



## Spending Reviews

### Manual\_2\_ Implementation of selected policy options & monitoring of results

Project 23PT41 - Supporting the implementation of spending reviews in Portugal, funded by the European Union, with the technical support from OECD.

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# VERSION

## Version 1

The Manual 2 on Implementation of selected policy options & monitoring of results of spending reviews (the Manual) was approved by the General coordination team on 14<sup>th</sup> June 2024.

It will be updated regularly to remove or add templates as needed.

Users are therefore encouraged to consult regularly GPEARl and DGO's websites to ensure that their knowledge remains up to date.

# LIST OF ABBREVIATIONS

DGO	Budget Directorate of the Portuguese Ministry of Finance
GCT	General Coordination Team
GPEARl	Office for Economic Policy and International Affairs
MTBF	Medium-term Budgeting Framework
MTEF	Medium-term Expenditure Framework
PTMT	Permanent Technical Monitoring Team
TOR	Terms of reference
TT	Thematic Team

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# A. Introduction

## A1. Purpose of the Manual

This Manual is intended to provide detailed guidance on the implementation of policy options selected by GCT and monitoring of their results, as part of the spending review framework established by the Ministerial Order No 7690/2023 issued on 25 July 2023 (the Ministerial Order).

## A2. Definition of spending reviews

Spending reviews consist in systematically analysing the government's existing expenditure (or baseline) to:

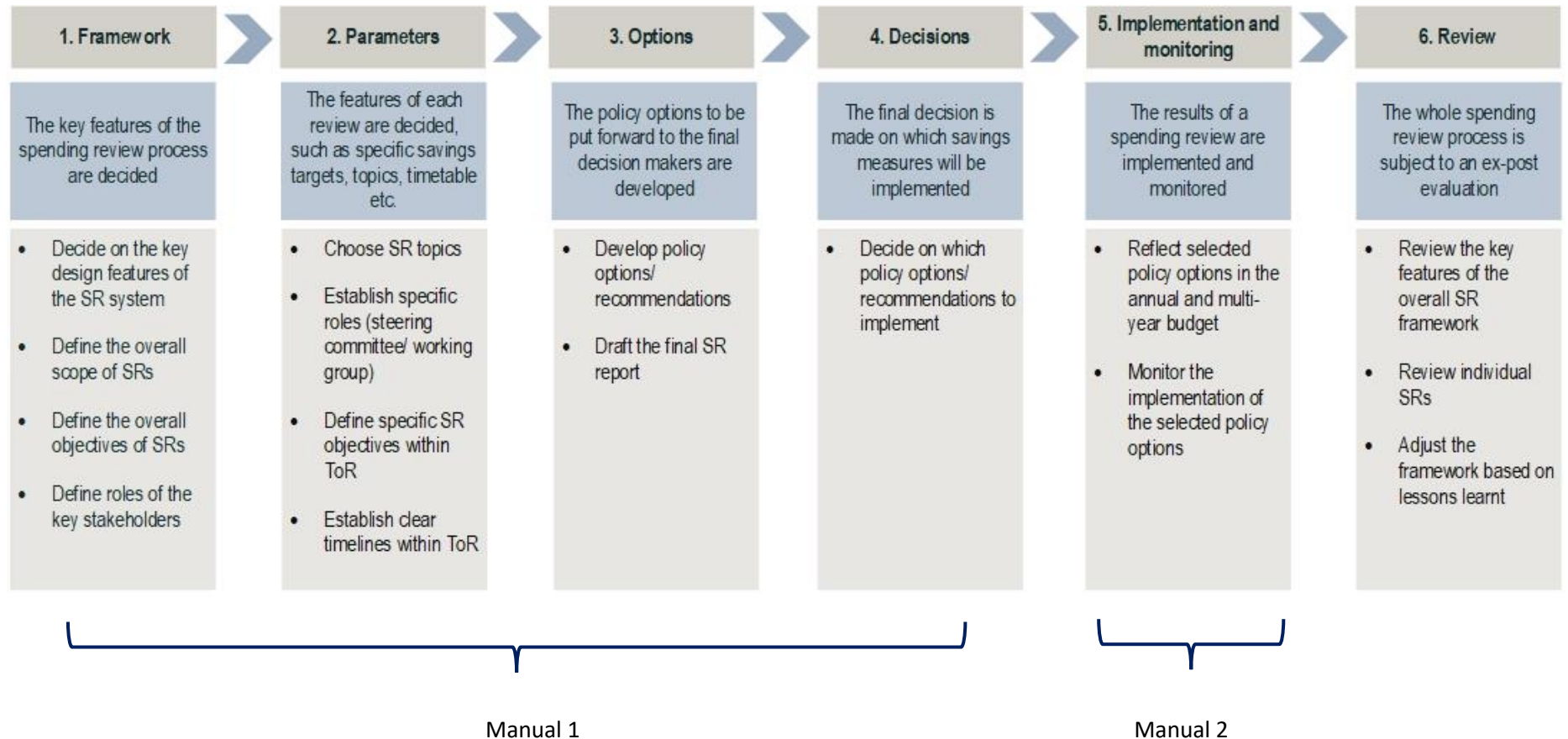
- Enable the government to manage the aggregate level of expenditure: Using the spending review process to help the government meet its spending goals such as by identifying policy areas for spending cuts.
- Align expenditure according to the priorities of the government: Using the spending review process to reallocate spending within policy areas or from one area to another.
- Improve effectiveness within programmes and policies: Using the spending review process to make specific spending programmes more effective such as by identifying options to improve programme effectiveness and impact.

