Séanadh

Is í an Oifig Buiséid Pharlaininteach (OBP) a d’ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d’aon fhaisnéis atá á cothabhairt ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chuimhneacháin ná bhíonn faoi thíortha den sórt sin a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Disclaimer

This document has been prepared by the Parliamentary Budget Office (PBO) for use by the Members of the Houses of the Oireachtas to aid them in their parliamentary duties. It is not intended to be either comprehensive or definitive. The PBO may remove, vary or amend any information contained therein at any time without prior notice. The PBO accepts no responsibility for any references or links to or the content of any information maintained by third parties. Staff of the PBO are available to discuss the contents of these papers with Members and their staff, but cannot enter into discussions with members of the general public or external organisations.
Contents

Key Points 2
Introduction 3
Background of Spending Reviews 4
Spending Review Process in Ireland 6
International Evidence and Cross-Country Comparison 8
  Findings from European Commission and OECD's International Surveys 8
  Findings from European Centre for Parliamentary Research and Documentation 9
Findings & Suggestions for the Irish Spending Review 14
  1. Greater parliamentary awareness of the spending review process through greater interaction with the Houses of the Oireachtas 14
  2. Clearer Links with the Budget Process 15
  3. Greater Ownership from Line Departments 16
Appendix 1. Questions asked Using ECPRD Network 18
The Irish Spending Review was introduced to improve the management of public expenditure after the financial crisis. Since the early iterations of the spending review in 2009 and 2012-2014, the process has evolved significantly. The main aim of these initial spending reviews was to identify and achieve savings for the Exchequer, as at that time, significant pressure was placed on public finances due to the intense economic conditions. As economic recovery began, the spending review process developed and the focus became more on reviewing the efficient use of resources, as opposed to identifying savings.

The current review is coming to the end of the three-year cycle (2017-2019). This provides an opportunity to assess the current process and implement changes to the design of the next cycle.

Comparing internationally, the Irish spending review is more developed than in a number of countries, many of whom have only recently introduced spending reviews or are currently piloting their processes. Despite this, there are learnings that can be gleaned from international processes which should be considered when progressing the next Irish spending review cycle.

Drawing from international evidence collected and knowledge of the current Irish process, the PBO have highlighted three broad suggestions which could improve the effectiveness of the spending review process:

1. **Greater parliamentary awareness of the spending review process through greater interaction with the Houses of the Oireachtas:** This would help to achieve greater political commitment, greater transparency and greater motivation to implement findings. It would also aid Parliamentarians in engaging with the process and effectively scrutinising budgetary decisions. This can be achieved by keeping the Oireachtas informed at key points of the spending review process and also ensuring that papers published are accessible to a wide audience, by ensuring aims of the paper and key findings are clearly outlined.

2. **Clearer links with the budget process:** This would allow Parliamentarians to more effectively engage with the spending review process and better scrutinise budgetary decisions. This clarity can be achieved by making clear for each paper published: the total amount of expenditure subject to review, whether policy under review has been found to be an effective and/or efficient use of resources, and the recommended actions to be taken including where, if relevant, funds should be re-allocated.

3. **Greater ownership from line departments:** The current spending review is largely conducted centrally by officials in the Department of Public Expenditure and Reform (DPER). While there has been growing engagement between DPER and line Departments in the production of spending review papers, greater ownership from line departments would support good quality analysis due to specialist knowledge of the policy area and greater access to data, and could lead to greater scrutiny by Oireachtas Committees. It may also lead to greater motivation to implement the findings of the review. This could be achieved by analysing the reasons for lower engagement in certain areas and introducing appropriate incentives such as monetary incentives or greater political pressure.
Introduction

Spending review processes have grown in popularity in recent years and are now regularly carried out by a number of countries internationally, including Ireland. The goal of a spending review is to analyse public expenditure with the aim of improving the efficiency of expenditure allocation either by identifying areas where savings may arise or by reprioritising expenditure for programmes.

Ireland has conducted a number of spending reviews in recent years and the process has evolved over time along with a changing economic environment and the development of the Irish Economic and Evaluation Service (IGEES) whose aim is to enhance the role of evidence and the importance of value for money within the civil service.

The most recent spending review (2017-2019) is in the final year of its cycle and therefore it is an opportune time to examine the current process and identify suggestions, particularly from a parliamentary perspective, that could enhance the process when developing the next review cycle. It should be noted that the Department of Expenditure and Reform (DPER) who are tasked with leading and coordinating the spending review process, have commissioned an external academic to carry out an analysis of the spending review process. The findings from this analysis will likely feed into the design of the next cycle of the spending review.

