



ANNEX C – EX POST EVALUATION AND SPENDING
REVIEWS: OECD PRINCIPLES, BEST PRACTICES AND
RECOMMENDATIONS

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Deze Annex C fungeert als bijlage bij deel 4 van het achtergrondrapport van het SERV-Secretariaat bij het advies 'De Vlaamse brede heroverweging als opstap naar een structureel evaluatiebeleid'. Het gaat meer in detail in op de principes, aanbevelingen en beste praktijken van de OESO inzake ex post evaluatie en uitgaventoetsingen.

Het volledige rapport bestaat uit 5 delen en 3 bijlagen:

1. Beleidsevaluatie: wat en waarom?
2. Beleidsevaluatie in Vlaanderen: beleidsinitiatieven 1999-2021
3. Terugblik op de Vlaamse Brede Heroverweging
4. Principes en internationale goede praktijken voor verankering van ex post beleidsevaluatie
5. Toetsing van Vlaanderen aan een analyse kader voor de verankering van beleidsevaluatie

Bijlage A: Spending reviews en beleidsevaluatie in de federale overheid

Bijlage B: The governance of policy evaluation: an international review of policy evaluation frameworks and practices

Bijlage C: Ex post evaluation and spending reviews: OECD principles, best practices and recommendations

Introduction

This paper presents an overview of OECD principles, best practices and council recommendations on ex post evaluation and spending reviews, notably:

- Best practice guidelines for evaluation (1997);
- Recommendation on Regulatory Policy and Governance (2012);
- Principles and good practices for regulatory ex post evaluation systems (2014);
- Recommendation on Budgetary Governance (2015);
- Good Practices for Performance Budgeting (2019);
- Best Practice Principles for Reviewing the Stock of Regulation (2020);
- Draft Best Practices for Spending Reviews (2021);
- Draft Recommendation on Public Policy Evaluation (2022).

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Best practice guidelines for evaluation (1997)

The OECD has worked on the issue of public policy evaluation for over 25 years. As early as 1997, the OECD has explored ways to increase the use of evaluation in public decision-making and has adopted Best Practice Guidelines that outline key issues for countries to consider when seeking to improve the conduct and use of evaluations.

The practice guidelines for evaluation consist of 8 items:

1. Generate Effective Demand
2. Systematise Evaluation Activities
3. Use a Different Evaluators to Fulfil Different Objectives
4. Influence Attitudes and Build Capacities
5. Plan Evaluations to Ensure Linkages with Decision-making
6. Focus on Significant Issues and Involve Stakeholders
7. Enhance Credibility
8. Communicate Findings and Monitor Results

Generate effective demand. Demand for evaluation can be fostered by, e.g., promulgating a government evaluation strategy, making evaluations mandatory, stressing the need for results information in allocating resources, providing incentives by reducing input and process controls, giving an external stakeholder the right to ask evaluation questions, earmarking funds for evaluation purposes, giving recognition to evaluation efforts (publicity, prizes, promotions), and demonstrating that evaluations really matter by acting on results.

- *Support* from the top must be ensured: it is vital that public sector managers and politicians understand the value of evaluation and are committed to enhancing its use. The role of the Ministry of Finance and other central management agencies is often essential in gaining support and credibility for evaluation activities. Managers should be involved in the evaluation process, especially if the aim is to improve the implementation of a policy.
- *Demand* for evaluation needs to be generated, specified and articulated by the users. The ultimate goal is to make both internal and external evaluations a normal and valued activity in the administration.
- The users need to be aware of the likely *limitations* of evaluation and expectations should be realistic. Unrealistic objectives are typical with respect to the timing and scope of findings of evaluations. It should be pointed out that while evaluation will be able to provide important information and reduce uncertainty of issues it studies, it cannot give “right” answers or replace judgement in decision-making.

Systematise evaluation activities. For evaluation to be effective it must be an integral part of policy design and implementation.

- A degree of *institutionalisation* contributes to evaluations playing a genuine role in public management. A systematic, high-quality supply of evaluations, utilisation of evaluation findings, efficient implementation and organisational learning requires a framework to support it. However, the institutionalisation should not lead to evaluation becoming a bureaucratic paperwork exercise. It is also essential that evaluation is strategically integrated into the overall performance management framework.
- *Linkages to the budget process* are especially important. However, the use of evaluation to support budget proposals or decisions requires quality control. Fears of control- and savings-driven evaluations have to be dealt with, for example by involving those evaluated in the process. It also has to be borne in mind that evaluation information is only one factor to be considered in the budget process.

- *Funding* is a vital issue in institutionalising evaluation. Money can be earmarked, special funds created and external sources sought for financing evaluation projects. However, the costs and benefits of systematic evaluations should be compared with other approaches, for example, ad hoc evaluations or ongoing performance measurement.

