

Spending reviews as tools management in the public sector

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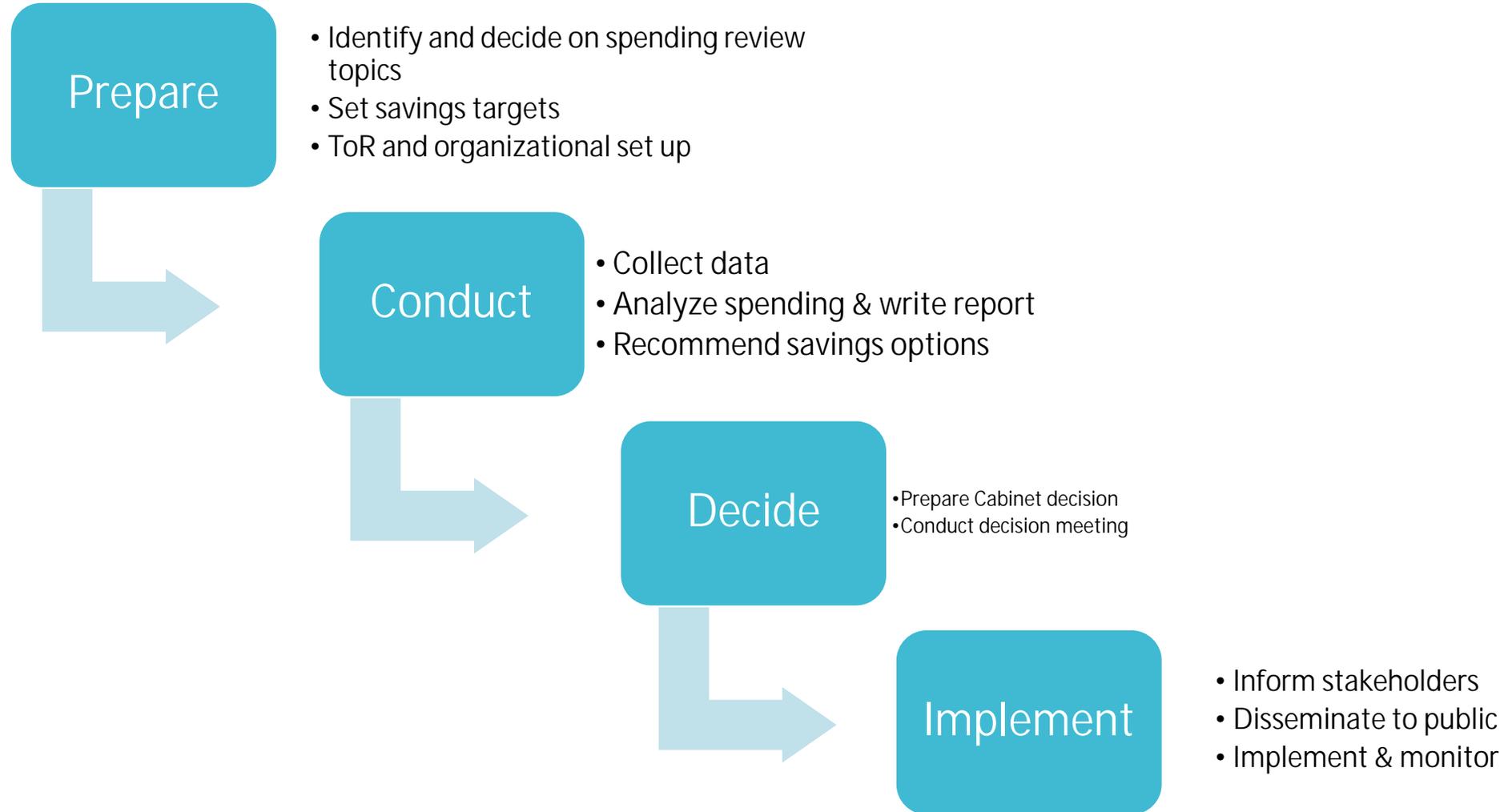
Agenda

