



EUROPEAN SOCIAL POLICY NETWORK (ESPN)

# National monitoring frameworks for public social spending

An analysis of policies in 35 countries

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European Social Policy Network (ESPN)

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**2022**

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The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by the Luxembourg Institute of Socio-Economic Research (LISER), APPLICA and the European Social Observatory (OSE).

For more information on the ESPN, see: <http://ec.europa.eusocialmain.jsp?catId=1135&langId=en>

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## OFFICIAL COUNTRY ABBREVIATIONS

### A. European Union (EU) countries

EU countries			
Austria	AT	Italy	IT
Belgium	BE	Latvia	LV
Bulgaria	BG	Lithuania	LT
Croatia	HR	Luxembourg	LU
Cyprus	CY	Malta	MT
Czechia	CZ	Netherlands	NL
Denmark	DK	Poland	PL
Estonia	EE	Portugal	PT
Finland	FI	Romania	RO
France	FR	Slovakia	SK
Germany	DE	Slovenia	SI
Greece	EL	Spain	ES
Hungary	HU	Sweden	SE
Ireland	IE	EU average *	EU-27

(\*) In the EU-27 averages, the 27 EU Member States are weighted by their population sizes.

### B. UK and other non-EU countries covered by the ESPN

UK and other non-EU countries	
United Kingdom	UK
Albania	AL
Bosnia and Herzegovina	BA
Kosovo*	XK *
Montenegro	ME
North Macedonia	MK
Serbia	RS
Turkey	TR

(\*) This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

## PREFACE

### European policy context

The way EU Member States monitor and review public spending has been on the European Union's (EU) agenda for several years. Over the past few decades, structural pressures such as demographic change and evolving patterns of work, as well as the consequences of the Great Recession which hit European economies in 2008-2010, have challenged national social protection systems. During that period, cost-containment measures as well as budgetary cuts – in some cases linear across-the-board expenditure cuts – raised the question of how to better monitor and review the efficiency and effectiveness of public spending; they also raised the issues of returns on social spending. In other words, the extent to which such spending can be viewed as a social investment with positive societal, employment and economic impacts, and how, in the medium and long term, to avoid negative economic and social impacts of systematic linear budget cuts (Vandierendonck 2014).

In this context, the issue of public expenditure composition has gained considerable importance in the discussion on the possible reform of the Stability and Growth Pact. The European Commission has been actively encouraging the use of spending reviews in the EU Member States through four main avenues. First, the Commission has launched studies intended to provide more detailed technical discussions on how to better conduct spending reviews. Secondly, in March 2013 the Economic and Financial Affairs (ECOFIN) Council encouraged the European Commission and the Economic Policy Committee (EPC) to review budgetary processes in order to enhance efficiency gains and sustainability in the public sector (e.g. through spending reviews, performance-based budgeting and top-down budgeting). In this context, the Commission has taken the lead in the organisation of thematic discussions on spending reviews in the EPC and other EU Member States' fora, including in the context of the Eurogroup. As a result, the Eurogroup approved common principles in this area and called on euro area Member States to actively use spending reviews to improve expenditure allocation. Regarding the social area specifically, the Council of the European Union, in several of its conclusions, has called for more effectiveness and efficiency of social protection policies and of public spending<sup>1</sup>. Thirdly, the Commission has on many occasions encouraged EU Member States to engage in spending reviews, notably in the framework of the European Semester, through Country-Specific Recommendations (CSRs) and country reports. With the launch of the European Semester in 2011, EU policy guidance in respect of social protection has addressed the performance (both effectiveness and efficiency) of social protection systems. However, a significant number of CSRs have centred mainly on the efficiency and fiscal performance of social protection; particularly on the long-term fiscal sustainability of pensions, long-term care and healthcare systems in the context of population ageing, and on the promotion of cost-effective and safe complementary savings for retirement. Fourthly, through the Structural Reform Support Service (currently the Directorate-General for Structural Reform Support, DG REFORM), the Commission has begun to provide technical support also in this area (Bova *et al.* 2020).

The COVID-19 pandemic has had a significant impact on the economic and social situation of millions of people, and – in contrast to the Great Recession – the EU and its Member States have implemented unprecedented economic and social measures to tackle the crisis (Baptista *et al.* 2021; Vanhercke and Spasova 2022). In December 2020, the EU agreed on a European Recovery Plan, made up of the reinforced multiannual financial framework for the period 2021-2027 and a new recovery package called Next Generation EU (€1.85 trillion in 2018 prices). Within this package, the purpose of the Recovery and

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<sup>1</sup> Council conclusions "Towards social investment for growth and cohesion" of 20-21 June 2013; Council conclusions on the sustainability of public finances in the EU of 12 February 2013; Council conclusions on the Annual Growth Survey and the Joint Employment Report in the context of the European Semester: political guidance on employment and social policies of 22 February 2013 (cited in Social Protection Committee and European Commission 2015).

Resilience Facility (RRF; €672.5 billion) is to finance major investments and recovery policies to ensure social and territorial cohesion. Among the key goals of the RRF is to mitigate the social and economic impact of the crisis, especially on women, children and youth<sup>2</sup>, in line with the EU 2030 headline targets on employment, skills and poverty reduction and the European Pillar of Social Rights Action Plan, put forward by the Commission in March 2021 and endorsed by the European Council at the Social Summit in Porto in May 2021 (European Commission 2021c).

In this context, monitoring of public spending and especially of public *social* spending has been gaining in importance, and reporting requirements have been imposed on the beneficiaries of the RRF funding. When monitoring the implementation of the Facility, “*the Commission should ensure that data for monitoring the implementation of the activities and results are collected efficiently, effectively and in a timely manner*” (European Parliament and Council of the EU 2021: 57). In the Delegated Regulation on the methodology of social spending (September 2021), the Commission defined a methodology for reporting social expenditure – including for children, young people and women – under the RRF so that the Member States can report on the reforms and investments financed by the Facility which have a social dimension. Each measure of a social nature that includes a focus on children and young people, or on gender equality, should be flagged, allowing for specific subsequent reporting on expenditure focused on these three dimensions (European Commission 2021a).

The emergency measures taken by the Member States (for a comprehensive overview see Baptista *et al.* 2021) and at EU level (for a comprehensive overview see Corti and Alcidi 2022) in the context of the pandemic were temporary, and several have been lifted following improvements in the epidemiological situation. In the medium term, a debate is likely to emerge on when and how to return to compliance with the (existing or possibly reformed) fiscal rules at national and EU level, notably in the context of the review of the EU economic governance framework (European Commission 2021b). Future priorities and potential reallocations of resources or shifts in revenues will be discussed. Furthermore, this debate will be accompanied by considerations on the effectiveness of some of the areas of public social spending.

In order to inform such debates, and to avoid linear across-the-board budgetary cuts which would generate adverse social effects, a clear view is needed of the scope and effectiveness of public social spending<sup>3</sup> and what exactly it encompasses. The Member States provide the EU with data on public social spending through the European System of integrated Social PROtection Statistics (ESSPROS) and the Classification of the functions of government (COFOG) obligations, but very little is known as to the ways in which social budgets are monitored and reviewed within the Member States. Spending reviews are rare in most Member States and their institutionalisation as a regular budgetary process is therefore still limited (Bova *et al.* 2020). What is even less known is how social spending impacts social outcomes, i.e. to what degree it is effective in alleviating poverty, improving income redistribution etc. It is important to gain understanding of how Member States monitor their public social spending, how timely and

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<sup>2</sup> The Facility supports EU Member States in their implementation of employment and social measures linked to initiatives such as the Recommendation on an effective active support to employment following the COVID-19 crisis (EASE), the Communication on Youth Employment Support and the Recommendation on A Bridge to Jobs – Reinforcing the Youth Guarantee, the Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience, the Recommendation establishing the European Child Guarantee, the Strategy for the Rights of Persons with Disabilities 2021–2030, the European Skills Agenda for sustainable competitiveness, social fairness and resilience, the European Education Area and the Digital Education Action Plan, the EU Anti-racism Action Plan 2020–2025, the EU Roma strategic framework for equality, inclusion and participation<sup>12</sup>, the Gender Equality Strategy 2020–2025, the LGBTIQ Equality Strategy 2020–2025, the Communication on Building a European Health Union, the Pharmaceutical Strategy for Europe, and Europe’s Beating Cancer Plan (European Parliament and Council of the EU 2021).

<sup>3</sup> For the purpose of this report, public social spending focuses on social benefits provided by general government (i.e. “central, state and local governments and the social security funds controlled by these units” [OECD]), as payments under social security, social assistance or social transfers in kind. Healthcare spending is included in public social spending. Supplementary schemes as covered in ESSPROS are included in the analysis when relevant as additional elements.

appropriate this monitoring is, and also how these data are presented (e.g. the level of granularity). Indeed, in recent decades, increased importance has been attached to evidence-based public policymaking and the accountability of public expenditure, especially when cuts in different sectors are required. It has been known for years that public social budgets will have to undergo reforms in order to allow the Member States to adequately address demographic ageing and the green and digital transitions, while making sure that social protection is sufficient and leaves no one behind.

This is also crucial in the context of the European Pillar of Social Rights Action Plan. Among other things, the Action Plan calls for robust social protection systems. The revised Pillar Social Scoreboard will make it possible to monitor the employment and social situation in a comprehensive manner. Of particular importance is the EU headline indicator on the impact of social transfers (other than pensions) on poverty reduction. Given the new 2030 poverty and social exclusion reduction headline target put forward in the Action Plan and subsequently endorsed by Member States<sup>4</sup>, it is crucial to know how social expenditure is monitored and its impact accounted for.

The COVID-19 crisis has also brought to the fore the role of effective social protection and the importance of effective social inclusion policies (Baptista *et al.* 2021, Spasova *et al.* 2021). While the policy responses to the Great Recession have had a major effect on expenditure levels (mainly cost-containment policies) and the financing mix of social protection systems (reduced social contribution rates or exemptions from payment; see Spasova and Ward 2019), it will be important in the context of the COVID-19 pandemic and its aftermath to ensure that social spending enhances social outcomes, and that it fills persistent gaps in social protection.

## A Synthesis Report from the European Social Policy Network (ESPN)

With the aim of contributing to the knowledge on how social spending is monitored in Member States, the UK and (potential) candidate countries, this ESPN Synthesis Report focuses on the national monitoring frameworks for public social spending. It seeks to identify and describe:

- a) the dedicated national framework(s) (besides COFOG and ESSPROS) used to monitor public social spending in the 35 ESPN countries<sup>5</sup>; and
- b) dedicated recurrent reports/reporting tools (e.g. spending reviews, monitoring tools, performance audits) in place in the country to assess the effectiveness of public social spending.

The emphasis is on qualitative assessments and the governance of public social spending and not on quantitative assessments; the latter were produced by the Social Protection Committee and the European Commission (2015); see also Spasova and Ward (2019). Countries which have developed measures along similar lines are listed in brackets (e.g. AT, BE, BG)<sup>6</sup> so that the reader interested in knowing more about these can examine the 35 reports of the ESPN national experts. In producing their reports, national ESPN experts cite many different sources in support of their analysis. References to these are not included in the present report. Readers wishing to follow up the original sources should consult the national experts' reports.

This report was written by Slavina Spasova, Angelina Atanasova and Pietro Regazzoni (European Social Observatory [OSE]). Helpful comments and suggestions came from the colleagues of the ESPN Network Core Team (Eric Marlier and Bart Vanhercke) and the Luxembourg Institute of Socio-Economic Research (Anne-Catherine Guio). The authors would also like to thank Rachel Cowler for her enduring editorial

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<sup>4</sup> The target is a reduction in the number of people at risk of poverty or social exclusion by at least 15 million (compared to 2019 figures), including 5 million children (European Commission 2021c).

<sup>5</sup> See Annex A.

<sup>6</sup> Here and throughout the report, the countries in brackets are provided as examples and the lists are not necessarily exhaustive. The 35 ESPN national experts' reports can be viewed [here](#) (ESPN page on the European Commission website).

support as well as Gisèle Uwayezu for fine-tuning the layout of the report. All errors remain strictly the authors' responsibility.

