

Public Expenditure Reviews

What they are and what to expect

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Preliminary

- Since the global financial crisis (GFC) many countries have been engaging in Expenditure reviews/ a lot in the OECD(due to fiscal rules). World Bank has done some for developing countries, over time. The SDG agenda and rising debt burden both motive this in the Caribbean.
- It is a mistake to assume that they are purely about expenditure reduction/they have a broader objective
- **Integrate government priorities with funding decision and determine value for money.**
- They are an alternative to linear across the board cuts which have negative effects
- They are an in-depth scrutiny of baseline expenditure
- They can free fiscal space for new priorities
- Reviews do not stop with a PER report they begin with it



Preliminary

- They are backward looking.
- They can be expansive or selective (The ECLAC project was selective) and emphasise building capacity. One size does not fit all.
- PER's must be focused/-not drawn into broader public sector reform.
- They should be part of the regular budgetary process/must be designed appropriately reflecting local conditions
- They tend to be resource intensive and as a result must be cost effective.
- They must have buy in from the top



OBJECTIVES

- **It is a core instrument of expenditure prioritization. Help to implement what the PM wants in terms of priorities or in line with a development plan.**
- **Can expand the fiscal space for new priority spending.**
- **Efficiency reviews based on savings through improved efficiency**
- **Strategic reviews based on savings from reduced services or tax expenditures/transfers(improved prioritization).**



Nature of Savings

- **Efficiency savings-changing the way services are produced to deliver same quantitative and qualitative service(output at lower cost).**
- **Strategic savings. Expenditure reduction achieved by cutting back services (output) or transfer payments delivered.**



OBJECTIVES

- **The point is to give Government control of the level of spending and improve expenditure prioritization.**
- **Helps to reallocate limited government resources to programs that deliver the greatest benefits to society.**
- **Most budgets emphasise new spending programs to the neglect of baseline expenditure**



Challenges

- **It is not easy for decision makers (MOF/Political leadership) to reallocate expenditure**
- **There are challenges with information**
- **Resistance from spending Ministries**
- **Spending reallocation between Ministries take place only at the margin**



Why integrate PER's in the budget process

- **Allocative efficiency and budget savings benefit from examining new spending and savings options.**
- **This means the savings option must be ready at the budget preparation stage.**
- **The level of budgetary contraction/savings contemplated will affect the kinds of reviews to be pursued.**



Different approaches

- **Program reviews –agency or specific programs –and can deliver strategic (reduce program) or efficiency savings(Lower cost)**
- **Process reviews-these look at business processes :EG procurement processes. The emphasis is on efficiency savings**
- **Agency reviews. A review of the whole government organisation (Ministry) and cover all programs and processes.**



Type of review

- **Comprehensive.** Look at all Ministries to identify savings. Savings are expected to be greater here. Very exhaustive where MOF and related agencies have to put other important things aside.
- **The expectation must be that savings can be substantial.**
- **Selective reviews have been more common.** It is sometimes better to reallocate gradually.



Roles of agencies in reviews

- They include political commitment, ownership by the administration, clear objectives and governance, integration in the budgetary process, building of transformation capability and performance culture at all levels of public service.
- Who will mediate when there are disagreements
- Cabinet
- Parliament
- MOF
- Spending ministries



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Capacity issues

- **External players involvement (public/consultants)**
- **Local expertise**
- **Local ownership**
- **Building a culture of efficiency in expenditure management**



Information base

- **Special studies**
- **Generate new information**
- **Develop evaluation indicators(relying on Ministry expertise but mediated by say Ministry of Finance).**



Thank You

