



How to integrate spending reviews into the budget cycle

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OECD Best Practice Guidance

4. Ensure integration with the budget process

Alignment with the budget process

Alignment with medium-term frameworks

Alignment with evaluations and performance budgeting

IMF Recommendations (How To Note)

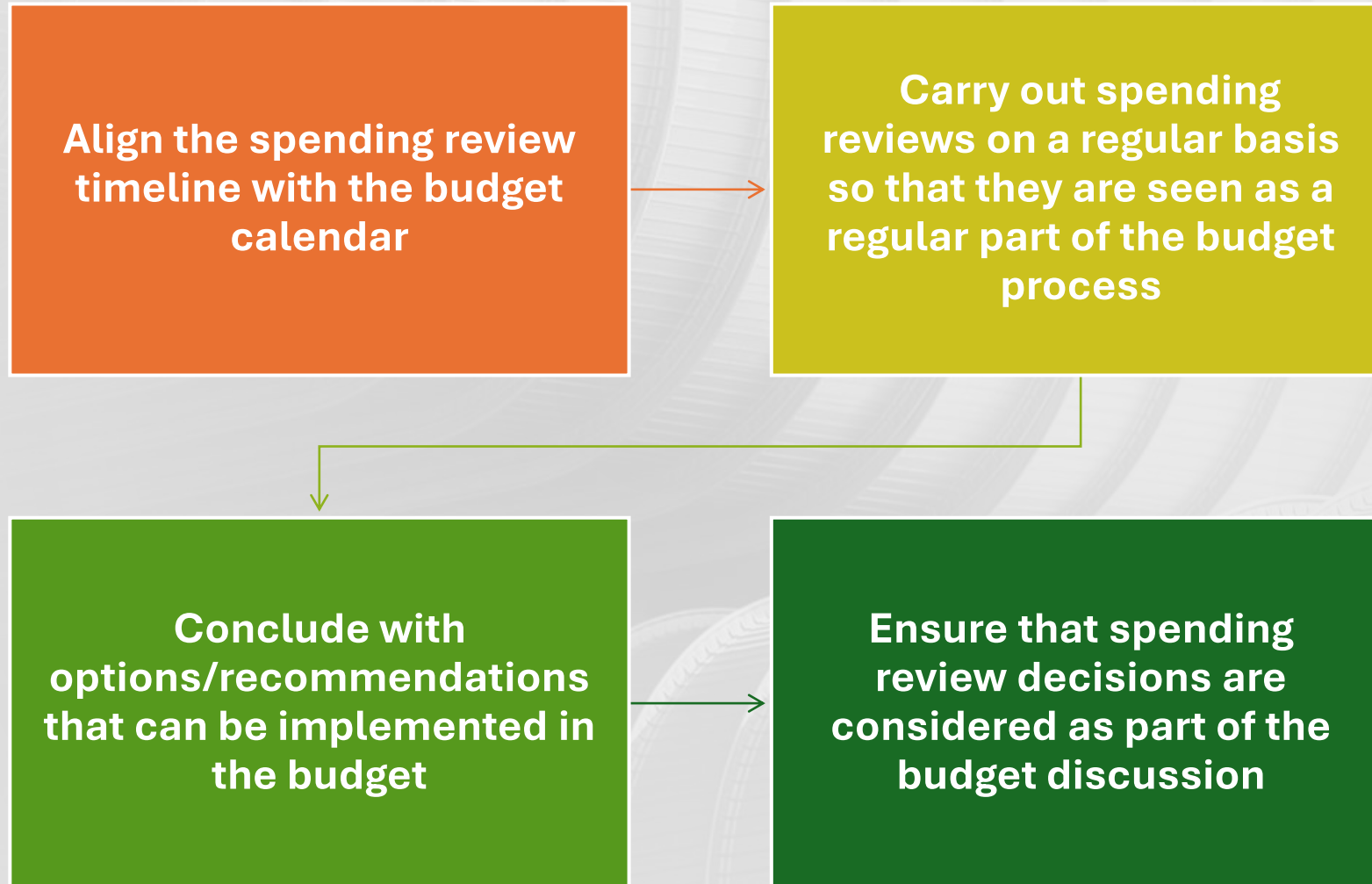
Recommendations:

- Integrating spending reviews with the regular budget process ensures that:
 - budget allocation decisions are informed by program performance and value for money and that spending remains aligned with changing priorities.
 - spending review objectives are consistent with the government's medium-term fiscal objectives and that spending review decisions are incorporated into medium-term expenditure ceilings and agency budgets.
- A requirement for regular spending reviews in public financial management (PFM) legislation can help institutionalize the process and better integrate spending reviews with the budget process.