The report is structured as follows: Section 1 explores the country-specific monitoring framework(s) for public social spending. It presents the institutional arrangements quantifying incurred social spending at national and subnational level. Section 2 focuses on the way countries review public social spending and in particular social outcomes and effectiveness. The section investigates the variety of review processes and tools put in place by the countries to assess public social spending. Finally, Section 3 presents some common patterns in terms of strengths and gaps in the national arrangements, as well as illustrating some policy changes and reforms in this area.

## EXECUTIVE SUMMARY

The Synthesis Report produced by the European Social Policy Network (ESPN) explores how European countries monitor and review social spending. First, it describes the dedicated national framework(s) used to monitor public social spending in the 35 ESPN countries. Secondly, it looks into the recurrent review and reporting tools (e.g. spending reviews, monitoring tools and performance audits) in place in the countries to assess the effectiveness of public social spending. The following eight key findings emerge.

### 1. Significant diversity in monitoring practices

There is significant diversity in terms of processes and institutions in the way in which the 35 European countries under scrutiny monitor social spending beyond their obligations in the context of the European System of integrated Social PROtection Statistics (ESSPROS) and the Classification of the Functions of Government (COFOG). To make sense of the diversity, this report classifies the existing monitoring frameworks according to two main criteria: a) monitoring of public social spending included in the overall public expenditure monitoring process; and b) presence of co-existing frameworks, most often monitoring separate social protection functions. Based on these criteria, countries were classified into two main categories.

#### a) Monitoring of social spending within overall public spending monitoring

In most countries (20 EU and 3 non-EU countries), social spending is monitored within the overall public spending monitoring. Two subgroups can be identified. First, there are the countries where monitoring of social spending is part of the overall public spending monitoring performed by the Ministry of Finance, based on information which is passed on by the line ministries or social security institutions providing benefits (9 EU and 2 non-EU countries). Secondly, there are the countries where monitoring of social public spending is also undertaken through the overall public spending monitoring procedure, but rather by a ministry (or ministries) other than the Ministry of Finance, or by specific public bodies (11 EU and 1 non-EU countries).

#### b) Specific social spending monitoring frameworks separate from the overall public expenditure monitoring framework

Most countries (23 EU and 7 non-EU countries) also have specific public social spending monitoring frameworks which are institutionalised separately from the overall public expenditure monitoring framework. This type of specific social spending framework is typically part of an integrated monitoring arrangement and is the responsibility of a separate institution in charge of monitoring incurred social spending (e.g. an institutionalised body or information system). The report describes various sectoral (linked to one social spending function) and trans-sectoral (i.e. linked to more than one function of social protection) frameworks which monitor separate strands of spending for certain social protection functions (e.g. healthcare and pensions).

### 2. Scarce monitoring of occupational benefits

The report only identifies a few monitoring frameworks for expenditure (pay-outs) on occupational benefits (7 EU Member States). Such benefits are mostly occupational pensions, which are non-existent or under-developed in most Central and Eastern European countries or (potential) candidate countries. Moreover, when such frameworks exist the monitoring is not undertaken within the public expenditure framework, with very few exceptions (5 EU and 1 non-EU countries).

### 3. Timely and generally accessible data with detailed granularity

Regarding the timing of data availability on incurred public social spending, the report finds that most of the 35 European countries under scrutiny have at least one national monitoring framework providing

data sooner than the “standard” reporting under ESSPROS/COFOG requirements. Generally, information provided under the national monitoring framework is publicly accessible either on an online platform or in published reports.

Another main characteristic of a national monitoring framework is whether and how it differentiates between current and capital expenditure. The vast majority of ESPN national reports (in 23 EU and 8 non-EU countries) mention a differentiation between current and capital public social expenditure in their country in at least one monitoring framework.

With regard to the level of detail in the presentation of social spending and in social spending areas, most countries present data for each year in current prices, per capita, with a year-on-year percentage change, and expenditure in relation to GDP (%). The vast majority of the 35 ESPN countries (26 EU and 5 non-EU countries) provide a disaggregation between social protection functions in at least one national monitoring framework.

In sum, among the strengths of the national monitoring system is the existence of reliable, precise indicators, mostly on levels of public social spending as well as the existence of comprehensive centralised information systems bringing together the bulk of the data on public social spending.

#### **4. Diverging breakdown of public social spending**

Where data breakdowns are available on institutional websites, the categories most often used in public social spending reporting are age and gender, as well as the type of benefit received. The next most common category included in the data breakdowns is information on beneficiaries by region or another territorial unit. Data by income levels are rarely reported as a category. There are large differences in the breakdowns across the different types of social spending, with breakdowns of spending on pensions remaining the most reported in the existing monitoring frameworks.

Among the gaps in the national systems is the fact that in most cases there is barely any breakdown of population and data by income levels. Moreover, the report highlights that there is typically no coordination or interaction between these frameworks.

#### **5. Monitoring of social spending at subnational level: absence of well-established frameworks**

While in the majority of the 35 countries analysed, municipalities and regions are largely responsible for the provision of social services; specific subnational frameworks on public social spending are rarely in place and spending is usually monitored at central state level. In most unitary states, even if no subnational frameworks on public social spending are in place, centralised data on public social expenditure are often broken down and published by regions or other smaller territorial units, whilst in states with competencies devolved (asymmetrically) to regions the data collection practices are quite diverse. In most federal states, data on public social spending are collected at the level of the autonomous districts or regions.

#### **6. Reviewing levels of public spending, but rarely their effectiveness**

One of the primary tasks of the report is to investigate whether national frameworks regularly monitor social outcomes such as poverty and inequality reduction, income redistribution etc. A key finding is that around half national monitoring frameworks monitor only levels of social spending (13 EU and 4 non-EU countries), while the other half monitor also social outcomes (13 EU and 2 non-EU countries). In most cases, when components other than levels of spending are monitored, these are mostly outputs, such as the number of beneficiaries. However, most of the frameworks which monitor social outcomes (e.g. poverty) do not link the latter to expenditure (i.e. monitoring of effectiveness).

The report shows, indeed, that reviews of social outcomes, and in particular of the effectiveness of public spending, are carried out sporadically in most countries and the scope and methodology of the reviews vary widely. Countries which do monitor effectiveness in a recurrent and comprehensive way are only very few (see Section 2). Some experts also highlight that the existence of performance budgets can be considered an important strength of the system fostering reviews of the outcomes of public social spending.

## **7. Review tools for public spending: a classification based on occurrence**

Considering the wide variety of national contexts, the report classifies the types of review/ reporting tools according to a criterion which seems to be essential: recurrence, i.e. while one-off spending reviews can have a major impact, the ultimate gains are realised when they become a routine part of the budget process. Based on this criterion, the reviewing tools are divided into two clusters.

### **a) Recurrent social spending review tools and processes**

In the first cluster, the report distinguishes between two situations. First, some countries carry out systematic reviews of public social spending embedded within a review procedure of general public spending (i.e. together with other items of the state budget). This category includes the 18 countries (15 EU and 3 non-EU) which have a recurrent procedure of comprehensive review of social policy spending within the more general budget framework (i.e. together with other budgetary lines). In these countries, institutionalised spending reviews take place as a regular budgetary process.

The second category includes systematic reviews carried out by a ministry or a social protection institute separately from the general budget reviewing process. This category is quite large, as in 24 of the 35 ESPN countries (16 EU and 7 non-EU countries), ministries and/or social insurance institutions undertake recurrent reviews of social spending separate from the general budget procedure. In most cases, these countries recurrently monitor a specific area of social spending, i.e. most frequently healthcare, pensions and disability benefits, followed by areas such as unemployment. In only rarer cases, reviews of areas such as long-term care or housing are reported by the ESPN experts.

### **b) Ad hoc reviews of social spending**

The second cluster of ad hoc reviews comprises one-off and non-systematic reviews. These types of reviews are mostly undertaken by national public institutions/bodies such as ministries but also Supreme Audit Institutions, Economic and Social councils, public research institutes, as well as non-governmental organisations and international organisations such as the International Monetary Fund and the World Bank. Several countries organise a more comprehensive recurrent review on social spending and then some ad hoc reviews regarding certain policies. Furthermore, the same institution may conduct both regular monitoring in one domain (e.g. pensions, healthcare, education) and ad hoc reports on more targeted matters of policy interest.

Many ESPN experts report the important role of audits in reviewing public expenditure, and in some cases even its effectiveness in relation to the topic of this report (11 EU and 6 non-EU countries). However, in many cases, the reviews are in fact more evaluations of social programmes, rather than assessments of outcomes and effectiveness of public social spending. Only a few experts provide examples of reviews by audit institutions examining the outcomes and effectiveness of public spending (6 EU and 2 non-EU countries) and even describing the impact such audits had on (potential) political decisions or reforms. Parliaments are also pinpointed by ESPN experts as playing an important role in reviewing expenditure and the related policy outcomes (9 EU and 1 non-EU countries).

## **8. Ex-Ante evaluations: scarce reporting based mostly on microsimulation models**

The report identifies good/innovative practices linked to microsimulation models in the context of ex-ante assessment of the outcomes of social spending. These, indeed, may be an effective ex-ante tool enabling policymakers to assess the impact of policies, including in the areas of social protection. Several countries (e.g. 11 EU and 1 non-EU) have developed their own specific microsimulation models other than EUROMOD, to anticipate the impact of a variety of policies.

# 1 MONITORING FRAMEWORKS FOR PUBLIC SOCIAL SPENDING: MAIN FEATURES

This section describes the country-specific monitoring framework(s) for public spending reported by ESPN experts in the 35 European countries under examination. For the purposes of this report, a “monitoring framework” is conceptualised broadly as an “*institutional set-up which is used to quantify the incurred (i.e. ex-post) public social spending*”. Section 1.1 provides a general description of the types of monitoring frameworks existing in the 35 countries. It considers monitoring of both the social spending on benefits provided by the general government (Section 1.1.1) and occupational benefits (Section 1.1.2) as well as the timeliness and the public accessibility of the national frameworks (Section 1.1.3). Section 1.2 then focuses on how levels of public spending are monitored, considering three main elements: the distinction between current expenditure and capital expenditure (Section 1.2.1), the level of granularity of public spending (Section 1.2.2) and the breakdown of public spending (Section 1.2.3). Section 1.3 provides information on whether these frameworks monitor outcomes of public spending. Finally, Section 1.4 looks at the subnational level, examining whether there are specific subnational frameworks monitoring social expenditure.

## 1.1 Country-specific monitoring frameworks for public social spending

### 1.1.1 Classification

There is significant diversity in the way in which the 35 ESPN countries monitor social spending beyond their ESSPROS/COFOG obligations<sup>7</sup>. On the one hand, there are very few countries with a long-established monitoring tradition which not only monitor ex-post incurred expenditure, but also have institutionalised spending review processes (Bova *et al.* 2020; e.g. DK, IE, NL; UK). On the other hand, there are very few countries where monitoring of social spending is still a nascent process (e.g. AL, XK). In-between, there are a large variety of situations.

Most of the frameworks can be classified according to two main criteria: a) monitoring of public social spending included in the overall public expenditure monitoring process; and b) presence of several co-existent frameworks, most often monitoring separate social protection functions. Based on these criteria, the frameworks presented by the ESPN experts have been classified into two main categories (Table 1). The first cluster comprises countries where monitoring of social spending is undertaken within the overall public spending monitoring either by the Ministry of Finance or by other Ministries/public bodies. The second cluster highlights countries in which overall social spending frameworks are institutionalised separately from the overall public expenditure monitoring framework. A country often appears in more than one cluster, as in several of them there is a mix of situations, i.e. countries typically have at least one monitoring framework separate from the general budgeting procedure or several social protection areas.

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<sup>7</sup> The ESPN experts were asked to specify whether their country has one or more monitoring framework(s) dedicated to public social spending at national level, whether this framework is part of the overall total public expenditure framework or whether it is based solely on the COFOG/ESSPROS obligations. The latter fall outside the focus of the report and are therefore not described.