This paper examines the Irish spending review process and investigates processes conducted internationally to identify advantages and some limitations of the Irish process, and to suggest potential changes drawing from international examples. This paper will first discuss the background and theory behind spending reviews, including an introduction of the EU’s common principles for spending reviews. The Irish Spending Review will then be explored, with discussion of the progression of the process and how it compares with the EU principles.

International experiences of spending reviews will then be discussed, drawing on information collected from European Commission and OECD surveys. To obtain new and up to date information about international spending reviews, first-hand survey evidence has been collected, through the use of a parliamentary network. This evidence adds substantial value in terms of understanding the current state of spending reviews internationally and identifying distinctive aspects to processes which could be informative for the Irish position.

These international experiences will be drawn from to identify suggestions for the Irish process. These suggestions come under the three broad headings:

1. Greater parliamentary awareness of the spending review process through greater interaction with the Houses of the Oireachtas;
2. Clearer links to the budget process; and
3. Greater ownership from line departments.
The financial crisis highlighted a number of weaknesses in the ability of fiscal authorities in several countries to adequately control public expenditure and limit expenditure growth to sustainable levels. In the years following the financial crisis, an increased emphasis on efficient resource allocation was observed due to the high pressure placed on public resources.

The EU strengthened Member States’ fiscal frameworks by introducing fiscal rules to guide and limit public expenditure levels and expenditure growth in line with the growth rate of the economy. For example, in Ireland the Expenditure Benchmark rule limits annual public expenditure growth to support the achievement of a balanced budget in structural terms – Ireland’s Medium-Term Budgetary Objective (or MTO). Innovations were also introduced in relation to budgetary frameworks; a set of institutional arrangements in the budget process intended to foster sound fiscal policies by Government. Spending Reviews were advocated for by the EU to help Member States monitor and evaluate the use of public expenditure to inform decisions regarding resource allocation.

A spending review is a tool used to inform budgetary decision-making and identify potential expenditure savings opportunities by assessing Government spending on the basis of the principles of rationale, efficiency, effectiveness and impact. The purpose of a spending review is to achieve greater understanding and management of public expenditure by analysing expenditure (including current baseline expenditure, historical trends, future projections and underlying drivers) and evaluating the performance of programmes. Spending review processes can be used to embed a culture of evaluation and performance into the civil sector. Budgetary decisions informed by this analysis should lead to a more efficient allocation of resources, and any savings identified allow greater flexibility to fund changes in policy priorities.

In September 2016, the EU published common principles that should be adhered to when conducting a spending review in EU Member States:

- Having strong and sustained political commitment, which is particularly important for the implementation of findings of the review process;
- Following best practice when it comes to design and implementation (including a clear specification of the objectives, quantified saving targets (where relevant), clear scope, use of pilots, provision of adequate resources and access to data, etc.);
- Regular and transparent monitoring and communication to the public on the progress and outcome of reviews; and,
- Conclusions stemming from spending reviews should be consistent with annual and multiannual budget planning.2

1 The MTO is the key fiscal anchor of the Preventive Arm of the Stability and Growth Pact. It is a country-specific target level for the structural or underlying Government Budget position. Ireland’s MTO is currently a Structural Budget Balance of -0.5% of GDP.

Spending reviews have grown in popularity internationally with an increasing number of countries using spending reviews to help inform budgetary decisions. In a 2016 survey, the OECD found that 23 OECD countries conduct spending reviews compared to only 16 in 2011. The economic downturn which followed the global financial crisis of 2008 and the need to restore weak public finances were the main driver of these developments. This number has increased further since 2016 with more countries introducing or planning to introduce spending reviews.

Spending reviews typically take either a strategic approach, a tactical approach or a combination of the two. A spending review which takes a strategic approach analyses policy in terms of effectiveness in order to assess prioritisation of policies. The effectiveness of a policy refers how well the policy delivers the desired outcomes. The analysis of effectiveness can then inform decisions regarding the funding of policies found to be ineffective or relatively less effective. A spending review which takes a tactical approach analyses the efficiency of public spending. Efficiency refers to the amount of inputs required to achieve the desired outputs. These types of spending reviews assume that public spending can be made more efficient (e.g. providing the same quantity and quality of services at lower cost) and the analysis tries to identify where efficiency gains can be made.

Spending reviews in different countries vary in terms of scope and process. The European Commission has noted that there is no 'one-size-fits-all methodology' but they have identified a number of success factors:

- Political commitment;
- Ownership by the administration;
- Clear objectives and governance;
- Integration in the budgetary process;
- Anticipation of implementation; and
- Building capability and a performance culture at all levels of public service.

These success factors will be considered throughout the paper when analysing both the Irish spending review process and international processes. Design features of spending review processes will also be considered including topic selection, review scope and ex-post evaluations.