Use different evaluators to fulfil different objectives. In general, the location should reflect the role and objectives the government wants evaluation to have.

- The *location* of evaluators influences the objectives, focus, utilisation and the overall status of evaluation. There are several options for placing the evaluation function: it can be conducted internally in the administration, externally by independent organisations or, as often is the case, by a mixture of different actors.
- The *roles* of the evaluator (management consultant, evaluator, controller and resource allocator) should be clarified, since unclear or conflicting roles reduce the credibility of findings.

Influence attitudes and build capacities. For evaluation to succeed, a *culture* that values its conduct and utilisation has to be created.

- *Training* is important, especially in the early phases of systematising evaluation activities. It is necessary to have trained evaluators, well-informed commissioners and enlightened and enthusiastic users. Methodological, political, managerial and communication skills are needed..
- *Training and support* can be organised by creating networks; publishing handbooks, success stories, newsletters and journals; organising seminars, workshops, training courses and visits; setting up demonstration projects and setting up a help desk in the administration

Plan evaluations to ensure linkages with decision-making. To be of use, evaluation must fit into the policy and decision-making cycles.

- Careful *planning* makes managing evaluation easier, contributes to the quality of evaluation and strengthens the commitment to act upon its findings. The commissioner in consultation with the users of evaluation should take final responsibility for the choices made in planning evaluations.
- In addition to individual evaluation plans, it may be useful to compile and publish *departmental or governmentwide evaluation plans*.

Focus on significant issues and involve stakeholders. To be relevant, evaluations should address issues that are *significant* for political, budgetary, management, accountability or other strategic reasons. For evaluation to be *worthwhile*, there should be a sincere intention to use the findings.

- To receive the attention of its *intended users*, the evaluation must meet their information needs. A dialogue can contribute to understanding these needs and becoming familiar with the users' way of thinking and acting.
- A strategy is needed to manage the *stakeholders of evaluation*. Defining stakeholders and involving them in the evaluation (e.g., creating steering groups or advisory committees) can enrich the process and increase the use the results. However, the interaction process must be managed so that it is not too costly and time-consuming and does not decrease the credibility of evaluation. Partnership with stakeholders in defining the terms of reference is often considered the most beneficial way to maximise the use of evaluation.

Enhance credibility. It is important to enhance the credibility of evaluations, as lack of credibility may undermine their use.

- Factors influencing *credibility* include competence and role of the evaluator, consultations and involvement of stakeholders and communication of findings. Professional and ethical standards of evaluation are also important to enhance credibility.
- Methodological *quality* of evaluation encompasses issues such as relevant criteria, adequate evidence and reliable and clear findings. These issues have a major effect on the credibility and use of evaluation. However, to some extent there may be a tradeoff between methodological rigour and the utility of evaluation.

Communicate findings and monitor results. Openness and publicity often increase the credibility and use of evaluation and create pressure to act upon findings.

- Evaluation findings should be presented in an *effective and timely fashion*. The evaluation report should be clear, comprehensive and include an executive summary. The report needs to be effectively distributed and should generally be made publicly available. Seminars, workshops and discussion groups are useful in disseminating, marketing and also interpreting the results. Key decision-makers need special attention.
- In reporting findings, it is useful to make *judgements and recommendations* (and even present alternatives). These often attract attention, provoke and outline discussion and promote subsequent action. Criteria used in making judgements and recommendations should be as clear as possible. Blame should be avoided: evaluation should be used to find ways to overcome problems rather than as a vehicle to list shortcomings. The links between recommendations, policy modifications and their implementation need to be considered. It may be worthwhile to present a specific implementation plan based on the recommendations of the evaluation.
- *Monitoring the impact of evaluation* promotes its use, guides the implementation process, identifies additional evaluation needs and may be used as a learning tool to improve evaluation practices.

Recommendation on regulatory policy and governance (2012)

The Recommendation of the Council of the OECD on **Regulatory Policy and Governance** (2012)

- provides governments with guidance on the principles, mechanisms and institutions required to improve the design, enforcement and review of their regulatory framework to the highest standards,
- advises governments on the effective use of regulation to achieve better social, environmental and economic outcomes; and
- calls for a “whole-of-government” approach to regulatory reform, with emphasis on the importance of consultation, co-ordination, communication and co-operation to address the challenges posed by the inter-connectedness of sectors and economies.

The recommendations are composed of 12 items, of which several refer to ex ante and post evaluation.

