

# Action Plan for the Wallonia-Brussels Federation (Spending Review)



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September 2022

The project was funded by the European Union via the Technical Support Instrument, and implemented by the OECD, in cooperation with the Directorate-General for Structural Reform Support of the European Commission.

This publication was prepared with the financial assistance of the European Union. The views expressed herein do not in any way reflect the official opinion of the European Union.

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# Introduction

This Action Plan was produced by the OECD Secretariat within the project “Supporting the Walloon Region and the Wallonia-Brussels Federation to strengthen the capacity to review expenditure”, 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).

This document provides an Action Plan for the implementation of the recommendations proposed by the OECD in a technical report on the introduction of spending reviews in the Wallonia-Brussels Federation and its integration into the budgetary process.

The project included a technical report with recommendations for the introduction of spending reviews in the budget process of the Wallonia-Brussels Federation (FWB) and guidance on conducting spending reviews, and an Action Plan linking the spending review process to the budgetary process.

In this Action Plan, the OECD proposes actions that facilitate gradual implementation of the recommendations to support ownership by stakeholders.

The Action Plan focuses on how to implement the recommendations of the technical report and integrate the spending review process into the FWB budget process, considering the specificities of the budgetary process and public financial management practices. The Action Plan complements the technical report and its content is related directly to it.

The Action Plan focuses on institutional arrangements and the management of institutional change within government, steps in the proposed spending review process, alignment with the budget process, capacity building, and the assessment of public spending (depending on the structure of the technical report). It provides a list of activities and actions to implement these elements, and suggests the government entities best placed to implement them within a corresponding timetable (either in the short or medium term or in the specific month in which action should be taken).

The schedule proposed in the Action Plan takes into account that the milestone of the National Recovery and Resilience Plan to integrate spending reviews into the budget process by December 2023 at the latest. In doing so, the FWB government will need time to implement the governance arrangements. The OECD proposes several actions that facilitate gradual implementation and support ownership by various stakeholders. For this reason, there will be a distinction between the steps that can be taken immediately to start the spending review, and the actions that will have to be continued once the process has become regularised.

## Determine objectives and scope

**Proposed action:** To frame the regular spending review process by decree and to set the objectives in policy documents. This will take time and it might not be completed before the next round of spending reviews. In the immediate future, the government will be able to create the framework to start this first round with the governance arrangements used in the two pilots. At the same time, the government can start the process to create a legal basis for spending reviews.

Measures to be taken	Responsible entity	Calendar
Take the decision to start the first round of spending reviews, specifying objectives and scope	Government	Short term
Establish the permanent nature of the spending review in a legal basis (such as WBFIn1 and WBFIn2)	Government	Medium term
Insert the objectives of spending reviews into government documents (such as the Declaration of Community Policy or the Administrative Contract)	Government	Medium term

Most OECD countries have included spending review provisions in the basic/organic budget law or in subsidiary legislation. Examples include:

- In Italy, Law No 196/2009 on Accounting and Public Finance includes provisions on the review of expenditure and its integration into the budgetary programming process<sup>1</sup>;
- In 2015, Latvia amended its budget laws to include a systematic public spending review programme. The Ministry of Finance is responsible for conducting the reviews, while cabinet approves annually the scope of the spending review programme<sup>2</sup>;
- Estonia introduced a provision in the Budget Law on the Review of Expenditure, setting the objective of making the use of public funds more productive and efficient and improving the functioning of the state. The law specifies that the spending review must produce specific proposals for a more effective, efficient and economical use of the State budget funds<sup>3</sup>.

## Establish clear governance throughout the process

**Proposed action:** Establish ongoing governance arrangements for the spending review process, including the co-ordination and monitoring of the review process.

Measures to be taken	Responsible entity	Calendar
Designate a co-ordinating entity responsible for the overall management of the review process	Minister of Budget and Minister-President	Short term
Provide the co-ordinating entity with appropriate human resources, that is, a senior official with the skills to manage the process and authority to approach officials from other general administrations. Junior profiles with analytical skills can complement the team	Minister of Budget and Minister-President	Short term
Draft a Handbook of Spending Reviews for the actors involved to describe the governance and the collaborative process taking into account the needs and capacities of the different actors	Co-ordinating Entity (Cabinets of the Minister of Budget and the Minister-President, in collaboration with relevant parties)	Short term
Approve the spending review manual	Government	Short term
Identify representatives in the entities that will be permanent members of	Cabinets of the Minister of Budget and the	Short term

<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>1</sup> The law is available in Italian [here](#) (Article 22-bis).