---

In recent years, Ireland has conducted regular spending reviews to improve management of public expenditure and to achieve a more sustainable level of public expenditure. The 2009 Report on the Special Group on Public Service Numbers and Expenditure Programmes can be considered the first of the recent spending review processes. Following from this, three multiannual spending reviews were conducted, in 2012-2014, 2015-2017 and the most recent cycle 2017-2019.\(^5\) The economic environment changed significantly during this time, which has led to different types of spending reviews being conducted.

The report by the Special Group was undertaken following the economic downturn of 2008 and its main aim was to identify savings to the Exchequer in the face of a widening gap between government expenditure and tax receipts. The group itself consisted of five external experts and a Department of Finance representative, who reviewed expenditure evaluation reports conducted by line departments, and identified potential efficiencies and savings. These findings were then presented to the Department of Finance in their final report.

The Comprehensive Expenditure Report 2012-14 focused on examining all areas of spending and was conducted during the economic downturn after Ireland had entered into the EU/IMF Programme in 2011. Due to the weak public finance conditions and significant pressures on public resources at this time, the main objective of this spending review was to identify areas where public expenditure could be decreased in order to meet fiscal targets. Findings from the spending review were presented to Government as options for potential areas of savings and fed into wider governmental discussions regarding spending cuts and the development of three-year budget plans.\(^6\)

Conversely, the spending reviews of 2015-17 and 2017-19 were conducted when the economy had begun to recover and for this reason, the aim of the reviews focused not just on identifying areas for potential spending cuts but on re-prioritising public expenditure within departments by assessing the efficiency and effectiveness of funding allocations.

These multiannual spending review processes are conducted differently to the Special Group Report, as they do not involve a group of external experts and are instead led and mostly conducted centrally, by the Department of Expenditure and Reform (DPER). Spending review analyses are largely conducted by members of the Irish Government Economic and Evaluation Service (IGEES). IGEES is an integrated cross-Government service, established in 2012, made up of specialist economist and policy analyst civil servants that aim to improve the use of evidence in policy making and enhance the role of value for money analysis. IGEES and particularly IGEES members located in DPER, play a key role in designing the spending review process, leading the process and carrying out the analysis.

---

\(^5\) The PBO has previously written a paper analysing the reviews conducted as part of the Spending Review process 2018: Parliamentary Budget Office (2018). Analysis of Spending Review 2018.

\(^6\) The Comprehensive Expenditure Report 2014 was the first Irish spending review to ask spending departments to identify a certain volume of savings – 5% of the expenditure ceilings for 2015 as set out in the Expenditure Report 2014 (Howlin and Kennedy, 2017). This is defined in the literature as a “bottom-up” approach to the spending review according to which spending ministers are given responsibility to identify savings options.
The objectives of the most recent spending review are outlined on the DPER website. These objectives are:

- Creating a larger stock of analysis and evaluation to support the Government in its resource-allocation decisions;
- Underpinning efficiency and effectiveness across all areas of spending, with a greater focus on outcomes and impacts;
- Providing the evidence base for reform efforts across Departments and the wider public service;
- Spotlighting areas of innovation and good practice, both in programme design and service delivery, that will be of wider interest and applicability; and
- Ensuring that the Spending Reviews are more firmly embedded within the budgetary process.

These objectives are clearly laid out and are accessible to key stakeholders such as the public and Oireachtas Members on the DPER website. However, improving the clarity of the objectives may aid key stakeholders in fully understanding the purpose and potential benefit of the spending review process. For example, the objectives do not clearly specify whether the main aim of the current spending review is strategic or tactical, i.e. reprioritising expenditure or improving efficiencies. Similarly, the aim and objective of individual spending review analyses is often not specified in the individual papers published. Greater clarity on aims of papers and overall objectives of the review would greatly benefit the overall process. In certain instances, savings objectives can also be quantified prior to the conduct of a review, and this should be identified in the aims and objectives.

The recent spending reviews operate in three-year cycles with a scope or coverage of roughly one third of total expenditure analysed each year. The analysis of expenditure is presented in a number of different policy papers which are published on the DPER website in July and at budget time in October. The review is comprehensive, as all public expenditure will be analysed over the three-year cycle. Topics for analyses are chosen annually. The process guiding how topics are chosen is not fully clear to an external audience. Topics are generally selected on the basis of engagement between DPER and line departments, with DPER playing a lead role in identifying areas raising concerns from a sustainability viewpoint and/or with regard to potential expenditure reprioritisations.

In terms of political commitment, the Minister for Public Expenditure and Reform is ultimately responsible for the spending review process and considering the findings from the analysis in budgetary decisions. Ministers of line departments and the Department of the Taoiseach tend not to be involved in the process. Currently, the Oireachtas does not play a role in the process nor are the findings from the spending review process formally presented to the Oireachtas.