- I. Introduction – Spending reviews definitions
- II. Main phases of the spending review process
- III. Characteristic Spending reviews
- IV. Progress in spending reviews implementation
- V. Does spending reviews works?
- VI. Summary

Spending reviews: definitions

1. Spending reviews constitute one of the instruments of public policy evaluation. Placing spending reviews in a broader policy assessment context provides a useful preamble to exploring their specific preconditions and features.
2. Spending reviews refer to the systematic and in-depth scrutiny of baseline expenditures¹⁰ with the objective to detect efficiency savings and opportunities for cutting low-priority or ineffective expenditures in a coordinated effort.
3. Spending reviews can have two dimensions.
 - **Firstly**, a strategic dimension questioning the relevance of public funding for a specific policy objective, the depth of the involvement of public authorities and consequently the relevant public level/body in charge.
 - **Secondly**, a tactical dimension aiming at increasing - for policies passing the strategic test - the efficiency of each public euro spent by optimizing the relationship between expenditure level and impact, for example in terms of quality of service.

Main phases of the spending review process



Spending reviews: characteristic

- Spending reviews not only look at the efficiency or effectiveness of a given public intervention under current funding levels.
- Findings concern multiannual financial programming. Spending reviews are carried out periodically and they focus on a given period (e.g., once every four years and they may be updated; there may be two different types of documents in the system which are used for different purposes).
- Responsibility for the spending review procedure rests with both the Ministry of Finance and the Chancellery of the Council of Ministers or with the Prime Minister's Office

Spending reviews: characteristic

- Results of spending reviews should consistently feed into annual budget planning (because they contribute to substantial savings, e.g., in Ireland EUR 7.8 bn, in the Netherlands EUR 36 bn) [Robinson M., Spending Reviews..., 2013; Public Governance..., 2013].
- Special committees (bodies) acting in advisory capacity are crucial for the evaluation.

Additional questions that could be addressed in a deeper review of spending reviews in order to draw lessons for countries (OECD):

- Are reviews primarily used for fiscal consolidation? Have they also been used to make room for new spending priorities?
- What have been the outcomes of spending reviews (in terms of fiscal consolidation, but also equity and acceptability) compared to other budget reduction approaches such as haircuts or efficiency dividends?
- Under what circumstances have spending reviews encountered more or less resistance from the general public? From ministries and agencies?
- In what way is the effect of spending reviews linked to the perceived need for spending cuts by society and by politicians?
- Have some spending reviews included significant consultation and, if so, who was involved?
- What are the capacity, capability and data needs of spending reviews for ministries of finance? For line ministries and agencies?
- Have spending reviews identified structural and policy reform proposals as well as savings proposals?

