

# Spending Reviews: Lessons from the Netherlands

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The [PEMPAL \(Public Expenditure Management Peer Assisted Learning\)](#) is a network that facilitates the exchange of professional experience and knowledge among 23 countries in Europe and Central Asia. For several years PEMPAL Budget Community of Practice (BCOP) members have focused on strengthening their capacity to implement spending reviews (SRs). The number of knowledge products on different aspects of SRs has been developed, including an analysis of expenditure review practices in Netherlands. The objective of that product was to present one of the global good practices of the spending review approach ([the full report can be downloaded here](#)).

**SRs are not standardized globally but share some common characteristics.** They generally refer to the process of developing and adopting savings measures and efficiency improvements, based on a systematic scrutiny of a government's baseline expenditures. They are also used as a way of identifying alternative options for delivering public services. An increasing number of governments has introduced SRs to create fiscal space and reprioritize expenditure during periods when resources are heavily constrained, especially after the global financial crisis of 2008-2010 and the Covid-19 pandemic of 2020-22. Not surprisingly, SRs are high on the list of public financial management reforms in many countries, and PEMPAL BCOP members are not an exception. Only one PEMPAL country had conducted a spending review prior to 2016. As a contrast, 16 countries have conducted SRs by 2016 or plan to do so in the nearest future.

**The Netherlands was a pioneer in implementing SRs.** The first reviews were introduced in 1981 and the government has thus developed an approach and methodology that has been in continuous use for more than four decades. Over the years more than 300 SRs have been conducted covering all areas of government expenditure. The SR process presents government staff and political leadership with alternative options to alter current policies that will improve the efficiency and effectiveness of public spending or innovate government policies.

**SRs are challenging for different reasons such as the availability of analytical capacity in the public sector, political commitment, and safeguarding impartiality.** The most important obstacle however concerns the engagement of line ministries and government agencies. Understandably ministries may perceive a spending review initiated by a ministry of finance as threatening and may retreat into a defensive position. At the same time, having access to technical knowledge and data relating to these ministries' policies and programs is indispensable. The Dutch methodology has evolved to address most of these challenges effectively. Although every approach to spending reviews is optimized for local circumstances, the Netherlands' experience offers several practical lessons that may be applicable across different national contexts and administrative traditions. These lessons are summarized below.

1

**Staffing of the working group executing the SR is critical to its success.** To balance substance and creativity, SR working groups should include representatives from line ministries, other entities with relevant knowledge and skills as well as the ministry of finance and a neutral chair. The membership of these working groups should provide a balance of knowledge and skills related to economic and budget issues, specific expertise in the policy areas concerned, analytical skills, and political and communication skills. In addition, the working groups will often benefit from external expertise (e.g., by inviting independent experts as members of the group or conducting study visits).

2

**Separate the analytical phase of the SR from the political decision-making process to prevent political and institutional bias.** The technical analysis phase should be guided by clearly communicated ground rules to safeguard creativity and impartiality – for example, a chair who bears no responsibility for the policies under review, and no veto-rights for working group members to block the investigation of certain policy options. A governance structure should be in place for detecting and escalating any technical or administrative problems that arise during the review or any attempts to obstruct the process. Once the SR report is finished the political leadership may reflect on the report in a separate document. Both reports are then sent to Dutch Parliament and are made publicly available.

3

**Do not expect the results of the reviews to be applied immediately in next year's budget.** In practice, it may take a long time before decisions are made on the findings of SRs and measures to increase the efficiency and effectiveness of spending programs can be implemented. The finance ministry should keep the findings and results on hand and wait patiently for the right opportunity to incorporate the measures in the budget. Often this may not be until a new government takes office after elections.

4

**Acknowledge the value of doing spending reviews for different parties.** The reviews are an investment in the level of knowledge of the staff of both line ministries and the finance ministry. Despite understandable resistance from line ministries, participating in an SR presents them with an opportunity to present their knowledge and expertise in developing feasible options for efficiency gains and budgetary savings. These options are often preferred over proposals put forward by the ministry of finance (e.g., across the board spending cuts) or politically motivated options. The SR process is also a valuable tool for the finance ministry's central budget office as it raises their knowledge level in budget negotiations and presents them with leverage in the form of potential savings options. This is helped by direct involvement of finance ministry staff in the SR process.

As SRs in the Netherlands are regulated by broad process principles and terms of reference rather than by detailed step-by-step guidelines, the report illustrates the approach through an in-depth analysis of an influential review of child support schemes. This serves as an example of how the SR analysis is conducted and leads to alternative policy options.

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