



**EUROPEAN COMMISSION**  
DIRECTORATE GENERAL  
ECONOMIC AND FINANCIAL AFFAIRS  
Fiscal policy and policy mix  
**Fiscal governance**

**QUALITY OF PUBLIC FINANCES:  
SPENDING REVIEWS FOR SMARTER EXPENDITURE ALLOCATION  
IN THE EURO AREA**

*Key insights from the April-May 2017 Commission survey  
addressed to euro area Member States*

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(Note for the attention of the Eurogroup)

## **1. Introduction**

**Spending reviews are generally recognised as a useful tool for improving the quality of public finances.** They entail the identification of changes in existing public spending policies and organisations that would be more beneficial (or least detrimental) to the delivery of a public good or service, while contributing to the objective of the review<sup>1</sup> (e.g. budgetary savings, efficiency gains). Notably, such initiatives offer complementary means of supporting fiscal responsibility through reviewing priorities in existing public expenditure, and can contribute to a more growth-friendly composition of the budget. Spending reviews have particular relevance in the euro area, where the expenditure to GDP ratio reaches 47.7% (2016) and where sound fiscal policies are a key matter of common interest. In times of high public debt and low-for-long economic growth rates, there is more need than ever to ensure that taxpayers' money is used efficiently.

**In September 2016 the Eurogroup called on euro area Member States to actively use spending reviews and approved a set of common principles for improving expenditure allocation through their use<sup>2</sup>.** To allow periodic monitoring, the Eurogroup invited its preparatory committees and the Commission to develop a work stream on the exchange of best practices and lessons learnt from spending reviews undertaken in euro area Member States, using these common principles as a reference point.

**As a first follow-up, the Commission conducted during April-May 2017 a survey directed to all euro area Member States.** The objective has been to collect information and screen the experiences with spending reviews at a granular level, using the compass of the common principles.

**This note presents the key insights from the information provided by the euro area Member States to the survey.** It is structured according to the Eurogroup common principles and aims to assess to what extent each principle is reflected in the reported practice across the euro area. The approach is therefore not country-specific and the objective is not to benchmark spending review performance among Member States. The note concludes with a possible way forward.

## **2. Overview of the replies to the spending review survey<sup>3</sup>**

**17 euro area Member States (MS) reported at least one spending review that had been completed since 2012, is ongoing, or is planned in detail: AT, DE, EE, EL, ES, FI, FR, IE, IT, LT, LU, LV, MT, NL, PT, SI, and SK.** This is almost double the number of euro area MS identified before the adoption of the Eurogroup common principles in September 2016. 30 spending reviews were reported overall by these 17 countries (Graph 1). Only two euro area MS did not report a spending review matching those parameters (BE and CY).

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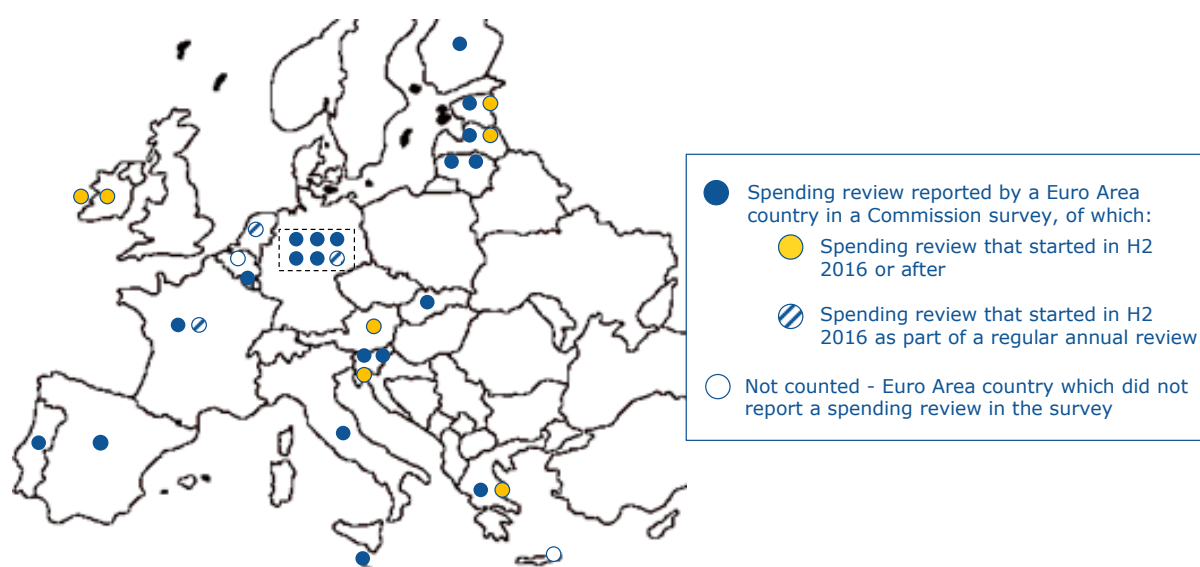
<sup>1</sup> See definition, key success factors and main risks of spending reviews in European Commission-DG Economic and Financial Affairs note to the Eurogroup of 5 September 2016:

[http://www.consilium.europa.eu/en/meetings/eurogroup/2016/09/Spending-reviews\\_Commission\\_note\\_pdf/](http://www.consilium.europa.eu/en/meetings/eurogroup/2016/09/Spending-reviews_Commission_note_pdf/)

<sup>2</sup> See annex 1 and <http://www.consilium.europa.eu/en/press/press-releases/2016/09/09-eurogroup-statement/>

<sup>3</sup> The respondents are members of the Ministries of Finance and/or of the coordination unit of the spending review

**Graph 1 – Overview of replies to the survey conducted by the Commission in April-May 2017**



Source: Commission survey

All MS concerned except FI<sup>4</sup> and ES<sup>5</sup> reported at least one project which is still ongoing, either at the conduct or implementation phase. Most euro area MS are relatively newcomers to spending reviews; only a few of them (e.g. FR, IE and NL) have experience with large-scale spending reviews acquired before 2012. In 9 MS, the ongoing spending review started less than a year ago (Graph 1).

### 3. Key insights from the survey

This section follows the structure of the common principles for improving expenditure allocation, as adopted by the Eurogroup. It considers 25 reviews across 17 euro area MS<sup>6</sup>.

#### 3.1. Commitment

*Eurogroup common principle:* "Strong and sustained commitment at high national level, throughout the project, is essential for successfully carrying out spending reviews and implementing their findings into meaningful reforms."

Euro area MS report a commitment to the spending review project at a top political level (i.e. Prime Minister, Council of Ministers or Minister of Finance/Budget). The commitment is mostly communicated within the administration, including via the endorsement of a strategic mandate, and to a much lesser extent to citizens (half of the reviews).

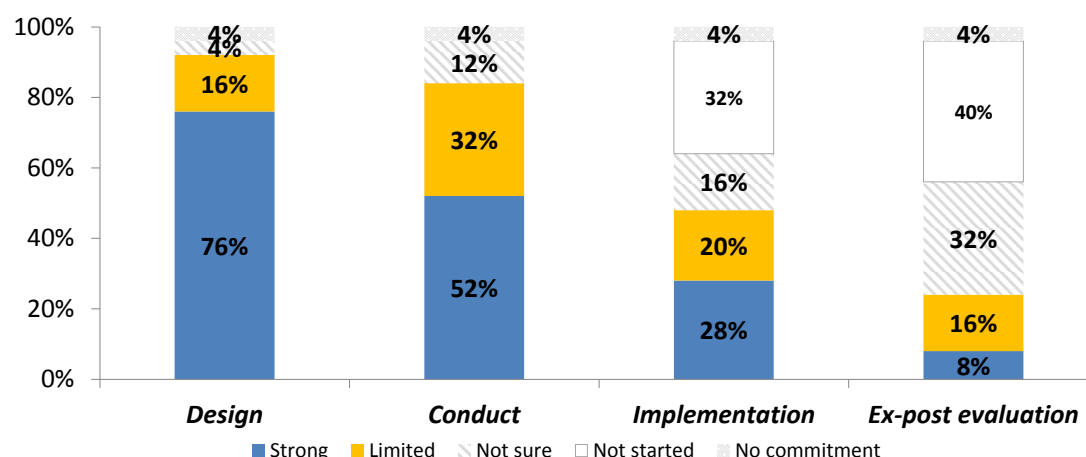
However, the share of the "strong" commitment tends to significantly fade out as a spending review progresses (Graph 2). Moreover, half of the responding countries saw the absence or lack of clarity of decisions from the political level during the review as a challenge during at least one phase of the spending review (Graph 9).

<sup>4</sup> FI reported a finished project, in the form of an extensive description of all government expenditure provided in the summer 2015 before the last parliamentary elections, with an informative objective for the government negotiations.

<sup>5</sup> ES reported the CORA project which started in October 2012 and whose implementation ended in October 2016.

<sup>6</sup> The difference as compared to the total of 30 reported comes from the fact that the 6 spending reviews reported by DE have been consolidated into one for the purposes of this note, as the reviews are run annually to inform budget planning and display similar patterns. The annual reviews carried out by NL and FR are also counted as one review (FR also reported an additional review).