**Table 1: Classification of country-specific monitoring frameworks for public social spending<sup>8</sup>**

Monitoring of social spending included in the overall public expenditure monitoring framework		Specific social spending monitoring frameworks separate from the overall public expenditure monitoring framework
By the Ministry of Finance	By other ministries/public bodies	
CY, DE, EL, HU, IE, PL, LT, RO, SI	BE, BG, CZ, DK, EE, ES, FI, FR, MT, NL, PT	AT, BE, BG, CY, CZ, DE, DK, EE, ES, FI, HR, HU, IT, LT, LU, LV, MT, NL, PL, RO, SE, SI, SK
AL, UK	TR	AL, BA, ME, MK, RS, UK, XK

Source: Authors' elaboration based on the 35 ESPN national reports

**The first cluster** contains **two subgroups**: a) countries where monitoring of social spending is undertaken as part of the overall public spending monitoring performed by the Ministry of Finance; and b) countries where monitoring of social public spending is also undertaken through the overall public spending monitoring procedure but by another ministry(ies) than the Ministry of Finance, or by specific public bodies. Nevertheless, in both categories, most of these countries also have other frameworks for monitoring social spending (see the second cluster).

**In the first subgroup, the line ministries or social security institutions providing benefits provide information to the Ministry of Finance**, which is the main ministry monitoring social spending (CY, DE, EL, HU, IE, PL, LT, RO, SI; AL, UK). Examples of such monitoring frameworks are illustrated in Box 1.

**In the second subgroup, monitoring of social public spending is also undertaken through the overall public spending monitoring procedure**, as in subgroup 1, **but by other ministries or public bodies** (e.g. through ministries of social affairs; specific public bodies: BE, BG, CZ, DK, EE, ES, FI, FR, MT, NL, PT; TR). In Belgium, for example, the “Monitoring Committee” (part of the “Federal Public Service” (Ministry) Policy and Support) performs overall monitoring of all government expenditure (and revenues), including on social protection, makes forecasts and reports regularly on the current and future budgetary situation. It receives data from the federal, regional and local governments, as well as other public bodies, notably those administering social protection benefits. In France the 2001 Organic law on finance laws (*Loi organique relative aux lois de finances*, hereafter LOLF, which entered into force in 2006) marked a new phase, responding to demands for transparency, performance and participation in monitoring of the public budget. Spending is presented by public policy area and organised into three levels: tasks of the State, the programmes to be implemented to fulfil these tasks, and the specific actions that feature in these programmes. Social security spending is subject to the social security financing law and must by law include an estimation of revenues, targets and a financial balance for each social protection area, a national healthcare insurance expenditure target, and an authorised bank overdraft ceiling (so-called “Quality and efficiency programmes” produced by the social security directorate between 2005 and 2020; in 2021 they were transformed into “Social security policy evaluation reports”). Each annual report comprises a summary relating to the entire social security system and special reports for each social protection function.

<sup>8</sup> The countries in the table are divided into EU Member States and non-EU countries (the latter are listed on a separate line).

**Box 1: Examples of monitoring of social spending in the overall public budget framework by the Ministry of Finance**

**Cyprus**

Various ministries, services and departments (namely the Ministry of Health and the Ministry of Labour, Welfare and Social Insurance) are required by law to report to the Ministry of Finance on the level of execution of their budgets, including social spending. The online accounting database of the Treasury records all State transactions daily and provides detailed information.

**Germany**

The annual financial report (published each spring) presents federal spending by the Ministry of Finance on social security as a whole in the context of medium-term financial planning for a five-year period. In addition to the actual data for the previous year, the planning includes the target figures for the past year, the current draft budget figures, and the planned figures for the following three years. These figures thus include federal spending on social security as a whole, spending by the ministries relevant to social policy and spending on (groups of) programmes/benefit schemes. The information from the individual federal ministries on their revenues and expenditure is provided within the framework of the federal budget or the budget statement.

**Greece**

Incurred public social spending is only quantified and monitored as part of the overall process monitoring total public expenditure. The Ministry of Finance collects data on key fiscal indicators and prepares a monthly "General Government Bulletin", published on the Ministry of Finance website.

**Hungary**

The State Treasury provides information on the monthly balances of social security funds. Old-age pensions and survivors' benefits are paid by the Pension Insurance Fund, whereas disability pensions, childcare allowances and sickness benefits (including benefits for accidents) are paid from the Health Insurance Fund. The two funds used to have their own separate monitoring frameworks. However, these were merged in 2016 and integrated into the Ministry of Finance in 2017.

**Ireland**

Public social spending is not a concept formally recognised in the public expenditure procedures. Accordingly, there is no dedicated monitoring framework which looks specifically at public social spending. The bulk of public social spending consists of expenditure in the areas of social protection (mostly cash benefits administered by the Department of Social Protection) and healthcare (mainly in-kind benefits administered by the Department of Health and the Health Services Executive) as well as some other social expenditure which falls within the remit of other Departments. Spending by these Departments is monitored through the "overall total public expenditure framework".

**Lithuania**

Since 2020, in order to increase transparency and public accessibility to public finance data, Lithuania has created an overarching monitoring framework "Open Lithuanian Finance" which covers the entire state budgeting system at national and subnational level. A dedicated website contains detailed data on public finances, the sources of which are sets of budget implementation reports and financial statements. It shows general aggregated data on the revenue and expenditure plans of all budgets as well as their implementation data. The national set of financial statements contains financial data on total assets, liabilities, performance and cash flows of all public and municipal institutions and bodies.

**United Kingdom**

The Treasury (the government's economic and finance ministry) is the central government department primarily responsible for monitoring public expenditure, including social spending. It produces the Annual Spending Review, which includes a detailed Annex on spending plans and outcomes, detailed for each spending department, as well as plans for future years.

Source: ESPN national reports (2022)

Importantly, all ESPN experts describe the national statistical offices as the bodies in charge of specific frameworks monitoring ex-post social spending, together with the other state budget items. Indeed, the national statistical offices – also in response to their ESSPROS and in most cases COFOG obligations<sup>9</sup> – provide data on incurred public social spending and are considered as responsible for such frameworks. However, as in most cases the information and data on social spending are the same as for ESSPROS/COFOG obligations<sup>10</sup>, the national statistical offices are not classified in the clusters (Table 1)

<sup>9</sup> In the EU, COFOG statistics are compiled by National Statistical Offices, except for Belgium (The National Bank of Belgium) and Spain (National Accountability Bureau of the General Intervention Board of the State of Administration). In the UK, the statistics are collected by the Economics and Finance Ministry (HM Treasury) (Eurostat 2019)

<sup>10</sup> It should also be noted that this Thematic Report does not focus on the national obligations under the System of Health Accounts (SHA), which are a joint collaboration between Eurostat, the World Health Organisation and the Organisation for

and are not discussed in detail in this report. Nevertheless, it is worth noting that the data on social spending are made available earlier than for ESSPROS/COFOG obligations (see Section 1.3) and countries may provide different classifications of social protection functions. For instance, in Austria the statistical office also publishes more specific yearly data on spending on long-term care cash benefits and services, on early childhood education and care and institutional childcare.<sup>11</sup>

**The second cluster contains specific social spending monitoring frameworks for monitoring public expenditure which are institutionalised separately from the overall public expenditure monitoring framework** (AT, BE, BG, CY, CZ, DE, DK, EE, ES, FI, HR, HU, IT, LT, LU, LV, MT, NL, PL, RO, SE, SI, SK; AL, BA, ME, MK, RS, UK, XK). Almost all ESPN experts report various sectoral (linked to one social spending function) and trans-sectoral (i.e. linked to more than one function of social protection) frameworks which monitor separate strands of spending for certain social protection functions (e.g. healthcare and pensions). The institutional arrangements take different forms but most often involve ministries and/or institutions such as social security benefit providers (e.g. healthcare/pension insurance institutes), which monitor social protection functions linked to their area of competence. As already mentioned, in several cases these frameworks co-exist with other frameworks described in the first cluster.

Generally, the ministries which monitor social expenditure are the Ministry of Labour and Social affairs as well as national insurance institutes or umbrella organisations of insurance providers. In **Czechia**, as an example of what happens in most countries in this category, different ministries have the power to monitor expenditure on the specific social policy functions covered by the ESSPROS classification which correspond to their competences. The ministries responsible are the following: the Ministry of Labour and Social Affairs, Ministry of Health, Ministry of Regional Development and Ministry of Finance. Other authorities that monitor public social expenditure are the Czech Social Security Administration and health insurance companies. Most public social expenditure is monitored by the Ministry of Labour and Social Affairs. The Ministry is responsible for running information systems on several agendas within its competence, which include (among other areas) public social expenditure on specific policy areas. The ministry cooperates with the Institute of Labour and Social Affairs, which publishes an annual Bulletin on the Main Economic and Social Indicators of Czechia. This bulletin also includes integrated information on public social expenditure. The methodology underlying the bulletin data is not identical to the ESSPROS one. The **Austrian ESPN expert** explains that spending from unemployment insurance and spending on active labour market policies by the Public Employment Service and by the Federal Ministry for Labour are regularly reported in the Labour Market Information System database – a project implemented by the Federal Ministry of Labour which includes data on spending as well as various kinds of data on employment and labour market development. Still in Austria, the Umbrella Organisation of Austrian Social Insurance Providers publishes a yearly report, informing on revenues, beneficiaries of statutory pension insurance, health insurance, accidents insurance and unemployment insurance. The ESPN experts from **Belgium** report that most social protection benefits are administered by the Federal Public Service (Ministry) for Social Security, which collects and publishes statistics on all public social spending (and revenues). In addition to expenditure incurred, the Service also publishes data on projected or planned expenditure. In **Bulgaria** too, the National Social Security Institute has an administrative database with many modules, containing individual records on all transactions related to revenues and payments for all social protection functions. **Luxembourg** has several monitoring frameworks, but the most comprehensive is the General Report on Social Security published generally at the end of each year by the General Social Security Inspectorate, covering healthcare, long-term care, pensions, accident

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Economic Co-operation and Development (OECD). The SHA provides more granular data on healthcare expenditure (e.g. in-kind benefits, sickness benefits) than the ESSPROS and COFOG data (for more information see [here](#)).

<sup>11</sup> For more information on the National Statistical bodies, the readers are invited to consult the respective ESPN national reports.

insurance (accidents at work), family benefits and social inclusion. The ESPN expert from Luxembourg underlines that the presentation of benefits differs from ESSPROS, in order to reflect better some peculiarities of Luxembourg: maternity benefits, long-term care and accident insurance are presented separately, and not as parts of other, larger categories as presented in ESSPROS.

Specific integrated frameworks for social spending may also take the form of information and reporting systems (e.g. managed by a ministry) which gather data on social spending from several providers. The ESPN experts from **Latvia** report an innovative example of this. The country has implemented an information system – *LabIS* (Welfare Information System) – developed as part of a project that was fully funded by the European Regional Development Fund. The system is a comprehensive data warehouse used by the Ministry of Welfare for social policy planning, implementation and monitoring. It brings together information systems of several institutions under the responsibility of the Ministry of Welfare, as well as some other institutions and organisations. Similar systems exist in **Belgium**, where it is called the “Crossroads Bank for Social Security”, as well as in **Luxembourg** (the “Information System on Social Security and Health”).

In most cases, ESPN experts also mention other bodies which are responsible for monitoring only one policy area which falls under their competence (AT, BE, BG, CY, CZ, DE, EE, FI, HR, HU, IT, LT, LU, LV, MT, NL, PL, RO, SE, SI, SK; BA, ME, MK, RS). In Belgium, for instance, the public organisations which are responsible for administering the various branches of social security (sickness and invalidity, pensions, unemployment) generally publish their own statistics. In **Bulgaria**, the National Health Insurance Fund administers the compulsory health insurance and makes all payments to various health service providers for medical services provided to insured persons, and for medication described in special lists and prescribed to insured persons. It also manages a comprehensive database containing individual records on all incoming and outgoing payments and many other modules.

