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Spending Reviews in Austria

Israel, 11-12 December 2017

What are Spending Reviews (SR)?

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Enhancing budgetary performance by generating a **smarter expenditure allocation**.

Analysing existing **individual baseline expenditures** in a coordinated effort with the objective to detect:

- Opportunities for **expenditure cuts** (deprioritized policies per se or insufficient impact on policy objectives);
- **Efficiency improvements**.

Need for SR in AT

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Status-quo: Unsatisfactory **analysis of savings potential** as well as insufficient **implementation of measures**.

SR shall help to **analytically examine** public tasks and expenditures according to the following questions:

- Are they **contemporary**?
- Do they lead to the **desired outcomes**?
- Is there room for (effective-neutral) **expenditure cuts**?
- Is there a need for **redistribution** of tasks and/or expenditures?

Implementing SR in AT

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Starting in 2014 the MoF set up an **internal working group**.

The **established SR framework** builds on experiences in other countries and findings from International Organisations and is tailored to Austrian needs.

Strong commitment from the **Minister of Finance. Creation of a new division in the MoF** dealing with SR in May 2017.

2 pilot projects: "*Natural Disaster Fund*" and "*Family Equalization Fund*", to be completed by the end of the year and to be evaluated thereafter.

Implementing SR in AT

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Newly initiated Spending Reviews → 2017-2018 (MoF + …):

- *„Austrian Federal Railway Investment Framework“*

  (+ M. of Transport)
- *„General compulsory schools“*

  (+ M. of Education)
- *„Household water management“*

  (+ M. of Environment + provinces + municipalities)
- *“Health care in schools”* (+ M. of Health + M. of Education)

We think the key to success is …

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… a clear division of responsibilities and organisation:

- **High political commitment** is decisive
- **Political level decides** upon topics & measures to be implemented
- Line ministries concerned + MoF acting as **coequal partners**
- Small SR-team drafts an **independent report** (establishing a new culture of cooperation – open, unbiased discussion); dissenting opinions are objectively reflected in the report
- **Steering committee** and **SR-secretariat** within the MoF supports SR-Teams

We think the key to success is …

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… an independent and objective reporting:

- **Project order: clear, concrete** definition of (quantifiable) objectives; building on budget-relevant information; specifying possible non-goals (e.g. additional expenditures)
- Provision of **adequate financing/resources**
- Involvement of **experts**
- All SR-team-members need to **take full responsibility for the SR-report/results**

… thorough implementation (monitoring, evaluation).

Challenges …

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- Initial overall **scepticism**
- **Conflict of objectives**: fear of general expenditure cuts vs. overly ambitious short-term expectations
- **Trustful and collaborative cooperation** among different ministries in order to achieve a common goal is **not very pronounced**
- Given the very **complex interrelations due to the Austrian federal system** SR are on the one hand of urgent need, but by the same time, because of this, they are very challenging to be carried out

Way forward …

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- In spring 2017 all Austrian Federal Ministries were asked to provide topics for potential further SR within their areas → **comprehensive list of themes**.

- Future SR **topics** will be **selected by the political level**.

- Way forward depends on the incoming new government. **SR will most probably remain topical** (new government aims at debt reduction).