**Graph 2 – Evolution of the strength of the political commitment throughout the phases of a spending review, % reviews**



Source: Commission survey

### 3.2. Design and implementation

*Eurogroup common principle: "The design and implementation of spending reviews should follow best practices that include:*

- (i) a clear strategic mandate specifying the objectives (potentially including quantified targets) the scope (a significant share of general government spending across several policies) and a centre of coordination,
- (ii) the use of pilots to build expertise,
- (iii) the provision of adequate resources and access to data,
- (iv) the use of guidelines for consistency in producing diagnosis, baselines, reform options and implementation roadmaps,
- (v) the use of fact-based analysis linking spending across budget and administrative structures to policy outcomes."

In terms of scope, the most frequently scrutinized policies are state assets and capital (state-owned enterprises, infrastructure), allowances (social allowances, housing benefits), healthcare, education and culture, and to a lesser extent support functions such as procurement and IT.

Member States can be split into three groups<sup>7</sup>:

- MS who are/were engaged in spending reviews focussing on specific policy areas or activities accounting for a limited scope (< 5%) of general government expenditure<sup>8</sup>: AT, DE<sup>9</sup>, SI, EE and LT.
- MS who are/were engaged in spending reviews focussing on specific policy areas within ‘heavy-weight’ policies (eg. healthcare, education, social allowances, capital investment) accounting for more than 30% of general government expenditure<sup>10</sup>: IE, MT, PT, SK and SI.

<sup>7</sup> Some countries having reported several projects present in more than one group.

<sup>8</sup> For example, the use of vehicles by state agencies (EE).

<sup>9</sup> In DE, spending reviews are run annually to inform budget planning.

<sup>10</sup> For example, the optimisation of the hospital network (SK) or the management of public real estate (PT).

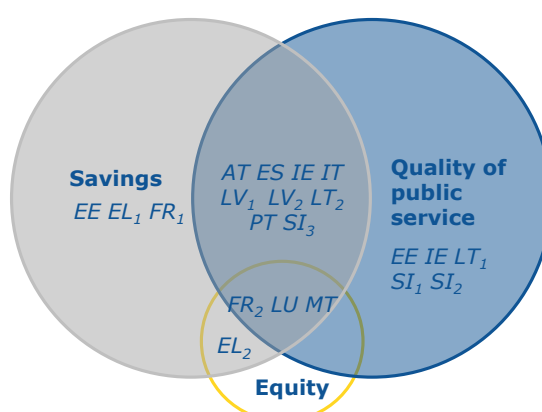
- MS who opt(ed) for a very broad scope extending across multiple policy areas, usually accounting for a majority of general government expenditure<sup>11</sup>: EL, ES, FI, FR, IE, IT, NL, LU, and LV.

The delineation of the scope seems to be driven not only by national needs, but also by the institutional allocation of competencies across government levels and by the degree of experience (one approach being to gain experience through low-hanging small-scale fruits before extending the scope).

A **strategic mandate** providing direction at the onset of a spending review was established for all the projects reported in the survey and endorsed in almost all cases at a high political level. However, over a quarter of reviews did not include all elements needed (objectives, scope, calendar and governance), and one third of mandates was not made public. In most reviews, the strategic mandate was broken down into smaller mandates to enable the roll-out of the project; in such cases, the existing administrative structure and allocation of responsibilities remains the prevailing compass.

More than two thirds of the reviews report the improvement of the quality of public service as an objective set in the strategic mandate (Graph 3) - often in combination with savings. However, the existence of a communication strategy publicly advocating as main aim the quality of public service over making savings cannot totally be ruled out. Other objectives (e.g. equity) are rarely mentioned.

**Graph 3 – Qualitative objective(s) set in the strategic mandate of the review**



*Other: DE (performance), FI (analysis for the future government), EE (best practice sharing), IE (allocation of investment plan), NL (improvement of governance)*

*Source: Commission survey*

Only 7 MS have set **quantified targets** at the onset of their spending reviews to operationalise the strategic objectives by setting the bar in terms of ambition. The approach favoured by most MS combines tactical and strategic considerations, whereby both the very scope of public intervention and the operational efficiency are scrutinized.

