

## **PART III Expenditure Reform**



## Overview

Each year the Expenditure Report provides an update on reforms in the area of budgeting and expenditure management. In the last number of years considerable progress has been made in developing structural and procedural reforms but there remain challenges in ensuring that newly introduced initiatives are implemented effectively. This Part of the Report outlines progress made during 2015 to further embed the expenditure management reforms of the last number of years. It also describes two new initiatives introduced in 2015 – the Spring Economic Statement and the National Economic Dialogue – which have contributed to the preparation of Budget 2016.

## Managing Public Expenditure

Last year's Comprehensive Expenditure Report (CER) highlighted the continued commitment to ongoing reform of the public expenditure management framework in Ireland, including in the areas of programme expenditure appraisal, management and evaluation.<sup>46</sup> Comparing the progress made over the previous four years or so against the OECD's guiding principles on good practice in the area of national budgeting<sup>47</sup>, the CER found that Ireland compares well internationally. Whilst this strong performance and progress in putting the key building blocks in place is very welcome, it is important to keep a focus on the implementation of the reforms so as to ensure that a culture of evaluation and value for money becomes more deeply embedded across Government Departments and State Agencies.

Building on the work to date in developing and launching the new Public Spending Code and preparing supplementary technical appraisal and evaluation guidance, attention in the year ahead will move beyond the redesign and rebuilding of the appraisal/evaluation architecture and will focus on steps to help normalise and maintain good practice across the system. This will be achieved through three key strands:

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<sup>46</sup> Department of Public Expenditure and Reform (2014), *Comprehensive Expenditure Report 2015 – 2017*, Dublin.

<sup>47</sup> OECD (2013), *Principles of Budgetary Governance*, Paris. The draft principles became official recommendations in February 2015.

- Delivering on the Government's new three-year Value for Money Programme, which will involve over 40 expenditure evaluations.
- Further recruitment of graduate economists and continued professional development of the expert capacity already built up by the Irish Government Economic and Evaluation Service.
- Promoting implementation of the Public Spending Code through training across Government Departments and Agencies.

### **Public Spending Code and the Value for Money Review Programme**

Building capacity and embedding a culture of evaluation is critical to ensuring that the State is able to maximise the impact of Government spending, both on current expenditure programmes and capital projects. The principal reference document is the Public Spending Code, which sets out the evaluation and value for money obligations for Departments.<sup>48</sup> The Code's approach is based on employing good practices at all stages of the expenditure life cycle, and it contains guidance on how to comply with these obligations. Information is provided on public spending appraisal, planning, design, management and evaluation requirements from the beginning to the end of a project, programme or proposal.

It is the responsibility of each Department, under the Public Spending Code, to ensure compliance with the prescribed value for money requirements and to verify this on an annual basis, by way of a self-assessed quality assurance process. Departments are also responsible for developing their own sectoral appraisal guidance where more detailed and sector specific technical evaluation standards are needed. In support of this, the Irish Government Economic and Evaluation Service is helping Departments to develop and build their capacity and expertise in the area of economic evaluation.

As a further part of the expenditure evaluation regime, and as part of the reformed multi-annual budgetary framework, Government Departments are required to undertake programmed reviews of a selection of spending initiatives and projects under their auspices

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<sup>48</sup> Available at – <http://publicspendingcode.per.gov.ie>

on a rolling basis over a three year cycle. The outcome of these Reviews provides part of the evidence base to underpin the periodic, system-wide comprehensive reviews of expenditure.<sup>49</sup>

In July 2015, the Government agreed one of most comprehensive Value for Money Review Programmes in recent years, identifying over 40 separate programme areas to be examined over the three year period 2015 to 2017. The Value for Money Reviews and Focused Policy Assessments will be carried out by Government Departments in accordance with the provisions of the Public Spending Code.

The following information box presents a Departmental breakdown of the expenditure areas that will be subject to examination under the Value for Money Review Programme 2015-2017. Over the course of the Programme, there is some scope to reschedule or substitute some of the areas to reflect changes in Departmental priorities, if appropriate. In a small number of cases there is further work to be carried out to determine the specific programme areas to be reviewed.

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<sup>49</sup> Under the expenditure management reforms introduced in 2011, there is a commitment to undertake a Comprehensive Review of Expenditure (CRE) on a regular basis, typically every three years. The first CRE was conducted in 2011 and the second in 2014. The outcome of these reviews were published in the Comprehensive Expenditure Report 2012-2014 (November 2011) and the Comprehensive Expenditure Report 2015-2017 (October 2014) respectively.

