



# Spending reviews: international best practice and key learning

## Introduction

Spending reviews have emerged as a critical tool for governments seeking to align their budgets with fiscal and strategic objectives, particularly in the wake of the global financial crisis of 2007-2009 (Robinson, 2013). Spending reviews have been increasingly adopted by OECD governments to scrutinise expenditure and implement savings measures (Robinson, 2013). As the effects of the financial crisis subsided, countries also increasingly moved away from a 'crisis-driven' approach and moved towards embedding spending reviews as a fundamental part of the budgetary process, aiming to analyse and improve the management of programme expenditures (Bova et al, 2020). Nearly all OECD countries now undertake spending reviews annually or periodically, and most link their spending review process to their annual budget process or medium-term expenditure framework (OECD, 2024, Doherty, 2024).

In June 2024, the then Cabinet Secretary for Finance announced that the next Welsh Spending Review would extend 'beyond short-term priorities to focus on the key medium to longer term challenges and opportunities', helping to embed a whole-Government approach to both identifying priorities and delivering outcomes (Senedd Cymru, 2024). The next UK Spending Review will conclude in spring 2025, and whilst Wales will continue to be dependent on the overall settlement from UK Government, this new approach will also consider all fiscal levers available to Wales.

This policy briefing pulls together international learning on conducting and implementing a Spending Review to inform the Welsh Government's

## Definitions of spending reviews

In their broadest sense, spending reviews are tools that assist governments in managing budgets within fiscal limits, aligning expenditure with strategic priorities and enhancing value for money in the budget process (Bova et al., 2020). A distinctive feature of spending reviews is their dual focus: they look backwards to assess effectiveness and efficiency of past spending, whilst also having the potential to look forwards to identify better spending options for the future if this is within the interest of a government (van Nispen, 2013).

The most generalisable definition of a spending review describes it as 'the process of developing and adopting savings measures, based on the systematic scrutiny of baseline expenditure' (Robinson, 2013: 1). Building on this definition, Tryggvadottir (2022: 2) defines spending reviews as 'tools for systematically analysing the government's existing expenditure... [and] helping governments manage public spending through reallocation of fiscal resources'. However, it is important to note that definitions of spending reviews vary across countries and are shaped by how spending reviews are implemented, with no universally agreed definition. This can cause confusion in a UK context because the UK Government usage of the term 'spending review' differs significantly from how it is typically used internationally. Rather than as a tool for assessing a government's baseline expenditure to develop

savings measures, the term ‘spending review’ is typically used in the UK to describe ‘a process by which government sets out public spending plans for government departments’, more akin to medium-term budgeting (Bartrum and Paxton, 2024).

There is no ‘blueprint’ or ‘one size fits all’ methodology for conducting spending reviews. Governments take diverse approaches based on their unique priorities, institutional structures, and political contexts (Tryggvadottir, 2022). Political and institutional considerations also often influence the of framing a spending review (Allen and Clifton, 2024). Despite these variations, the overarching aim remains consistent: better management of government spending and increased savings.

Given the significant variation in how spending reviews are applied across countries, identifying best practices is challenging (Bova et al., 2020). Nonetheless, valuable lessons can be drawn from international experiences, including how each country chooses to design and implement their spending review based on their needs and context. A summary of these insights follows below.

## **Governments take diverse approaches based on their priorities, institutional structures, and political contexts**

### **Objectives of spending reviews**

Spending reviews can serve multiple purposes including promoting transparency and accountability, enabling governments to make more informed decisions enhancing the quality of public finance through promoting allocative efficiency, allowing for a re-prioritisation of spending through reflection of which items are an ineffective use of resource whilst also making room for other priority expenditures, such as green spending (Bova et al., 2020). Similarly, Doherty et al (2022: 2) assert that the flexibility of the spending review as a tool allows for its

design and scope to meet multiple objectives including:

- Fiscal consolidation by identifying saving measures that reduce the rate of growth or the level of public expenditure
- Creation of fiscal space to accommodate new policy priorities or to meet emerging fiscal pressures
- Re-prioritisation of existing expenditure from low-priority, ineffective areas to higher priorities
- Achievement of better value for money by identifying areas of inefficient spending, where similar outputs and outcomes can be achieved with fewer inputs and free up resources to help meet the objectives above.

Governments have found that it is more effective to make large reductions in expenditure in a targeted way using spending reviews than to apply across-the-board cuts which fail to discriminate between high priority and low priority spending (Robinson, 2018). Ireland and the United Kingdom are key examples of countries that have achieved major fiscal consolidations through the application of a spending review. In more recent years, countries have moved away from spending reviews that focus on budget cuts towards those taking a more medium-term view of efficiency, improving programme impact and the alignment of spending with government priorities (Bova et al., 2020).

