



# **Spending Reviews**

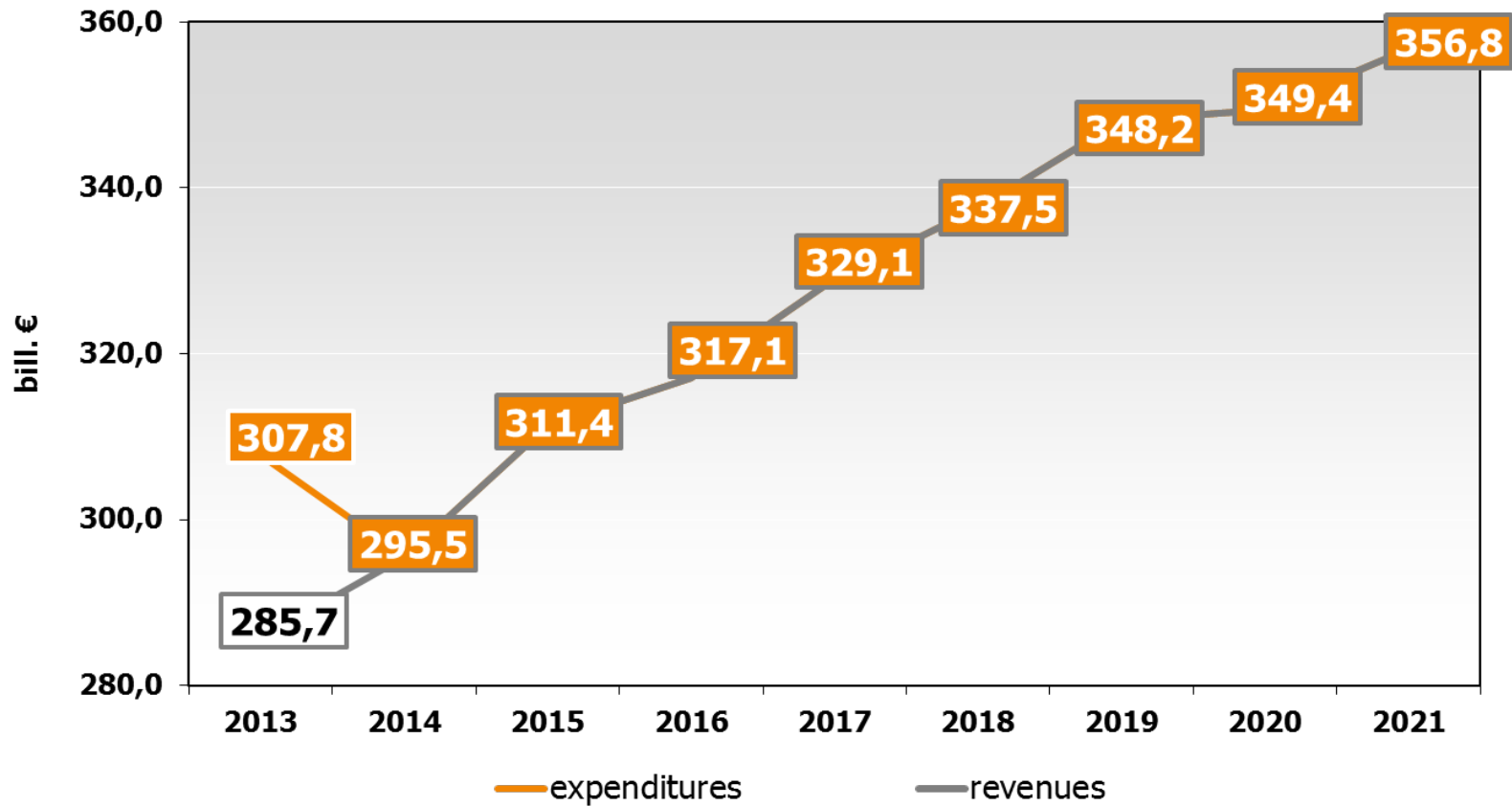
## **Germany's first experiences**

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# Framework: Federal Budget balanced since 2014





