

# Supporting the Walloon region to build capacity for spending reviews

## TECHNICAL REPORT



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# Abbreviations and acronyms

CA	Contract of Administration
FIU	Financial Information Unit
GDP	Gross Domestic Product
IF	Inspectorate of Finance
MM	Margin to Manoeuvre
NAO	National Audit Office
NRRP	National Recovery and Resilience Plan
OECD	Organisation for Economic Co-operation and Development
PSW	Public Service of Wallonia
SR	Spending Review
UPA	Unit of Public Administration
WBF	Wallonia-Brussels Federation
WIEFS	Walloon Institute for Evaluation, Foresight and Statistics
ZBB	Zero Based Budget

# Executive summary

Following the recommendations of the Council of the European Union on improving the efficiency and composition of public expenditure, Belgium took the decision to integrate public spending reviews (SRs) into the budgetary process at all levels of government, including the Walloon region, by including this commitment in the National Recovery and Resilience Plan (component 6.1).

Since 2009, following the global financial crisis, the Walloon region's debt has increased every year. In 2020, the economic crisis caused by the COVID-19 pandemic profoundly impacted the public finances of the region and led to strong fiscal pressures as well as a spike in public debt. In the current context, controlling expenditure is important, as is improving the efficiency of spending at all levels of government.

In 2020, the Government of the region began a 2020 SR exercise. The two-year project (called Zero Based Budget or ZBB), covered all expenses and revenues in the region in four exercises and was conducted with the support of external consultants. The intention was to institutionalise the exercise and integrate it into the budgetary process.

The objective of a permanent SR procedure in Wallonia has similarities to the ZBB programme, but the analysis of the ZBB project also reveals what needs to be improved in terms of methodology, procedure and organisation. This Technical Report contains recommendations for integrating SRs in line with the OECD Best Practices for Spending Reviews.

On this basis, the OECD has developed recommendations for a regularised SR process in the Walloon region and its integration into the budget process (see summary table of recommendations below). The Walloon region should adopt a gradual approach to introducing SRs: since there is not yet an evaluation culture, and existing capacities and skills are limited.

<b>1. Objectives and scope</b>	1.1. Following the ZBB programme, the Wallonia Government should move to a permanent spending review process, with the aim of systematically reviewing the Wallonia Government's expenditure (including tax expenditure) for effectiveness, efficiency and coherence with government policy, in order to identify the possibilities for more effective policies and the room for manoeuvre (spending reductions) that can be used for new operating and social transfer expenses or for the control of overall expenditure.
	1.2. Although the scope of expenditure to be submitted to spending reviews must remain broad, spending reviews in the Walloon region should be conducted as a selective process, that is, there must be an annual selection process leading to a proposal to conduct some spending reviews within a timeframe that is part of the budgetary process.
	1.3. The Wallonia Government should provide a legal basis for the spending review process in a government decree based on WBFIN. The Government's commitment should be set out in policy documents such as the Regional Policy Statement, the Administrative Contract and the Management Contracts.
<b>2. Governance</b>	2.1. The Wallonia Government should be responsible for defining the objectives and governance of the spending review procedure. The Government should decide on the composition of the Steering Committee and the Manual for the Conduct of Spending Reviews. The Government should decide on the annual selection of topics to be considered, the terms of reference for each review and the implementation of the policy options described in the spending reviews reports.
	2.2. Overall responsibility for managing the spending review process should lie with an entity composed of officers whose expertise encompasses both PSW and UPA budgets. The overall responsibility for managing the spending review process should be attributed to a dedicated unit of three or four officials who would support the Wallonia Government and the Budget Minister in the spending reviews, and which would provide support to the secretariat of the working groups and the steering committee.
	2.3. The working groups must be composed of one or more representatives of the PSW Finance, one or more representatives of the relevant ministries, representatives of the FIU and possibly one or more external experts. The secretariat of the working groups must be composed of a secretary of PSW Finance and a secretary of the responsible sectoral ministry(s). It is preferable to invite as chair an authoritative person outside of PSW Finance and responsible departments.
	2.4. The Wallonia Government should establish a single steering committee for all spending reviews. The steering committee should be composed of representatives of the Office of the Minister of Budget and the Minister-President, senior representatives of the FIU, the PSW Finance and the PSW General Secretariat. The IF must be involved as chair. In the terms of reference of each review, the Wallonia Government should consider adding a representative from the Cabinet of the Minister responsible for the entity concerned and one or more representatives of other PSWs in order to achieve a balanced composition of the steering committee taking into account the size of the expenditure, the political composition of the government or the choice of subjects examined in a given year.
	2.5. The Wallonia Government should publish a Spending Review Manual with instructions for the activities of the main actors involved in the process.
<b>3. Planning phase</b>	3.1. The selection of policy areas should begin with a request for proposals from the Budget Minister to a wide range of institutions that may be interested in a review of spending.
	3.2. The co-ordinating entity should be responsible for the composition of a "longlist" of (10-15) policy areas that are submitted to the Minister of Budget. Each proposal should be accompanied by an explanation in terms of selection criteria and a precise description of the policy instruments and expenditure (in terms of budget articles) to be examined.
	3.3. The Minister of Budget and the Minister-President must decide on the final selection of three to five subjects (policy areas or horizontal themes) to be submitted to the government after consultation with ministers and/or the inter-cabinet group.
	3.4. The list of proposed topics must be accompanied by a terms of reference for each spending review, which are prepared by the co-ordinating entity in collaboration with the actor who proposed the topic. In addition to the explanation of the topic, the precise description of the policy instruments and expenditure to be discussed and the composition of the working group, the specifications should indicate the type of policy options to be developed in all cases, without excluding any other options.
<b>4. Conduct phase</b>	4.1. The working group should review expenditure by reviewing critically the current policy and developing policy options for the future, in line with the objectives set out in the terms of reference. The review of

	<p>current policy should build on existing evaluations and use performance information as much as possible. The working group should prepare an interim report containing the conclusions of the review of current policy and an overview of the policy options to be developed and a final report containing the development of policy options and a description of their effects on policy objectives and other effects.</p> <p>4.2. The interim report and the final report must be submitted to the steering committee for approval. The steering committee must check the consistency of the reports with the terms of reference and may give instructions to the working group on this point.</p> <p>4.3. The Wallonia Government must decide, in the light of all relevant considerations, whether it will make decisions on spending reviews as soon as they are completed, or whether it will make such decisions in the context of preparing the budget. In the first case, it must send the spending review report to parliament with the government's response as soon as decisions are made. In the second case, it must send the report to parliament at the same time as the budget, or include a summary thereof in the budget documentation; it can also send the report to parliament as soon as it is completed, announcing that a full response will follow later.</p>
<b>5. Implementation phase</b>	<p>5.1. Each minister is responsible for implementing the government's decisions regarding the review of spending in the area of his or her portfolio.</p> <p>5.2. The task of systematically monitoring the follow-up of decisions on spending reviews shall be carried out by the co-ordinating entity in collaboration with the entities concerned. Reports on the implementation of policy options from spending reviews should take place twice a year, that is, in the budget documentation and in the financial report for the previous budget year.</p> <p>5.3. Central monitoring of the results of spending reviews should also focus on policy options that have not (yet) been supported. The co-ordinating entity should maintain and update a list of policy options from previous years' spending reviews and make it available as support for budget preparation and medium-term financial planning. This list can possibly be complemented by ideas of savings from PSW Finance itself, and can serve as useful support for budget preparation and medium-term financial planning.</p>
<b>6. Alignment with the budget process</b>	<p>6.1. The Wallonia Government should ensure that the annual spending review cycle schedule is aligned with the annual budget preparation cycle, ensuring that the results of the reviews are available prior to budget negotiations.</p> <p>6.2. The political decision on the selection of topics to examine and, possibly, political decisions on policy options based on completed reviews, should take place at the same time as the decision-making phase of the budget in the context of the conclave that finalises the budget.</p>
<b>7. Development and capacity-building</b>	<p>7.1. The development of expertise in spending reviews is necessary to ensure strong capacities. Capacity building activities can be carried out to develop skills and inform stakeholders.</p> <p>7.2. The Wallonia Government may consider financial incentives to ensure the commitment and ownership of stakeholders involved in spending reviews. These incentives should not be granted automatically, but decided for each spending review and clarified for all actors from the outset.</p> <p>7.3. Reforms concerning the favourable conditions for policy evaluation, the availability of performance information and medium-term planning are crucial for the implementation of spending reviews. It is therefore essential that the latter go hand in hand with constant progress in the field of the former.</p>
<b>8. Revision of the spending review framework</b>	<p>8.1. At the end of the first round of reviews, the general spending review framework should be adjusted to reflect the successes and challenges identified during the implementation phases. Similarly, feedback from key stakeholders should be taken into account when increasing the use of spending reviews.</p> <p>8.2. In the future, <i>ex post</i> evaluations of the general framework and individual reviews should be carried out systematically.</p>

# Introduction

This technical report was produced by the OECD Secretariat as part of the project “Supporting the Walloon region and the Wallonia-Brussels Federation to strengthen spending review (SR) capacity”, following a request for technical support submitted by the Walloon region and the Wallonia-Brussels Federation to the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission, within the framework of the Technical Support Instrument (TSI)<sup>1</sup>. The aim of the project was to follow up on the recommendations of the Council of the European Union in the context of the European Semester that Belgium should improve the efficiency and composition of public expenditure at all levels of government, in order to create room for manoeuvre for public investment, in particular by carrying out SRs<sup>2</sup>.

The European Commission’s 2020 Country Report for Belgium recognised the high level of public expenditure, which co-exists with a low level of public investment, and raised questions about the cost-effectiveness of several public services. It highlighted the fact that the transfer of federal spending to the federated entities, coupled with the need to modernise regional infrastructure, required a thorough and ongoing review of spending in order to identify efficiencies. Finally, it indicated that SRs could serve as a key tool for redefining priorities<sup>3</sup>.

Therefore, the governments of the Walloon region and the French community of Belgium (which from 2011 onwards is referred to as the Wallonia-Brussels Federation) requested support to introduce SRs, integrate them into their respective budgetary processes and build capacity so that both administrations are able to assess effectively and systematically the quality of public expenditure.

For the Walloon region, the scope of the project includes a technical report that examines the current SR exercise and provides for tailored recommendations on a methodology to improve the design, conduct and monitoring of SRs. The project is to provide support to institutionalise the use of reviews and integrate them into the budget process. Emphasis is to be placed on the evaluation of the methodology used for the design and conduct of SRs against the OECD Best Practices for Spending Reviews in order to improve certain aspects of the methodology. In addition, the project is to support the promotion of harmonised practices between the two federated entities and the federal level in Belgium.

The project is linked directly to the implementation of the Belgian National Recovery and Resilience Plan, as the Plan includes a commitment by the different levels of government in Belgium, including the Walloon region and the Wallonia-Brussels Federation, to integrate public SRs into their respective budgetary processes (component 6.1 of the NRRP) (Government of Belgium, 2021<sup>[1]</sup>). In particular, the project will contribute to Reform 207 of SRs, the milestone of which is planned for the fourth quarter of 2023, (Council of the European Union, 2021<sup>[2]</sup>).

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<sup>1</sup> The project was approved with the English title “Supporting the Walloon Region and the Wallonia-Brussels Federation to build capacity for spending reviews”.

<sup>2</sup> Council Recommendation on the 2018 National Reform Programme of Belgium and delivering a Council opinion on the [2018](#) Stability Programme of Belgium; Council Recommendation on the 2019 National Reform Programme of Belgium and delivering a Council opinion on the [2019](#) Stability Programme of Belgium.

<sup>3</sup> [2020](#) Country Report for Belgium {COM(2020) 150 final}.

This Technical Note is the first output of the project. It is based on data and information collected during a fact-finding mission conducted by the OECD in 2021 and on data and documents published on the websites of the institutions of the Region provided by stakeholders. The fact-finding mission took place from 2 September 2021 to 27 January 2022 and comprised virtual meetings with 17 government public entities (Annex G). All meetings were based on written replies to questionnaires that were referred to the OECD prior to the meetings.

This Technical Report is structured in four chapters:

1. The first provides an overview of SRs, explaining the objectives, actors and factors conducive to its implementation.
2. The second presents the institutional and budgetary context within the Walloon region.
3. The third analyses the pilot exercise of ongoing SRs, identifying lessons learned to date and key elements of the methodology that can be improved.
4. The last chapter proposes in detail the SR process that can be implemented in the Walloon region, explaining the roles of the actors involved and the activities to be carried out in each phase of the process.

The report concludes with next steps and concrete actions that can be taken to implement the proposed recommendations.

# 1 Overview of Spending Reviews

## 1.1. Definition and objectives of spending reviews

Spending reviews (SRs) are well established in public finance management in OECD countries. In 2020, 31 of the 37 OECD countries (84%) reported conducting SRs, of which 20 (65%) do so annually and 11 (35%) periodically (OECD, 2021<sup>[3]</sup>).

SRs review government spending and provide recommendations to improve the efficiency and effectiveness of spending. They focus on existing spending, evaluating the spending to ensure that it remains relevant to the government's priorities, and is efficient and effective. The findings from an SR provide options on how to improve the use of public resources.

Spending reviews have been and are being used to achieve several objectives. While some countries embarked on SRs long before the 2008 global financial crisis, other governments used these reviews as a result of the crisis to find ways to reduce deficits. However, reviews are not only a tool to tighten spending; they can help governments to identify options to improve value-for-money, to improve the effectiveness of public policies, and to progress governmental priorities (Box 1). The breadth of objectives reflects the flexible and adaptable nature of SRs and shows that the original purpose — generating savings — has evolved. In 2020, 94% of OECD countries that deploy SRs indicated that one of the main objectives was to improve the effectiveness of programmes and policies, compared to 71% of the countries in 2018. Conversely, countries that cite control and reduction of total expenditure as one of the main objectives decreased from 79% in 2019 to 65% in 2020 (OECD, 2021<sup>[3]</sup>).