## A3. Stages of spending reviews

Spending reviews typically contain six stages:

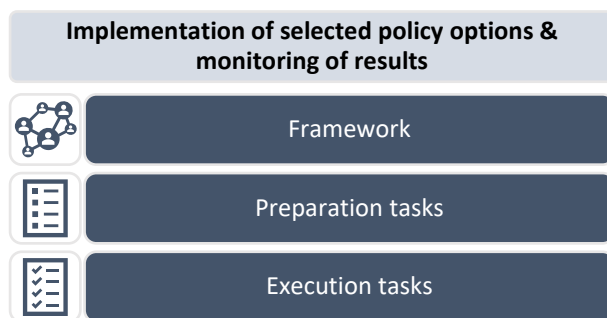
- The framework stage where features of the spending review process are decided.
- The parameters stage where features of annual spending reviews' rounds are decided, including the topics for reviews, timetable, etc.
- The reviews stage (also called options stage) where reviews' reports, including options, are developed and put forward for final decision making.
- The decisions stage where final decisions are made by the political level based on the options developed in the previous stage.
- The implementation and monitoring stage where the decisions are implemented, and their outcomes monitored.
- The review stage where the whole process, including the framework, is subject to an ex-post evaluation.

## Stages of spending reviews

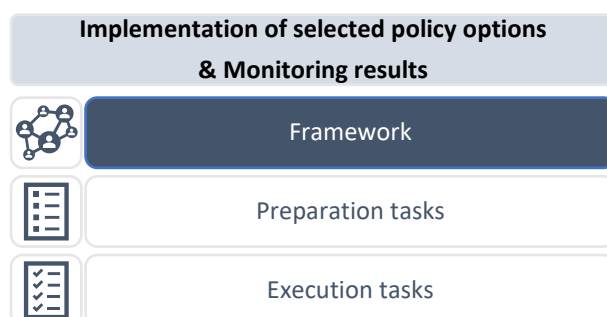


## A4. Structure of the Manual

This Manual is structured into three chapters as follows:



## B. Framework



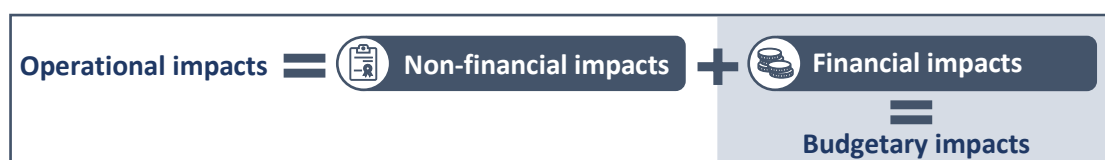
### B1. Impacts of spending reviews

Spending reviews may have two types of impacts: budgetary and operational.