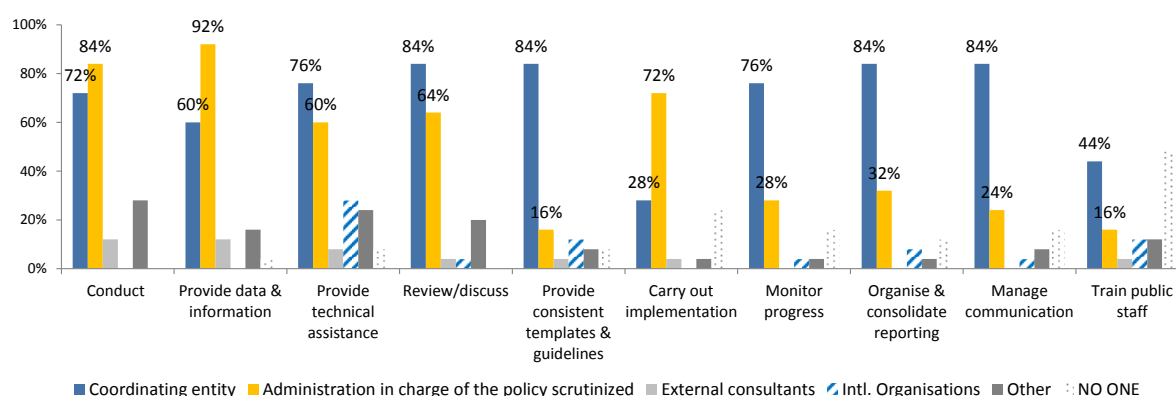
Only a few MS report the **use of pilots**, which is surprising given that many other MS are at their first experience with spending reviews. However, reviews with a small scope could serve as a pilot before extending to other policies. Ideally, the conclusion of a pilot has to be precisely evaluated in terms of

<sup>11</sup> The scope for countries running annual reviews (FR, NL) is considered cumulatively, although the annual scope is focusing on selected policies.

impact and shortcomings before a greenlight for a roll out to other policy areas/to a wider sample (or a decision not to go further) is given.

In terms of **resources made available** for spending reviews, all reporting MS mandated an entity to coordinate/contribute to the review at inter-ministerial level, with the Ministry of Finance clearly having the pivotal role. The entrusted mandate varies greatly, ranging from light coordination to actually conducting the review, and is granted either to an existing entity (e.g. the Budget Directorate in the Ministry of Finance) or, more frequently, to a taskforce specifically set up for the review. Looking at the task allocation at a more granular level (Graph 4), the role of the coordination entity is naturally prevailing for coordination tasks such as the provision of consistent templates and guidelines, monitoring of progress, consolidation of reporting and management of communication. The production of the deliverables of the conduct phase (diagnosis, reform options) is shared between coordination entities and the administration(s) in charge of the policy scrutinized. The contribution of private sector consultants or international organisations is less frequent. Irrespective of the stakeholders, it is key that ownership and decision-making remain national. The training of public staff directly concerned by the spending review seems to be overlooked<sup>12</sup>.

**Graph 4 – Involvement of key stakeholders in main spending reviews tasks, % of reviews**



Source: Commission survey

The size of the entities in charge of coordinating, and often also conducting the spending review, is generally limited, whereas most countries also report relying heavily in the process on permanent resources from the Ministry of Finance and/or line Ministries concerned (which stay in their pre-existing positions). It is telling that, for more than a quarter of the reviews, challenges related to the size and/or quality of the staff involved are reported (Graph 9). Furthermore, the cost of resources involved in the spending reviews – usually recruited from the Ministry of Finance and the line Ministries, more selectively from consulting firms - appears to have been estimated only in exceptional cases<sup>13</sup>. Many countries considered that no extra cost was incurred as existing staff from line ministries contributed, an assumption which can be questioned since the time allocated by that staff to a spending review is not available for other tasks.

For a significant share of reviews (40%), **the ownership of administrations in charge of the policies under review** is considered as low or very low. Considering their expected contribution (see Graph

<sup>12</sup> This lack of training may have negative consequences during the implementation phase if the reform selected during the spending review foresees changes to administrative structures and/or processes, and is also a missed opportunity to promote a reinforced link between input and output/outcome for the end-users at all levels of the administration.

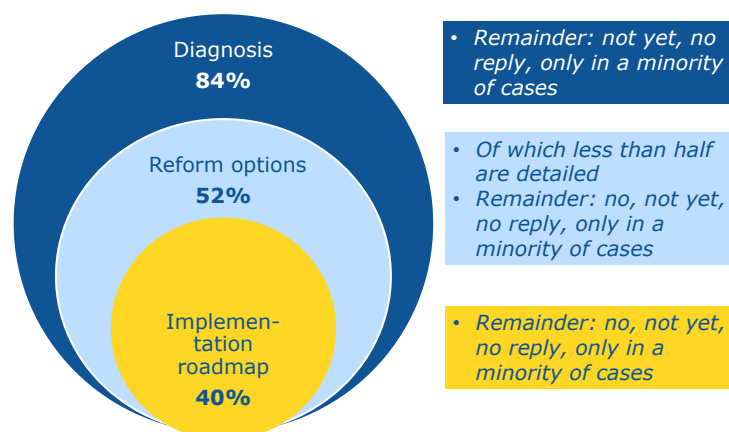
<sup>13</sup> Only one country reported the overall cost of its coordination/conducting unit, namely €6mn over five years.