As previously mentioned, the scope and objectives of spending reviews can vastly vary across countries. Interestingly, a 2020 OECD budgeting survey found that whilst reallocation of spending to match policy priorities was not the most important rationale behind the decision to start implementing spending reviews, it was the most frequent result of spending reviews, closely followed by medium to long-term improvements in spending efficiency (OECD, 2020). See Figure 1 for further detail.

## Types of spending reviews

Spending reviews can be classified into two main types: comprehensive and targeted.

**Comprehensive spending reviews**, like those conducted in the UK and Ireland, involve an unconstrained search for savings across a large proportion of government spending. These reviews are often employed to address pressing fiscal consolidation needs or to respond to major fiscal events. They enable governments to assess trade-offs across a broad range of expenditures but require significant resources and cross-governmental commitment (Doherty and Sayegh, 2022, Robinson, 2013).

In contrast, **targeted spending reviews**, also known as selective reviews, focus on predefined categories of spending (Robinson, 2013). These can be vertically applied, examining the spending of a specific ministry, or horizontally applied, assessing spending across government on a particular policy objective, such as climate-related initiatives. Horizontal reviews provide opportunities to identify duplicative activities, while vertical reviews are administratively simpler but less comprehensive in scope (Doherty and Sayegh, 2022).

The choice between comprehensive and targeted reviews often depends on specific objectives, fiscal conditions, and political context. Comprehensive reviews are well-suited for addressing fiscal consolidation and setting medium-term expenditure limits, while targeted reviews are more focused on enhancing value for money and improving government and public services quality. Some countries, such as the Netherlands, have implemented both ongoing annual targeted reviews alongside periodic comprehensive reviews during times of significant fiscal challenges (Doherty and Sayegh, 2022).

Despite approaches varying country by country, a spending review will typically involve several, clear stages: objective setting and design; identification of saving options based on in-depth analysis; deciding on measures to include in the budget; and implementation. An overview of the typical spending review process is summarised in Table 1. Table 1 also

summarises who is responsible for each stage of the process.

## Governance structures

A well-defined governance structure is crucial at every stage of the spending review process to ensure its success (Tryggvadottir, 2022, Robinson, 2013). Cross-governmental reviews can be complex as they can involve multiple ministries and governmental departments. Therefore, countries usually set out clear governance structures within Terms of References, including setting out the following roles:

- **Ministry of Finance:** The Ministry of Finance plays a central role, actively participating throughout the process. It ensures that spending reviews are effectively integrated with the budget cycle and fiscal planning.
- **Line Ministries:** Line ministries are involved at all stages, working in close coordination with the Ministry of Finance. They are responsible for implementing the outcomes of spending reviews, ensuring alignment with sectoral priorities.
- **The Cabinet:** The Cabinet's involvement is particularly significant at two key points: at the outset, when determining the topics and scope of the review, and at the conclusion, when recommendations are reviewed and approved.

It is also seen as good practice to set out a 'two-fold governance arrangement'. This involves setting up both a steering group, which is responsible for overseeing the spending review process, and a working group, which carries out the actual operation of the spending review (Tryggvadottir, 2022).

## Spending reviews in practice

### Increasing focus on the medium and longer-term

The OECD recommends that budgets should closely align 'with the medium-term strategic priorities of government through: considering how to devise and implement regular processes for reviewing existing expenditure policies... in a

manner that helps budgetary expectations to be set in line with government-wide developments' (OECD, 2015).

A medium-term horizon usually refers to 3-5 years. Taking such an approach can enhance the effectiveness of spending reviews as a longer-term view increases the options that a government can consider compared to a shorter-term view (i.e., a single year) (Tryggvadottir, 2022).

Experts also highlight the importance of ensuring that recommendations of spending reviews are integrated into a government's medium-term expenditure framework. This approach reflects implementation of the recommendations in concrete terms, providing 'increased transparency and a greater degree of certainty about future funding levels' has also been highlighted (Tryggvadottir, 2022: 9).

In Denmark, spending reviews, which have been undertaken for more than 20 years, inform budget negotiations and decisions on multi-annual budget agreements. They are undertaken over a short period, e.g., a decision is made on what the review will cover, and the review is conducted within 5 months (January – May) so that findings are available for the government when they decide on budget priorities (June).

## **Spending reviews and green budgeting**

Spending reviews can also play an important role in addressing emerging global challenges, such as climate change. Several countries, such as Austria, have begun to undertake 'green spending reviews' which take a longer-term, targeted approach to spending reviews.