In some cases, monitoring of expenditure on one social protection function can be split between different bodies (e.g. CZ, CY, DE, NL). This is the case in **Cyprus**, where since the introduction of the new National Health System in 2019, there are three health budgets managed by three different institutions. These three different budgets or partial oversight frameworks monitor health spending. Similarly, in **Czechia**, the monitoring framework for healthcare spending combines the activities of four major institutions monitoring healthcare: the Institute of Health Information and Statistics of Czechia, the Ministry of Health, the Czech Statistical Office, and the Ministry of Finance. In **Germany**, each branch of the statutory social insurance system has its own reporting system on social benefits and social expenditure. By far the most important source of expenditure is social health insurance. Information on income and expenditure of the social health insurance scheme can be found in reports produced by the German federal government, the central association of the statutory health insurance scheme as well as in the report from the Federal Social Security Office. Moreover, every four years the federal government publishes “Social Reports” which describe the scope and structure of welfare state benefits and services as well as the reforms undertaken in this context during the relevant legislative period. These reports consist of two parts: the first part provides a comprehensive overview of social and welfare policy reform measures, while the second is devoted to the social budget. Finally, in the **Netherlands**, several institutions, as well as the social partners, monitor healthcare expenditure: the Ministry of Health, Welfare and Sport uses data from the National Healthcare Institute, the Dutch Healthcare Authority, Bureau for Economic Policy Analysis, and the umbrella organisation of healthcare insurers. Public spending on healthcare is limited by a revenue restriction for social partners (such as healthcare insurers). This restrictive measure is designed to prevent a continuous rise in public healthcare expenditure. As a result, healthcare insurers must make choices regarding whether or not (expensive) treatments are covered by collective insurance.

Central banks and other economic and fiscal bodies can also, in some cases, play an important role as monitoring frameworks (e.g. BE, HU, IT, SK). This is the case for **Belgium**, for instance, where the Belgian

Central Bank publishes data on public social spending. In **Hungary**, the Central Bank publishes quarterly data on its website on voluntary supplementary pensions and voluntary supplementary health funds. Data are available on the number of members of these supplementary schemes, membership fees and other revenues, accumulated reserves, portfolios and services provided. The same site also contains information from the remaining mandatory pension funds. In **Italy**, the General Accounting Office carries out two main monitoring exercises. The first results in a yearly publication on “Medium-long term trends of pension and healthcare systems”, a report covering three main social policy fields: pensions, healthcare and long-term care. This framework covers expenditure on both cash benefits and benefits in-kind: regarding long-term care, expenditure on the main cash benefit scheme and on healthcare services for disabled individuals are reported separately. The second monitoring exercise is a report on healthcare expenditure entitled “Healthcare expenditure monitoring”, which contains information on current expenditure.

### 1.1.2 Frameworks for monitoring occupational benefits

Some ESPN experts also report monitoring arrangements for expenditure (pay-outs) on occupational benefits (AT, DE, EL, ES, FI, PT, SE; UK). Such benefits are mostly occupational pensions, which are non-existent or underdeveloped in most Central and Eastern European countries as well as (potential) candidate countries (with the exceptions of PL and SI). For example, in Hungary, except for one single occupational pension provider of marginal importance, there are no occupational schemes. The one provider is supervised by the Central Bank, but the resulting data are not monitored.

In general, when monitoring arrangements exist, they are separate from the monitoring frameworks (described in Section 1.1.1). A variety of bodies may be responsible for such monitoring, mostly providing scant information and possibly not referring to expenditure per se. Information can be also scattered among institutions and provided only by private bodies. Since in most cases, occupational benefits, are occupational pensions, we provide some examples of different institutional arrangements monitoring these but in several cases they do not monitor expenditure. In general, the national monitoring framework (described in Section 1.1.1) does not cover occupational pensions within the pension system. For instance, in **Austria** some basic information regarding occupational pension schemes is available from the permanent monitoring of these schemes carried out by the Financial Market Authority, which provides a yearly report on the performance of occupational pension schemes, including basic data on spending. In **Greece**, there are 27 occupational insurance funds, which operate as autonomous legal non-profit entities and provide in-kind and cash benefits to their beneficiaries. These entities are governed by private law with financial and accounting independence and, as such, each entity is responsible for monitoring and reporting its expenditure.

By contrast, in other countries, there are frameworks monitoring other aspects of these benefits but no expenditure. As a matter of example, in **Belgium**, there is a dedicated website, organised by several public organisations, which presents data on the number of people who are affiliated to an occupational pension fund (i.e. for whom employers pay or have paid contributions into a fund; this number is broken down by gender, age category, residence status, work status: employees or self-employed). However, it is important to note that these data do not cover expenditure. In **Ireland**, supplementary schemes (such as occupational pensions, which play a significant role in the Irish social protection system) do not form part of public expenditure and are not included in the public expenditure framework. There is significant tax expenditure to promote occupational pension coverage, but this is also not considered to form part of public expenditure. As a result, there is only limited monitoring and evaluation of such supplementary schemes. A similar situation and concern are expressed by the **UK ESPN** experts with regards to occupational pensions. In **Italy**, the Supervisory Authority on Pension Funds monitors the activity of all types of supplementary pensions – including both second pillar occupational and third pillar personal pension funds. However, it does not monitor expenditure.

Only very few ESPN experts (e.g. DK, FI, PT, SE, SI; UK) provide information on monitoring of expenditure on occupational benefits, undertaken within one of the public social expenditure frameworks described in Section 1.1.1 Box 2 presents some examples.

**Box 2: Examples of comprehensive frameworks monitoring expenditure on occupational benefits**

**Finland**

*Employers are obliged to provide occupational healthcare. Expenditure on occupational healthcare is included in the Finnish Social Insurance Institution statistics and is part of public social spending. Moreover, Finland has a semi-public occupational (employment-related) pension scheme. It is fully legislated and mandatory but run by private pension insurance institutions. Data on these pensions are compiled by the Finnish Centre for Pensions and are included in the public spending statistics. The same applies to employer-provided sick-pay schemes.*

**Sweden**

*Some government agencies collect data on social benefits (either cash or in-kind) provided by employers, but there is no coherent monitoring framework for these employer costs (except that provided by ESSPROS). Data are provided on: a) private and occupational pension expenditure by the Swedish Pension Agency; b) the voluntary earnings-related unemployment benefit paid by the Swedish Unemployment Insurance Inspectorate; c) both private and employer healthcare expenditure; as well as d) some data on private insurance (for example in the areas of sickness and pensions) by Statistics Sweden. These data only include insurance companies (and similar) that are under the supervision of the Swedish financial supervisory authority.*

**United Kingdom**

*Employers have a statutory responsibility for certain cash benefits: statutory sick pay (SSP) and statutory maternity pay (SMP). As compensation for SMP, they receive deductions from the National Insurance contributions; this used to be the case for SSP, but this arrangement was then discontinued, although revived for small and medium sized employers in relation to COVID-19. These payments are included in social expenditure accounts and Departmental accounts.*

*Source: ESPN national reports (2022)*

### 1.1.3 Timing and public accessibility of data

Regarding the timing of data availability on incurred public social spending, several ESPN experts provide a comparison between the timing of the ESSPROS/COFOG requirements and the timing of the national monitoring frameworks. The timing of COFOG and ESSPROS expenditure data is as follows: a) COFOG: data available by regulation T+12 months after the end of the reference period; and b) ESSPROS: data available by 30 June of year N+2.

Most of the ESPN experts (e.g. AT, BE, BG, CZ, DE, EE, ES, FI, HR, IE, IT, LV, NL, PL, PT, RO, SE, SI; AL, ME, MK, XK) report that **their countries have at least one national monitoring framework providing data sooner than the “standard” reporting under the ESSPROS/COFOG requirements**. Most ESPN experts report at least a monthly report or data release on public social spending (e.g. BE, BG, CY, CZ, EL, ES, FI, HR, HU, IE, IT, LT, LV, NL, PL, RO, SE; ME, MK). In **Ireland**, for instance, the Department of Finance publishes a monthly Fiscal Monitor which provides an overview of revenue and expenditure published almost in real time (e.g. data referring to August 2021 were published on 2 September 2021, including details until the end of August). Similarly, in **Sweden**, data on public social spending are available also on a monthly basis, either directly from the government agency in charge of the data collection, on the Statistics Sweden websites or via the “National Financial Management Authority”. Most of the **Finnish** spending statistics produced by the Social Insurance Institution are published on a monthly basis. The **Belgian ESPN experts** highlight that monitoring frameworks for public social spending are timelier than both ESSPROS and COFOG requirements; the “Monitoring Committee” in particular publishes its data on a monthly or quarterly basis.

Only a few ESPN experts provide information on data published on a quarterly basis (e.g. IT, LT, RO; AL). One of the earliest reports out in **Italy** is the “Quarterly Report”, issued by the Court of Auditors on a quarterly basis, whereas ISTAT, the Italian National Statistical Institute, the National Social Insurance Institute and the General Accounting Office within the Ministry of Economy and Finance mostly publish data and report only on an annual basis.

Finally, in **Cyprus**, according to the Statistical Service of the Republic of Cyprus timetable, data are usually published with a delay of two to two and a half years, which is in line with the ESSPROS requirements.

**Generally, information provided under the national monitoring framework is publicly accessible** either on an online platform/website (e.g. EL, HR, IT, LT, MT, PL, SI) or in published reports (e.g. BE, DE, EE, SK). Among the only examples where information is not easily accessible is **Hungary**, where there is limited and decreasing access to a large segment of the data generated by the social administration.

## 1.2 Monitoring of levels of public spending

This section focuses on the way levels of public spending are monitored, looking into whether the systems distinguish between current expenditure and capital expenditure (Section 1.2.1), the level of granularity of public spending (Section 1.2.2) as well as the breakdown of public spending (Section 1.2.3). As mentioned in Section 1.1, a variety of frameworks exists in several countries, and for this reason, this section provides only a general overview and some specific examples.

### 1.2.1 Distinction between current expenditure and capital expenditure

**This section discusses whether, and to what extent, public social spending in 35 ESPN countries distinguishes between current and capital expenditure.** Current expenditure refers to all payments such as wages and salaries of public sector employees and the purchase of goods and services, whereas capital expenditure refers to payments for the acquisition of fixed capital assets (e.g. investments in hospitals, schools, medical equipment and childcare facilities).

**All but four ESPN experts report a differentiation between current and capital public social expenditure in their country at least in one monitoring framework.** Only Cyprus, Greece, Hungary and the Netherlands do not explicitly differentiate between current and capital social expenditure in their national monitoring frameworks. One of the four cases to be highlighted is **Greece**, which does not make such a distinction and where public social spending is monitored only as part of the overall budgeting procedure (see Section 1.1.1), and there is no distinction drawn between current and capital expenditure. In the **Netherlands** too, the annual reports from the ministries draw no strict distinction between current and capital expenditure. In **Hungary**, current and capital expenditure is separated in the National Accounts but the publicly available statistics on public social spending generally ignore capital expenditure.

In other cases, ESPN experts report that certain frameworks on expenditure on specific social protection functions (Table 1, cluster 2) provide information on either only current or only capital expenditure (e.g. BG, CZ, FI, IT, SK). In **Finland**, while the state budgetary process includes the two forms of expenditure separately, the Institute for Health and Welfare only includes spending on benefits, wages, and salaries of public sector employees, without reporting capital expenditure. In addition, the Association of Finnish Local and Regional Authorities compiles registers of investments. However, this information is not included in the social spending statistics that the Finnish Institute for Health and Welfare produces at the national level. In **Czechia**, the overall capital expenditure is reported in the Ministry of Labour and Social Affairs Statistical Yearbook, but the Czech Statistical Office includes only current expenditure in the “Health monitoring report”.

### 1.2.2 Granularity of public social spending

Another important feature described by the ESPN experts is the level of granularity of the presentation of public social spending: for example, nominal numbers presented for each year, numbers expressed as a percentage of GDP, year-on-year growth rates in real or nominal terms) and the social protection areas covered (healthcare, unemployment benefits, pensions etc.).

Regarding the level of detail in the presentation of social spending, most of the countries present data for each year in current prices, per capita, year-on-year percentage change, expenditure in relation to GDP (%).

As for a breakdown between social protection functions, the vast majority of the 35 ESPN countries report, at least in one national monitoring framework, such a disaggregation (e.g. BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK; AL, BA, TR, UK, XK). Indeed, most countries present information on social expenditure based on the ESSPROS classification: healthcare and sickness, disability, old age, survivors, family and children, unemployment, housing, other social protection benefits, and administration costs. Nevertheless, the presentation may vary widely among the frameworks within a country. For instance, in **Belgium**, the social protection data distinguish between social security and social assistance. The data from the Belgian Monitoring Committee are presented on the Social Security portal, which centralises all information, services and online procedures related to the social security of citizens, showing monthly expenditure on benefits by social protection function. **Luxembourg** has a wide range of national monitoring systems, such as the internet platform *ISOG* which provides a high granularity level, focused on the number and type of beneficiaries. The Open **Lithuanian** Finance website constitutes a unique monitoring framework which includes analytical tools allowing for the search and analysis of State financial activities, municipal institutions, funds and other bodies, and the use of public financial resources in general. Finally, it is interesting to note that in the Netherlands, as well as in Romania, the annual reports from the ministries have recently included public social spending in response to the COVID-19 crisis.