- Principle 3 recommends to establish mechanisms and institutions to actively provide **oversight** of regulatory policy procedures and goals, support and implement regulatory policy, and thereby foster regulatory quality. It is recommended to establish a standing body charged with regulatory oversight close to the centre of government, with the tasks of i.a. reviewing of the quality of impact assessments, co-ordinating *ex post evaluations* and providing training and guidance on impact assessment and ex post evaluation.

- Principle 4 proposes to integrate **Regulatory Impact Assessment** (RIA) into the early stages of the policy process for the formulation of new regulatory proposals.
- Principle 5 is about **'systematic reviews of the stock of significant regulation** against clearly defined policy goals, including consideration of costs and benefits, to ensure that regulations remain up to date, cost justified, cost effective and consistent, and deliver the intended policy objectives'. (...) 'Systems for reviews should assess progress toward achieving coherence with economic, social and environmental policies. Reviews should preferably be scheduled to assess all significant regulation systematically over time, enhance consistency and coherence of the regulatory stock, and reduce unnecessary regulatory burdens and ensure that significant potential unintended consequences of regulation are identified. Priority should be given to identifying ineffective regulation and regulation with significant economic impacts on users and/or impact on risk management. The use of a permanent review mechanism should be considered for inclusion in rules, such as through review clauses in primary laws and sunseting of subordinate legislation.'
- Principle 6 asks for regular reports on the **performance of regulatory policy** and reform programmes, including information on how regulatory tools such as RIA, public consultation practices and *reviews of existing regulations* are functioning in practice.

Principles and good practices for regulatory ex post evaluation systems (2014)

In 2014, the OECD proposed a set of seven **'Core principles and good practices to increase the chances of introducing and mainstreaming a well-performing regulatory ex post evaluation system'**.

1. **Prioritising and sequencing the efforts** – Because of political and technical challenges, evaluations should be geared towards solving contemporary problems, even if they shed retrospective light on what was regulated years ago. This implies prioritising and sequencing so as to maximise the efficiency of (scarce) resource allocation and potential "evaluation fatigue" due to too encompassing exercises. Consultation can greatly assist in the prioritisation process. Combining individual evaluations of sectoral regulation with overarching reviews is likely to strengthen the outcome-driven character of regulatory interventions. Efforts in the analysis should be proportionate.
2. **Planning and embedding evaluation into the policy cycle** – To enhance overall government efficiency, retrospective analysis should be integrated into the policy-making process in all its dimensions. As a norm, no new regulatory initiative should be adopted unless it is preceded by a retrospective analysis. To ensure this, a close link should be formally established between the ex-ante and the ex post phases and be embedded in the Regulatory Impact Analysis process. These requirements are generally spelled out in formal guidelines adopted by many OECD countries. If fully abided with, they should help, in the short to mid-term, to re-allocate the services' resources according to priority axes, raising the relative importance of ex post evaluation. A calendar of planned evaluations should be discussed with stakeholders and published regularly. This further contributes to structure the official evaluation activity and increases transparency and accountability.
3. **Constructing a comprehensive understanding of reality** – It appears important to move away from an incremental assessment of the impact of individual regulations and seek to capture the overall coherence within the existing regulatory framework. This includes assessing the impact of regulations together with other policy tools. The nature of wider

regulatory impacts needs to be better understood and methodologies and capacity need to be developed to undertake such targeted but in-depth reviews. When evaluating risk regulation is particular, impacts on investment flows, innovation, technology patterns should be considered along with changes in consumer welfare and the protection of the public.

4. **Promoting the creation of an “evaluation function”** – Ex post evaluation should be integral part of a structured and multi-actor process informing policy-making. Rather than focusing the exercise on a specific single entity responsible for carrying out evaluations, it is advisable to promote a pluralistic evaluation activity which encompasses both public and private actors intervening at various stages of the policy cycle.
5. **Building adequate organisational and administrative capacity to support such evaluation function** – This should be implemented on various fronts, including issuing binding and detailed procedural and methodological guidelines for evaluation. Guidelines should provide rigorous and uniform definitions; outline channels for data collection, as well as provide explicit techniques to identify and analyse causal relations, to account for uncertainty and to evaluate and compare (cumulated and more complex) impacts beyond administrative burdens and direct compliance costs. Establishing quality standards as well as internal database systems for easy information sharing and building a “good practice library” can further facilitate institutional learning. From an organisational perspective, a central coordinating and oversight bodies couple with a network of evaluation units helps mainstream good practices and ensure the efficient integration of evaluation initiatives.
6. **Leveraging on stakeholders engagement** – Effective consultation is necessary to ensure that reviews are effective and credible publicly. It is important to activate different actors for evaluations and thus build up on composite know-how and capacity. Stakeholders include both institutional entities as well as representative of civil society, of private sector, and citizens. They can be involved both in the process of identifying areas that may require reform and during the actual review process. End-users of regulation that may not be responsive to the usual consultation procedures need also to be pro-actively engaged.
7. **Ensuring high levels of transparency and accountability** – Retrospective analyses need, as far as possible, to be open and transparent, in order to facilitate open communication and to maximise the credibility of the review. Their timely publication is therefore crucial. Evaluation reports should be easily accessible in association with the related IAs (and published on the same portal), so as to capture the entire legislative cycle, including reviews. Periodic appraisals of the performance of the evaluation function should be carried out by independent bodies and parliaments should hold the executive accountable for evaluation.

