



Ministry of Finance

Spending reviews in the Netherlands

Independently generating new policy options



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Brochure developed by the Strategic Analysis Unit of the Ministry of Finance of the Netherlands, as part of the Constituency Program of the Ministry of Finance of the Netherlands

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Introduction

A spending review is an internationally recognized tool for reviewing policy and the corresponding budget. There is a wide range of definitions and ways of working under that broad definition. The Organisation for Economic Co-operation and Development (OECD) defines a spending review as “a collaborative process of developing and adopting policy options by analysing the government’s existing expenditure within defined areas, and linking these options to the budget process.”¹

In the Netherlands, the spending review process is coordinated by the Inspectorate of the Budget at the Ministry of Finance, more specifically, the Strategic Analysis Unit (BSA). BSA collaborates with the OECD Public Management and Budgeting Division to share experiences and best practices. In addition, BSA regularly presents the Dutch evaluation framework and the process of Dutch spending reviews internationally. For example, BSA regularly provides technical assistance for the Constituency Programme of the Dutch Ministry of Finance.² Finally BSA occasionally shares their expertise bilaterally for countries conducting a reform programme, for example after obtaining funds from the European Commission.

This booklet sets out to support these efforts by describing the methods and considerations of the Dutch spending review practice.

¹ <https://www.oecd.org/governance/budgeting/2020-OECD-Spending-Review-Survey-Glossary.pdf>

² The Constituency Programme of the Dutch Ministry of Finance is a programme for technical cooperation with the countries that share the Dutch constituencies at the IMF, World Bank and EBRD.

Dutch Spending Reviews

In the Netherlands, the tradition of spending reviews stems from the ‘*comprehensive spending reviews*’ (Brede Heroverwegingen) introduced in response to the 1973 oil crisis and subsequent recession. These comprehensive spending reviews aimed to fundamentally reconsider all policies and their related public expenditure.

In the 1980s, annual “ordinary” spending reviews for specific policy areas were introduced in addition to the occasional comprehensive spending review. The position of these new spending reviews was strengthened by the introduction of a new governance structure, which was codified in a list of ground rules. This development was assisted by a high degree of political interest.

In the 1990s, when the need for large savings had declined, the focus of the reviews shifted from budget cuts to efficient management and doing “more with less”. This is when Dutch spending reviews acquired their current form.³

The current Dutch spending reviews are known as “IBOs” (*Interdepartementale Beleidsonderzoeken*) which translates to Interministerial Policy Research. This booklet will refer to Dutch spending reviews as IBOs to specify that this particular form of spending reviews is being described. The IBOs include an analysis of current policies and their corresponding budgets. This analysis is used to develop a range of policy options across the political spectrum. Politicians can then choose from these options. There is no fixed number of annual IBOs. In practice, there are about 3-7 per year, and in total well over 300 IBOs have been completed, on topics ranging from public transport to development aid. IBOs are praised for their strong institutional integration and their independence, which are enshrined in the ground rules. Figure 1 below provides some examples of IBOs.

³ PEMPAL BCOP (2022), Spending Review Practices in the Netherlands. https://www.pempal.org/sites/pempal/files/knowledge_product/2023-01-06/pempal_bcop_netherlands.pdf



Figure 1 Examples of IBOs

Topic Selection

IBOs are coordinated by the Ministry of Finance, but topic selection and the execution of IBOs is done in close collaboration with the line ministries. There is no fixed programme or list of policies to be reviewed, but there are a few criteria which may be considered when selecting topics: there has to be a large current or expected policy challenge (in a broad policy area) and there has to be a lack of effective or efficient policy alternatives. The challenge can take several forms, such as:

- a financial challenge (for example the IBO on geriatric care of 2022, which aimed to provide solutions to the financial challenge caused by the ageing of the population and the increasing costs of geriatric care), or

- a societal challenge with wide-ranging effects (for example the IBO on wealth distribution of 2022, which was a response to wealth inequality and aimed to give an integral analysis of the variety of current policies),
- (perceived) ineffectiveness or inefficiency of a current policy (for example the IBO on education quality of 2022, which responded to downward trends on several indicators of education quality).

In short, the selection of topics is based on a need for new policy options. The appendix shows the topics since 2011.

