

Spending review

Since the global financial crisis, the use of spending review has risen dramatically across the OECD. Spending review has two main purposes: to give the government improved control over the level of aggregate expenditure, and to improve expenditure prioritisation. Countries with a longer experience of using spending review have demonstrated that it can focus governments to improve expenditure prioritisation and to find fiscal space for new spending priorities. Given the difficult fiscal context facing many OECD governments, such a tool could prove invaluable, particularly if it becomes a more permanent feature of the budget process.

In 2016, 23 OECD countries report using spending review, compared to 16 in 2011. An additional five countries are considering this tool for future use (Austria, Estonia, Israel, Norway and Turkey). Over 70% of countries that report using spending review have now undertaken multiple reviews indicating that it may be becoming embedded in budgeting processes for new adopters rather than being used as an ad hoc response to fiscal pressures. If spending review is to be institutionalised, it must be designed appropriately. This requires consideration of the ways in which it may need to be designed differently as an ongoing part of budget preparation rather than an essentially ad hoc tool for major fiscal consolidation. Moreover, because spending review is a resource-intensive activity, it is crucial that it is designed to be as cost-effective as possible.

Historically there are two models of spending review: targeted annual reviews (Netherlands and Denmark), and cyclical comprehensive reviews (United Kingdom). A targeted spending review focuses on a specific list of review topics decided at the outset. By contrast, a comprehensive spending review is not constrained by any such ex ante list of review topics, and aims to review spending in greater depth. However, a comprehensive spending review does not literally try to examine everything. So far, comprehensive rather than narrow spending reviews appear to be favoured among new adopters.

The spending review governance model determines how and when each institution is involved in a spending review. With respect to roles and responsibilities in the spending review process, firm political oversight and direction of the process is critical. The most common approach is for spending review to be primarily led by the central budget authority (Belgium, Canada, France, Finland, Ireland, Latvia, Mexico, New Zealand, Switzerland and the United Kingdom). A smaller number of OECD countries have opted for a review led by the president or prime minister's office (Italy and Luxembourg) with mixed results. Other OECD countries tend to have a mixed model of spending review governance, where a number of government actors have significant responsibilities. In Japan, experts outside the government have primary responsibility for spending review procedures.

Despite their growing popularity, spending review outcomes are not always clear. Ten OECD countries concluded that 90% or more of their fiscal objectives from past spending reviews have been met (Canada, Greece, Ireland, Italy, Latvia, Luxembourg, Sweden, Switzerland, Mexico and the

United Kingdom). However, nine OECD countries do not have any information on the fiscal outcomes of spending review (Australia, Denmark, Finland, France, Germany, Japan, Poland, Portugal and the United States). More challenging still, 13 OECD countries have no information on the realisation of performance objectives of past spending reviews. Better tracking of spending review implementation and effectiveness represents an area for potential improvement.

Methodology and definitions

Data refer to 2016 and draw upon country responses to questions from the 2016 OECD Performance Budgeting Survey. Survey responses were predominantly senior budget officials in OECD countries. Responses were received from 33 out of 35 OECD countries and represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude performance budgeting practices at the state/local levels.

A narrow spending review covers 0% to 5% of total government spending, a broad spending review covers 5% to 20% of government spending and a comprehensive spending review covers 20% to 100% of government spending.

The central budget authority is a public entity, or several co-ordinated entities, responsible for the custody and management of all (or the majority of) the public money. It is often part of the central government's ministry of finance.

Figure 5.6 shows the number of spending review procedures that each government actor has responsibility for as a percentage of all spending review procedures undertaken by government actors. It weights all procedures equally.

Further reading

OECD (2017), "2016 OECD Performance Budgeting Survey Highlights: Integrating Performance and Results in Budgeting", OECD Publishing, Paris, www.oecd.org/gov/budgeting/Performance-Budgeting-Survey-Highlights.pdf.