## Proposed Evaluation Topics – 2015 to 2017

### *Department of Agriculture, Food and the Marine*

- Animal Health and Welfare
- Rural Development Programme (Beef Genomics Programme)
- Rural Development Programme (TBC)

### *Department of Arts, Heritage and the Gaeltacht*

- Turf Compensation Scheme
- Transport Services to Islands
- Cultural and Economic Return from Culture Ireland

### *Department of the Environment, Community and Local Government*

- Housing Regeneration
- Social Inclusion and Community Activation
- International Commitments – Met Éireann

### *Department of the Communication, Energy and Natural Resources*

- Geological Survey Ireland's Tellus Capital Project
- Schools Broadband
- Energy Efficiency Schemes

### *Department of Children and Youth Affairs*

- Overhead Fees
- Two from the following three:
  - Resource Allocation – Programme Expenditure for children in Ireland
  - Pre-school Mentoring Programme
  - Efficiency & Delivery of certain Adoption Services

### *Department of Education and Skills*

- Four evaluation topics to be confirmed.

### *Department of Foreign Affairs and Trade*

- Review of the Bilateral Mission Network in the USA
- Global Funds as an instrument/mechanism for delivery of Ireland's aid policy objectives

### *Department of Finance*

- Comptroller & Auditor General related topic (TBC)

### *Department of Health*

- Four from the following:
  - Agency expenditure in the health sector
  - Nursing Home Care Costs - Comparisons of public and private care
  - Scheduled Care Delivery
  - Advanced Nurse Practitioners
  - Prescribing
  - Drugs Reimbursement Policy

## Proposed Evaluation Topics – 2015 to 2017

### *Department of Justice and Equality*

- Garda contracts for towing seized vehicles
- Prisoner escorts
- eGovernment in the Property Registration Authority
- Criminal Courts of Justice

### *Department of Jobs, Enterprise and Innovation*

- Evaluation of Enterprise Ireland's Lean Transform Programme
- Review of the enterprise agencies network of Overseas Trade and Investment Offices
- Evaluation of Seed and Capital Venture Fund Supports
- Ireland's membership of International Research Organisations

### *Department of Public Expenditure and Reform*

- A number of studies (topics TBC) relating to expenditure policy areas including cross cutting issues across Government programmes.

### *Department of Social Protection*

- JobBridge
- JobPlus
- Job Seeker's Transitional Payment

### *Department of the Taoiseach*

- Support for Irish personnel in EU and other international organisations

### *Department of Transport, Tourism and Sport*

- Road Safety
- Sports Capital Grant Funding Scheme
- Regional Cities Traffic Management Grants and Greater Dublin Area Sustainable Transport Grants

Note: These topics represent the agreed reviews for the period 2015 to 2017. It is possible for Departments to substitute new topics in their place if there is a strong rationale for doing so having regard to policy relevance, impact, feasibility, timing, etc.

## Irish Government Economic and Evaluation Service (IGEES)

Since the establishment of the Irish Government Economic and Evaluation Service in 2012 there has been a strong central focus on putting the necessary management, staff and training structures in place and on recruiting economists and other graduates with relevant specialist skills.<sup>50</sup>

IGEES units and staff are now operating across Government Departments. The output from IGEES spans a very broad spectrum of government policy issues including macro-economic forecasting, taxation, climate change, health policy, public expenditure, energy, transport and labour market activation.<sup>51</sup> This reflects the range of work across the Departments to which IGEES staff are assigned. Some areas of recent or present examination by IGEES include:

- Agriculture: economic analysis for the new 2025 Agri-Food Strategy and a review of marine taxation
- Climate Change: EU Climate and Energy Framework 2030
- Energy: appraisal of energy smart metering
- Expenditure: parameter values for appraisal and evaluation
- Fiscal and Expenditure: Budget 2016 and Capital Plan 2016-2021
- Health - analysis of measures to encourage the provision of nursing home facilities
- Social Protection - econometric evaluation of the Back to Work Enterprise Allowance
- Market Economy - economic analysis of the petrol and diesel market in Ireland (in collaboration with the ESRI)
- Taxation: micro-economic aspects of taxation

The IGEES work programme for 2016 will include many of the Value for Money reviews outlined earlier. The work programme will also include policy evaluation papers and policy research programmes, some of which will be carried out in conjunction with external bodies such as the ESRI and the OECD. Open policy discussions and seminars and service wide training events will also feature strongly.

