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Spending Reviews – a Tool to Support the Efficient Management of Public Funds

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Abstract

Purpose: Respective European Union member states' interest in using spending reviews varies as there are no international mandatory regulations. The EU legislation contains general indications as to maintaining a rational fiscal policy, from the provisions of the TFUE, expanded in the Pact for Stability and Growth, and elaborated in 2011.

Methodology: Adopting an interpretative research approach, this article elaborates a multiple explanatory case study design to discover how existing theories about public spending reviews are conceptualized by practitioners in their natural contexts.

Findings: The deteriorated state of many countries' public finances, as a result of the global financial crisis, has increased the interest in advanced innovative consolidation and fiscal stabilization methods. Spending reviews are among the most developed and advanced methods. Such reviews were conducted both by countries that had applied this instrument before (Netherlands, Denmark, Finland, United Kingdom, Australia), and by those that introduced them for the first time (Ireland, Canada, France). However, reviews are applied in countries characterized by significant economic advancement and mature public management systems.

Originality: This article analyses and draws conclusions from several selected countries' experience to date in using spending reviews. The budget functions are compared using information from the implementation of the spending reviews. This article contributes to filling two main gaps identified in the literature review.

Keywords: public finance, spending reviews, efficiency

JET: H61, H72

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Introduction

Before beginning the discussion of spending reviews, it is worth quoting the opinion of the eminent management theoretician, Peter Drucker, according to which the aim of every organization (including the state) is to satisfy the needs of its customers (all citizens, taking into account the interests of respective participants of community life). As such, each organization has two functions: marketing and innovation (Orłowski, 2010, p. 98). The first one consists of identifying and understanding, as best as possible, the customer's needs, and, consequently, in striving to adapt results/ products to those needs, while the other one is about finding ways to produce and deliver those products to the customer in the most economic manner (i.e. for a state, in a manner that is the most cost-efficient for the budget). In the case of state institutions – as noted by P. Drucker – the marketing function is performed outside of market mechanisms, and, therefore, adapting the delivered social goods to the needs requires a proper functioning of democratic mechanisms through which citizens make their choice, while the innovation function may be performed (in the conditions of a natural lack of competition) only by imposing relevant pro-efficiency solutions (which refers, for example, to using a tool such as a task-based budget).

It is possible for those in power to effectively ensure both those functions when combining some categories with the use of an instrument like a spending review.

There exists no single universal method for conducting spending reviews. The literature on the subject has only developed some workflows that can be used in this process. Key factors driving the accuracy and effectiveness of the review procedure and the efficient use of its results have also been indicated. These factors include: proper political commitment, responsibility of the administration, transparent targets and project management, integrating the procedure in budget processes, preparing changes and the ability to implement them, transformation capacity building, as well as building the pro-efficiency culture at all levels of public administration. The success factors indicated are related to general contemporary developmental trends in public sector management, which are inherent in the New Public Management/ Governance (Franek, 2016, p. 38).

Spending reviews require a customized approach taking account of a given country's specificity, which determines the successful achievement of the review objectives.

The point of departure should be a model for strategic public finance management, which, similarly to the mid-term planning, provides for a wide participation of the public in the discussion on preparing a spending review. There are cases where reviews

are conducted during consultations by civic society's representative organizations, and, following the example of many countries using this instrument, all interested citizens are given the opportunity to directly submit motions. What could be indicated as an example of a broad public debate is the initiatives undertaken in the United Kingdom or in the United States, where, in conjunction with the spending review process, thousands of citizens' ideas for more effective public sector financing solutions are submitted as part of the civic initiatives' collaboration with the process. This feature of spending reviews also has the benefit of legitimising a given government's economic policy.

A major feature of spending reviews is that, rather than looking for opportunities to mechanically cut expenditure (Marczewski, 2012, p. 125), they aim for an evolution of the already existing public funds management tools towards a greater use of strategic and functional spending reviews. We are talking here about a spending review that includes a reference to the targets and metrics at the level of the state's functions/areas of activity, and is conducted based on in-depth, broad analyses and strategic studies, using *ex ante* evaluation methods and tools (based on the information base and recommendations developed during the *ex post* evaluation of the task-based budget, including, among others, the logic of a task-based budget and of an *ex ante* analysis – SWOT), and as part of a broad debate and social participation when conducting such a diagnosis of the state's spending policy, which is typical of the evaluation culture (Postuła, 2009, p. 86).

During debates, proposals and opinions on shaping the state's spending policy for respective budget tasks are analysed in a much broader context than before with respect to the results of those tasks, as communicated by various circles. Where spending reviews are applied, there is a wide area for social participation in the budgeting process as special initiatives, adequately prepared in "marketing" terms (i.e. ones that encourage participation), are undertaken by the government for the purposes of spending reviews. They can promote the greater direct participation of entrepreneurs/citizens in order to ensure that the channels used to inform respective public funds administrators communicate, to a greater degree, the detailed needs, motions and efficiency initiatives formulated by respective representatives of this circle, contributing more to the decision-making process regarding the adoption of system-wide solutions.

It needs to be pointed out in this context that in countries that apply spending reviews it is customary for respective ministry departments to hold parallel preliminary ("partial") spending reviews (based on social consultations). These then, become an additional information resource to support the process of developing an overall spending

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review, in the preparation of which a major role is played by the Ministry of Finance and the Chancellery of the Prime Minister.

The final wording of solutions to be adopted in a spending review contains a general reference to: the efficiency scale (at the level of impacts of the outcomes), the amount of funds necessary to achieve the targets (Marczewski, 2012, p. 128) (evaluating the costs of achieving the targets by completing the necessary tasks/programs) and the capacity to finance them (Tomkiewicz, 2013, p. 28).

At the same time, at this stage of shaping the spending review mechanism, social capital is built for the types of reforms being undertaken. Meanwhile, responsibility for the measurable implementation levels and incentive systems has – as a rule, at the level of impact and indirect results – taken a political form. This is not always formalized through accountability to voters, directly to the Parliament (vote of no confidence), the head of the cabinet or collectively, to the government. Rather, such responsibility is sometimes formalized in official documents – contracts between the head of the government or Minister of Finance and those in charge of respective departments responsible for the overall results of the policies pursued (such a system of Public Service Agreement has been in use, until recently, in the United Kingdom). While making no comment on the legitimacy of introducing in Poland a solution such as concluding a special type of management contract between the Prime Minister and respective constitutional ministers, it is worth pointing out that this could have a positive impact on strengthening the responsibility and accountability for public tasks, and represent an incentive for key decision-makers to achieve relevant tasks. At the level of operations, such functions are fulfilled by executive documents that both declare certain efficiency levels and commit public institutions' senior executives to achieve them. In the United Kingdom these are currently the Government's Business Plans, which support the process of developing efficiency levels (by informing it) and guarantee their actual achievement (the plans are adopted for a period synchronized with that to be covered by a given review) (HM Treasury, 2010, p. 9).

At this mid-term level of task-based budgeting, the issue of incentives does not require developing complex methods as the most common outcome of poor execution may be the reduction of funds available for inefficient programs and, ultimately, limiting or closing them. This undermines the ministry's position and the image of those heading it.

