

CHAMBRE DES DEPUTES

Session ordinaire 2011-2012

CG/pk

Commission du Contrôle de l'exécution budgétaire

Procès-verbal de la réunion du 07 novembre 2011

ORDRE DU JOUR :

Entrevue avec Monsieur le Ministre des Finances concernant divers sujets (cf. courrier de la Commission du Contrôle de l'exécution budgétaire du 26 juillet 2011)

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Présents : Mme Diane Adehm, Mme Anne Brasseur, M. Félix Braz, M. Lucien Clement, M. Félix Eischen, M. Fernand Etgen, M. Gast Gibéryen, M. Claude Haagen, M. Lucien Lux, M. Serge Wilmes remplaçant M. Robert Weber, M. Michel Wolter

M. Luc Frieden, Ministre des Finances
M. Jeannot Waringo, Directeur de l'Inspection générale des Finances

Mme Caroline Guezennec, Administration parlementaire

Excusés : Mme Lydia Mutsch, M. Robert Weber

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Présidence : Mme Anne Brasseur, Président de la Commission

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Madame le Président rappelle le contenu du courrier du 26 juillet 2011 dont les différents points sont successivement abordés :

Rapport spécial concernant la qualité de la planification des recettes fiscales :

Monsieur le Ministre indique tout d'abord que, dans le cadre de la réforme budgétaire en cours, le Gouvernement s'efforce de mettre en œuvre une partie des recommandations de la Cour des comptes. En attendant les résultats de cette réforme, un comité de prévision, regroupant des représentants du Ministère des Finances, de l'IGF, des administrations fiscales, du Ministère de l'Economie, du STATEC, de l'IGSS et de la CSSF a déjà été

instauré. Ce comité de prévision permet une approche plus coordonnée de la préparation des prévisions et en augmente donc la qualité. Il a déjà été consulté dans le cadre de la préparation du projet de loi concernant le budget de l'Etat pour l'exercice 2012.

Il n'en demeure pas moins que le comité de prévision, comme toute autre institution, se heurte à la difficulté d'appréhender la volatilité actuelle de l'économie mondiale qui, vu la taille restreinte du pays, peut avoir des répercussions considérables sur ses recettes fiscales.

Même si les prévisions élaborées par le comité de prévision sont le résultat d'analyses techniques se basant sur différentes hypothèses, il appartient finalement au Gouvernement de proposer et à la Chambre des Députés d'arrêter le niveau de recettes fiscales inscrites dans le budget de l'Etat (choix politique d'un scénario).

Monsieur le Ministre signale que l'évolution actuelle de l'économie mondiale rend toute prévision extrêmement difficile.

En ce qui concerne la réduction nécessaire des retards dans le traitement des dossiers (recommandation de la Cour des comptes), Monsieur le Ministre précise que la procédure d'imposition, aussi bien au niveau des personnes physiques qu'à celui des sociétés, a été accélérée et le nombre de dossiers traités au cours de la dernière année a augmenté de façon substantielle. Sur les 5 dernières années, le nombre de dossiers traités a augmenté de 4% en ce qui concerne les personnes physiques et de 6,3% pour les sociétés. Cette accélération et augmentation ont déjà permis de réduire les soldes et de diminuer les retards. Il n'en reste pas moins qu'un retard de 2 à 3 ans sera difficilement évitable au niveau de l'imposition de certaines sociétés.

Pour 2012, le projet de budget prévoit une augmentation des effectifs des administrations fiscales d'environ 25 personnes. L'évolution de l'informatisation de ces administrations devrait également contribuer à l'amélioration de la situation actuelle.

En ce qui concerne les retards accumulés en matière de traitement des dossiers relatifs à la TVA épinglés par la Cour des comptes (voir pages 15-16 du rapport spécial), Monsieur le Ministre signale qu'il a chargé l'Administration de l'Enregistrement de s'efforcer de les réduire au maximum et que des progrès ont déjà pu être constatés.