Austria's Recovery and Resilience Plan focuses on sustainable recovery and green finance and includes spending reviews as a reform priority (Federal Ministry Republic of Austria Finance, 2023). In response, the Ministry of Finance has set up a Green Budgeting Focal Point within its budget division, which carries out a Green Spending Review Cycle that is staggered over multiple years (Kowald and Hoflmayr, 2024). The long-term goal of this is to 'conduct an

overall systematic analysis of all the sovereign activities of the federal government and to examine their compatibility with climate change mitigation and environmental protection' (Federal Ministry Republic of Austria Finance, 2023).

The spending review cycle has five modules that build on each other focusing on 'green transformation', including analysis of the incentive landscape with regard to climate and energy policies, and potential synergies with the federal states' climate and energy policy funding landscape (Kowald and Hoflmayr, 2024).

## **Integration of spending reviews with other budgetary tools**

Practice-based literature on spending reviews highlights that in order to have their desired impact, spending reviews must be integrated into budget preparation and planning (Tryggvadottir, 2022 and Robinson, 2013). This integration ensures that savings options identified during the spending review feed directly into decisions about the allocation of budget funding for each spending department in the upcoming budget cycle so that governments 'can compare merits of new spending proposals against changes to the composition of existing spending' (Tryggvadottir, 2022: 7). In this sense, spending reviews can create space for new spending initiatives that align with governmental priorities in the medium and long-term (Robinson, 2013).

Whilst ex-post evaluation and performance audits review effectiveness and value for money only when programmes have ended, the integration of the spending review into budgetary decision-making also offers foresight and performance data ahead of this decision-making (Doherty and Sayegh, 2022: 2). Several experts have iterated the importance of linking performance budgeting with budget flexibility and the implementation of medium-term expenditure frameworks (Ketners, 2020 and Marti, 2019).

## **Key success factors**

Whilst there is no 'one size fits all' methodology for conducting spending reviews, several common success factors have been identified in the literature. An overview of success factors



can be summarised as follows ((Tryggvadottir, 2022 and European Commission, 2024):

1. **Clear objectives.** Objectives should be clearly defined at the offset, whether it be to reduce overall spending, a shifting of spending from one government priority to another or to enhance the effectiveness of spending. These objectives should also be set out in a formal Terms of Reference prepared by and agreed on by departments involved in the review.
2. **Clear scope to inform how best to achieve objectives.** The scope of a spending review can ultimately vary depending on the objectives the state is hoping to achieve. Spending reviews can cover the workstream of a single department or across several ministerial functions. All expenditures should be eligible for review within a spending review period, including current expenditure, mandatory expenditure, and extra-budgetary expenditure. There are trade-offs between a broad and narrow scope when conducting spending reviews. For example, a wider scope can increase the breadth of analysis which will boost stakeholder buy-in. However, it isn't feasible to review all areas of government spending in detail every year. Spending reviews that focus on a smaller number of areas of spending will have more of an impact as they will be more in-depth.
3. **Expertise and capacity.** Spending reviews can be resource-intensive so it is important that sufficient resources are available throughout the process. Building close collaborative relationships with line ministries is also key to enhancing capacity to conduct spending reviews and create a sense of ownership. Some countries, such as Norway, have established specialist units for spending reviews within the Ministry of Finance to build capacity and harness expertise.
4. **Clear roles and responsibilities.** A clear governance structure throughout the process of designing and implementing a spending review is a key success factor. Collaboration and ownership are two key areas that determine the effectiveness of the spending

review. A collaborative approach can foster consensus and joint ownership and active involvement of line ministries throughout the process is crucial to the success of the spending review. Strong political commitment is also important for the success of any spending review, including for ensuring the implementation of the spending review recommendations.

5. **Alignment with budget process and medium-term frameworks.** Spending reviews should be integrated into the preparation of a government's budget to enable recommendations from the spending review to be connected to a government's fiscal management. This integration leads to informed budget allocation decisions that are aligned with performance, value for money and changing priorities. When formulating a spending review timetable, planning should include factoring in time to ensure that the findings are available in time for the budget formulation process. This allows governments to compare the proposed impact of new spending proposals against changes to the composition of existing spending. For example, in Norway, spending reviews are integrated into the budget process and are a standard component of budget planning. Each autumn, the Norwegian government holds a budget strategy conference to assess the medium-term economic outlook. Based on this discussion, the government establishes its priorities and guidelines for the budget process for the upcoming year. Mandates for spending reviews are a key element of these discussions, and the results of prior spending reviews are also considered. Shortly after the final spending review report is submitted, the Ministry of Finance collaborates closely with line ministries to present its recommendations to the government for approval. Consequently, spending review recommendations with direct implications for expenditures are incorporated into the budget process.
6. **Clear recommendations.** To maximise impact, spending reviews should conclude with a set of clear recommendations. The preparation of these recommendations are sometimes underpinned by a range of scenarios and options for consideration.