### Box 1. Definition of spending reviews

Spending reviews are tools for developing, evaluating, recommending and adopting policy options by analysing existing government spending in defined areas. They link these options to the budget process. The objectives of a review of expenditure are as follows:

- Enable the government to manage the overall level of spending.
- Align spending with government priorities.
- Improve the effectiveness of programmes and policies. "

Source: Tryggvadottir (2022<sup>[4]</sup>), 'OECD Best Practices for Spending Reviews', *OECD Journal on Budgeting*, Vol. 22/1, <https://doi.org/10.1787/90f9002c-en>.

Spending reviews may be conducted with an annual or periodic approach, which depends on the institutional arrangements of the country:

- Annual SRs identify specific topics and areas of expenditure to examine on an individual or programmed basis. An annual approach is selective because it identifies the subjects of SRs on an *ex ante* basis. This approach allows governments to select areas for consideration when

efficiency or effectiveness has been questioned, when the greatest gains are possible, or where the government has specific priorities.

- Periodic reviews of expenditure are often of a global, large-scale nature. They tend to apply to the majority of public spending and allow governments to review spending over a certain period. For example, the United Kingdom uses SRs periodically to prepare the government's budget within its medium-term budgetary framework.

## 1.2. Phases and actors of spending reviews

Generally, the SR process consists of three main phases:

1. Plan: The phase in which decisions on the objectives, scope and terms of reference of the review are taken at the political level
2. Conduct: The phase of carrying out analyses by officials at an administrative level and the preparation of options and alternatives that are then subject to decision-making by the political level
3. Implement: The Implementation of the chosen options and the steering, which refer to the implementation and follow-up of decisions taken on the results of the SR.

At each phase of a SR, different actors are involved. It is therefore important to distinguish between the political level and the administrative level.

Government-wide political leadership and support is crucial to the success of SRs, especially at the beginning of the process to reach agreement on objectives and topics, and key milestones when decisions need to be made. In OECD countries, there is a high degree of political commitment in approving the topics of SRs (15 countries) and in final decision-making on the SR report (12 countries). In these countries, the decision-making role over the objectives and scale of SRs rests with the Council of Ministers (Cabinet), the President or the Prime Minister. Cabinet approval ensures that all ministers are co-operative throughout the process and aware of the potential implications of an SR. Ministers or Cabinet are also involved in final decisions on the options to be adopted. In other cases, it is the Minister of Finance who, together with the sectoral minister, is responsible for approving the themes of the SRs and for the final decision on the report (OECD, 2021<sup>[3]</sup>).

At the administrative level, officials autonomously develop options in accordance with government-determined objectives and implement policy decisions on the results of the review. For SRs to be effective, it is important that the terms of reference leave enough room for officials to think in an original way and develop a wide variety of policy options.

The commitment of the administration or entity that is part of the SR is also crucial to ensure the implementation of decisions, as the administration or entity will be responsible for the implementation of the government decision in co-ordination with the Ministry of Finance. The separation of functions reflects the distinct roles and responsibilities of political leaders and government departments (Table 1).

**Table 1. Political and administrative roles and responsibilities in a spending review**

<b>Political roles (ministers)</b>	<b>Administrative roles (departments)</b>
<ul style="list-style-type: none"> <li>• Ensure political commitment</li> <li>• Prioritise the Government's strategic objectives through the topics of the reviews</li> <li>• Approve terms of reference</li> <li>• Decision-making on the results of SRs</li> <li>• Forward decisions to the budget process.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare specifications and instruction documents</li> <li>• Convene a steering committee to oversee the review</li> <li>• Convene a working group to prepare analyses, policy options and the report</li> <li>• Compile performance information about the SR</li> <li>• Provide analytical capacity and subject matter expertise</li> <li>• Commit resources to implement and monitor SR decisions.</li> </ul>

Source: Authors.

The review of spending therefore requires co-ordination not only between the political and administrative levels, but also across government. While on the one hand the Ministry of Finance plays a fundamental role because it is involved in all stages of the process and is responsible for the link to the budget process, on the other hand the sectoral ministries are also involved in all phases of the reviews and they are responsible for the implementation of reviews decisions in co-ordination with the Ministry of Finance.

### 1.3. Enabling factors and best practices for spending reviews

In light of the lessons learned from the successes and challenges of the implementation of SRs in OECD countries, the OECD developed best practices for SRs by identifying the elements that support a successful SR. They focus on how to conduct such reviews and are drawn from the experiences of OECD countries. The best practices refer to features such as government leadership and governance during the review, analytical frameworks, fiscal integration, transparency and oversight (Box 2).

#### Box 2. OECD Best Practices for Spending Reviews

The seven principles of best practice include:

1. Formulate clear objectives and clarify the scope of spending reviews.
2. Identify distinct roles of political and administrative leadership in the spending review process.
3. Establish clear governance arrangements throughout the process.
4. Ensure alignment with the budget process.
5. Implement results responsibly and transparently.
6. Ensure full transparency of spending reviews and review framework reports.
7. Periodically update the spending review process.

Source: Tryggvadottir (2022<sup>(4)</sup>), 'OECD Best Practices for Spending Reviews', *OECD Journal on Budgeting*, Vol. 22/1, <https://doi.org/10.1787/90f9002c-en>.

In addition to political support and commitment from the administration or entity, it is necessary to highlight the benefits of the links between the SR and the budgetary process, and other public finance tools, such as performance budgeting, public policy evaluations, and the medium-term expenditure framework.

On the one hand, a systematic link to the annual budget process ensures that the government can use and implement the results of SRs. For this reason, the final report of the review should be available before the start of the budget negotiations. In OECD countries, most SRs are integrated into the preparation of the government's annual budget to link the options and recommendations from SRs to the government's budget management and resource allocation processes.

On the other hand, SRs are linked closely to a government's capacity for medium-term planning and budgeting. Sound medium-term planning is essential for the implementation of certain policy options that require a long period of preparation (such as enacting new legislation, reforming executive organisations or reallocating human resources). To this end, it is recommended that the government establish a medium-term expenditure framework that delivers in detail the government's high-level budgetary objectives and demonstrates transparently the costs of existing and new policies and the impacts of SRs over the coming years. A medium-term expenditure framework brings together the various commitments and constraints in one place, so that policy makers can consider how to prioritise policies within the constraints imposed by fiscal rules. In addition, such rules encourage sectoral ministries to co-operate in the SR exercise. Since this requires sectoral departments to resolve the budgetary pressure themselves beyond the annual

budget, it contributes to the idea that the SR is not only a useful instrument for the Ministry of Finance, but also for other ministries.

In general, SRs are useful for sectoral ministries to improve the quality, composition and prioritisation of spending and contribute to developing a culture of evaluation in public administration. While there are other ways to achieve this within the sectoral ministries, the methodology of the SRs as well as the support of the actors represented in the working group are facilitating factors. With this in mind, it is important that the introduction of spending reviews go hand in hand with the strengthening of medium-term planning procedures and budgetary rules.

The importance of the link between SRs, the medium-term perspective and the performance and evaluation framework is underlined by two of the ten principles of the OECD Council Recommendation on Budgetary Governance (OECD, 2015<sup>[5]</sup>):

- **Principle 2:** Align the budget closely with the government's medium-term strategic priorities, by examining how to implement regular processes of reviews of existing spending policies, including tax expenditures, in a way that helps set budget expectations in line with government-wide developments;
- **Principle 8:** Ensure that performance, evaluation and value-for-money are an integral part of the budgetary process, including by periodically reviewing all expenditures and assessing their alignment with budgetary objectives and national priorities, taking into account the results of the evaluations.

Principle 8 focuses on performance budgeting and evaluation. The focus, without being a prerequisite for SRs, can contribute to its effectiveness and add value to the SR process. A performance-based budget can help parliament and citizens understand not only what is being spent, but also the public services provided. A systematic presentation of performance information and regular evaluations of spending programmes (including personnel and related tax expenditures) can shed light and provide a useful context for resource reallocations and the redefinition of priorities within functional departments as well as for the administration. In addition, the availability of performance and evaluation information (relevant, consistent, comprehensive and comparable) can facilitate an evidence-based review (OECD, 2015<sup>[5]</sup>).

## 1.4. Reviewing expenditure in Belgium

In Belgium, all levels of government have taken steps to introduce SRs, as foreseen by the NRRP, with the overall objective of improving the quality and composition of public expenditure. The plan also set milestones, indicators and a monitoring and implementation schedule for the SR component (Table 2).

At the federal level, the OECD supported the introduction of SRs and the integration of SRs into the federal budget process. Following that project, it was decided in 2021 to launch three pilot exercises in three areas: tax expenditure, primary expenditure, and social security expenditure. An evaluation of the process will be conducted after the pilot exercises to determine whether the planned structure and timing can be improved. In 2022, the government decided how the reviews will become recurrent and integrated in the budgetary process.

At a regional level, Flanders and the Brussels-Capital region have conducted a series of SR pilots. In Flanders, reviews have been carried out in ten policy areas, which were used to determine the scope of SRs of a similar number of SRs to be carried out between September 2021 and October 2025. The Brussels-Capital region launched two pilot projects reviewing expenditure in the areas of mobility and social housing, the main objective of which is to build capacity within the administration and to learn lessons for the structural anchoring of the tool. Based on this experience, the government will decide how to integrate SRs into the budget process.

The government of the Wallonia-Brussels Federation decided to launch in early 2021 a first SR exercise, covering around 5% of the budget, which the government led and financed by its own resources. The objectives of the first pilot exercise were to generate efficiency gains and identify policies that were ineffective or incompatible with the Declaration of Community Policy (DCP). The conclusions of the exercise were crucial to refine the methodology of the following exercises and to develop the initial budget 2022. The results of the analyses were presented to the government for policy and budgetary decisions.

The Government of the Walloon region has also begun an SR exercise. In October 2020, it started a two-year project (referred to as Zero Based Budget), covering all expenses and revenues of the Region in four exercises and conducted with the support of external private consultants. Furthermore, in the NRRP submitted by Belgium to the European Commission, the Walloon region undertook to integrate the SR into the budgetary process.

In order to implement an SR system based on best practices, the Office of the Minister of Budget of the Walloon region requested technical assistance from the European Commission with the assistance of the OECD. The project will support the ambition to institutionalise SRs and integrate it into the budgetary process so that it becomes a permanent feature of the annual budget cycle, contributing to better delivery of public services and improving the quality and composition of public finances.

**Table 2. Milestones, qualitative indicators and indicative timetable for monitoring and implementing spending reviews**

Milestones	Indicators	Calendar	Description of each milestone
Review of pilot or integration into the process budget	Completed pilots and related reports	2021 (Q4)	<ul style="list-style-type: none"> <li>For the federal, Walloon and Brussels-Capital authorities: Conclusion of the pilot SR and drafting of the report.</li> <li>For the authorities of the Flemish region: Integration of the SR into the budget process (*).</li> </ul>
Integrating the SR into the budget process or pilot completion	Government decision	2022 (Q4)	<ul style="list-style-type: none"> <li>For the federal, Walloon and Brussels-Capital authorities: Integration of the SR into the budgetary process (*).</li> <li>For the authorities of the French community: Conclusion of the pilot SR and drafting of the report.</li> </ul>
Integrating the SR into the budget process	Government decision	2023 (Q4)	<ul style="list-style-type: none"> <li>For the authorities of the French community: Integration of the SR into the budgetary process (*).</li> <li>For the federal authorities, the Flemish region, the Walloon region, the Brussels-Capital region and the French community: Integration of the SR into the budgetary process, through the systematic integration of the results of SR into annual and multi-annual budgetary planning as soon as the budget law is prepared for 2024. This includes <i>ex post</i> quantification of results, including savings, associated with the SR programme.</li> </ul>
<i>Ex post</i> analysis of the SR	Evaluation report	2024 (Q4)	<ul style="list-style-type: none"> <li>For the federal authorities, the Flemish region, the Walloon region, the Brussels-Capital region and the French community: <i>Ex post</i> evaluation of the SR and publication of the SR evaluation report.</li> </ul>

Note: (Q4) indicates the fourth quarter of the year. (\*) indicates that government decisions determine how SRs are integrated into the budget process and define the SR strategy and a timeline for future reviews, possibly including quantified objectives.

Source: Adapted based on the proposal for a Council Implementing Decision approving the evaluation of the Belgian NRRP (European Commission, 2021<sup>[6]</sup>).

# 2 Background

## 2.1. Characteristics of the Wallonia government

### 2.1.1. Political responsibilities

Belgium is a federal state composed of three regions (Flanders, Wallonia and Brussels-Capital) and three communities (Flemish, French and German-speaking), each of which has a parliament, a government and an administration<sup>4</sup>. The communities group the populations according to linguistic and cultural criteria, and the scope of action of each of them is therefore defined according to the linguistic regions.

The Walloon region was founded in 1970 and its institutions established in 1980. Since then, the state reforms of 1988, 1993, 2001 and 2014 have strengthened its autonomy and expanded its mandate. By the 1993 Saint Quentin Agreements, the Wallonia-Brussels Federation (WBF) transferred certain powers (social promotion, sports infrastructure, tourism, school buildings, vocational training, health and support policies) to the Walloon region and to the French Community Commission of the Brussels-Capital Region (COCOF). In 2011 a major reform of the Belgian State (Sixth State Reform) was agreed, which transferred new powers to the Regions and the Communities. The regions were given significant additional responsibilities in the areas of employment, the economy, mobility, health, social assistance and road safety. Some have come in addition to the responsibilities already exercised to form homogenous “poles”, while others have opened new areas of action that were previously under the responsibility of the federal state. Following the Institutional Agreement for the Sixth State Reform, the 2013 Sainte-Emilia Agreement transferred to the Walloon region and COCOF the exercise of new powers in the field of social action and health, as well as family allowances. It also provided for the transfer of some former WBF powers that had not yet been transferred. That delegation of powers was accompanied by a fiscal envelope intended to finance the delegated powers (Government of Wallonia, 2020<sup>[7]</sup>).

The powers of the Wallonia Government include:

- the economy, employment, training, research and external trade;
- housing, social work, health, personal assistance, family and family allowances;
- spatial planning, public works, transport, mobility, energy;
- local authorities, sports infrastructure, tourism, environment, water, agriculture, rural renovation, nature conservation;
- international relations (in the context of regional affairs).