Recommendation on Budgetary Governance (2015)

The objective of the Recommendation of the Council on **Budgetary Governance** (2015) is to draw together the lessons of a decade and more of work by the OECD Working Party of Senior Budget Officials (SBO) and its associated Networks, along with the contributions and insights from Public Governance Committee and other areas of the OECD, as well as those of the international budgeting community more generally.

The Recommendation provides a concise overview of good practices across the full spectrum of budget activity, specifying in particular ten principles of good budgetary governance, which give clear guidance for designing, implementing and improving budget systems to meet the challenges of the future.

The Recommendation is composed of 8 items. Recommendation 8 refers to **ex post evaluation and spending reviews**. It asks Member States to 'ensure that performance, evaluation & value for money are integral to the budget process', in particular through i.a.

- **evaluating and reviewing expenditure programmes** (including associated staffing resources as well as tax expenditures) in a manner that is objective, routine and regular, to inform resource allocation and re-prioritisation both within line ministries and across government as a whole;
- ensuring the availability of high-quality (i.e. relevant, consistent, comprehensive and comparable) performance and **evaluation information** to facilitate an evidence-based review;
- conducting routine and open **ex ante evaluations** of all substantive new policy proposals to assess coherence with national priorities, clarity of objectives, and anticipated costs and benefits;
- **taking stock, periodically, of overall expenditure** (including tax expenditure) and reassessing its alignment with fiscal objectives and national priorities, taking account of the results of evaluations; noting that for such a comprehensive review to be effective, it must be responsive to the practical needs of government as a whole.

Good practices for performance budgeting (2019)

Performance budgeting is defined by the OECD as the systematic use of performance information to inform budget decisions, either as a direct input to budget allocation decisions or as contextual information to inform budget planning, and to instil greater transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved.

The purpose of the OECD was to identify good practice principles and provide specific examples of good practices from OECD countries. This is based mainly on the work of the OECD Senior Budget Officials Network on Performance and Results.

Item 6 (out of 7) refers to programme **evaluation and spending reviews**. It is about:

- *Ex ante appraisal* of new spending programmes to strengthen programme design including key performance indicators, and to facilitate processes of monitoring and ex post evaluation.
- *Ex post evaluations* of major spending programmes on a rolling basis and systematically feeding back the findings into the budget preparation process.
- **Spending reviews** to review the justification for spending and to identify budgetary savings that can be redirected to support priority goals.

On **ex ante evaluation**, the OECD says that the quality of performance budgeting can be improved through the systematic use of ex ante appraisal of new spending programmes. This should include definition of programme objectives and alignment with strategic goals, an explanation of the programme logic, and identification of costs and indicators of programme impact, including baseline and target values. Such analysis serves to improve the quality of programme design, weed out less effective programmes and provide a basis for subsequent performance monitoring and impact evaluation.

On **ex post evaluation**, the OECD says that the effectiveness of public spending, and the extent to which taxpayers receive value for money, are matters of continuing concern to governments and the public. Programme evaluation should ideally take place at an advanced stage of implementation or completion. The results of ex post evaluations should feed back into the

strategic budget decisionmaking process and, at the same time, boost transparency and accountability for the management of stewardship of public funds.

- 'Due to the complex relationship between budget resources and results the job of evaluation should involve both technical and budget experts. The reasons for under or over performance may be due to policy choices, programme design, programme management, external factors beyond management control or inappropriate selection of indicators that do not accurately reflect performance. All these factors need to be examined in order to identify the appropriate actions needed.'
- 'Good practice is that budget regulations require that all spending programmes should be evaluated on a rolling basis. High value, high risk and politically important programmes should be prioritised. The CBA should provide central guidance on evaluation policy and standards.'
- 'Good practice also dictates that there should be a requirement that evaluation findings are factored into the budget decision-making process.'

'Spending reviews are now commonly used in OECD countries and have established their value as a component of a performance-based approach to budgeting. Their twin aims are to scrutinise the purposes and value of existing programme expenditures and to improve their efficiency or to create fiscal space for new priority spending initiatives.