In terms of ownership, the spending review process is monitored and governed centrally by a Steering Group of senior officials, mainly from DPER (and as of 2019 with representation from line departments). There exists varying degrees of cooperation with line departments depending on topic and spending review paper in question. The majority of spending review papers are conducted centrally by DPER employees with 78% of papers conducted by DPER and 22% by line departments in 2018. While the process is still highly centralised, the number of spending review papers conducted fully by line departments or jointly between DPER and line departments, has increased over time pointing to growing engagement and ownership of line departments.

The Expenditure Report 2019 provides some information as to how the spending review process 2017 and 2018 has informed the annual estimates process. With the exception of a small number of papers, it is difficult to identify clear direct links between the findings of the spending review papers and the budget decisions made. The link is also difficult to establish in the spending review papers themselves, as they do not tend to outline the amount of financial resources available for re-prioritisation as a result of the review.

---

7 PBO calculations on spending review papers published on the DPER website in 2018.
8 It is acknowledged that due to the political decision-making process, not all spending review papers for a particular year will input into budget decisions for that year. Analysis and findings may inform decisions in future years.
This section explores spending review processes used internationally to identify best practice and highlight potential suggestions for the Irish process. The section first discusses the findings from two surveys conducted by the EU Commission and the OECD. Following from this, the main contribution of this paper is outlined by discussing survey evidence obtained from an inter-parliamentary network and three country specific case studies.

One interesting finding from our research is that the Irish Spending Review is more established and developed than many international processes. In Croatia, they are examining the Irish process in order to implement a similar system in Croatia. Despite this, there are still relevant aspects of international spending reviews that can be implemented into the Irish process in order to improve outcomes or achieve objectives more effectively.

**Findings from European Commission and OECD’s International Surveys**

A survey on the characteristics of spending reviews and challenges faced in EU Member States was conducted by the EU Commission. The survey (conducted in April-May 2017) found that there had been an increase in the number of countries conducting spending reviews, with 17 Member States reporting at least one spending review performed, ongoing or planned, almost double the figure found in September 2016. Spending reviews were found to be a recent development in the euro area with ongoing reviews started less than a year ago in 9 Member States.

The spending reviews reported varied in terms of scope with some countries focusing on specific policy areas, covering only a small proportion of total government expenditure (less than 5%), and others examining multiple policy areas and covering a large proportion of total government expenditure (up to 100%). Reviews also varied in terms of mandate with some reviews setting clear savings targets, while others stating that improving quality of public service was the main objective.

In terms of political commitment, the survey found that most countries stated there was a high level of political commitment in the early design stages of spending reviews but lower levels of political commitment as the process progressed through to implementation and evaluation stages. Two thirds of the reviews conducted were not communicated to key stakeholders such as parliament.

At the time of this survey, the majority of spending reviews were in their infancy, and therefore there was little evidence of ex-post evaluations. A small number of countries reported that expenditure decisions resulting from spending reviews were incorporated into next year’s budget planning.
Only a small number (10%) of countries reported that there was a high level of ownership by the administration in charge of the policies under review, while a third of countries reported that ownership was low or very low. Of the potential challenges posed by the EU in the survey, the lack of ownership from the entities scrutinised was the most common challenge, reported by 60% of countries. Throughout the whole process, the administration under review was found to be mostly involved in the following tasks: conduct (shared with varying degree of involvement with the central budget office); provision of data and technical assistance, and implementation of recommendations/reforms.

The second most common challenge was lack of clear direction from the political level, followed by the lack of available staff to carry out spending reviews. Other challenges noted by a minority of countries was an over-estimation of political impact (32%), lack of data (32%), lack of time (32%), lack of analytical skills (28%), lack of project and change management skills (24%) and under-estimation of implementable risks and costs (12%).

A survey conducted by the OECD in 2016, found broadly similar results with regards to increases in the number of countries conducting spending reviews, with these reviews varying in terms of scope and ownership. This survey found that the greatest challenges to ensuring spending reviews are successful were lack of performance information or data, poor quality performance information or data, lack of time, lack of attention to implementation, and lack of political support. It should be noted that challenges around ownership were not listed as options in this survey.

With regard to links to the budget process, 54% of countries stated that the spending review process was part of their budget process, 29% stated that spending review recommendations are adopted through the political process, and 16% stated that recommendations are adopted in the legislative approval and amendment phase of the budget.

Findings from European Centre for Parliamentary Research and Documentation

To gain further insights into spending review processes conducted internationally, this paper analyses information obtained through the European Centre for Parliamentary Research and Documentation (ECPRD). The ECPRD is a voluntary network of parliaments which allows a parliament to inquire about national policies or processes internationally through other national parliaments.

Using this network, the PBO has obtained up-to-date information regarding the spending review processes within a number of EU and non-EU countries. Information was obtained regarding the objectives of spending reviews, the ownership of the process, topic selection, degree of political involvement, the scope of the review, how reviews are evaluated and the link between the review and the budget process. The responses received are analysed and compared to the Irish process in order to identify potential suggestions for the Irish process.

