

Eurogroup statement – Thematic discussions on growth and jobs Common principles for improving expenditure allocation

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 workstream on the exchange of best practices and lessons learnt on spending reviews undertaken in euro area Member States. The Eurogroup expects to revisit this workstream on a regular basis starting in the first half of 2017, drawing on further experiences made in Member States.