### 1.2.3 Breakdown of public social spending

This section focuses on the frameworks in the 35 countries that provide an overview of public social spending broken down by specific population groups (e.g. per income decile, per age group). Most ESPN experts report that where data breakdowns are available on institutional websites (in some cases more detailed data breakdowns are available only for internal use), the categories most often used in public social spending reporting are age and gender, as well as the type of benefit received. There are large differences in the breakdowns across the different types of social spending. Breakdowns of spending on pensions (e.g. old-age pensions, disability pensions, widows' pensions, and orphan pensions) remain the most frequently reported in the existing monitoring frameworks. Some of the countries report that data categories have been developed as a function of specific policy goals for different population groups. Overall, while in all 35 ESPN countries, data are available both on levels of and beneficiaries of social spending in different social areas (healthcare, social security benefits, education), these datasets are often not linked and data is not matched, with a few exceptions such as the use of centralised systems for managing data breakdowns of social spending (e.g. in LV the LaBiS system) (e.g. FI, LV).

In seven Member States the ESPN experts report no present frameworks for public social spending broken down by different population categories (AT, CY and EL (with the exception of disaggregated data on pensions), HR, IE, MT, PT).

The most often used breakdowns in the reporting on public social spending remain age and gender, as well as the type of benefit received. The next most common category included in the data breakdowns is information on beneficiaries by region or another territorial unit. Data by income levels is rarely reported as a category in the 35 ESPN national reports. Since the different types of public social spending are usually managed by different institutions/public bodies at national level – such as spending on unemployment and pensions, education, healthcare – the available breakdowns are often not uniform. Moreover, data are accessible via different sources: from the national statistical institutes, for example, or the national bodies responsible for the respective social spending category such as the national security institutes providing information on pensions. One interesting fact is that two out of the 35 country experts mention the collection of data on migration status and country of birth regarding public social spending

(respectively in the Netherlands and Sweden). In the **Netherlands**, specific social benefits are broken down by age groups, gender, geographic distribution, and in addition by migration status. In **Sweden**, data are available from the National Board of Health and Welfare on social assistance expenditure in each region (and municipality), disaggregated by household type and country of birth (Sweden vs abroad).

In some of the countries examined, such as in **Finland**, online tools make it possible for the users to compile diverse statistics on different indicators broken down by age group, household composition and gender, across policy sectors such as housing, income, health or welfare at different administrative levels (country, region and municipality). In **Italy**, databases on pensions, unemployment benefits and the companion allowance present data broken down by sex, benefit level (grouped in various income classes), and age bracket. Moreover, online statistical observatories on minimum income schemes break down figures by household size, as well as indicating the presence of minors or disabled people in the household. The centralised database Open **Lithuanian** Finance does not provide a breakdown of public social spending by specific population subgroups. Instead, complementary monitoring frameworks provide more detailed information by the type of social benefit or service, and/or groups of recipients by demographic characteristics, providing information beyond the COFOG/ESSPROS databases. The **Latvian** country expert reports one of the most integrated data reporting systems (*LabIS*), in which it is possible to match different indicators in the datasets. The data are pseudonymised<sup>12</sup> in the statistical system but all the records are matched in such a way that several parameters can be sampled at once. It is also possible, for example, to run a query on the average amount of unemployment benefit received by women with higher education, who also receive family benefits; or a query on how many pensioners are considered as low-income and their average pension.

Still in **Latvia**, regarding unemployment benefits, data are available (on demand) on the categories of beneficiaries by gender, age, education, profession, nationality, citizenship, Latvian language skills, disability groups and type of functional impairment (if applicable), as well as data on the last place of work, employer and desired profession, the date when the person received, changed or lost their unemployed status, as well as whether they receive unemployment benefit. In **Sweden**, data on unemployment benefit expenditure provided by the Unemployment Insurance Inspectorate are disaggregated by age, gender, region, municipality, and unemployment insurance fund. Sometimes, the information on the number and characteristics of beneficiaries and the level of social spending is reported separately.

Some of the countries have developed data categories as a function of specific policy goals targeted at different population groups (e.g. EE, FR). In **Estonia**, for instance, the expenditure of the Ministry of Social Affairs includes the costs of: old-age pensions, benefits for pensioners living alone, social benefits for the disabled, family benefits, parental benefits, unemployment benefits, and incapacity benefits.

Among the non-EU countries, the extent to which disaggregated data are available also varies widely. In **Turkey**, breakdowns of data on social spending are reportedly not available, with some exceptions in cases where social spending is targeted at a specific group (e.g. elderly people or the disabled population). In Kosovo, the framework of social spending monitoring provides only limited information by gender, municipality and ethnicity. In **North Macedonia**, country-specific monitoring frameworks (linked to one scheme (i.e. pensions, healthcare, social assistance, etc.) provide an overview of public social spending broken down by specific population groups. In **Bosnia and Herzegovina**, ESSPROS is highlighted as the tool used in the country, providing data on shares of means-tested and non-means-tested benefits for each social protection function. In the **UK**, while there is no unified framework, there are different institutions which publish data by benefit type, where it is possible to differentiate between more general

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<sup>12</sup> Data are *pseudonymised* by replacing the personal identification number with the system-generated code; thus the person cannot be identified.

age categories (i.e. children, working age adults and pensioners). An annual sample survey statistical report “Households below Average Income” identifies beneficiaries by age, gender, ethnicity, degree of disability, family type, working status and geography. Another tool defined by the UK ESPN national experts as extremely useful in the spatial analysis of need for, and distribution of, social spending is the Index of Deprivation, which provides breakdowns of data on social protection and healthcare recipients for areas as small as 10,000 households, as well as other geographical areas.

### 1.3 Type of monitoring: level and outcomes

The previous section has focused on how levels of social spending are monitored by the national frameworks. This section investigates whether these frameworks regularly monitor social outcomes. It should be stressed that the difference between monitoring social outcomes and outputs is not always distinct in the ESPN country reports as – depending on the country – outcomes may designate a more general category including outcomes/and or outputs. For the purposes of this report, we consider social outcomes such as poverty and inequality reduction, as well as income redistribution. Thus, we focus on frameworks which explicitly monitor social outcomes and not frameworks which provide information on inputs (e.g. levels of expenditure, levels of benefits) and outputs (e.g. number of beneficiaries). Social spending tends to serve several policy objectives which in general cannot be easily assigned to a specific input<sup>13</sup>. The section provides only basic information on monitoring of outcomes as Section 2 focuses in more depth on the evaluation of the effectiveness of social spending through spending review and other evaluation tools (i.e. the impact of spending on social outcomes).

Half of the ESPN experts report that the national frameworks (see Section 1.1) monitor only levels of social spending (e.g. AT, BG, CY, CZ, DE, EL, ES, HR, HU, LT, MT, PT, SE; BA, ME, MK, RS) while (a bit less than) the other half report frameworks that monitor social outcomes (e.g. BE, DK, EE, FI, FR, IE, IT, LU, LV, NL, PL, SK, SI; TR, UK). In most cases, when components other than levels of spending are monitored, these are mostly outputs, such as number of beneficiaries. In **Germany**, for example, the reporting systems on revenue and expenditure and those on social problems and outcomes of social spending are usually separate. Even the monitoring frameworks for the old age pension schemes monitor only the level of spending and not social outcomes. Aspects of the social outcomes are often addressed in federal government and expert reports (the experts are appointed by the federal government, individual federal ministries or the Bundestag). Indeed, several ESPN experts report that some of the frameworks in their countries monitor certain outputs or even indicators on outcomes (e.g. poverty). Importantly, only in rare cases is there a link between outcomes and expenditure (i.e. effectiveness) on these benefits (see Section 2). As a matter of example, in **Czechia**, the annual Health Yearbook provides comprehensive information on healthcare (based on data from the National Health Information System and demographic data from the Czech Statistical Office) on the areas of demography, population health, healthcare capacities and performance. Although some indicators may capture the outcomes of the healthcare system, they are not linked to the level of expenditure. Similarly, in **Slovenia**, the social outputs and outcomes monitored in healthcare frameworks are the level of absenteeism and the health status of the population. However, there is no link whatsoever to the specific measures/expenditure/investments in the system.

As mentioned above, only in some cases do certain frameworks monitor social outcomes (e.g. BE, DK, EE, FI, FR, IE, IT, LU, LV, NL, PL, SK, SI; TR, UK). These country examples are largely the same as those highlighted in the literature as having established spending reviews linked to outcomes (e.g. DK, FI, NL, SK; UK; European Commission 2020, 2014). This is now also the case of Estonia which established a

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<sup>13</sup> For instance, family benefits are not exclusively targeted at mitigating child poverty, but often have education and employment purposes as well. Likewise, social outcomes can be addressed by more than one social protection function, which widens the set of relevant input factors. It is hence challenging to establish a clearly defined set of input and output factors when it comes to social policies (Social Protection Committee and European Commission 2015).

performance budget in 2020. Box 3 provides some examples of such monitoring of social outcomes (see Section 2 for more details).

When reporting on social outcomes, several EU Member States most often rely on standard EU indicators that are also used in the EU monitoring of social inclusion. This is the case, for instance, in **Slovakia**, where, as explained, the Report on the Social Situation of the Population, focusing on social outcomes, applies the standard indicators of poverty and social exclusion that are used in EU monitoring of social inclusion.

Furthermore, national country experts of non-EU countries highlight the importance of indicators which can be used to make comparisons not only with the EU Member States but also at regional level. Relying on EU indicators for monitoring social outcomes is essential in several non-EU countries which utilise almost exclusively the ESSPROS framework (BA, ME, MK, RS and TR). In **North Macedonia**, the effectiveness of social spending and social outcomes are monitored separately, primarily relying on the EU-SILC methodology (such as poverty reduction, inequality, etc.). In other non-EU countries, obligations to report on spending with respect to pre-determined aims and targets may be stipulated by law, but whether the process is implemented in practice remains unclear (e.g. AL, TR). For example, in **Turkey**, it is reported that the 2021 Annual Programme of the President sets the target rate of relative poverty for 2021 at 20%. While the Decree implicitly states that the process should also encompass monitoring of social outcomes, documents drawn up by the Presidency of Strategy and the Budget providing an evaluation of policies with respect to these targets have not been made publicly available. In **Albania**, the mid-term budgetary programme provides detailed targets for the outcomes and outputs to be achieved under each policy programme, with objectives set at the ministry, programme, and output levels. However, reporting is limited to achieved outputs (e.g. number of beneficiaries of social assistance), rather than reporting on the achievement of the set strategic outcomes, such as poverty reduction, narrowing of inequalities and reducing unemployment. Furthermore, the importance of well-defined indicators is emphasised by national experts as a key factor for the evaluation of the set targets. The ESPN national experts for **Kosovo** highlight the importance of using indicators which can be compared regionally to evaluate the country's success in achieving social outcomes such as poverty alleviation. They give the example of the poverty and inequality indicators developed specifically in the Kosovan context by the World Bank. However, these have been less helpful in comparing the risk of poverty for the population in Kosovo with that of other countries in the region, unlike the EU-SILC indicators, such as the at-risk-of-poverty and at-risk-of-poverty and social exclusion rates. This brought rather an unpleasant surprise when Eurostat published the first EU-SILC indicators (2018) for Kosovo in 2021, and Kosovo emerged with the highest at-risk-of-poverty and at-risk-of-poverty-and-social-exclusion rates in the region of the Western Balkans.

**Box 3: Examples of national frameworks monitoring social outcomes****Denmark**

All monitoring frameworks provide data on social spending, either on the level and composition of social expenditure or on the design and outcomes of social policies. However, no single framework monitors both expenditure levels and policy outcomes systematically and regularly. Among the most frequently monitored outcomes of social spending are the reduction of inequality, distribution of benefits among different socio-economic population groups, and the accessibility of services and benefits.