The increasing devolution of federal spending responsibilities to the regions and communities as a result of the Sixth State Reform also implies the transfer of responsibility for the quality of public spending. It is up to each level of the administration to use public funds effectively and efficiently.

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<sup>4</sup> With the exception of Flanders, whose regional and Community institutions are combined.

## **Organisation of government**

The Wallonia Government is the executive branch of the Walloon region. It approves and promulgates the Walloon decrees, orders their publication to the Belgian *Moniteur* and adopts the regulations and decrees necessary for their execution. The Wallonia Government exercises the powers conferred upon it by the Constitution and the laws of Belgium (including in particular the Special Law of 8 August 1980, which formally established the Region and the Communities), and the decrees issued pursuant to them.

The government (2019-2024) consists of eight ministers, including one Minister-President and three Vice-Presidents. Ministers are supported by cabinets, which include several units to oversee the functions of ministerial portfolios, as well as transversal and support units such as a secretariat, budget unit or communication unit. The (maximum) number of cabinets varies between 41 and 68 depending on the responsibilities of each minister. Generally, ministers make full use of this resource, which can result in relatively large cabinets.

For the implementation of public policies, the Wallonia Government (and therefore each minister) receives the support the Public Service of Wallonia (PSW) and its units which employ around 10,000 employees in central services in Namur and in decentralised services in Wallonia and Brussels. The PSW is the civil service of the Walloon region and is the first interface between regional institutions and citizens. It has eight entities, which can serve several ministers and are structured into departments, directorates and units.

In addition, the government entrusts the management of a considerable part of its affairs to units of public administration (UPA) established by law or decree. Wallonia has more than 170 UPAs, which provide various services in the fields of health, tourism, digital technology, employment, economic development, and<sup>5</sup> manage a considerable part of public spending in Wallonia. The Decree of 15 December 2011 on the organisation of the budget, accounting and reporting of Walloon public administration units broken down the UPA into several types:

- Type 1 is administered by a member of the government and its budget is included in the state budget.
- Type 2 is administered by an independent agent or council, but under the supervision of a minister. The Minister is responsible for operational management, but not for foreign policy or decisions. The budget of these UPAs is not part of the state budget, but it may receive contributions from the state budget.
- Type 3 has a legal personality under civil law. The Minister is not responsible for his foreign policy or decisions, but retains a considerable degree of control over operational management. The budget of these UPAs is not part of the state budget, but it may receive contributions from the state budget.

The budget and accounts of the UPA are analysed by the Financial Information Unit (FIU), under the authority of the Government of Wallonia, which carries out the budgetary, accounting and financial analysis for the Wallonia Government and the Government of the Wallonia-Brussels Federation. Its role is to provide advice and support, as well as to develop and implement follow-up procedures and tools. Since 2014, the FIU has been the single point of contact of the Region of Wallonia vis-à-vis the Institute of National Accounts for the collection of the information necessary to establish the deficit and debt of the general government. The FIU also analyses the impact of the draft budgets and accounts of the public

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<sup>5</sup> These include the Agency for Quality Life (AVIQ), the Walloon Public Fund for Family Allowances (FAMIWAL), the Walloon Office for Vocational Training and Employment (FOREM), the Walloon Institute for dual training and self-employed and small and medium-sized enterprises (IFAPME), Wallonia-Brussels International (WBI).

administration units and the institutional units of the Region on the financing balance and debt of the Region<sup>6</sup>.

### **Political strategy**

The policies of the Wallonia Government are apparent principally in the evolution of regional public finances since 2019 (see Figure 1 below). In this area, four main developments can be distinguished after the introduction by previous governments of the Contract for the Future and the Marshall Plans.

- The first is the policy statement of the government formed in 2019. The priorities of the government are in the 2019 Regional Policy Declaration (RPD), which set out the actions to be implemented in the areas of employment, housing, energy, health, (Government of Wallonia, 2019<sup>[8]</sup>). The RPD included the Transition Plan which addressed the challenges and transformations for the future, namely ecological, technological, economic and industrial transitions (including the circular and carbon-neutral economy).
- The second is the Wallonia Government's response to the COVID-19 crisis, which led to the Strategic Plan "Get Up Wallonia!" (Government of Wallonia, 2021<sup>[9]</sup>). Developed using a participatory approach, the plan was formulated by an advisory board based on proposals from expert working groups and citizens' consultations.
- The third concerned Wallonia's contribution to Belgium's NRRP (Government of Belgium, 2021<sup>[11]</sup>). The plan included 24 projects in the Walloon region at a cost of EUR 1.500 million, financed by the European Union Recovery and Resilience Facility.
- In spring 2021, the Wallonia Government produced a document titled "Wallonia Recovery Plan", which brought together the three previous policy statements (Transition Plan, Get Up Wallonia! and National Recovery and Resilience Plan) as part of a new combined plan. This included some 20 public policy initiatives, divided into five axes: youth and talent development, environmental sustainability, amplification of economic development, support for well-being, solidarity and social inclusion, and innovative and participatory governance. After the summer of 2021, a second version of the Recovery Plan was drawn up, incorporating a sixth axis containing reconstruction and prevention policies in response to floods in the Walloon regions (Gouvernement de Wallonie, 2021<sup>[10]</sup>). According to this version of the plan, the net costs for the Wallonia Government amounted to EUR 7.6 billion<sup>7</sup>.

Another relevant document of the Wallonia Government, the Contract of Administration (CA) is a common roadmap for the government and administration for the coming five years. Within the CA Board was established in 2016 by the Government of Wallonia and the Strategic Committee of the PSW, and it brings together the Secretary General and the Directors General. The contractual framework clarifies mutual expectations and leads both parties to commit to structural consultation and mutual agreements. The contract aims to plan and evaluate the actions, and its content is adapted according to changing priorities.

Signed on 18 November 2021 by the PSW Strategic Committee and the Government of Wallonia, CA 2020-2025 sets out the strategy of the Public Service of Wallonia to achieve the cross-cutting and sectoral objectives (PSW, 2021<sup>[11]</sup>). The contract, combined with the launch of the NRRP and the Zero-Based Budget (ZBB) programme, made it possible to carry out the necessary and planned projects for Wallonia. Projects led by the PSW and included in the NRRP are integrated into the CA. Similarly, the levers identified in the ZBB programme will form an integral part of the project portfolio that the PSW will execute under the CA.

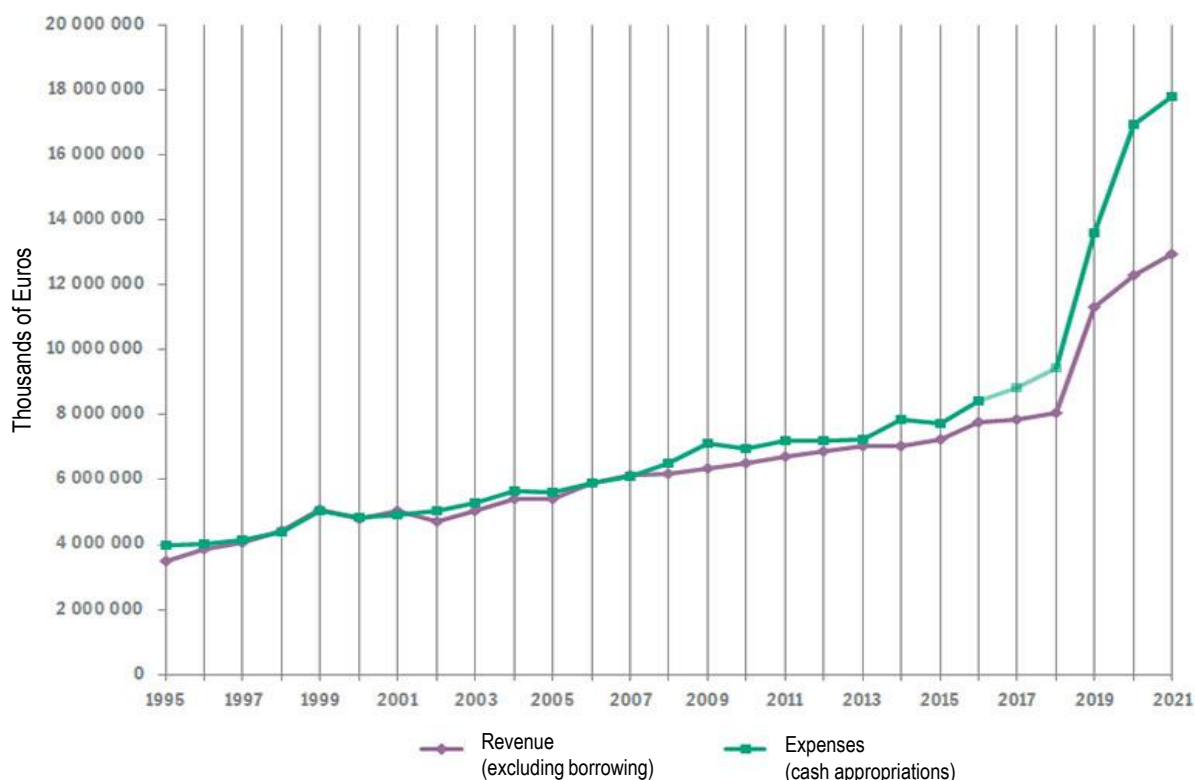
<sup>6</sup> [Here](#) is a list of the public administration units included in the consolidation perimeter of the Walloon Region within the meaning of ESA 2010.

<sup>7</sup>The net costs correspond to the costs for the Wallonia Government after deduction of associated revenues, including European Union contributions under the National Recovery and Resilience Plan.

## 2.2. Recent budgetary developments in Wallonia

The evolution of expenditure and revenue in the Wallonia region is presented in Figure 1. It is determined on the one hand by the legislation of the federal government and, on the other hand, by the legislation of the Wallonia Government.

**Figure 1. Expenditure and revenue developments in the Walloon region**



Source: Revenue and expenditure of the Walloon region (WIEFS, 2021<sup>[12]</sup>).

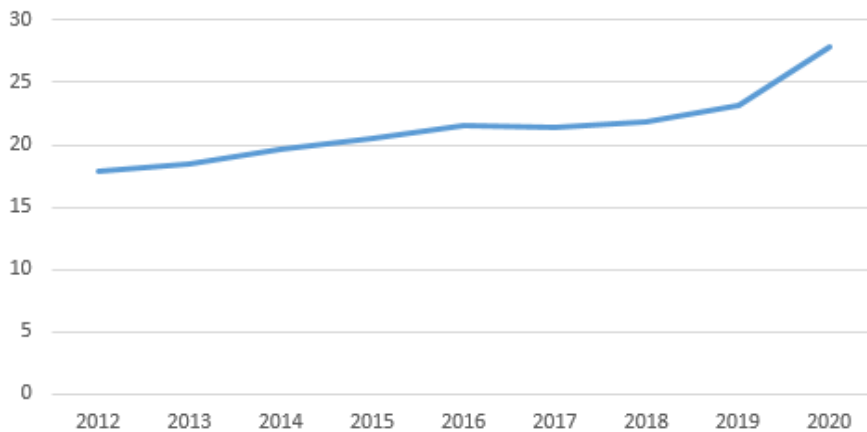
In the first area, the Sixth State Reform mentioned above represented a major development. It involved a significant transfer of powers from the federal government to the regions and communities. In addition, the financing of the regions and communities has been reformed substantially by a revision of the Special Financing Act. This resulted in greater budgetary autonomy, mainly through a mechanism for sharing personal income tax that allows the regions to set, within certain limits, the tax rates on their respective territory. In addition, a considerable proportion of the tax expenditure included in personal income tax (in particular relating to housing and energy savings) was transferred to the regions<sup>8</sup>. The implementation of the Saint Emilia Agreement also had consequences for the Walloon budget. The developments mentioned are partly reflected in the evolution of expenditure and revenue from 2019 (a time when the impact of the Sixth State Reform and the revision of the Special Financing Law began to be felt), as illustrated Figure 1 above.

<sup>8</sup> To this end, a legal provision transfers regulation and funding to the regions and compensates for these expenses by granting federal funds the amount of which is set at the time of transfer. This means that savings on tax expenditures through regulatory adjustments produce benefits for the regions.

The evolution of public debt reflects the widening gap between expenditure and revenue over the previous decade. The Walloon region experienced a gradual rise in public debt until 2018 followed by an increase and 2019 and even clearer in 2020, coupled with the corresponding increase in the deficit (Figure 2).

## Figure 2. Evolution of public debt in the Walloon region

In EUR billion



Source: National Bank of Belgium, Online Statistics, Public Finance, Gross Debt (28 December 2021).

The Walloon Institute for Evaluation, Foresight and Statistics (WIEFS) expects to improve public finances in 2022, followed by stabilisation, mainly as a result of the elimination of COVID-19-related measures. Several other factors are important in the medium term: the projected gradual growth in personal income tax revenues, the gradual implementation of green energy certificates (positive) and the growth of healthcare costs, the further implementation of sectoral agreements with the social partners and the gradual reduction of the amounts granted to compensate for the adverse consequences of the Special (negative) Financing Act<sup>9</sup>. As a result, the WIEFS considers that the balance will remain negative in the medium term before declining after 2025 (WIEFS, 2021<sup>[13]</sup>).

As regards public debt, the government is planning (in the 2022 budget) a gradual growth in public debt to reach 250% of revenue (EUR 42.5 billion<sup>10</sup>) in 2024 and a stabilisation and gradual reduction compared to revenues in subsequent years. According to the government, a further temporary increase is needed to allow investments in flooded areas, in the fight against climate change, in social and economic recovery and in controlling the COVID-19 crisis. At the same time, the government wishes to act in solidarity with future generations and avoid the burden of current deficits. For this, a cumulative structural effort to reduce the deficit to 1% of revenue (approximately EUR 150 million per year) needs to be considered, which is the case for 2022. That effort would structurally result in stabilisation as early as 2024 and a positive change in the debt ratio from 2026 (Government of Wallonia, 2021<sup>[14]</sup>).

<sup>9</sup> Those compensatory amounts were included in the transitional arrangements of the Law (Government of Wallonia, 2020<sup>[7]</sup>).

<sup>10</sup> Conversion into euro based on own calculations, based on WIEFS's revenue forecast (WIEFS, 2021<sup>[12]</sup>).