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Un membre de la Commission déplore qu'à l'heure actuelle le montant des recettes de l'IRC pour l'année 2008 ne soit pas encore connu. Il estime que les transferts intragroupes ont déjà dû être effectués pour cette année et suggère donc que l'Administration des Contributions directes se concentre sur le traitement des dossiers des groupes ou entreprises les plus importants pour déterminer le niveau des recettes de l'IRC pour 2008. Monsieur le Ministre partage ce point de vue et signale qu'il a chargé l'Administration des contributions directes de procéder ainsi.

Recours éventuel à la technique du screening :

Le recours à la technique du screening des dépenses de l'Etat a été évoqué dans le rapport concernant la loi budgétaire de l'Etat - exercice 2010. La Commission du Contrôle de l'exécution budgétaire a été informée qu'une telle tâche incomberait plutôt à l'Inspection Générale des Finances (IGF), responsable de l'élaboration du budget de l'Etat, en collaboration avec le Contrôle financier disposant d'une vision plus précise de l'utilisation

effective des crédits budgétaires. Elle souhaite savoir si le Gouvernement prévoit de recourir à la technique du screening.

Monsieur le Ministre attire l'attention sur le fait qu'il existe différentes définitions du screening.

Selon Madame le Président, le screening doit avoir lieu en dehors de la procédure budgétaire. Un examen détaillé, remettant en question la justification de chaque article budgétaire, devrait être effectué par les responsables des départements ministériels et le contrôle financier.

Monsieur le Ministre est d'avis que le contrôle financier, contrôlant la légalité des dépenses, n'est pas habilité à effectuer la tâche telle qu'elle vient d'être décrite.

Il considère qu'un screening des dépenses de l'Etat a déjà lieu à l'heure actuelle, puisque chaque année l'ensemble des articles du budget de l'Etat est revu en détail par l'IGF et les différents ministères.

Il se déclare prêt à intégrer des remarques ou recommandations de la Chambre des Députés à ce sujet dans les travaux de la réforme budgétaire en préparation.

M. Jeannot Waringo ajoute que le « spending review » (« screening » étant un terme belge) est appliqué dans certains pays de l'OCDE plutôt en temps de crise et en relation avec un objectif précis. La procédure budgétaire dans ces pays est différente de celle pratiquée au Luxembourg. (Note de la secrétaire : la complexité du « spending review » ressort du « discussion paper on the typology and implementation of spending reviews » de l'OCDE, repris en annexe.)

Elaboration d'une nouvelle structure du budget de l'Etat :

Ce point sera abordé au cours de la réunion du 22 novembre 2011 en présence de la Commission des Finances et du Budget. La mise en place du plan comptable uniforme au niveau communal pourra également être évoquée à cette occasion.

Constitution de réserves par un établissement public et élaboration d'une législation de base se rapportant aux établissements publics:

Monsieur le Ministre partage les soucis exprimés par la Commission au cours de la réunion du 11 juillet 2011 au sujet de la constitution de réserves par un établissement public. Il rappelle cependant les aspects positifs que représente la possibilité pour les établissements publics de constituer des réserves, leur conférant ainsi une certaine flexibilité ainsi qu'une motivation à prendre certaines initiatives.

Il va de soi que ces réserves ne peuvent être tolérées que jusqu'à un certain seuil. Ainsi, l'Etat accepte que les établissements publics et services à gestion séparée constituent des réserves atteignant jusqu'à environ 30-40% de la dotation budgétaire annuelle.

Au moment du calcul de la dotation à verser à un établissement public, l'Etat en vérifie les comptes ainsi que le niveau des réserves. Au cours des deux dernières années, la dotation de certains établissements publics a été revue à la baisse en fonction des réserves accumulées. Quant à la destination des réserves, il est rappelé que des représentants des ministères siègent dans les conseils d'administration des établissements publics et que c'est par ce biais que l'Etat effectue son contrôle en la matière.

La Commission apprécie que l'accumulation des réserves par les établissements publics soit davantage observée par le Ministère des Finances.

