

# Supporting the Wallonia-Brussels Federation to build capacity for spending reviews

## TECHNICAL REPORT



# Supporting the Wallonia-Brussels Federation to build capacity for spending reviews

## TECHNICAL REPORT

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.

Photo credits: Cover © Reporters

© OECD 2023

Unclassified

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 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 technical report provides a governance and methodology framework for the design, conduct and monitoring of spending reviews in the Wallonia-Brussels Federation. It provides tailored recommendations to institutionalise the use of spending reviews and to integrate spending reviews into the budget process and the performance management system.

The report is based on a review of the governance and process established for a pilot spending review exercise in the Wallonia-Brussels Federation. It draws on lessons learned as well as a thorough understanding of the needs and objectives of the Wallonia-Brussels Federation regarding the institutionalisation of spending reviews. In addition, the report assesses the methodology used for the design and conduct of the piloted spending review against best practices in order to improve certain aspects of the methodology.

# Table of contents

Abbreviations and acronyms	6
Executive summary	7
Introduction	10
<b>1 Overview of spending reviews</b>	<b>12</b>
Definition and objectives of spending reviews	12
Phases and actors of an spending reviews	13
Enabling factors and best practices for spending reviews	14
Reviewing expenditure in Belgium	15
<b>2 Institutional and budgetary framework</b>	<b>17</b>
Institutional and political characteristics	17
Economic and budgetary performance	20
<b>3 Levers for spending reviews</b>	<b>22</b>
The budget process	22
Public policy evaluation and performance framework	24
Piloted spending review exercise	29
<b>4 The WBF spending reviews: The way forward</b>	<b>32</b>
Determine objectives and scope	32
Establish clear governance throughout the process	33
Stages of the spending review process in the WBF	38
Alignment of spending reviews with the budget process	44
Development and capacity building for spending reviews	45
<b>5 Next steps</b>	<b>48</b>
A gradual approach	48
Adjustment of the spending review framework	48

References	50
Annex A. Criteria for the selection of topics in a spending review	52
Annex B. Model: Terms of Reference	53
Annex C. Model: Final spending review report	54
Annex D. Model: Implementation plan	55
Annex E. List of stakeholders	56

## FIGURES

Figure 1. Scope of the Administration Contract	19
Figure 2. Breakdown of expenditure by budget chapters	20
Figure 3. Evolution of WBF's long-term public debt	21

## TABLES

Table 1. Political and administrative roles and responsibilities in a spending review	14
Table 2. Milestones, qualitative indicators and indicative timetable for monitoring and implementing spending reviews	16
Table 3. Cross-cutting strategic objectives and performance indicators	19
Table 4. The preparation of the WBF budget	22
Table 5. Expenditure analysed in the spending review pilot project	30
Table 6. Alignment of the spending review cycle with the budget preparation cycle	45

## BOXES

Box 1. Definition of spending reviews	12
Box 2. OECD Best Practices for Spending Reviews	14
Box 3. Performance-based budgeting	25
Box 4. Observatories in the Secretariat-General	27
Box 5. Results achieved from piloted spending reviews	31
Box 6. Lessons learned from the spending review in Flanders	37
Box 7. Steering and monitoring of the Administration Contract	43

# Abbreviations and acronyms

CA	Contract of Administration
DCP	Declaration of Community Policy
DGBF	Directorate-General for Budget and Finance
GA	General Administration(s)
GAE	General Administration of Education
GDP	Gross Domestic Product
IF	Inspectorate of Finance
NRRP	National Recovery and Resilience Plan
OBC	Office of Birth and Childhood
OECD	Organisation for Economic Co-operation and Development
PPES	Public Policy Evaluation Service
SR	Spending Review
WBF	Wallonia-Brussels Federation
WIEFS	Walloon Institute of Evaluation, Foresight and Statistics

# 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 into the budgetary process at all levels of government, including the Wallonia-Brussels Federation (WBF), and included this commitment in the National Recovery and Resilience Plan (Component 6.1).

Since 2009, following the global financial crisis, WBF's public debt has increased every year. In 2020, the economic crisis caused by the COVID-19 pandemic negatively impacted WBF's public finances due to strong fiscal pressures, which resulted in a spike in public debt. In this context, controlling expenditure is important as is improving the efficiency of spending at all levels of government.

The WBF government launched its first spending review exercise in early 2021, and took two decisions to strengthen the process by providing an allocation of EUR 1 million in the 2022 budget for spending reviews, and by postponing the budgetary adjustment to the first half of the year to prioritise the work of the spending reviews. The intention was to institutionalise spending reviews and integrate them into the budget process. In 2021, a pilot project of spending reviews revealed difficulties and elements to improve for a more efficient process, including gaining political support, setting clear objectives and increasing co-operation between the actors involved. This report also contains recommendations to improve spending reviews in line with OECD best practices.

The introduction of spending reviews in the WBF can be strengthened by enhancing the analytical aspects of budgetary and decision-making processes. In parallel with the government's decision to postpone the budgetary adjustment to put the effort on spending analysis, there is the WBFIN reform and the intention of the Directorate-General for Budget and Finance (DGBF) to put more emphasis on the content of the policies financed by the budget, which would support a challenge function relation to budget proposals. Similarly, the evaluation of public policies can be a good basis for the analyses in spending reviews, provided that the evaluation culture within administrations and cabinets continues to be strengthened, as is the case with the Pact of Excellence and the modernisation of the Office of Birth and Childhood.

Based on these developments, the OECD has developed recommendations for a spending review process in the WBF and its integration into the budget process. The WBF government should adopt a gradual approach to introducing spending reviews as since there is not yet an evaluative culture, and existing capacities and skills are limited.

## OECD Recommendations

1. Objectives and scope	<p>1.1. It is important to set the overall objective of the SR framework. The WBF government may use spending reviews to find budget space for new policy initiatives, improve spending efficiency, and better align spending with government priorities.</p> <p>1.2. SRs should be carried out by decree in order to introduce them into the budget process. The objectives and scope of the SR instrument must be clear by inserting them into the Declaration of Community Policy and/or the Administration Contract, in order to support political commitment and implementation of the reviews.</p> <p>1.3. SRs should be established as an annual selective process and start with relatively simple SRs to develop experience with the process.</p>
2. Governance	<p>2.1. Political engagement is required at the beginning of the annual process (approval of topics and terms of reference) and at the end of the process (decision-making on policy options and implementation). The government should decide on the composition of the steering committee and approve the spending review manual.</p> <p>2.2. The SR process should be led by an administrative co-ordination entity as the driving force behind skills, analysis and co-ordination of spending reviews. This can be done by the DGBF or by collaboration between the DGBF and the General Secretariat of the Ministry of the WBF under the direction of a representative of the DGBF.</p> <p>2.3. The working group should include the co-ordinating entity, representatives of the administration and an expert in the subject matter of the DGBF. Experts may be invited to the working group to strengthen specific skills and knowledge according to the themes of the review. The secretariat of the working groups must be composed of a secretary of the DGBF and a secretary of the responsible ministry. A suitable qualified person, outside the DGBF and the responsible department, should chair the working group.</p> <p>2.4. The steering committee, composed of high-level representatives (the cabinets of the Minister-President, the Minister of Budget and the functional minister, the IF, the DGBF and the administrations), is to oversee the progress of the review with the support of the PPES. The steering committee is to be chaired by the Secretary General of the Ministry of the WBF.</p> <p>2.5. The co-ordinating entity must prepare and propose to the government by approval a Manual of SRs that applies to the activities of the actors involved in the process.</p>
3. Planning phase	<p>3.1. The proposal and selection of topics for review of expenditures must be a collaborative process on the initiative of the Minister of Budget. Administrations, cabinets, DGBF, the Joint Audit Service and the IF can propose review topics. With the assistance of the co-ordinating entity, they will have to explain the proposals and the details of the spending.</p> <p>3.2. The co-ordinating entity shall prepare a longlist of topics which are proposed based on a thorough and systematic evaluation against certain criteria.</p> <p>3.3. The Minister of Budget and the Minister-President decide on the final selection of 3 to 5 subjects (policy areas or horizontal themes) and submit it to the government that takes the final choice.</p> <p>3.4. Once a shortlist of topics is decided, the terms of reference are drafted to identify the desired objectives and results, and are approved by the government. In addition, a description of the expenditure, the composition of the working group, and policy options to be developed are identified. The use of a standardised template for the terms of reference helps guide the drafting process and ensures that key elements are included.</p>
4. Conduct phase	<p>4.1. The working group conducts the analyses and prepares high quality and realistic policy options in its final report. The working group should build on existing evaluations and use performance information when available. The working group should prepare an interim report containing the conclusions of the policy review and an overview of the policy options, and a final report containing the developed policy options and a description of the potential impacts on policy objectives.</p> <p>4.2. The final report is approved the steering committee and submitted to the government for a political decision on options to implement. Using a similar model for several SRs allows the government to become familiar with the reports and facilitates decision-making.</p> <p>4.3. The government's decision on spending reviews must be made in the context of budget negotiations, and it must be published and accessible to the parliament and public.</p>
5. Implementation phase	<p>5.1. The responsibility for implementing policy options lies with the administrations and entities that were subject of the SR.</p> <p>5.2. Progress and monitoring the implementation of SRs shall be carried out by the co-ordinating entity in collaboration with the administrations. The policy options chosen are to be reflected in the functional department's annual or multi-year budget. Reports on the implementation of policy options should take place twice a year; in the budgetary documentation and in the financial report on the previous budget year.</p> <p>5.3. Monitoring of the results of the SR should focus on policy options that have not (yet) been implemented. The co-ordinating entity should maintain and update a list of policy options from previous SRs and make the list available to support budget preparation and medium-term financial planning.</p>

6. Alignment with the budget process	6.1. The annual SR cycle should be integrated into the budget process. To this end, the results will have to be ready before budgetary discussions and decisions are taken.
	6.2. The political decision on the review topics, and possibly, policy options based on completed reviews, should take place at the same time as the preparation of the budget and the budget conclave that finalises the budget.
7. Development and capacity-building	7.1. The development of skills for SRs is necessary to ensure strong capacities. Capacity building activities should include the establishment of networks of experts (including external experts) and the integration of IT systems to gain better data.
	7.2. Cabinets and administrations may be asked to participate in SRs that include financial incentives on the use of savings from the review process. These incentives should not be granted automatically, but decided for each SR and clarified for all actors.
	7.3. The introduction of SRs should be complemented by strengthening the medium-term budgetary framework, public policy evaluation and information systems on the performance of programmes.
8. Review of the SR framework	8.1. The WBF government should adopt a gradual approach to the introduction of SRs to enable capacity building and the development of a culture of expenditure analysis and evaluation, particularly in the DGBF.
	8.2. At the end of the first round of reviews, the general SR framework should be reviewed to reflect the successes and challenges identified during the implementation phases. Similarly, feedback from key stakeholders should be considered when increasing the use of SRs.
	8.3. <i>Ex post</i> evaluations of the general framework and individual reviews should be carried out systematically.

# 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 the capacity for spending reviews”, 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 is to address 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, including through 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 indicated that SRs could serve as a key tool to redefine priorities.<sup>3</sup>

Consequently, the governments of the Walloon region and the French community of Belgium (which, as of 2011 and hereinafter 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 the quality of public expenditure in a systematic manner.

For the Wallonia-Brussels Federation, the project includes a report with tailored recommendations for the introduction of SRs in the budget process and guidance for conducting them. The project is to provide support to develop a robust methodology and build capacity to conduct SRs. The focus is to include monitoring the results of SRs in the preparation of the annual budget. In addition, the project is to support the promotion of harmonised practices between the two federated entities and with 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 various 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 the reform of 207 SRs, the milestone was planned for the fourth quarter of 2023 (Table 2), (Council of the European Union, 2021<sup>[2]</sup>).

This report 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 autumn 2021 and on data and documents published on the websites of the institutions of the WBF and provided to the OECD. The fact-finding mission took place from

---

<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}.

2 September 2022 to 17 December 2022 and comprises virtual meetings with 17 government public entities (Annex E). All meetings were based on written replies to questionnaires that were referred to the OECD prior to the meetings. This 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, political and budgetary context within the Wallonia-Brussels Federation;
3. The third analyses the current framework of the budgetary system and the existing elements in terms of expenditure analysis, including the pilot exercise of SRs, identifying opportunities and levers to institutionalise SRs;
4. The last chapter proposes in detail the process of SRs that can be implemented in the Wallonia-Brussels Federation, 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

## Definition and objectives of spending reviews

Spending reviews (SRs) are well established in public financial management in OECD countries. In 2020, 31 of the 37 OECD countries (84%) reported conducting spending reviews, 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 to ensure that it remains relevant to the government's priorities, and are efficient and effective. The findings from a 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 well before the 2008 global financial crisis, other governments used these reviews in the aftermath 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 achieve 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 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: OECD (2021), Best Practices for Spending Reviews.