Through the ECPRD network, 29 replies were received from 25 countries. Of these, 16 countries reportedly conduct some form of a spending review. Similar to the findings from the EU Commission and OECD surveys, spending reviews vary from country to country in a number of aspects. A summary of the responses from countries that conduct spending reviews can be found in Table 1.

---

11 Ibid.
13 The full set of questions asked by the PBO can be found in Appendix 1.
Table 1: Key Features of Selected Spending Reviews Conducted Internationally

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Canada</th>
<th>Croatia</th>
<th>Estonia</th>
<th>Finland</th>
<th>France</th>
<th>Germany</th>
<th>Greece</th>
<th>Hungary</th>
<th>Israel</th>
<th>Latvia</th>
<th>Netherlands</th>
<th>Poland</th>
<th>Slovakia</th>
<th>Spain</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending Reviews are conducted</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Led by a Central Budget Authority</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>such as Department of Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Led jointly or fully by Line</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centrally led but engagement with</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Line Departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topics chosen by line Departments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Topics chosen at political level</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Unknown proportion of expenditure</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>examined</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% of public expenditure examined</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Small proportion of expenditure</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>examined (&lt;10%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some degree of political involvement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Some degree of parliamentary</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>involvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linked to the budget process</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

* This table was compiled based on information that was provided by parliamentary research services of the respective countries through the ECPRD network. This list should not be seen as exhaustive.

Responses were also received from Albania, Czech Republic, Lithuania, Montenegro, Portugal, Sweden, Switzerland, Turkey and Iceland; however, these countries do not perform spending reviews and therefore are not included in the summary table.

The analysis conducted in spending reviews seems to vary both between spending reviews and within spending reviews themselves, with different topics requiring different kinds of analysis including trend analysis, cost-benefit analysis, value-for-money reviews, impact assessment, micro-simulation models, econometric techniques and benchmarking.

In terms of ownership, the majority of spending reviews were led and managed by the central budget authority (i.e. the Department of Finance), and most of these countries stated reviews were conducted with input from line units responsible for the spending area. However, the magnitude of collaboration with units responsible for spending areas, differed greatly between reviews. Some countries (Austria, Finland) described high levels of cooperation during the process, with line departments producing the first draft of the report in Finland, while other countries (Spain, Latvia) described line departments having less important roles in the process. For example, in Spain line departments were required to provide data and information to the central unit but they do not have a role in conducting or drafting reports.
An alternative ownership system is seen in Latvia where spending reviews are led by a working group consisting of experts from the central bank, the civil service, a central public administrative institution and a national audit institution. The ultimate responsibility for the final report is held by the Ministry of Finance.

In terms of topic selection, a number of countries reported that topics were chosen on somewhat of an ad hoc basis, with choices being influenced by criteria such as government priorities, areas for potential savings and areas with insufficient information. Actors responsible for choosing topics included governments, line departments, central departments and steering committees. Spending reviews with ad hoc topic selection frequently stated that the quantum of total expenditure analysed in the spending review was unknown. Alternatively, a number of countries stated that 100% of public expenditure was analysed in a cycle of the spending review process and this criterion heavily influenced the topic selection. With regard to ex-post evaluations, a small number of countries stated that evaluations were envisaged but none have been conducted yet (Austria, Canada).

**Case Study – Israel: Encouraging Ownership in Line Departments**

The spending review process in Israel is led collaboratively by the Prime Minister’s Office and the Ministry of Finance Budget Department. Although this process is led centrally, each line department is responsible for producing the review of the topic in their jurisdiction. The Central Unit outlines how and when the reviews should take place but the actual reviews are performed by budget units within each line department and are supervised by the central authority. The Ministry of Finance encourage line departments to consult with experts from outside the government such as academics or consulting agencies, especially in the case of complex topics or when a large amount of expenditure is being reviewed.

Topics are selected by the line departments themselves. For each spending review cycle, each department chooses one budget item to review. As the aim is to increase the efficiency of the budget item in question, topics are selected mainly according to saving potential of the program reviewed. The Ministry of Finance and the Prime Minister’s Office are involved in the final approval of the topic chosen after topics are suggested by line departments.

Currently, topics are chosen on an annual basis and there is no multi-year approach to topic selection. However, with further development of the spending review process, the aspiration is that a multi-year topic selection model will be developed and implemented.

To encourage the participation of line departments in the spending review process, negative incentives are imposed if departments do not take part. Each year, the Government passes a decision which obligates line departments to perform the spending review and also outlines the quantum of budget reduction which will be applied to the budget of any non-cooperating department.