# Mandate (coalition treaty) and OECD-Recommendation

*„The top-down-approach to budget preparation has proven itself. Complementary, an extensive analysis of revenues and expenditure in selected policy field shall be carried out prior to the decision about the expenditure ceiling for the following year. This will help to put a stronger emphasis on content and results in budget preparation process.*

From: Coalition Treaty, Chapter 3

*“Periodic spending reviews, as practiced in several OECD countries, could play a useful role in this regard, and indeed a commitment to this type of reform has been included in the Coalition Agreement of the current government.”*

From: OECD Budget Review Germany, 2014



# Spending Reviews in Germany: challenging expectations

- improving the structure of the budget
- Re-priorization with regard to political priorities within selected policy fields
- review of efficiency and effectiveness in selected policy fields
- Questions:
  - Are policy measures in line with priorities and needs?
  - Do activities meet their target?
  - Is the success cost-efficient?
- ❖ Focus may shift depending on political needs and priorities.



# Spending Reveiws target at complementing the Budget Preparation Process

Spending Reviews in Germany are ...

- based on a cabinet's decision
- a common task of Line Ministries and MoF
- complementing the successful top-down-approach of budget preparation
- integral part of the annual budget preparation process SR
- an internal process within the federal government



# Selection of topics for Spending Reviews is challenging

All topics are called by the cabinet. To prepare that decision we consider various topics, including

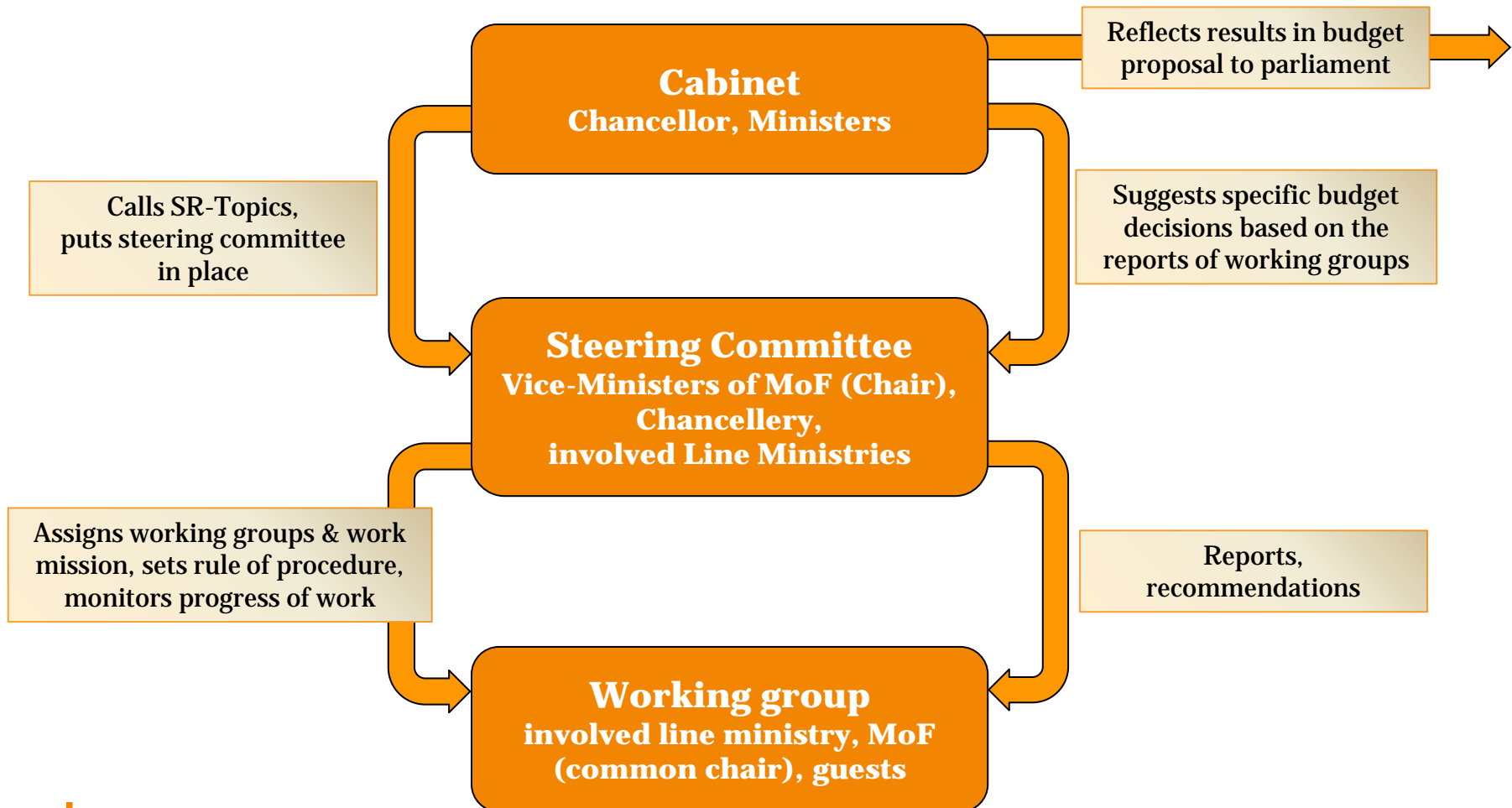
- all policy fields  
(single programs, policy fields with different ministries involved, benefits regulated by law)
- expenditures and revenues  
(i.e. tax expenditures, fees, fiscal/tax administration)