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 for review on an *ex ante* basis. The 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 SRs 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 to periodically prepare the government's budget within its medium-term budgetary framework.

## Phases and actors of an 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 by 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 at 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 successful 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 on the objectives and scope 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 functional 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, public servants autonomously develop options in accordance with government-determined objectives and implement policy decisions on the results of the review. The commitment of the administration or entity that is part of the review is also crucial to ensure the implementation of decisions, as it is 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**

Political roles (ministers)	Administrative roles (departments)
<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 terms of reference and instruction documents</li> <li>• Convene a steering group 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>

The SR therefore requires co-ordination not only between the political and administrative levels, but also across government. While on the one hand the Ministries 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 functional 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.

## Enabling factors and best practices for spending reviews

Considering 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 SRs. 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 review reports and review framework.
7. Periodically update the spending review process.

Source: OECD (2021), Best Practices for Spending Reviews.

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 the SR. For this reason, the final report from an SR should be available before the start of the budget negotiations. In OECD countries, most SRs have been integrated into the preparation of the government's annual budget to link the recommendations from SRs to the government's budget management and appropriation 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 certain policy options that require a long period of

preparation (such as enacting new legislation, reforming executive organisations or reallocating human resources) to be considered within a comprehensive financial framework. 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 transparently demonstrates 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 functional ministries to co-operate in the SR exercise. Since this requires functional departments to resolve budget pressure themselves beyond the annual budget, it contributes to the idea that SR is not only a useful tool for the Ministry of Finance, but also for other ministries. In general, SRs are useful for functional 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 functional ministries, the methodology of the reviews as well as the support of the actors represented in the working group are facilitating factors. It is important that the introduction of spending reviews go hand in hand with strengthening medium-term planning procedures.

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>[4]</sup>):

- **Principle 2:** Align the budget closely with the government's medium-term strategic priorities, by examining how to implement regular processes for reviewing 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, considering 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 process. A performance-based budget helps 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>[4]</sup>).

## Reviewing expenditure in Belgium

In Belgium, all levels of government have taken steps to introduce SRs, as foreseen in 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 into the federal budget process. Following that project, it was decided in 2021 to launch three pilot exercises. An evaluation of the process is to be conducted after the pilot exercises to determine whether the planned structure and timing can be improved. In 2022, the government will decide how reviews will become recurrent and integrated in the budgetary procedure.

At the regional level, Flanders and the Brussels-Capital region conducted a series of SR pilots. In Flanders, reviews have been carried out in ten policy areas, which will be used to determine the scope of SRs and

support them in 11 policy areas 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. In October 2020, it started a two-year project (called Zero-Based Budget), covering all expenses and revenues of the region in four rounds and conducted it with the support of external private consultants.

In the NRRP submitted by Belgium to the European Commission, the Wallonia-Brussels Federation committed to include SRs in its budgetary process by the fourth quarter of 2023 (Government of Belgium, 2021<sup>[11]</sup>). The government of the Wallonia-Brussels Federation decided to start its first SR exercise in early 2021, covering around 5% of the budget, led by the government, and financed by its own resources. The objectives of this first pilot were to generate efficiency gains and identify ineffective or inconsistent policies relative to the Declaration of Community Policy (DCP). The conclusions of the exercise will be crucial to refine the SR methodology for subsequent rounds and have been used to develop the initial budget 2022.

The results of the first pilot were presented to parliament in the 2022 Budget General Statement (Parlement de la Communauté Française, 2021<sup>[5]</sup>) and the government has already taken two decisions on the continuation of the SR in November 2021. The first concerns an allocation of EUR 1 million in the 2022 budget to provide the necessary resources for the reviews; the second concerns the possibility of not making the budgetary adjustment in the first half of the year, in order to prioritise the work of the SR. The government's decision to institutionalise the SRs as well as the use of resources planned in 2022, will be based on the results of the project reported in this technical report.

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

Milestones	Indicators	Calendar	Description of each milestone
Review of the spending pilot or integration into the budget process	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 budgetary 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 SRs into annual and multi-annual budget 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 Institutional and budgetary framework

## Institutional and political characteristics

### *Political responsibilities*

Belgium is a federal state divided into three regions (Flanders, Wallonia and Brussels-Capital) and three communities (Flemish, French and German-speaking), each with its own parliament, government and administration.<sup>4</sup> The communities are composed of persons according to linguistic and cultural criteria, and therefore the scope of action of each Community is defined according to the linguistic regions.

The responsibilities of the WBF are therefore exercised in relation to persons established in the French-speaking region (Wallonia except for the inhabitants of the German-speaking community) and to unilingual Francophone institutions in the bilingual region of Brussels-Capital. The powers of the WBF are determined by the Belgian Constitution as well as by the Special Law on Institutional Reforms of 8 August 1980. At the time of the Saint Quentin Agreements in 1993, the WBF transferred the exercise of certain powers — social promotion, sports infrastructure, tourism, school buildings, vocational training and health and support policies — to the Walloon region and to the French Community Commission of the Brussels-Capital region. In 2011, a major reform of the Belgian state (the Sixth State Reform) was adopted, and transferred new powers to the regions and communities. Following the institutional agreement of the Sixth State Reform, the 2013 Sainte-Émilie Agreement transferred a significant part of the powers received by the WBF directly by decree to the Walloon region and the French Community Commission of the Brussels-Capital region, so that the new powers of the WBF, following the reform, were limited mainly to the Houses of Justice and part of the prevention of health.<sup>5</sup> The areas within its scope include:

- culture (e.g. performing arts, audiovisual and sport);
- education (from kindergarten to higher education);
- social subjects (e.g. youth support, early childhood, health promotion);
- the use of languages (in administrative and social matters).

The increasing devolution of federal spending responsibilities to federated entities (regions and communities) following the Sixth State Reform implies that responsibility for the quality of public spending in these areas has also been devolved. It is the responsibility of each level of government to use public funds efficiently and effectively.

<sup>4</sup> With the exception of Flanders, which has merged its regional and Community components.

<sup>5</sup> Special Law of 6 January 2014 on the Sixth State Reform and Special Decree of 3 April 2014 on the powers of the French community transferred to the Walloon region and the French Community Commission (DGFB, 2021<sub>[10]</sub>).

## ***Organisation of government***

The government of the WBF is responsible for the execution of decrees that are passed by parliament. The government consists of five ministers, including one Minister-President and two Vice-Presidents. Ministers are supported by cabinets, which are organised by units to oversee the functions of ministerial portfolios as well as transversal and support units, such as a secretariat unit, budget unit or communication unit. The cabinets are composed of 40-50 employees.

To implement policy, the government has the Ministry of WBF (including Self-Accounting Administrative Services), Public Interest Organisations (PIOs) and autonomous public bodies.<sup>6</sup> In this report, the term “ministries” refers to all ministries and IPOs.

The Ministry of the WBF is composed of six entities: the General Secretariat and five general administrations (Education, Culture, Youth Aid, Sport, and the Houses of Justice). The General Secretariat is responsible for certain cross-cutting matters and services to general administrations, as well as for managing the department’s budget and finances and supporting the department’s strategic and operational direction. The role of the secretary-general is very focused on horizontal responsibilities, while directors-general manage functional areas (e.g. education, or youth support). The secretary-general chairs the organisation in the executive committee, established in 2009, which is composed of the secretary-general and the directors-general (including for public services and human resources, budget and finance, co-ordination and support, and infrastructure).

## ***The political strategy***

The government’s priorities are explained in the Declaration of Community Policy (DCP), which provides the basis for cabinet policy. The DCP declines the actions to be implemented in all the competences of the WBF (education, childhood, youth, culture, sport). DCP 2019-2024 focuses on requirements, challenges — including technological, climate and democratic challenges — and opportunities for the future, making teaching of excellence a priority (WBF Government, 2019<sup>[7]</sup>).

Developed based on the DCP, the Administration Contract of the WBF Ministry provides a common roadmap for the government and administration for the next five years. The Administration Contract currently in place (referred to as FÉDÉ 20-25) sets out the departments’ and individual sectors’ strategies to achieve cross-cutting and sectoral objectives, as well as the expected performance of key business processes. The document outlines the reciprocal commitments made by the department and the government and translated into issues, objectives and projects. Five common challenges are identified to guide the WBF’s action until 2025: user, digital, mastery, skills, and the environment (WBF Government, 2021<sup>[8]</sup>). These challenges are associated with seven cross-cutting strategic objectives, each with result indicators (Table 3).

Strategic Objective 6 provides that the efficiency of targeted spending is assessed. It establishes that each year, types of expenditure must be identified as part of developing the budget and that these will be analysed to assess efficiency. The corresponding performance indicator will be relevant for the SRs.

---

<sup>6</sup> Examples of these organisations include: Office of Birth and Childhood (ONE), Higher Council of Audiovisual (CSA), Wallonia-Brussels International (WBI), Public Enterprise of New Information and Communication Technologies (ETNIC), Institute of Training in Career, Academy of Research and Higher Education (ARES).

**Table 3. Cross-cutting strategic objectives and performance indicators**

Strategic Objective (SO)	Examples of performance indicators
1: Increase the autonomy of our users and the quality of the answers given to them	Number of telephone calls Rate of steps taken by electronic means
2: Improving the energy and environmental performance of the Ministry and sectors of the Federation	Built-up surface having achieved carbon neutrality Level of energy consumption in subsidised buildings
3: Deploying a more empowering and inspiring “new way to work”	Staff satisfaction with changes in working conditions (infrastructure, IT and culture) Number of teleworking staff
4: Have key competencies in the right places related to the Department’s issues and challenges	Number of staff who have benefited from an internal or external mobility journey Selection rates for which a candidate has been selected
5: Develop the management and exploitation of data at the service of the organisation and its missions	Level of organisational maturity on “data” at both cross- and specific levels Number of data assets published in Open Data
6: Efficient and integrated resource management	Average time to finalise an accession journey Number of dematerialised steps in the delivery management process
7: Improve the support provided to internal users	Number of telephone calls from internal users to support services Overall satisfaction of internal users

Source: (WBF Government, 2021<sup>[8]</sup>).

In order to achieve the priorities of the Administrative Contract, the cross-cutting and sectoral objectives are divided into operational objectives and key results, as well as in contracts and target plans to determine the objectives of the services and programmes of activities. To measure the effectiveness and efficiency of the key processes, each administration has implemented a measurement system with performance indicators. Finally, the individual objectives of the agents are determined. In this way, all objectives are assigned to the entities that are to contribute to them (Figure 1).

**Figure 1. Scope of the Administration Contract**



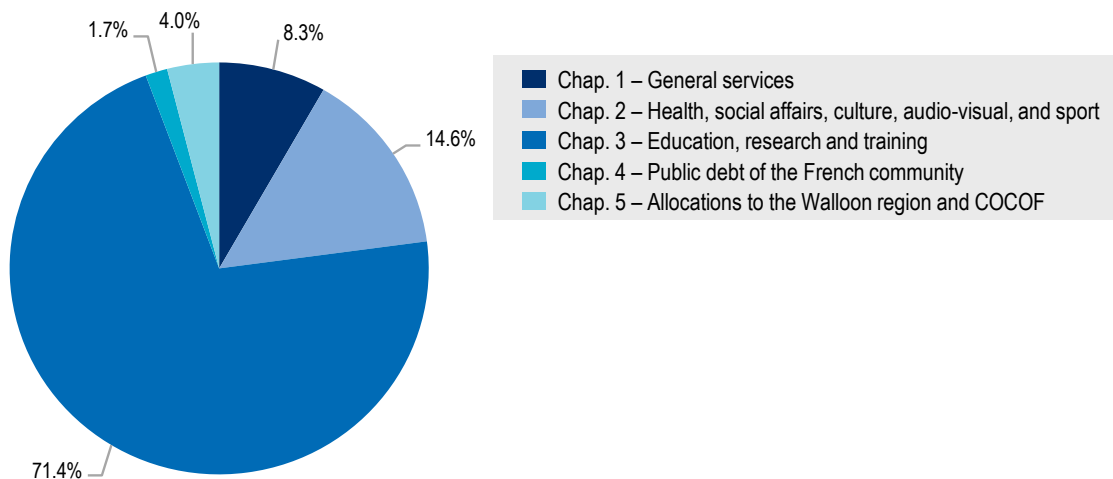
Source: FÉDÉ 20> 25 (WBF Government, 2021<sup>[8]</sup>).

## Economic and budgetary performance

The WBF budget makes it possible to finance missions and activities within its remit. The budget estimates are voted annually by parliament and authorise expenditure on general administration services. It is organised by programmes, and the budget relates on the one hand to the running and equipment costs of the administrations ('functional programmes') and, on the other hand, the costs specific to the activities of the services or to the achievement of policy objectives ('operational programmes'). Expenditure in WBF is grouped into two categories: administrative expenditure (optional grants) and operating expenditure. Most expenditure is regulated by decree, and the remainder include voluntary grants and government operating expenses.