In terms of scope, five countries were unable to quantify the proportion of total expenditure examined in the spending review process (Austria, Canada, Estonia, Latvia, Slovakia). An additional five reportedly examined 100% of total public expenditure during the spending review process (Finland, France, Greece, United Kingdom) and two countries reported the proportion of total of public expenditure examined in the single figures (Israel, Germany).
Most countries stated some level of political involvement in the spending review process. Some countries (Austria, Canada, Estonia, Latvia, Slovakia) noted that a political appointee (such as a Minister) had responsibility for overseeing the process. In Poland, the process is guided by a steering committee which is composed of secretaries of state representing the Ministry of Finance, the Chancellery of the Prime Minister and the relevant line department. In Germany, the federal government oversees the whole spending review process and makes decisions regarding the recommendations found from the review. However, it is important to note that in Germany, the federal government can only review approximately 25% of general government expenditure as German states are autonomous in terms of spending decisions. In Latvia, the scope of the spending review process is decided by ministers each year. On the other hand, both Greece and Finland reported that there is no political involvement in their spending review processes.

In terms of parliamentary involvement, few countries noted any formal involvement with the parliament. Some reported that findings and recommendations from the spending review process are submitted to cabinet or parliament for consideration. In Spain, it was noted that the parliament ‘should take note of the outcomes’ of the spending review process but no formal parliamentary involvement was described.

There is no clear link between spending reviews and the budget process in a number of countries (Austria, Finland, Israel, Netherlands and Spain). It was reported by some, that the spending review process coincides with the budget process and that findings from the spending review inform recommendations in the budget (Germany, Greece and Latvia). In the UK, the results of the spending review sets indicative spending limits within which annual budgets are decided; however, this is not an official link and the Government can set budgets without regard to the findings of the spending review.

Spending reviews vary significantly on a range of topics from country to country, however it is not clear what the most effective design is or whether there are elements of spending reviews that are leading to better outcomes than others. Without the insights that would be attained from ex-post evaluations, it is difficult to determine the effect that spending reviews have had on the public expenditure in the countries analysed.

Case Study – Netherlands: Engaging Parliament in Spending Review

The purpose of the spending review process in the Netherlands is to determine the efficiency and effectiveness of policies. Every budget item is reviewed between 4 to 7 years after introduction of policy, or between 4 to 7 years after the previous policy review. This type of review was first introduced in 2004 and has been mandatory for all line departments since 2006.

The majority of policy reviews are conducted by the line departments.

In the Netherlands, the parliament is informed by the Government on the spending review process. A year before the beginning of each process, the Ministers of line departments are obliged to inform the Lower House of Parliament of the upcoming spending review. The parliament is given an outline of each policy under review by the Ministers of the relevant line departments.
Case Study – United Kingdom: Linking to Budget Process

In the UK, the spending review process encompasses analysis of government expenditure to identify savings and prioritise spending, and the negotiations which take place between the Treasury and line departments to agree on budget allocations. The review is led centrally by the Treasury which has overall control of the Government's spending.

In the UK, expenditure is split into Department Expenditure Limits (DEL) which refers to expenditures that can be reasonably planned in advance and are not demand driven (such as civil service wages), and Annually Managed Expenditure (AME) which refers to demand driven or variable spending (such as welfare benefits). The spending review sets multiannual expenditure limits for DEL totals in each department.

Budget negotiations form part of the spending review process in the UK. The Treasury enters negotiations with ministers from line departments in order to agree on an annual expenditure settlement.

There can be clear linkages between the analysis undertaken by line departments as part of the spending review process and budget decisions. For example, in the 2015 Spending Review, departments were asked to analyse expenditure and identify where expenditure cuts could be made if their budget was to decrease by 25% and 40%. The two scenarios of 25% and 40% reductions then formed the basis for budget negotiations.

The Estimates process, by which Parliament approves the spending of individual government departments, then gives effect to the spending decisions that arise from budget negotiations. However, it would be open to the Government to set budgets without regard to the spending review if it so wished.
Findings & Suggestions for the Irish Spending Review

From the national and international evidence and research gathered and analysed by the PBO, a number of suggestions for the Irish Spending Review have been identified. These suggestions have been summarised under the following headings:

1. Greater parliamentary awareness of the spending review process through greater interaction with the Houses of the Oireachtas;
2. Clearer links to the budget process; and
3. Greater ownership from line departments.

In discussing these suggestions, findings from international spending review processes will be drawn from to suggest ways in which the Irish process can learn from international experiences and identify ways to implement these suggestions.

1. Greater parliamentary awareness of the spending review process through greater interaction with the Houses of the Oireachtas

The first suggestion is that the Irish Spending Review should have greater engagement with the Houses of the Oireachtas and its Committees. This could benefit the process in terms of increasing political commitment to the process, greater transparency and greater motivation to implement the findings. Greater engagement with the process could benefit Parliamentarians in terms of increased insight into budgetary decisions and therefore greater ability to engage with budgetary scrutiny.