Monsieur le Ministre signale que le contenu de la lettre du Premier Ministre datant du 22 avril 2011 et concernant l'élaboration d'une législation de base se rapportant aux établissements publics est toujours d'actualité. Le dernier accord salarial conclu entre le Gouvernement et la CGFP ne contient aucune clause à ce sujet.

Transferts de crédit opérés par la Direction de la Défense :

Au mois de mars 2011, la Commission avait examiné des transferts de crédit effectués par la Direction de la Défense dont la plupart concernaient des acquisitions budgétisées pour 2011 et 2012, mais réalisées sur le budget de l'exercice 2010 grâce « aux restants de crédits encore disponibles ». La Commission avait demandé au Ministre de la Défense si cette pratique rencontrait son approbation, alors qu'elle-même la jugeait totalement incompatible avec une bonne gestion financière des deniers publics.

Madame le Président signale d'ailleurs que de nouveaux transferts similaires (« acquisitions anticipées ») viennent d'être transmis à la Commission.

La Commission déplore que son courrier soit resté sans réponse jusqu'à ce jour.

Dans le cas précis, Monsieur le Ministre ne partage pas le jugement de la Commission, puisque la Direction de la Défense a anticipé des achats prévus ultérieurement et n'a pas procédé à l'acquisition de matériel supplémentaire et non prévu.

Il remarque que le point soulevé par la Commission est en relation avec l'annualité du budget à laquelle il souhaiterait remédier dans le cadre de la réforme budgétaire.

Document COM (2011) 323 Synthèse des réalisations de la Commission en matière de gestion pour l'année 2010 :

La Commission souhaiterait savoir si les instruments mis en œuvre par la Commission européenne en matière de gestion budgétaire et décrits dans le document sous rubrique pourraient éventuellement être appliqués au niveau national.

Monsieur le Ministre précise que le contenu du document n'a pas d'incidence directe sur le Luxembourg. Il indique que certains instruments et principes y décrits, tel que par exemple le recours plus systématique à l'audit, sont envisageables dans le cadre de la réforme budgétaire.

Régularisation d'un dépassement (projet de construction du lycée classique à Diekirch) :

M. Jeannot Waringo signale que la réalisation d'une structure d'accueil pour le service bibliobus intégré dans le complexe sportif du lycée classique à Diekirch était déjà évoquée dans l'exposé des motifs du projet de loi initial et qu'il n'y a donc pas lieu de la qualifier d'un « changement de programme ».

Il avait cependant également été prévu que la structure en question soit préfinancée par le biais du Fonds d'Investissements publics scolaires (FIPSCOL) qui devait ensuite être remboursé par le Ministère de la Culture. Ce remboursement n'a pas eu lieu.

M. Jeannot Waringo indique que cet « oubli » n'a aucune incidence sur les comptes de l'Etat.

Contrairement à ce qu'avait annoncé le Ministre du Développement durable et des Infrastructures au cours de la réunion du 6 juin 2011, le dépassement de 3,5% du budget voté ne sera pas régularisé au niveau du compte général 2010, mais au niveau d'une loi budgétaire.

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La Commission approuve que le service des relations publiques (ChamberTV) assiste à la réunion du 10 novembre 2011 auprès de la Cour des comptes européenne.

Luxembourg, le 14 novembre 2011

La secrétaire,
Caroline Guezennec

Le Président,
Anne Brasseur

Annexe:

« Discussion paper on the typology and implementation of spending reviews » de l'OCDE

Unclassified

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PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE

Working Party of Senior Budget Officials

OECD SENIOR BUDGET OFFICIALS NETWORK ON PERFORMANCE AND RESULTS -- 7th
ANNUAL MEETING

TYPOLGY AND IMPLEMENTATION OF SPENDING REVIEWS
DISCUSSION PAPER

OECD Conference Centre, Paris
9-10 November 2011

This discussion paper will be presented in Session 1 -- Strategies for the use of spending reviews for fiscal consolidation and improved government performance.