The structure of the budget table in the Expenditure Budget is divided into chapters (e.g. health, social affairs, culture, audio-visual and sport), organisational divisions, programmes, activities, and basic articles. Figure 2 presents the expenditure by chapter of the 2020 budget.

**Figure 2. Breakdown of expenditure by budget chapters**

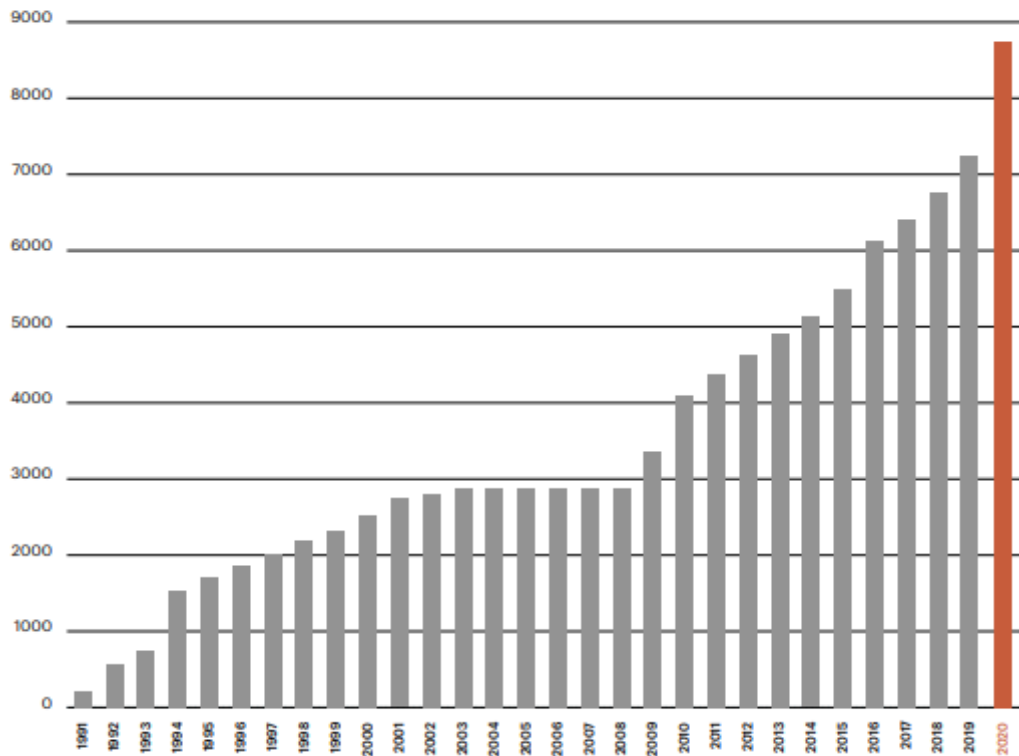


Note: The figures refer to the adjusted budget for 2020.  
Source: WBF key figure (DGBF, 2020<sup>[9]</sup>).

In the context of COVID-19, which has caused large fiscal pressures resulting from the implementation of stimulus measures to address the economic downturn, improving the efficiency of spending at all levels of the administration is all the more important and urgent.

From the 2000s until 2008, WBF's long-term debt had stabilised in nominal terms. Following the global financial crisis, it has increased every year since 2009. The increases have been structural since 2010. In 2020, the COVID-19 pandemic caused a deep economic crisis that impacted WBF's public finances and led to a spike in public debt (Figure 3).

Figure 3. Evolution of WBF’s long-term public debt



Source: WBF Annual Report on Public Debt (DGBF, 2021<sub>[10]</sub>).

In this context, SRs can contribute to a recovery of the budgetary situation. SRs can promote efficiency gains and flexibility to support fiscal responsibility and a more efficient and effective allocation of public resources to better align with the needs of the economic recovery. In addition, a regular review of WBF spending can contribute to the creation of budgetary space for new priorities.

# 3 Levers for spending reviews

This chapter identifies the elements to institutionalise SRs in the WBF. Each element is supported by an analysis that identifies the strengths and weaknesses, difficulties and gaps that may relate to SRs.

## The budget process

### *The procedure for drawing up the budget*

The preparation of the annual budget consists of different phases and the timetable for the budget process follows the deadlines set out in the Budget Circular, which also sets out the guidelines and other indications for the development of budget proposals (Table 4).

**Table 4. The preparation of the WBF budget**

Phase	Month of the year	Activities of the actors involved
Administrative	Beginning of June	<ul style="list-style-type: none"> <li>The circular is prepared by the Directorate-General for Budget and Finance (DGBF) in consultation with the Office of the Minister of Budget.</li> <li>Once adopted by the government, it is circulated to the Administrations.</li> </ul>
	June	<ul style="list-style-type: none"> <li>The administrations and the perimeter draw up the draft budget.</li> <li>Budget proposals are validated by the Secretary-General or the Administrator-General concerned and forwarded to the DGBF.</li> </ul>
	July to mid-August	<ul style="list-style-type: none"> <li>The DGBF organises administrative bilateral meetings with each GA/DG, in the presence of the Finance Inspectorate, to ensure compliance with the beacons in the circular.</li> <li>Final budget proposals are forwarded to the IF for analysis and opinion.</li> <li>Any corrected proposals are forwarded to Cabinets.</li> <li>The DGBF prepares a summary note, which is submitted to the Management Committee for approval.</li> </ul>
government	September	<ul style="list-style-type: none"> <li>Inter-cabinet work and review of all core articles.</li> <li>Cabinets may amend and supplement the proposals.</li> <li>The Cabinet Budget organises political bilateral meetings with functional cabinets, in the presence of the IF and with the technical support of DGBF, to filter proposals.</li> </ul>
	Beginning of October	<ul style="list-style-type: none"> <li>The government conclave discusses all proposals.</li> </ul>
Member of Parliament	November	<ul style="list-style-type: none"> <li>Preparation of parliamentary documents.</li> </ul>
	December	<ul style="list-style-type: none"> <li>Draft Orders, Special Presentations and General Presentations shall be tabled in parliament, which shall vote no later than December 31.</li> <li>The decree is promulgated by the government and published in the Belgian Moniteur.</li> </ul>

Source: Budget Circular 2022.

The budgeting process covers an important part of the year. In addition, the budget has often been amended during the year (adopted in June-July); amendments are prepared in the same way as the original budget (even with new expenditure). In past years, a budget amendment was almost a given in the first six months of the year, while the remaining months were almost exclusively reserved for the

preparation of the budget. A negative consequence of this practice was that budget advisors in cabinets and administrations were preparing budgets and implementing them throughout the year. This posed problems in terms of the resources allocated to SRs, as required involved processes to allocate resources.

In order to free up time and resources, and give priority to the implementation of the budget, in the first half of 2022, the government decided to postpone the budgetary adjustment to the end of the year - the same time as the preparations for the next budget. This decision is expected to create the space and resources needed to conduct SRs during the first part of the year and integrate the findings into the budget.

The lack of time and resources is causing difficulties in carrying out the necessary analyses related to monitoring the expenditure in the budget. The budgetary process foresees the possibility that administrations or cabinets may propose new expenditure to generate budget savings in the short or medium term. The proposals should include the financial implications and the method of reallocation in budget appropriations by Basic Article and the impacts over time. However, proposals are rare or non-existent, due to insufficient time and insufficient resources to adequately demonstrate the expected benefits. Once SRs are institutionalised in the WBF, the process could be used to codify the credits resulting from the completed SRs.

Elements of a medium-term budgetary framework, with multi-annual projections and unchanged policy scenarios, are included in the budgetary documents but for information purposes.

### ***The (no) challenge to the budget proposals***

One of the weaknesses of the budgetary negotiation process, at the time of this report, is the absence of dispute ('challenge') of budget requests by the Directorate-General for Budget and Finance (DGBF), within the General Secretariat of the Ministry of the WBF. In most OECD countries, the Ministry of Finance plays this role in the budgetary process: not only does it challenge the budget proposals presented by the functional department against the agreed budgetary ceilings and rules, it assesses how spending can be linked to government priorities and whether expenditures reflect the effectiveness and efficiency of operations.

In WBF, the DGBF does not perform the role of challenging the proposals developed by the administrations. It is in charge of centralising budget proposals and verifying compliance with the directives set out in the budget circular. During administrative bilateral meetings it verifies that the budgetary statements have been completed. The DGBF does not verify the effectiveness and efficiency of existing spending, as there is not an assessment culture in its daily work. The DGBF does not seem to have the role to give an opinion on the quality of the budget management of the administrations or on the appropriateness of the proposed expenditure. In part, this is because DGBF does not have sufficient resources in specific policy areas.

The introduction of SRs should be accompanied by a analytical approach to budgetary analysis and control, which would require cultural change and cross-cutting change, both to develop the skills for budget analysis and control and to add competences for SR. The development of a challenge function in the budget process where it does not exist may seem difficult and ambitious. However, with appropriate training, the introduction of the SR system and a focus on analytical capacity, this function can develop over time. In past years, DGBF has taken important steps in this direction by introducing a new integrated financial solution. Based on this IT modernisation, DGBF intends to strengthen its capacity to monitor administration budgets. That project foresees the engagement of management controllers in the General Accounting and Management Control Service, which would allow for a more advanced analysis of accounting information. There are plans to go further and invest in sectoral competences, which would help to develop the skills needed for SRs. Such skills would be useful in strengthening the performance approach of the budgetary process. Performance management that sets monitoring and reporting arrangements with business indicators might also support the managerial controls.

Even for cabinets, there is no comprehensive and detailed evaluation of proposals in terms of efficiency and cost-effectiveness. Administrations retain autonomy in drawing up budget proposals, and autonomously organise the budgetary management of its powers. Once the proposals are collected and then analysed by the DGBF and the Finance Inspectorate, functional units can modify them, while the budget office analyses them in terms of compliance, timeliness and efficiency. For proposals where there is no agreement, meetings are organised in the presence of the functional cabinet, the budget cabinet and the office of the Minister President. Finally, decisions are taken during the budget conclave. Due to the lack of time, there is no possibility of a full evaluation of the proposals in terms of the efficiency and effectiveness of existing expenditure.

For its part, the Finance Inspectorate plays an administrative and budgetary control role, giving views on budgetary expenditures and proposals and verifying the compliance of proposals with the budget circular during administrative bilateral meetings. The Finance Inspectorate is involved in the budgetary process with its function as fiscal and financial advisor to ministers, and delivers its independent opinion in terms of legality, budget, efficiency and effectiveness. The Finance Inspectorate is familiar with policy areas and can be an important player in giving opinions on the appropriateness of spending and in challenging proposals. For example, administrative and political bilateral meetings, where the Finance Inspectorate is present, may include discussions on existing spending and their effectiveness and efficiency, not just on compliance with beacons and the application of the budget circular.

### ***The zero-based budget***

The current fiscal year within the WBF is based on the traditional input system. In theory, budget preparation provides for the Zero-Based Budget (ZBB) principle, according to which administrations are invited to use this method to assess the appropriations that can be redirected, for example to consider the impacts of the COVID-19 pandemic crisis. Indeed, even if administrations are encouraged to use the principle, its application is limited in WBF, as much expenditure is provided for in decrees. The decrees determine the amount of expenditure to be programmed, without questioning those decrees, which can undermine the ZBB principle, making it a tick-the-box exercise.

The ZBB is a complex exercise required a heavy investment by the teams responsible for budgets. In addition, the evaluation of budget proposals each year is an arduous and delicate operation that requires the establishment of objective selection criteria. The SR process differs from the concept of ZBB as currently applied in WBF. The SR analyses and assesses the relevance of current policies relative to government-determined objectives and priorities. A systematic challenge function framed in the annual SR could ensure that expenditures and decrees are reviewed regularly, and that decisions could be made in cases where changes are needed. Unlike the annual budget process, SRs focus on existing programmes and can therefore be a tool for questioning existing legislation.

## **Public policy evaluation and performance framework**

Given that the SR exercise is new to the WBF, it is useful to see how it can build on existing public financial management disciplines. For this reason, the following section focuses on the public policy and performance evaluation framework, highlighting the relevance to SRs.

### ***The link between spending reviews and evaluation***

SRs are not and should not be seen as an isolated activity in the context of a country's budgetary governance. On the contrary, they are linked to and supported by other instruments, such as public policy evaluation and a budgetary processes that include performance measurement (Box 3). These tools

provide information to help complete SRs. While in WBF the budget is not focused on policy outcomes, some elements of the existing evaluation framework may be relevant to SR.

### Box 3. Performance-based budgeting

Performance-based budgeting consists of the use of performance information to support budgetary decisions, either as a direct contribution to allocation decisions or as contextual information to assist planning, providing information on expenditure objectives and results achieved. The adoption of this type of budget implies a change in the orientation of budgeting, which moves away from inputs focused on figures to focus on the results of expenditure and the achievement of objectives. Its characteristic features are:

- When preparing the budget, expenditure decisions take into account the priority policy objectives as well as the performance of past programmes;
- The budget is presented as a set of programmes. This may be added to or substituted for the presentation based on the administrative and economic classification;
- Performance indicators and non-financial objectives, which represent the planned expenditure objectives, are presented in the budget and related to expenditure programmes;
- When implementing the budget, budget managers have the necessary autonomy to manage financial resources and are responsible for the results achieved;
- Reports to parliament on budget implementation shall include performance information and an explanation of the reasons for underperformance.