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50 For further information see First Report on the Irish Government Economic and Evaluation Service 2012-2014: Report to the Minister for Public Expenditure and Reform from the IGEES Oversight Board, January 2015. <http://igees.gov.ie/wp-content/uploads/2015/03/IGEES-OVERSIGHT-BOARD-REPORT-TO-MINISTER-2012-2014.pdf>

51 Many outputs from IGEES are published on its website – <http://igees.gov.ie>

The next significant structural step in organising the expert analytical capacity within the Civil and Public Service will be the development of an Irish Government Statistical Service (IGSS). This proposal is being sponsored by the Central Statistics Office with the support of the Department of Public Expenditure and Reform. Working closely with IGEES, the new Government Statistical Service – when it is up and running – will be charged with enhancing the use of statistics in policy formulation and evaluation. A key ambition of the proposed close collaboration with IGEES will be to support the development of better data analytical skills across the Government system and help turn "data and statistics" into "information and knowledge." This proposed new Service will also help deliver on the goals of the recently published National Statistics Board's 2015-2020 Strategy<sup>52</sup> and, in particular, provide the necessary technical support for all producers of Irish official statistics as they adopt the new Irish Statistical System Code of Practice.<sup>53</sup>

## **Spring Economic Statement and the National Economic Dialogue**

During 2015 the Government introduced two new components to its multi-annual budget management framework. In April, it produced the first Spring Economic Statement as a policy statement of economic and fiscal policy in the context of framing the strategy for the forthcoming Budget. In July, Government engaged in a National Economic Dialogue with representatives of many strands of civil society including the Opposition, business groups, unions and the community and voluntary sector. These innovations were introduced to facilitate an open and frank discussion about Ireland's new fiscal context, and the challenges, priorities and options available for Budget 2016 and beyond. They also represent a further development of the whole-of-year budgetary cycle.

### **Spring Economic Statement**

The Spring Economic Statement outlined the multi-annual fiscal parameters that would frame expenditure and tax policy measures for the years 2016 to 2018.<sup>54</sup> Within this medium term outlook, the SES envisaged that the package available for additional Budget day measures

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52 National Statistical Board (2015), A World Class Statistical System for Ireland, Dublin.

53 Central Statistics Office (2013), Code of Practice for Official Statistics, Dublin.

54 Department of Finance and Department of Public Expenditure and Reform (April 2015), Spring Economic Statement, Dublin.

would be within the range of €1.2 billion to €1.5 billion, and the Government agreed that this would be shared equally between taxation and expenditure.

## **National Economic Dialogue**

Following on the Spring Economic Statement, the Government asked the Department of Public Expenditure and Reform and the Department of Finance to host a National Economic Dialogue in advance of Budget 2016 to engage a broader audience in the public policy debate, with discussions to focus on the medium term policy choices available to the Government within the fiscal parameters and on how to accommodate the many demands and pressures for increased resources.

The event involved a broad range of delegates who convened in Dublin Castle in July for a two-day discourse to consider key public policy challenges facing Ireland for Budget 2016 and over the medium to long term. In the context of the limited fiscal space available to the Government, as outlined in the Spring Economic Statement, the issues tackled by delegates included medium term fiscal policy (the share of tax and spending), balanced regional and rural development, climate change, equality, housing needs and child care provision.

Among those present, there was consensus on the validity and appropriateness of keeping expenditure and tax measures within the broad medium term fiscal parameters set out by the Government in the Spring Economic Statement. There was some divergence in views on how this fiscal space should be shared between tax and spending measures, with discussions on the merits and drawbacks of increasing taxes to fund additional spending on public services proving inconclusive. The National Economic Dialogue contributed to a shared understanding of Ireland's fiscal position and the context for framing future budgets. The discussion informed the Government's deliberative process on Budget 2016 and its decisions on the resource allocations, as set out in this Report.<sup>55</sup>

## **Conclusion**

In the area of expenditure and budgetary reform, there has been a great deal of progress and success over a relatively short timeframe. Ireland's appraisal and evaluation infrastructure

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<sup>55</sup> National Economic Dialogue documents, including background papers, presentations and summary reports are available at <http://www.budget.gov.ie/Budgets/2016/NED.aspx>

now ranks among the most developed in the OECD, IGEES has considerable capacity and is increasingly having a positive impact on the quality and depth of policy analysis, and the new developments in 2015 of the Spring Economic Statement and the National Economic Dialogue have added another dimension to medium term economic and fiscal planning. These recent initiatives add to the programme of reforms to the budgetary architecture introduced over the last few years. A central challenge for the period ahead is to consolidate and improve upon all these advances, including progressing new initiatives such as the Irish Government Statistical Service and retaining a strong focus on better public policymaking.