**Estonia**

In May 2019, along with the State Budget of 2020, the government approved Estonia's first ever performance-based State Budget Strategy 2020-2023 which aims to achieve more effective and efficient implementation of public sector functions, higher quality of public services, and reduction of general government expenditure and staff costs. In the area of social spending, this is linked to its results, i.e. also monitoring social outcomes (e.g. poverty rate, employment rate and gender pay gap). There are currently three national plans for the development of well-being and health, providing strategic directions. To reach the objectives set out in these plans, eight programmes have been prepared, and in addition to the planned expenditure, the explanatory memorandum of the State Budget Act presents the current and expected values of the general social indicators and their target values for the next four years in both areas of performance.

**France**

The presentation of each budget and social security bill is accompanied by many indicators. The draft budget is broken down into different missions (e.g. "external state action", "defence", "ecology"). In the social field, there are several main missions: "labour and employment", "civil service retirement pensions", "solidarity, insertion and equal opportunities", "cohesion of local areas" and "school education"; these are operationalised through several programmes which feature a number of activity targets, each of which is accompanied by one or several performance indicators. This monitoring system has been in place for twenty years (LOLF law; see Section 1.1.1) and it is generally thought to have had a positive impact. Nevertheless, it has been criticised for not going as far as considering macro- objectives, such as reducing inequality or poverty (see Section 3).

**Luxembourg**

The National Statistical Institute examines the impact of taxes, social contributions and transfers on disposable income, expressed by population deciles. For instance, in 2014, a report highlighted the strongly redistributive nature of the Luxembourg social system.

**The Netherlands**

The national monitoring frameworks of the different ministries (Ministry of Social Affairs and Employment, Ministry of Interior and Kingdom Relations, and Ministry of Health, Welfare and Sport) help to monitor both the level of spending and social outcomes. The process focuses on the effectiveness of social policies and the efficiency of expenditure, thereby monitoring year-to-year trends in expenditure (horizontal) and an extensive breakdown of spending in the previous year. The financial statements in the ministerial reports focus on the level of spending, while Statistics Netherlands and the Institute for Social Research generally report social outcomes, such as poverty, equality, welfare, health, unemployment and homelessness, among others. Within the national framework, the evaluation system requires ministries to regularly review the overall effectiveness and efficiency of policies, such as the audit performance by the Court of Audit and reporting and research by independent research agencies (see Section 2.2).

**United Kingdom**

In the UK, a crucial role is played by the Office for National Statistics with its annual series *The effects of taxes and benefits on UK household income*, published since 1977. This source publishes tables giving the original household income by quintile and decile group and then showing how this is altered by type of cash benefits, type of direct and indirect taxes and expenditure on services in kind. The data are used to produce an analysis of the impact of benefits and taxes and services on inequality. It is the main vehicle for monitoring how public social benefits are contributing to reducing inequality.

Source: ESPN national reports (2022)

**1.4 Subnational frameworks**

The ESPN experts were invited to report on whether there are monitoring systems at local level, where social services are generally provided, and how these are organised. They were asked to identify proper and well-established subnational frameworks, namely frameworks specifically for this level and separate from the monitoring by the central government. Nevertheless, clearly, such frameworks exist in only very few cases. Therefore, this section describes the general findings on how social spending is monitored at subnational level, placing the emphasis on proper and well-established frameworks when these exist.

While in the majority of the 35 countries studied, municipalities and regions are largely responsible for the provision of social services, specific subnational frameworks on public social spending are rarely in place and spending is usually monitored at central state level. Yet, while in the majority of the unitary

states<sup>14</sup> there are no such monitoring frameworks at subnational level, overall, in federal states<sup>15</sup>, data on public social spending are collected at the level of the autonomous entities. This section provides more detailed information on the existence, the structure of subnational frameworks at domestic level and some examples of these, while distinguishing between the different degrees of self-governance (i.e. unitary, states with devolved competences and federal states).

#### 1.4.1 Unitary states

In most unitary states, even if no subnational frameworks on public social spending are in place (e.g. BG, CY, EL, HU, IE, LT, LV<sup>16</sup>, MT, PT, SE, SI), centralised data on public social expenditure are often broken down and published by regions or other smaller territorial units. For instance, in **Bulgaria**, the national ESPN expert highlights the lack of a specific monitoring subnational framework. While data and statistics are gathered at regional level, they are often just transferred to the central level. Each municipality publishes information on expenditure on their websites (as stipulated by law). Similarly, in **Poland**, centralised statistical tools report data on social spending per different territorial units (i.e. *gminas*, *powiats*, *voivodships*). The Local Data Bank of Statistics Poland is the most important reporting tool presenting information at subnational level. This database provides information on expenditure related to social assistance and family benefits, family support and education in local communities. In **France**, such division of data reporting is mostly conducted at *Département* level, ranging from social indicators relating to the *Département*, the child welfare services and the social action centres. In **Sweden**, although the local level has important competences regarding social services, there is no uniform monitoring framework for public social spending reported at municipal or regional levels. However, public social spending on various local and regional programmes is included in the monitoring framework of several government agencies. The National Board of Health and Welfare collects data on municipal social assistance, whereas the Swedish National Agency for Education does the same for early childhood education and care, which is a municipal responsibility in Sweden. Nevertheless, the level of detail and the type of data collected may vary widely across entities, which in some way argues against the existence of a well-established subnational framework. In **Latvia**, the Ministry of Environmental Protection and Regional Development publishes annual reports on all Latvian municipalities. There are a few exceptions among the unitary states, where such subnational frameworks do exist (e.g. HR, LU, NL, RO, SK; see examples in Box 4).

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<sup>14</sup> Unitary state, a system of political organisation in which most or all of the governing power resides in a centralised government, in contrast to a federal state. Definition adopted from the Encyclopaedia Britannica. Available at: <https://www.britannica.com/topic/unitary-state>. For more information on the divisions of powers in the EU, see the dedicated section in the Committee of the Regions documentation. Available at <https://portal.cor.europa.eu/divisionpowers/Pages/default.aspx>

<sup>15</sup> In federal systems, political authority is divided between two autonomous sets of governments, one national and the other subnational, both of which operate directly upon the people. Definition adopted from the Encyclopaedia Britannica. Available at: <https://www.britannica.com/topic/political-system/Federal-systems#ref416916>

<sup>16</sup> With the exception of the Riga municipality.

#### **Box 4: Examples of subnational frameworks in unitary states**

##### **Croatia**

*Croatia is an interesting example of a unitary state which has undergone some transformation during the last five years – a subnational framework for reporting public social spending has been developed. The country expert reports that data collection and reclassification of the public social spending and receipts at local and regional level were carried out as part of the project “Harmonisation of local social benefits according to the ESSPROS methodology”, financed by DG REFORM of the European Commission. Data on public social spending by local government, handled according to the ESSPROS methodology, were collected for the first time in Croatia in the course of 2018 for the years 2017 and 2016. The follow-up to the project took place in 2020 and 2021: it eventually aims to train Croatian administrative bodies in collecting and releasing data on social protection provided by local authorities independently and regularly.*

##### **Luxembourg**

*In Luxembourg, the social offices provide basic commodities (housing, health, food and clothing, water and energy) and also advice about eligibility for social transfers in general. Some of them monitor the related social spending but practices differ significantly from one municipality to the other.*

##### **The Netherlands**

*In the Netherlands, as a decentralised unitary state, the existence of subnational frameworks is reported at both provincial and municipality level. Municipalities use the planning and control cycle. The cycle ends with the annual account and report, in which the municipality council describes its policy (achievements) and effectiveness. Twice a year, the Association of Municipalities publishes information on specific social policies, and has recently started a dashboard to monitor the social impact of the COVID-19 pandemic. This information is published on a platform which combines publicly available data from multiple sources, to monitor social policies and the number of people (in multiple categories) who receive social support from the municipality.*

##### **Romania**

*In Romania, county and local councils are responsible for organising social assistance services, and the agencies responsible for the monitoring process have developed their own set of monitoring indicators, depending on the level of their administrative capacity. For example, the county level decentralized Social Assistance Directorates of Bihor County (one of the eight development regions of Romania), annually publishes an action plan regarding the development of social services, giving the objectives and operational goals of the strategy on social services adopted by the county council. All counties have approved strategies, but the monitoring level depends on the administrative capacity of each county. However, the development of a new integrated platform for managing information systems regarding social benefits and services (DIAMANT), plans for which started in 2017, is aimed at standardising most of the information collected and monitored by the local and county level social assistance public services. This will allow for the aggregation and monitoring of information currently missing at the national level.*

##### **Slovakia**

*In Slovakia, municipalities report on public social spending, preparing the so-called “community plan for social services” based on the national strategic framework on National Priorities of Social Services Development. Self-governed regions prepare the so-called “social services development concept”, considering the plans of the municipalities and the national priorities. Both types of documents must include analyses of the existing provisions, with breakdowns by type, form and provider of social services, as well as analyses of the demand side — i.e. requirements linked to the population of the region or municipality, including the demographic and social situation in the given locality.*

*Source: ESPN national reports (2022)*

### 1.4.2 States with devolution of legislative competences to subnational level

In states with competencies devolved (asymmetrically) to regions (ES, FI, IT; UK), the data collection practices are quite diverse, as illustrated in Box 5.

**Box 5: Examples of subnational frameworks in states with devolution of legislative competences to subnational level**

**Spain**

*In Spain, with a great degree of independence between regions, where regional and local governments are responsible for 40% of total public spending, the distribution of competences between the national and regional administrations implies greater complexity in the review of spending. The regional administrations (Autonomous Communities) have the competence to plan and manage spending on certain public policies, including education, health, long-term care and social services, according to principles common to all territories.*

**Italy**

*In Italy, the Statistical Institute collects information on an annual basis on welfare policies managed at the local level – i.e. on total expenditure of social services managed by municipalities (individually or in associated form) and by the Regions, and on the number of beneficiaries.*

**Finland**

*The Finnish ESPN experts report that data on social spending are transferred to the “Association of Finnish Municipalities”, which compiles registers of information drawn from individual municipalities, as well as national data. The “Association of Finnish Municipalities” plays an important role, providing information including an index used to monitor productivity and performance in different municipalities over time. These data offer municipalities the chance to learn from each other effective practices regarding the provision of services to residents and to extensively monitor the outcomes of social policies (health, poverty, inequality, unemployment etc.) at the municipal level.*

**United Kingdom**

*In the UK, most social security expenditure is determined, monitored and evaluated at the national level while healthcare and long-term care are devolved to national governments in Scotland, Wales and Northern Ireland. By contrast, local government in England is only responsible for long-term care, with very limited responsibilities for social protection benefits. Interestingly, the welfare responsibilities of local authorities were extended during the COVID-19 pandemic, and as they have taken on the disbursement of successive welfare funds, the latest of which in October 2021. These locally administered schemes are not easily monitored, in part because some have been devolved by local authorities to voluntary organisations to distribute.*

*Source: ESPN national reports (2022)*

### 1.4.3 Federal states

In most federal states (AT, BE, DE; BA), data on public social spending are collected at the level of the autonomous districts or regions. However, only two ESPN experts report a proper well-established subnational monitoring framework (DE; BA).

In **Germany**, individual Länder and cities have developed their own reporting systems, although these focus on reporting social problems and programmes rather than on social finances (e.g. North Rhine-Westphalia). Specific focus is placed in these frameworks on healthcare spending. Information on spending by local health departments is provided at the district and district-free city levels. In **Bosnia and Herzegovina**, subnational frameworks exist in the two entities and Brčko District. Each year, entity governments and the Brčko District government adopt Framework Budget Documents, setting out the macroeconomic objectives and strategic framework for the public budgets in the next three-year period.

In contrast to the previous examples, in **Belgium** (and to a similar extent in **Austria**), data on public social spending from each of the federated entities are not gathered or published separately from the statistics collected by the Belgian National Bank and the Monitoring Committee. Rather, data on various social benefits (e.g. statistics on family/child allowances or the benefits related to disability or dependency, mostly for older people [65+]) are published in ad hoc reports and monitoring in the different regions.