Performance-based budgeting offers a wide range of benefits for different stakeholders:

Central government	Ability to strengthen alignment between budget allocation decisions and political priorities, thereby increasing the chances that the government will be able to deliver on its policies.
Ministries of finance	New types of information that help make evidence-based resource allocation decisions, and to make functional departments more accountable for the effectiveness and efficiency of spending.
Functional ministries	Tools to improve internal decision-making and present strong arguments to support budget proposals, helping programme managers monitor performance and spending.
Parliaments	Greater clarity on the objectives of spending and the goods and services that will be provided with the resources they have voted, as well to hold officials accountable for achieving results.
Citizens and civil society	Perspective of greater and better transparency and accountability regarding the objectives and results of public expenditure, and strengthens citizens' engagement in the budgetary process.

In practice, the emphasis on performance and the extent to which it has replaced more traditional forms of budgeting vary widely between OECD countries.

Source: (OECD, 2019<sup>[11]</sup>).

Although there are evaluation initiatives in WBF, currently, evaluation is not part of the culture of jurisdictions and cabinets. At the policy level, there is little tendency to work through efficiency reviews. A cultural evolution in this direction is needed, which can feed with the creation of results-oriented data and policies, which will also connect the data and make a regular report. A widespread evaluation culture can help the SR process by stimulating an ongoing review mentality focused on improving the quality of spending. Since evaluations can focus on different aspects (budgetary or thematic), they can be a support for the analyses that are conducted in a SR. Efficiency assessments may identify gaps in certain policies that can then be addressed by SRs in the entire policy area. Effectiveness evaluations may suggest that changes are needed for a policy to achieve its objectives. In any case, evaluations can provide basic information for review, providing guidance on the efficiency or effectiveness of a public policy. To date, the implementation of evaluations in WBF has been hampered by several considerations:

### *Policy objectives and evaluation criteria*

Currently, many public policies in the WBF lack objectives and therefore data and criteria for evaluation. Very often, policies are set by decree, and rarely present the objectives they are to achieve, making it difficult (or impossible) to assess the achievement of objectives. If the objectives and related indicators are not explained, the quantitative and qualitative aspects necessary to evaluate a policy are missing. Such data should be foreseen *ex ante* and collected *ex post*, to allow for a comprehensive analysis of policy performance. It is therefore important to develop indicators that are easy to collect and update to measure the effectiveness and impact of policies. Even in the development of the Administration Contract and Management Contracts, the indicators included are often a means than a result. This practice prevents performance monitoring. In policy development, attention needs to be paid to a methodology for carrying out *ex post* evaluations in a structured way, and to reflect on indicators at the beginning to measure the effectiveness and efficiency of policies. The availability of these indicators implies an improvement of the information systems of the administrations concerned, but also of the indicators included in the administrative and management contracts.

A recent project that aims to stimulate evaluation in government decisions consisted of an “assessment criteria and deadlines” section to be included in the notes accompanying government decisions. The heading is rarely used, and is not subject to specific follow-up or systematic dialogue. The heading may be a starting point for establishing an evaluation mechanism and for establishing evaluation quality criteria.

In the same vein, an inventory that considers the assessments from the DCP or from the decree is being established. The objective is to have an overview of evaluations that are ongoing or planned, and to collect data on completed evaluations (criteria, methodology, results). It would be useful to map of policies for SRs, to allow ready access to relevant information and to identify gaps or themes that could require an SR. The inventory of evaluations is a first step in this direction. At the same time, SRs would have to highlight where a lack of data has complicated the analysis.

### *Resources dedicated to evaluation*

Given the lack of policy objectives, evaluation criteria and appropriate indicators, it will be important to describe what is expected of SR in terms of resources. This requires expertise that is not yet present in DGBF, and which implies that for now it will be necessary to involve other actors and look at the existing evaluation capacity to see how SR can build on it. Especially when data are scarce and the methodology still needs to be created, there is a need to invest in evaluation resources in order to build the capacity to analyse expenditures.

In general, the evaluation of public policies is the responsibility of the Minister-President because it is cross-cutting. In the General Secretariat of the Ministry of the WBF there is a two-person Public Policy Assessment Service (PPES) within the Directorate-General for Coordination and Support. The PPES is a methodological and scientific support service that assists all departments and observatories of the Ministry in the context of their mission and it provides support in the preparation of projects and terms of reference and during their implementation. In the General Secretariat of the Ministry are departments whose mission is to carry out research and evaluation procedures on certain policies, (Observatory of Cultural Policies and the Observatory for Children, Youth and Youth Assistance) (Box 4). In view of the expertise present in these departments within the Secretariat-General, these actors could be included in the working groups that conduct SR analyses on the topics within their remit.

#### Box 4. Observatories in the Secretariat-General

The two Observatories of the Secretariat-General are expected, among other things, to evaluate certain policies as provided for in decree, and to publicise the results of studies and research. Both entities have developed an evaluation methodology and expertise.

The Observatory of Cultural Policies develops, every two years in consultation with cabinet and the Observatory for Children, Youth and Youth Assistance, a research programme that includes quantitative and qualitative research on cultural policies, which in some cases contain recommendations for better policies. When the Observatory of Cultural Policies conducts an evaluation of sectoral policies, the General Administration of Culture, the Cabinet, experts and field actors are involved, as soon as the terms of reference define the research questions.

The Observatory for Children, Youth and Youth Assistance is responsible for overseeing and conducting the evaluation of decrees relating to children and youth policies. The evaluations focus on the satisfaction of beneficiaries. In order to maximise the usefulness of the evaluation, in 2017 the Observatory made a series of recommendations to the Minister of Youth (OEJAJ, 2017<sub>[12]</sub>).

Source: Observatory of Cultural Policies and the Observatory for Children, Youth and Youth Assistance.

The cabinets do not have the human resources to organise an evaluation of public policies internally. They may instruct administrations and/or *ad hoc* bodies to carry out evaluations. For example, the Office of the Minister of Children, Health and Culture instructed the High Council of Audio-visual to analyse the use and needs of accessibility conventions in the media.

Overall, administrations have the responsibility to evaluate policy. If an Order in Council provides for the evaluation of a policy, it is the role of the administration to do so and inform its functional cabinet. The decentralisation of the evaluation function has the consequence that there is a high heterogeneity between administrations in terms of the capacity, competence and quality of evaluations. In the General Administration of Sport, evaluation is well anchored within each general department. In the General Administration of Education (GAE), the Directorate-General for the Steering of the Educational System is responsible for analysing data and conducting evaluations on the implementation of educational systems. In other administrations, evaluation activities are frequently outsourced. However, in order to establish a project evaluation culture that will also benefit SR, jurisdictions need to appropriate evaluation methodologies and results.

Among the actors external to the WBF administration, it is important to mention the following two:

- The Walloon Institute of Evaluation, Foresight and Statistics (WIEFS) is the statistical authority of the Walloon region, whose mission is to develop, produce and disseminate, independently, statistical work and evaluation of public policies, and foresight and forecast studies. The WIEFS carries out its responsibilities in relation to the Walloon region. In accordance with the 2009 Agreement on Cooperation in Statistical Matters between the French community and the Walloon region, WIEFS is responsible for producing analyses, studies and data collections in relation to the French community. The WBF asks the WIEFS to develop the “WBF Key Figures”, published annually.
- The Belgian Court of Auditors, as part of its function of financial control, legality and regularity of WBF’s expenditure and revenue and probity (in terms of economy, effectiveness and efficiency), produces results which give rise to regular information to parliament and functional ministers. The Court also carries out performance audits (e.g. on the management and funding of school health promotion by the OBC or on the placement policy of young people in public youth protection

institutions), and public policy evaluations whose themes are selected on the basis of risk monitoring and analysis. The Court of Auditors has not assessed the overall coverage and quality of policy evaluation within the WBF. However, in its audits, the Court frequently found a lack of systematism in the evaluation of audited policies.

### ***Inspiring initiatives for spending reviews***

Despite the problems identified above, there are opportunities to strengthen the evaluation and analysis of existing efficiency and effectiveness. One of the operational objectives of the Administrative Contract is to strengthen public policy evaluation by progressively establishing and implementing a cross-cutting strategy for the development of public policy evaluation in 2022 (WBF Government, 2021<sup>[8]</sup>).

Within government, there are two major projects that focus on evaluation and provide similar governance and processes as an SR, can be replicated as part of SRs.

#### *The Pact for Teaching Excellence*

The Pact for Teaching Excellence is a systemic reform resulting from a collaborative process begun in 2015. It is structured around 18 different projects, divided on sponsors and covers current and new expenses. For each site, it is necessary to demonstrate and monitor (minimum twice a year) expenditure, savings or exceed them, based on the very precise roadmaps set annually. The governance of the Pact of Excellence is rather sophisticated:

- For each of the projects, project teams within the GAE under the direction of a project manager have a point of contact in cabinet. Cabinet referees are the contact points for the project teams for any question relating to the policy guidance for the implementation of Pact projects.
- The Operational Change Unit, located in the General Secretariat, co-ordinates and leads the implementation of the Pact. The Operational Change Unit ensures cross-cutting and regular monitoring of the progress of reforms, performance indicators and the overall fiscal outlook.
- The Committee of Management of the Pact regularly monitors all the Pact's work based on the roadmaps of the various projects. It sets the guidelines to be followed and decides on the issues that are submitted to it.
- The Oversight Committee represents a higher level, chaired by the Minister-President, and meets at least twice a year to discuss the projects.

The governance of the Pact has similarities to SRs, for example on the division of responsibilities between the administration, which conducts analyses, and political representatives, who oversee the work. The Pact includes basic evaluation, and introduces guidance on teaching based on data on objectives and indicators. Monitoring and reporting are at micro and macro levels. On the one hand, schools can pilot and compare themselves with other schools through mid-term evaluations, and on the other hand, at macro level, each year a report analyses the situation of the school system and progress towards the indicators and targets set. Cross-cutting and regular monitoring of project implementation also applies during SRs, and co-ordination between the actors involved is crucial in both mechanisms.

#### *The modernisation efforts of the Office of Birth and Childhood*

The Office of Birth and Childhood (OBC) is a PIO that is managed by a board of directors and with management autonomy. Its mission is to accompany the child in his or her family and social environment, and to take care of the child outside the family environment. Other cross-cutting tasks are also assigned to it, and are carried out in accordance with the guidelines and procedures defined by the decree of 2002 as well as the management contracts concluded between the board of directors of the OBC and the government.

The management contract for 2021 to 2025 contains seven strategic objectives that are divided into operational objectives (ONE, 2021<sup>[13]</sup>). Strategic objective 7 (“Continuing the modernisation of the organisation and functioning of the OBC”) focuses on efforts to make the OBC modern, efficient and exemplary for the quality of services, and contains elements that are similar to those of SRs, and which could help to gather information useful for SRs and be transferred to other areas to foster a culture of evidence. The OBC has a budget of more than EUR 500 million, which means that it requires effective management and the efficient use of its resources.

In strategic objective 7, the focus is on results-oriented management, through objective planning, operational and financial monitoring and regular reporting using effective tools. Systematic evaluation and performance management is to be strengthened and involve analyses of the organisation’s current performance in order to adapt the structure and resources to future missions. In 2021, the OBC launched a cross-cutting consultancy contract on:

- The appropriateness of the organisation chart and decision-making bodies, in the light of the organisation’s roles and responsibilities;
- The adequacy of human resources in relation to the objectives of the management contract. This analysis is carried out by analysing job sizes and activities, with a view to identifying ways to reallocate resources and opportunities to reinvest. The output is an action plan to enable efficiency gains;
- The adequacy of financial resources through SRs on key budget items, including the operating costs of the OBC;
- The efficiency of the OBC’s main processes in relation to its objectives;
- The impact of digitalisation and administrative simplification of processes and organisation.

The activities related to strategic objective 7 included in the management contract are consistent with those carried out in an SR. SRs also consider ways to improve the quality of services, with the aim of making service delivery more effective and efficient. The analysis of the performance of an organisation may be part of an SR: some reviews are focused on specific entities or administrations, in order to identify margins of manoeuvre (reductions in spending) within the organisation and to optimise resources and processes according to its objectives.

## Piloted spending review exercise

### *Human resources*

In DPC 2019-2024, the WBF government undertook to carry out, in consultation with the Ministry, a comprehensive analysis of the staff and workload of each branch, with a view to improving cross-cutting, staffing and reallocating resources between departments (WBF Government, 2019<sup>[7]</sup>).