- To be effective, spending reviews must be backed by sufficient authority to overcome forces of inertia and entrenched interests and bring about significant reallocations of resources and/or efficiency improvements, where justified.'
- The structure and conduct of spending reviews differs among countries and from year to year, reflecting the political sensitivity of the exercise and cuts to established budgets. For this reason it is generally difficult to establish systematic links between spending reviews and performance budgeting. However, the general principle is clear that the results of any spending reviews carried out will be a key input to the budget. Equally the budget information generated by performance budgeting, including programme definition, and identification of performance indicators and targets is very helpful to those conducting spending reviews, looking for less effective programmes and poor value for money.'

Best practice principles for reviewing the stock of regulation (2020)

Building on the OECD 2012 Recommendation on Regulatory Policy and Governance, best practice principles have been devised in relation to **ex post evaluation of regulations**.

Overarching principles are

- Regulatory policy frameworks should explicitly incorporate ex post reviews as an integral and permanent part of the regulatory cycle.
- A sound system for the ex post review of regulation would ensure comprehensive coverage of the regulatory stock over time, while "quality controlling" key reviews and monitoring the operations of the system as a whole.
- Reviews should include an evidence-based assessment of the actual outcomes from regulations against their rationales and objectives, note any lessons and make recommendations to address any performance deficiencies.

Other principles deal with **system governance**:

- There need to be oversight and accountability systems within government administrations to ensure that key areas of regulation are not missed and that reviews are conducted appropriately.
- There are benefits in institutional arrangements that combine oversight of the processes for ex ante as well as ex post evaluation processes, and that do so across the whole-of-government.
- The type of ex post review, and its timing or “trigger”, are best determined at the time regulations are made.
- Departments and agencies should provide advance notice of forthcoming reviews of regulation (ideally in the form of an annual “forward regulatory review plan”).
- There should be explicit provision in agency budgets to cover the costs of reviewing regulations for which they are responsible.

Further principles are supporting **broad approaches to reviews**:

- A “portfolio” of approaches to the ex post review of regulation will generally be needed. In broad terms, such approaches range from programmed reviews, to reviews initiated on an ad hoc basis, or as part of ongoing “management” processes.
- For regulations or laws with potentially important impacts on society or the economy, particularly those containing innovative features or where their effectiveness is uncertain, it is desirable to embed review requirements in the legislative/regulatory framework itself. Sunset requirements provide a useful “failsafe” mechanism to ensure the entire stock of subordinate regulation remains fit for purpose over time. Post-implementation reviews within a shorter timeframe (1 to 2 years) are relevant to situations in which an ex ante regulatory assessment was deemed inadequate (by an oversight body for example) or a regulation was introduced despite known deficiencies or downside risks.
- Public “stocktakes” of regulation provide a periodic opportunity to identify current problem areas in specific sectors or the economy as a whole. Stocktake-type reviews can also employ a screening criterion or principle to focus on specific performance issues or impacts of concern. “In depth” public reviews are appropriate for major regulatory regimes that involve significant complexities or interactions, or that are highly contentious, or both. “Benchmarking” of regulation can be a useful mechanism for identifying improvements based on comparisons with jurisdictions having similar policy frameworks and objectives.
- There need to be mechanisms in place that enable “on the ground” learnings within enforcement bodies about a regulation’s performance to be conveyed as a matter of course to areas of government with policy responsibility. Regulatory offset rules (such as one-in one-out) and Burden Reduction Targets or quotas need to include a requirement that regulations slated for removal, if still “active”, first undergo some form of assessment as to their worth. Review methods should themselves be reviewed periodically to ensure that they too remain fit for purpose.

With respect to **the governance of individual reviews**, the OECD says:

- The governance and resourcing of reviews, and the approaches employed, need to be proportionate to the nature and significance of the regulations concerned. While needing to be cost-effective, arrangements should be such as to facilitate findings that are sufficiently well supported to be publicly credible.

- For many regulations, evaluations will be best conducted within the departments or ministries having policy responsibility. Enforcement bodies normally should not conduct reviews themselves, but are uniquely placed to offer relevant information and advice and should be closely consulted.
- The more “sensitive” a regulatory area, and the more significant its economic or social impacts, the stronger the case for an “arm’s-length” or independent review process. This in turn requires, at a minimum, that those leading a review are not beholden to the agency concerned, and have no perceived conflicts of interest.
- Transparency is paramount for in-depth reviews. Reviews should be publicly announced, with scope for stakeholder input (see Public consultation) and the findings/recommendations as well as the government’s response made publicly available.