# 3 The Zero Based Budget (ZBB) programme

## 3.1. Main features of the ZBB programme

The Government of Wallonia launched the Zero Based Budget Programme (ZBB) in October 2020 as part of Wallonia's contribution to the Belgian Federal Government's National Recovery and Resilience Plan (PNRR). The concept was that the planned investments in the Walloon region could, at least in part, be financed by redistribution. The management of the programme was outsourced to the Roland Berger/Deloitte consulting consortium.

The objective of the operation was to systematically review all existing spending from the point of view of effectiveness, efficiency and coherence with government policy, combined with a detailed review of revenues, in order to identify the scope to manoeuvre that could be used to deploy new operating and social transfer expenditures, to strengthen service levels and to improve equal distribution of resources. The programme covered the entire budget of the Wallonia Government. This meant that its scope covered EUR 3.6 billion in operating expenditure (including the remuneration of 22 000 employees), EUR 14 billion in social transfer expenditure and EUR 14 billion in revenue (Deloitte and Roland Berger, 2020<sup>[15]</sup>).

The programme took place in four exercises. Within each exercise, 6-10 thematics were examined. Thematics were chosen in such a way that each exercise was balanced in terms of types of expenditure (operational and social-transfer expenditure) and political responsibilities. The review of existing spending is carried out through a detailed analysis of activities and social transfer instruments, and a systematic review of effectiveness and efficiency with respect to public objectives and consistency with current government priorities.

The identification of flexibilities consisted of developing levers that could lead to greater efficiency, effectiveness or consistency with the government's current priorities. The ambitions for flexibilities were set at 10-15% of the base (the existing budget) for operating expenditure, 3-4% of the base for recently introduced social transfer expenditure (limited analysis) and 8-12% of the base for all other social transfer expenditure (in-depth analysis). The total target for flexibilities in the four exercises is EUR 1.2-1.8 billion (Deloitte and Roland Berger, 2020<sup>[15]</sup>). The margins for manoeuvre were to be reinvested. Reinvestments would be decided as follows:

- scope for manoeuvre in the area of administrative expenditure relating to human resources: 50% to be decided by the Director-General of the unit concerned; 50 % to be decided by the responsible Minister in consultation with the Director-General of the unit concerned;
- other room for manoeuvre in the area of operating expenditure (excluding human resources): current expenditure: 60% to be decided by the Director-General of the unit concerned, 20% to be decided by the minister responsible in consultation with the Director-General of the unit concerned, 20% to be decided by the Wallonia Government on the proposal of the minister responsible; investments: 80% to be decided by the Minister responsible in consultation with the Director-

General of the unit concerned, 20% to be decided by the Wallonia Government on the proposal of the Minister responsible;

- scope for manoeuvre in the area of social transfer expenditure: 80% to be decided by the minister responsible, 20% to be decided by the Wallonia government on the proposal of the responsible minister.

Reinvestments are offered under the ZBB programme. To this end, the authorities responsible for the leverage must put in place an action plan, which will be integrated into the next budget of the Wallonia government.

The review approach was participatory. For operating expenses, this implied that officials responsible for the management of administrative units (PSW or agencies) were invited to participate in the review, and for social transfer expenses, that officials responsible for policy development and implementation were invited to participate. In addition, the political advisers (members of the cabinet) of the responsible ministers were invited to participate in the review.

The ZBB programme was led by steering committees. There was a steering committee for the operating expenses of each administrative unit involved in the thematic examined (Steering Entity) as well as for the social transfer expenditure of the thematic examined (Steering committee by thematics). In addition, there is a steering committee for the ZBB programme as a whole (Steering committee for the Programme).

The reports on the various administrative and thematic units were designed in the context of tripartite co-operation between (1) the responsible officials and the political advisers of the administrative entity or thematics, (2) the consultants, and (3) the steering committee of the administrative unit or thematics. The reports are prepared by the consultants. As regards administrative expenditure, most of the work was carried out by officials<sup>11</sup>. For social transfer expenditures, ministers' political offices made significant contributions to reporting to those of public servants.

The reports were drawn up in three steps. The first step described the current activities and instruments of social transfers. The second identified levers that create room to manoeuvre based on a critical review of effectiveness, efficiency, and coherence with government policy. The third step developed action plans for implementation and to integrate the action plans into the budget. The steering committees for operating and social transfer expenditure met after each stage.

## 3.2. Results

The levers were classified into four categories with the co-operation of the ministerial cabinets:

- (A) Validated by the administrative unit for operating expenditure or by the steering committee for social transfer expenditure;
- (B) Validated in principle by the administrative unit for operating expenditure or by the steering committee for social transfer expenditure, but subject to approval by the Wallonia government;
- (C) Validated in principle by the administrative unit except quantification for operating expenses, technically possible but not validated by the ministerial cabinet (within the steering committee) for social transfer expenditure, and therefore submitted to the Wallonia government for arbitration;
- (D) Unvalidated, irrelevant or not technically realistic.

Table 3 presents an overview of the scope for manoeuvre of categories A, B and C identified in the first, second and third rounds.

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<sup>11</sup> In particular, "ZBB managers", who must devote 10% to 20% of their working time to the ZBB programme. To this end, they receive the support of officials under their authority, who must devote 50% to 100% of their working time to this task (the "ZBB Champions").

**Table 3. Margins to manoeuvre identified in the first, second and third rounds of the ZBB programme by category**

In EUR million

Margins of manoeuvre	First round		Second round		Third round <sup>12</sup>	
	Operating expenditure	Social transfer expenditure	Operating expenditure	Social transfer expenditure	Operating expenditure	Social transfer expenditure
Category A	22.0	0.8	14.4	5.4	57.9	0.0
Category B	6.0-12.0	4.5	9.5	10.4	9.7	1.4
Category C	35.0-36.0	133.5-138.5	1.0	394.0	39.1	172.2
Total	63.0-70.0	138.8-143.8	24.9	409.4	106.7	173.6

Source: Authors, based on the Summary of Round 1 results (Deloitte and Roland Berger, 2021<sup>[16]</sup>), Synthesis of the Results of Round 2 (Deloitte and Roland Berger, 2021<sup>[17]</sup>) and Synthesis of the Results of Round 3 (Deloitte and Roland Berger, 2022<sup>[18]</sup>).

Since the Wallonia government had postponed the arbitration required for the validation of Category C levers until all rounds were completed, the results of these proposals are not yet known. The first round mainly concerned the operating expenses of FOREM (for employment mediation services), SOFICO (Société Wallonne de Financement Complémentaire des Infrastructures) and PSW Mobility and Infrastructure, as well as social transfer expenditure for families. The expenditure accounts for around 83% of the total flexibility in the first round. The second round mainly concerned the operating expenditure of the PSW ANRE (Agriculture, Natural Resources and Environment) and social transfer expenditure for agricultural policy and rural development as well as local administration and democracy. This expenditure represents around 91% of the total flexibility in the second round. The third round mainly concerned operating expenditure on public transport and services support and expenditure on employment assistance. The expenditure accounts for around 75% of the total flexibility in the third round.

According to the information provided to the OECD, the postponement of the policy decision on Category C levers was that a simultaneous determination of the proposals at the end of the last round would allow for a more balanced consideration of proposals in light of the actual funding needs, as opposed to continuous decision-making as the operation progressed. The fact that much of the room to manoeuvre in the first three rounds had not been validated meant that the action plans for the reinvestment of available resources had not been integrated into the annual budget. Annex A summarises the results of the ZBB programme by thematic.

### 3.3. Evaluation of the ZBB programme

#### 3.3.1. The objective of the programme

The objective of the ZBB programme is similar to that of a review of expenditure in other OECD countries. The initial idea was that the review of existing expenditure required special attention. Traditional SR procedures applied by ministers, government and specialised agencies such as the Expenditure Division of the Budget Office or the Finance Inspectorate focus on new expenditure, although formal procedures do allow for the review of existing expenditures. As a result, existing spending is maintained more or less automatically from year to year and may become less effective, less efficient or less urgent due to changing circumstances or government priorities. This does not mean that all existing expenditures must be

<sup>12</sup> In addition to levers in operational and political expenditure, in the third wave, an additional leeway of EUR 12 million was identified in the area of tax expenditure. This amount has been designated as Category B flexibility and is not linked to a basic amount.

reviewed annually according to the same criteria as new spending (which was the original idea of the ZBB introduced in the United States under the Carter administration), but it implies that specific procedures must be in place to ensure that existing expenditure is at least assessed occasionally to determine if it remains relevant. Wallonia's ZBB programme was part of that reasoning. It was apparently the first systematic initiative of the Wallonia government to address the issue and therefore represents an important step forward, even if more sustained efforts are needed in this area. The proposal to introduce a permanent procedure for selective SR can be seen as the logical next step in this direction.

The comprehensive approach applied in the ZBB programme has several advantages: it is not necessary to include a discussion on the topics and it is also difficult for officials and ministers involved in the operation to evade their obligations. No one can avail themselves of an exception, and mutual loyalty and social pressure incite co-operation. On the other hand, the comprehensive approach has the disadvantage of its relatively high cost. It is therefore not possible to continue this effort every year<sup>13</sup>. In this respect, the ZBB programme is somewhat comparable to the procedures for a comprehensive review of spending in countries such as the United Kingdom and the Netherlands. In these countries, 20-30 topics are examined simultaneously in the same year. However, in these countries the comprehensive review does not take place annually. Since the Government of Wallonia has undertaken to apply an annual procedure in the context of the budgetary process, it seems imperative to move to a selective procedure in which a limited number of topics are examined in a given year.

### **3.3.2. Methods and procedures**

The analytical methodology used in the ZBB programme, which consists of the critical review of existing spending in terms of efficiency, effectiveness and coherence with government policy, and the development of policy options in the light of the results, is in line with international best practices and should be maintained when Wallonia moves to a more permanent SR procedure.

The Wallonia government has formulated very precise rules to determine the percentages of the identified flexibilities that can be reinvested and for allocating to reinvest in skills (see above). Other OECD countries apply similar rules. In practice, however, action plans on reinvestment can only be put in place once the leeway has been validated and approved. At the time of writing, this was not yet the case for 83% of the manoeuvre margins of the first round, around 91 % of the manoeuvre margins of the second round and 75% of the margins of manoeuvre of the third round (see above). The question then arises as to the credibility of an incentive for co-operation if the promised reinvestments were deferred. Moreover, the reinvestment rules are relatively complicated and the logic might not be clear to all. While the rules were not clear during the first round of the operation and despite the fact that it was planned to clarify them from the beginning of the activities, they were clarified only after the end of the examinations of the first round. Finally, a more crucial issue is that it is difficult to measure the impact of the incentives and that one financial measure can only be one element among others to encourage sectoral ministries to participate in the process. There may be other more effective ways to encourage co-operation, which is discussed below.

Compared to SRs in other OECD countries, Wallonia's ZBB method presents the peculiarity of integrating policy decision-making into the review process. In principle, a validated margin of manoeuvre is decided simultaneously and the resources released become available for reinvestment. This contrasts with the SR process applied in many OECD countries. In practice, validation is most often delayed in the ZBB programme (Category C manoeuvre margins and those in Category B requiring government approval, see above). This postponement introduces a discrepancy between social transfer proposals and decisions, which is not recognised formally and the decisions still qualify as "validations" (the scope for manoeuvre identified in the programme). This aspect (integrated decision-making) puts pressure on the programme.

<sup>13</sup>In reality, the ZBB programme is not an annual campaign: it has been spread over two years, taking into account the size of the human resources burden.

It tends to favour well-placed proposals in terms of political feasibility. There is little room for options that may become relevant in later years, or even in other political contexts. This is less favourable for innovative thinking and taking into account more ambitious reforms, such as the replacement of social transfer instruments by others, or the merger or reorganisation of executive bodies. To relieve the pressure on the process, there would be a clear separation between the development of policy options on the one hand and decision-making on these options on the other hand once the review is completed. This could depoliticise the process and lead to more interesting policy options. This separation has another advantage: it is more in line with the approach that budget formulation should be based on taking all priorities into account as part of a single decision-making process. A more fragmented decision-making process can lead to inequalities.

### **3.3.3. Organisation**

The ZBB programme was characterised by its participatory approach. As a result, the technical aspects of the analysis and proposals are generally accepted by the officials responsible for policy development and implementation. This is an important and positive aspect of the procedure, which must be maintained in any follow-up procedure.

The private sector consortium played an important role in the ZBB programme, which went beyond that of a project manager or discussion facilitator. It tried to ensure the quality of the reports and the realisation of ambitions regarding the margins of manoeuvre. The role was consistent with the missions for which the consortium was mandated. This nevertheless made the role vulnerable to the criticism that the approach was complicated, difficult to explain to public administration professionals, and labor-intensive. The involvement of external experts is a common feature of SRs in OECD countries, but outsourcing the management of consultants is not considered a good practice, even though 10-12 public servants sat alongside the consultants and participated in the ZBB as “champions”. However, the overall responsibility for managing the process sat with consultants. The approach reduced the sense of ownership of the programme by the co-ordinating ministry.

In Wallonia’s ZBB programme, it was not always clear that institutions likely to be regarded as custodians of the public sector (PSW Finance Budget Directorate, FIU, Finance Inspectorate, Audit Directorate of the PSW General Secretariat) were sufficiently represented in the groups that produced reports on organisations and topics (not only in the steering committees). Nor, that these institutions considered it their responsibility to play a counter role in these teams, or even that they had the means to do so. In countries with more experience in SR (Australia, Canada, Denmark, the Netherlands, the United Kingdom), the Ministry of Finance or the Ministry of Budget generally plays an important role in the process. This ministry is not only responsible for the organisation and management of the process, but is widely represented in the working groups responsible for developing policy options. In these circumstances, it remains essential for the responsible sectoral ministries and executive bodies to participate, transmit technical information and have co-responsibility for reporting, but the Ministry of Finance or Budget can ensure that sufficient policy options are included. If necessary, the ministry can submit these options. The quality of review reports in Wallonia could be improved if organisations, such as the PSW Finance Budget Directorate, the FIU and the Finance Inspectorate, took on a more substantive role. Of course, this would affect the capacity and human resources of these organisations. More information can be found in the following chapter.