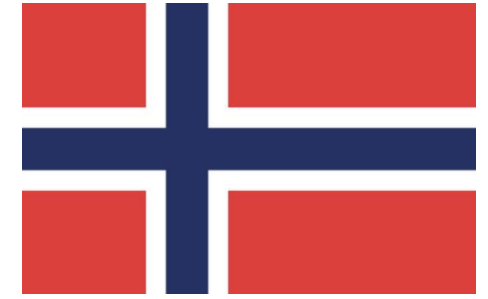
Country Examples:

- In Australia the outcomes of strategic spending reviews are considered by the Budget Expenditure Review Committee as part of the annual budget process.
- The United Kingdom's spending review process is undertaken periodically and used as the basis for formulating medium-term expenditure plans for government agencies over a multiyear period (Bova, Ercolo, and Vanden Bosch 2020).
- Ukraine amended its budget code in 2018 to require regular spending reviews and allow for incorporation of proposals into the draft budget.
- Italy and the Slovak Republic have also made spending reviews a permanent feature of their PFM systems.

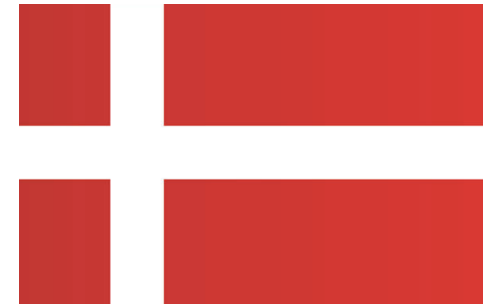
SR Integration - Best Practice Basics



Norway – example



- In Norway, spending reviews are closely aligned with the budget process and are a routine part of budget planning.
- In 2017, the Norwegian government initiated a budget strategy conference in early fall, as the first of three budget conferences. At that conference, the economic outlook over the medium-term was discussed.
- Based upon that discussion, the government decided its priorities and guidelines for the budget process for the following year.
- Mandates for spending reviews were an important part of the discussion, and the results of previous spending reviews are reviewed.
- Soon after the final spending review report was delivered, the Ministry of Finance, in close cooperation with line ministries, presented the recommendations to the government for approval at a budget strategy conference. Thus, recommendations that had a direct effect on spending were an integral part of the budget process.



Denmark - example

Spending reviews have been undertaken for more than 20 years in Denmark. They are led by the Ministry of Finance, with the government using them to reallocate resources and increase efficiency.

The spending reviews inform budget negotiations and decisions on multi-annual budget agreements.

