



BUDGETARY RESPONSES IN OECD COUNTRIES AND CONSIDERATIONS FOR FUTURE BUDGETS

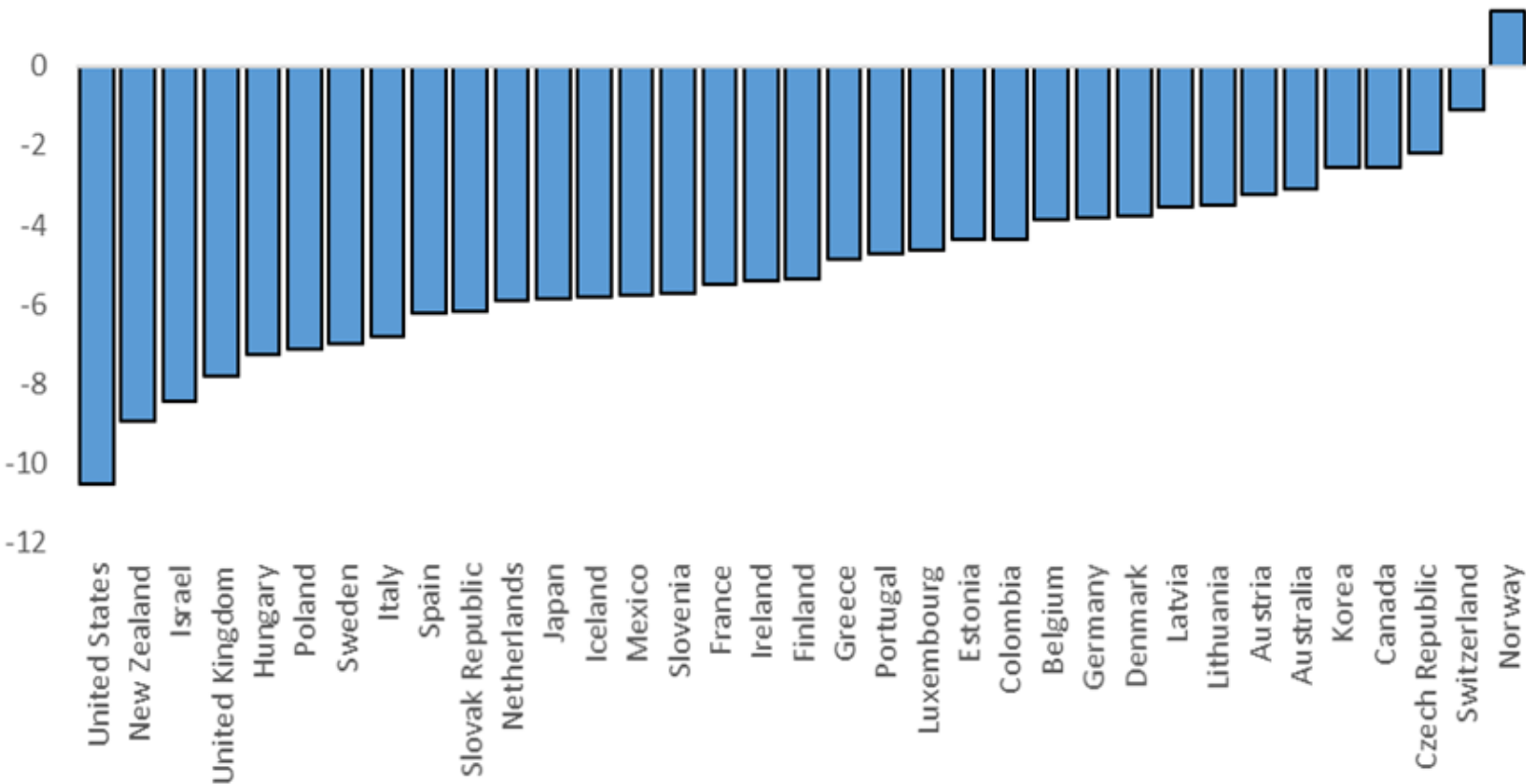
8 October 2020

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Introduction

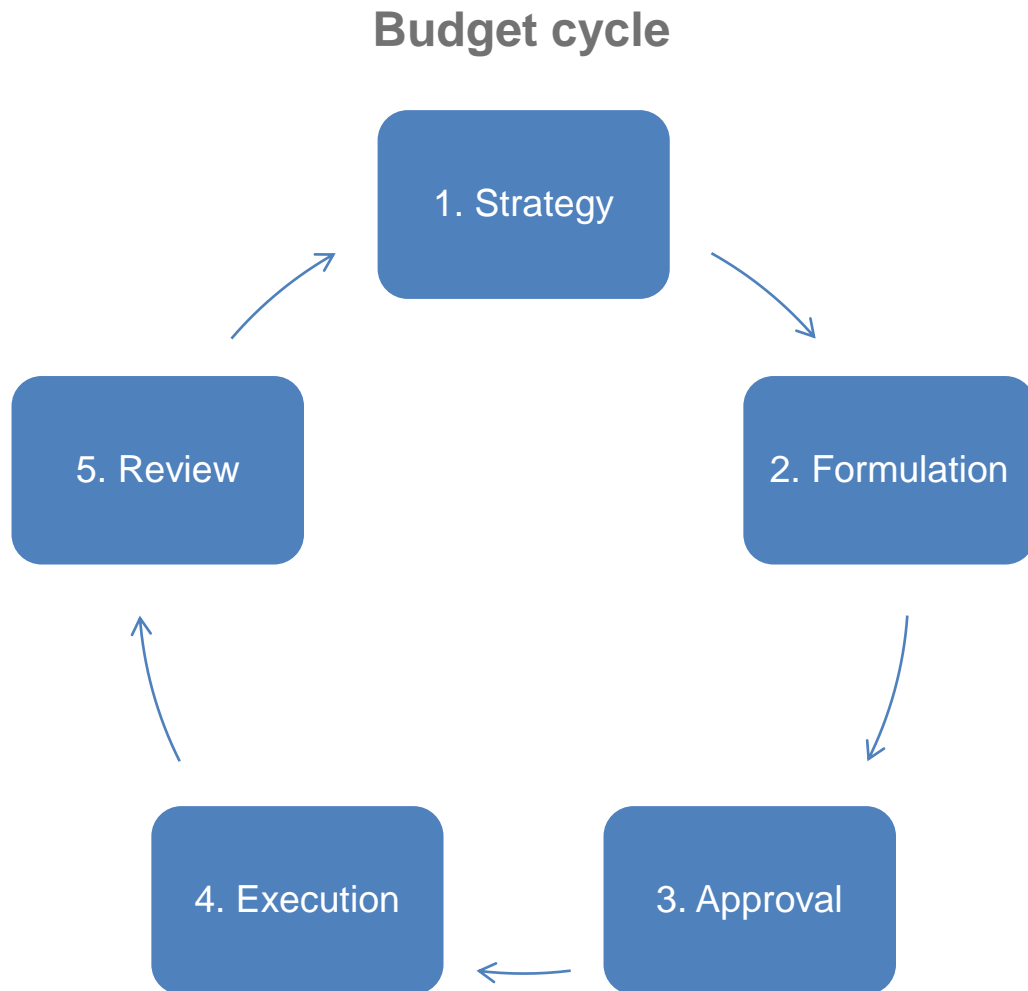
OECD Estimate of Budget Deficits (% of GDP, 2021)



- Across 37 OECD countries, budget offices reacted swiftly to the outbreak of covid-19
- Many budgetary responses were common, but designs differed to suit national characteristics.
- Budget deficits are forecast for 2020, 2021 and beyond
- Fiscal sustainability and resilience are a fundamental, medium-term budgetary challenge



Budgetary Responses



1. Strategy

- Prompt budget responses – 67% of OECD countries within one week of the WHO declaring a pandemic
- Announcements focussed on frontline services, cash flows, and confidence.
- Focused on:
 - Businesses and employees
 - Households and individuals
 - Industries and sectors
- Co-ordination across levels of government