The ZBB programme did not distinguish clearly between the role of public servants on the one hand and that of politicians and ministerial cabinets on the other. In the area of social transfer expenditure in particular, ministerial cabinets appeared to contribute to ideas at all stages of the operation, in particular because the administration sometimes refrained from preparing proposals. This feature of the ZBB programme is not in line with international best practices, according to which the distinct roles of politicians and civil servants must be identified in the SR process (see Chapter 1). Since it is related to integrated

political decision-making, it might be possible to separate the roles of officials and politicians if political decision-making were also separated from the review process. In this design of SRs, officials should focus on technical analysis. Efficiency and effectiveness are inherently technical concepts and even “coherence with government policy” can be treated as a technical notion. The social transfer options therefore stem from the application of technical criteria and the reports should focus on a careful description of the consequences of the social transfer options in terms of efficiency and effectiveness gains, as well as performance losses as a result of expenditure reductions. It is only after this work has been completed that political advisors should provide recommendations. According to this view, political advisors should refrain from intervening in the review process, both in its retrospective part (evaluation) and the forward-looking part (development of policy options). It is true that in some ZBB reports, alternative policy options, or scenarios, had been described in neutral terms and without recommendations as to implementation (as in the report “Local Powers and Families”). This was more in line with good practices endorsed by the OECD. However, it has remained the exception in the ZBB programme.

At the time of writing, the cabinets of ministers of the Walloon region were carrying out tasks which, in other OECD countries, would fall within the responsibility of the administration, which means that the cabinets also have technical expertise. Making a clearer distinction between the political role of cabinets and the technical role of administrations requires a certain ‘cultural revolution’ in Wallonia’s public administration, which, given the information provided to the OECD, seems feasible. Another advantage of a clear distinction between the roles of officials and political advisors: it contributes to co-operation. The ultimate responsibility for setting budgetary priorities lies with politicians. Having established this, officials may be more likely to explain precisely and thoroughly the consequences of alternative policy options, including the effects on service levels and performance, rather than a reluctance to co-operate. The distinction can thus serve, at least in part and in parallel with other governance mechanisms, as an alternative to the reinvestment rules established in Wallonia to encourage co-operation.

# 4 Transition to a regularised spending review in the Walloon region

## 4.1. Objectives and scope of regularised review of spending following the ZBB programme

The objective of a permanent SR process in Wallonia may be similar to that of the ZBB programme: a systematic review of the Wallonia government's expenditures (including tax expenditures) with a view to improving the effectiveness, efficiency and coherence of government policy. The process consists of identifying effective policy options and flexibilities (spending reductions) that can be used for new operational and political expenditure or for controlling overall spending. This wording is identical to that of the objectives of the ZBB programme in the previous chapter, with the exception of three points:

- The proposed wording explicitly adds as a possible objective the identification of more effective policies based on existing expenditure. It can be argued that this objective was not excluded in the ZBB programme, but equally it was not included explicitly in the formulation of the objective.
- Control of overall spending is mentioned as a possible use of SRs. This use was not explicitly mentioned in the implementation of the ZBB programme, but was presented as an objective of the operation in the NRRP<sup>14</sup> and will remain relevant in the future.
- The scope does not extend to revenue. Existing revenue needs to be reassessed periodically, as should existing expenditure, but the SR procedure is not the appropriate vehicle for that purpose. Most OECD countries organise a periodic reassessment of the overall tax structure, but this usually takes the form of an *ad hoc* exercise, often under the supervision of a state commission. It is not plausible to combine such an exercise with SRs. On the other hand, several countries examine tax expenditures as part of SRs. This makes sense because tax spending is similar in many respects to ordinary spending. Since there is significant tax expenditure in the Walloon region following the reform of the Sixth State, it seems relevant to include tax expenditure in SRs.

The permanent character of SR should be established in a legal provision to provide a solid basis for continuity. The formalisation of the tool is crucial in stipulating its objectives and ensuring continuity that survives changes in governments. Most OECD countries have included provisions on SRs in the basic/organic budget law or in subsidiary legislation. In Italy, for example, Law 169/2009 on the reform of accounting and public finances provides for the integration of SRs into the annual budgetary process. In other countries (e.g. Germany and the Netherlands), governmental coalition agreements refer to reviews of spending.

In the case of Wallonia, a government decree based on the WBFIN decree (on the organisation of the budget, accounting and reporting units of the Walloon public administration) seems to be the simplest method of providing a legal basis for the process. The objectives of SRs should be very clear from the outset and possibly included in documents of high political importance (such as the DCP, the Administrative

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<sup>14</sup>Component 6.03.

Contract or the Management Contract in the case of agencies), in order to ensure the political commitment of the government and the administration on the review of expenditure to be made during their mandate.

Although the scope of expenditure to be submitted to SR remains broad, it is recommended that the review of expenditure in the Walloon region be conducted as a selective process: that is, an annual selection process that will result in a proposal to conduct a limited number of SRs within a timeframe that fits into the budget process. The themes to be examined may be policy areas, comparable to the thematics of the ZBB procedure, including both operating and social transfer expenditure, but also horizontal themes, such as subsidies to the business sector, outsourcing, public procurement, or public service remuneration. Once the Walloon administration has become familiar with SRs and has developed the required capacity, it can gradually expand the coverage and scope of SR.

It must be recognised from the outset that in a selective SR process, the annual selection of topics is often a difficult decision. This can be seen as a disadvantage compared to reviewing all spending, such as in the ZBB programme. In all OECD countries that apply selective processes, the annual selection of topics is a government decision that requires in-depth political consultation. For this reason, this chapter pays great attention to this stage of the process and to the institutional arrangements that facilitate it.

Regarding the selection procedure, decision-making on SR topics is separated from the development of policy options; there is no direct relationship between the completion of SRs and decisions on reducing expenditure. This can facilitate agreement on the selection of topics. Options for reducing expenditure will be described and put on the table, possibly alongside efficiency options, but the decision on which to implement is a political matter. In the Netherlands, policy options from recent reports have been rejected or postponed, and it can take several years before the “time has come” to progress the most ambitious options. This treatment can also facilitate agreement on topics as part of a selective SR process.

## Recommendation 1: Objectives and scope

1.1. Following the ZBB programme, the Wallonia government should move to a permanent spending review process, with the aim of systematically reviewing the Wallonia government’s expenditure (including tax expenditure) for effectiveness, efficiency and coherence with government policy, in order to identify the possibilities for more effective policies and the room for manoeuvre (spending reductions) that can be used for new operating and social transfer expenses or for the control of overall expenditure.

1.2. Although the scope of expenditure to be considered for spending reviews must remain broad, spending reviews in the Walloon region should be conducted as a selective process, that is, there should be an annual selection process leading to a proposal to conduct some spending reviews within a timeframe that is part of the budgetary process.

1.3. The Wallonia government should provide a legal basis for spending reviews in a government decree based on WBFIN. The Government’s commitment should be set out in policy documents such as the Regional Policy Statement, the Administrative Contract and the Management Contracts.

## 4.2. Governance and division of tasks

A governance structure with clear and defined roles and responsibilities is essential for the success of SRs and co-operation between stakeholders. Before discussing the process in detail, this section discusses the key actors in SRs.

First, the political level has a crucial role in deciding on the scope and objectives of each SR as well as in deciding on the recommendations from each SR. Another crucial role is that of the entity that co-ordinates the SR process in government. Finally, the administration has a crucial role by participating in working groups that are responsible for the effective conduct of SRs. A good practice is to have a steering committee that oversees the process (as was the case with the ZBB Programme).

### 4.2.1. Decision making in government

As mentioned in Chapter 1, in OECD countries there are different models for implementing SRs and the way decisions are made may also vary. A common practice (and best practice) is that the government decides the crucial elements of SR. This practice, which was also the case for ZBB exercise, is recommended for the SR process in the Walloon region.

The government must be involved in the initial choice of objectives and scope of the review. This decision will guide the terms of reference (also approved by the government) and define the political mandate to be followed throughout the process. Once the analyses and work on the part of the administration are concluded and the final report is completed, the political level takes decisions on which option(s) will be or will not be implemented. The government should be responsible for setting up the overall SR framework and specific governance arrangements, such as the appointment of the steering committee and the approval of a spending review manual.

### 4.2.2. Co-ordinating entity

A key issue for the establishment of the SR process relates to the establishment of an SR co-ordination entity to be responsible for the overall management of the SR process. A first recommendation is that this task should be carried out within the public administration and not outsourced. This recommendation is based on lessons learned from the ZBB programme and follows existing practice in almost all OECD countries.

The next issue is to decide which unit of public administration should carry out this task and which minister should assume responsibility for it. In most OECD countries, this falls to the Ministry of Finance and, politically, the Minister of Finance (or Budget). This Ministry of Finance generally carries out a government-wide task and has expertise in the policy areas. This expertise is usually concentrated in a budget office or expenditure division, which is composed of sections for each sectoral ministry.

The expertise of the Wallonia Government Finance PSW and on the policy areas of other PSWs is relatively limited. In addition, the FIU is responsible for the budgetary monitoring of UPAs, which represents a significant proportion of the consolidated budget. It is therefore recommended that the co-ordinating entity be composed of officials whose expertise encompasses both PSW and UPA budgets, and that its mandate refer to SR for both the PSW and the UPAs.

This can be implemented by creating a unit directly under the authority of the government, with the Minister of Budget as the primary authorising officer, by analogy with the governance of the FIU. This unit could be composed of three or four public servants and could support the Wallonia government and the Budget Minister in the SR, as well as the secretariat of the working groups and the steering committee. The fact that this unit falls within the purview of the Minister of Budget, as well as the PSW Finance and the FIU, should support co-operation with the PSW Finance and the FIU as well as a direct link to the budget

process. But there are other ways to operationalise the co-ordinating entity, especially if the region were to use the introduction of SRs to strengthen the performance-orientation of the budget.

The PSW Finance and the Minister of Budget could consider using a SR co-ordination unit to re-orientate the work of budget management and the FIU. In particular, the unit could improve the expertise of policy areas and strengthen its 'challenge' function in the budget process. Such a reorientation would not be linked directly to the implementation of SR. It would take longer and should be considered on its own merits. However, in the longer term, such a could make the SR process more effective. In addition, it could ensure smooth collaboration between the co-ordination unit, responsible for the procedural aspects of SRs, and budget analysis in collaboration with representatives of other PSWs and UPA, for the content of SR reports.

### **4.2.3. Working group**

Each SR is conducted by a working group. The working group examines current policy and develops options for the future (according to the objectives of the reviews); in doing so, the working group produces an interim report containing the conclusions from reviewing current policies and an outline of the policy options to be developed, and a final report containing policy options.

As for the composition of working groups, international practice differs. In some countries, the working groups are led by the sectoral ministry(s) responsible for the policy area under review. In other countries, reviews are conducted by teams led by the Ministry of Finance. The disadvantage of this practice is that it may be less favourable to policy options that differ from current policy. The disadvantage is that once completed, the SR report can be totally or partially rejected by the sectoral ministry(s) because it is based on factually incorrect information. Most OECD countries follow an intermediate path, in which the composition of working groups is mixed, with roughly equal representation of the Ministry of Finance and sectoral ministries. This practice is recommended in this report. The Minister of Budget should designate representatives of the budget function in working groups, and sectoral ministers should do the same for their representatives. Regarding the budgetary function, a representative of the PSW Finance and/or the FIU could be selected, based on the person responsible for the budget process for entities involved in SR. In addition, it is often useful for external experts to be invited to participate. Their presence contributes to an objective approach to the review and can sometimes support the development of policy options by others than representatives of the sectoral ministry. Given the cost involved, the government must decide, within the framework of the specifications, whether and how experts will be involved.

Given the composition of the working group, it makes sense that the secretariat should have a similar diversity. The secretariat could be composed of two secretaries (one on behalf of the sectoral ministry or agency and the other of the co-ordination unit) who share responsibility for drafting reports under the leadership of the chair.

Regarding the selection of the chair, the practices of OECD countries vary. Sometimes the chair comes from the sectoral ministry, sometimes from the ministry of finance. In accordance with the joint composition of the working group, it is recommended in this report to select the chair outside the sectoral ministry and the PSW Finance. The person may be an eminent person with authority and expertise in the field of politics and experience of public administration (e.g. a retired civil servant, a member of an advisory body or a university professor).

### **4.2.4. Steering committee**

The steering committee provides oversight during the SR process. It verifies that the SR is carried out in accordance with the timetable and intervenes (if necessary) to ensure the smooth running of the process in which each actor fulfils his or her role as determined in the specifications. It supervises and co-ordinates the contribution of the working groups. It meets several times with a delegation from each working group

to discuss SR reports and, if necessary, gives instructions to ensure that the reports comply with the specifications. Finally, it approves the final report of each SR.

A best practice for a steering committee is that it is an administrative body. A question, in the case of Wallonia, is whether to include one or more members of political cabinets. The involvement of political advisers may present the risk that the steering committee may interfere with the activities of the working groups for reasons other than consistency with the terms of reference. On the other hand, the Walloon region's cabinets are involved in tasks which, in other OECD countries, would be the responsibility of the administration and they have the overall technical expertise. Given that monitoring the mandate can be politically sensitive and political advisers are generally consulted at different times in administrative processes, it is recommended that cabinet political advisers be involved in the steering committee. Their involvement would give them the opportunity to follow the process, while giving the working group the necessary autonomy. Thus, given the specificities of the Walloon context, it is recommended that the Office of the Budget Minister and the Minister-President's Office be represented on the steering committee. On an *ad hoc* basis, the government may decide that the cabinet of the minister responsible for the policy area under review will also be represented for a certain SR.

In addition to the presence of the cabinets, it is recommended that senior representatives of the PSW Finance, the PSW Secretariat General and the FIU participate. In this way, the composition of the steering committee would reflect the ministries with horizontal responsibility and provide an institution with governmental responsibility for the agencies of the Walloon region. The Wallonia government may also decide on an *ad hoc* basis to include a representative of the PSW (most) involved in SR. This seems likely if a political adviser to the responsible minister is included. The addition of a PSW official and a policy advisor to the responsible minister may be useful if he or she contributes to the selection of the SR topic.