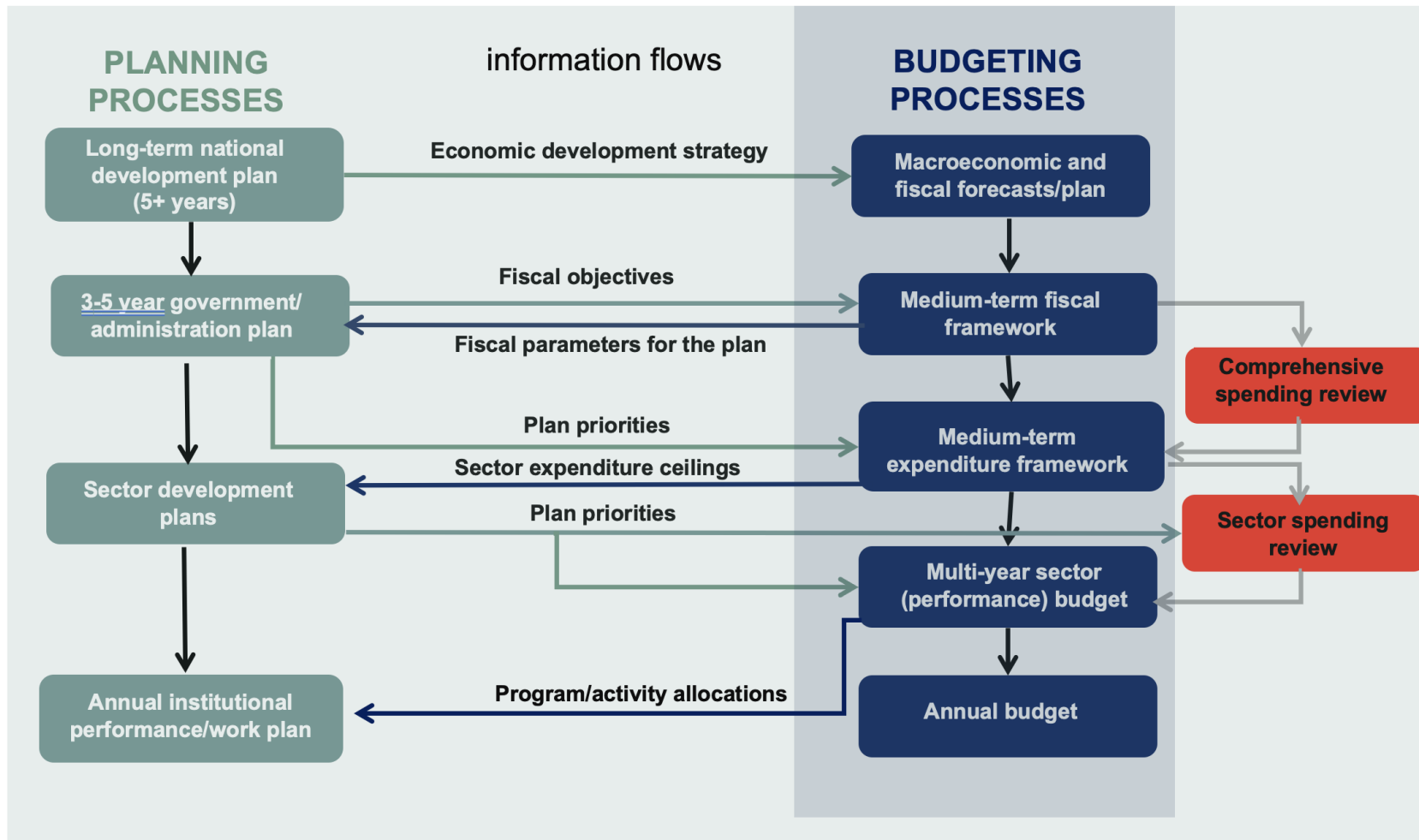
The reviews are conducted over a relatively short period, where the decision on which reviews to conduct is taken in January or February and the reviews are undertaken over the ensuing months with the aim of having the findings available by the beginning of May. This ensures the findings of a spending review are available when the government decides on budget priorities in June.



Additional good practice suggestions

- Aligning spending reviews with strategic planning processes
- How the governance framework for SRs affects integration with the budget cycle;
- Differentiation of SR types and their relation to budget cycle

Conceptual Framework for aligning strategic planning and budgeting.



Governance framework and integration

Who is responsible for the selection and conduct of SRs matters for smooth alignment with the budget process and timetable?

- Finance ministry leadership role in selection and determination of scope, and close involvement of budget analysts in the SR process makes alignment more straightforward.
- Other options such as a more collective (Cabinet) or independent (e.g. IFI) approach may require more time.


The roles of various agencies needs careful thought, to ensure there is adequate time for consultation on the scope of annual SR program and to make sure you have time to put in place the right team composition to carry out a quality review – including hiring of experts, independent quality assurance etc.

May need to allow different timetables depending on the scale and scope. Larger, more complex (e.g. multi-institutional) SRs may extend over more than one budget cycle.

Legislative basis for SR and specific instructions in budget guidelines on how to incorporate SR findings are options.

However, we have seen that some countries have successfully institutionalized SRs as an integral part of the budget process with this. Highly codified approaches to SR, e.g. squeezed into a tight annual budget calendar, may be counterproductive.

Combined SR and budget timetable



| Activity | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| Define SR goals and implementation plan | █ | | | | | | | | | | | | | | | |
| Select SR topics, and define scope and outputs | | █ | | | | | | | | | | | | | | |
| Include SR objectives, scope and timelines in national budget guidelines | | | █ | | | | | | | | | | | | | |
| SR implementation, team formation and launch | | | █ | | | | | | | | | | | | | |
| Analyze institutions, business processes and program structures | | | | █ | | | | | | | | | | | | |
| Analyze expenditures, savings and trade offs | | | | | █ | █ | | | | | | | | | | |
| Finalize SR recommendations & reports | | | | | | | █ | | | | | | | | | |
| Ministries compile budget submissions using conclusion of spending reviews. | | | | | | | | █ | | | | | | | | |
| Prepare medium-term budget policy statement (MTBS) | | | | | | | | | █ | █ | | | | | | |
| Preparation of detailed budget | | | | | | | | | | | █ | █ | █ | █ | | |
| Tabling of budget for legislative approval | | | | | | | | | | | | | | | █ | |

Adapted from S. Africa: Framework for achieving spending efficiency in fiscally constrained environment

Thank you

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