Terms of Reference

The objectives of IBOs are formulated in the terms of reference. These terms of reference provide guidance on the purpose and the research questions of the actual research. Standard elements of the terms of reference are:

- the topic, including a description and scope of the research and the budgetary basis,
- the assignment for the working group, including the objective, a problem statement, a description of the required policy options (including one option which meets a savings target, -10 to -20 percent), and
- organizational arrangements. These organizational arrangements include a completion deadline (usually the execution of the IBO takes six to nine months, with completion scheduled before the next summer, so they can provide input for budgetary decision-making, which precedes the yearly budget memorandum), the size of the final report and the composition of the working group.

The terms of reference are prepared by the Ministry of Finance and the most relevant line ministries. They are formally decided upon by the government and published in the yearly budget memorandum.

Format of the Report

A format provides guidelines for the elements of the report:

- An introduction, including the objectives of the IBO and the central research question,
- An objective (non-political) assessment of the strengths and weaknesses of current policies and their corresponding budgets,
- Alternative policy options to improve the effectiveness and efficiency of the current policy. IBOs typically include concrete fact sheets for alternative policy options, from which politicians can pick and choose. These policy options typically include a description of the policy, its advantages and disadvantages and its budgetary consequences,
- A graphical summary for easy reading (for examples see figure 2 below).



Figure 2 Examples of graphical summaries

Organization

There are several actors involved in the IBO process:

- the Council of Ministers
- the working group
- an independent chairperson
- a secretariat, and
- the steering committee.

The Council of Ministers formally commissions the IBO, by establishing the terms of reference.

The working group is composed of high-level civil servants of the Ministry of Finance and line ministries relevant for the topic, complemented by experts from public research institutes. The working group meets on average once every three weeks to discuss the drafts made by the secretariat and provide data and facts.

An independent chairperson chairs the working group, which contributes to the political independence of the review.

The IBO report is written by the secretariat. The secretariat usually consists of four civil servants: two from the Ministry of Finance and two from the most relevant line ministry. There is no prescribed methodology for the underlying analysis, the approach is tailored to the topic at hand.

A high level civil servant committee (the Official Committee for Reviews, in Dutch “Ambtelijke Commissie Heroverwegingen,” ACH) oversees all IBOs. The official completion of an IBO is marked by the approval of this committee, which assesses whether the final IBO report conforms to the assignment set out in the terms of reference. The steering committee has members from different ministries, usually the directors of the knowledge directorates.

The approval by the steering committee is the last step before the report is published and sent to the House of Representatives. This is followed by a government's response sent by the most relevant line ministry. At this point, the IBO becomes input for the political decision-making process.

As mentioned earlier, IBO's are codified in a set of ground rules, for example to ensure political independence and objectivity. In the text below, a selection of ground rules is highlighted.

Ground rules (selection)

Independence

One of the most important principles ensured by the ground rules is the independence of the IBOs. One measure to ensure this independence is the independent chairperson. The independent chairperson is typically a high-ranking civil servant not responsible for the policy area under review. Additionally, members of the working group from the different line ministries participate independently. This means they operate without having to consult with or report to their line ministry.

Separate government's response

The non-political nature of the report is emphasized by the fact that it is published separately from a government's response. The separate government's response underscores the difference between the recommendations in the report and actual policy proposals inspired by the report. Both the report and the government's response are sent to parliament and made public.

Non-veto principle

Another rule that characterizes the Dutch practice is the ‘non-veto principle’. The non-veto principle entails that members of the working group cannot veto policy options brought in by other members. Instead, all information and options (together with their effects) are included in the report, in a balanced, factual and neutral manner.

Mandatory savings option

Another important ground rule is the mandatory savings option. In principle, the policy options in an IBO are budget-neutral, but there is at least one savings option of 10 to 20 percent. The savings option forces the working group to develop creative solutions which do not necessarily follow the beaten tracks. If relevant and desired, the terms of reference can also include the development of a policy option which steps up the expenditure.

Impact

It is important to note that the impact of IBO recommendations can take some time to materialize. This impact can materialize in various ways: spending reviews can both propose new policies as well as impact existing policies, by proposing adjustments or even the cancellation of some policy. These adjustments can be “no-regret” options, which are relatively straightforward to implement and do not involve significant trade-offs, or more politically sensitive options that require more elaborate political trade-offs. The latter type of options typically informs political decision-making in a later stage through their inclusion in election programmes of political parties and, subsequently, coalition agreements. It can be challenging to attribute a policy decision to a particular IBO. For example, adoption may be based on an IBO, but in an altered form.