4), this is a reason for concern as the participation of administrations under review is a key driver for the quality of the diagnosis and reform options, as well as for the success of the implementation phase. To a more general question on main challenges faced during a spending review, an even higher share concludes that the ownership of the administrations under review is insufficient (Graph 9). The deriving risk is that the spending review stops with the delivery of an analytical report which does not carry enough internal support to trigger decision-making at the political level and subsequent tangible reforms and actions.

During the conduct phase, factual analysis should be carried out for the **production of deliverables** ready for decision-making in terms of incorporation into budget planning and implementation: a diagnosis mapping the existing expenditure (processes, structures, input/output), reform options proposing alternative target situations and an implementation roadmap to bridge the gap between the existing and the target situation. The analysis shows that the availability and quality of deliverables tends to decrease as the reviews advance (Graph 5). More specifically:

- In terms of diagnosis, it is reassuring that a vast majority of reviews have delivered one on the majority of policy areas scrutinized during the review. Both quantitative and qualitative analyses were often provided (namely numerical measures of input and output and description of processes and stakeholders).
- Only half of the reviews have designed reform options on the majority of policy areas scrutinized during the review – among them only 8 in a detailed way proposing alternative processes and/or responsibilities. The percentage increases to 65% - a score which is still rather low - when excluding reviews that have not reached this stage yet.
- Implementation roadmaps are clearly left aside. This is a cause for concern since implementation costs, risks and planning should be decisive in selecting the best reform option.

**Graph 5 – Production of diagnosis, reform options and implementation roadmap, % of reviews**



Source: Commission survey

In addition, only for a few reviews the implementation is closely coordinated following a specific implementation plan including the target situation, the calendar and the persons responsible. For most cases where the implementation phase has started, this is the prevailing responsibility of the line ministry in charge, with little to some inter-ministerial coordination.

The common principles recommend inter alia the **use of fact-based analysis linking spending across budget and administrative structures to policy outcomes**. To build a diagnosis, MS tend to frequently use existing (or easily traceable) data. This could either mean that the data available

already accurately reflects the practice, or that there is a disconnect with the practice which creates the risk of taking decisions which only look good at a macro level, and could reveal inadequate or more costly during implementation. This is a source of concern, as the value-added of a spending review is precisely to deep dive into the practice, observing in detail how a service is delivered/a process experienced, in particular against the official procedures which may not be followed or may generate disruptions and inefficiencies in the daily delivery of the service.

Looking at the reported reviews, it is telling that operational checks like interview of operational stakeholders or field measurements<sup>14</sup> are used in less than half of the diagnoses. They are, however, a powerful instrument to reinforce the robustness of a spending review and its ownership by the administrations which will have to implement it.

In order to design reform options and implementation roadmaps, benchmarking with the public sector, be it domestically or internationally, is quite widespread (e.g. performance comparison among entities delivering similar services). Alternatives such as surveys of end-users or staff, experimentation (test on a sample) or use of the business sector as a benchmark remain rather the exception.

**The ambition of spending reviews to better link input, output and outcome is not widely reflected in practice across the euro area at this stage:** only one third of reviews have systematically factored in the policy outcome for the end-user<sup>15</sup> in the analysis, when developing reform options. The risk is that the spending review marginally adjusts administrative structures and processes while not improving substantially the quality of service - an objective reported by most reviews - from the point of view of the end-user.

### 3.3. Monitoring and communication to the public

*Eurogroup common principle: "Monitoring and communication to the public on the progress and outcome of reviews should be regular and transparent. Spending reviews themselves should be subject to independent ex-post evaluation to learn lessons for future reviews."*

**Regular monitoring in the conduct and implementation phases** takes place in a majority of reviews and, in many cases, it focuses appropriately on both outcome (e.g., savings captured) and process (actions, calendar). However, the fact that 20% of the reviews lack proper tracking of progress is worrying as it prevents from detecting deviations from the strategic mandate set at the start of the review and/or from subsequent decisions.