Since in the case of the Wallonia government, it may be useful to bring together officials and political advisers within the steering committee, it is recommended that the steering committee be chaired by the Finance Inspectorate. These considerations therefore lead to the following composition of the steering committee:

- Inspection of Finance (Chair)
- PSW Finance
- PSW General Secretariat
- FIU
- Office of the Minister-President
- Office of the Minister of Budget

On an *ad hoc* basis:

- PSW (most) involved in the review
- Office of the Minister responsible for the policy area of the review.

The steering committee is therefore composed of six or eight representatives, a majority of whom (four-to-five) are officials.

#### **4.2.5. Spending review manual**

A good practice in OECD countries is to publish a guidance document for the main actors involved in the SR process. As far as the content of the manual is concerned, the experiences of the Flemish Government are relevant. In the Flemish region, a SR process took place in 2020-21. It consisted of 10 SRs carried out by project groups (working groups in the terminology of this Technical Report) of officials under the direction of a steering committee. Following the completion of the reviews, the steering committee published a note on lessons learned. Some lessons are relevant to the Walloon Region (Box 3).

### Box 3. Lessons learned from the revision of expenditure in Flanders

The Steering Committee recommended that:

- Anchor the spending review in the budget process. For the future, the government is in favour of distinguishing between annual cycles of selective spending reviews and periodic cycles of comprehensive reviews, the latter being carried out once every seven years.
- Establish clear spending agreements to be considered at the beginning of the reviews, in order to prevent parts of the policy areas being placed outside the scope of the review during the year.
- Ensure all participants are clear that this is an independent policy-making exercise by public servants, based on external expertise.
- Ensure a sufficient contribution by external experts.
- Define a broad mandate for the steering group, including the right to provide a signal at political level if a project group does not comply with its specifications.
- Apply various time perspectives to develop policy options in the short, medium and long term.
- Allow sufficient time for spending reviews, so that they can be completed without intermediate political interventions.
- Focus on the most expensive policy instruments.
- Invest in data collection and systematic policy evaluation; the availability of data and evaluations is an important condition for an effective review.
- Select horizontal themes to be examined alongside policy areas, in order to examine the interaction between policy areas.

Source: (Steering Group of the Broad Spending Review in the Flemish Region, 2021<sup>[19]</sup>).

The lessons learned in Flanders are reflected in the recommendations of this section, and in the recommendations of the other sections of this Technical Report and show the importance of clarifying the process for all actors.

## Recommendation 2: Governance provisions

2.1. The Wallonia government should be responsible for defining the objectives and governance of the spending review procedure. The government should decide on the composition of the steering committee and the manual for the conduct of spending reviews. The government should decide on the annual selection of topics to be considered, the terms of reference for each review and the implementation of the policy options described in the spending reviews reports.

2.2. Overall responsibility for managing the spending review process should lie with an entity composed of officers whose expertise encompasses both PSW and UPA budgets. The overall responsibility for managing the spending review process should be attributed to a dedicated unit of three or four officials who would support the Wallonia government and the Budget Minister in their spending review tasks, and which would provide support to the secretariat of the working groups and the steering committee.

2.3. The working groups must be composed of one or more representatives of the PSW Finance, one or more representatives of the relevant ministries, representatives of the FIU and possibly one or more external experts. The secretariat of the working groups must be composed of a secretary of PSW Finance and a secretary of the responsible sectoral ministry(s). It is preferable to invite as chair an authoritative person outside of PSW Finance and responsible departments.

2.4. The Wallonia government should establish a single steering committee for all spending reviews. The steering committee should be composed of representatives of the Office of the Minister of Budget and the Minister-President, senior representatives of the FIU, the PSW Finance and the PSW General Secretariat. The IF must be involved as chair. In the terms of reference of each review, the Government of Wallonia should consider adding a representative from the Cabinet of the Minister responsible for the entity concerned and one or more representatives of other PSWs in order to achieve a balanced composition of the steering committee considering the size of the expenditure, the political composition of the government or the choice of subjects examined in a given year.

2.5. The Wallonia government should publish a spending review manual providing instructions for the activities of the main actors involved in the process.

### 4.3. The spending review process

A spending review takes place in three phases: planning, conducting, and implementing. This section discusses the recommendations for each of these phases, based on international best practices (Chapter 1) and lessons learned from the ZBB programme (Chapter 2).

#### 4.3.1. Planning phase

##### *Selection and approval of subjects*

This phase of the process consists of three sub-phases: the collection of proposals, the preparation of the selection proposal, and the decision taken by the government. With respect to the first sub-phase, a wide range of institutions could be interested in SRs and provide potential topics. In the case of Wallonia, it may be<sup>15</sup>:

- the Minister-President and the sectoral ministers (including their cabinets)
- the Inspectorate of Finance (IF)
- the Joint Audit Service (JAS)

<sup>15</sup> The Court of Auditors could also be included, but only if it decides that an invitation would be compatible with its independent status.

- the Economic, Social and Environmental Council of Wallonia (EESC)
- the Walloon Institute for Evaluation, Prospective and Statistics (WIEFS)
- the Financial Information Unit (FIU)
- Parliament's Budget Committee.

Proposals may concern policy areas, but also horizontal themes. Regarding the initial preparation of the selection proposal, the co-ordinating entity should be responsible for the composition of a “longlist” (10-15 topics) to be submitted to the Minister of Budget. The longlist should be based on proposals submitted in response to the Minister's request, but the co-ordinating entity is free to add its own proposals. The longlist needs to be balanced in terms of distribution between ministers and PSW/UPAs. The list could consider certain horizontal themes which, in a given year, are added to the selection criteria (see Annex B). For example, it could be decided that SR in a given year should focus on grants or executive organisations.

It is important that the explanation of the proposals in the longlist contains sufficient detail to allow the Minister to examine all aspects of the proposals. To this end, it is required that all proposals on the longlist be accompanied by an explanation in terms of selection criteria, a precise description of the policy instruments and expenditures to be considered, and the composition of the working group that will conduct the SR. This is done in collaboration with the co-ordinating entity.

Once the longlist is complete, the Budget Minister can use it to formulate a selection proposal to the government (the “shortlist”, which includes 3 to 5 areas), which will require a consultation process initiated by the Budget Minister, which may vary depending on the nature of the topics and the entity that proposed them. This consultation process should allow the Minister to have a final list that can be submitted to the government for approval. During these consultations, the sectoral minister or political adviser may object to the proposal. However, if the Budget Minister concludes that the proposal is still valid, it may be necessary to negotiate the matter as part of the preparation of the budget. In practice, it appears that sectoral ministers are sometimes willing to accept SR proposals in their area of responsibility in exchange for budgetary concessions, hence the importance of synchronising this process with the budget cycle. Such a concession may, for example, concern the approval of a new expenditure in a related area, or an exception to the imposition of a saving measure, or the deferral of a previously decided saving measure. The co-ordinating entity must maintain a database with all suggested topics from the longlist and update it annually.

Once the political consultations have been completed, the Minister of Budget decides, together with the Minister-President, on the proposal for final selection to the government, which must be accompanied by specifications for each proposed SR.

#### *Preparation of specifications*

For SRs to work well, it is essential to communicate its goal with a statement of desired outcomes that need to be achieved by the end of the review process. The specifications must be prepared by the co-ordinating entity, in collaboration with the entity that proposed the subject matter, and approved by the Government.

Generally, the terms of reference include an overview of the area to be examined, the definition of the scope and objectives of the review, the medium-term estimates of the expenditure to be considered, guidance on the policy options to be developed (without excluding any other options within the scope of the review), the timeframes and the actors involved, including the appointment of the members of the working group. A precise timetable must be established at the beginning of the review, and the specifications must indicate the date on which the interim and final reports are to be completed. Annex C and Annex D provide an example of the specifications of a recent SR in the Netherlands and a model template.

It is crucial that the specifications are precise (but not necessarily lengthy) documents so that they can be consulted during the SR process. If the specifications are clear and detailed at the beginning of the process, it is more likely that the desired results of a SR will be achieved. The specifications should not prescribe the options to be developed, but should be limited to the statement of political boundaries. It may provide guidance on policy options to be developed, but should not prohibit options that fall within the policy area of the review.

As far as the timetable is concerned, most OECD countries have an effective working period of six to nine months. This period is compatible with an annual SR cycle. In addition, experience shows that, on the one hand, this period is long enough to write a high-quality report, assuming a reasonable investment in human resources, and, on the other hand, it is short enough to create the sense of urgency necessary for an effective work process.

## Recommendation 3: Planning phase

3.1. The selection of policy areas should begin with a request for proposals from the Budget Minister to a wide range of institutions that may be interested in a review of spending.

3.2. The co-ordinating entity should be responsible for the composition of a “longlist” of (10-15) policy areas that are submitted to the Minister of Budget. Each proposal should be accompanied by an explanation in terms of selection criteria and a precise description of the policy instruments and expenditure (in terms of budget articles) to be examined.

3.3. The Minister of Budget and the Minister-President must decide on the final selection of 3 to 5 subjects (policy areas or horizontal themes) to be submitted to the government after consultation with ministers and/or the inter-cabinet group.

3.4. The list of proposed topics must be accompanied by the terms of reference for each spending review, which are prepared by the co-ordinating entity in collaboration with the actor who proposed the topic. In addition to the explanation of the topic, the precise description of the policy instruments and expenditure to be discussed and the composition of the working group, the specifications should indicate the type of policy options to be developed in all cases, without excluding any other options.

### 4.3.2. Conduct phase

#### *Developing policy options*

In this phase, the working group is responsible for conducting critical analyses of current policies and developing policy options according to the objectives of SR (efficiency, effectiveness, economy). The working group first prepares an interim report, with the conclusions of the retrospective part of the review (evaluation of current policy) and an overview of policy options to be developed. The steering committee verifies whether this report complies with the specifications and may give instructions for revisions on this point if not. In order to find relevant options, it may be useful for the working group to work based on a list of questions which may contain the following questions:

- What are the objectives of the political activities examined? Are they still relevant?
- What policy instruments (regulations, public services, financial instruments such as subsidies, regulatory taxes and transfers) are used to achieve the objectives? Are they effective in achieving the goals?

- What are the outputs and results of the programmes (combination of policy instruments)? Is it possible to identify and measure results? What factors influence impacts (intentional or unintentional)?
- What expenditure has been made for each policy instrument? Are policy instruments used cost-effectively or can they be achieved at a lower cost?
- Are there policy duplications in other areas aimed at achieving similar objectives?

The existence of relevant and good quality data is an important factor in providing answers to these questions. If the working group notes the lack of information, it will be useful to note this in order to be able to set up mechanisms to collect this data in the future and develop a performance information system.

### *The final report*

The analytical part of the SR ends with the working group drafting a final report. The report must include policy options that meet the objectives set out in the terms of reference. The document should describe the areas examined and the main findings from the analyses, explaining the options, budgetary impacts and actions needed to implement them. The report should avoid any normative terminology and describe the consequences of policy options in neutral terms (Annex E).

Some countries have rules to ensure that potentially interesting information or policy options are not eliminated. These rules should be detailed in the SR manual. For example, in the Netherlands, a no-veto rule applies, so that all political options and information about current policy and policy options submitted by a member of the group are included in the report and submitted to the government. Other members of the group may submit alternative information about current policy and policy options, and they may submit alternative policy options, but they do not have the right to block any information or political option submitted by anyone else. Another rule in the Netherlands is that the members of the working groups contribute to the report in a personal capacity and are not allowed to seek or receive instructions from ministers.

Another rule that could be considered is that “options plus” (options that result in additional expenses compared to the base) are not allowed. Experience shows that in the absence of this rule, working groups tend to focus on more options and pay little attention to neutral and economical options, even if they are mandatory. However, a rule that prohibits more options must be formulated carefully. In general, options that result in additional expenses should be allowed if these additional expenses are necessary to allow for greater savings. For example, additional expenditure on equipment in order to achieve greater labour savings should be allowed, but additional expenditures on equipment to be financed by unrelated savings should not be allowed (this latter option is a form of reallocation to be taken by the government after completion of the SR report).

This report does not include a recommendation to prescribe a mandatory savings option. The practices of OECD countries vary in this respect. The advantage of a large savings option, such as 20% or 10% of the base, is that it encourages creative thinking about policy options, such as replacing a subsidy on good behaviour with a tax on bad behavior or regulation that prescribes the right behavior, or the transfer of management tasks to another organisation. While it appears that the resulting policy options are not politically feasible, it may be wise to prescribe that the working group should consider these options. Another useful aspect of a mandatory savings option is that it encourages the working group to reflect on the consequences of a lower level of service. Since it is generally not possible to achieve savings of 20% or 10% without reducing the level of service, the working group needs to consider the least harmful measures required for this purpose, as well as the impact of these measures on the performance and achievement of policy objectives. This information can be useful if the government wishes to reallocate resources in line with new priorities (“in line with government policy”). This report recommends that the Wallonia government decide on this issue in the terms of reference for separate reviews, possibly on a

case-by-case basis, or wait for the administration to have some experience in SR to adopt such mandatory savings options.

When the final report is completed, it must be verified by the steering committee (as regards consistency and compliance with the details set out in the specifications) and then submitted to the government's decision (on options to be implemented). Like the previous planning phase, this phase has an administrative and political component, with an important role for the steering committee between the two.

### *Decision on options*

After the completion of the SR report and confirmation of its consistency with the terms of reference by the steering committee, policy decisions on the policy options of the report must be taken. There are essentially two ways to do so, and the Wallonia government will decide which one to choose.

The first is that the Budget Minister enters negotiations with the sectoral ministry(s) or, in the case of Wallonia, with the inter-cabinet group, with the aim of reaching an agreement on a joint government response to the report. If this negotiation succeeds, the report can be submitted to the government, accompanied by the government's proposal for a joint response. After approval, the report and the government's reaction can be sent to parliament. The Minister of Budget can then incorporate the agreed budgetary consequences into the next budget.

The second is to wait for the next budget to be prepared, to use the report in the negotiations and to present the decisions to the government and parliament in the budget documentation. The report itself (or a summary) can be sent to parliament with the budgetary documentation.