One of the factors identified by the EU Commission for the success of a spending review process is commitment from the political sphere. This includes political commitment in the initial stages of the review to ‘create early momentum and strive to maintain it throughout the project’ but also, political commitment is integral to the implementation phase of the spending review process. During this phase, the recommendations and findings from spending review analyses are applied and reforms are adopted. Political commitment throughout this phase is paramount to ensure reforms are carried out fully and expenditure is reprioritised. The timeline for the implementation phase of the spending review process can be relatively long and may overlap with changes in government. This is one reason why commitment from both Government and greater engagement with Parliament are important factors in the success of a spending review process.

In Ireland, the spending review has a level of political commitment as the Minister for Public Expenditure and Reform oversees the process each year and has ultimate responsibility for the outcome. However, there is little involvement by Ministers of line departments who are affected by the policy implications of the findings and may be responsible for implementing these findings or recommendations.

---

There is also little interaction between the spending review process and the Oireachtas. No official communication occurs between Government and the Oireachtas, with regards to the spending review process. However, Parliamentarians are made aware of some of the findings of the spending review through the annual budget as a selection of analyses and recommendations are summarised in budget documents.

To strengthen political commitment, greater engagement with the Oireachtas is crucial. This could include engagement at the beginning of each spending review process, as was seen in the Netherlands where the Parliament are informed of the different topics to be analysed in the spending review process, before the review begins. To achieve strong political commitment throughout the implementation stage, it would be beneficial if Oireachtas Members are kept up to date as the process progresses. Finally, informing the relevant Oireachtas Committees of the key findings and recommendations arising from the analyses should be considered. This will allow Parliamentarians not only to be more informed of the process, but also to engage effectively with the process and support the implementation of recommendations that arise.

It must be noted that responsibility to pro-actively engage with spending review papers rests with the Houses of the Oireachtas and its Committees. To aid this engagement, spending review papers could be formally submitted to the Houses of the Oireachtas, which would allow Members to scrutinise these documents. The process of laying documents before the Houses of the Oireachtas is routinely conducted for Value for Money (VFM) reviews15, but not for reviews conducted as part of the spending review. Laying spending review papers before the Oireachtas could lead to greater engagement and aid Members in effectively scrutinising budget decisions.

A further suggestion to aid Parliamentarians and Oireachtas staff in engaging with papers, is to improve the accessibility of the research. The introduction of a formalised template for all papers, could lead to improvements in terms of readability, clarity of objective and clarity of key issues and recommendations. This would allow Oireachtas Members and staff to effectively engage with the material by decreasing the time needed to absorb the key findings and learnings from the papers.

Greater engagement with the Oireachtas during the spending review process is advisable for a number of reasons which would benefit both the Oireachtas and help to strengthen the spending review process itself. As discussed, this could be achieved by informing Parliamentarians at key points of the process, laying spending review papers before the Houses of the Oireachtas and by improving the accessibility of the papers produced.

2. Clearer Links with the Budget Process

Greater clarity around how the results of spending review papers feed into budget decisions would greatly benefit the process. The integration of the spending review process into the budget process is also highlighted as a key factor for the success of spending reviews by the EU Commission. If a spending review does not have clear links to the budget process this can lead to challenges in implementing the findings from the spending review, lower credibility of fiscal objectives and low motivation during implementation of recommendations. These challenges can all lead to less efficiency gains and lower impact of the spending review overall.

15 More information on the Value for Money Review process can be found here.
The PBO notes that the clearer links between spending review findings and budget measures would make it easier for Oireachtas Members to effectively scrutinise budget decisions or to fully engage with findings from the review.

Currently, the Irish spending review is linked to the budget cycle in terms of scheduling as the spending review analyses are planned to be completed in June, allowing for time to consider the findings and to incorporate these findings into the Estimates process. A number of spending review papers are also published on the same day the Budget is announced. As noted previously, the Budget also includes a discussion of some of the findings from the spending review but the exact link between findings and budget decisions is not clear.

Formalising or clarifying the link between spending review findings and the budget process would improve the transparency of the process, strengthen the overall budget framework and facilitate scrutiny activity.

From international processes, there are some learnings that Ireland could incorporate to improve the link with the budget process. For example, it was discussed that in the UK, the spending review analyses sets the spending totals for each government department for a number of years following. The PBO is not necessarily suggesting that Ireland should adopt the UK style of spending review however, lessons regarding the clarity of purpose and more direct links to the budget allocations and the multiannual expenditure ceilings can be applied to Ireland.