Meanwhile, the issue of increasing funds for efficient programs is debatable, at least when the public finance management policy is oriented to limiting the deficit. On the other hand, pay incentive systems at this level of the state financial programming

should rather be shaped equally for the entire system (e.g. general pay solutions for civil servants or executives of other public finance entities). What is important, though, is that it is already at this stage that major decisions should be made regarding spending rationalization and improving the so called allocative efficiency related to changing the structure of supply of respective public goods. The reasons for this is that the efforts to improve social satisfaction in this way should be verified by investigating the beneficiaries' actual needs and, consequently, their actual interest in the change and its social usefulness, while these needs must be analysed also in at least mid-term perspective. Indeed, there is no guarantee that what is less useful in one budget year (Alińska, 2016, p. 23), and achieved instead of a desirable increase in public goods characterized by higher efficiency of supply, could turn out to be necessary in the present amount in the long run, irrespective of how attractive the proposed change is.

Meanwhile, the strictly technical efficiency of expenditure on a given public good – in both variants, i.e. when maintaining the existing level of supply or when increasing it – may be improved first at the stage of programming the budget execution, in an annual perspective, when respective institutions prepare task-based financial plans. It should be pointed out, though, that the possibility of providing a larger supply of a certain public good while keeping the same expenditure, which would follow from the increased technical efficiency, should always involve diagnosing the usability of such a surplus. Depending on the results of such an analysis, funds could potentially be re-allocated to other public measures, where the assumed efficiency levels are not achieved.

Initiatives to create a benefit in the form of an additional unit of a given public good should be preceded by an estimate analysis (simulation) of the costs of generating this unit (financial costs in the form of the usefulness of public goods). Also when taking into account alternative costs – lost public goods that were reduced for that reason (funds re-allocation) – the Program Budgeting Marginal Analysis (PBMA) should be applied. This method is especially applicable to foreign task-based budgets, e.g. in the area of healthcare policy.

When periodical spending reviews are introduced in the public funds management system, making detailed decisions as part of this process should give rise to consequences both for mid-term planning and for every year budget planning.

At this stage, which is subordinate in nature ("operationalizing" strategic conclusions of spending reviews), there is a need for a more detailed simulation of the overall coherence of the task-based budget structure. This is the intervention logic for a task-based

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budget: checking the accuracy of the state's supreme strategic targets being set (along with their results in the form of impacts), while tentatively comparing them to targets at lower aggregation levels as concerns the capacity for obtaining results and products (in the context of resources and tools necessary to achieve the targets set).

Reasons for the interest in spending reviews

The deteriorated state of many countries' public finance as a result of the global financial crisis has increased the interest in advanced innovative consolidation and fiscal stabilization methods. Spending reviews are among the most developed and advanced methods. Such reviews were conducted both by countries that had applied this instrument before (Netherlands, Denmark, Finland, United Kingdom, Australia), and by those that introduced them for the first time (Ireland, Canada, France) (Robinson, 2013, p. 10–11). However, reviews are applied in countries characterized by significant economic advancement and mature public management systems.

Respective European Union member states' interest in using spending reviews varies as there are no international mandatory regulations. The EU legislation contains general indications on how to maintai a rational fiscal policy, from the provisions of the TFUE, expanded in the Pact for Stability and Growth, and elaborated in 2011 in the directive on requirements for euro area countries' budgets (Council Directive 2011/85/EU). It indicates the targets and methods of maintaining stabilized public finance. However, there is no uniform good practice that ensures the desired level of public spending and an effective fiscal consolidation on the spending side.

ECOFIN of 5 March 2013 (Council of the EU, 2013, p. 11), setting a goal of improving public finance through interstate dialogue and mutual exchange of experience, called upon the Economic Policy Committee and the European Commission to review budgetary procedures and practices leading to greater spending efficiency and to the public sector's greater sustainability. The Council recommended using methods such as: spending reviews, task-based budget and *top-down* budgeting.

The government each year earmarks funds selected for so called high priority programmes, which are of the greatest benefit to society. Economists call this "allocative efficiency". Spending on the high priority programmes is very important from the perspective of their adequate and effective implementation. The intended outcome of pursuing those programmes is, for example, to present a solution to a very serious problem or obtaining results that are of high value to citizens. Conversely, the effecti-

veness means that the implementation of respective programmes brings the intended results. At the subsequent stage of on-going changes, spending on high priority programmes improves so much that decision makers have reliable information on the significance and efficiency of the funds spent and they use the presented performance information when making budgetary decisions (e.g. which programmes should be financed in the upcoming year). Moreover, such information mobilises ministries to improve the effectiveness of the programmes they pursue. In such cases – if ministries can see that the Ministry of Finance and other budgetary process decision-makers have a budget based on right decisions and good performance information – they start to analyse their own programmes and take their effective implementation into account. At the same time, when making further budgetary decisions, they will feel a greater pressure on improving the effectiveness of programme implementation to protect their budgetary funds. The availability and use of performance information may also help ensure that the budget drafted is efficiently implemented. Efficiency means that services are provided at the lowest costs, and meet the adequate quality standard. This budgeting method promotes efficiency when budgetary process decision-makers strive for the level of programme financing to translate into cost-efficient service provision, while maintaining the level and quality of services provided to society.

It is a common problem that preparing a draft budget focuses mainly on considering new spending proposals, without a review of the expenditure already in place. This is illustrated by the inertia of original outlays and further spending of budgetary funds on programmes that are ineffective or have a low priority. Some systematic countries (United Kingdom, The Netherlands) rigorously analyse new expenditure proposals presented during the budgetary process. It needs to be emphasized here that often such a "rigorous" review does not serve only to consolidate the status quo, while restricting the analysis of the capacity to finance new initiatives and strategic plans that require allocative re-orientation, but, instead, it constructively creates new fiscal space. The way it happens is that inefficient governmental programmes can be replaced with new, forward-looking and innovative initiatives (programmes), which, in light of the *ex ante* evaluation experience to date, hold the promise of providing the best public value at the optimum cost. These alsosupport the implementation of the state's strategic projects that are ambitious, modern and pro-growth (Marcel, http, p. 12). Shick even writes that the intensity with which funds are moved by given administrators between tasks or programmes they pursue is a sort of "budgetary radar", indicating the level of inefficiency of public spending. The reason is that those movements occur outside a systemic, methodical spending control and review organized centrally and on a top-down basis, for example, as part of spending reviews (Shick, http, p. 46).

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Decision-makers who take part in the budgetary process create a number of problems in aiming to properly channel spending and use the above discussed efficiency and effectiveness. These problems often have many sources, including political factors and expenditure rigidity in annual budgets. Lack of data in this respect is the major part of the problem, as decision-makers usually have a limited access to information on the effectiveness and efficiency of public spending presented in the budget. Moreover, there is little awareness of the fact that some ministerial programmes (implemented on a year to year basis) do not bring the expected results, and yet they are still pursued. Consequently, there is little knowledge and no ideas on how to move or reduce funds for implementing such programmes while minimizing the unfavourable impact on the scale and quality of services provided. It also happens that in many areas of governance, there is limited information on the tasks that are effectively implemented. The solution to this problem is the task-based budget, mostly one involving a presentation of performance information.