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DISCUSSION PAPER ON THE TYPOLOGY AND IMPLEMENTATION OF SPENDING REVIEWS

1. As ministries of finance are increasingly called upon to identify spending cuts while preserving priority spending areas, there has been renewed interest in the use of spending reviews as a tool to improve the efficiency and effectiveness of public expenditure. However, there is no common definition of what exactly constitutes a spending review; while ultimately objectives may be similar, methodologies and approaches vary widely across OECD countries. This discussion paper looks at some of the common characteristics and objectives of existing spending reviews based primarily on four country examples (Australia, Denmark, Finland, Netherlands), provided in the Annex, and proposes a general framework for OECD countries. It then proposes how the OECD could more closely review the context, institutional characteristics, and implementation procedures of spending reviews in order to see how different arrangements have matched individual country needs and circumstances and what have been the results. This will allow the OECD to use data from the next round of the OECD Performance Budgeting survey to produce a paper that provides guidance for setting up or reforming spending review procedures, including the circumstances, set-up, and implementation of spending reviews which have most successfully supported budget reallocation and/or budget cuts.

Introduction

2. Ministries of finance are faced with a quandary: the move towards top-down budgeting in many countries has given them better control over overall expenditure and helped to align incentives at the line ministry level to manage resources efficiently by acting as “their own ministries of finance”. At the same time, however, decentralised control over budget decision-making exacerbates information asymmetries in the budget process. Not only do ministries of finance generally know less now about individual programmes and organisational performance, but line ministries also have a diminished need to provide savings proposals that will reduce their budget allocation (preferring to keep efficiency savings to finance their own priorities under their caps).

3. Performance budgeting has often been presented as a means of filling the “information gap” by providing a reporting mechanism between ministries of finance and line ministries/agencies. The results, however, have been mixed in terms of providing the necessary information for ministries of finance to make informed budget decisions, in particular with regard to prioritisation across spending areas. Ministries of finance have found themselves with too much irrelevant or extraneous information. There is also increasing awareness that performance information needs are different for management versus budget reallocation functions given the complexity of determining the causality of outcomes as well as the political calculus by which resource allocation decisions are made. Tying the resource allocation and management functions of performance measurement in a single process can therefore bias the information provided by ministries and agencies. Improving the understanding of how performance information is (or intends to be) used can help ministries of finance to better select the appropriate performance budgeting tools and frameworks in line with their budgetary and management objectives.

Spending Reviews: a specific type of evaluation

4. Within the universe of the performance information available to policy-makers, performance measures deal more restrictedly with outputs, outcomes, and/or process indicators, while performance evaluations provide a more detailed review of context, attributes and causality issues in order to explain performance and to identify recommendations. The OECD has defined evaluation as the retrospective analysis of a programme, policy or organisation to assess how successful or otherwise it has been, what challenges may exist to improving performance, and what lessons (good or bad) can be learnt for the future¹. They therefore play an important analytical role in identifying options for improving policy and management. While performance information is seldom used directly to reallocate expenditure or eliminate programmes, performance evaluations provide an important source of information for line ministries to improve the management of their agencies.

5. The results of performance evaluations are sometimes used as inputs into the budgetary decision-making process, e.g. through the use of value for money reviews that aim to make specific recommendations for improving efficiency and effectiveness. When evaluations are commissioned *ex ante* with a specific objective to identify budgetary savings across government, however, they require some specific characteristics in order to fulfil this role. These kinds of evaluations, or **spending reviews**, can be used to reduce the deficit and/or to make fiscal space for higher priority programmes either through restructuring or cutting activities. While spending reviews can also look at programme effectiveness, i.e. how to improve programme performance and design, their distinguishing feature is the focus on identifying and extracting savings through the budget process.