7. **Monitoring of the implementation of spending review decisions.** The relevant ministry is usually accountable for implementing any savings or recommendations identified in the review, with regular engagement with the Ministry of Finance. In the UK, for example, the Treasury is responsible for overseeing the implementation of the spending review and monitoring any potential risks to the savings that have been identified in the spending review. Part of this is regular engagement between the Treasury's spending teams and spending departments. Spending reviews are not usually regulated through legal acts but rather through more informal processes. Whilst legal frameworks can provide clarity and regularity to conducting spending reviews, more informal processes are the norm to allow for adaptation to changing circumstances.

## Case studies

The European Commission (2024) highlight several countries that stand out in their approach to conducting spending reviews. Three of these countries, the Netherlands, Denmark and Latvia, are discussed in further detail in below. Additionally, key learning from spending reviews conducted across wider OECD countries is summarised in Appendix 1.

## The Netherlands

### *Overview and purpose*

The Netherlands first introduced spending reviews in 1981 and have developed their approach and methodology over the last four decades. To date, more than 300 spending reviews have been conducted, covering all areas of expenditure within government. During this time, the focus of spending reviews has shifted away from generating savings to forming new policy options and their projected impact. Spending reviews usually take the form of both targeted and comprehensive reviews, and between three and seven can be carried out each year.

The reviews are conducted by the Ministry of Finance in collaboration with the relevant line ministries and are linked to the budget process and the medium-term expenditure framework. There is no specific legislation on spending reviews in the Netherlands but the Accounting Act 2016 and the Periodic Evaluation Survey Regulations 2022 are drawn on to guide the spending review process.

### *Governance structure*

In terms of governance structures, the Ministry of Finance prepares the review topics and terms of reference for the spending review, presenting them to the Cabinet alongside the budget for the upcoming year. These terms of reference are annexed to the budget documentation.

A key feature of the Dutch spending review framework is the independence of the working groups. The working groups are chaired by an independent expert, with the Ministry of Finance and relevant line ministries providing joint secretariat and membership at director level or above. Interestingly, no member of a working group can 'veto' another member's proposal for the spending review. Before the working groups finalise their reports, an inter-departmental committee checks whether the working groups have followed the review guidelines set out in the agreed Terms of Reference. The reports maintain an analytical, non-political status, and the options proposed are not necessarily aligned with current government policy. The Cabinet decides which options to incorporate into the budget but does not alter the reports before publication. Instead, a "Cabinet View" is prepared and published alongside the spending review report.

### *Process*

The Netherlands undertake spending reviews annually and during each general election cycle. For example, in 2009, the government identified 20 policy areas for review and tasked each working group with developing a range of savings options, including at least one scenario achieving a 20 percent spending or tax expenditure reduction over four years. This approach fosters innovative and ambitious proposals. The 2009 review had a notable impact, with an estimated 20 percent of measures in the 2010 Coalition Agreement derived from the Comprehensive Spending Review reports.

### *Example of Spending Review in the Netherlands*

The 2020 spending review “**Ready for Climate Change**” was conducted to assess and prepare the Netherlands for the consequences of climate change. The review recognised that climate adaptation is not a distinct policy area but rather a cross-cutting task that intersects with multiple policy domains. As part of the review, a working group identified seven key policy areas where climate adaptation plays or is expected to play a significant role.

The objective was to evaluate the adequacy of current policies in ensuring that the Netherlands becomes water-robust and climate-proof. To inform their findings, the working group relied on a diverse range of inputs, including literature reviews, policy evaluations, expert interviews, consultations with knowledge institutions, and discussions with local authorities.

Based on their findings, the working group proposed three policy options with choices needing to be made to guide future steps in climate adaptation policy. Depending on which scenario chosen, the implementation would lead to either maintaining the current expenditure, reducing expenditure by 20 percent or increasing expenditure by 20 percent.

These options provided a framework for decision-makers to balance fiscal considerations with the need for effective climate adaptation. As a result of the 2020 Spending Review, key opportunities for improving climate policy with changes in expenditure were identified and the government was presented with options to choose from based on their policy and financial priorities.

#### *Key learning*

There are several strengths that can be highlighted from the approach to spending reviews used in the Netherlands. Firstly, there is a clear emphasis on spending reviews remaining objective and non-political in status. This provides a clear separation between politics and pressing policy. In addition, each working group has an independent chair which ensures fair oversight.

Secondly, the focus of the spending review process has shifted from generating fiscal space to providing policymakers with a range of policy options. This adaptation reflects the Netherlands' success in aligning the spending review process with the evolving fiscal context. While the current emphasis is on developing policy options, the comprehensive, consolidation-focused review remains available as a tool for addressing more severe fiscal challenges. The use of different spending review types—comprehensive or selective—offers flexibility in achieving fiscal space when needed.