Reviewing budgeting efficiency is of similar importance. Efficiency indicators – such as unitary costs or labour efficiency factors – are necessary, but not sufficient as a metric to assess the effectiveness of government programmes and processes. Efficiency indicators may be perceived as a question about the effectiveness and efficiency rather than an answer to these questions. Basically one can only answer those questions using a thorough analysis, especially one assessing the efficiency of the programme being undertaken. The conclusion is that good information about the effectiveness and efficiency of expenditure is of key importance for good budgeting. Budget assessment and outcomes are aimed to organize and systematize information on its performance. The assessment – as a specific form of performance information – is of special importance for the efficiency of the governmental budget as a whole.

Other countries' experience shows an actual relationship between the assessment and task-based budgeting when looking at the major efforts involved in conducting those two processes. The assessment is basically indispensable in a task-based budget. Task-based budgeting and public expenditure process assessment have been used by public administration for nearly 50 years now. The budgetary process and assessment are strictly related to a task-based budget. It can be concluded that task-based budgets and assessments became intertwined right from the start.

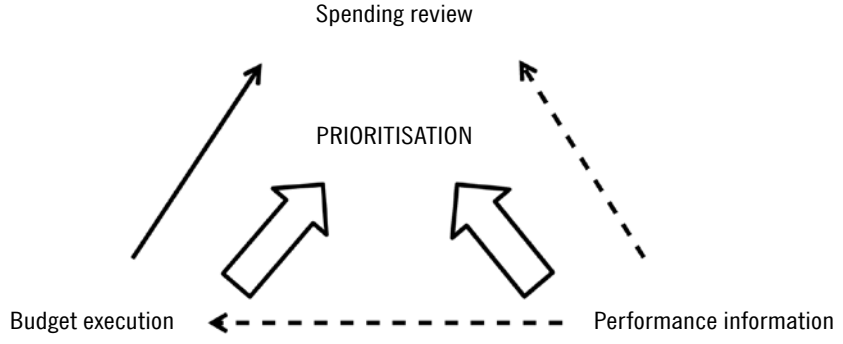
There were earlier forms of task-based budgeting in the late 1960s in the United States (Planning Programming Budgeting Systems – PPBS), which turned out to be a true beginning of the task-based budgeting on a global arena. In the following decade

governments all over the world, following the US example, were implementing a budgeting system based on a broadly defined PPBS model, which, from the very beginning, strongly highlighted the role of assessment and resulted in developing the first generation of government assessment systems on the global arena.

A similar approach to those issues was adopted in other countries, which introduced such a budgeting system after the United States. North America was the leader in introducing new tools in the public sector as Canada was the second country to use task-based budgeting programme (also called PPBS) from 1966. Shortly afterwards, in 1969/1970, the first steps were taken there towards establishing a formal system for assessing public tasks' efficiency, where the programme assessment was to be the main source of evidence of the public programme effectiveness in the context of making decisions on priorities and expenditure. Another country that went for this form of budgeting was France, which adopted a budgeting programme called *La rationalisation des choix budgétaires* in 1968.

The main impact of the PPBS model was evident in the 1960s and 1970s in the budget planning process, and in the models introduced later, for example in Australia, in the second half of the 1980s. Like its earlier equivalents, e.g. the Australian budgeting programme, it was also integrated with the first nationwide review of central government. Developed gradually from 1987, the system required from ministries a systematic assessment of all the existing spending programmes. Moreover, it stipulated that all new budget spending proposals have to include targets and effectiveness indicators, as well as the proposed rules of assessing them.

Figure 1. Spending review in the process of managing a state's priorities



Source: *Spending Review: Objectives, Design & Processes*, Poland's Ministry of Finance/World Bank Seminar, Warsaw, June 2014.

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The mechanism of economic policy surveillance and coordination, introduced from 2011, referred to as the European Semester, provides for giving recommendations to EU member states on programmes presented by these states for budgetary, macroeconomic and structural reforms. In 2013 as many as 80% of recommendations involved improving public spending efficiency. In recommendations for Spain, Italy, France and Slovenia the concept of the spending review was expressly used, without specifying its scope. Recommendations for other countries related to the specific priorities of spending reviews, including an improved efficiency. The recommendations are specific to every EU country. The potential implementation of the recommendations by means of a spending review requires adapting its scope accordingly.

Nature of spending reviews

A spending review is one of the major instruments used to evaluate public policies. A category broader than spending review is the above-mentioned concept of public policy evaluation, defined as an analysis of the impact that public interventions have on the condition of the economy and society. Meanwhile, the term "spending review" is used with respect to an extended, in-depth analysis of public expenditure in place in a given country, at a level referred to as baseline, or compliant with the current legislation and with the policy adopted. The main objective of the analytical process conducted in this way is to improve efficiency and make cost savings, among other things, by cutting expenditure on tasks considered to be not justified by the needs (low priority), superfluous or cost inefficient. The key review element is the analysis of the results of alternative levels and areas of funding, i.e. of an alternative spending structure compared to the baseline situation. As a result of the spending review, it's possible to adjust and re-allocate funds earmarked for public intervention. Another expected outcome may be a rational, from the point of view of the final economic and social consequences, spending reduction as part of the desirable fiscal consolidation, or pursuing new priorities in fiscal policy by increasing expenditure or reducing taxes.

The concept of a spending review involves both the financial and material aspects of the state intervention, plus the desired change in the expenditure. The concept is actually close to a review and evaluation of the public policies in place.

The concept of a spending review has been part of fiscal policy instruments since at least 1980. According to OECD experts, however, there is no single definition of a spending review, although there exists a general framework for conducting it (OECD, 2011, p. 2). Indeed, countries that perform spending reviews have different institutional orders, executive procedures and general context of the fiscal policy.

The sequence and content of respective review stages is similar there. Following the decision to conduct a review, at which stage the general expected quantity and quality targets are identified, comes the phase of defining the framework and scope of the analysis. The next stage involves planning: quantity and quality parameters of the analysis, areas of expenditure subject to the review, detailed targets, assessment and allocation of relevant resources and setting the time schedule. The following stage consisting in conducting assessments and analyses of previously identified areas of expenditure lies at the core of the entire process.

The baseline spending plan for a given area of public intervention broken down into respective items is confronted with alternative scenarios (this involves the amounts of expenditure, cost savings, viability assessment – ways to implement them), whilst taking account of potential reforms. This stage should conclude with the selection of changes that will be ultimately implemented. The next stage is implementing the reform, changes in the legislation, procedures and organization. An additional review phase, distinguished by European Commission experts, involves managing, coordinating and evaluating the process as a whole, though it should be pointed out that it overlaps with the stage of review execution and implementation. The key review stage consisting in projecting and selecting alternative spending solutions compared to the baseline scenario, requires the involvement of the Ministry of Finance, other ministries and public entities that pursue specific expenditure, and that of external experts. Participants of this stage must have the greatest possible knowledge and experience in the area under review, especially as concerns legal, institutional, customary, social and political circumstances.

Types of spending reviews used in selected countries

The analysis of the factors making it necessary to use a customised approach for an optimal achievement of the spending review targets should start from presenting two examples of how spending reviews are applied in EU countries.