The analysis of staff took place in rounds with the support of an external consultant. The objective was to free up resources for reallocation. Room to manoeuvre had been identified for the Department as a whole, and the substantial reallocation of resources would gradually be carried out from 2022 onwards (WBF Government, 2021<sup>[8]</sup>). The exercise did not involve an examination of the relevance of expenditure, but rather on the functioning and processes of the actors involved. In December 2021, the results of the first two rounds were presented.

### *Ongoing pilot projects and lessons to be learned*

Following the government decision in autumn 2020 to implement SRs, a pilot project was launched as part of the 2021 budget. The objective focused on policy efficiency, but no quantitative targets had been set.

The expenditure to be analysed was chosen based on the complexity of the analyses and potential efficiency gains (Table 5). The exercise was managed by the cabinets, with the co-ordination of the Budget Cabinet.

**Table 5. Expenditure analysed in the spending review pilot project**

Minister responsible	Policy analysed	Approximate expenditure (EUR million)
Minister Daerden	Operation of administration (Basic Article Codes 12 and 74)	~ 50
Minister Daerden	Allocation to ETNIC	~ 60
Minister Daerden	Operation of IPOs and ASSAs	~ 1,000 (allocations to IPOs and assimilated)
Minister Daerden	Accounting management expenditure within the MFWB	
Minister Linard	Nanine Loan Centre and Marcel Hicter Centre	~ 1.23
Minister Linard	Loans to Bookstores and Publishers	~ 0.3
Minister Linard	Vaccination	~ 15
Minister Glatigny	Local and integrated sports centres	~ 5
Minister Glatigny	Funding mechanisms for youth assistance	~ 350 (Programme 14 of DO 17)
Minister Glatigny	Compensation for non-indexation of tuition fees in universities and FBOs	~ 5
Minister Desir	Secoded Heads of Mission for Education	
Minister Desir	Travel expenses reimbursed by the MFWB for its staff	~ 5

Source: (Parlement de la Communauté Française, 2021<sup>[5]</sup>).

In this context, it is possible to draw lessons that may be useful in order to identify the way forward for institutionalising revenue and expenditure analysis in the WBF. The main conclusions at the end of the 2021 pilot can be summarised as follows:

- Political support is needed: In order to build consensus in government and combat potential resistance in the administration, SRs must be based on a political agreement. Especially when commencing an SR, it is difficult to ask the functional administration to carry out its own assessment if there is not a strong political mandate. In the context of the AC, the strategic objective 'To have efficient and integrated resource management' provided, among other things, the basis to assess the efficiency of targeted expenditure: each year, types of expenditure identified as part of the budgeting process and analysed to assess its efficiency (WBF Government, 2021<sup>[8]</sup>). The corresponding result indicators are the amounts reallocated by these SRs. The inclusion of a provision on SRs in the AC can help to secure political commitment.
- Objectives must be established: so far, the definition of expenditure analysis projects broadly targets the themes to be analysed but does not set intermediate or final objectives to be achieved. The only commitment made by each Cabinet was to achieve results that could impact the 2022 budget. However, the projects did not move forward, and the Cabinets developed few proposals. It is therefore necessary to clarify the political objectives and that they are accepted by all. Without a roadmap, reviews cannot be monitored and managed on a regular basis, and its results will be difficult to assess.
- Co-operation between the actors involved must be established: The piloted method should be modified to create consensus and additional resources amongst cabinets. Most of the analyses are still ongoing (Box 5). Some analyses have not yet been completed due to lack of resources. One of the challenges to overcome is that ministers are often reluctant to put forward their budgets, as SR is associated with reduced spending, which is not the sole goal. It is necessary to convince the actors involved that SRs are a tool with several benefits. The analysis supports functional departments to identify flexibility in the use of resources. In general, reviews are useful for

functional ministries to improve the quality, composition and prioritisation of spending and contribute to developing a culture of evaluation in public administration. Although there are other ways to realise these values within functional ministries, the methodology of the reviews as well as support by the actors in the working group facilitates this task.

### **Box 5. Results achieved from piloted spending reviews**

At the end of the first year of analysis, examples of project results included:

- Operation of the administration: Efficiency gains of EUR 462 000 appear to be feasible based on operating expenditure. The analyses were mainly conducted by the cabinets and will be continued by the administration;
- Loans to bookstores and publishers: The analysis focuses on the financing mechanisms of the policy. The two budgetary funds were converted into conventional appropriations and the reserves of the funds were removed;
- Youth support (programme 14): This analysis focused on the budget for this policy with a view to strengthening the management of the expenditure. The analysis of funding mechanisms is still ongoing by the administration;
- Sport (Integrated Local and Local Sports Centres): The administration reviewed the relevant criteria with a view to revising the method of financing and assessing the impact that this would have in relation to the available funding. The cabinet is awaiting the conclusions from the General Administration of Sports.

Source: (Parlement de la Communauté Française, 2021<sup>[5]</sup>).

- Resources must be made available: currently, the human resources allocated to the analyses are inadequate and insufficient. The people in cabinets or administrations who work on the analyses are mainly the same people who draw up the budget. In addition, these people are not necessarily experts in policy programmes. In order to solve this problem, the government took the decision to allocate additional resources for SRs in the 2022 budget (EUR 1 million in the initial budget, in a new programme of activity 90 created in the Organic Division 11), which could, for example, cover recruitments specifically dedicated to the analysis of expenditure or the use of consultancy on certain projects. In addition, in order to free up resources and give priority to budget implementation in the first half of 2022, the government decided to postpone the budgetary adjustment, which took a lot of resources, to the end of the year (Parlement de la Communauté Française, 2021<sup>[5]</sup>).
- It is necessary to develop a methodology and specify the scope of expenditure to be analysed. Most expenditure is set by decrees, while the remainder includes voluntary grants and government operating expenses. Current expenditure is often not questioned, and resources are made available for new policies. However, it is important to consider not only optional expenditure, but also fixed expenditure.

# 4 The WBF spending reviews: The way forward

The first step in introducing SRs on a regular basis in the WBF is to establish its framework and characteristics, including the governance mechanism. These elements may remain in place for several SR cycles.

## Determine objectives and scope

It is very important to differentiate the overall objectives of an SR programme from the specific objective that needs to be determined for each review. The choice of the overall objective of the analysis is a political decision. Many OECD countries have abandoned the use of SRs for short-term deficit reductions, to improve the efficiency of spending in the medium term and to align spending with government priorities, thus facilitating the introduction of new policies. In general, countries use SRs to achieve several objectives in parallel.

In WBF, the overall SR objectives may include:

- Creating fiscal space for new policy initiatives.
- Aligning policy objectives, for pre-existing DCP policies in order to verify consistency with government priorities and possibly transfer resources from one priority action to another.
- Increasing the impact of public policies by analysing the effectiveness of public spending in relation to the objectives they aim to achieve.
- Increasing the efficiency of public spending in relation to the means employed and the needs and opportunities of allocating resources.

The permanent basis for SRs should be established in decree (such as Decrees WBF<sub>in1</sub> and WBF<sub>in2</sub> on the organisation of the budget, accounting and reporting of public bodies in the French community). Formalising SRs is crucial to spelling out the objectives and to ensuring continuity that survives government change. Most OECD countries have included SR provisions in the basic/organic budget law or in subsidiary legislation. In Italy, for example, Law 196/2009 on accounting and public finance includes provisions on SRs and the integration of SRs into the budgetary process. The objectives of SRs in the WBF should be very clear from the outset and included in strategic policy documents (such as DPC or AC).

In addition to the overall objectives, there are other important parameter to be established is the scope of SRs. In OECD countries, SRs can be classified into two categories:

- Annual reviews, a limited number of areas based on budgetary problems such as excessive spending, ineffective public policies or a desire to change certain policies or unexpected growth in specific spending areas.

- Periodic reviews, which cover a larger proportion of public spending and are reviewed over a certain period, often corresponding to an electoral mandate.

A periodic review of a larger share of spending can lead to greater savings than an annual review, and the selection of topics is often simpler as most important areas will be examined. At the same time, it increases the workload of public servants in the department of finance and the administrations. For these reasons, it is recommended that the examination of expenditure in WBF be conducted as an annual selection process that will result in a proposal to conduct some SRs within a period that corresponds to the budget process. The topics for review may be policy areas and horizontal themes. A selective procedure is preferable especially when SRs have just been introduced: on the one hand, it is impossible to review all government spending every year, on the other hand it is not even possible because it will double the efforts of the administrations to implement the decisions taken during the completed SR. The fact that there is not yet an evaluative culture and that existing capabilities and skills are limited, for the moment is an additional argument for the fact that one should first become familiar with the SR instrument before undertaking ambitious SR.

In Germany, for example, the scope of SR has gradually increased over time, depending on its objectives and institutional capacities. The first two SRs conducted in 2015 focused on inter-modal transport and a vocational training programme. These reviews were limited in scope, as the Department of Finance and the departments involved accumulated experience on how to undertake an SR. In subsequent SR cycles, the scope of application, as well as the complexity of reviews, was increased by analysing the interrelationships between several spending programmes in a given policy area.

## Recommendation 1: Objectives and scope

1.1. It is important to set the overall objective of the SR framework. The WBF government can use analyses to find budget space for new policy initiatives, improve spending efficiency, and better align spending with government priorities.

1.2. SRs should be carried out by decree in order to introduce them regularly into the budget process. The objectives and scope of the SR instrument must be clear, for example by inserting them into the Declaration of Community Policy and/or the Administration Contract, in order to support the political commitment and implementation of the reviews.

1.3. SRs will need to be established as an annual selective procedure and it is recommended to start with relatively simple SR in order to familiarise yourself with the process.

## Establish clear governance throughout the process

A governance structure with clear and fixed roles and responsibilities is essential for the success of SR, and co-operation between stakeholders is also crucial. This section outlines the optimal governance of an SR system, to which the WBF government should aspire. As it will take time to implement these governance arrangements, a transitional phase with interim governance can be envisaged.

First, the political level has a key role to play in deciding the scope and objectives of each SR as well as the decision on its results. In addition to the political role, the administrative component is important in carrying out the work. First, a crucial role is that of the entity co-ordinating the review process. Another good practice is to have a steering committee that oversees the process, and a working group with active involvement of jurisdictions.

The organisation of actors involved in SR is similar in some respects to the existing governance defined for the Pact of Excellence. The executive committee and the oversight committee represent a political level as they are chaired by ministers (the Minister of Education and the Minister-President), and can be associated with the government's role in SR. At the administrative level of the Pact, the Operational Change Unit is responsible for steering and implementing, and for developing the framework and evaluation processes of the Pact. The unit is similar to the one that needs to be established to co-ordinate the SR process. Finally, the Compact project teams within the administration are responsible for the concrete implementation, and resemble the working groups involved in SR. Ongoing consultation with field actors and the involvement of government members at different levels of intervention is also a common element with SR.

It is therefore important to have a comprehensive governance system for SR that provides a good basis. The governance arrangements for each SR are set out in the terms of reference, a document containing the objectives of SR and the roles of the parties involved. In the following, the report describes in more detail the roles of the actors involved.

### ***Decision making***

As mentioned in Chapter 1, there are different models in OECD countries for implementing SRs and the way decisions are made may also vary. A common (and best) practice is for the government (political and administrative bodies) to decide jointly the crucial elements of SR. This ensures the participation of each minister in this process. Especially when the review has just been introduced into the budget system, government commitment and support is crucial to the success of reviews and the achievement of objectives.

First, the government must be involved in the initial choice of objectives and scope of the review. This decision will guide the drafting of terms of reference (also approved by the government) and define the political mandate to be followed throughout the review process. Once the analysis and work on the part of the administration is completed and the final report is completed, the government must make the political decision on which option(s) will be or will be implemented.

The government should be responsible for setting up the overall framework for SRs and specific governance arrangements, such as the appointment of the Steering committee and the approval of an SR Manual.

### ***Co-ordinating entity***

A key issue for each step in the implementation of an SR process is related to the establishment of an SR co-ordination entity, which is responsible for the overall management of the review process and for co-ordinating the entire process. A first recommendation in this regard is that this task should be carried out within the public administration and not outsourced.

The next question 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 task is assigned to the Ministry of Finance and political responsibility is assumed by the Minister of Finance. This can be explained by the close link between SR and the budget, a constituent element of SR as recognised by the OECD Best Practices for Spending Reviews. In addition, the Ministry of Finance generally carries out a government-wide task, has expertise in all policy areas and can perform a cross-governmental role in SRs.<sup>7</sup>

---

<sup>7</sup> The co-ordinating entity should also manage the SR procedure for IPOs.

In the case of the WBF, the latter point applies only to a limited extent to DGBF, which should therefore evolve on this aspect and develop cross-cutting and comprehensive expertise on expenditure analysis. However, given the role of DGBF (which supports budgetary work without taking an advisory role) as well as there is not yet a culture of performance or evaluation in the DGBF, there are different possible scenarios.