## 2 REPORTING AND REVIEW TOOLS FOR PUBLIC SOCIAL SPENDING

The aim of this section is to map out the way countries review public social spending and in particular its effectiveness. A spending review aims at identifying and weighing efficiency gains which may lead to greater efficiency and effectiveness, based on a systematic examination of baseline expenditure. In contrast to the normal budgetary discussions, which assess the value of newly proposed budgetary lines, spending reviews investigate the baseline of existing spending. Spending reviews presuppose that spending cannot be analysed in isolation from the policy it is supposed to fund and the impact on the end-beneficiary (Vandierendonck 2014).

In general, spending reviews can be classified into different types, depending on their goal, scope and recurrence. Regarding their goal, two broad approaches exist among Member States regarding reviews of general public budgets: a strategic and a tactical approach (Vandierendonck 2014; Bova *et al.* 2020). The strategic approach focuses more on policy prioritisation and clarification of responsibilities regarding a policy funded by public money. A tactical review aims at increasing the value of spending by closely linking it to impact. An example of a tactical review is the French *Révision générale des politiques publiques*; others such as the UK Comprehensive Spending Review combine the two: a strategic analysis is undertaken before the tactical analysis (Vandierendonck 2014; Bova *et al.* 2020). With regard to scope, two models of spending review have been used historically: a) reviews targeted at a specific policy area, most common in Denmark and the Netherlands and more recently established also in Estonia, Poland and Slovakia; and b) cyclical comprehensive reviews considering the main lines of spending, common to Ireland and the UK (Bova *et al.* 2020). Reviews may be systematic (i.e. repeated over a certain lapse of time) or ad hoc (i.e. driven by a specific need/situation). The ESPN experts report that the institutionalisation of spending reviews as a regular budgetary process is still very limited (but see DE, DK, EE, EL, FR, IE, SK; UK) and that the link between budgetary and spending review processes is largely underdeveloped (Bova *et al.* 2020)

The above-mentioned categorisation pertains to general budget reviews. Since the focus of this report is on how countries review *social* spending, the ESPN experts have described whether there are any specific recurrent or ad hoc monitoring/reporting/review tools<sup>17</sup> as well as looking at whether these monitor the effectiveness of public social expenditure. For the purposes of this report, effectiveness is defined broadly, i.e. “whether or not particular social objectives are met”. The objectives of social protection are multiple and sometimes even conflicting. Thus, an assessment of the effectiveness of social protection requires primarily the definition of social goals. These objectives must be operationalised and measured, and relevant contextual factors have to be taken into account. At the EU level, the effectiveness of social protection systems has mainly been measured by comparing at-risk-of-poverty rates before and after social transfers: this is a one-dimensional approach assessing effectiveness, where social protection spending is plotted against the relative change in the at-risk-of-poverty rate due to social transfers (see Social Protection Committee and European Commission 2015).

The ESPN experts were asked to describe assessments of effectiveness beyond these EU agreed indicators and reporting obligations. As discussed in Section 1.3, the national frameworks for monitoring social spending monitor mainly levels of spending, to some extent also inputs and outputs, and only rarely relate these more broadly to social outcomes and the effectiveness of spending. The ESPN experts show that reviews of social outcomes, and in particular of the effectiveness of public spending, are carried out sporadically in most countries, although the scope and methodology of the reviews vary widely. This corroborates previous findings which highlight a large variety of approaches in conducting spending reviews across the EU (Bova *et al.* 2020). Indeed, there is no single definition of spending reviews across the EU, and countries have different visions and practices of this budgetary tool. This section presents the main processes and institutional arrangements reported by the ESPN experts with regard to social

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<sup>17</sup> By ministries, national parliaments, independent fiscal institutions, regional or local authorities or other interested parties.

spending (Section 2.1), be they recurrent (Section 2.2) or ad hoc reviews (Section 2.3). It also describes good practices at subnational level (Section 2.4).

## 2.1 Review processes and tools for public social spending: a classification

This section focuses on review processes and institutional arrangements for reviewing public social spending in the ESPN countries. In order to make sense of the wide variety of existing situations, the report classifies the types of review/reporting tools according to a criterion which seems to be essential: recurrence, i.e. while one-off spending reviews can have a major impact, the ultimate gains are realised when they become a routine part of the budget process (Vandierendonck 2014). For the purposes of this section, we do not add further classification criteria (e.g. on the substance of the reviews) given the scarcity of reviews focusing only on the effectiveness of social spending, we cover all types of review processes/tools together – including those focusing on outputs, social outcomes and effectiveness – and try to highlight good/innovative practices.

**Based on the recurrence criterion, the reviewing tools are divided into two clusters: 1) recurrent social spending review tools/processes; and 2) ad hoc reviews of social spending** (Table 2). Within the first cluster, we distinguish between two situations: a) systematic reviews of public social spending embedded within a review procedure of general public spending (i.e. with other items of the state budget); and b) systematic reviews carried out by a ministry or a social protection institute separately from the general budget reviewing process. The second cluster of ad hoc reviews comprises one-off reviews and those carried out in an unsystematic way. The ESPN experts report that the latter types of reviews are mostly undertaken by a) certain public bodies such as Supreme Audit Institutions, Economic and Social councils, public research institutes; as well as b) non-governmental organisations (NGOs) and international organisations such as the International Monetary Fund (IMF) and the World Bank (WB). Some countries are listed in several of these categories. For example, they may organise a more comprehensive recurrent review on social spending and then some ad hoc reviews regarding certain policies. Furthermore, the same institution may conduct both regular monitoring in one domain (e.g. pensions, healthcare, education) and ad hoc reports on more targeted matters of policy interest. Importantly, where social outcomes and effectiveness are monitored, there may be a large variety of situations in each category.

**Table 2: Review tools/processes of public social spending**

Recurrent review tools/processes of public social spending		Ad hoc reviews of public social spending	
(1) Embedded in the general budget reviewing process	(2) Carried out separately from the general budget reviewing process	(3) Carried out by public bodies	(4) Carried out by non-governmental / international organisations
BE, CY, DE, DK, EE, ES, FI, FR, IE, IT, PL, SI, SK, NL, RO	AT, DE, DK, CZ, FI, HR, IT, HU, LT, LU, LV, PL, PT, RO, SE, SI	AT, BE, BG, CY, CZ, DE, DK, EE, ES, FI, FR, HR, HU, IE, LT, LV, MT, NL, PT, PL, RO, SI, SE, SK	BG, EL, LV, LU, MT, PT, SI, RO
RS, UK, XK	AL, BA, MK, RS, TR, UK, XK	AL, BA, ME, MK, RS, TR, UK, XK	BA, MK, TR, UK, XK

Source: Own elaboration based on the 35 ESPN national reports (2022)

## 2.2 Recurrent review tools and processes of social public spending

**Most ESPN experts report at least one type of recurrent review/tool.** However, in some cases these are targeted at a single social policy area and do not provide comprehensive monitoring of overall social spending.

### 2.2.1 Recurrent spending reviews embedded in a general budget reviewing process

This category (Table 2, column 1) includes the 18 countries (15 EU and 3 non-EU countries) which have a recurrent procedure of comprehensive review of social policy spending within the more general budget framework (i.e. together with other budgetary lines). In these countries, there are institutionalised spending reviews as a regular budgetary process. As every country situation is different, we highlight in the examples provided first how social spending is monitored within this more general process and second, how social outcomes and effectiveness are covered (Box 6). However, although social outcomes of spending are monitored, there are only rare cases of monitoring of effectiveness, directly linking the expenditure with social outcomes, within the general budgetary review process.

#### **Box 6: Examples of recurrent reviews of social spending embedded in a general budget reviewing process**

##### **Denmark**

*In Denmark, spending reviews are embedded in the budgetary process and the government undertakes selective spending reviews on topics selected on a discretionary annual basis, or in rotation based on a cycle of 4-5 years (Bova et al. 2020). Moreover, the Ministry of Finance produces a twice-yearly review of the economy that oftentimes contains an analysis of public social spending. Every review examines the total level of public spending, thus including the aggregate level of social spending. The August review also updates estimates of aggregate levels of social spending in the current and coming years.*

##### **Estonia**

*Since 2020, Estonia has been implementing performance-based budgeting. In addition to monitoring the level of spending, performance-based budgeting is also linked to results, i.e. it monitors the effectiveness of spending. Thus, the explanatory memorandum of the State Budget Act also presents the social indicators (such as poverty rates, employment rate and gender pay gap) and their target values for the coming years.*

##### **France**

*Since the implementation of the LOLF in 2006 (see Section 1.1.1), public spending is presented by public policies and organised into the following three levels: missions of the State, the programmes to implement to fulfil these tasks, and the concrete actions that feature in these programmes. An authorised expenditure budget is allocated to each level. Each programme can include various actions and several indicators. For example, linked to social spending, the mission entitled “solidarity, insertion and equal opportunities” comprises four programmes, one of which is called “social inclusion and insertion of people”, comprising most of the budget devoted to poverty action. The indicators linked to this programme include “the share of households that receive a social activity income when returning to work or who receive an activity bonus and remain in employment”. This indicator presents the implementation rate for the current and previous year and targets for two years ahead, and is broken down into type of family, single parent or not, and employment situation. Although the large number of indicators used play an important role in steering public action and social expenditure, they have several limitations that make it more difficult to manage policies (see Section 3 on strengths and weaknesses of the systems).*

##### **Germany**

*Since 2015, inspired by the experience of Denmark and the Netherlands, the German federal government has included annual spending reviews in its top-down procedure for preparing the federal budget. Spending reviews analyse revenues and expenditure in selected policy areas, with the aim of giving the budget preparation procedure a stronger focus on content and enhancing the outcome orientation of the allocated budget funds. The reviews help to improve the structure of the federal budget, assist in reprioritising funds and create fiscal space for new measures. Spending reviews are carried out jointly by the Finance Ministry and the ministries responsible for the issue in question. The reports on social policy issues concern areas such as housing policy, further training, re-entry, business start-up. However, they provide only a limited insight into the concrete procedure of the ex-post reviews and do not provide an evaluation of the effectiveness and cost-effectiveness of the policy areas under consideration.*

##### **Ireland**

*Expenditure reviews have been carried out since the 1990s. Since mid-2000, more comprehensive reviews exist: the Value for Money (VFM) and Policy Review Initiative were put in place, under which process policy areas for evaluation were identified by line Departments and agreed with the Department of Finance. These reviews remain in place, but a more integrated approach has been established by the Department of Public Expenditure and Reform in 2011. Thus, a comprehensive expenditure review (or Spending Review) is now carried out on a regular basis led by this Department, with the results feeding into the Estimates and budgetary process. This includes the publication of individual papers reviewing specific aspects of social spending and demographic and socio-economic trends. The annual Spending Review forms part of a three-year process*

on selected areas for review. In addition to the expenditure monitoring system outlined above, a system of policy evaluation has been developed. However, the Irish ESPN expert highlights that only three of these reviews can be seen as actually looking at effectiveness: two (relatively small) health schemes and one review (albeit not in great detail and without any recommendations) of the impact of social transfers on household incomes

#### **Italy**

In 2017, Italy was one of the first countries in the EU to introduce an analysis of trends in some social outcomes into the annual budgetary process. The Economic and Finance Document must include an Annex reporting the trends in major variables included in the multidimensional concept of Fair and Sustainable Wellbeing (BES) proposed by the Italian national statistical institute (ISTAT). It provides estimates of the trends in these variables for the 4-year period covered by the budgetary cycle. Furthermore, the Annex also includes a qualitative assessment of the expected impact on BES components of some measures included in the Budget Law. It reports estimates of expected trends in 12 indicators of Fair and Sustainable Wellbeing. The government also carries out a spending review exercise to monitor trends in public spending and tax expenditure. However, this exercise is mostly focused on items of public spending other than social protection spending (e.g. trends in ministries' expenditure) since social protection spending is already monitored in detail by several public authorities in Italy.

#### **The Netherlands**

The Dutch spending review process began as a comprehensive spending review in 1981 and is used to align spending with new government priorities at the start of the political cycle (Vandierendonck 2014). Within the evaluation system, the central government makes use of multiple policy evaluation tools, among which are the "Periodical policy check and social reappraisals". The first one launches the so-called "Insight into Quality" operation. Ministries must evaluate every policy theme (e.g. labour market, unemployment, childcare) once per seven years. These checks evaluate the effectiveness of policies and give insights into possible improvements. The Social reappraisal gives an insight into the direction of future policy, based on an evaluation of current effectiveness and efficiency.