Figure 1. Number and scope of spending reviews

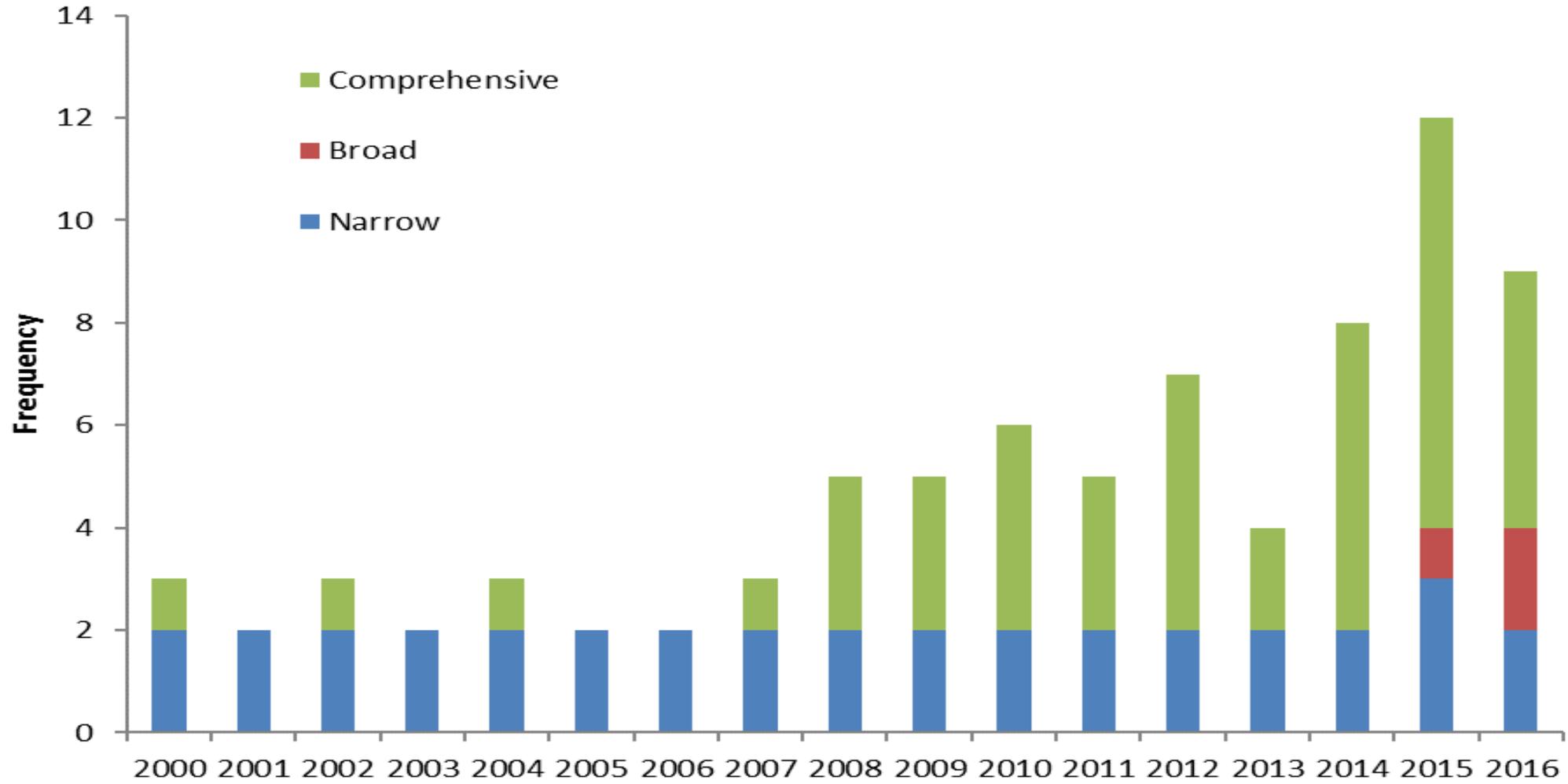


Figure 2. Managing spending review process (% of all countries that declare the use of spending reviews)