Although the first line of action seems the simplest, it can carry some risk. The first is that negotiations outside the budget process may not be successful. The report is not then sent to parliament and is not published, which is not very transparent and not in line with OECD best practices. If negotiations resume in the context of the preparation of the budget and eventually succeed, this course of action becomes identical to the second. A second risk, however, is that political pressure may prompt the Budget Minister to accept less favourable results than would have been achieved if negotiations had taken place in the context of budget preparation. It is probably for these reasons that some governments, including the Belgian federal government and the Netherlands, have opted for the second route.

On the other hand, one drawback of the second path is that the submission of the report to parliament and publication are delayed if the report were to be available before the political discussions on the budget in September. This is not very transparent and there is a risk that the contents of the report will be disclosed to the press, especially if the content is politically sensitive. For this reason, the Dutch government sends the reports to parliament as soon as they are completed, sometimes with a short initial reaction on non-controversial issues and with the announcement that a full government response will follow. In theory, this can mean that the policy options of SRs are subject to public policy discussion or parliamentary debate, before the government takes a position, but in practice this hardly happens and is not considered a problem. This option would mean that, during the fiscal conclave period, the government will also have to make decisions on SR.

## Recommendation 4: Conduct phase

4.1. The working group should review expenditure by critically reviewing the current policy and developing policy options for the future, in line with the objectives set out in the terms of reference. The current policy review should build on existing evaluations and use performance information as much as possible. The working group should prepare an interim report containing the conclusions of the review of current policy and an overview of the policy options to be developed and a final report containing the development of policy options and a description of the effects on policy objectives and other effects.

4.2. The interim report and the final report must be submitted for approval by the steering committee. The Committee must check the consistency of the reports with the specifications and may give instructions to the working group on this point.

4.3. The Wallonia government must decide, in the light of all relevant considerations, whether it will make decisions on spending reviews as soon as they are completed, or whether it will make such decisions in the context of the preparation of the budget. In the first case, it must send the spending review report to parliament with the government's reaction as soon as decisions are made. In the second case, it must send the report to parliament at the same time as the budget, or include a summary thereof in the budget documentation; it can also send the report to parliament as soon as it is completed, announcing that a full response will follow later.

### 4.3.3. Implementation and monitoring phase

#### *Implementation of selected options*

The sectoral ministries (or agencies) are responsible for the implementation of the policy options chosen, but also for the follow-up of SR decisions, in collaboration with the Ministry of Finance. However, the task of systematically monitoring can be better achieved by the co-ordinating entity in co-operation with the entities involved. Indeed, it is effective for this task to be carried out simultaneously for all government units.

When drafting the final report, the working group should identify the main elements necessary to implement the policy options, providing guidance such as the timetable, the implementing entities and the expected budgetary implications of the options. These elements may also be detailed in a detailed implementation plan, which would facilitate follow-up in subsequent months and years (Annex F).

#### *Monitoring of measures and reporting*

It is recommended to report on the implementation of the policy options twice a year, that is, in the budgetary documentation and in the financial report on the past budget year. This allows the government and parliament to monitor progress and, if necessary, hold the responsible minister to account.

It is useful for central monitoring of SR results to focus not only on the policy options that have been selected, but also on options that have not (yet) been supported. Much international evidence shows that it takes several years for policy review ideas to become politically feasible and to be replicated, sometimes in a modified form. It is useful for the co-ordinating entity to maintain and update a list of policy options from previous years' SRs. This list can possibly be complemented by ideas of savings from the Ministry of Finance, and can serve as useful support for budget preparation and medium-term financial planning.

## Recommendation 5: Implementation phase

5.1. Each minister is responsible for implementing the government's decisions regarding the review of spending in the area of his or her portfolio.

5.2. The task of systematically monitoring the follow-up of decisions on spending reviews shall be carried out by the co-ordinating entity in collaboration with the entities concerned. Reports on the implementation of policy options from spending reviews should take place twice a year, that is, in the budget documentation and in the financial report for the previous budget year.

5.3. Central monitoring of the results of spending reviews should also focus on policy options that have not (yet) been supported. The co-ordinating entity should maintain and update a list of policy options from previous years' spending reviews and make it available as support for budget preparation and medium-term financial planning. This list can possibly be complemented by ideas of savings from PSW Finance itself, and can serve as useful support for budget preparation and medium-term financial planning.

### 4.4. Alignment of spending reviews with the budget process

Given that SRs are a budgetary planning tool, it is important that the annual cycle aligns with that of the budget process. In this way, budgetary pressure can contribute to timely decision-making on the selection of topics and the implementation of policy options.

Alignment with the budget cycle requires that the selection of topics and decision-making on results coincide with the main decision-making phase in the preparation of the budget. Therefore, the timing of SRs are determined by the timing of budget preparation. As in Wallonia the critical stage in the preparation of the budget takes place in September, this implies that political decision-making on the selection of subjects and the implementation of policy options should take place in the same month (on the "conclave").

In many OECD countries where the budget year coincides with the calendar year, the critical stage of budget preparation takes place before the summer. For European countries, the advantage of this timetable is that the European Union requires information on medium-term financial planning and on the outlines of the next budget before the summer (as part of the European Semester). Therefore, these countries can use the information from the preparation of the budget for the submissions to the European Union. The Wallonia government must use the information from the previous budget and previous medium-term estimates when providing information to the Belgian government and the European Union. In any case, the calendar of SRs should remain aligned with the budget preparation schedule, even within the framework of the budget's current calendar.

The selection of topics in September leaves a period of around six months (October to early April) to produce the spending reviews. This period is sufficient for the working group to finalise a report. This would lead to the SR cycle schedule as presented in Table 4.

**Table 4. Alignment of the spending review cycle with the budget preparation cycle**

Months	Preparation of the budget	Spending review	
	Year x	Year x	Year x+ 1
January			Meetings with the Steering Committee on interim reports and continuation of the work of the working groups
February			
March	Budget circular approved by the government	Invitation to propose policy areas for SRs	Finalisation of final reports
April			
May	Budget submissions by PSWs and agencies	Long list	Meetings with the steering committee on Final Reports
June		Short list	
July			
August	Opinion of the Finance Inspectorate		
September	Bilateral meetings Inter-cabinets consultations	Decisions on the selection of subjects by the government	Government decisions on policy options based on SRs (first alternative), possibly within the budget (second alternative) and submission (summary) of reports to parliament
October	Finalisation of budget documents	First meeting of the steering committee and start of working groups	
November	Budget submission to parliament		
December	Parliamentary preparation of the budget	Working groups (analytical phase)	

Source: Authors.

## Recommendation 6: Alignment with the budget process

6.1. The Wallonia government should ensure that the annual spending review cycle schedule is aligned with the annual budget preparation cycle, ensuring that the results of the reviews are available prior to budget negotiations.

6.2. The political decision on the selection of topics to examine and, possibly, political decisions on policy options based on completed reviews, should take place at the same time as the decision-making phase of the budget in the context of the conclave that finalises the budget.

### 4.1. Development and capacity building for spending reviews

#### 4.1.1. Develop capacities and skills

In the early stages of introducing a permanent SR, it is important to strengthen the competencies within cabinets and administrations for the conduct of SRs. SRs can require a lot of resources from all the participants involved, but above all specific skills and expertise. In-depth knowledge of government and sectoral ministry programmes is essential to ensure that SR outcomes are applicable. It also guarantees responsibility from start to finish. For this reason, it is important to develop in-house capabilities and foster the accumulation of institutional expertise and knowledge, rather than using third parties to carry out SR. However, external expertise is useful in cases where specific topics are addressed and require specialised knowledge.

OECD countries have recognised that the skills and resources needed to conduct SRs take time to develop. Therefore, capacity building is an ongoing process and not a one-off initiative. Examples include Latvia, which in 2018 created a separate division (Budget Development Division) within the Ministry of Finance to consider possible revisions of public expenditure. In Norway, the Ministry of Finance has an SR unit to build capacity and increase the use of spending reviews. In the Slovak Republic, the Ministry of Finance created a specific department in 2016 that works with the analytical units of sectoral ministries to identify possible areas where spending can be more efficient.

In practical terms, it is useful to organise general training sessions during which stakeholders can understand the expectations and objectives of the overall exercise. The SR team should help departments build their capacity to conduct SR and continually improve the process by learning from previous reviews.

#### **4.1.2. Create incentives for administrations to participate**

In order to ensure the success of SRs, it is essential to ensure the ownership of key stakeholders and to create incentives for cabinets and administrations to participate. Ownership allows for a smoother implementation of the chosen options, promotes good quality analysis and strengthens the political commitment of the process. As noted above, SRs are a useful tool for sector departments, but the commitment of jurisdictions to participate in the SR process may vary depending on the topic, potential gains, and relationship with PSW Finance and Cabinet.

In order to stimulate the engagement of sectoral ministries, in addition to good governance of the SR process and a balanced choice of subjects, the creation of specific financial incentives can be used for certain reviews, decided on an ad hoc basis by the government. Indeed, if SRs aim to identify efficiencies to reallocate spending, the commitment is likely to be greater if sector departments can retain some of the funding identified for new priorities. This practice is used in some OECD countries such as Estonia, Norway, Iceland and Germany, allowing the relevant sectoral ministry to retain some or all of the savings for other priorities within the same ministry. Governments decide specifically for each SR. Countries with greater SR experience, such as the Netherlands and the United Kingdom, do not have such clear financial incentives, as the review process is more embedded in the budgetary framework and viewed by ministries as a standard procedure. In the case of the Walloon region, this incentive may be envisaged by the Government on an ad hoc basis.

#### **4.1.3. Strengthening the enabling elements**

When the ZBB operation is followed by a regular SR procedure, it will be important for the Wallonia government to pursue the reforms in the field of financial management which have been identified as favourable conditions, in particular: policy evaluation, availability of performance information and medium-term financial planning. Reforms concerning favourable conditions must be pursued in the light of their own objectives and merits, but are also crucial for the implementation of SR. It is therefore essential that the latter go hand in hand with constant progress in the field of the former.

SRs include a retrospective section that examines the efficiency, effectiveness and political priority of the current policy and a forward-looking section that outlines policy options for the future. Given that, given the time constraints, it is often not possible to undertake a policy evaluation as part of an SR, the quality of the retrospective portion depends on the availability of existing evaluations. In this respect, the situation in the Walloon region offers a mixed picture. Policy evaluation is an official task of the WIEFS and the number of evaluations carried out by WIEFS is increasing. New plans and initiatives are increasingly accompanied by evaluation commitments. However, so far, all evaluations in Wallonia are decided on an ad hoc basis. There are no legal rules for evaluations of new policies (*ex ante* or *ex post*) or for periodic evaluations of certain types of existing policies, as is the case in most OECD countries. This means that there is not yet

a systematic approach to policy evaluation. This is disadvantageous for the quality of policy development in general, and also for SRs.

The availability of performance information is also an important condition. The retrospective part of an SR is only possible based on performance information. The forward-looking section should develop policy options and assess their impact on effectiveness and efficiency, which requires performance forecasts. In addition, some policy options may lead to a decline in performance due to a decrease in spending, which must also be described. Although for some aspects of public policies, there are no useful quantitative performance indicators, it is important that performance information is collected and made available in cases where it may be useful. Within the Wallonia government, there is a growing awareness of the importance of this task and efforts have already been made, but more can still be done.

Sound medium-term financial planning is also essential. Chapter 1 showed that for SRs to be effective, a strengthened medium-term expenditure framework would be useful. Such a framework is still largely lacking in Wallonia. In the current situation, medium-term estimates have a largely informative role, both at aggregate and programme level. In addition, they are revised only once a year, in preparation of the budget, and are not updated when the budget is amended by additional legislation or when political plans for future years are drawn up or amended, making it difficult to use them to calculate the existing expenditure base at the beginning of an SR.

## Recommendation 7: Develop and strengthen capacities

7.1. The development of expertise in spending reviews is necessary to ensure strong capacities. Capacity building activities can be carried out to develop skills and inform stakeholders.

7.2. The Wallonia government may consider financial incentives to ensure the commitment and ownership of stakeholders involved in spending reviews. These incentives should not be granted automatically, but decided for each spending review and clarified for all actors from the outset.

7.3. Reforms concerning the favourable conditions for policy evaluation, the availability of performance information and medium-term planning are crucial for the implementation of spending reviews. It is therefore essential that the latter go hand in hand with constant progress in the field of the former.

# 5 Next steps

## 5.1. Steps needed to implement regularised spending reviews

Before starting a regularised SR procedure in the Walloon region, it will be necessary to carry out a number of steps, these include:

- The establishment of the decree to govern the SR procedure by the Wallonia Government.
- The establishment of the SR Manual for actors involved by the Wallonia Government.
- The appointment of the SR Steering Committee by the Wallonia Government.
- The preparation of the above-mentioned decisions by the Minister of Budget and the PSW Finance; this requires a prior decision by the Wallonia Government that the Budget Minister will be responsible for the overall management of the SR procedure; this decision can be taken by the Wallonia Government on the proposal of the Budget Minister.
- The creation of a co-ordinating entity to be responsible for the overall management of the procedure and the secretariat of the SR Working Groups and the Steering Committee.
- Organising workshops for PSW and agency officials who could be involved in future SR.

The Wallonia Government has committed to using the results of a regular SR process in the preparation of the 2024 budget (see Table 2). This implies that the first cycle of reviews should start in autumn 2023 and that the selection of policy areas for this cycle should begin in the spring of 2023. Therefore, the period from September 2022 to February 2023 should be used to prepare and complete the above steps.

In order to implement the required steps from September 2022, the OECD prepared an Action Plan to provide details on the next steps. The OECD also assisted in organising workshops that are mentioned above.

## 5.2. Adjustment of the spending review framework

Like all government policies, a SR framework needs to be reviewed periodically to ensure that it works as intended and considers changes in the environment in which it operates. Especially after the introduction of a new governance process and system, the SR mechanism should be evaluated to verify its impact and results.

In OECD countries, independent institutions and parliamentary budget offices play an important role in monitoring SR, which is in line with the control of public expenditure. For example, in 2020, the Office of the Parliamentary Budget Officer in Canada prepared a note on the government's plan to conduct a tax and SR. The note explains the purpose and scope of the government's SR and outlines the oversight role that the Office can play, that is, verifying whether the government is achieving the expected savings and whether the organisations provide sufficient detail in their departmental reports (BDPB, 2020<sub>[20]</sub>).

