

# Public Spending Reviews

## Design, conduct, implementation

Caroline Vandierendonck

The crisis has provided an opportunity to reprioritise public funding and transform public service – not necessarily as a one-off, but as a regular exercise driving the quality of budgetary planning and execution.

In particular, spending reviews appear as an adequate instrument of expenditure performance. They consist in seeking a 'smarter' expenditure allocation across national policy priorities based on a selective and sustainable expenditure-based consolidation; i.e., an in-depth and coordinated examination of baseline expenditure in light of the policy outcomes pursued. They offer in principle a more sustainable approach compared to linear across-the-board expenditure cuts which may generate some negative economic and social impact in the medium and long term. Growth-enhancing expenditures are also likely to deliver more in an ecosystem which has been previously streamlined.

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.

Throughout the European Union, spending reviews have become more widespread. At least 8 EU Member States are currently or were recently engaged in one form or another of spending review (including in its implementation phase): the UK, the Netherlands, France, Italy, Ireland, Denmark, Spain, and Sweden.

The potential savings can be significant for public finances. For example, in the 1980s and 1990s, Canada, the Nordic EU Member States and the Netherlands engaged in large-scale spending reviews that contributed to restoring sound budgetary positions after severe budgetary shocks. However, well-managed and implemented reviews are time- and resource-intensive, and the analytical, organisational and political hurdles should not be underestimated. A successful spending review does not stop with a well-documented report – it starts with it; the saving is in its implementation.

Whereas there is no one-size-fits-all methodology for spending reviews, the present paper offers a broad overview of the main steps in the design, conduct and implementation of spending reviews and their key success factors. The latter include political commitment, ownership by the administration, clear objectives and governance, integration in the budgetary process, anticipation of implementation, building of transformation capability and performance culture at all levels of public service.