6. The OECD Value for Money Project differentiates spending reviews from other types of evaluation through three main characteristics:

- 1) Spending reviews not only look at programme effectiveness and efficiency under current funding levels, but also examine the consequences for outputs and outcomes of alternative funding levels.
- 2) The responsibility for the spending review procedure is under the responsibility of either the Ministry of Finance or the Prime Minister's Office.
- 3) The follow-up of spending reviews is decided in the budget process.

7. These three criteria make an explicit link to budgetary decision-making, both in terms of analysis and recommendations under alternative funding levels (e.g. spending review targets) and in terms of the budgetary process. In recognising that ministries will be reluctant to offer up cuts, there is emphasis on central leadership for both participation and consistency (or fairness).

Proposed spending review typology

8. Table 1 further divides spending reviews by their assessment criteria for making reduction proposals. A **functional review** can be defined as a review of processes and staffing to identify how an existing government service or programme can be delivered with fewer resources. Functional reviews can be applied to individual or multiple programmes or to an organisation or set of organisations to make operations more efficient and/or eliminate duplications of operations, i.e. improving efficiency without calling into question the justification for the programme or organisation. For example, Finland introduced

¹ International Budget Practices and Procedures Database, 2007.

the Productivity Programme in 2004 to maintain pressure to achieve public-sector efficiencies. It included measures for improving government administrative structures, exploiting ICT and enhancing central government processes, as well as permanently reducing the number of government staff.

9. On the other hand, a **strategic review** can be defined as a review of both the *objectives* of policies and programmes being implemented, as well as the processes and staffing of said programmes or organisations. The ultimate objective of such exercises is to prioritise programmes on the basis of policy objectives and/or performance. An example of a strategic review is the Canadian Program Review, from 1994 to 1999, in which each department of the Canadian government was required to review its programmes and activities and identify the role of the government, effectiveness and affordability of the programmes. These proposals were then reviewed by a steering committee of deputy ministers, a special cabinet committee of ministers, and finally by the full cabinet for decision-making.²

10. While both functional and strategic reviews look at programme efficiency, only strategic reviews compare the objectives of programmes (and how well they are meeting them) against the changing priorities of the government, including in the context of a changing fiscal environment. Where insufficient savings can be achieved through efficiencies alone, they may instead make proposals in service levels, in programme terminations or restructuring in order to reach fiscal goals.

Table 1: Typology of evaluations by scope and primary objective

<i>Primary objective</i>		
Analysis: analyse management, structures and/or policy to improve efficiency and effectiveness	Reallocation: reallocate and/or reduce government expenditure for programmes or organisations	
Performance reviews (programme, policy or organisational evaluation)	Spending Reviews	
	Functional review	Strategic review
	<i>Primary criteria: efficiency -</i> Identify how the existing policies can be conducted with less resource <i>Examples:</i> - Finland "Productivity Programme"(2005-15) - Greece "Functional review of central ministries" (2010-11)	<i>Primary criteria: efficiency & prioritisation -</i> Identify what the government should or should not do <i>Examples:</i> - Australia "Comprehensive expenditure reviews"; "Strategic review" (2007) - Canada "Programme Review"(1994); "Strategic Review" (2009) - Denmark "Spending review" (ongoing) - Netherland "Interdepartmental Policy review" (1982; 2009-present) - UK "Spending Review"(1998-present)

² Bourgon, Jocelyne, "Program Review: The Government of Canada's Experience Eliminating the Deficit, 1994-1999; A Canadian Case Study" (2009).

11. A typology of spending reviews serves to differentiate between review objectives and to identify the accompanying organisational and methodological needs for each type of review. For example, because they involve political prioritisation, strategic reviews should normally necessitate a higher level of political involvement and decision-making in order to prioritise across sector or operational responsibility areas and to make decisions about service levels. A functional review, on the other hand, can be a more operational exercise of optimising processes for individual programmes, but may require deeper co-ordination with line ministries to put in place operational changes needed to achieve savings. For this reason, functional reviews could be better suited for identifying back office reforms such as shared services that do not affect service levels, but that may require large scale organisational changes.