<sup>2</sup> An English translation of the law is available [here](#) (Section 16: State Budget Spending Review).

<sup>3</sup> An English translation of the law is available [here](#) (Paragraph 34<sup>2</sup>).

Measures to be taken	Responsible entity	Calendar
the steering committee	Minister-President, Directorate-General for Budget and Finance, Inspectorate of Finance, Evaluation Service (a general decision, since these members will be part of the steering committee for all reviews to ensure consistency between the reviews)	
Identify representatives in the entities concerned that will be optional members of the steering committee	Cabinet of the functional minister and administration concerned (decision to be taken for each spending review)	Short term
Nominate the overall steering committee for all reviews	Government	Short term
Nominate the chair of the working group, decide on the participation of experts, nominate the representatives of the administration concerned and the Directorate-General for Budget and Finance (sectoral).	Government	Short term

The following table presents the proposed governance arrangements for spending reviews in FWB. As it will take time to put it in place, a transitional phase with provisional governance is envisaged.

### **Governance of the FWB Spending Review**

Optimal governance in the final phase		
Political level	Government	
Co-ordinating entity	<p>Option 1:</p> <ul style="list-style-type: none"> <li>Representative of Directorate-General for Budget and Finance (leadership)</li> <li>Representative of the Ministry's Secretary General</li> </ul> <p>Option 2:</p> <ul style="list-style-type: none"> <li>Specific unit in Directorate-General for Budget and Finance (reorganisation) or additional task of Directorate-General for Budget and Finance (additional resources)</li> </ul>	<p><b>Governance in the Transitional Phase:</b></p> <ul style="list-style-type: none"> <li>Representative of the Cabinet of the Minister of Budget</li> <li>Representative of the Cabinet of the Minister-President</li> </ul> <p>➔ Co-leadership between the two actors, in collaboration with the administration</p>
Steering committee	<ul style="list-style-type: none"> <li>Secretary General (President), assisted by the Evaluation Service</li> <li>Representative of the Minister's Budget Cabinet</li> <li>Representative of the Cabinet of the Minister-President</li> <li>Representative of Directorate-General for Budget and Finance</li> <li>Representative of Inspectorate of Finance</li> </ul> <p>Ad hoc:</p> <ul style="list-style-type: none"> <li>Representative of the Cabinet of the functional minister involved</li> <li>Representative of the administration involved in the spending review</li> </ul>	
Working group	<ul style="list-style-type: none"> <li>Representative of the administration</li> <li>Representative of Directorate-General for Budget and Finance (competence sector)</li> <li>Invited experts according to the theme (optional)</li> <li>Co-ordinating entity</li> </ul> <p>➔ External Chair</p> <p>➔ Joint Secretariat</p>	

A good practice in OECD countries is to publish a guidance document (or manual) for the activities of the main actors involved in the spending review process. Countries that have developed these documents include:

- Poland, where the Ministry of Finance has prepared a guidance document for spending reviews in collaboration with the OECD<sup>4</sup>. The manual comprises four chapters: an introductory chapter on the definition, objectives and types of spending reviews, a chapter on governance and the actors involved; and two chapters that explain the spending review process (planning and implementation) and the *reporting* obligations.
- The United Kingdom, where the guidance documents describe the relationship between spending reviews and the government's planning and performance framework. The documents show how the results of spending reviews contribute to the preparation of departmental plans, annual budget, annual reports and publications for statistical analysis of public spending. The Treasury produces frameworks and policy publications on performance, public value, and evaluation. For example, the Green Book provides advice on topics such as cost-benefit analyses, sensitivity analysis and capital spending in order to better understand the efficiency and effectiveness of spending<sup>5</sup>.

### **Guidance on the FWB spending review manual**

The purpose of the spending review manual is to explain the organisation of the spending review process and the activities of the actors involved. It is to be prepared by the co-ordinating entity (in collaboration with the parties concerned by the reviews) and approved by the government in the context of the implementation of the spending review framework. The manual may be circulated throughout the administration and cabinets, so that all stakeholders are aware of the expectations and responsibilities of each institution during the process. The manual should contain the following elements.

1	Definition of spending reviews and explanation of objectives in FWB in general (to be specified by each government in the Declaration of Community Policy and in the terms of reference for each review)
2	General description of the phases of spending reviews
3	List of tasks of the actors involved: <ul style="list-style-type: none"> <li>• Decision-making level: Government</li> <li>• Co-ordinating entity</li> <li>• Steering committee</li> <li>• Working group</li> </ul>
4	Detailed description of the process
5	Data needed to conduct a review
6	Methodologies for conducting analyses (optional, can be added in a second phase)
7	Model of the terms of reference Template for the interim and final report
8	Glossary

### **Steps in the FWB spending review process**

The process described in the next three actions corresponds to the optimal process for an annual spending review cycle in the FWB. For the first round of reviews, it would be possible to postpone certain stages by a few months (in particular in the action proposal number 4), with a view to capacity and limited time.