Key questions to be answered in reviews are:

- **Appropriateness:** reviews should address as a threshold question whether a valid rationale for regulating still exists.
- **Effectiveness:** reviews should determine whether the regulation (or set of regulations) actually achieves the objectives for which it was introduced.
- **Efficiency:** reviews need to determine whether regulations give rise to unnecessary costs (beyond those needed to achieve the regulatory goal) or other unintended impacts
- **Alternatives:** reviews should consider whether modifications to regulations, or their replacement by alternative policy instruments, are called for.

On **methodologies** the best practice principles state:

- Evaluations should be conducted within a cost-benefit framework that firstly identifies and documents impacts of relevance and then assesses their relative magnitudes.
- Quantification should be encouraged where feasible, as it brings additional rigour to assessments of impacts and potential outcomes.
- Data requirements are best considered at the time a regulation is being made, as part of wider consideration of the type of ex post review that would be most appropriate.
- The observed impacts of a regulation should ideally be compared with “counterfactuals” – how things might have turned out otherwise.

On **public consultation** the best practice principles state:

- All reviews should involve consultations with affected parties, and to the extent possible, be accessible to civil society.
- The nature and extent (coverage, duration) of consultations should be proportionate to the significance of the regulations and the degree of public interest or sensitivity entailed.

On **prioritisation and sequencing:**

- High priority should be given to reviewing regulations that have a) wide coverage across the economy or community and b) potentially significant impacts on citizens or organisations – i.e. “breadth and depth” – and for which there is c) prima facie evidence of a “problem”.
- Attention to sequencing can be important to maximise the realised gains from reforms.

- There are benefits in reviewing regulations as a group, rather than in a piecemeal fashion, where they are interactive or operate jointly to achieve related policy objectives.

On **capacity building**:

- Having in-house capability in evaluation and review methods is essential, both in order to conduct reviews internally as well as to oversee those commissioned externally.
- Capacity enhancement needs to be pursued through the training of existing staff as well as through recruitment, with on-the-job learning an important element.
- Consultants can usefully supplement the expertise available within government, but how they may best contribute in specific cases needs careful consideration, and they should not be over utilized to the detriment of internal capability.

On **committed leadership**:

- Support from political leaders is essential to the establishment and ongoing effectiveness of systems for the ex post review of regulation.
- Senior officials within the bureaucracy need to promote a culture of evaluation within their organisations and be vigilant in ensuring that good practice is actually followed “on the ground”.

Draft OECD Best Practices for Spending Reviews (2021)

These Best Practices highlight core features common to the successful use of Spending Reviews. They focus on how to carry out such reviews and are drawn from the experiences of OECD member countries.

The OECD proposes **seven Best Practices for Spending Reviews**:

- 1 Formulate clear objectives and specify the scope of spending reviews
- 2 Identify distinct political and public service roles in the review process
- 3 Set up clear governance arrangements throughout the review process
- 4 Ensure alignment with the budget process
- 5 Implement recommendations in an accountable and transparent manner
- 6 Ensure full transparency of spending review reports and the review framework
- 7 Update the spending review framework periodically

1/ Formulate clear objectives and specify the scope of spending reviews. The objectives and the scope of a spending review are determined at the beginning of the review process:

- The *objectives* of a spending review must be clear. This may include a reduction in overall spending, a shift in spending from one government priority to another, or to make specific spending more effective. Different objectives shape the structure of the review process and the roles of participants;
- The *Terms of Reference* should clearly express the objectives, scope, the main tasks, governance structure and access to information, deliverables, timetable and milestones, as well as the resources available for a review. They should be available publicly.
- A *clear scope* means that governments should implement a recurring, or periodic approach, to spending reviews. This allows a government to schedule the programmes it will review each year (since is not feasible to review all areas of government spending in-depth every year) and provides time to implement the findings from a review before repeating a subsequent review.

- There are *trade-offs* between a broad and a narrow scope of spending reviews. A broad scope can increase the breadth of analysis and increase stakeholder buy-in, and result in improved data availability and collaboration across ministries, but it may also constrain the development of deeper and more impactful analysis. Cross-governmental reviews can moreover be complex, as they involve multiple ministries, but they can also improve co-ordination and identify overlaps of ministries.