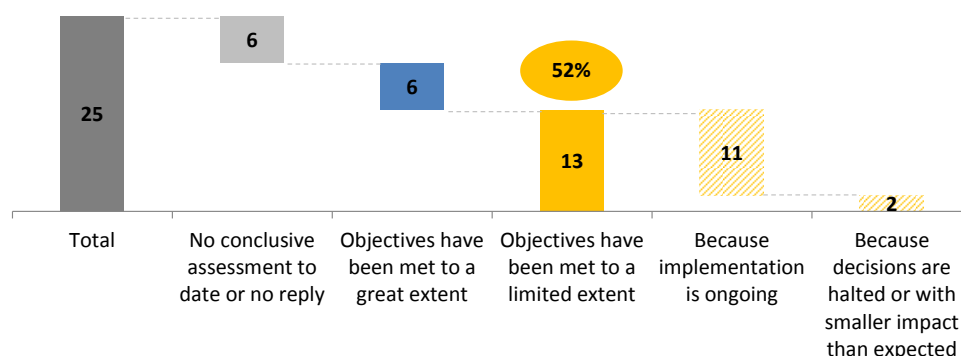
In most of the reported reviews, since implementation is ongoing, it is too early to assess the results of the reviews, and in particular to what extent they meet the initial objectives and targets set in the strategic mandate. At this stage, Graph 7 illustrates that objectives are reported to have been met to a great extent in only 6 reviews.

Concerning the budgetary impact of the spending reviews observed so far, MS have reported a mix of changes that occurred already and of budget plans, ranging from tens of million to several billion euros. This impact is not always commensurate with the large scope sometimes announced for the review. Moreover, many Member State did not indicate any tangible impact to date and four specified that the link between the selection of reforms (to be) implemented and the deliverables prepared during the spending review was not straightforward.

<sup>14</sup> For example, interview of the executive committee of an hospital or measurement of waiting time in a public service unit

<sup>15</sup> The end-user can be a citizen, a company, etc., depending on the policy considered

**Graph 7 – Results of the reviews to date versus project objectives and targets, number of reviews**



Source: Commission survey

**There is little evidence allowing to judge the extent to which the reported spending reviews have created room for a noteworthy reallocation of expenditure.** 10 MS replied either that it was too early to assess such an outcome or that data was missing. Among these 10 countries, but for other reviews reported, three replied that some reallocation had occurred, albeit sometimes at small scale. A similar positive reply was given by four other countries. However, the specificities of this reallocation have in most cases not been provided.

Two-thirds of the reviews appear to miss out on **transparency and accountability**. Indeed, while monitoring is most often destined for the executive power, in particular the Minister of Finance/Budget, less than one third of the reviews inform other meaningful audiences such as the parliament, the public sector staff directly concerned, or the general public.

**Independent ex-post evaluation** is necessary to track the actual impact of the review (especially where savings have been over-estimated and implementation costs under-estimated) and to correct dysfunctions before distortive or sub-optimal decisions are taken again for the next review<sup>16</sup>. According to the replies, ex-post evaluation is only available for a little less than 30% of reviews and only 3 countries make the key conclusions of these evaluations public. Nevertheless, it should be noted that not all Member States have reached a stage where ex-post evaluation can be carried out.

### 3.4. Consistency with budget planning

*Eurogroup common principle:* "The ambition and conclusions of a spending review should be consistent with **annual and multiannual budget planning**. The national fiscal framework should include the principle of running regular spending reviews to inform budget making."

An important caveat for this section is that not all spending reviews have reached the stage where a decision on implementation can be taken.

According to the replies, **only in a minority of those countries where a decision on implementation was made was it largely incorporated in the next year's budget planning**<sup>17</sup>: DE,

<sup>16</sup> One example could be the streamlining of a public process or organization freeing up permanent resources which are not effectively saved nor reallocated. This matters all the more since spending reviews are still a relatively new instrument in many euro area countries.

<sup>17</sup> More Member States have reported that the decisions were only "selectively" incorporated in the next year's budget planning

EL, LU, LV, IT, MT and PT. This incomplete pass-through to the budgetary process is a cause for concern and should invite to serious reflection about the determination to achieve the objectives of the reviews. Integration of proposals stemming from the review into the budget planning is the litmus test of how decision-makers secure their actual implementation. Moreover, systematic incorporation into the budgetary process reinforces the transparency and credibility of spending reviews in general and provides solid foundations for future initiatives.