<sup>4</sup> The manual is being finalised by the Polish Ministry and therefore not yet accessible to the public.

<sup>5</sup> The *Green Book* is available in English [here](#).

**Detailed process steps (who does what and when)**

**Proposed action:** In the planning phase, it is necessary to propose and select the subjects, prepare the terms of reference and approve the documents that start the review.

Measures to be taken	Responsible entity	Calendar
Propose topics to be discussed by stakeholders	Administrations (call included in the budget circular), cabinets, Directorate-General for Budget and Finance, Audit, Inspectorate of Finance, Parliament's Budget Committee	May-June
Define the criteria for selecting subjects for the annual review round	Co-ordinating entity	
Draw-up a longlist of topics, with specific elements on the instruments to be examined (basis of the terms of reference)	Co-ordinating entity, in collaboration with the actors who proposed the topics	July-August
Submit a longlist of topics to the Minister of Budget and Minister-President	Co-ordinating entity	
Prepare a shortlist of topics	Minister of Budget and Minister-President (in consultation with other cabinets)	Beginning of September
Draft the terms of reference for topics in the shortlist	Co-ordinating entity, in collaboration with the relevant line ministries and experts (e.g. Evaluation Service, observatories, and Inspectorate of Finance)	
Identify the members of the working groups, the chairpersons, and the secretariat as well as the specific members of the steering committee	Co-ordinating entity, in collaboration with the relevant line ministries and experts (e.g. Evaluation Service, observatories, and Inspectorate of Finance)	September
Finalise the terms of reference	Co-ordinating entity, in collaboration with the relevant line ministries and experts (e.g. Evaluation Service, observatories, and Inspectorate of Finance)	
Submit the shortlist of topics and corresponding terms of reference as well as the specific members of the steering committee and the members of the working group to the government	Minister of Budget and Minister-President	
Approve the shortlist of subjects and terms of reference for the annual review round (possibly addition of subjects during the conclave, and draft the corresponding terms of reference after the conclave)	Government	September/early October

**Proposed action:** In the implementation phase, policy options need to be developed, through the preparation of an interim report and a final report, which are verified before being submitted for decisions to choose the options to be implemented.

Measures to be taken	Responsible entity	Calendar	
		Optimal phase	Transitional phase
First meeting of the steering committee with the working groups to discuss the objectives of the review and agree on the schedule of work	Steering committee and working groups; Co-ordinating entity responsible for organising the meeting	October-November	May be postponed for a few months for capacity
Analyses of the retrospective part of the reviews	Working groups	November-December-January	
Draft the interim reports	Working groups		
Second steering committee meeting with working groups to discuss retrospective analyses and policy options development	Steering committee and working groups; Co-ordinating entity responsible for organising the meeting	January-February	February-March
Prepare policy options provided for in the terms of reference	Working groups	February-May	March-June
Prepare the final reports	Working groups	June	End of June
Third steering committee meeting with working groups to discuss final reports	Steering committee and working groups; Co-ordinating entity responsible for organising the meeting	June-July	
Approve the final reports	Steering committee		
Transmit the final reports to Minister of Budget and Minister-President	Chair of the steering committee (cabinet budget)	July	
Discuss options for budget preparation	Cabinets	August-September-October (before conclave)	
Submit final reports to the Government and propose the option (or options) to be implemented	Minister of Budget and Minister-President	October (before conclave)	
Decide the options to be implemented and included in the budget	Government	October (during the conclave)	
Present the information on spending reviews in parliamentary budget documents	Minister of Budget and Minister-President	November	
Publish the decisions and final reports	Co-ordinating entity		

**Proposed action:** In the implementation and monitoring phase, the chosen options must be implemented and their progress monitored with final reporting.

Measures to be taken	Responsible entity	Calendar
Prepare detailed implementation plans	Administrations/entities involved, in collaboration with the co-ordinating entity	November
Implement the selected options	Administrations/entities involved	Medium and long term
Regular internal monitoring	Co-ordinating entity, in collaboration with the administrations/entities involved	Regularly
Regular information to the Minister-President, Minister of Budget and functional minister on progress in the implementation of decisions	Co-ordinating entity	Twice a year
Report to the government on the implementation of policy options in the budget documentation and in the previous budget year financial report	Minister of Budget	Twice a year

## Alignment of spending reviews with the budget process

**Proposed action:** Align the annual spending review process with the budget cycle, through the systematic integration of spending review results into budget preparation.