Similarly, the National Audit Office (NAO) in the United Kingdom conducted an independent review in 2016 to examine whether SR was an effective mechanism for planning and allocating public funds in the medium

term. The NAO found that SRs were a key tool for government and allowed departments to have certainty about medium-term funding, while retaining some flexibility at the margin for changing circumstances. The NAO has also identified areas for improvement, for example to encourage the development of institutional capacities and to support the improvement of existing processes (NAO, 2016<sup>[21]</sup>).

In Poland, the Supreme Audit Office conducted a performance audit of the Polish budget system in 2018 where it noted the non-implementation of the SR programme. Among its findings, the audit emphasised that delays in the schedule posed the risk that recommendations would become obsolete, and that none of the five SRs launched the previous year had been completed. In 2021, in an annual audit, the Office confirmed some of the previous findings (such as the difficulty of meeting the schedule during the process). In addition, it had revealed that the reviews carried out had no impact on the preparation of the budget and the implementation of the findings and recommendations had not been followed up.

In the Walloon region, the Court of Auditors exercises financial control, checks on legality and regularity and checks on the proper use of public funds. If the SR is to be formalised in a decree or order, the Court will be able to verify whether its implementation meets the principles of sound management according to the criteria of economy, effectiveness and efficiency.

## Recommendation 8: Revision of the spending review framework

8.1. At the end of the first round of reviews, the general spending review framework should be adjusted to reflect the successes and challenges identified during the implementation phases. Similarly, feedback from key stakeholders should be taken into account when increasing the use of spending reviews.

8.2. In the future, *ex post* evaluations of the general framework and individual reviews should be carried out systematically.

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## Annex A. Results of the ZBB programme by topic

The ZBB programme is carried out by policy area (“thematic”). In each policy area, a distinction is made between administrative and social transfer expenditure. The margins of manoeuvre (MM) identified in the ZBB programme have been divided, in collaboration with departmental cabinets, into four categories depending on the type of validation.<sup>16</sup> The following table shows the MM of categories A, B and C by policy area.

**Table A A.1. Maneuver Margins (MM) identified in the first, second and third rounds of the ZBB programme by topic**

(EUR million and percentage of base)

Policy area	Operating expenditure			Social transfer expenditure		
	Base	MM	MM in % of base	Base	MM	MM in % of base
<b>First round</b>						
Training	277.9	20.0	7 %	230.9	10.4	5 %
Mobility Strategy and Airports	825.9	38.9-45.9	5.5-6.0 %	82.9	6.0-11.0	7.0-13.0 %
Family	36.4	3.9	11 %	2,642	120.2	4.5 %
Diversity	1.2	0.2	14 %	27.8	0.4	1.3 %
Digital	7.1	0.4	7 %	21.7	2.0	9.1 %
<b>Second round</b>						
Nature, forests, Agricultural Policy and Rural Development	173.2	13.7	8.1 %	83.6	10.5	12.5 %
Statistics and studies	14.2	1.2	8.5 %	0.5	0.0	0.0 %
Local power and democracy	27,7	3.2	13.4 %	1,667.8	399.0	23.9 %
Public transport	249.7	6.8	2.7 %	6.7	0.0	0.0 %
<b>Third round</b>						
Employment	143.1	25.9	18.1 %	992.9	152.9	15.4 %
Public transport	360.0	37.8	10.5 %	—	—	—
Support	264.2	25.1	9.5 %	11.8	0.8	6.8 %

<sup>16</sup> The following categories were distinguished: Validated by the government unit in case of operational expenditure or by the steering committee responsible for political expenditure; Validated in principle by the government unit in case of operational expenditure or by the steering committee responsible for political expenditure, but requiring the approval of the Wallonia government; (C) validated in principle by the government unit with the exception of quantification in case of operational expenditure, technically possible but not validated by the ministerial cabinet (within the steering committee) in case of political expenditure, thus requiring arbitration by the Wallonia Government; (D) Unvalidated, irrelevant or not technically realistic.

Policy area	Operating expenditure			Social transfer expenditure		
Environment and permits and authorisation, Police and controls	35.7	3.0	8.4 %	14.3	0.7	4.9 %
Inspection	6.0	1.0	16.7 %	—	—	—
Research and innovation	11.5	0.9	7.8 %	251.9	19.9	7.9 %
Finance	73.0	2.7	3.7 %	—	—	—
Sports infrastructure	1.4	0.1	7.3 %	—	—	—
Transverse levers at PSW	n.d.	9.7	n.d.	—	—	—

Sources: (Deloitte and Roland Berger, 2021<sup>[16]</sup>) (Deloitte and Roland Berger, 2021<sup>[17]</sup>), (Deloitte and Roland Berger, 2022<sup>[18]</sup>) and Authors.

This table shows that for operating expenditure, the MM targets (10-15% of the base) were met in six of the 17 policy<sup>17</sup> areas. For social transfer expenditure, the targets (3-4% of the base for recently introduced policies and 12-14% of the base for all other policies) have not been met for five of the thirteen policy areas where such expenditure exists. For all other policy areas, it is difficult to assess whether the objectives have been achieved as it depends on the precise meaning of a “recently introduced policy”. This concept may be subject to differing interpretations, as many policies are changed from time to time.

<sup>17</sup> Excluding the Common Services domain for which no data is available.

## Annex B. Criteria for the selection of spending review topics

Examples of criteria objectives and Budgets	✓ Significant part of total expenditure
	✓ Substantial growth trend in recent years
	✓ Percentage of GDP
	✓ Significant over expenditure or under-expenditure in previous years
	✓ Unusual trends and high volatility in spending
	✓ Nature of expenditure: mandatory or optional (by limiting to one category or including both)
	✓ Relationship with the new expenditure proposals: when a department requests funding for new initiatives, existing policies in the same policy area may become less necessary or less relevant
Examples of subjective and qualitative criteria	✓ Priority programmes
	✓ Relevance to the Government's revised priorities
	✓ Sectors mainly affected by the crisis and strategically important sectors
	✓ Performance issues (e.g. inability to achieve objectives, doubts about efficiency and effectiveness based on recent reports from audit or research institutions)
Attention must be paid to:  (These are not criteria for choosing subjects, but must be taken into account)	✓ Availability of relevant and good quality data for SRs
	✓ Capacity within the sector administration and the Ministry of Finance

# Annex C. Terms of reference for the Sustainable Mobility Spending Review (Netherlands, 2019)

## Mission of the working group

The question to the working group is to analyse how the government could respond to current mobility demands, in particular by influencing current demands and making better use of existing capacities (both within and between modalities). The working group was invited to prepare various policy and implementation options in accordance with the rules of procedure for spending reviews (at least one saving option of 20% on the average estimate for 2023). The spending review took into account the potential countercyclical effect of infrastructure investments on the economy. In addition, in analysing and developing expenditure options, the working group considered, where appropriate, the following cross-cutting themes: inclusion, determinants of the need for care services, productivity, digitalisation and the stabilising mechanism.

## Main issues

- What are, based on current knowledge, the biggest challenges of sustainable mobility in the Netherlands?
- What are the greatest demands (current and expected) in the field of mobility and accessibility, both in urban and rural areas, for both people and goods?
- What is the influence of current developments on demand in the overall context of the green energy transition, more sustainable mobility, technological innovation and mobility trends?
- What measures can the government take to address these mobility challenges effectively and efficiently?
- What policy instruments, including financial incentives, can the government use to influence demand for mobility?
- How can the government more effectively guide the use of existing capacities through *Mobility as a Service*, *Smart Mobility*, behavioural adaptation, stimulation of modal transfer and/or the use of new techniques?

## Delimitation of the policy area

<i>Expenditure included (EUR million)</i>	2019	2020	2021	2022	2023
Infrastructure funds excl. network costs	4 102	3 464	3 538	3 100	3 843
Road safety (Ch. 12, Art. 14)	50	41	37	36	35
Public transport and rail infrastructure (Ch. 12 Art. 16)	13	14	14	14	14
Maritime transport and ports (Ch. 12 Art. 18)	39	35	5	5	5

Spending options may include changes in regulatory and assigned taxes that serve as policy instruments in mobility policy (motorway tax, car tax, heavy car tax/eurovignet and private car rental income tax), but additional tax revenues do not count as savings.

## Composition of the working group

Ministries of Infrastructure and Public Works, Finance, General Affairs (Office of the Prime Minister), Economic Affairs and Interior.

# Annex D. Model: Terms of reference

<b>TITLE OF THE REVIEW:</b>					
<b>OBJECTIVE(S) OF THE REVIEW</b>					
1	Policy area				
	Objectives of the review				
	Research questions				
<b>SCOPE OF THE REVIEW</b>					
Description of the domain					
Policy objectives					
Policy instruments					
2	Total expenditure for basic article:	20.....	20.....	20.....	20.....
	Article x				
	Article y				
	Article z				
	Etc.				
Total expenditure (= review benchmark)					
<b>CALENDAR</b>					
3	Start date (of the Working Group)	Start of the review: DD/mm/yyyy			
	Date of submission of interim and final reports to the Steering Committee	Interim report: DD/mm/yyyy			
		Final report: DD/mm/yyyy			
<b>PARTICIPANTS IN THE REVIEW</b>					
4	Administration/entity/agency involved				
<b>MEMBERS OF THE STEERING COMMITTEE</b>					
5	Chair (IF)	<i>Pre-filled by government decision</i>			
	Representative of the FIU	<i>Pre-filled by government decision</i>			
	Representative of the Cabinet Budget	<i>Pre-filled by government decision</i>			
	Representative of the Cabinet Minister-President	<i>Pre-filled by government decision</i>			
	Representative of PSW Finance	<i>Pre-filled by government decision</i>			
	Representative of PSW General Secretariat	<i>Pre-filled by government decision</i>			
	Representative of the PSW concerned (optional)	<i>Surname and surname, Entity</i>			
	Representative of the administration/agency concerned (optional)	<i>Surname and surname, Entity</i>			
<b>MEMBERS OF THE WORKING GROUP</b>					
6	Representative of PSW Finance/FIU	<i>Surname and surname, Entity</i>			
	Representative of the administration/agency concerned	<i>Surname and surname, Entity</i>			
	President	<i>Surname and surname, Entity</i>			
	External experts ( <i>if applicable</i> )	<i>Surname and surname, Entity</i>			
<b>MEMBERS OF THE WORKING GROUP</b>					
7	Efficiency options	O Yes o No			
	Efficiency options	O Yes o No			
	Savings option 10 %	O Yes o No			
	Savings option 20 %	O Yes o No			

# Annex E. Model: Final Spending Review Report

## 1. Introduction

- Description of the policy area and entities involved
- Objectives of the review
- Research questions

## 2. Scope of the review

- Current policy objectives
- Description of current policy instruments
- Current expenditure

Current expenditure	20..	20..	20..	20..
Article x				
Article y				
Article z				
<i>Etc.</i>				
Total (= benchmark)				

## 3. Analysis

- Answer to research questions
- Methodology and sources of information (and data problems where applicable)

## 4. Policy options

For each policy option developed by the working group, the report must provide:

- A description of the policy option in terms of its objectives, instruments, scope, level and quality of services (and its changes)
- Legislative changes required
- The budgetary consequences

Budgetary consequences of Option A	20..	20..	20..	20..
Article x				
Article y				
Article z				
<i>Etc.</i>				
Total (= effect on benchmark)				

- A proposal for implementation and monitoring/performance indicators.

## 5. Conclusions

Summary of the results and conclusions of the review.

**Annexes:** Specifications (including the composition of the Steering Committee and Working Group) and other relevant annexes.

# Annex F. Model: Implementation plan

<b>Title and objectives of the measure</b>				
<i>Examples: Adjustment of subsidy X to obtain...</i>				
<i>Merging organisation X and Y to improve efficiency...</i>				
<i>Change of Art. X of Law Y in order to...</i>				
<b>Modalities for the implementation of the measure</b>				
<i>Actions to be taken to implement the measures (examples: negotiations with trade unions; advice to obtain from public bodies; co-ordination with other public bodies.)</i>				
<b>Actors, implementation modalities and timetable</b>				
<i>Examples: actors responsible for implementation, detailed actions to be carried out, monitoring indicators, timetable by year.</i>				
<i>NB. Improved data availability must be part of the implementation plan if it has been identified and chosen as a political option.</i>				
<b>Budgetary implications per year</b>				
	<b>20..</b>	<b>20..</b>	<b>20..</b>	<b>20..</b>
<i>Current Article X (1)</i>				
<i>Adjustment Decision (2)</i>				
<i>Article X after SR (1+ 2)</i>				
<i>Current Article Y (1)</i>				
<i>Adjustment Decision (2)</i>				
<i>Article Y after SR (1+ 2)</i>				
<i>Etc.</i>				

## Annex G. List of stakeholders

The fact-finding mission took place from 2 September to 27 January and consisted of virtual meetings of the OECD with 17 entities. All meetings were based on written replies to questionnaires that were referred to the OECD prior to the meetings.

The OECD met the following stakeholders:

### Cabinets:

1. Office of the Minister-President
2. Office of the Minister of Budget and Finance
3. Office of the Vice-President, Minister of Employment, Training, Health, Social Action, Equal Opportunities and Women's Rights
4. Office of the Vice-President, Minister of Economy, Foreign Trade, Research and Innovation, Digital, Agriculture, Territorial Planning, IFAPME and Competence Centres
5. Office of the Minister of Environment, Nature, Forestry, Rurality and Animal Welfare

### Administrations:

6. PSW General Secretariat
7. PSW Budget, Logistics and Information and Communication Technologies
8. PSW Taxation
9. PSW Economy, Employment, Research

### Other entities:

10. ZBB consultants (Roland Berger)
11. Walloon Institute of Evaluation, Prospective and Statistics (WIEFS)
12. Economic, Social and Environmental Council of Wallonia (ESEC)
13. FOREM (The Walloon Public Service for Employment and Vocational Training)
14. Common Audit Service
15. Inspection of Finance (IF)
16. Court of Auditors
17. Financial Information Unit (FIU)