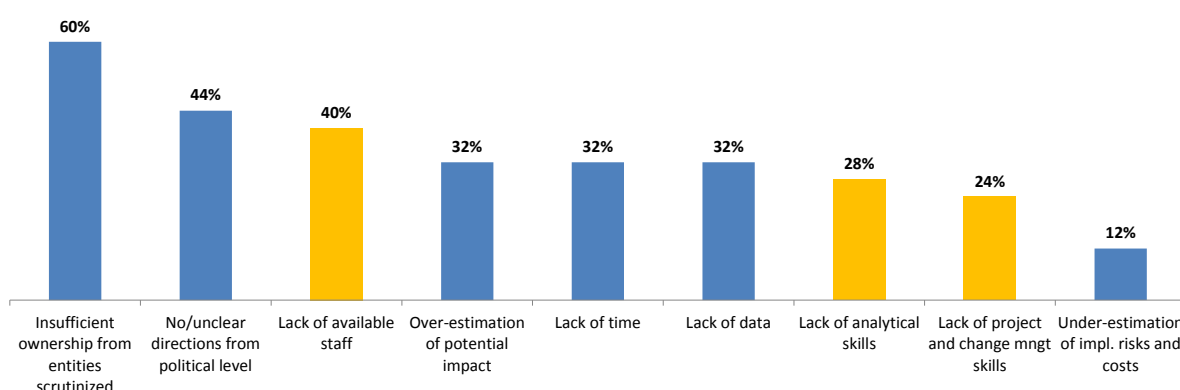
**The principle of running regular spending reviews to inform budget making** is currently very little reflected in the national fiscal frameworks of the responding MS<sup>18</sup>: only DE, IE, IT, NL, LV and PT report the existence of such a provision. In addition, in FR the multiannual budget law 2014-2019 foresees that spending reviews are conducted to potentially design measures during that timeframe.


#### 4. Main challenges

Carrying out spending reviews is a complex process fraught with challenges. Only 4 countries among the 16 respondents report not facing any particular challenge so far. 7 out of 9 challenges listed in Graph 8 were cited by more than a quarter of the reviews. Moreover, the incidence of some challenges is likely to increase as all countries progress towards the implementation phase.

Insufficient ownership from the entities scrutinized, lack of directions and decisions from the political level, and resource-related issues top the ranking of challenges.

**Graph 8 – Main challenges across phases of the spending review**



 Resources-related challenges

Source: Commission survey

#### 5. Preliminary conclusions

Useful conclusions can be drawn from the results of the survey. At the same time, such conclusions should be seen as preliminary given that most spending reviews are ongoing and new ones are envisaged shortly.

**Almost all euro area MS are now using spending reviews, either as a first-time exercise or, to a lesser extent, as a regular, annual effort.** This is a welcome and promising development. However,

<sup>18</sup> Note that audits performed by national audit offices have not been counted when analysing this dimension, as they are not considered spending reviews *per se* – the focus being on the executive authority in charge of budget planning.

looking at the self-reported information and even when factoring in the variety of scopes and approaches favoured by MS and the fact that many spending reviews are still in their early stages, it appears that overall euro area MS are currently far from making the most of this approach to enhancing the quality of public finances.

**A quantified perspective on the tangible impacts of the spending reviews in terms of implemented measures and budgetary consequences is not yet available in many countries.** Although spending reviews appear as an appealing instrument for the quality of public finances, they remain extremely challenging projects, not least when it comes to implementing identified measures and capturing their impact. In any case, the reallocation of expenditure towards growth-enhancing policies is neither the primary objective nor the observed outcome of a vast majority of the spending reviews reported so far. It is recalled that only large-scale spending reviews which are well-designed and implemented have the potential to contribute significantly to the reallocation of public expenditure and the quality of public finances in general.

**While noting that the common principles for the design and conduct of spending reviews were only recently adopted by the Eurogroup, at this stage the observed consistency with those principles is quite limited overall.** This is understandable given that even the preparations for spending reviews launched more recently had to be initiated long before. Furthermore, as repeatedly highlighted in the note, many spending reviews are going through their initial phases and hence it is still early to assess their adherence to the full set of common principles.

**On the one hand, certain elements of the common principles seem to be widely adopted already:** the top political level is involved to support the start of the spending reviews, strategic mandates are prepared, a coordination centre is systematically mandated, regular monitoring of progress takes place in most cases, diagnoses underpinning the review are being documented and the use of benchmarking is widespread.

**On the other hand, and especially as the reviews progress across their phases towards implementation, there are many dimensions of the common principles which are not well incorporated and where improvement needs are evident.** In particular, detailed reform options, implementation roadmaps and ex-post evaluations are not systematically available. Moreover, while a spending review is the opportunity to deep dive across administrative processes and structures and given that most MS report the improvement of the quality of service as a prevailing objective, the use of pilots, operational checks and analyses of the outcome for the end-user are reported only for a minority of reviews. In terms of governance, insufficient ownership of the process by the administrations under review, unclear directions/decisions from the political level and scarcity of resources in terms of size and skills are identified as key challenges. Finally, the link with the budget planning and with the national fiscal framework is weak, hampering the integration of the proposed reforms into the budgetary process.

