

Spending reviews

In the aftermath of the global financial crisis, the use of spending reviews has increased considerably among OECD countries (OECD, 2019). The OECD has found that spending reviews have proved to be an important tool for governments, not only to control total expenditure by making space for more resources, but also to align spending allocations with government priorities and to improve the effectiveness of policies and programmes.

In 2020, 31 out of 37 OECD countries (84%) report conducting spending reviews, of which 20 (65%) do so annually and 11 (35%) periodically (Figure 5.6). According to the latest available information, a further four countries are considering using spending reviews in the future (Belgium, the Czech Republic, Switzerland and Turkey). Only Hungary and Slovenia have no plans to conduct them. The number of countries using spending reviews has almost doubled since 2011, when only 16 OECD countries were conducting them (OECD, 2019). Between 2018 and 2020 the pace of increase has been slower (three additional countries, including two new OECD countries).

Spending reviews can have different objectives depending on the ultimate goal that governments are trying to achieve. In 2020, 29 out of the 31 OECD countries using spending reviews (94%) indicated improving effectiveness was a key purpose, compared to 71% in 2018 (OECD, 2019). While previously 79% of countries used spending reviews for short-term cuts and/or to improve medium-term spending efficiency, 20 out of 31 (65%) countries now report controlling total expenditure as an objective (Figure 5.7). This change in objectives highlights the flexible and adaptable nature of spending reviews, and shows how the initial use of spending reviews to identify savings has evolved.

Political ownership and commitment is crucial to the effectiveness of spending reviews, both to ensure co-operation across government throughout the process, and to take decisions on the objectives and scope of reviews and the recommendations to adopt. In most countries, there is high-level political involvement in these key decisions. In 15 out of 31 (48%) OECD countries using spending reviews, the cabinet, president or prime minister approves the spending review topics and in 12 out of 31 (39%) makes the final decision on the spending review report. Otherwise, in 8 out of 31 countries (26%), it is the finance minister, alone or jointly with a line minister, who is largely responsible for both approving spending review topics and the final decision on the report (Online Table G.28). Approval of the terms of reference (ToRs) is a less political decision, taken by the steering group or the spending review unit in nine OECD countries.

Methodology and definitions

Data are derived from the 2020 OECD Spending Review Survey. Respondents were predominantly senior budget officials in OECD countries. Responses were received from all 37 OECD countries, Costa Rica and Romania. They represent the countries' own assessments of current practices and procedures. Data refer only to central/federal governments and exclude spending reviews at the sub-national levels.

Spending reviews are a collaborative process of developing and adopting policy options by analysing the government's existing expenditure within defined areas, and linking these options to the budget process. The purposes of a spending review are to 1) enable the government to manage the total level of expenditure; 2) align expenditure with government priorities; and 3) improve effectiveness within programmes and policies. The terms of reference (ToRs) will differ but typically include standard elements such as context, objectives, governance, scope, preparation of guidance and reference materials, access to information, deliverables, budgets, and timetable and milestones.

Further reading

OECD (forthcoming), *OECD Best Practices for Spending Reviews*.

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264307957-en>.

EC (2020), "Spending reviews: Some insights from practitioners", *Discussion Paper No. 135*, European Commission, Brussels, https://ec.europa.eu/info/publications/spending-reviews-some-insights-practitioners_en.

Figure notes

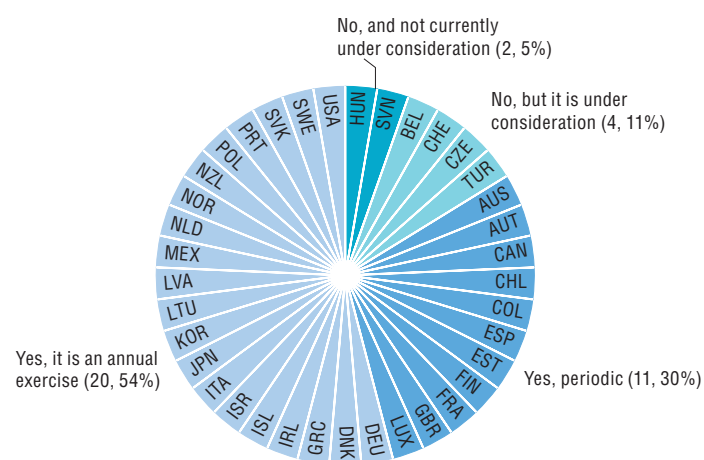
5.6 and 5.7 and G.28. Hungary and Slovenia do not conduct spending reviews and have no current plans to do so. Belgium, the Czech Republic, Costa Rica, Switzerland and Turkey do not conduct spending reviews but are considering it. Belgium started to implement pilot spending reviews in March 2021.