The principal factor determining the diverse situation in respective countries is the size of the core baseline level of public spending for a specific type of public intervention. The baseline expenditure level is strictly dependent on economic, social and demographic parameters that are typical of a given country. The size of public spending has been increasing with social and economic progress, a phenomenon which was already described at the turn of 19th and 20th century by German economist Adolph Wagner. The attempts to confirm this phenomenon empirically became the object of

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many quantitative analyses, which have continued until our time. Apart from the differences between various countries when it comes to the size of public spending measured in relation to GDP, especially when it comes to its nominal size, there are also variancies in the structure of public spending. In 2015, total general government expenditure as a share of GDP in European Union countries was 54,8% in Denmark and 40,7% in Bulgaria, while the average level for EU-27 was 47,3%, or close to half of GDP. A lower share of GDP was typical for countries with lower GDP *per capita*. There were also exceptions, related, to a certain extent, to the shape of the fiscal policy undertaken in the last decade.

The analysis of the spending structure by function, COFOG (Classification of the Functions of Government) leads to the conclusion that the structure of this spending oscillates around the UE-27 average, however there is a noticeable regional diversification for respective spending groups. The greater size of some expenditure groups also contributes to the general level of spending. social security spending has a major impact, which is related to the demographic situation and the social security systems in place in a given country. The greatest diversification of the share of GDP within respective expenditure groups can be found in social security, followed by health and education, then – general government activity. For the latter category (including the costs of debt), one should bear in mind the unique position of this expenditure for two countries, Greece and Cyprus, whose public finance has been subjected to special correction procedures since 2009.

The actual diversification of the level of spending by central and local government institutions in European Union countries is illustrated by the per capita data, taking account of the purchasing power (Purchasing Power Standard – PPS) compared to the EU average. This example best reflects the comparison of the actual public per capita expenditure in respective countries.

Caution should be exercised when comparing the aggregated levels of public expenditure (or main expenditure groups, for example as per COFOG) in various countries, especially if one leaves out quality indicators (DG ECFIN, 2014, p. 8). The level of funding for respective expenditure groups and the overall level of public spending in respective countries is diverse. This diversification of the level and structure of expenditure, as well as that of the outcomes achieved, stems from historical reasons, local circumstances, political preferences andlevel of economic development. However, even in countries with similar economic potential there are differences in the level and structure of public expenditure. Consequently, an autonomous rather than universal approach needs to be adopted.

Another factor that determines the customization of the approach to a spending review is the scope of the review. The scope of a review may be comprehensive or limited to selected expenditure groups or just one group. According to the OECD (Robinson, 2013, p. 15) it is virtually impossible to conduct a complete review of all public spending, hence comprehensive reviews are defined as reviews that are broader, often horizontal and open-ended in nature. Conducting an in-depth analysis of a specific area of public intervention across the entire public expenditure sector as part of a budgetary cycle may be beyond the capability of the resources available (administrative, analytical, financial). The scope of limited reviews is strictly defined *ex ante*. The selected areas of a spending review may be determined in terms of its objects, i.e. related to programmes or processes carried out from public funds, or in terms of their subjects, i.e. related to specific ministries, agencies and other branches of the public sector. The type of review (comprehensive, selective) and area of review (programmes, processes, subjects) is determined by an autonomous decision of a given country's fiscal authorities, with the decision related to a great extent to the institutional system and procedures in place.

The choice of expenditure groups subject to a review and its time schedule depends on a given country's internal circumstances. Most often, this choice also depends on the agenda of the political grouping in power, and on the selected public intervention priority areas, which possibly translate into increasing or decreasing public spending in a given field. The scope of review may also stem from the provisions of the coalition agreement between several parties that share power.

Spending reviews also include examining the incidence of tax reliefs and preferences in the public sector, referred to in the literature as "tax expenditure". Respective countries' fiscal systems, apart from the diversified expenditure level and structure, are also characterized by diverse tax reliefs or preferences that are reflected, among others, in the level and scope of the decreased rate of sales tax. Tax reliefs and preferences may have a major impact on business entities and social behaviours. Their direct financial consequences are positive for taxpayers, but they limit public revenues. In many cases, they represent a potentially less politically painful alternative to new public expenditure. However, financial consequences of tax reliefs for public sector revenues, unlike those of expenditure, are complicated to analyse. A comprehensive estimation of the total costs of this alternative to expenditure is difficult and less precise than for the amount of expenditure planned and executed. An estimation of the size and efficiency of tax reliefs and preferences is an important part of reviews. Developing alternative scenarios for taxes, apart from the ones for expenditures, is an effective way to achieve the objectives of a spending review.

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In line with the methodological proposal of the European Commission's experts, spending reviews are conducted on two levels: strategic and tactical (DG ECFIN, 2014, p. 11). What is examined in the strategic area are objectives and the importance of financing specific directions of public interventions, the size and accuracy of the commitment by public authorities and the administration level or public entity that is carrying out a given task. At the tactical level, expenditure assigned to a given purpose, its efficiency and optimum relation between expenditure level and outcome are analysed. Broader spending reviews (including comprehensive ones) relate to the strategic level, but they may be extended to include the tactical one. Strictly tactical reviews are also conducted. The scope of reviews results from a given country's public authorities' preferences, capabilities and needs. However, both at the strategic and tactical level, the fundamental area of spending reviews is the pursued directions of public interventions, size of finance assigned for them and the outcomes achieved rather than general spending regulations, planning and execution procedure. The level of detail and the concrete nature of reviews require a customized approach in every country that uses this method.

Another element of selection involves the anticipated objective of the review, which may be a specific amount of savings, improved efficiency and effectiveness of task execution or other quality targets, e.g. greater satisfaction of public services recipients. Though a spending review may not be equated with an automatic expenditure cut the ultimate objective may still be to quantitatively limit financing from public funds. As to the very essence, a review requires a much more developed procedure than cutting the expenditure. It should be mentioned here that even a simple operation of decreasing planned expenditure is conducted, in each country, taking account of local priorities and tasks exempted from this operation. The spending review process is even more complicated and "localized". The superiority of a review over expenditure-cutting stems from the ability to give a flexible, preferential treatment to public spending that has an impact on economic growth. Both economic growth drivers and pro-growth effects of respective types of public spending are diverse in different national economies. This is why a correctly conducted, in-depth and customized review is superior to mechanical expenditure cuts.

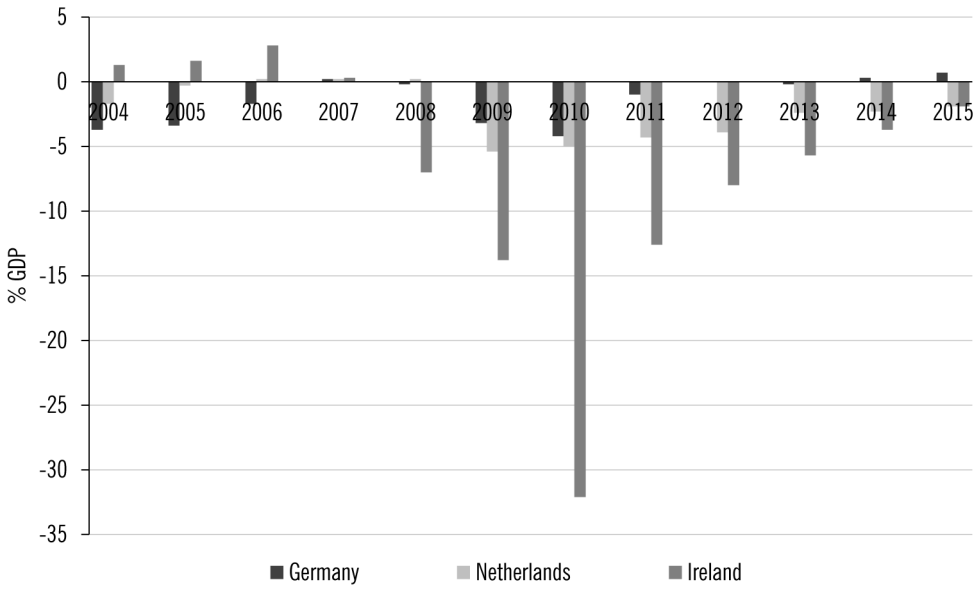
Whether or not the desired spending review targets are adhered to strictly, depends on setting them in a correct and consistent fashion. Qualitative and efficiency targets may conflict with quantitative targets involving a reduction of spending. To reduce discrepancies one needs to be prudent when formulating, selecting and, potentially, prioritizing objectives. Overcomplicating the procedures may increase the risk and the ultimate total costs of public intervention.