Implementation of spending reviews

12. Depending on their objectives and circumstances, spending reviews may require specific incentives, leadership and structures. This depends on whether they are functional or strategic reviews, their scope (which expenditure areas are covered by the review), their level (whether the reviews are across programmes, policies or organisations, e.g. ministries and agencies), and other contextual and political variables. Therefore, these reviews should be clearly distinguished in order to identify differences in set-up, guidance, and implementation of the respective types of reviews in different countries.

Scope, level, and timeframe of spending reviews

13. The scope of the spending reviews in the annex cover both discretionary and mandatory expenditures (the UK only covers discretionary expenditure). Where there is political will, spending reviews can be a useful tool to review mandatory expenditures such as pensions and some health care expenditures, since these are subject to their own authorising legislation and are typically not determined in the annual budget process. The scope of reviews also applies to the level of government affected. In most cases, the spending review is of central government expenditure, and does not include regional or local budgets. In the case of Finland, however, having extended the Productivity Programme to the State regional level, there has also been some interest in also applying it at the municipal level.

14. As shown in Table 2, the spending review period can range from one year (Denmark) to 4-5 year cycles for reviewing all of the targeted programmes (In the case of Denmark, however, there is no goal to examine all programmes). Rules and procedures also range from the informal (Denmark) to explicitly defined scope and timing (Canada, Finland, UK). In other cases, the spending review process is in place, but receives more focus and use in greater times of need (Australia, Netherlands).

15. While perhaps best known when they are applied across government as a whole, spending reviews can also take place at the policy or organisational level. For example, while it does not currently conduct whole-of-government spending reviews, New Zealand has conducted sector reviews such as the “Child Health Programme Review” in 1998. The level at which spending reviews are conducted (by programme, policies or organisations) should fit the fiscal need, political will, and the available resources and capability to conduct the review. For example, the Canadian Strategic Review initiative, launched in 2009, asks each ministry to identify its top 5% and bottom 5% priorities. While still a strategic review, it conducts strategic prioritisation at the ministry, rather than whole-of-government level (*i.e.* comparing priorities across ministries) as was the case in the 1994 programme review. Limiting the scope of a spending review can serve to focus on areas of need, improve the speed of the process, and/or improve political consensus for recommendations in cases where there is an agreed-upon need. By the same token, a broader spending review can be seen as being more fair, as no sector or organisation is left unchallenged.

16. In terms of the results of spending reviews, these are expressed in different ways according to the original objectives and justification of the review. For the Finnish Productivity Programme, for example, results are primarily expressed in terms of personnel reductions as the review was conceived as part of the strategy to help Finland prepare for an aging civil service. Spending reviews with clear start and end dates (Canada, Finland, UK) were also more likely to state overall saving targets / saving achieved for the spending review as a whole.

Table 2: General characteristics of select spending reviews

	Scope (sectors reviewed; level of govt)	Level of review (horizontal policies, sector programmes, organisations)	Time frame/ Periodicity	Resulting savings options
Australian Strategic Review	All federal government expenditures can be reviewed	Horizontal policies and sector programmes	12 since 2008	383.4 M \$AUS in expected savings over 4 years through Job Capacity Assessment Review
Australian comprehensive expenditure review	<i>Ad hoc</i> selection from federal budget expenditure areas	Horizontal policies and sector programmes	<i>Ad hoc</i>	?
Canadian Program Review (1994)	All departments & organisations reporting to a minister and through a minister to Parliament were reviewed	Horizontal policies and sector programmes	1994-95 (review process) 1996-99 (implementation of proposals)	Programme spending declined in absolute terms by over 10% between 1994-95 & 1996-97
Denmark Spending Review	<i>Ad hoc</i> selection from central budget expenditure areas	Horizontal policies and sector programmes	Annual: 10-15/yr (up to 34)	?
Finland Productivity Programme	All central government expenditures, including State regional level	Sector programmes and organisations	Two phases: 2005-11, 2012-15	Reduced the public administration by 9,645 person-years in 2005-2011
The Netherlands Interdepartmental Policy Review	All central government expenditures	Horizontal policies and sector programmes	Since mid-80s	35 B EUR savings identified in 2009 spending review
United Kingdom Spending Review	All discretionary spending (60% of total) : key areas of Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DELs) for each government department and for the devolved administrations	Horizontal policies and sector programmes	Biannual	203 B £ in discretionary spending cuts forecasted for the period 2011-2015