The following table presents the timetable for aligning the two procedures and highlights the crucial points in linking the budget and spending review process, as the other phases of the review process should be organised according to those two decision-making points.

### *Timetable for aligning the budgeting and spending review process in FWB*

Months	Preparation of the budget	Review of spending	
	Year x	Year x	Year x+ 1
January			Second meeting of the steering committee and the working groups, and continuation of the work of the working groups
February			Finalisation of final reports
March			
April			
May			
June	Budget Circular	Proposal of policy areas for consideration	Meetings with the steering committee on final reports
July	Budget submissions by administrations and perimeter	Longlist Shortlist	
August	Opinion of the Inspectorate of Finance		
September	Bilateral meetings Inter-cabinets consultations	Decisions on the selection of subjects by the government	Policy options arising from the spending review are discussed and approved in the context of budget preparation
October	Government conclave		
November	Preparation of parliamentary documents	Start of working groups and first meeting of the steering committee and working groups	Presentation of reports of spending reviews to parliament
December	Parliamentary phase	Working groups develop analyses	

## Development and capacity building for spending reviews

**Proposed action:** Develop capacity and skills for spending reviews, create incentives for administrations to participate, strengthen enabling conditions.

Measures to be taken	Responsible entity	Calendar
Organise training workshops for officials from administrations and agencies likely to be involved in spending reviews, and officials of the Directorate-General for Budget and Finance	Co-ordinating entity responsible for the organisation; Participants to decide	Short term (To be co-ordinated with OECD workshops)
Introduce specific financial incentives for cabinets and administrations	Government	To decide <i>ad hoc</i> for each review in the terms of reference
Strengthen medium-term financial planning, the policy evaluation system and the availability of information on policy performance	Government, cabinets and administrations	Medium term

Especially in the first phase of the reviews, it is necessary to develop new skills and strengthen existing capacities. To do this, the FWB government will be able to use the EUR 1 million in the 2022 budget to free up resources for reviews, providing training projects for those involved in the activities. Examples of how to allocate the funding are provided below.

### **Proposals on the allocation of EUR 1 million provided for in the 2022 budget**

The Government of the FWB allocated, in the 2022 budget, EUR 1 million to free up resources to spending reviews. This amount has not yet been disbursed, as it awaits the conclusions of the OECD mission in order to organise the new resources for the benefit of spending reviews.

The OECD proposes different ways of allocating the allocation of EUR 1 million:

<b>Proposal</b>	<b>Details</b>
Recruit an external expert in support of cabinets and administration	External consultant who can support activities in the preparatory phase pending the establishment of the co-ordinating entity with the necessary expertise. The consultant will be able to assist with the preparation of the manual of spending reviews, the organisation of meetings with the general administrations, preparation of the first round of selection of subjects)
New recruitments specifically dedicated to spending analysis, e.g. in the Directorate-General for Budget and Finance	The director manages the co-ordinating entity and plays the leadership role. Junior profiles to recruit: university graduates, preferably in economics or public administration but this is not essential. Knowledge of analytical methodologies is important, which includes for example engineers, historians and sociologists and even other careers. They must be selected on the basis of their analytical capabilities and flexibility: they all become budget analysts and are supposed to work on all policy areas. This could be achieved through reassignments, provided the people have the relevant skills.
Training workshops for new recruitments and for actors who will be involved in reviews	Examples of courses: fiscal policy, financial law, macroeconomics, policy evaluation, statistics, drafting of analytical reports.
Use of consultancy on specific projects	Especially in the first phase of the introduction of reviews and for specific/technical topics, external consultants can support the administration.

### **Review of the spending review framework**

**Proposed action:** Review the spending review framework periodically and adjust it based on feedback from key stakeholders.

<b>Measures to be taken</b>	<b>Responsible entity</b>	<b>Calendar</b>
Conduct a survey, at the end of the first round of reviews with the new process, on the successes and challenges identified	Co-ordinating entity	Medium term
Propose adjustments to the system (changes in governance, procedures)	Co-ordinating entity	Medium term
Decision to adjust the system	Government	Medium term
<i>Ex post</i> evaluation of the spending review system (and individual reviews) to verify its impacts	External entities (e.g. Court of Auditors or OECD)	Medium term