Potential topics are identified by making use of

- dialogue with decision-makers in MoF
- experiences and insights of mirror units in MoF and line ministries
- reports of the court of auditors, parliamentary documents and discussions, research reports, evaluations, public hearings, newspaper articles etc.



# Spending Reviews: Organisational Structure





# Timeline 2017/2018

- March 2017: Cabinet calls SR topics as part of the benchmark decision about expenditure ceilings for the next federal budget (2018).
- Review results shall be presented to the cabinet by March of the following year, so results can be considered in the cabinet's decision about expenditure ceilings for the subsequent federal budget (2019).







# Steering committee

- **Chaired by Ministry of Finance;**  
Members: State Secretaries of Ministry of Finance, Chancellery, Ministry of Economics and line Ministries involved in SR
- **Steering Committee meets at least three times:**

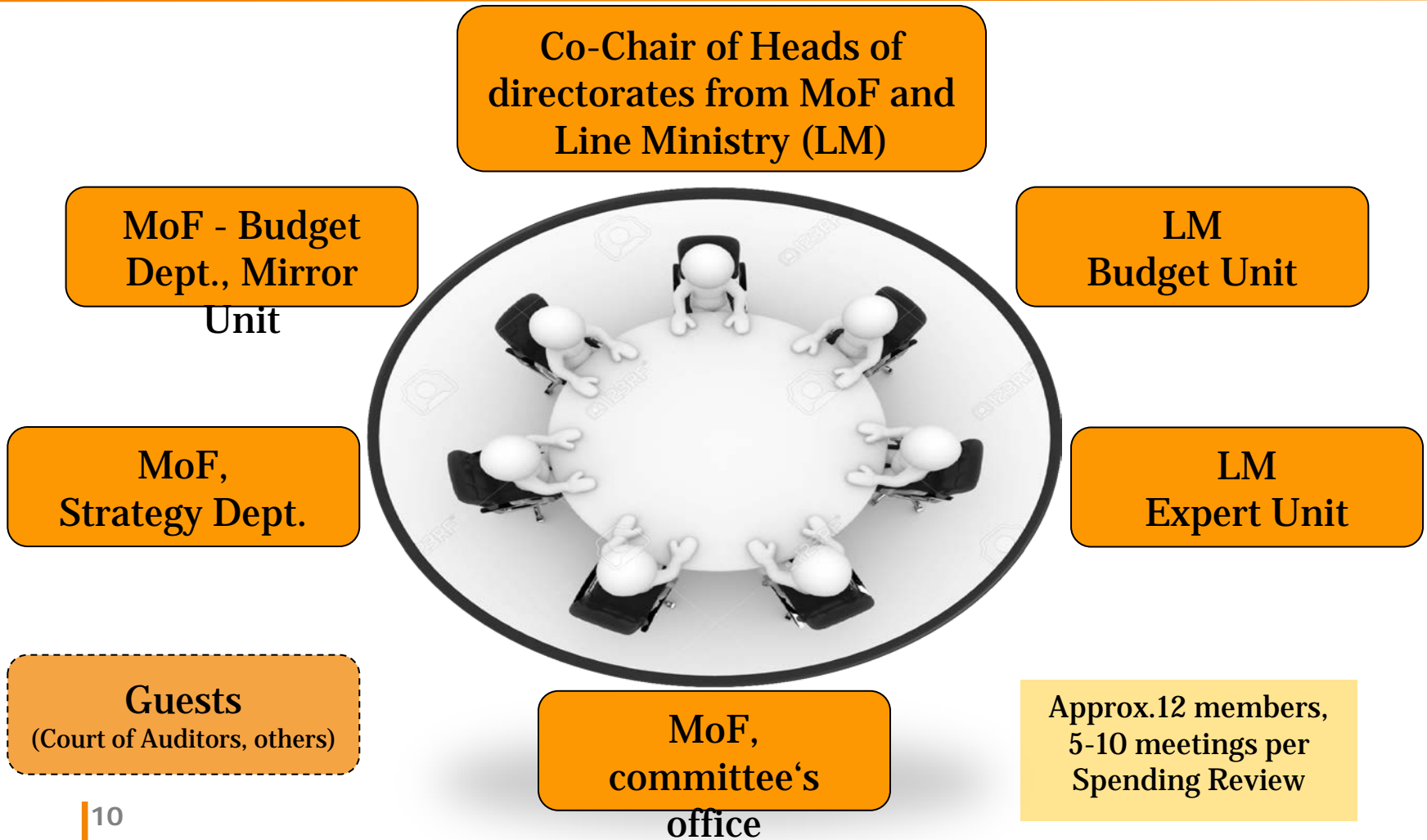
**March:**  
kick off; mandate  
to working groups