**Budgetary impacts** are revisions to budget figures, done after policy options are selected for implementation.

**Operational impacts** are changes to policies and programmes, also done after policy options are selected for implementation. They generate in turn:

- **Financial impacts** that are changes in spending levels estimated in individual spending reviews' final reports. Cumulated financial impacts should be equal to cumulated budgetary impacts.
- **Non-financial impacts** that are all other types of changes – e.g., to service levels or efficiency - estimated in individual spending reviews' final reports.



### B2. Responsibilities

The Ministerial Order that serves as a regulatory anchor for the spending reviews framework establishes a governance structure that is three-tiered, involving a General Coordination Team (GCT), a Permanent Technical Monitoring Team (PTMT) and Thematic Teams (TTs).

The Ministerial Order specifies that "it is the responsibility of the entities of the Ministry of Finance, in accordance with their respective legally foreseen tasks and competences (...) to monitor and evaluate the implementation of policies (...)".

The Ministerial Order specifies that it is the PTMT, within the Ministry of Finance, which is responsible for "monitor(ing) the implementation of spending review exercises".

Further, responsibility for revising budget figures lies with the Office for Economic Policy and International Affairs (GPEARI) and the Budget Directorate of the Portuguese Ministry of Finance (DGO), in accordance with their respective legally foreseen tasks and competences.

Responsibilities for operational implementation of spending reviews are not specified in the Ministerial Order. They derive from the spending reviews reports and should lie with one or more entities within individual ministries (e.g., directorates general, agencies), which are called in this Manual Spending review implementation stakeholders (SRI stakeholders).



## B3. Tools of Monitoring

Monitoring of implementation of selected policy options relies on two tools:

- a bridge table for budgetary impacts and
- a dashboard for non-financial and financial impacts.

### **Bridge Table**

In the context of the budget cycle, bridge tables are typically used to explain to the change in a given budget figure from one year to another. The purpose of the budget bridge table is to break down and clearly illustrate how different factors contribute to the change.

Bridge tables are budgetary tools that can be adapted for the purpose of monitoring the results of spending reviews. The determination of the desirable format for a bridge table depends on available budget data and information needs.

When bridge tables are prepared in the context of spending reviews, as part of the budget cycle, these bridge tables should show explicitly the “impact of selected policy options” from spending review in the factors contributing to the changes in a given budget figure comparing to the baseline. Other factors to be disclosed in a bridge table typically include “baseline updates and re-costing” and “new policies” as shown in the illustrative bridge table below.



## Illustrative bridge table

	Y+1	Y+2	Y+3	Y+4
Aggregate in MTBF or MTEF (*)	1000	1000	990	995
Baseline update and re-costing (**)	+11	+9	+8	+8
New policies (***)	+5	+2	+1	0
Savings or reallocations from decided policy options (****)	0	0	-2	-5
Revised aggregate in MTBF or MTEF (*)	16	11	7	3

Notes:

\*As specified in previous year MTBF and MTEF.

\*\*According to the baseline methodology adopted.

\*\*\*According to the policy costing methodology adopted.

\*\*\*\*As specified in spending review final report.

## Dashboard

### What is the Dashboard

The *Implementation and Monitoring Dashboard* (“the Dashboard”) is used to monitor financial and non-financial impacts of spending reviews in the implementation phase.

### Which information goes into the Dashboard

The Dashboard includes all information on the implementation of the selected policy option that is specified in the spending review final report, such as:

- **Measures:** a measure is a distinct activity that addresses a component of implementation of the selected policy option – e.g., reduction in average unit cost of medical products.
- **Objectives:** an objective is a measurable financial or non-financial target for accomplishment of the measure.
- **Indicators:** qualitative or quantitative metrics that inform the performance of implementation towards an objective.
- **Planned Actions:** a planned action is a task – e.g., amendments made to legislation, the passing of new regulation, the renegotiation of contracts, the re-organisation of existing units/teams, or the creation of new units/teams.
- **Spending Review Implementation (SRI) stakeholders:** SRI are the entities responsible for implementing each measure or planned action – e. g., line ministry, directorate general or agency – that will be tasked to carry out.
- **Deadlines:** a deadline is the expected period of completion of implementing a specific measure as agreed between the PTMT and the SRI stakeholder.
- **Potential Risks:** foreseen challenge that could limit the impact of, delay or stop progress in implementation.

It is expected that spending review final report will include all relevant information to guide the implementation of the selected policy option.