Spending reviews, due to their scope and depth of analysis, cannot be applied under extraordinary circumstances and where a very urgent fiscal consolidation/ expenditure reduction is necessary. If fiscal targets are to be achieved particularly fast, the usefulness and usability of a spending review is limited.

Spending reviews represent a relatively uncommon but quite effective public governance instrument. The examples of its application in Germany, Ireland, the Netherlands and Australia, synthetically discussed below, point to the differences in the adopted scope of reviews. Experience of some OECD and European Union countries have helped develop a coherent procedure. The desired review format is determined by national and local social and economic circumstances, most of all those involving the size and structure of public spending. Another source of variance is the different consolidation needs and the level of fiscal stability in respective countries. Despite the general review methodology being similar, specific quantitative and qualitative targets as well as the scope and depth of spending reviews should be formulated differently.

In the next part of the article the experience of reviewing the expenditure of three European countries will be presented: Germany, the Netherlands and Ireland. The fiscal situation is shown in Figures 1 and 2.

Figure 1. General government deficit/surplus % of GDP



Source: own work.

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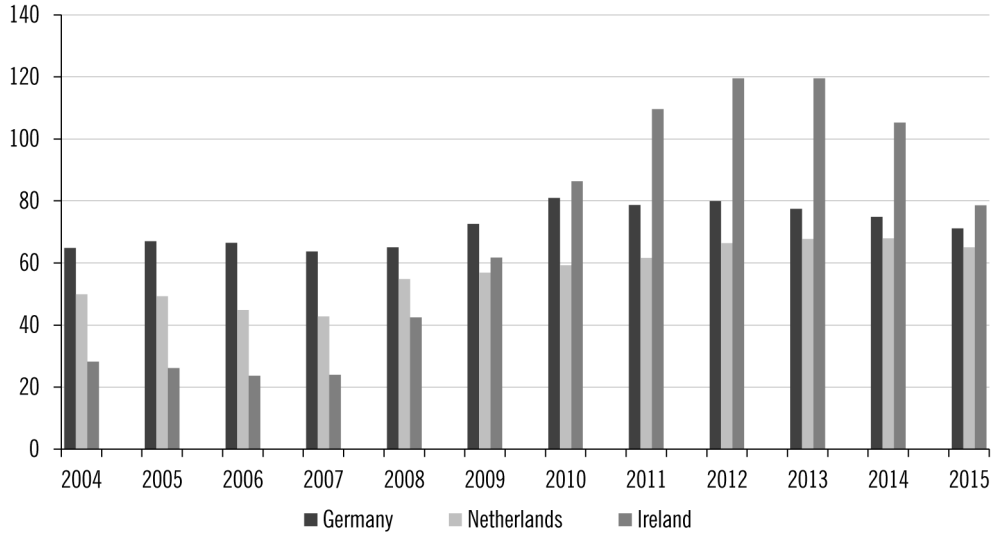
Figure 2. General government gross debt % of GDP



Source: own work.

Efficiency assessment of the spending reviews used

Spending reviews in Germany

The public finance management system in Germany has been regularly transformed and is well developed. Procedural solutions have followed the need to comply with the provisions of EU fiscal policy regulations. Some innovations in terms of new public governance have not been applied in Germany yet. The reasons are twofold. Firstly, the fiscal policy in place has been relatively effective and ensured a stable economic development. Secondly, the state's financial problems, resulting mostly from the need to bear the costs of reunification and accession of new federal states since 1990, have been efficiently solved by adjusting the public governance system in place. Thirdly, Germany, being a country with the largest economic and population potential in Europe, has focused on building on and using its own experience, relying much less on methods developed elsewhere.

In accordance with concepts developed in the years 2013–2014 as part of the decentralized German federal system, it is possible to supplement the existing budgetary process with an institutionalized spending review process. Such reviews, however,

would have to function both at the federation level and that of federal states. This is mentioned in the coalition agreement adopted by CDU/CSU and SPD in the end of 2013, which emphasizes the need for a continuous critical control of public spending at all levels of public governance (CSU, 2013, p. 62).

The implementation of the original German concept of a spending review requires further work, especially due to the limited use of efficiency information or, broadly speaking, task-based budgeting instruments and methods.

In the years 2006–2010, a special taskforce (in German: *Modernisierung des Haushalts- und Rechnungswesens* – MHR) developed a proposal for a new budget structure, introducing a task-based classification of public expenditure, i.e. one based on functional products and programmes and work progress indicators (OECD, 2014, p. 34). The proposal was rejected in the course of parliamentary debates. The main objections concerned the undesirable shift of attention in budgetary decisions from funds' allocation to task progress metrics and to reducing the number of expenditure items. This, according to the MPs, would lead to diminishing the Parliament's control over budget and public finance. In the years 2010–2013 the task force continued this activity. A new phase of work was devoted to issues such as: standardizing budgetary accounting principles, improving the transparency of budgetary classification, optimizing governance processes and the collaboration between ministries and the federal Ministry of Finance, as well as taking account of efficiency information in budgeting (Bundesministerium der Finanzen,2013).

The Law on budgeting reform (in German: *Haushaltsgrundsätzemodernisierungsgesetz*) of 2009 sanctioned the co-existence of different accounting systems: the classical and accrual-based, and of different budgetary spending classification systems: item-based (the existing one) and product-based.

To ensure homogeneity and the comparability of different budget systems' procedures and data at the federal and federal state level, a task force on governmental accounts' standardization (in German: *Gremium zur Standardisierung des staatlichen Rechnungswesens*) was established. The task force works on the federal and local standards of classical and accrual-based budgetary accounting, both for traditional and product-based budgets. During the annual meetings of the task force, the wording of standards can be revised. In 2011, it adopted product-based budgeting standards – integrated product framework (in German: *Integrierte Produktrahmen* – IPR). According to IPR, a product-based budget classification involves three levels: first functional (ten functions), then the task level and finally the product level. These standards are the basis of

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legislative solutions to be adopted at the federal and federal state level. The widespread use of the new standards in budgetary accounting, including the task-based classification, may, in future, be a good basis for conducting spending reviews. It will be possible to use reviews related to a specific expenditure group or a given administrative entity, following the introduction of new standards in a given spending area.