For example, links could be made more apparent by having a summary table outlining for each spending review paper:

- The total amount of expenditure subject to review;
- Whether policy under review has been found to be an effective and/or efficient use of resources; and
- The recommended actions to be taken including where, if relevant, funds should be re-allocated.

Outlining this information for each spending review paper would help explain the findings of the process and clarify how these findings entered into the budget process. This would allow Parliamentarians to use spending review findings to have greater knowledge of the evidence underpinning budgetary decisions and to use this evidence to effectively scrutinise decisions. Conducting ex-post evaluations on spending review outcomes would also help to clarify the link between the review and budget decisions, and should be considered in future iterations of the review process.

3. Greater Ownership from Line Departments

The final suggestion is that line departments should play a greater role in the spending review process by having greater ownership of the analysis of expenditure under their remit and the implementation of the findings.

Ownership by the administration is listed as a key factor for the success of a spending review process however, lack of ownership by the administration under review was the most common challenge reported by EU countries, when carrying out spending reviews.

A high level of ownership by line departments should support good quality analysis benefitted by specialist knowledge of the policy area and the best available data. Without this buy in, reviews are likely to face limitations related to data availability and lack of knowledge of the policy area. If there are findings or recommendations to be implemented, these are likely to be led by line departments and therefore, without sufficient ownership and buy in, motivation to carry out these recommendations is likely to be low. A greater level of ownership from line departments may also lead to greater
political commitment as Ministers of line departments would have greater involvement. This could also lead to more effective Committee scrutiny as Ministers of line departments would be somewhat responsible for the reviews conducted on their spending area.

A key question is to what extent the administration under review should be involved in each phase of the spending review. While it is arguably more beneficial for analysis to be conducted by line departments, there is a strong rationale for centralising activities such as guidance, monitoring and coordination. In addition to this, a stronger involvement from the Department of Finance could be seen as necessary if line departments lack the resources or capacity to fully conduct reviews.

The current Irish process is largely carried out by DPER, the central budget authority on the spending side. For the majority of reviews, staff in DPER review a policy area, analyse relevant data and draw conclusions. A relatively small amount of spending review papers are prepared either by line departments individually or jointly with DPER, by making use of working groups. The participation of line departments in the process has been increasing in recent years with more papers produced by line departments in 2018 than in 2017. Increasing the ownership of line departments in the review process could further improve the quality of reviews, align departmental responsibility with scrutiny of their votes by Committees, and achieve greater motivation in terms of implementing review findings.

As a relevant case study, the Israeli process has been explored which includes line departments being responsible for carrying out their own annual reviews. This work is coordinated and supervised by the Ministry of Finance Budget Department. The Ministry of Finance also encourages line departments to consult with experts from outside the civil sector for complex topics. Line departments are incentivised to fully participate in the spending review process as departments who do not cooperate incur reductions in their budgets.

While an overall trend of increased participation by line departments can be observed in Ireland, a higher level of ownership by line departments in the Irish process could bring benefits for the process as a whole. A system of incentives (monetary and non-monetary (i.e. political pressure)) to ensure engagement by line departments in the spending review process may need to be introduced if departments are reluctant to participate. Identifying the reasons for low participation of line departments is an important step in determining what incentives might have a positive effect on participation. The upcoming review of the spending review process conducted should identify some of these reasons. Finally, if a lack of resources or analytic capabilities in line departments is limiting their participation in the process, the provision of additional resources and support from DPER should also be considered.
Responses were requested using the European Centre for Parliamentary Research and Documentation in March 2019, and responses were received up to June 2019. Responses were received from Albania, Austria, Canada, Croatia, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Latvia, Lithuania, Montenegro, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom and Iceland. For a small number of countries, two responses were received, one from the upper house of parliament and one from the lower house.

Parliaments were asked to answer the following questions:

1. Does your country conduct a public spending review (PSR)? If so, what are the objectives of the spending review and how frequently is it conducted? How long has your country been performing PSRs?

2. Who leads the spending review process? (e.g. mainly central budget authority? mainly line departments? Collaborative approach?) If the ownership largely lies with a central budget authority, does engagement occur between the central authority and line Departments? What form does this engagement take? Are experts outside the government involved?

3. What’s the degree of political involvement and oversight?

4. How are topics for spending reviews chosen? Is a strategic multi-year approach used when choosing topics (i.e. topics chosen annually or for the duration of the multi-year spending review)?

5. What percent of total expenditure tends to be examined?

6. What kind of analysis is usually conducted as part of the spending review? E.g. trend analysis, value for money reviews, cost-benefit analysis?

7. Are ex-post evaluations carried out on the outcomes of the spending review?

8. Is the spending review process linked to the budget process or to any performance budgeting framework? If so, how is it linked?

Efforts have been made to confirm responses received through researching government documentation, however, some information received was assumed to be correct without verification.