A first scenario is that we create a direct link with the centre of government where a greater evaluative competence resides. This could be done by assigning people to the General Secretariat of the Ministry of the WBF to co-ordinate the SR process, shared with the DGBF. In this case, the DGBF would play a leadership role and be supported by the General Secretariat. A second scenario is that DGBF internalises the skills and capacity to co-ordinate SRs. This would require cultural change in DGBF and capacity building. This could be done by assigning more people to SR work, and by reorganising the DGBF. The choice on how to strengthen the DGBF is for the WBF government.

For the two scenarios, the introduction of SR and the reform of the WBFIN project (the integration of the new management controllers and their mandate) should be co-ordinated. Given the context, the short-term transitional phase of governance may envisage that the cabinets of the Budget and the Minister-President organise the process while the administration is reorganising to carry out this co-ordination task (possibly in co-operation with the General Secretariat). The involvement of cabinets in the first transitional phase must only represent a supporting element for administrations.

### ***Working group***

The analytical capacity of an SR is concentrated in the working group. The tasks of this group include carrying out topic and scenario analyses according to the objectives of the review, preparing budget options based on efficiency, effectiveness and value for money, and drafting the technical report.

In terms of membership, the working group should include representatives of different entities to ensure a diversity of expertise and perspectives and a balance of interests and incentives. In some countries the driving force of the working groups is the functional ministries responsible for the policy area under review. In other countries, the ministry of finance plays this role. But most OECD countries follow a median path, in which the composition of working groups is balanced, with roughly equal representation by the ministry of finance and functional ministries. This practice is recommended for the WBF, where the working group should be composed of:

1. representatives of the administrations concerned
2. representatives of the DGBF (sectorial Competence Managers, a person in the DG Finance who is responsible for the subject matter of SR)
3. invited experts according to the theme of the journal (optional)
4. the co-ordinating entity.

Representatives of administrations are fundamental actors because they are familiar with policies and can analyse them in detail and comprehensively. However, the expertise must be complemented by the inclusion of representatives specialising in budgetary matters: an exercise conducted solely by administrations may not result in proposals that are to be used directly in the budget process. At the same time, an overly centralised approach in which the ministry or the Office of the Minister of Budget controls everything without the commitment of administrations, is less likely to lead to legitimate conclusions in the eyes of the actors who will have to implement them, and may also exclude the knowledge of the policies held by the administrations.

The diversity of the members of the working group is important for developing credible and objective results, which are presented in a politically independent manner. The working group may also benefit from the participation of external experts (such as WIEFS or experts outside the administration) and central

bodies of the Ministry (such as the Observatories or the PPES in the General Secretariat). In the case of experts outside the administration, it is important that independent representatives understand the functioning of government so that they can contribute effectively to the analysis. The government must decide, within the terms of reference, whether and how experts will be involved.

The working group is convened in meetings to exchange information, take stock of progress and present an interim and final report to the steering committee. In the case of a diverse composition of the working group, it makes sense that the secretariat should also be diverse. The secretariat should be composed of two secretaries who share responsibility for drafting reports under the leadership of the chair.

Regarding the choice of chair, the practices of OECD countries vary. Sometimes the chair comes from the functional department, sometimes from the Ministry of Finance. In accordance with the joint composition of the working group, it is recommended in this note to select the chair outside the administration and the DGBF. They may be an eminent person with political expertise and experience in public administration (e.g. retired civil servant, member of an advisory body or university professor). The allocation of EUR 1 million provided for in the 2022 budget may also be used for this purpose.

### **Steering committee**

It is recommended that an SR steering committee be established. Its role would be to oversee and coordinate the activities of the working group, verifying compliance with the terms of reference and schedule.

In OECD countries, a common feature of steering committees is not to include government ministers or their policy advisers, to ensure a technical rather than political function. The political commitment of ministers is in fact ensured by the initial and final decisions taken by the government and a very clear mandate. Since WBF cabinets are involved in tasks that in other OECD countries are entirely assigned to administration, the relationship between cabinets and WBF administration is more complex and cabinets also have relatively strong technical expertise. For this reason, cabinet representatives are possible members of the Steering Committee because, in addition to the technical aspects, they have authority in both the government and the working group for the proper functioning of SR. If there is an operational problem in the working group, for example, the steering committee must have the capacity to intervene and resolve it. Finally, the steering committee must have the skills to understand the content of SRs. Cabinet representatives must therefore be responsible for the subject matter being evaluated and not budget advisors.

The WBF steering committee could be composed of senior members who can be assisted, in the introduction phase of SRs, to ensure the necessary skills:

1. A representative of the Office of the Minister of Budget
2. A representative of the Cabinet of the Minister-President
3. A representative of the Office of the functional minister involved in SR (*ad hoc* decision by the government for each SR)
4. A representative of DGBF (at Director level)
5. A representative of the administration involved in the SR (optional decision to be taken by the government for each SR)
6. A representative of the IF
7. The Secretary General of the Ministry of the WBF, who acts as president of the Committee and who can be assisted by the PPES.

This composition ensures a balanced approach between government cabinets and administrative actors, in order to support quality work. It is important to emphasise that the discussions in the steering committee are of a technical nature and not political on the content or timeliness of the choices presented in the reports. For this reason, the inclusion of an IF representative is important in order to ensure the non-political

functioning of the steering committee. Cabinet representatives are well positioned to act as sponsors and to oversee the advancement of SRs as they follow the mandate given by the Minister of Cabinet to approve the review within the government. The representation of the DGBF is important to monitor the work from a budgetary point of view. However, the support and expertise of the PPES could be useful in ensuring methodological skills. In order to ensure a cross-cutting and strategic view, the Secretary General would be the best actor to assume the role of chair.

### ***Spending review manual***

A good practice in OECD countries is to publish a guidance document for the activities of the main actors involved in the process. The document (SR manual) must be prepared by the co-ordinating entity (which in the first phase of the introduction of SR could be strengthened by the members of the budget cabinets and the Minister-President; in any case, the drafting of the manual should involve all entities involved in SR, not just cabinets). The manual will need to be approved by the government.

Regarding the content of the manual, the OECD will provide guidance in an action plan. Moreover, in the Flemish region, a broad SR cycle took place over 2020-21. It consisted of 10 SRs carried out by project groups (working groups in the terminology of this note) of officials under the direction of a steering group. After the completion of these reviews, the steering committee published a note on 'Lessons Learned'. Some lessons are relevant to the WBF (Box 6).

#### **Box 6. Lessons learned from the spending review in Flanders**

The Steering Committee recommended:

- 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, which are carried out once every seven years.
- Establish clear spending agreements to be considered at the beginning of the review, 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 terms of reference.
- 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>[14]</sup>).

## Recommendation 2: Governance arrangements

2.1. Political engagement is required at the beginning of the annual process (approval of topics and terms of reference) and at the end of the process (decision-making on policy options and implementation). The government should also decide on the composition of the steering committee and the manual for the conduct of SRs.

2.2. The SR process should be led by an administrative co-ordination entity that is the driving force behind SRs for expertise, analysis and co-ordination. This can be done by the DGBF or through co-operation between the DGBF and the General Secretariat of the Ministry of the WBF under the direction of the representative of the DGBF.

2.3. The working group should include the co-ordinating entity, representatives of the administration involved and an expert in the subject matter of the DGBF. Experts may be invited to the working group to strengthen specific skills and knowledge according to the themes of the journals. The secretariat of the working groups must be composed of a secretary of the DGBF and a secretary of the responsible ministry. An authoritative person outside the DGBF and the responsible department will be invited to chair the group.

2.4. The steering committee, composed of senior representatives (the cabinets of the Minister-President, the Minister of Budget and the functional minister, the IF, the DGBF and the administrations involved), is to oversee the progress of the review with the support of the PPES. The steering committee is to be chaired by the Secretary General of the Ministry of the WBF.

2.5. The co-ordinating entity must prepare and propose to the government by approval a manual of SRs that applies to the activities of the actors involved in the process.

### Stages of the spending review process in the WBF

An SR takes place in three phases — planning, conducting and implementing — each consisting of several stages and involving different actors. This section discusses the recommendations for each of these phases, based on international best practices (Chapter 1) and the existing context of the WBF (Chapter 3).

#### ***Planning phase***

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

The subject selection process is one of the key steps of a SR. This is a collaborative process involving key stakeholders such as administrations, cabinets and government. This phase of the process includes the collection of proposals, the preparation of the selection proposal and the decision made by the government.

The co-ordinating entity should provide for collecting proposals from other actors at any time. But it is also useful to install a formal process at the beginning of a new round of SR. At the request of the Minister of Budget in the budget circular, review themes must be proposed by departments that are familiar with the policies and know which ones will need to be reviewed. For this reason, topics mainly related to policy expenditure can be proposed by the administrations, but also by the IF, the Joint Audit Service, cabinets or other bodies such as parliament's budget committee. The DGBF and the IF are well placed to propose topics related to operating expenses, as they can identify expenditure that raises questions. The use of audits carried out by the Court of Auditors could also identify the topics that could be subject to an SR.

The co-ordinating entity may use a template to suggest appropriate topics for the SR. Proposals may concern policy areas, but also horizontal themes, and should indicate the instruments and expenditure (in terms of budget articles) to be included in the review. It is useful for the co-ordinating entity to maintain a database with all proposals of proposed topics in the years, so that it can be consulted and updated each year. When the co-ordinating entity has compiled a list of topics, it can evaluate the list according to certain criteria (Annex A) and draw up a 'longlist' (10 to 15 subjects). This longlist may then be submitted to the Minister for Budget, who, in collaboration with the Minister-President, makes a proposal for selection to the government (the "shortlist" of three to five policy areas).

Finally, the government will choose the final topics for each annual SR round, based on the guidance provided by the co-ordinating entity. This choice is made by considering criteria such as coherence with political priorities, the ability of administrations to review expenditure and the data available. The political commitment of the government is necessary in the final selection of subjects for a SR to succeed. The presentation to parliament (in the budget documents) of the selected projects, as well as the objectives to be achieved, is also advisable to enable the analyses to progress.

### *Preparation of terms of reference*

For an SR to work well, it is essential to communicate its objective with a declaration of desired outcomes that need to be achieved at the end of the review process. The experience of OECD countries shows that this is often framed by terms of reference that identify key aspects of the SR process. Generally, the terms of reference include an overview of the area to be examined, the objectives of the review, the desired results, the deadlines and the actors involved, including the appointment of the members of the steering committee and the working group. The terms of reference will also define the scope of SRs (Annex B).

It is crucial that the terms of reference are precise (but not necessarily lengthy) documents so that they can be consulted during the SR process. If the terms of reference are clear and detailed at the beginning of the process, it is more likely that the desired results of a SR will be achieved, as the working group should identify specific proposals corresponding to the objectives defined. For SRs to be productive, it is important that the terms of reference leave sufficient room for officials to think in an original way and develop a wide variety of policy options. The terms of reference may provide guidance on the policy options that should be developed, but should not prohibit options that fall within the policy area of the review.

In WBF, the co-ordinating entity, in collaboration with the relevant functional ministries and experts (e.g. PPES, observatories and IF), must prepare the terms of reference for the reviews once the shortlist of topics has been decided. In this way, these documents are presented to the government for discussion and approval, and can then be published.

## Recommendation 3: Planning phase

3.1. The proposal and selection of topics for review of expenditures must be a collaborative process on the initiative of the Minister of Budget. Administrations, cabinets, DGBF, the Joint Audit Service and the IF can propose topics based on internal analyses. With the assistance of the co-ordinating entity, they will have to provide explanations of the proposals and details of the expenses to be considered.

3.2. The co-ordinating entity shall prepare a longlist of topics which are proposed based on a thorough and systematic evaluation against certain criteria.

3.3. The Minister of Budget and the Minister-President decide on the final selection of three to five subjects (policy areas or horizontal themes) and submit it to the government for the final choice.

3.4. Once the shortlist of topics is decided, the terms of reference are drafted in detail to establish the desired objectives and results, and approved by the government. In addition to the explanation of the subject, the precise description of the instruments and expenditure to be discussed and the composition of the working group, the terms of reference should indicate the type of policy options to be developed. The use of standardised terms of reference helps guide the drafting process and ensures that key elements are included.

### Conduct phase

#### *Development of policy options*

The working group is responsible for conducting analyses and proposing policy options in line with SR objectives (efficiency, effectiveness). In order to find quality options that are also realistic to implement, it is important that an expenditure analysis methodology be agreed in the working group. A good practice is to develop and publish a common analytical method (cost-benefit analysis, benchmarking and impact assessment, simulations) and guide documents that can support the working groups during the review.

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 checks whether this report complies with the terms of reference.

Questions to examine the efficiency, effectiveness and relevance of policy programmes include the following examples:

- What is the need for which political activity was originally conceived? Does it still exist?
- What are the outputs and results of the programmes? Is it possible to identify and measure results? What factors influence impacts (intentional or unintentional)?
- What are the objectives of the political activities examined? Are they effective in achieving their objectives?
- What expenditures are being made related to the programmes reviewed? Are political activities carried out in a cost-effective manner or is it possible to carry out them at a lower cost?
- Are there 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. The working group should consult existing evaluations and use performance information when available. If the working group notes the lack or lack of some 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 to develop a performance information system.