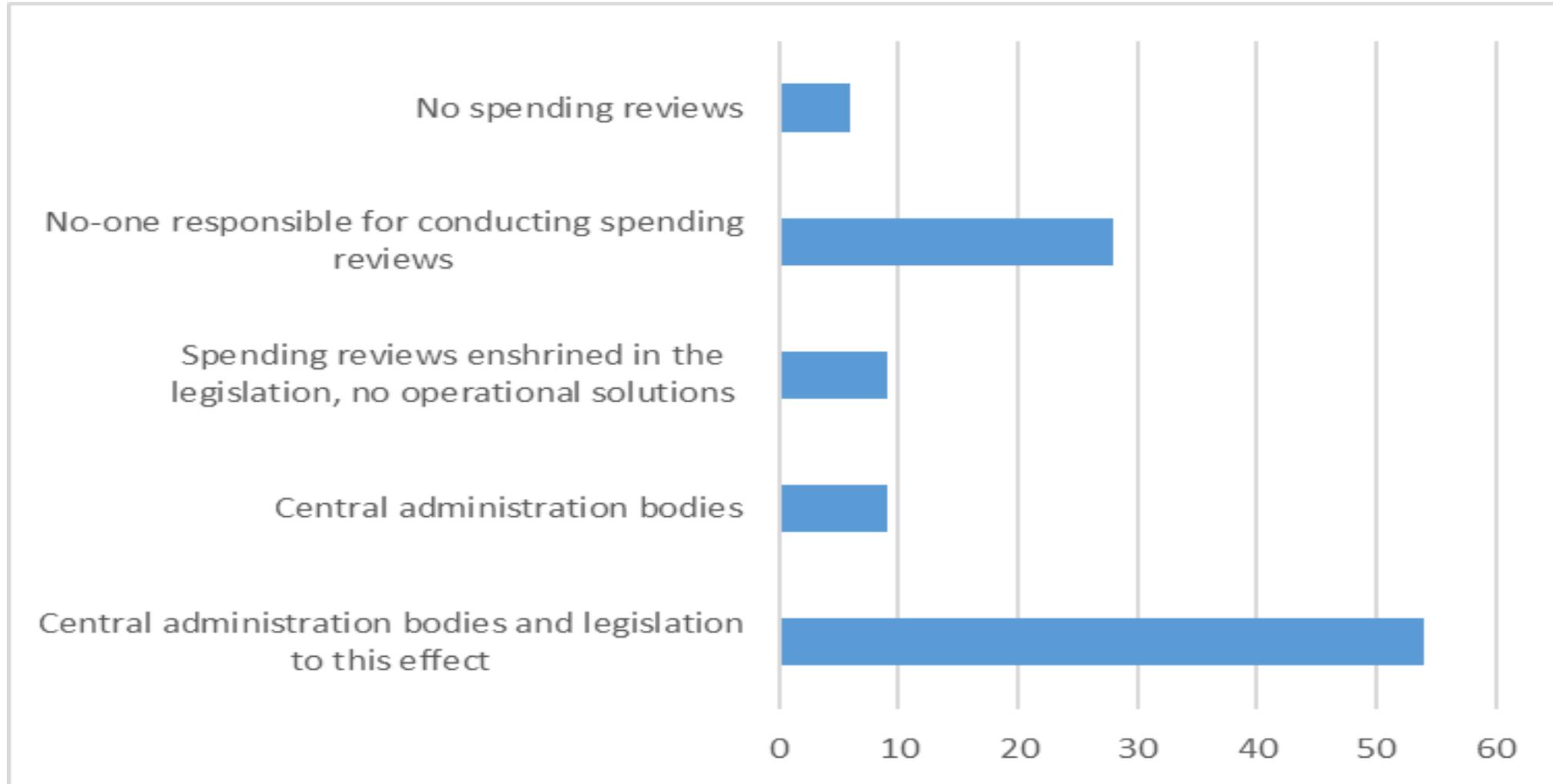
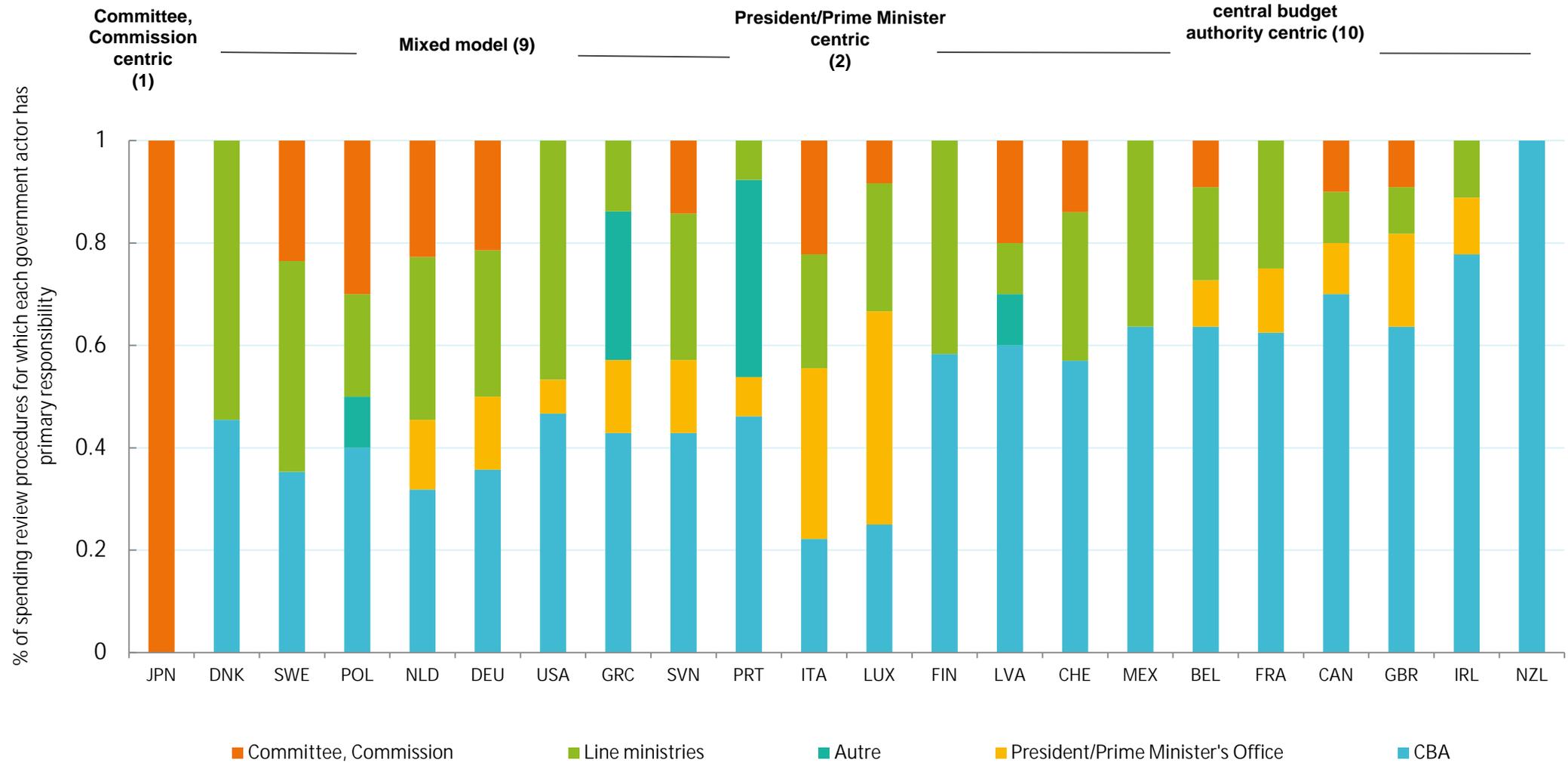


Figure 3 Spending review governance model, 2016



Source: OECD (2016), Performance Budgeting Survey, OECD, Paris.

Summary

Summing up the analyses discussed in this paper we may identify some pertinent principles connected with the integration of spending reviews into public management systems:

- By linking spending reviews with planning we strengthen the impact of reviews upon the budget and we may expect better assessment of individual government programmes.
- Spending reviews “focus” the attention of units entrusted with particular tasks who are encouraged to reflect on these tasks and improve the performance.
- Periodic spending reviews help link them with the political cycle in a given country and their outcomes may provide grounds for priority change.

Summary

At the same time, if we decide to use spending reviews, we must bear in mind that:

- Spending reviews carried out too late with respect to the implementation of the task in question are not relevant for the social and economic policy.
- Spending reviews may become an administrative burden as they engage resources and their outcomes are not taken into consideration in decision making.
- Spending reviews often have limited impact upon decisions that are taken since there are no regulations that would force out drawing conclusions from them and there are no political/administrative incentives to do so.

Questions ?

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