**February:**  
Final session;  
Suggests specific  
budget decisions to  
cabinet

**November:**  
mid term session;  
Discussion of mid term  
reports;  
mandate for final phase



# Working groups – Organisation





# Working groups – main tasks

- Analyze topics according to the mission (assigned by steering committee)
- Describe the status quo in the selected policy field
- State existing policy goals and discuss its appropriateness
- Develop parameters for evaluation
- Analyze efficiency and effectiveness with regard to policy goals
- Discuss reform options
- Write the mid term and final report, including policy options
- Propose a resolution to steering committee.  
Dissenting opinions are possible, but no right to veto for any member of working group.



# First experiences from 2015 to 2017

- First cycle of SR started in July 2015, results published in August 2016
- Limited scope - two programs under review
  - Förderung des Kombinierten Verkehrs (intermodal transport)
  - MobiPro-EU (job training scheme for EU-foreigners in Germany)
- Second cycle started in March 2016, results to be published in August 2017
  - Broadening the scope of reviews.  
Selected policy fields involve several line ministries
    - Programs aimed at promoting clean energies in order to prevent climate change in municipalities
    - Housing policy
  - Comparing several programs with equal objectives
  - Analyzing interaction of several programs in a given policy field



# Lessons Learnt from the first two cycles

- Initial Review of limited scale helped to gain experience with rules and procedures.
- SR are a useful complementary tool to improve the quality of public finances.
- Don't expect miracles.
- High level Political backing is crucial.
- Selection of topics is a challenge
- Advantage of SR:  
Bringing together several ministries with varied perspectives  
Building trust and mutual understanding among important players in a defined policy field
- Growing roots in the federal government with every cycle



# Thrid cycle of Spending Reviews 2017/2018 (ongoing)

- Topics:
  - Procurement of standardized and frequently purchased goods
  - Humanitarian and transitional aid
- First time: in-house topic: procurement
- First time: line ministries proposed a topic (Humanitarian aid)
- ~ 1.5 % of overall federal expenditure under review
- Enhance quality of public finances – increase performance of the budget



# THANK YOU

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**Visit our website on Spending Reviews (in English)**

[www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Public-Finances/Articles/2017-06-14-spending-reviews-im-bundeshaushalt.html](http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Public-Finances/Articles/2017-06-14-spending-reviews-im-bundeshaushalt.html)