Meetings between the steering committee and the working group are intended to discuss options and issues that may arise during the review.

### *The final report*

The analytical part of SR ends with a final report by the working group. The report must include alternative options and recommendations 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 normative terminology and describe the consequences of policy options in neutral terms (Annex C). It is advisable to present several options and scenarios to allow the government to assess different paths and to choose more concrete and achievable proposals. Policy options need to be prepared in a timely manner to align with the budgeting procedure. In addition, it is important that the options also consider the medium-term perspective, as they may require several years of implementation.

Some countries have established rules to ensure that the working group presents a comprehensive document that does not exclude policy options. For example, in the Netherlands, a no-veto rule applies, so that proposals for reallocation of expenditure and political solutions are included and submitted to the government. Members of the Group may provide opinions to express their disagreement with a proposal, but do not have the right to block it. These elements should be detailed in the SR Manual.

Another rule that could be considered is that more options (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 also mandatory. However, a rule that prohibits positive 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 expenditure 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. In some countries such a requirement exists, but in others it does not exist. 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 may be useful if the government wishes to reallocate resources in line with new priorities ('in line with government policy'). In the WBF, it is recommended to adopt mandatory savings options when the SR system becomes more mature, and to decide on this in the terms of reference for separate reviews, possibly on a case-by-case basis.

When the final report is completed, it must be verified by the steering committee for consistency and compliance with the details set out in the terms of reference. Then, the Minister of Budget and the Minister-President will be able to submit the report to the government.

*Decision on options*

Once the government has received the final report, it is responsible for deciding on the options to be implemented. This decision must be taken as part of the preparation of the budget, and prepared in inter-cabinet consultations before the budget conclave.

At this stage, the transparency of the decisions taken will facilitate implementation and increase the accountability of the implementing entities. It is therefore advisable to make public the government's final decisions on options identified by SR. Information on SRs could be included in budget documents (especially in the general statement) so that parliament is aware of the decisions and adopted by the government. This transparency should have a positive impact on the decision as well as on the quality of SR in general.

## Recommendation 4: Conduct phase

4.1. The working group conducts the analyses and prepares high quality and realistic policy options through the preparation of a final report. The working group should build on existing evaluations and use performance information when available. The working group should prepare an interim report containing the conclusions of the current policy review 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 final report is submitted to the steering committee for a technical audit and then submitted to the government for political decisions on the options to be implemented. Using a similar model for several series of SRs helps the government become familiar with the report and facilitates decision-making.

4.3. The government's decision must be made in the context of budget negotiations, and it must be published and accessible to the public and parliament.

### **Implementation phase**

*Implementation of selected options*

The implementation of SR options is a crucial step for its success: if the solutions identified are not properly and fully applied, the whole process proves unnecessary and ineffective. The administrations and entities concerned shall be responsible for the implementation of the results of SR, in consultation with the co-ordinating entity. The Minister-President, the Minister of Budget and the functional minister are regularly informed of progress in the implementation of decisions.

The final SR report should already contain elements that can indicate actions (e.g. reallocation or reduction of expenditure or legislative change), actors (e.g. specific services in administrations or other bodies) and the time required (e.g. within one or more years) for the implementation of each solution. It is recommended that administrations develop a detailed implementation plan to facilitate monitoring (Annex D).

*Monitoring of measures and reporting*

To support the implementation of SR results, it is important to monitor progress. Some OECD countries have mandated specific units in government to monitor the implementation of SR results. In WBF, monitoring of implementation is the responsibility of the co-ordinating entity jointly with the administration or entity concerned. The functional cabinet and the Minister-President and Budget are also kept informed

of all developments. The monitoring of the options to be implemented must be the subject of the final report to the government, and the final recipients of the reports (Box 7).

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 the central monitoring of the results of the SR to focus not only on the policy options that have been selected, but also on those options that have not (yet) been supported. There is ample international evidence that it takes several years before policy-review ideas become politically feasible and are taken over, sometimes in a modified form. It is useful for the co-ordinating entity to maintain and update a list of policy options from previous year's SRs, which can serve as a useful support for budget preparation and medium-term financial planning.

### **Box 7. Steering and monitoring of the Administration Contract**

The steering and monitoring of the implementation and of the *cross-cutting* and *sectoral* objectives is the collective responsibility of the Management Committee.

Projects related to AC objectives are planned in an annual roadmap, sector by sector, proposed by the Authority to the functional minister. The roadmap allows regular monitoring, with regular meetings between each General Administration/Secretariat General and functional ministers. On an annual basis, the Management Committee shall transmit to the government a follow-up report on the implementation, which shall present:

- major achievements and the level of achievement of operational and strategic objectives;
- monitoring of performance indicators for each sector;
- the state of consumption of appropriations related to commitments by project;
- identification of points of attention.

Before the end of the term, the executive committee will have to submit to the government its qualitative and quantitative assessment of the achievement of the objectives set out in the AC, carried out in consultation with the other officials.

Source: (WBF Government, 2021<sup>[8]</sup>).

## Recommendation 5: Implementation phase

5.1. The responsibility for implementing policy options lies with the administrations and entities that have been the subject of the SR.

5.2. Progress and monitoring of the implementation shall be carried out by the co-ordinating entity in collaboration with the administrations concerned. It must ensure that the policy options chosen are to be reflected in the functional department's annual or multi-year budget. Reports on the implementation of policy options resulting from the SR should take place twice a year; in the budgetary documentation and in the financial report on the previous budget year.

5.3. Monitoring of the results of the SR should also focus on policy options that have not (yet) been implemented. The co-ordinating entity should maintain and update a list of policy options from previous years' SRs and make it available as support for budget preparation and medium-term financial planning.

### Alignment of spending reviews with the budget process

Given that SRs are a budgetary planning tool, it is important that the annual SR cycle is aligned with that of the budgetary process and systematically integrated into the preparation of the government budget. This link to the budget process links SR recommendations to the government's financial management process.

Alignment with the budget cycle requires that the selection of subjects and decision-making on results coincide with the main decision-making phase in the preparation of the budget. As a result, the SR schedule is determined by the budget preparation schedule, ensuring that the working group delivers results in time for budget officers to include them in budget negotiations. The decision taken in the 2022 budget not to make the budget adjustment in the first quarter of the year (Chapter 3) may facilitate the conduct of the reviews by freeing up time and space to achieve SR.

In the WBF, the critical stage in the preparation of the budget takes place in September. This implies that political decision-making on the selection of topics and the implementation of policy options should take place in the same month. The selection of subjects in September leaves a period of about 8 months (October to early June) for the completion of the exams. In general, this period is considered adequate: not too short to complete the task, not too long not to lose the sense of urgency. The working group is expected to finalise the final report in March-April and submit it to the steering committee and the government by May. This will allow sufficient time to introduce the results of SR into the draft budget before it is approved by the government (Table 6).

**Table 6. Alignment of the spending review cycle with the budget preparation cycle**

Months	Preparation of the budget		Spending review	
	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				
March				
April			Finalisation of final reports	
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	Long list Short list		
August	Opinion of the Finance Inspectorate			
September	Bilateral meetings Inter-cabinets consultations	Decisions on the selection of subjects by the government	Policy options arising from the SR are discussed and approved in the context of budget preparation	
	Government conclave			
October	Government conclave	Start of working groups and first meeting of the steering committee and working groups		
November	Preparation of parliamentary documents	Start of working groups and first meeting of the steering committee and working groups		
December	Parliamentary phase	Working groups develop analyses		

Source: Authors.

## Recommendation 6: Alignment with the budget process

6.1. The annual SR cycle should reflect and be integrated into the budget process. To this end, the results will have to be ready before budgetary discussions and decisions are taken.

6.2. The political decision on the selection of subjects to be examined and, possibly, political decisions on policy options from the completed reviews should take place at the same time as the main decision-making phase of the budget preparation in the context of the “conclave” on the finalisation of the budget.

## Development and capacity building for spending reviews

### *Develop capacities and skills*

In the early stages of the introduction of SRs, it is important to strengthen the competencies within cabinets and administrations for conducting such examinations. 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 functional department programmes is essential to ensure that SR outcomes are applicable. For this reason, it is important to develop in-house capacity and foster the accumulation of institutional expertise and knowledge, rather than using third parties to conduct an SR. The creation of a network of budget experts could be another way to improve capacity. The advantage would be to train and create common cross-cutting competences. However, external expertise is useful in cases where specific topics are addressed

and require specialised knowledge. In the first phase of the introduction, the use of external expertise might be more important given the lack of capacity, but this could not prevent the gradual strengthening of internal capacities.

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: In 2018, the government created a separate division (Budget Development Division) within the Ministry of Finance to consider possible SRs.
- Norway: The Ministry of Finance has a SR unit to build capacity and scale up the use of SRs.
- Slovakia: In 2016, the Ministry of Finance created a specific unit that works with functional ministries' analytical units to identify possible areas where spending can be more efficient.

In the early stages of the process, it is useful to organise general training sessions during which stakeholders can understand the expectations and objectives of the overall exercise. The WBF government could the EUR 1 million allocation from the 2022 budget to provide resources for analysis and training projects for those who will be involved in SR.

### ***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 of expenditure analysis is important as it allows for a smoother implementation of conclusions and promotes good quality analysis.

The commitment participate in the SR process may vary depending on the subject matter, potential gains, and relationship with cabinet. For the first round of SRs, the creation of specific financial incentives may be useful for the cabinet and the administration. A common practice in OECD countries (e.g. Estonia, Iceland, Norway, and Germany) is to allow the functional ministry to retain all or part of the savings and allocate them to other priorities within the same ministry. The government decides on this specifically for each SR and in some cases, it is included in the terms of reference. In the case of the WBF, this incentive could create the budget space for new initiatives in the budget.

Countries with greater experience in SRs, such as the Netherlands and the United Kingdom, do not have such clear financial incentives, as the review process is embedded in the budgetary framework and seen by ministries as a standard procedure.

### ***Strengthening the enabling elements***

In parallel with resource development, it is recommended that the introduction of a regular SR process go hand in hand with measures to strengthen its enabling conditions, including medium-term financial planning, policy evaluation and the availability of information on policy performance.

A medium-term horizon (3-5 years) can enhance the effectiveness of the SR by increasing the range of options that the government can consider compared to a single year. Chapter 1 shows that for reviews to be effective, the government must be able to make binding budgetary decisions for the medium term. In many cases (e.g. a reform of the provision of a public service or a proposal for legislative change), the conclusions of a SR can only be implemented in the medium term. To achieve this, a robust medium-term planning process, including a medium-term expenditure framework, medium-term estimates at programme level and budgetary discipline rules, needs to be put in place. Such a process does not yet exist in WBF.

SRs includes a retrospective section that examines the efficiency, effectiveness and relevance 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 part depends on the availability of existing evaluations and performance information. These

tools have the same purpose of improving the government's decision-making process in order to optimise resources and should be available and used in SRs, as they can provide valuable information:

- The results of the public policy evaluation can help inform SR spending. Since SRs are prepared in a short period, the collection of additional information may be difficult, stressing that the quality and availability of existing information and data must be considered when designing an SR. Best practices refer to initiatives that increase the quality and frequency of budgeting and performance evaluation capabilities to support SRs.
- Budgeting performance with good quality data facilitates the SR process as it can help identify areas where revisions are needed. Conversely, SRs can be an important mechanism to improve the availability and quality of performance information considered during budget preparation, and to help better identify performance information that is useful for budgetary decisions.

## Recommendation 7: Capacity building and skills

7.1. The development of skills related to the SR is necessary in order to ensure a strong capacities. Capacity building activities should include the establishment of networks of experts (including external experts) and the integration of IT systems to gain better access to data.

7.2. Cabinets and administrations may be asked to participate in and adhere to the SR through financial incentives. These incentives should not be granted automatically, but decided for each SR separately and clarified for all actors from the outset.

7.3. The introduction of SRs should be complemented by strengthening the medium-term budgetary framework, public policy evaluations and information systems on the performance of policy programmes.

# 5 Next steps

## A gradual approach

The WBF should take a gradual approach to introducing SRs. Since there is not yet an evaluative culture and existing capabilities, the government should familiarise itself with the SR instrument before undertaking an ambitious SR programme. The early years are crucial to building political consensus and a willingness to test and expand the SR process. Subsequent years can be used to engage in selective SRs and build capacity.

Before a regular SR process can begin within the WBF, it will be necessary to take several steps:

- Establish the governance the SR process in the WBF government;
- Prepare the SR manual for actors involved in the government;
- Appoint a co-ordinating entity that is responsible for the overall management of the process, together with support by DGBF to carry out the process;
- Organise training workshops for officials from the administrations and agencies likely to be involved in SRs, and especially DGBF officials to build SR capacities.

