

12 September 2022

Department of Finance and Budget

BE-C[C61]-R[R-6]-M[205]

Spending review pilot or integration into budgetary process (1)

Ter info en herinnering – mijlpaal en verificatiemechanismen Q42021:

Milestone:

For the Flemish Region authorities: Spending review integration into budgetary process (1): Government decisions defining how spending reviews (or similar approach) are integrated into budgetary process. The decisions define the spending review strategy and a calendar for future reviews, potentially including quantified targets. In line with the Eurogroup guidance, ensure, amongst other elements, clear scope and design of the reviews as well as transparent monitoring, reporting and evaluation.

Verification mechanism:

Summary document duly justifying how the milestone (including the relevant elements of the milestone, as listed in the description of milestone and of the corresponding measure in the CID annex) was satisfactorily fulfilled. This document shall include as an annex the following documentary evidence for the Flemish Region authorities: copy of the adopted decision/notification of the government defining how spending reviews (or similar approach) are to be integrated into the budgetary process.

Evidence provided:

Provide a brief description of the evidence provided, covering all aspects of the verification mechanism agreed in the operational arrangements.

Several evidence documents are added to this summary note regarding the fulfilment of this milestone:

1. The Notification to the Flemish government (“VR 2021 1911 MED.0394/1TER”) where the spending reviews for the period 2022-2024 are outlined, including specific topics and timeline.
2. Operational agreement note (“Afsprakennota 2021/43”) in which eight specific topics for the upcoming spending reviews were agreed upon within the Flemish Government.
3. Parliamentary Question by Maurits Van Reyde and answer by Matthias Diependaele, Flemish Minister for Finance and Budget, Housing and Immovable Heritage on spending reviews (“Schriftelijke vraag nr. 271”).
4. Law amending the Flemish Public Finance Codex (“Decreet tot wijziging van de Vlaamse Codex Overheidsfinanciën van 29 maart 2019”), which enshrines the spending reviews in the Flemish budgetary process.
5. Code of Conduct on Spending Reviews (“Spelregels uitgaventoetsingen en Vlaamse Brede Heroverwegingen”).
6. Two summary reports of the Flemish Comprehensive Review (“Vlaamse Brede Heroverweging”): one of the general steering group (“VBH – leerlessen en aanbevelingen”) and one summary of the specific Flemish policy domains (“Samenvatting van de eindrapporten”). The other reports from the Flemish Comprehensive Review can be found [here](#).

Detailed justification:

Explain clearly how the achievement of the milestone/target is demonstrated by the evidence provided. Ensure references are clear and precise (e.g. specific pages/data fields, not general reference to a report or dataset).

The justification should address all elements of the milestone or target, notably the description featuring in the column “Description of each milestone and target” of the table in Section 1 of the CID Annex and the description of the reform/investment as relevant, taking into account any further specification provided in the operational arrangement.

The milestone ‘**Spending review pilot or integration into budgetary process**’, consist of the following elements:

“Government decision defining how Spending Reviews are integrated into the budgetary process: “

1. “Defining the spending review strategy”:

The spending reviews started with a first pilot project in 2018-2019. The project looked into the specifics of the service vouchers. After a positive evaluation of this pilot, the next step – besides a simplification of the budgetary process from 2021 onwards with a so-called light version of the annual budget review – was to set up with the Flemish Comprehensive Review, in which the spending per policy area was scrutinized.

In the next step, based on this Flemish Comprehensive Review, RRF funding is being used to set up eight new spending reviews – one for each Flemish Policy Area. In addition, policy areas can initiate further spending reviews.

The Notification to the Flemish government (“VR 2021 1911 MED.0394/1TER”) outlines the eight spending reviews for the period 2022-2024, including specific topics and timeline. With the Operational agreement note (“Afsprakennota 2021/43”), the Flemish Government formally approved the eight specific topics for the upcoming spending reviews and assigned each spending review to a responsible minister:

1. The rationale of the grants given by the department of CJM
2. The higher education budget
3. Sustainable water use and the organization of the waterscape
4. Instruments of the housing policy
5. Organisational structure of the Flemish government
6. Modal shift in Flanders
7. The Flemish productivity policy
8. Integration of the three care budgets

Flemish Finance and Budget Minister Matthias Diependaele, also elaborated on the spending review strategy in an answer to parliamentary question (“Schriftelijke vraag nr. 271”).

The principle of the spending reviews has been enshrined in the recently revised Flemish Public Finance Codex (VCO). Article 9 of the Law amending the Flemish Public Finance Codex (“Decreet tot wijziging van de Vlaamse Codex Overheidsfinanciën van 29 maart 2019”), defines spending reviews and integrates them in the budgetary process in Flanders. The amendment of the law was adopted by the Flemish Parliament on 29 June 2022. Subsequently it has been published in the Belgian Official Gazette on 16 September 2022.

2. “Calendar for future reviews”:

- 2020: service vouchers pilot
- 2020-2021: Flemish Comprehensive Review
- 2022: anchoring by decree via Flemish Public Finance Codex (VCO)
- 2022 - 2024: eight new projects

3. “Potentially quantified targets”:

Besides the minimum of eight distinct spending reviews in the period 2022-2024, the budgetary impact will be measured when drafting the budget 2025 (just like we can measure the impact of the broad comprehensive review (VBH) on the draft budgets 2022,2023 and 2024).

4. “Clear scope and design of the reviews”:

For the upcoming spending reviews, eight distinct spending reviews were identified – one for each Flemish Policy Domain (cf. supra).

These define the themes of the expenditure reviews. Each theme is elaborated in a set of specifications (plan of action) for the implementation of the expenditure review. This will estimate the required budget, the budgetary scope of the study, a more precise description of the theme, the timing, who will be involved in the process besides the Finance Inspectorate and the Department of Finance and Budget, etc. The research questions of the VBH can largely be reused in these spending reviews. However, the starting point of the spending review is not to find savings. Once a theme has been worked out, the specifications (plan of approach) will be discussed at the Flemish Government. After the launch of the specifications, the spending review is carried out by the administrations concerned.

The Flemish Finance and Budget Department drafted a Code of Conduct on Spending Reviews (“Spelregels uitgaventoetsingen en Vlaamse Brede Heroverwegingen”), providing guidance to the Policy Areas for the design and setup of their respective spending reviews.

5. “Transparent monitoring, reporting and evaluation”:

The outcomes of the studies of the Flemish Comprehensive Review were made public: the general report as well as the specific studies per policy area. The same will hold for the upcoming spending reviews.