However, when this is not the case (e.g., on potential risks), the PTMT, in accordance with its mandate on monitoring the implementation of spending reviews, exercises its judgement and includes the necessary information.

## What is the format of the Dashboard

The determination of the desirable content for the Dashboard applicable to each individual review is a responsibility of the PTMT. As such, the PTMT aims at striking an appropriate balance between achieving meaningful monitoring and minimising reporting burdens.

The Manual advises that the Dashboard includes:

- A Table of Financial Impacts, which lists expected financial impacts from the selected policy options and shows progress towards them.
- A Table of Performance (or Non-Financial) Impacts, which lists measurable non-financial indicators from the selected policy options and shows progress towards them.
- An Action Plan, which provides an overview of how implementation of the selected policy options will be carried out.

Templates to guide the preparation of the tables and action plans are provided in section B.5 below.

## B4. Implementation

**Implementation** takes place following the Decision stage of the spending review process in March. From this point, monitoring spending reviews will be an ongoing process until the completion of implementation.

Body	Activities	Timeline
Preparation tasks	Development of Dashboard.	March to May
	Modification of multi-annual budget forecasts.	March to April
Execution tasks	Implementation of measures.	From January
	Realisation of budget impacts.	During preparation of annual budget (May-September), and then on quarterly basis
	Internal reporting.	Quarterly basis

## B5. Templates

Table of financial impacts

	Y+1	Y+2	Y+3	Y+4
<b>1. Aggregate X (*)</b>				
Forecasted financial impact (*)				
Actual financial impact (**)				
<i>Difference (if any)</i>				
Replicate for budget lines Y, Z (*)				

Notes:

\*As specified in spending review final report.

\*\*As estimated by SRI stakeholders.

Table of non-financial impacts

Measure A (*)		Y+1	Y+2	Y+3	Y+4
<b>Objective A*</b>					
<b>Indicator 1.1</b>	Target*				
	Actual				
	<i>Difference (if any)</i>				

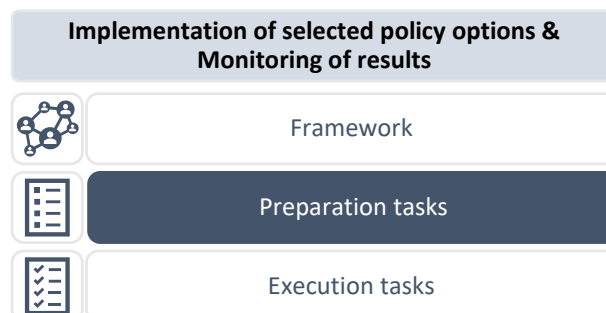
Notes:

\*As specified in spending review final report.

## Action plan

	Measure	Objective	Risks	Planned Action	Responsible entity	Deadline
Policy Option 1	<b>Measure 1:</b>  <i>[A Measure is a distinct activity that addresses a component of implementation of the selected policy option – e.g. Reduction in average unit cost of medical products]</i>	<i>[An Objective is a measurable financial or non-financial target for accomplishment of the measure..]</i>	<i>[Foreseen challenges that can limit the impact of, delay, or stop progress towards achieving the objective. Each identified risk also states a mitigation strategy when applicable.]</i>	<i>[A specific set of planned action(s) that can include (but not limited to) amendments made to legislation, the passing of new regulation, the renegotiation of contracts, the re-organisation of existing units/teams, or the creation of new units/teams.]</i>	<i>[The SRI Stakeholder that will be tasked to carry out each measure.]</i>	<i>[A Deadline is the expected year of completion of implementing a specific measure as agreed between the PTMT and the SRI stakeholder.]</i>
	<b>Measure 2:</b>					

## C. Preparation tasks



### C1. Introduction

Preparation tasks start immediately after a dedicated meeting of the GCT, with delegation authority from the Minister of Finance, State Secretary of the Budget and relevant Line Minister(s), has taken place with minutes specifying the selected option(s).

Who are the main stakeholders involved?

#### DGO

DGO revises budget figures in the Medium-Term Expenditure Framework (MTEF) within the Medium-term fiscal structural plans and Major Options Bill in accordance with selected policy options.

#### Focal points

Focal points are representatives of the SRIs who serve as the main point of contact for the PTMT.

Focal points serve as the main point of contact to the PTMT on input to and review of the Dashboard.