Attempts to quantify the impact of IBOs were made in the past for the period between 1981 and 1997. Estimates of the use of policy options vary from 25% to 32% in terms of total value of savings options from the IBOs conducted during that time period. The comprehensive spending review round of 2009/2010 had a clear mandate to identify savings options before the next general elections. In 20 reports, a total of €61 billion of potential savings was identified and on average 40% of the proposed policies in the election programmes of political parties could be tied back to these reports. Estimates of the uptake in the 2010 governing agreement vary between 13% and 20%. These savings are likely to have increased in subsequent years as follow-up austerity packages were announced.⁴

One specific example of impact that can be attributed to an IBO is the policy option to close all coal-fired power plants, which was proposed in the IBO on “Cost-effective measures for CO₂ reduction” in 2016 and played an important role in the 2017 general election. However, there is often not such a clear linear relationship between policy options in an IBO and the resulting budgetary impact or policy impact.

Another way in which IBOs can have an impact is through the collective memory at the Ministry of Finance, which makes it possible to propose policy options from IBOs when opportunities arise, such as during annual budget negotiations or at the start of a new government’s term. Additionally, the IBO process enhances the knowledge and bargaining power of Ministry of Finance staff in budget negotiations, raises awareness among civil servants of key policy areas where policy improvements may be possible, and helps to create a common language across government for discussing policy issues, improvements in public service delivery, and potential budgetary savings. Saving options from IBOs may also be included in a list of saving options that the Ministry of Finance published yearly.

⁴ PEMPAL BCOP (2022), Spending Review Practices in the Netherlands. https://www.pempal.org/sites/pempal/files/knowledge_product/2023-01-06/pempal_bcop_netherlands.pdf

In order to monitor and extend the impact of IBOs, the Ministry of Finance has recently resumed reporting on the implementation of policy options proposed in IBOs in the annual budget memorandum and annual report. Previously the initial government's response was the only exposure of IBO recommendations. Since the impact of IBOs can take some time to materialize, this additional reporting helps return attention to the outcome of earlier IBOs and the policy alternatives provided.

Further Considerations

A challenge for IBOs is the selection of topics, since there is no fixed programme of policies to be reviewed. For example, the obligatory saving target may be met with some resistance when selecting topics, as according to the IBO ground rules, IBOs present at least one savings option of 10 to 20 percent. It should be noted, however, that the careful preparation of the topic selection by civil servants ensures that the topics and terms of reference are widely supported once they are affirmed.

Appendix 1

The IBOs are available online at: [Ingepland en uitgevoerd onderzoek | Ministerie van Financiën - Rijksoverheid \(rijksfinancien.nl\)](https://rijksfinancien.nl) (in Dutch).

Table 1 IBO topics since 2011

Year	Topic
2023/2024	Broader tool kit for housing development and land use
	Corporate financing
	Efficient higher education
	Pension accrual
	Problematic debts
2022/2023	Biodiversity
	Climate
	Intermediate Vocational Education
2021/2022	Geriatric care
	Public investments
	Wealth distribution
	Simplifying social security
	Education quality
	Youth criminality
2020/2021	Financing the energy transition
	Spatial planning
	Housing of education
	Agencies
	Real estate of Ministry of Defence

Year	Topic
2018/2019	Allowances
	Part-time work
	International students in the Netherlands
	Air quality
	Caribbean relations
2017/2018	(Mildly) mentally handicapped
	Youngsters with a distance to work
	Land pricing for renewable energy projects
2016/2017	Innovation in health care
	Subsidies
	Educational disadvantages
	Incapacity for work
	Military readiness
2015/2016	Infrastructure planning
	Social housing market
	Cost-effective measures for CO2-reduction
	Traffic enforcement
	Healthy lifestyle
	Tax authorities
	Governmental loans for educational institutions
2014/2015	Police
	Pensions
	Student routes in basic education
	Self-employees
	Weapon systems

Year	Topic
2013/2014	Agriculture
	Development Assistance
	Scientific research
	Cross-border health care
2012/2013	Wealth and subsidies of people aged 65 and over
	Prisons
	Financing basic education
	State participation (companies)
2011/2012	Academic Medical Healthcare centres
	Main waterway network



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