Budgetary Responses

2. Formulation

- Co-ordination with line ministries
- Prepared in a virtual/tele-work environment
- Reviewing all expenditures to support prioritisation
- Responses used existing systems (welfare, tax and banking)
- The prioritisation of responses measures reflected national characteristics

3. Approval

- Assessment and debate was limited relative to a usual budget
- Special measures included Cabinet committees and Parliamentary committees
- Budget laws included emergency provisions
- Approvals occurred through supplementary budgets and included funding reserves
- Increases in transparency on response expenditures



Budgetary Responses

4. Execution

- Front loaded cash profiles
- Funded from reserves and public debt
- The control environment reduced for a limited period (e.g. virements)
- Programme budgeting provided flexibility on expenditure management
- Implemented in tandem with public management reforms on employment conditions and environments.

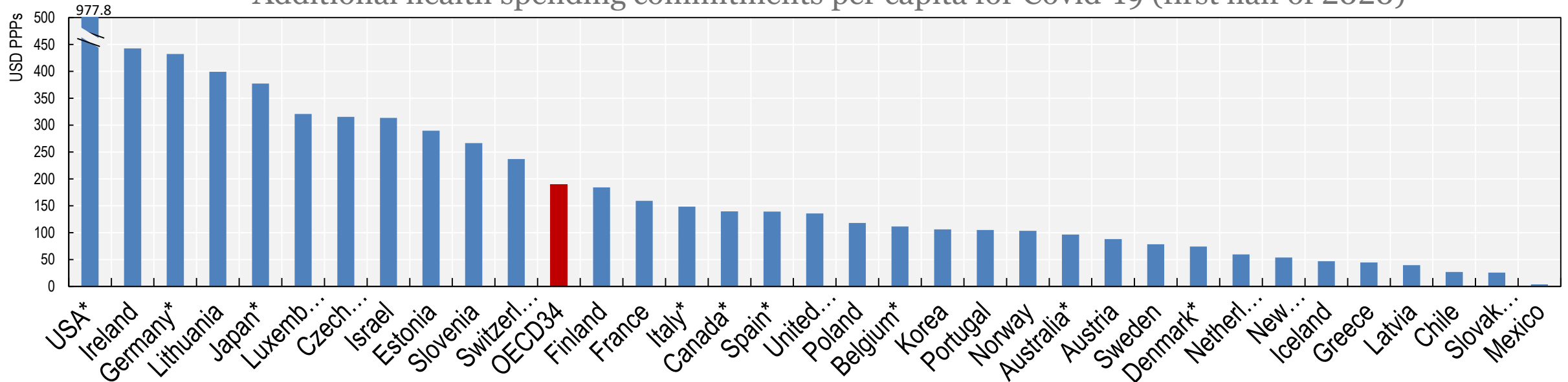
5. Review

- Independent fiscal institutions performed a vital role at the onset of the crisis and continue to do so:
 - Costing expenditure proposals
 - Promoting accountability and transparency
 - Analysing the medium-term effects
- A greater role on ex post review of budget responses e.g. external audit.



Deep dive: Health sector

Additional health spending commitments per capita for Covid-19 (first half of 2020)



- Authorising resource transfers in the health sector and to subnational governments (Greece and Spain)
- Exemptions on public procurement for personal protective equipment and ventilators (Finland and Ireland)
- Increasing medical staff through retired medics and those in the final stage of medical training (Italy and Portugal)
- Prioritising access to child care for medical professionals, so that they can continue to work (France and Spain)
- Changing the criteria for the discharge of patients (Germany and United Kingdom)



Medium-term challenges and opportunities

“...building a strong, resilient, green and inclusive recovery”

- The budgetary challenges from COVID-19 are a medium-term challenge not a 2020 challenge and exist at each stage of the budget cycle: The demand for public expenditure has increased
- COVID-19 highlights pre-existing challenges in the public expenditure, specifically on equity, performance, resilience, sustainability and the management of risk
- The recovery is a time to critically assess the budgetary challenges through a sustained and collaborative effort across ministries of finance and line ministries
- Some of the budgetary tools available to ministries of finance and health warrant a fresh look to ensure they help institutions with the challenges:
 - Planning and performance frameworks
 - Fiscal risk management
 - Spending reviews



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