#### GPEARI

GPEARI revises budget figures in the Medium-Term Budget Framework (MTBF) within the Medium-term fiscal structural plans and Major Options Bill in accordance with selected policy options.

#### PTMT

The PTMT leads the preparation of the Dashboard and coordinates with SRI stakeholders.

#### SRI stakeholders

SRI stakeholders are consulted on the Dashboard.

What are the main activities to be implemented?

- Modification of budget figures.
- Designation of focal point(s).
- Development of a Dashboard.

## C2. Modification of budget figures

### Overview

☑ What	👤 Who	🕒 When
<ul style="list-style-type: none"><li>Inclusion of budget impacts from selected policy options in the MTBF and MTEF.</li></ul>	<ul style="list-style-type: none"><li>GPEARI</li><li>DGO</li></ul>	<ul style="list-style-type: none"><li>March to April</li></ul>

### Tasks

#### 1. GPEARI modifies budget figures in the MTBF

GPEARI ensures budget impacts of selected policy options are reported into the MTBF by 15 April.

GPEARI explain changes to relevant aggregates in the MTBF using a bridge table.

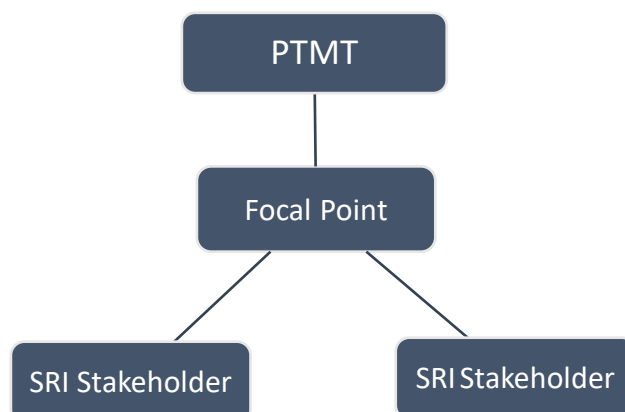
#### 2. DGO modifies budget figures in the MTEF

DGO ensures budget impacts of selected policy options are reported into the MTEF.

DGO explain changes to relevant aggregates in the MTEF using a bridge table.

## C3. Designation of focal point(s)

To ensure there are clear lines of communication on implementation of selected policy options, one or more focal contact point are identified as a representative for all relevant SRI stakeholders for communications with the PTMT. Typically, the focal points sit in a central role within the line ministry that has visibility over all SRI stakeholders relevant to the spending review. Ideally, the focal contact point has relevant knowledge of the spending review executed at the previous stage (e.g., a focal point can be an official who was a member of a TT).



## C4. Development of the Dashboard

### Overview

☑ What	👤 Who	🕒 When
<ul style="list-style-type: none"><li>• Agreement on Dashboard</li><li>• Establishment of lines of communication</li></ul>	<ul style="list-style-type: none"><li>• PTMT</li><li>• Focal Points</li><li>• SRI stakeholders</li><li>• GCT</li></ul>	<ul style="list-style-type: none"><li>• March to May</li></ul>

### Tasks

#### 1. The PTMT develops the Dashboard

The PTMT develops a Dashboard for each selected policy option in a shared database between the members of the PTMT and the SRIs.

Most of the information reported in the Dashboard is taken from the final spending review report, including:

- List of selected policy options (including their corresponding objectives, measures, actions, responsible SRI stakeholders and deadlines).
- Baseline calculations and expected budgetary effects for all corresponding budget lines.

The PTMT adds additional information as needed and consults the Focal Point if more information is required (e.g., performance indicators). The PTMT circulates the draft Dashboard with focal points by April at the latest.

#### 2. Focal points verify the Dashboard

Focal point(s) ensure that the Dashboard is aligned with the spending review report and review additional information included by the PTMT and comment if needed. In doing so, focal points consult SRI stakeholders as needed.

Focal points ensure that appropriate and traceable data sources for reporting against the Dashboard's elements are available (in particular for Objectives and Indicators) and advise the PTMT on how to find a jointly agreed solution if this is not the case. Specifically, focal points ensure there are agreements with the owners of the data and the level of frequency and detail data will be used for reporting on the dashboard. Focal points' feedback on the Dashboard is provided by May at the latest.