Leadership and decision-making of spending reviews

17. An analysis of the four case studies presented in the Annex (Australia, Denmark, Finland, Netherlands), plus Canada and the UK, show a wide range of responsibilities for spending reviews processes at different stages (Table 3). What the spending review process has in common across these countries, however, is a strong role at every stage for the ministry of finance. In fact, the ministry of finance role is not limited to managing the process and co-ordinating the final decision-making process, but also includes, in many cases, the development of reports and proposals (though this is often done jointly with the line ministry, or else by an independent working group). This may point to a perception that a more independent or adversarial approach is needed in order to reach fiscal consolidation targets.

18. In terms of the follow-up of spending reviews, the responsibility of achieving savings identified under the review will depend on whether or not a framework budget is in place and whether it is fixed or flexible. To the extent that the spending review recommendations are already taken into account by lowering budget allocations, then the work of achieving the actual savings rests with line ministries. The role of ministries of finance in monitoring and pushing for implementation of spending review decisions, however, could be further investigated, as well as whether their active involvement in follow-up improves the realisation of savings. Follow-up requirements may also be different for strategic reviews whose recommendations can sometimes be implemented through follow-up legislation as opposed to functional reviews which may require setting up reforms to organisational structures and processes.

Table 3: Primary responsibility for different stages of the Spending Review process

	Prime Minister's Office/Cabinet	Ministry of Finance	Line Ministries	Commission, Committee
Methodology & steering		Australia; Canada; Denmark; Finland; Netherlands; UK		
Selection of review scope (where all programmes are not reviewed)	Denmark (Economic Committee) (following MoF nomination)	Australia		
Preparing of reports & proposals		Australia (sometimes jointly with line ministry); Denmark (sometimes jointly with line ministry, also including use of consultants); UK (also mixed working groups)	Australia (sometimes); Canada; Finland; Netherlands (working party under independent leadership)	
Supervision & review of reports		Finland; UK	UK	Australia; Canada; Denmark (sometimes); Netherlands
Final decision-making	Australia; Canada; Denmark (Economic Committee); Netherlands; UK	Finland		
Monitoring follow-up		Australia; Canada; Finland; Netherlands; UK		

Other variables and questions to be addressed

19. Other factors that were not necessarily within the scope of the case studies, but which should be examined to understand possible success factors for spending reviews include the fiscal and political context; linkages to the budgeting, strategic planning, and electoral cycle; and the extent of political involvement and ownership of the spending review approach, objectives and process. For example, one would expect strategic reviews to have a greater need for political buy-in than functional reviews, whereas functional reviews could be led as a technical exercise by senior civil servants. For example, could a coalition government with a weak centre (as in the case of Finland) be a factor in the choice of a functional review where there is no consensus on what policy area could be cut, but where there is still room for a relatively strong ministry of finance to focus on finding efficiency savings? Finally, in terms of timing, a strategic review might have more of a chance of successfully proposing major changes in spending levels before the formation of a government, whereas under a standing cabinet, a spending review might be more successful if it is limited to looking for efficiencies. Additional questions that could be addressed in a deeper review of spending reviews in order to draw lessons for countries:

- 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?

Next Steps

20. Spending reviews are resource intensive undertakings; they require political will and government discipline, as well as informational, human and financial resources to effectively implement them and to follow through on their recommendations. It is therefore important -- all the more so in today's fiscal circumstances -- that ministries of finance understand what types of spending reviews have been used to meet specific fiscal goals and circumstances, and what have been the conditions for their success. Such information will allow ministries of finance to maximise the potential benefits of spending reviews, both in terms of the savings they are able to identify and in terms of the consensus and support they are able to garner towards achieving savings identified through the reviews.