However, there are several challenges to conducting spending reviews in the Netherlands:

- The mandatory cost-saving options have proven difficult to implement. Several spending reviews conducted have been reported to have too little impact in relation to their resource-intensive nature.
- Similarly, some line ministries do not want spending reviews to be carried out on their department which can pose challenges without any legal framework for carrying out spending reviews.
- Comprehensive spending reviews remain a significant administrative burden (this is more widely felt across governments).



## Denmark

### *Overview and purpose*

Denmark has a long history of conducting spending reviews to create fiscal space and reduce overall expenditure, having conducted more than fifty spending reviews on a range of topics to date.

Annual targeted spending reviews are undertaken as part of the budget preparation process, creating a strong integration of the spending review as a tool in the budgeting process. There are, however, four different types of spending reviews conducted in Denmark:

1. **Targeted spending reviews** which is the primary type of spending review mentioned above. It focuses on reviewing pre-defined areas of spending annually and focus can change from year to year.
2. **Recurring spending reviews** conducted every 4-5 years for bigger sectors e.g. social welfare. They are tied to multi-annual political agreements and the chosen sectors undergo a process aimed at enhancing value for money and facilitating effective structural changes.
3. Strategic spending reviews which focus on cross-cutting functions to identify opportunities for improved organisation efficiency and performance across several areas of operation.
4. **Directly implementable small spending reviews** which focus on small spending cuts that do not require extensive analysis.

Whilst there is no legal basis for conducting spending reviews in Denmark, the process itself has become well-established within government.

### *Governance structure*

The Ministry of Finance plays a central role in Denmark's spending review process, acting as the main coordinator and ensuring quality assurance. Each Ministry of Finance division consists of small teams (1-3 individuals) responsible for budgeting, liaising with line ministries, and conducting spending reviews.

Line ministries are actively involved in the process, despite initial resistance. They help select review topics, participate in steering committees and working groups, and benefit from retaining savings generated through the review, which incentivizes their participation.

The Economic Coordination Committee, chaired by the Minister of Finance and composed of key economic ministers, is the primary political decision-maker. It selects review topics, approves reports, and decides on savings measures before budget negotiations.

Each review has a Steering Committee, typically composed of deputy permanent secretaries, overseeing planning, coordination, and progress tracking. Working groups, made up of heads of divisions from Ministry of Finance and line ministries, carry out the reviews, while project groups conduct specific analyses.

External consultants have historically been used for specialised analyses, with significant spending on their expertise. However, in response to concerns over reliance on external consultants, the MoF established an **internal consulting unit** in 2014, consisting of 20 consultants to conduct spending reviews.

### *Key learning*

There are a number of key lessons that can be drawn upon from studying Denmark's refined approach to spending reviews:

- Denmark's spending reviews are closely tied to the annual budgeting process, ensuring that recommendations are incorporated into future budgets.
- A strong culture of cooperation between the Ministry of Finance (MoF) and line ministries has been fostered through practices such as sharing recommendations and allowing ministries to retain savings, which enhances their engagement. Line ministries see these reviews as valuable for understanding spending patterns and resource allocation, particularly where they lack detailed financial data.
- Political involvement is also significant, with key ministers in the Economic Coordination Committee overseeing decisions on review topics and implementation.
- The use of external consultants brings specialised expertise, reduces the MoF's workload, and facilitates dialogue between ministries.
- Clear role definitions and structured decision-making processes ensure effective collaboration and communication.
- Denmark's commitment to refining its approach ensures that its spending review framework continues to adapt to new challenges and opportunities.

However, this approach also comes with challenges (European Commission, 2024). The reliance on external consultants for detailed analysis in spending reviews has contributed to a weaker internal knowledge base within the Ministry of Finance over time. Additionally, this practice is costly and places further strain on financial resources. Denmark also lacks a structured policy evaluation framework, making it difficult to systematically assess the long-term impact of government policies and programs. As a result, policymakers may face challenges in making fully informed decisions, as policy evaluations are not integrated into spending reviews. There are also no established mechanisms within the Ministry of Finance to track the implementation and impact of spending review recommendations, which may limit their effectiveness in driving improvements in government spending and policy. Lastly, the infrequent publication of spending reviews reduces transparency in the process.

Source: European Commission, 2024

## **Latvia**

### *Overview*

Latvian spending reviews are a key part of the country's public financial management framework and have been conducted since 2015. The Latvian Ministry of Finance defines spending reviews as 'a process of developing and adopting savings measures, based on the systematic review of baseline expenditure, processes and policy areas' (European Commission, 2024: 23). They are aimed at improving the efficiency and effectiveness of public spending and ensuring that government resources align with policy priorities.