## **6. Possible way forward**

The preliminary conclusions reveal ample scope for follow-up Committee work, in accordance with the mandate granted by the Eurogroup in September 2016 and its interest in revisiting this work stream on a regular basis, drawing on Member States' experiences.

Since the take-up of the common principles adopted by the Eurogroup is still quite limited overall, further efforts should be undertaken by the euro area MS to integrate more substantially those principles in the design, conduct and implementation of ongoing and future spending reviews.

**To this end, thematic discussions / peer reviews should continue to be organised regularly and provide opportunities for the exchange of best practices and lessons learnt among the euro area MS.** Such regular committee discussions should be framed by the common principles and, therefore, focus on the elements identified as most challenging and/or least assimilated in the practice of euro area countries. In the light of the results of the spring 2017 survey, such elements could include:

- fostering ownership by administrations under review
- design of detailed reform options and implementation roadmaps
- use of operational checks, pilots and analyses of the outcome for the end-user
- provision of adequate resources
- ex-post evaluation

Further monitoring of spending reviews in the euro area and assessment against the common principles with a view to feeding the thematic discussions and informing regularly the Eurogroup warrant a **regular collection of information**. Building on the positive experience with the recent survey, the exercise could be conducted periodically (annually or every two years). In particular, a follow-up survey in 2018 would be highly relevant as it would allow a more complete stocktaking of the many ongoing reviews and their adherence to the common principles. The Commission stands ready to contribute in this respect.

In addition, spending reviews should continue to be factored by the Commission into the regular assessments in the framework of the **European Semester**, particularly with regard to the euro area and its Member States.

Finally, it is worth mentioning that the Commission Structural Reform Support Service (SRSS) already facilitates support to spending review processes in several euro area Member States by bringing in expertise. Further support can be provided using the new financing instrument called Structural Reform Support Programme (SRSP) which entered into force in late May 2017. Some requests related to spending reviews are currently under instruction for financing under the first year of implementation of SRSP (projects to start by Q4 2017).

## **Annex 1 – Eurogroup statement of 9 September 2016**

The Eurogroup considers spending reviews to be a useful tool for improving the quality of public finances. They offer a complementary means of supporting fiscal responsibility through reviewing priorities in public expenditure, and can contribute to a more growth-friendly composition of the budget. They have particular relevance for the euro area, where sound fiscal policies are a key matter of common interest and whose Member States have chosen to closely coordinate fiscal policies. In times of high public debt and historically low economic growth rates, there is more need than ever to ensure that taxpayers' money is used efficiently. The Eurogroup therefore calls on euro area Member States to actively use spending reviews.

The Eurogroup has looked at the experience with spending reviews in euro area Member States and beyond, and noted a number of principles that need to be followed if spending reviews are to have an optimal impact on the quality of public spending. The Eurogroup therefore endorses the following set of common principles for improving the quality of public finances through the use of spending reviews:

**Strong and sustained political commitment at a high national level**, throughout the project, is essential for successfully carrying out spending reviews and implementing their findings into meaningful reforms.

**The design and implementation of spending reviews** should follow best practices that include: (i) a clear strategic mandate specifying the objectives (potentially including quantified targets) the scope (a significant share of general government spending across several policies) and a centre of coordination, (ii) the use of pilots to build expertise, (iii) the provision of adequate resources and access to data, (iv) the use of guidelines for consistency in producing diagnosis, baselines, reform options and implementation roadmaps, (v) the use of fact-based analysis linking spending across budget and administrative structures to policy outcomes.

**Monitoring and communication to the public** on the progress and outcome of reviews should be regular and transparent. Spending reviews themselves should be subject to independent ex-post evaluation to learn lessons for future reviews.

The ambition and conclusions of a spending review should be consistent with **annual and multiannual budget planning**. The national fiscal framework should include the principle of running regular spending reviews to inform budget making.

The Eurogroup approves these common principles as a reference point for reviewing national reform efforts to improve the quality of public finances in euro area Member States. The Eurogroup thus invites the Commission to assess developments in this field within its usual processes and surveillance mechanisms, with a view to allowing periodic monitoring by the Eurogroup. Also to this end, the Eurogroup invites its preparatory committees and the Commission to develop a work stream on the exchange of best practices and lessons learnt on spending reviews undertaken in euro area Member States. The Eurogroup expects to revisit this work stream on a regular basis starting in the first half of 2017, drawing on further experiences made in Member States.