5.6. Romania conducts spending reviews, but not every year.

5.7. Romania's main objectives are to control the level of total expenditure, align expenditure with government priorities and improve effectiveness within programmes and policies.

Table G.28. (Main responsible actors for decision making, 2020) is available online in Annex G.

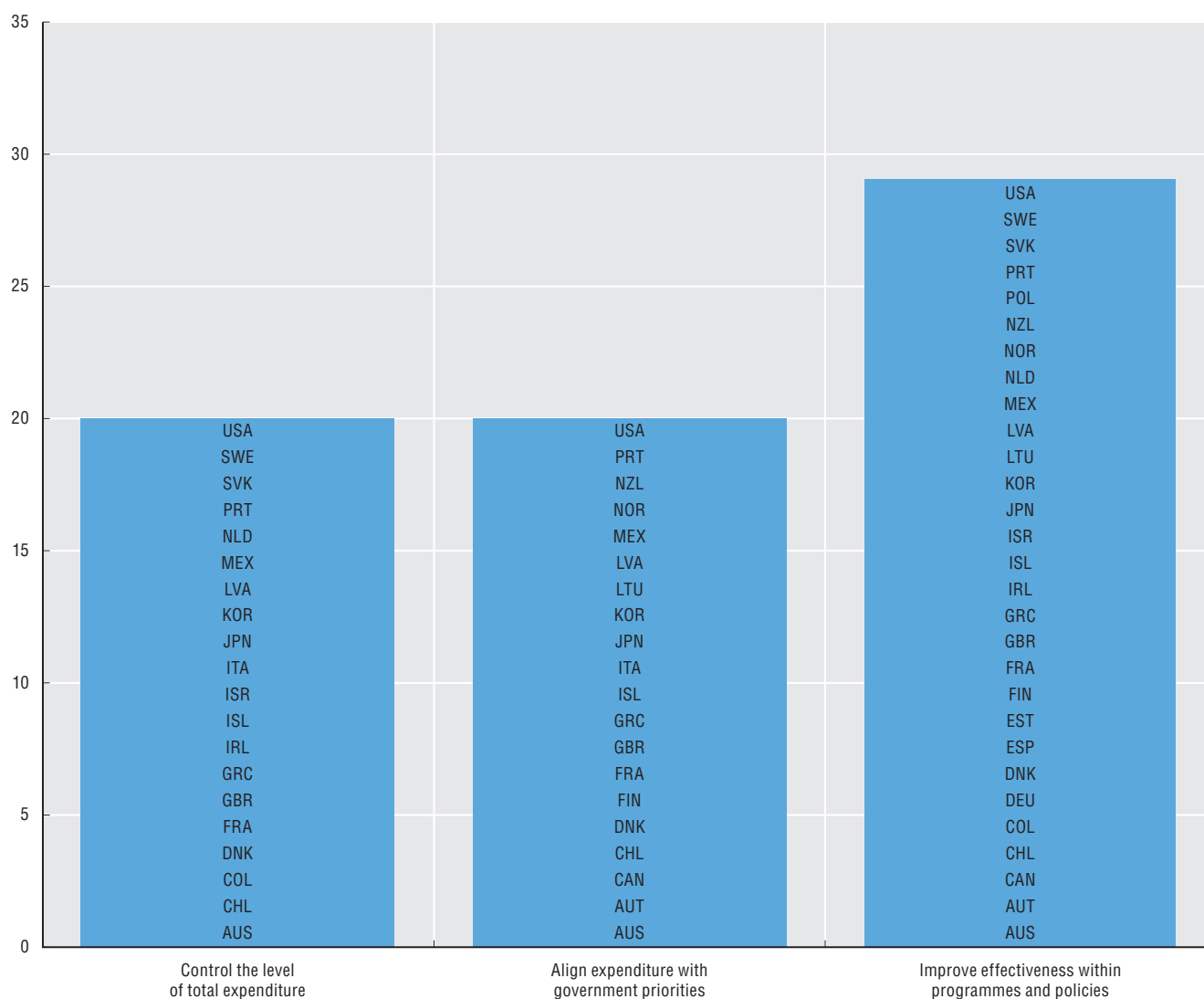
5.6. Number of countries conducting spending reviews, 2020



Source: OECD (2020), Spending Review Survey.

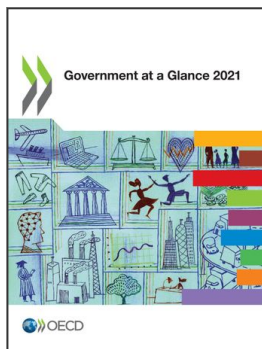
StatLink <https://doi.org/10.1787/888934257888>

5.7. Main objectives of spending reviews over the previous three years, 2020



Source: OECD (2020), Spending Review Survey.

StatLink <https://doi.org/10.1787/888934257907>



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