Latvia conducts three types of spending reviews; strategic, technical and medium-term review, and these are aligned with the multi-annual budget framework. The objective is to ensure fiscal discipline and sustainability while addressing the changing needs of society. These reviews typically focus on identifying savings and reallocating resources over a three-year horizon.

### *Governance structure*

The governance structure of Latvia's spending reviews is well defined and involves several key stakeholders, including:

- the Ministry of Finance, which leads the process, coordinating with line ministries and providing technical expertise to ensure alignment with broader fiscal goals;
- line ministries, who play an active role through reviewing their own expenditures and proposing measures for improvement;
- the Cabinet of Ministers, which makes final decisions based on recommendations from the Ministry of Finance; and
- Parliament, which provides oversight and approval, ensuring political buy-in for the proposed measures.

The topic selection process for spending reviews involves the Ministry of Finance, line ministries, the Inter-institutional Working Group, and the Cabinet of Ministers. The Ministry of Finance defines the scope of each review, drawing inspiration from public news, findings from previous reviews, data analysis, and international best practices. Due to the diverse nature of spending review subjects, analytical approaches vary widely. In 2022, methods included medium-term cost analysis for ICT measures and systems maintenance, evaluation of health sector financing policies, and performance indicator analysis of core budget functions.

### *Example of Spending Review carried out in Latvia*

In 2020, the Ministry of Finance in Latvia conducted its fifth annual Spending Review. This review involved the assessment of various functions funded by the state budget, financing policies overseen by line ministries, and the outcomes of medium-term expenditure evaluations. The review aimed to inform the development of future budget frameworks and annual state budget laws. The 2020 Spending Review utilised a specialised approach by arranging the analysis and structuring the organisation around three main blocks:

1. **Comprehensive analysis of state-financed functions:** In collaboration with sectoral ministries, state budget programmes and sub-programmes were analysed by functions and activities. This involved assessing their relevance, effectiveness, and the associated funding allocations.
2. **Evaluation of financing policies under line ministries:** Financing policies managed by line ministries were analysed to promote more efficient and rational implementation of state functions, with recommendations for policy changes where necessary. Detailed evaluations were conducted in specific areas:
  - **Areas under supervision of the Health Sector:** A thorough review of state-funded healthcare services and expenditures within security structures.
  - **Areas under supervision of Ministry of Education and Science:** In-depth analyses of professional education, higher education financing, and funding for the sports industry.
3. **Medium-term expenditure review outcomes:** Building on significant findings from prior expenditure reviews, an analysis of medium-term spending was undertaken. This included assessing past results and tracking implementation progress, such as opportunities for centralizing support functions and enhancing ICT operations.

### *Key learning from this approach*

Since 2016, the spending review process in Latvia has identified €683.7 million worth of financial savings or efficiencies, working out as about 1.71% of GDP. Several strengths can be identified from the Latvian approach. Firstly, the spending reviews conducted have a strong link to the annual budget process which enables the findings to be put into practice. Secondly, whilst spending reviews are conducted on an annual basis, over time, Latvia has adopted both a medium-term and comprehensive spending review, using a combination of all three approaches. This flexible approach allows the Ministry of Finance to apply the approach that is most fitting to the objectives laid out in the Terms of Reference.

Other strengths include clearly defining roles and responsibilities in all stages of the spending review process within the Terms of Reference and the involvement of institutional representation from the Bank of Latvia and the State Audit Office via the working groups. Lastly, the Latvian Ministry of Finance has stated that the spending review process has been an effective tool in prioritising and providing financial resources where needed both in annual budget considerations and for the medium-term.

However, limitations include the significant administrative burden presented by spending reviews, coupled with a lack of time for stakeholders to design and implement the spending review. There is also limited engagement at a higher political level towards the SR process, which can limit the impact of the spending review.

Source: European Commission, 2024

## **Flanders, Belgium**

### *Overview and purpose*

The push for spending reviews in Flanders emerged from the necessity to manage a growing budget effectively, particularly after the recent devolution of spending responsibilities from the federal government and increasing entitlement-related spending in social programs putting the budget under pressure.

The regional government identified the need to adopt a more strategic and medium-term approach to managing increasingly scarce public resources. Over a relatively short period, the Flemish government adopted a range of methods to implement performance-informed budgeting practices including conducting a pilot spending review, a further two broader comprehensive reviews, and continuing efforts to conduct in-depth spending reviews. Alongside this, Flanders has sought to strengthen its medium-term budgetary framework by introducing expenditure benchmarks. Before conducting the pilot, the Flemish government sought technical assistance from the European Commission to integrate spending reviews into its budgetary framework.

The objective of the spending review pilot was to assess the effectiveness of the Service Voucher Program, a key initiative intended to promote job creation and facilitate work-life balance, and for which the responsibility to deliver the program had been transferred from the Federal Government to the Flemish government in 2016.