Spending reviews in the Netherlands

The Netherlands has the longest experience of all European Union countries in using spending reviews. The system for public policy evaluation in this country includes: *ex ante* and *ex post* evaluation processes and a separate component oriented to reforms and savings, involving spending reviews and specialized analyses of selected expenditure.

In the 1970s, the foundations of the task-based budget were laid in the Netherlands. The multi-annual expenditure planning, dating back to that period, is in place to date. The shift from the classical budget system to the programme-based system was not successful due to the administration's dislike for an overly theoretical approach. Targets were formulated on a top-down basis and, unfortunately, inconsistently with the existing organizational structure. It should, however, be pointed out that the abandoning of the programme-based approach was coupled, in 1981, with the introduction of spending reviews, which contain efficiency information and proposals for alternative uses of public funds. In the 1990s, the competences of the Court of Audit (in Dutch: *Algemene Rekenkamer*) were extended to include auditing the efficiency of public expenditure. All ministries were obliged to conduct, once every five years, an evaluation of respective policy areas. In 2004, a regulation on efficiency information was introduced, pursuant to which efficiency targets and indicators can be developed for the strategies and operational programmes being implemented. This regulation contained indicator selection criteria (validity, reliability and usability). However, the practical use of those criteria remains problematic. Identifying the relationships between the amount of public expenditure and the outcomes achieved, especially quantifying them, is most often ambiguous. However, collecting data on public intervention efficiency in an orderly manner improves the ability to evaluate public entities' activities based on budget execution reports. The discrepancy between the ease of evaluating financial results and that of evaluating quality results is quoted as the reason for shifting the efficiency information from the budget to spending reviews (Debets, 2007, p. 6).

Spending reviews are conducted yearly in the Netherlands. Only two of them were referred to as comprehensive: the first one from 1981, which involved 30 basic expendi-

ture groups and the review following the world financial crisis, conducted in 2009 (20 expenditure groups). In the following years, except for 2007 and 2010, the reviews conducted were limited to selected public expenditure groups, ranging from two to eighteen. In the years 1981–1994, the reviews were oriented to spending cuts. From 1995, the declared objective has been to improve the efficiency and effectiveness of public interventions.

Review procedures are coordinated by the Dutch Ministry of Finance. The review is conducted by independent, apolitical task forces composed of senior civil servants and independent experts. The work of the working group is managed by civil servants, who are not limited by responsibility for current policy in the area under review. The contents of the spending review include: discussion of the context, diagnosis of the situation, scope of analysis and a proposal of alternative solutions compared to the baseline situation. Its outcomes should be savings, limiting expenditure or the scale of its increase, improved effectiveness and efficiency. Moreover, the composition of the working group and the deadline for completing the work must be proposed. Once prepared, the report is handed over to the relevant public finance unit which deals with relevant expenditure. The entity prepares its own opinion. The report and the opinion are presented to the Parliament and then published. At the following stage, the report is examined by the inter-departmental Spending Review Committee headed by the director general for budget, and composed of representatives of the ministries of finance, internal affairs, social affairs and employment, economy, health, education, and of the chancellery of the Prime Minister. The committee decides about review procedures, ensures adequate quality of the work undertaken, settles any disputes within the working group, sends review-based proposals for the government's decision. Final spending decisions are made by the government in collaboration with the Parliament.

The review mechanism in the Netherlands helps respect the politicians and state officials' role and responsibility in the budgeting process. Officials, making use of independent experts' opinion, prepare alternative options, politicians make decisions, and the process as a whole is transparent.

The comprehensive review initiated in 2009 did not end as usual, with the government giving its opinion on the proposals and using them in the next draft budget. Due to the early parliamentary election in 2010, the government did not have enough time to present its opinion. The published working group reports provided material for political parties that were preparing their electoral proposals. Then, they were evaluated by the Netherlands Bureau for Economic Analysis (in Dutch: *Centraal Planbureau* – CPB) after the elections and used in the work on the coalition agreement,

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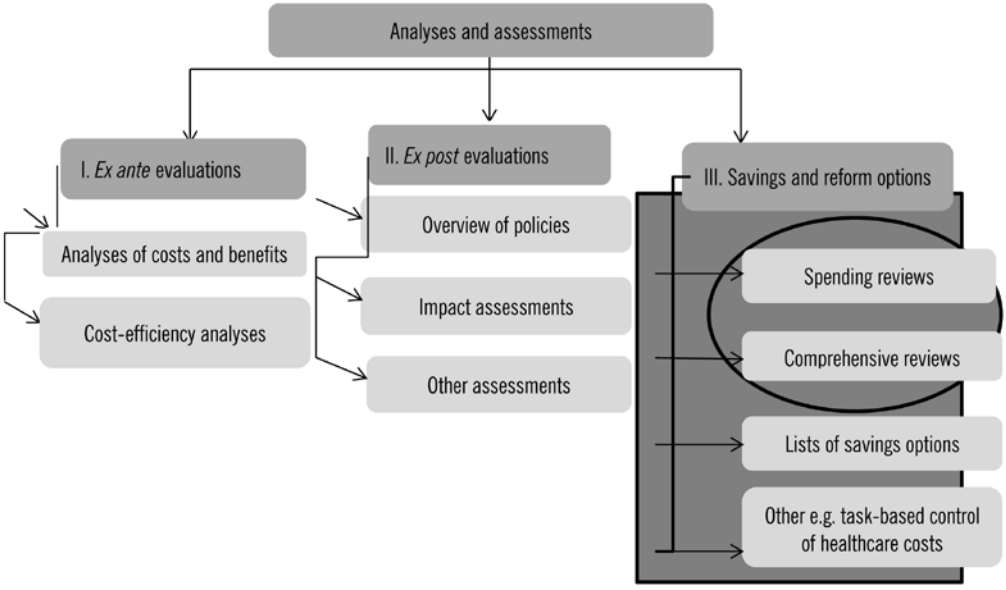
related, among other things, to multi-year spending programmes and further budgetary projects.

Figure 3. Assessment system in the Netherlands



Source: H*ow to organise successful spending reviews? Netherlands experience*, Warsaw, June 17–18, 2014, Poland.

Figure 3 presents the functional classification and hierarchy structure of respective elements and groups of methods being part of the overall review and assessment process. It starts from *ex ante* evaluation, which, according to the intervention logic of the governance tools described, is the first, starting and necessary element of the analytical process. It serves as the most fundamental financial and economic analysis, intended to provide data for more complex *ex post* analyses as well as for strategic studies (i.e. assessment categories presented, respectively, in the second to last and last column of Figure 2). At this assessment level what is distinguished as the adequate method for the so called economic evaluation is Costs and Benefits Analysis (CBA), one that is the most direct for executive processes, and Cost Effectiveness Analysis (CEA).

The greatest advantage of CBA in this case is that it relates costs to benefits, on an *ex ante* basis and in many aspects, including direct benefits and long-term effects, addressing the needs of all entities on which a given public intervention/programme aims to have an impact; at the same time, considering the evaluation profile of the analyses discussed here, efforts are made to ensure they are as comprehensive as

possible, which helps achieve the intended research goals and is useful for ensuring the usability of their results for governance measures in the public sector. On the other hand, Cost Effectiveness Analysis (often conducted with the support of DEA, Data Envelopment Analysis) helps search for the exemplary efficiency models by analysing alternative solutions in the context of many diverse and specially selected factors (e.g. environmental variables). The first of the aforementioned assessment elements is a starting point, which provides the overall evaluation system with a database for performing *ex post* evaluations, which are more complex and horizontally wider (these are presented in the middle column of the diagram) and represent the second assessment category in the system.