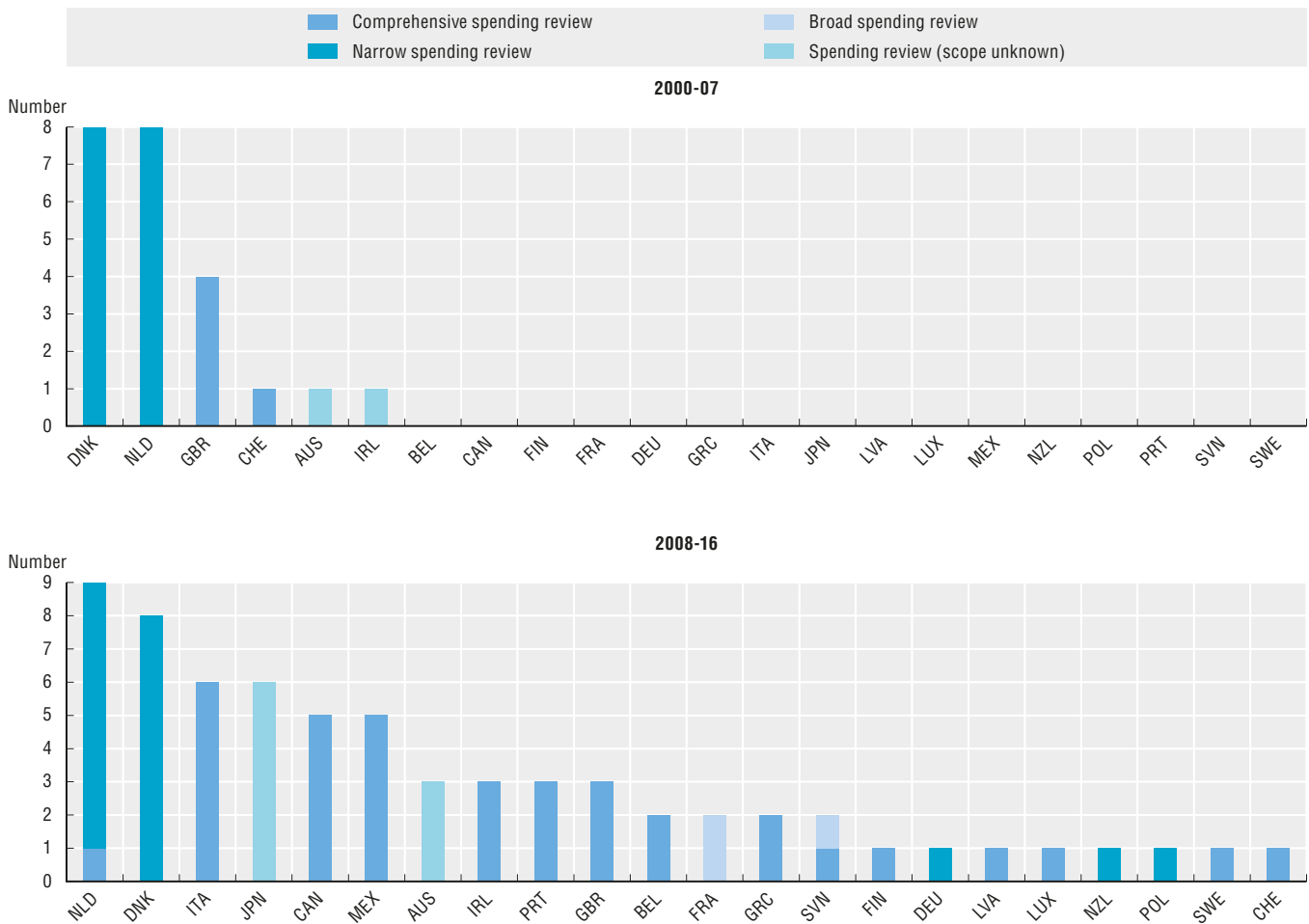
OECD (2008), "Performance Budgeting: A User's Guide", OECD Policy Brief, OECD Publishing, Paris, www.oecd.org/gov/budgeting/Performance-Budgeting-Guide.pdf.

Figure notes

5.5: Data covers the period 2008 until 4th March 2016. Only OECD countries that have undertaken spending review are shown. The United States has undertaken spending review but did not provide information on the frequency and scope.

5.6: Only OECD countries that have undertaken spending review are shown. Australia has undertaken spending review but did not provide information on the governance model.

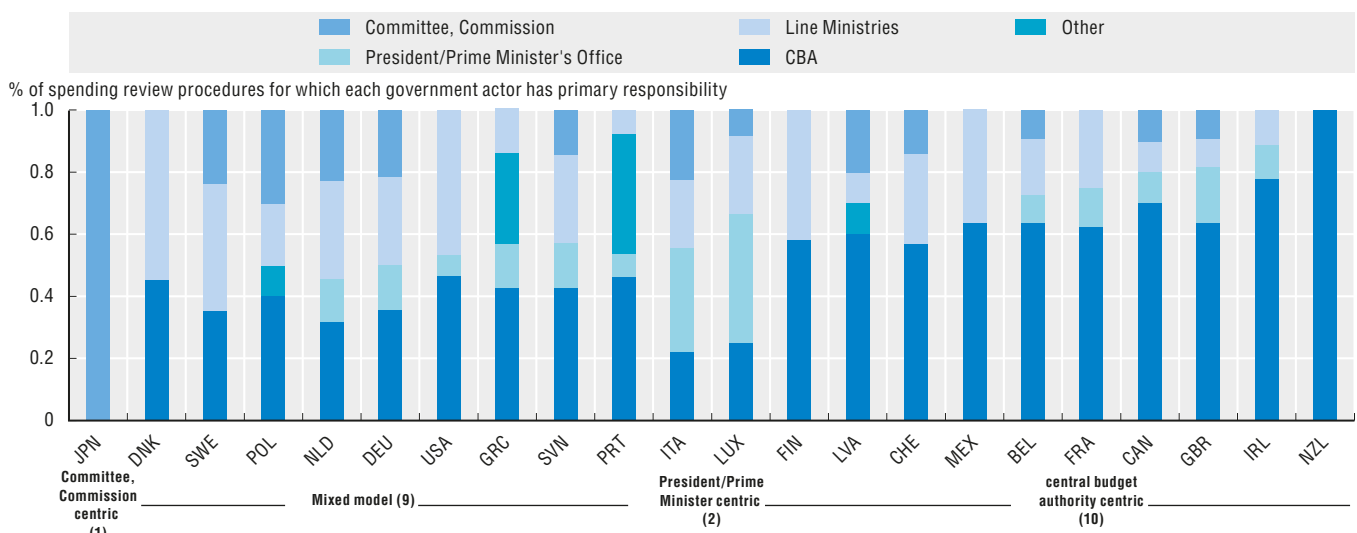
5.5. Frequency and scope of spending reviews, 2000-2007 and 2008-2016



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

StatLink <http://dx.doi.org/10.1787/888933532751>

5.6. Spending review governance model, 2016



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

StatLink <http://dx.doi.org/10.1787/888933532770>



From:
Government at a Glance 2017

Access the complete publication at:
https://doi.org/10.1787/gov_glance-2017-en

Please cite this chapter as:

OECD (2017), "Spending review", in *Government at a Glance 2017*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/gov_glance-2017-42-en

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