### *Key learning*

The OECD has recommended that the Flemish government strengthen the link between spending reviews and the budget process. Both the comprehensive reviews and in-depth spending reviews have so far been published after the budget negotiations, meaning that they are not able to act upon the recommendations made through the spending review when making timely budgetary decisions.

Source: OECD, 2024b

## Conclusion

Spending reviews are increasingly being used by governments to evaluate public expenditure and ensure that resources are efficiently allocated in order to achieve policy objectives. They also help to align budgets with medium and long-term strategic goals, such as economic growth, reducing social inequalities and addressing climate change.

Whilst there is no one approach to conducting spending reviews, key learning can be obtained from several countries. In the Netherlands, spending reviews are focused and impactful as they remain policy-centred and non-political. They have also evolved to fit the evolving fiscal context. A study of the Latvian approach to conducting spending reviews highlights that flexibility in the type of spending review used can ensure that the spending review is tailored towards a specific policy objective, thus increasing the impact of the review. However, such a process can be very resource intensive.

More widely, there are several key success factors, such as clearly defined objectives, roles and responsibilities, aligning the spending review process with the wider budgetary process, and inclusion of key expertise, that can be considered in the application of a new Welsh Spending Review.

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## About the Wales Centre for Public Policy

Here at the Centre, we collaborate with leading policy experts to provide ministers, the civil service and Welsh public services with high quality evidence and independent advice that helps them to improve policy decisions and outcomes.

Funded by the Economic and Social Research Council, Welsh Government, and Cardiff

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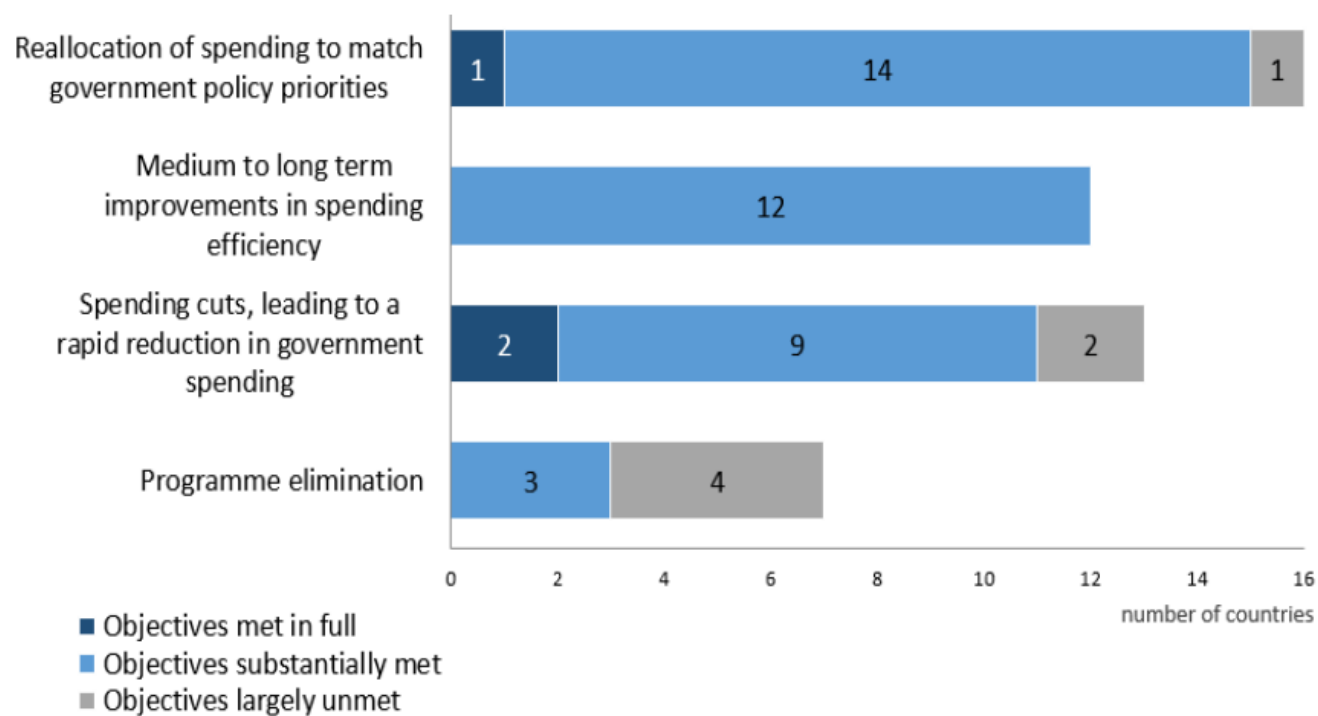


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Appendix 1

Figure 1: Priority of objectives for conducting spending reviews in OECD countries



Source: OECD (forthcoming), Good Practices in Spending Reviews.