21. The Secretariat aims to assist member governments in these causes -- identifying some key lessons and good practices from across the OECD to support the budget reallocation/cuts and improving existing processes for conducting reviews. As a preliminary step, the Secretariat first proposes testing its typology of spending reviews and expanding the research sample beyond the four initial case studies to include a broader selection of member and partner countries. As part of this information-gathering exercise, the OECD will draw from two main sources:

- Responses to the upcoming *OECD Performance Budgeting Survey*, due to be launched before the end of November 2011, and;
- Additional case studies obtained from further desk research and (voluntarily) submitted information from countries.

Source 1: 2011 OECD Performance Budgeting Survey

22. A draft questionnaire will be submitted for feedback at the 9-10 November 2011, meeting of the SBO Network on Performance and Results, with the final questionnaire expected to be distributed for completion before the end of the year.

23. Spending reviews are a cornerstone of the questionnaire framework³, which aims to identify changing trends in performance budgeting and to assess the kinds of performance information most commonly utilised by central government entities for different budgetary ends. Questions on Spending Reviews are therefore found throughout the survey, with respondents being asked to indicate for instance: (i) the primary government (and non-government) stakeholders involved in guiding, designing, and generating the reviews; (ii) the extent to which these reviews are utilised by Central Budget Authorities and Line Ministries in the allocation/re-allocation of funds; and (iii) the extent to which spending reviews are utilised for non-budgetary purposes (*e.g.* strategic planning or reforms).⁴

24. Additionally, Section 5 of this questionnaire asks respondents to provide information on recently conducted spending reviews in their own countries, including:

- **Descriptive information.** On the number of spending reviews conducted since 2005 and the total value of the programmes reviewed;
- **Approaches taken.** The scope of the spending reviews and the methodologies applied.
- **Results.** The value of the savings achieved.

Source 2: Additional case studies

25. A **case study template form** will be distributed along with the performance budgeting questionnaire invitation. Countries are invited to submit concrete examples of spending reviews in their countries and/or provide supplemental information to Section 5 of the Performance Budgeting Questionnaire.

26. While the questionnaire is centred on the key elements of the reviews themselves, the case study templates ask respondents to provide more contextual information: discussing the drivers/catalysts for the reviews for instance, the challenges they faced and how they were overcome, how it was ensured that recommendations were implemented following the review, and any innovative policies/practices adopted.

³ See Concept Note for Draft 2011 OECD Performance Budgeting Questionnaire.

⁴ See Draft Performance Budgeting Questionnaire for detailed questions asked on spending reviews.

Deliverables

27. Results of the questionnaire will be made publically available on the online OECD International Budget Practices and Procedures database, and may be published in the upcoming edition of Government at a Glance 2013.

28. Additionally, further analysis, lessons learnt and good practices will be published in upcoming editions of the OECD Journal on Budgeting, also available online.

Conclusion

29. Spending reviews are not "better" than other types of evaluation; nor are strategic reviews superior to functional reviews or vice versa. Each is a tool that corresponds to a specific need for spending reallocation or cuts and that *requires political support and leadership, design and guidance capacity from the centre, and clarity of objectives and process for all participants*. As such, spending reviews constitute a resource-intensive process in terms of analytical capacity, political capital and opportunity costs for operational initiatives. But where needs, support, and capacity are aligned, they can help identify low priority areas, justify budget cuts or reallocation, and build overall awareness of the need for budget reductions and for public administration reform. Spending reviews can also serve to make government more strategic, by pruning back functions that accrete over time, making fiscal space for new initiatives, and better aligning expenditure with political priorities. They require groundwork in terms of capacity to respond by line ministries and agencies, programme information and data, and political buy-in to support and act on the final results. Clarity on both the objectives and preconditions (political and administrative) are therefore needed for the successful design and implementation of spending reviews.