At the same time, the role of *ex post* analyses and assessments is to ensure accountability and summary, but also to ensure conclusive references to the execution/governance process, to allow conclusions and practical recommendations for the efficient continuation and projection of respective public policies, which, in turn, are ultimately intended to provide informational support for the spending review process. The results of *ex post* assessments and analyses are built and obtained in this case based on information from in-depth cross-sectoral analyses of selected public policies, as well as on the impact assessment of given public interventions and on other types of assessments, which examine, on an *ex post* basis the efficiency and effectiveness of public administration functioning (e.g. in the area of informatisation).

The entire system is complemented by the most important and, at the same time, the most advanced component of the efficiency information management and use processes, namely by the analysis and assessment segment. This segment incorporates reviews of functional budgetary spending (these are presented in the last column of the diagram), so called limited reviews, mostly aimed to generate savings, as well as less methodologically advanced methods serving a similar purpose, for example the so called lists of cost-saving options. Such methods engage the analytical potential and public policy evaluation tools much less than spending reviews. The most important element of the last, top level part is the comprehensive, so called strategic spending reviews.

The last component of the efficiency analysis and assessment system is the highly specialized tool of task-based control, used for the purposes of planning and managing the healthcare system, which must be isolated from the overall assessment system due to the need to make an extensive use of a highly autonomous, strictly customised, specialized analysis methodology, to assess and compare efficiency in this public service sector. Customised, dedicated systems for assessing healthcare funding are

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also used in other countries, e.g. the United Kingdom and Australia. This last and, at the same time, the most important system element (especially the one featured in the last column of the diagram) is an expression of the latest trends to expand the evaluation process in the area of public sector finance management. As systemized in selected OECD expert approaches, this is an *ex ante* evaluation category, which shows that the analysis and assessment cycle is complete in functional terms so that the partial data (first component) created during on-going analyses of partial assessments represent an input for *ex post* evaluation, which, in turn, generates recommendations and conclusions, which are the basis for operationalizing the *ex ante* evaluation, i.e. spending reviews. The Dutch model includes all those elements (full cycle), and, at the same time, a functional and strategic spending review (e.g. the last one), which, in evolutionary terms, is the most advanced analytical mechanism, linked to previous assessment stages. This therefore means that the Netherlands is very advanced when it comes to the development of cutting edge public finance management methods, also in long-term perspective, which makes the country one of the international leaders in this area.

A comprehensive spending review of 2009 was the basis for budgetary work and for cutting the expenditure in 2010. For each of the 20 expenditure groups in the review, at least one concept leading to savings was indicated, with the total saving amounting to 20% of the expenditure. To ensure an unimpeded development of all possible savings alternatives, the government set no pre-defined limits to the experts. In all possible cases, the potential economic and social consequences of the changes taking place were estimated and presented. The spending review included 20 policy areas: 1. Energy and climate change; 2. Environment; 3. Transport and water management; 4. Housing; 5. Children's programmes; 6. Education efficiency; 7. Higher education; 8. Research and development; 9. Income support and employment programmes for low-skilled individuals; 10. Unemployment benefits; 11. Medical services; 12. Long-term healthcare programmes; 13. Official development assistance; 14. Immigration, integration and asylum; 15. Public security and terrorism; 16. Tax administration; 17. Social assistance administration; 18. Public administration; 19. Operational management in public sector institutions; 20. International security.

Each of the 20 working groups was headed by a current or former senior official, previously employed in an area different to the one being audited. The purpose of such a solution was to elicit creative, out-of-the-box thinking. The operational consistency between working groups was ensured by representatives of the Ministry of General Affairs (administration) and of the Ministry of Finance. The sessions were additionally attended by external experts invited to them. A comprehensive review of 2009 was supervised by the Prime Minister and two Deputy Prime Ministers, ensuring access

to all information and analyses. Alternative internally consistent cost-savings scenarios were developed for 20 policy areas, whose common denominator was 20% expenditure savings. The following were identified for each scenario version: financial consequences for the years 2011–2015 and in 2020, concise characteristics of the measures, basic social consequences and the policy for making changes. Scenarios should be useful for the entire political spectrum as they made use of various approaches and solutions.

Spending reviews in Ireland

Ireland has a much shorter experience in using spending reviews than the Netherlands. In the extremely difficult fiscal situation, resulting from stabilizing the financial sector from public funds and from the extraordinary size of the deficit that increased the level of public debt several times, in 2008 an effort was made in Ireland to carry out a comprehensive spending review. Thiswas conducted by a special group of independent external experts (Special Group on Public Service Numbers & Expenditure Programmes), which had organizational support from the Ministry of Finance. The review was conducted on a bottom-up basis, as each entity making any expenditure was obliged to prepare proposed changes/savings along with an analysis of their impact on the execution of tasks. Separate proposals were prepared by the Ministry of Finance. Based on these proposals, the expert panel developed its own scenarios for alternative expenditure. The solutions selected by the government were taken into account in the budget for 2010. From 2011 onwards, a comprehensive spending review, coordinated by the Department of Public Expenditure and Reform, has been conducted as part of the budget procedure. Subsequent stages of the spending review took place in 2011 and 2013, or bi-annually. The proposed changes contributed to the budget set for the following years. The contents of spending reviews in Ireland include: quantified targets, comprehensive scope (not limited to selected areas), procedures, review criteria related to efficiency and effectiveness (using Value for Money tests), reasoning for the proposed changes and the composition of the steering committee. Reviews are conducted by civil servants.

The indicated principal objective of the 2011 spending review was to spend smaller financial resources in the most efficient way. Specific targets involved: spending re-allocation to enable the achievement of governmental priorities, achieving a general level of expenditure compliant with the fiscal consolidation target and limiting staffing in the public sector. It also included implementing innovative ways for the reformed public sector to execute public tasks.

The first overall /comprehensive/general spending overview (Comprehensive Review of Expenditure – CRE) in Ireland was conducted in 2011 (and the next one was

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announced in December the same year, in connection with the 2012 budget preparation) under the name Comprehensive Review of Expenditure 2012–2014 (NN, 2015, p. 25). All ministries were involved in the process of preparing this paper, providing relevant contributions within their respective areas of competence (also for agencies supervised by them) in the form of separate chapters of the document. Those chapters identified the possible savings for the programmes being executed, and provided an estimated scale of the potential expenditure reduction which may result from executing pro-efficiency initiatives or other reforms. Scenarios were also presented for changes consisting in organizational reductions in agencies, e.g. by merging these institutions or limiting the staffing. The main targets of the Irish spending review process were to provide the council of minister with an overall/comprehensive package of findings (options) in support of decisions oriented to achieving the fiscal consolidation targets, and to evaluate public programmes and allocations assigned for them, in order to ensure they are better aligned with the government's priorities, also with the reform paths adopted.