Table 1: Overview of Spending Review process

Stage	Objective	Key steps	Who is involved/ responsible
Stage 1: Establish the objectives and framework	To establish the scope, objectives and success criteria of spending reviews. To determine the political mandate of the spending review to promote ownership and participation.	1. Establish overall objectives for the review 2. Select review areas 3. Identify key roles and responsibilities 4. Establish review targets 5. Set review timeline 6. The scope of spending review is approved in the Cabinet of Ministers	Ministry of Finance Line Ministries <b>Cabinet</b> of Ministers Experts of working group
Stage 2: Identify policy options	To identify saving options and inform the	1. Collect data 2. Undertake benchmarking and analysis	Ministry of Finance Line ministries

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	impact assessment.	3. Assess the effectiveness and efficiency of existing spending 4. Prepare spending review report 5. Discuss the analysed issues in the inter-institutional working group	Experts of working group
<b>Stage 3: Decision-making</b>	To determine which saving options or efficiency measures should be implemented.	1. Present findings and recommendations 2. Make decisions at minister level	Ministry of Finance Cabinet of Ministers
<b>Stage 4: Implementation</b>	To ensure that decisions are implemented as anticipated.	1. Integrate recommendations into budget and medium-term frameworks 2. Enact legislation 3. Monitor implementation of decisions	Line ministries Ministry of Finance

**Table 2 : Areas of best practice within OECD countries**

Country	Spending Review objective	Area of best practice	Any challenges encountered	How they were resolved
New Zealand	Assess financial position  Reprioritise spending	Conducts 'baseline reviews' with published Terms of Reference and accompanying reports  Integrates findings into the budget process	Experienced resistance from line ministries to changes	Engaged ministries early in the process to build trust
Norway	Align spending reviews with budget process  Set budget priorities	Initiates a budget strategy conference to discuss economic outlook  Integrates recommendations into the budget process  Established a specialised unit within the Ministry of Finance to work closely with line ministries and present recommendations for approval	Complexity of aligning multiple ministries' priorities	Established clear guidelines and regular communication
Germany	Improve expenditure	Initially focused on limited scope but gradually increased the	Limited experience in	Built capacity through training

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	efficiency and effectiveness	complexity and scope of reviews to analyse inter-relationships between programmes, focusing on results and efficiency	conducting reviews	and gradual implementation
Estonia	Enhance budget negotiations and multi-annual agreements	Conducts reviews over a short period to ensure findings are available for budget priorities, focusing on key areas of expenditure	Short time frames for reviews	Streamlined processes and focused on key areas only
Mexico	Use performance information to inform budget preparation	Systematically uses performance information Monitors follow-up on recommendations from earlier evaluations to inform budget decisions	Data availability and quality issues	Improved data collection methods and established standards
United Kingdom	Ensure value for money Improve public service efficiency	Conducts comprehensive spending reviews that inform budget decisions and prioritise spending based on effectiveness	Political pressures and public scrutiny	Fostered transparency and stakeholder engagement
Ireland	Improve public service delivery and efficiency	Utilises spending reviews to assess the effectiveness of programmes and inform budgetary allocations  Made the review process more collaborative, involving line ministries in identifying areas for efficiency and effectiveness	Resistance to change from public sector employees	Emphasised collaborative approaches and stakeholder involvement
Netherlands	Enhance budgetary discipline and efficiency	Conducts regular spending reviews to align expenditures with government priorities and improve efficiency	Balancing short-term needs with long-term goals	Integrated spending reviews into wider budgetary and fiscal planning
Latvia	Strengthen fiscal discipline Improve public service delivery	Implements spending reviews to assess the effectiveness of public spending and inform budgetary decisions	Limited capacity and expertise in conducting spending reviews	Created specialised units to build institutional knowledge

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Denmark	Reallocate resources and increase efficiency	Led by the Ministry of Finance, spending reviews are used to inform resource allocation and are outcomes focused	Resistance from stakeholders to proposed changes	Engaged stakeholders in the review process to gain buy-in
Greece		Conducts spending reviews to identify inefficiencies and prioritise spending, focusing on evidence-based recommendations	Economic constraints and public sector resistance	Focused on evidence-based recommendation to support reforms
Slovak Republic	Enhance public finance management and efficiency	Uses spending reviews to assess the effectiveness of public expenditures and inform budgetary decisions, focusing on outcomes.	Limited data and analytical capacity	Collaborated with international organisations for support
Canada	Improve program effectiveness and efficiency	Conducts spending reviews to ensure programs align with government priorities, adapting to changing political contexts	Changing political priorities and public expectations	Adapted review process to remain relevant to current issues