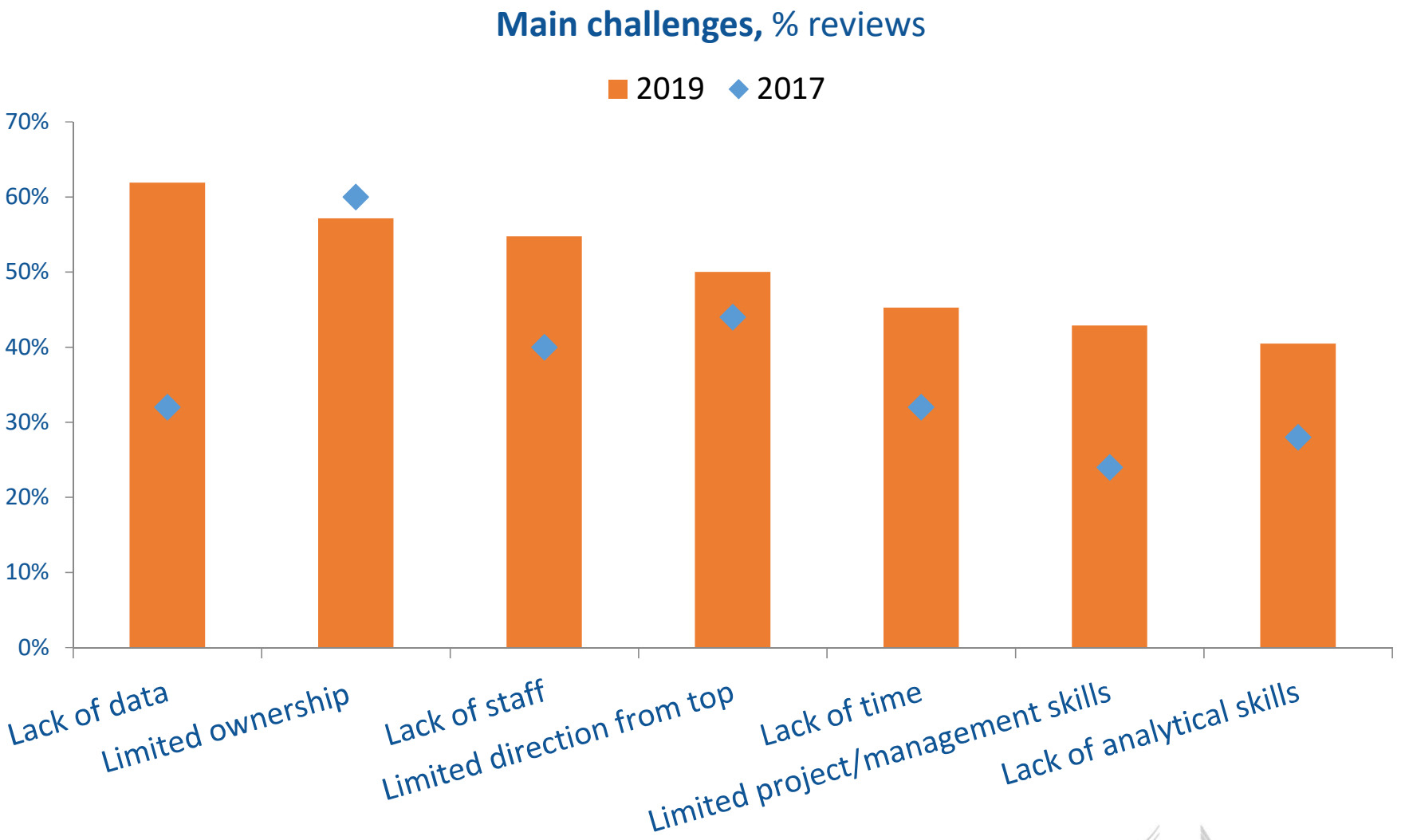
Results and challenges (3)



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Thank you

for your attention