2/ Identify distinct political and public service roles in the review process: Senior political and administrative leaders perform complimentary yet distinct role in the spending review process:

- *Political leadership and support* is critical to ensure the viability and sustainability of spending reviews. This leadership is particularly important at the inception where the objectives and scope of reviews are set, and at the conclusion where final decisions on adopting recommendations are made. The incentives for a spending review can affect the level of political commitment to the review. If a spending review is to identify efficiencies to reallocate expenditure, political commitment is likely to be greater if the relevant minister and line ministry are to retain a proportion of the efficiencies identified in order to fund new priorities within that ministry.
- It is essential to effectively engage *line ministries* in the spending review process in order to promote the ownership and legitimacy of the conclusions of spending reviews, as well as to benefit from the information and expertise at their disposal. Public servants in the line ministry prepare the analyses and scenarios for a spending review and implement the recommendations adopted from spending reviews. This includes an active engagement by public servants in articulating the scope of the review, desired outcomes and outlining areas where ministerial involvement is needed.
- *The Ministry of Finance* performs a fundamental role in a spending review. It is involved at all stages and is responsible for the link between a spending review and the budget process. It is essential that Ministry of Finance staff have expertise in undertaking reviews and understand the challenges facing the line ministry being scrutinised. Likewise, it is important to build close collaboration with line ministries, both to enhance the capacity for conducting spending reviews and to create trust and a sense of ownership of the spending review process.

3/ Set up clear governance arrangements throughout the review process. Spending reviews have well-developed governance arrangements throughout the review process:

- A *clear governance structure* at all stages of the spending review process is essential for their success. Governance arrangements for spending reviews are articulated in the Terms of Reference. A two-fold governance arrangement should be formed whereby a steering group is assigned with overseeing the process, and a working group with carrying out the day-to-day operation of spending reviews.
- The *steering group* provides oversight during the review process. It brings findings and recommendations to the relevant ministers, who discuss the findings within the cabinet. The steering group also assigns tasks to the working group, and supervises and co-ordinates its contribution.
- The analytical capacity of a spending review is concentrated in *working groups*. They analyse topics according to the objectives of the spending review, prepare options based on efficiency, effectiveness, and value-for-money and propose recommendations to the steering group. Working groups consist of staff from the Ministry of Finance and relevant line ministries. External experts may also be involved in the working groups as appropriate.

- The governance arrangements and guidance materials are *available publicly*. A spending review is a resource-intensive process that involves many different people. Clear communication is crucial and underpins the integrity of the process.
- The public disclosure of the governance arrangements and guidance materials also helps to inform *stakeholders* of how they fit into the process.

4/ Ensure integration with the budget process. Spending reviews should be systematically integrated into the preparation of the government's budget.

- The spending review *timetable* should be planned so that findings are available in time for the budget formulation process so governments can compare merits of new spending proposals against changes to the composition of existing spending. This timeframe should be highlighted in the Terms of Reference for the spending review. Spending reviews should conclude within a relatively short period.
- A *medium-term horizon* (3-5 years) can enhance the effectiveness of spending reviews. Compared to a single year, longer time horizons increase the range of options governments can consider. In many instances, the findings from a spending review can only be implemented over the medium-term, such as redesigning the delivery of public services and proposing legislative changes. It is therefore important that the recommendation of a spending review are included in the government's medium-term expenditure framework.
- *Evaluations and performance information* can yield valuable information and should be available and used in the spending review process. Given that spending reviews are prepared within a short period, collecting additional information can be challenging, highlighting the importance of quality and availability of existing information and data. Likewise, spending reviews are an important mechanism to improve the availability and quality of the performance information considered during the budget preparation process.

5/ Implement recommendations in an accountable and transparent manner. Recommendations are an essential element of a spending review and bring the review to a conclusion.

- Spending reviews should conclude with *clear recommendations*. The recommendations are an essential element of a spending review and bring the review to a conclusion. In order to support the preparation of recommendations, the analyses that takes place in the working group may include scenarios and options for consideration.
- The *decision* on which recommendations to implement is taken by political leaders
- The relevant ministry (or ministries) is accountable for *implementing* the conclusions of spending reviews in co-ordination with the Ministry of Finance. Line ministries and the Ministry of Finance keep ministers informed of the progress on implementing decisions from spending reviews.
- It is essential for the Ministry of Finance to *monitor* the implementation of spending review decisions and hold line ministries accountable for delivering the agreed conclusions in full and on time.

6/ Ensure full transparency of spending review reports and the review framework. The results of a spending review are implemented and monitored in a transparent manner.

- The *final reports* from spending reviews should be available publicly along with the final decisions adopted from the reviews. This facilitates their effective implementation and

increases transparency around budget decisions. Transparency supports the integrity, accountability, and oversight of spending reviews. The

- *Clear communication* is crucial and underpins the integrity of the process. A new spending review should include an announcement of its high-level objectives and the areas of expenditure to be examined. It should be accompanied by the review's terms of reference and other guidance materials.

7/ Update the spending review framework periodically. The spending review process is reviewed periodically to incorporate learning effects and reflect new developments.

- A spending review framework should be *reviewed periodically* to ensure it is performing as intended. An *independent* review considers how a spending review policy has performed over time relative to its objectives, and analyses whether the framework needs to be updated. It should take stock of changes to the environment in which it operates as well as reflecting on strengths and potential weaknesses observed within the current spending review framework.
- In addition to such a fundamental review at certain intervals, each individual spending review should *identify lessons* from its experience that can inform future spending reviews within the government's existing policy guidance.