The main target of the next review is to update multi-year expenditure projections for the coming three budget years in the period 2015–2017. In addition, a separate review of investment expenditure has been prepared, in the context of programming the future investment priorities and updating mid-term allocations to investment projects for the next five budget years.

It was concluded that as part of preparing the second CRE, each minister and department will analyse and propose measures that contribute to achieving the overall targets of the government's spending policy set for the coming three years. The material obtained will be aggregated into a final report accompanying the 2015 budget by the entity coordinating the review process and responsible for preparing the final report – Department of Public Expenditure and Reform (NN, 2015, p. 2–12).

The CRE preparation process involves public consultation, during which citizens and representative organisations are encouraged to submit their proposals that could help achieve further budgetary savings, at the same time ensuring better and more efficient planning of the provisions of public services. The starting point for preparing such a debate and, then, the substantive basis for holding it will be a prior verification and analysis of the current efficiency levels developed as part of the task-based budget, which is positioned here at the level corresponding to the operating level (Polish equivalents: tasks, subtasks, measures). An example is thedocument entitled *Revised Estimates for Public Services* – REV(NN, 2014).

REV establishes key financial and efficiency information on expenditure, first grouped by functions on a consolidated basis (also on a multi-year basis), and then according to the subject-programme structure, i.e. at the same time by respective departments and programmes executed by them. This therefore provides a complete set of data necessary for the decision-makers (government, Parliament) in public finance management processes, and also for those in need of synthetic and transparent information to assess respective government policies. A crucial role in the process of compiling information on the efficiency of public tasks executed for the purposes of CRE is played by a unit within the Department of Public Expenditure and Reform – Central Expenditure Evaluation Unit, which ensures evaluation for cross-departmental issues (e.g. labour activation, support for entrepreneurship, funding for science and education). Such a solution is a necessary addition to the task-based budgeting system (which does not have itself a benefit of function-based presentation) while meeting the demands for the widest possible use of evaluation tools and methods in spending review processes.

The efficiency information in REV is organized as follows. First, REV presents an overall allocation intended to finance the execution of all public tasks delivered by a given public institution (ministry department, or office), and the high level goal of its functioning. Then it presents financials and the corresponding information on the size of human resources employed to execute a given programme (amount of expenditure for respective areas is broken into administrative costs – both payroll and non-payroll – as well as direct costs of programme implementation). This is a very novel approach – it allows for assessing the scale of staff employed in the execution of given programmes and the average level of amount compared to the efficiency outcomes achieved. This has both a streamlining and incentivising effect.

The next element of presentation is the Key Indicators, which, as a rule, are at least partly quantified, and assigned according to subsequent Public Service Activities. These are tasks and jobs aimed at transforming financial expenditure into public services andthese activities are formulated as output targets. Data for the latter ones are published for the baseline year and for the year included in the planning (e.g. for REV data for years 2013–2014). Then a more detailed context of the aforementioned efficiency information is presented, resulting from evaluating and monitoring Context and Impact Indicators. These are only quantified data, including those, which, irrespective of their name, are also product-based indicators, and partly refer also to the values presented and planned in output targets. Data about context and impact indicators are presented in the form of reporting data for the past three years (i.e. accordingly: 2011, 2012 and the anticipated execution for 2013), which is why they overlap with the key results only for one year. Nevertheless,, they represent a rich information

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resource for *ex ante* evaluation, which is the adequate and useful evaluation type for the spending review preparation process. It is worth pointing out that the specific nature of the state's respective areas of operations, and that of respective public institutions' operations strongly determine the way efficiency information is presented. There are areas where the number of indicators greatly exceeds the general average (ca. six quantifiable indicators per programme). This is the case of the health policy, for example. However, there are areas where only an aggregate amount assigned for the institution's operation is presented, without indicators or staffing and pay information (e.g. Ireland's *Secret Service*).

Conclusions of the analysis of spending review processes

When aiming to implement modern methods of public funds management, one should ensure that the process of defining economic policy targets is carried out strictly in connection with the projected financials of its implementation. At the same time, the process should be divided into two strictly interconnected and aligned stages: that of mid-term planning and task-based planning, having solid operational foundations, which are in line with the directions, contents and size of finance set at strategic levels.

It seems that spending reviews (or comprehensive spending reviews) are the optimal tool, at the first of those levels that meets all the criteria discussed here. Those reviews have lately become the object of systematic and intense methodological research and outreach activities conducted particularly by the OECD Secretariat (OECD, 2011, p. 14).

The OECD itself, in its extensive 2011 report on the practices used in this respect in its member states,defines spending reviews as a specific type of mid-term *ex ante* evaluation consisting in using *ex post* evaluation results (or, among others, efficiency information resulting from indicators applied by task-based budgeting). These reviews are used for two purposes depending on the scope of their functionality: from the so called strategic spending prioritization (strategic spending reviews aimed to find fiscal space for high-priority programmes) to functional spending reviews aimed to identify the possible expenditure cuts in the budget process within the entire government subsector, and, ultimately: to reduce the budget deficit (in the latter case the evaluation analyses go into the details of how the economic programme tasks are planned) and indicate how those cuts are executed to ensure the budget efficiency. There are also spending reviews that are both strategic and functional, as exemplified by the Comprehensive Spending Review prepared in the United Kingdom (HM Treasury, 2010, p. 24).

Moreover, in line with the OECD methodology, spending reviews have the following characteristic that set them apart from other types of *ex ante* evaluation in the public sector (OECD, 2011):

- Spending reviews examine not only the efficiency or effectiveness of a public intervention with reference to the current allocation levels (i.e. funds earmarked to implement it), but they also analyse any consequences of alternative ways to fund tasks, and their potential impact on planning the size of results and products of those respective tasks (*ex ante* evaluation instruments are useful here, especially the formulation of the so called evaluation questions); such functionality is especially useful in efforts to improve the so called allocative efficiency – aimed to improve social satisfaction by properly changing the destination of expenditure and, consequently, changing the structure of supply of respective public goods (Marczewski, 2013, p. 135). Since it is a type of *ex ante* evaluation, other research/analysis criteria include significance (the degree to which tasks are important in relation to the problems and needs they serve to solve or satisfy) and coherence (the degree to which the logic of the task is internally coherent/ the task is coherent (not conflicting) with other tasks of a similar nature/ area) (Office for Official Publications of the European Communities, 2004, p. 39);
- Findings relate to long-term expenditure programming; so these reviews are often conducted periodically and relate to a specific period (e.g. once every four years, though they can be updated; two different types of such documents, having a different function, may exist as part of this system);
- Responsibility for conducting the spending review procedure rests both with the Ministry of Finance and with the Chancellery/office of the President of the Council of Ministers (these are almost always the leading entities, which is a sign of stricter fiscal discipline, so called *top down* budgeting)[35], while obtaining substantive support from the "*bottom*" – from departments/agencies which prepare initial spending reviews, serving as the preparatory material for the overall review;
- The results of spending reviews should be consistently taken into account when planning annual budgets (because the results of such reviews contribute significant savings – e.g. Ireland 7.8 billion €, Kingdom of the Netherlands 36 billion €) (Robinson, 2013, p. 148);
- Special advisory committees/bodies play a major role in those evaluations.

Spending reviews are not only associated with effectiveness and efficiency, but also with decision-making and responsibility.

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