#### 3. The PTMT finalises and circulates the final Dashboard

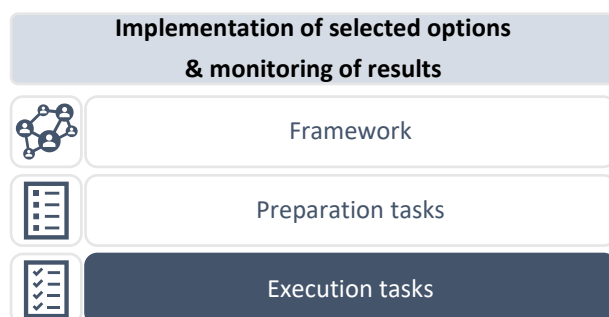
The PTMT organises consultations and meetings with focal points as needed; finalises the Dashboard; and circulates it to SRI stakeholders by end of May at the latest.

The PTMT also notifies focal points of internal reporting requirements, which may be on quarterly, biannual or annual basis.

#### 4. GCT addresses disagreements

In the unlikely case agreement on the Dashboard cannot be reached between the PTMT and SRI stakeholders, the GCT is required to settle the matter. The GCT consults the PTMT and SRI stakeholders and reviews the key points of disagreement. Upon review, the GCT makes a final decision on what information is to be incorporated in the final Dashboard.

## D. Execution tasks



### D1. Introduction

The **Implementation Tasks** begin after the GCT approves the selected policy options.

Who are the main stakeholders involved?

#### Focal points

Focal points are representatives of the SRIs who serve as the main point of contact for the PTMT.

Focal points serve as the main point of contact to the PTMT on internal reporting of implementation measures.

#### PTMT

The PTMT monitors the implementation of selected policy options based on internal reporting by SRI stakeholders and information shared by DGO.

#### SRI stakeholders

SRI stakeholders implement measures and report internally on a periodic basis to the Focal Point.

What are the main activities to be implemented?

- Implementation of measures.
- Reporting to PTMT on operational impacts.

### D2. Implementation of measures

Overview

☑ What	👤 Who	🕒 When
<ul style="list-style-type: none"><li>• Implementation of selected policy options</li><li>• Monitoring of implementation</li></ul>	<ul style="list-style-type: none"><li>• PTMT</li><li>• SRI stakeholders, including focal points</li><li>• GCT</li></ul>	<ul style="list-style-type: none"><li>• From April</li></ul>



## Tasks

### 1. Focal points monitor implementation

The focal point is responsible for overseeing implementation of each chosen policy options by the relevant SRI stakeholder and works to:

- Establish channels of communication.
- Specify quality requirements for information used to demonstrate financial and non-financial impacts – e.g., ensuring information submitted by each SRI stakeholders is traceable (e.g., data can be tracked to its original source).
- Establish internal timelines for the collection and reporting of data.
- Verify quality of data submissions.
- Formally checks-in with the PTMT on a quarterly basis, in line with reporting updates on the Dashboard.

### 2. SRI stakeholders implement measures




SRI stakeholders implement selected policy options according to the Action Plan in the Dashboard and are tasked with collecting relevant information to demonstrate financial and non-financial impacts over the course of the implementation period.

### 3. SRI stakeholders quantify financial and non-financial impacts from implementation of selected policy options

SRI stakeholders quantify the financial and non-financial impacts of the selected policy options over the course of budget execution, using a methodology consistent with the one used in the spending review final report for the calculation of the baselines and estimated savings. SRI stakeholders report to the focal point.

## D3. Reporting to PTMT on operational impacts

### Overview

 What	 Who	 When
<ul style="list-style-type: none"><li>• Making periodic updates on progress in implementation</li></ul>	<ul style="list-style-type: none"><li>• SRI Stakeholders, including focal points</li><li>• PTMT</li></ul>	<ul style="list-style-type: none"><li>• Quarterly</li></ul>

## Tasks

### 1. Focal point updates the Dashboard

Focal point(s) report on implementation of selected policy options in the Dashboard.

### 2. PTMT reviews submissions and compiles them.

The PTMT reviews the Dashboard and follows-up as needed. Follow-up requests can include a request to provide more clarity on specific updates, inconsistencies in what was previously reported or requests for more information that justifies delays in implementation.