Draft Recommendation in Public Policy Evaluation (2022)

This draft Recommendation of the Council on public policy evaluation aims to help governments promote the use of evaluations in public policy and decision-making. It builds on the evidence base established by the OECD over several decades as well as in country reviews and engagement. The draft focuses at promoting a systemic approach to public policy evaluation to make sure that evaluation becomes part and parcel of the policy-cycle.

The draft Recommendation presents **7 principles** for the governance of public policy evaluation, under three mutually reinforcing pillars: **institutionalisation, quality and impact**. In particular the OECD recommends that governments should:

1. Conduct and use evaluations across government ensuring that they are **carried-out in a systematic manner** and that their **results are used** in policy and budgetary decision-making. In particular, Adherents should:

- Designate *evaluation champions* to coordinate evaluations across institutions and advise on best practices to promote their quality and use.
- Define and assign *institutional responsibilities* for conducting policy evaluations.

2. Foster a culture of evaluation by promoting demand for, and ownership of, evaluations within and beyond the executive. In particular, Adherents should:

- Promote the role of both internal and external, national and international, *knowledge brokers* to strengthen the relationship between evidence from evaluations and its users, including citizens.
- Offer opportunities for the *legislative body* to review and discuss policy evaluations.

3. Actively plan, design and manage evaluations so that they are timely and proportionate to the intended objectives, taking into account the needs of the primary users and the types of intended uses, and ensuring that results can be trusted by stakeholders. In particular, Adherents should:

- Plan evaluations early by *building provisions for evaluations into public interventions from the start*, in order to improve their policy design, collect data on their implementation, and ensure that evaluation results are robust and available in a timely fashion.
- Design and implement evaluations that are *proportionate and appropriate* for the likely use, by adapting the aim and scope of the evaluation, its format and resources, to the needs of the its primary users and the types of intended uses.
- *Engage relevant stakeholders* in the evaluation processes from the outset in order to create ownership for change and trust in evaluation results.

4. Establish quality standards and mechanisms for evaluations to generate **robust and credible evaluation results** that can be trusted and used with confidence. In particular, Adherents should:

- *Develop guidelines* to ensure that evaluation designs, data collection processes and analytical methods, adhere to methodological best practices.
- *Adopt professional and ethical standards* for evaluators to ensure that they meet high criteria for knowledge of evaluative methods, integrity and independence, and safeguard the dignity, rights, safety and privacy of participants and other stakeholders when they conduct evaluations.
- Promote the *functional independence of evaluations*, by safeguarding the autonomy of external evaluations through oversight of the commissioning and evaluation processes, and by providing internal evaluations team with a high degree of autonomy in the use of available resources and in deciding what studies to conduct and how.
- Ensure that evaluations are able to *withstand external scrutiny*, such as through peer review, and that they can be assessed against pre-defined quality criteria.

5. Develop **institutional skills and capacities** to conduct and commission evaluations effectively and in a credible manner. In particular, Adherents should:

- Build *public service skills for evaluation* by conducting regular training, recruiting and retaining employees with the adequate skills or collaborating with academia, the private sector and other jurisdictions to improve the availability of these skills.
- Ensure the availability of high quality, timely, accessible and re-usable statistical and administrative *data for policy evaluation*.
- Provide institutions in charge of managing, carrying-out and using policy evaluations with *appropriate resources*.

6. Establish institutional mechanisms to **embed evaluation in decision-making processes**, both at the organisational level and across government. In particular, Adherents should:

- Provide high-level guidance, such as in *a legal or policy framework or a multi-annual evaluation agenda*, on when to conduct policy evaluation and what type of evaluation is needed, in order to adapt the timing of evaluations to feed into decision-making processes, focus the analysis where it is most needed, co-ordinate efforts for cross-sectorial evaluations, and avoid overlaps.

- Incorporate the use of evaluation results into decision-making including through *the policy-making and the budgetary process*.
- Establish *follow-up mechanisms for decision-makers* to respond to the results of evaluations, by defining a course of action where relevant, and assigning responsibilities for implementing and tracking recommendations.

7. Provide **easy access to evaluations** and present the findings deliberately in order to improve the uptake of evaluation results. In particular, Adherents should:

- Make the result of evaluation findings and recommendations *public*.
- *Tailor* the way evaluation evidence is presented and communicated to its potential users, in terms of timing, communication channel, format and messaging, by developing a dissemination strategy.
- Make use of *evidence synthesis* methodologies to aggregate evaluation findings and assess them in a systematic manner.

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