The OECD has developed an action plan that provides guidance on integrating SRs into the budget process and assists in the conduct of SRs in the first fiscal years, considering the proposed governance system. The action plan indicates ways to allocate the EUR 1 million for SRs from the 2022 budget.

The piloted projects were to conclude at the end of 2022, but the topics for the next SR round will ideally need to be decided in 2022 as part of the 2023 budget development process. In this way, a first round of SRs can be conducted in October 2022 until April 2023, and the results can be used to prepare the 2024 budget. This calendar allows a second round of SRs in the period October 2023 to April 2024. In this way, several SRs will be available by the time of the 2024 elections.

## 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 can play an important role in monitoring SRs, 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 review and a SR. The note explained the purpose and scope of the government's reviews and outlined the oversight role that the Office can play, for instance, to verify whether the government is achieving the expected savings and whether the organisations provide sufficient detail in departmental reports (BDPB, 2020<sup>[15]</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 reviews 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 revealed that the reviews had no impact on the preparation of the budget and the implementation of the findings and recommendations had not been followed up.

In WBF, the Court of Auditors exercises financial control, review of legality and regularity and control of the proper use of public funds. In the latter case, if SRs are to be formalised in a decree or order, the Court will also be able to verify whether its implementation meets the principles of sound management according to the criteria of economy, effectiveness and efficiency. Alternatively, the involvement of an external organisation could also be considered to review the process and results of SRs.

## Recommendation 8: Review of the spending review framework

8.1. The WBF government should adopt a gradual approach to the introduction of SRs, to enable capacity building and the development of a culture of expenditure analysis and evaluation, particularly in the DGBF.

8.2. At the end of the first round of reviews, the general SR framework should be adjusted to reflect the successes and challenges identified during the implementation phases. Similarly, feedback from key stakeholders should be considered when increasing the use of SRs.

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

# References

- BDPB (2020), *Considérations relatives à l'examen de 2020 des dépenses publiques et fiscales*, Bureau du directeur parlementaire du budget, <https://distribution-a617274656661637473.pbo-dpb.ca/3e019abd255b3e946d0b470201b3a29fcb086b536220a7e00ed34b6f2a642198>. [15]
- Council of the European Union (2021), *Annex to the COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Belgium*, <https://data.consilium.europa.eu/doc/document/ST-10161-2021-ADD-1/en/pdf>. [2]
- DGBF (2021), *Rapport annuel 2020: Dette publique Fédération Wallonie-Bruxelles / Communauté française de Belgique*, [http://www.budget-finances.cfwb.be/index.php?eID=tx\\_nawsecuredl&u=0&g=0&hash=6c392353a30a9506db297a19d941de6ba76715e4&file=fileadmin/sites/dgbf/upload/dgbf\\_super\\_editor/dgbf\\_editor/Service\\_general\\_des\\_Finances/service\\_de\\_la\\_dette/documents/Rapports\\_Annuel](http://www.budget-finances.cfwb.be/index.php?eID=tx_nawsecuredl&u=0&g=0&hash=6c392353a30a9506db297a19d941de6ba76715e4&file=fileadmin/sites/dgbf/upload/dgbf_super_editor/dgbf_editor/Service_general_des_Finances/service_de_la_dette/documents/Rapports_Annuel). [10]
- DGBF (2020), *Budget des dépenses de la FW-B*, <https://statistiques.cfwb.be/transversal-et-intersectoriel/budget-fw-b/budget-des-depenses-de-la-fw-b/>. [9]
- European Commission (2021), *Annexe de la proposition de décision d'exécution du Conseil relative à l'approbation de l'évaluation du plan pour la reprise et la résilience pour la Belgique {SWD(2021) 172 final}*, [https://eur-lex.europa.eu/resource.html?uri=cellar:3bf264ea-d3fd-11eb-895a-01aa75ed71a1.0003.02/DOC\\_2&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:3bf264ea-d3fd-11eb-895a-01aa75ed71a1.0003.02/DOC_2&format=PDF). [6]
- Government of Belgium (2021), *Plan National pour la Reprise et la Résilience (PRR) de la Belgique*, <https://dermine.belgium.be/sites/default/files/articles/FR%20-%20Plan%20national%20pour%20la%20reprise%20et%20la%20re%CC%81silience.pdf>. [1]
- OECD (2021), *Government at a Glance 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/1c258f55-en>. [3]
- OECD (2019), *OECD Good Practices for Performance Budgeting*, OECD Publishing, Paris, <https://doi.org/10.1787/c90b0305-en>. [11]
- OECD (2015), *Recommendation of the Council on Budgetary Governance*, OECD/LEGAL/0410, OECD, Paris, <http://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>. [4]
- OEJAJ (2017), *Évaluation du décret de 2009 des organisations de jeunesse*, Observatoire de l'Enfance, de la Jeunesse et de l'Aide à la Jeunesse, <https://oejaj.cfwb.be/catalogue/oejajdetails/fiche/evaluation-du-decret-de-2009-des-organisations-de-jeunesse/>. [12]

- ONE (2021), *Contrat de gestion de l'Office de la Naissance et de l'Enfance 2021-2025*, Office de la Naissance et de l'Enfance, [13]  
[https://www.one.be/fileadmin/user\\_upload/siteone/PRESENTATION/C\\_est\\_quoi\\_l\\_ONE/Contrat-de-gestion-2021-2025-signature.pdf](https://www.one.be/fileadmin/user_upload/siteone/PRESENTATION/C_est_quoi_l_ONE/Contrat-de-gestion-2021-2025-signature.pdf).
- Parlement de la Communauté Française (2021), *Projet de décret contenant le budget des dépenses pour l'année budgétaire 2022 - Exposé Général*. [5]
- Steering Group of the Broad Spending Review in the Flemish Region (2021), *Broad Spending Review, lessons learned and recommendations*. [14]
- WBF Government (2021), *Contrat d'Aministration 2020-2025 Ministère de la Fédération Wallonie-Bruxelles*, [http://www.federation-wallonie-bruxelles.be/index.php?eID=tx\\_nawsecuredl&u=0&g=0&hash=2fd6adb4222e4ddeab9423ac8b0186822a14d8fe&file=fileadmin/sites/portail/uploads/illustrations\\_documents\\_images/A.\\_A\\_propos\\_de\\_la\\_Federation/4.\\_Ministere/4.3.\\_Plan\\_du\\_manag](http://www.federation-wallonie-bruxelles.be/index.php?eID=tx_nawsecuredl&u=0&g=0&hash=2fd6adb4222e4ddeab9423ac8b0186822a14d8fe&file=fileadmin/sites/portail/uploads/illustrations_documents_images/A._A_propos_de_la_Federation/4._Ministere/4.3._Plan_du_manag). [8]
- WBF Government (2019), *Déclaration de politique de la Fédération Wallonie-Bruxelles 2019-2024*, [http://www.federation-wallonie-bruxelles.be/index.php?eID=tx\\_nawsecuredl&u=0&g=0&hash=d46c9f4830a54be6e1cd75d62c91dbd4bfd19b73&file=fileadmin/sites/portail/uploads/illustrations\\_documents\\_images/A.\\_A\\_propos\\_de\\_la\\_Federation/3.\\_Gouvernement/DPC2019-2024.pd](http://www.federation-wallonie-bruxelles.be/index.php?eID=tx_nawsecuredl&u=0&g=0&hash=d46c9f4830a54be6e1cd75d62c91dbd4bfd19b73&file=fileadmin/sites/portail/uploads/illustrations_documents_images/A._A_propos_de_la_Federation/3._Gouvernement/DPC2019-2024.pd). [7]

## Annex A. Criteria for the selection of topics in a spending review

Examples of objective and budgetary criteria	✓ 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 spending review
	✓ Capacity within functional administration and DGBF

## Annex B. Model: Terms of Reference

<b>TITLE OR SUBJECT OF THE REVIEW:</b>						
1	<b>OBJECTIVE(S) OF THE REVIEW</b>					
	Policy area					
	Objectives of the review					
	Research questions					
2	<b>SCOPE OF THE REVIEW</b>					
	Description of the domain					
	Policy objectives					
	Policy instruments					
	Total expenditure for basic article:	20.....	20.....	20.....	20.....	20.....
	Article x					
	Article y					
	Article z					
Etc.						
Total expenditure (= review benchmark)						
3	<b>CALENDAR</b>					
	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				
4	<b>PARTICIPANTS IN THE REVIEW</b>					
	Administration/entity involved					
5	<b>MEMBERS OF THE STEERING COMMITTEE</b>					
	Chair (IF)	<i>Pre-filled by government decision</i>				
	Representative of the Office of the Minister-President	<i>Pre-filled by government decision</i>				
	Representative of the Office of the Minister of Budget	<i>Pre-filled by government decision</i>				
	Representative of the Office of the Functional Minister involved	<i>Surname and surname, Entity</i>				
	Representative of DGBF	<i>Pre-filled by government decision</i>				
	Representative of the General Secretariat of the Ministry	<i>Pre-filled by government decision</i>				
	Representative of the administration involved (optional)	<i>Surname and surname, Entity</i>				
6	<b>MEMBERS OF THE WORKING GROUP</b>					
	Representative of the administration/entity involved	<i>Surname and surname, Entity</i>				
	Representative of DGBF	<i>Surname and surname, Entity</i>				
	Representative of the co-ordinating entity	<i>Surname and surname, Entity</i>				
	External experts ( <i>if applicable</i> )	<i>Surname and surname, Entity</i>				
7	<b>POLICY OPTIONS TO DEVELOP</b>					
	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 C. Model: Final spending review report

## 1. Introduction

- Description of 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

- Answers to research questions
- Methodology and source of information (and data problem 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:** Terms of reference (including the composition of the steering committee and working group) and other relevant annexes.

## Annex D. Model: Implementation plan

<p><b>TITLE and objectives of the measure</b></p> <p><i>Examples: Adjustment of subsidy X to obtain...</i></p> <p style="padding-left: 40px;"><i>Merging organisation X and Y to improve efficiency...</i></p> <p style="padding-left: 40px;"><i>Change of Art. X of Law Y in order to...</i></p>																																												
<p><b>B) Modalities for the implementation of the measure</b></p> <p><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></p>																																												
<p><b>Actors, implementation modalities and timetable</b></p> <p><i>Examples: actors responsible for implementation, detailed actions to be carried out, monitoring indicators, calendar by year.</i></p> <p><i>NB. Improving data availability must be part of the implementation plan if it has been identified and chosen as a policy option.</i></p>																																												
<p><b>Budgetary implications per year</b></p> <table border="1"> <thead> <tr> <th></th> <th>20..</th> <th>20..</th> <th>20..</th> <th>20..</th> </tr> </thead> <tbody> <tr> <td><b>Current Article X (1)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Adjustment Decision (2)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Article X after SR (1+ 2)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Current Article Y (1)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Adjustment Decision (2)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Article Y after SR (1+ 2)</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Etc.</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						20..	20..	20..	20..	<b>Current Article X (1)</b>					<b>Adjustment Decision (2)</b>					<b>Article X after SR (1+ 2)</b>					<b>Current Article Y (1)</b>					<b>Adjustment Decision (2)</b>					<b>Article Y after SR (1+ 2)</b>					<b>Etc.</b>				
	20..	20..	20..	20..																																								
<b>Current Article X (1)</b>																																												
<b>Adjustment Decision (2)</b>																																												
<b>Article X after SR (1+ 2)</b>																																												
<b>Current Article Y (1)</b>																																												
<b>Adjustment Decision (2)</b>																																												
<b>Article Y after SR (1+ 2)</b>																																												
<b>Etc.</b>																																												

## Annex E. List of stakeholders

The fact-finding mission took place from 2 September 2022 to 17 December 2022 and consisted of virtual meetings of the OECD with 17 government 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:

### Ministry of the WBF:

- 1) Secretariat-General: Secretary-General;
- 2) Secretariat-General: Directorate-General for Coordination and Support: Public Policy Evaluation Service
- 3) Directorate-General Budget and Finance: Budget Development and Monitoring Service and Statistics and Monitoring Service
- 4) General Administration of Education: Directorate-General for Pilotage, Operational Unit for Change of the Pact of Excellence, Directorate-General for Teaching Pilotage
- 5) General Administration of Sport
- 6) Observatoire de l'Enfance, de la Jeunesse et de l'Aid à la Jeunesse
- 7) Cultural Policy Observatory

### Cabinets:

- 8) Office of the Minister-President
- 9) Office of the Vice-President and Minister for Budget, Public Service, Equal Opportunities and Trusteeship on Wallonia-Brussels Education
- 10) Office of the Vice-President and Minister for Children, Health, Culture, Media and Women's Rights
- 11) Office of the Minister of Higher Education, Education for Social Promotion, University Hospitals, Youth Aid, Houses of Justice, Youth, Sports and Promotion Brussels
- 12) Office of the Minister of Education

### Other entities:

- 13) Joint Audit Service
- 14) Inspection of Finance
- 15) Parliamentary Budget Committee
- 16) Court of Auditors
- 17) Financial Information Unit