#### **Poland**

Since 2013, the performance-based budget procedure in Poland includes an assessment of public spending efficiency and effectiveness through performance plans based on objective achievement metrics. Since 2015 the Ministry of Finance has conducted spending reviews in selected policy areas. Each year several spending reviews are undertaken, aimed at assessing the accuracy, and efficiency of public spending. To date, the reviews have covered the areas of housing, benefits for families with low incomes, as well as mechanisms related to indexation of benefits and legal regulations determining the set part of expenditure, especially for social benefits, including pensions. In 2015, the Ministry of Finance conducted a review of spending for families on a low income. In autumn 2021, the Ministry of Finances began the healthcare spending review. The report covers selected healthcare spending areas, including ambulatory care, prevention, public procurement of pharmaceuticals, long-term care, medical education, coordination of primary and secondary care.

#### **Slovakia**

In 2016 a more comprehensive system of spending reviews was introduced as part of the government commitment to higher effectiveness of public expenditure and better public services. The latter is part of the work conducted by the Ministry of Finance in the Value for Money framework, which, as reported by the ESPN expert, has become a key tool for public policy making. Rather than focusing on pure fiscal consolidation, attention is paid to the "value" of given public policy instruments in terms of defined governmental goals, taking into account efficiency and effectiveness. The spending review quantifies all expenditure on existing policies, assesses its efficiency, and examines existing data collection systems. The spending review on social inclusion policies (2018-2020) identified all policies and measures that relate to the social inclusion of vulnerable groups at risk of poverty and social exclusion, ranging from social policy transfers to educational policies or housing policies, and collects all relevant expenditure. The goal is to evaluate whether public resources are used in the best possible way to achieve the goal of delivering high-quality public services (in the broadest sense). Furthermore, savings that result from the review process are not used for fiscal consolidation; rather, they are reallocated to the government's priorities.

Source: ESPN national reports (2022)

## **2.2.2 Spending reviews carried out separately from the general budget reviewing process**

This category (Table 2, column 2) is quite large, as in 23 of the 35 ESPN countries (16 EU and 7 non-EU countries, Ministries and/or social insurance institutions undertake **recurrent** reviews of social spending separate from the general budget procedure. In most cases, these countries monitor in a recurrent way a specific area of social spending (e.g. most frequently healthcare, pensions and disability benefits, followed by unemployment). In rarer cases, reviews of areas such as long-term care or housing are reported by the ESPN experts.

**Again**, as for the first category, **monitoring of social outcomes and in particular effectiveness of social spending is rare**. Most examples refer to monitoring of social outcomes or policy evaluations not directly linked to expenditure. For example, the ESPN expert from **Austria** highlights that the Federal

Ministry of Social Affairs, Health, Care and Consumer Protection (partly in co-operation with external researchers) produces “Social Reports”, which are normally published on a bi-annual basis. These reports deal with the design of policies and recent reforms, as well as public social spending on the different strands of the social protection system. Furthermore, outcomes such as relative income poverty before and after social transfers or incidence and development of material deprivation are repeatedly (but not always) reported in a separate chapter of these reports. The “Monitoring Reports on Target Management Health” provide data on the evolution of public health spending, and on several indicators regarding three strategic goals (“better supply”, “better quality” and “healthier population”). However, according to the expert the analysis remains largely descriptive, and no explicit conclusions are drawn regarding the effectiveness of public spending or possible measures to improve the allocation of financial resources.

Although monitoring of effectiveness is not a common practice regarding social spending, some reviews were reported in a few countries (DK, FI, IT, LT, SE, SI). Some examples of such exercises are presented in Box 7.

### **Box 7: Examples of spending reviews assessing effectiveness**

#### **Denmark**

*Since 1962, the Economic Council has published review reports of the economy in the country twice a year. The Council's economy reports contain economic analysis and policy recommendations on general economic policy and economic forecasts. Moreover, the reports also contain in-depth analysis on themes central to social spending such as income distribution, social mobility, active labour market policies, health and retirement, and other similar issues. As an example, in 2021 the analysis concerned the effects of early interventions in children's lives and related expenditure, which is a key part of social investment as there is limited knowledge on how the design of childcare affects child development and performance in the long run.*

#### **Finland**

*Most frameworks on social spending provide not only reviews of spending but also a wider assessment of different societal outcomes such as poverty, distribution of benefits among population groups, distributional effects, and access to services and benefits. Besides the level of spending, the Ministry of Finance also produces ex-ante and ex-post assessments of incentive structures (e.g. effective marginal tax rates, tax-benefit analyses), employment, income distribution, and poverty effects of the budget. Importantly, the gender impact is also assessed, as in their draft budget proposals, ministries provide a summary of their spending items that have a significant gender impact. A future monitoring framework to better capture gendered and child-related effects of the planned budget is also underway (at the time of writing the country report, January 2022). The Economic Policy Council independently monitors economic policy decision-making and preparatory work and provides its evaluation and recommendations annually. Occasionally (but not always) the monitoring comments on the effectiveness of income transfers. Furthermore, there is a legal obligation to monitor the adequacy of basic social security and various aspects of social outcomes every fourth year at the end of each Parliamentary term.*

#### **Italy**

*ISTAT publishes an Annual Report on the situation of the country. Although it focuses each year on different social and economic aspects, this report generally provides information on social conditions and includes data concerning social objectives – such as reducing poverty – and labour market conditions (e.g. activity rate, job insecurity among young people, human capital and the training system). In 2016, one of the five chapters of the report was dedicated to “the social protection system and generational challenges”, providing information regarding: the effectiveness of the Italian welfare state in reducing poverty and inequalities, looking at the at-risk-of-poverty rate before and after social transfers, also differentiating between different age groups; the distribution of social expenditure among functions in Italy in a comparative perspective – i.e. the imbalanced allocation of resources among the various welfare sectors, favouring pensions vis-à-vis social assistance and family policies and the comparatively low expenditure on in-kind services; the intergenerational transmission of disadvantage; child-poverty and compared to other countries. Since 2015, this has been the only report with a specific focus on the effectiveness of the Italian welfare state, although, as mentioned, the report frequently outlines the social and labour market situation of the population.*

#### **Lithuania**

*One example of a monitoring framework with a specific link to policy outcomes in the sphere of poverty reduction is the Monitoring System for Social Assistance Effectiveness of the Ministry of Social Affairs. Monitoring of the effectiveness of social assistance is carried out using key indicators of the social assistance system in the areas of poverty reduction, social support and prevention and combining them into a composite index. This tool became operational and was presented to the public only in September 2021, implementing the recommendations of the National Audit Office. Moreover, the Ministry of Social Affairs and its subordinate social insurance institutions publish Annual Operational Reports. They follow the implementation of strategic goals and the use of financial appropriations, i.e. expenditure on programmes implemented by the Ministry, such as stimulation of employment, social assistance, development of social services and integration. Among other things, the indicators include the level of social benefits and changes in the number of beneficiaries, as well as the amounts of money spent on financing social protection programmes and measures.*

**Slovenia**

*The Pension and Disability Insurance Institute conducts regular monitoring of the effectiveness of public social spending by looking at and evaluating the fulfilment of set aims, such as adequate pensions. Several different tools are deployed to judge the impact of healthcare spending on outcomes – one of these is the recurrent review defined in the Annual Programme of Statistical Surveys (2020). Multiple health indicators allowing for in-depth analysis of the health condition of different population groups are included in this, such as healthy life years expectancy indicators etc.*

*Source: ESPN national reports (2022)*

## 2.3 Ad hoc reviews of social spending

All ESPN experts report ad hoc reviews of social spending on specific social policy functions or in many cases a specific programme. Importantly, some ESPN countries do not have the sort of recurrent review processes/tools examined in the previous section, but *only* ad hoc processes (BG, CY, EL, HU).

Similarly to the recurrent review processes, the ESPN experts report mostly spending reviews linked to levels of expenditure or indeed social outputs and outcomes, but not examining the effectiveness of social spending. In yet other cases, experts highlight that these reviews are more public policy evaluations than reviews of social spending per se. These occasional reviews are performed by a large variety of public bodies (ministries, public research institutes etc.), and **Supreme Audit Institutions play a particularly important role**. Such reviews can even be carried out by special “task forces” formed for the specific purpose of monitoring, as in Slovenia. Such reviews are also conducted by non-governmental organisations and international organisations. In some cases, Supreme Courts may also play a significant role; the Constitutional Court in Czechia, for example, has played a crucial role in amending social policies via judicial review of secondary legislation.

### 2.3.1 Ad hoc reviews of public spending by national public bodies

This category (Table 2, column 3) is the largest, and includes 32 of the 35 ESPN countries (24 EU and 8 non-EU countries). Ad hoc reviewing of public spending is mostly driven by a concrete situation such as a reform proposal, evaluation of a programme etc. A large variety of such ad hoc reviews are reported by the ESPN experts. Among those which assess effectiveness (e.g. DK, EE, ES, FI, IE, NL, PT, SE), in **Denmark and Finland**, for instance, the government is an important initiator and financier of ad hoc evaluations on various topics, through specific funding intended for short-term research activities on topics that support the government in its preparations and decision-making. Oftentimes, the funded research activities monitor impacts of social security such as distribution and utilisation of benefits, and their distributional impact, in their assessment of the impact of population ageing on social spending and public finances and in their analyses of the overlap of minimum income transfer schemes or they offer practical tools for such analyses. In **Ireland**, departments and other public bodies occasionally support studies of issues outside the *Value for Money* review process. For example, the Department of Social Protection (DSP) commissioned a study by a consultancy company of the impact of changes to support for lone parents since 2012. This study did look at the effectiveness of reforms (e.g. the impact on claimant incomes). Departments also sometimes use their own internal capacity to assess the effectiveness of spending. For example, DSP has produced post-Budget integrated social impact assessments of the main tax and social welfare measures for the 2013 to 2022 budgets inclusive. In **Slovakia**, similarly, the “Value for Money” unit prepares spending reviews on different priority matters. For example, in 2017, a review of education was carried out with a focus on the situation of poor children and children with a disability – their access to education and their educational outcomes. The review was related to the level of social/educational expenditure and its structure, and has directly contributed to legislative/policy changes. In **Spain**, the Independent Authority for Fiscal Responsibility, an independent national body, has carried out several evaluations of social spending to monitor the efficiency and effectiveness of policies in the areas of healthcare, education and social services. The evaluation of the minimum income programmes established in several regions and the use of indicators such as the impact

on poverty helped the government to design the new state subsidy “Minimum Vital Income”. In **Portugal**, the Public Finance Council issues ad hoc reviews of different social policies (e.g. the budgetary evolution of the Portuguese health system (2020); report on the budgetary evolution of social security and of the “Civil Servants Pension Fund” (2021). The **Swedish** agencies managing various social policy domains are very active in organising ad hoc reviews of the effectiveness of public spending. In 2020 the Swedish Social Insurance Agency produced 41 reports which in one way or another addressed the effectiveness of social protection (e.g. a quality assessment of Assistance Support payments for persons with disabilities). In **Slovenia**, the Social Protection Institute compiles a database on children aged 0–18, which consists of thirteen sets of indicators, divided into indicators on basic areas of life (providing insight into the quality of life) and indicators on different categories of vulnerable children. The institute has been occasionally evaluating the situation of children, linking outcomes with the expenditure on children and focusing on poverty and social exclusion. This example is one of the rare cases in these ESPN countries with a specific focus on children, measuring poverty and social exclusion. Another interesting example is the special committee which monitors the implementation of the 2014–2021 Action Programme for Persons with Disabilities, adopted by the Slovenian government. The committee members – representatives of ministries, professional organisations, the National Council of Disability Organisations of Slovenia, other disability organisations and the Union of Pensioners' Associations of Slovenia – submit detailed annual reports to the government on the implementation of the Action Programme in the previous year, including financial data. In **Kosovo** in 2018, the Parliamentary Committee on Health and Social Welfare conducted a detailed assessment of the implementation of the Law on Social and Family Services. The findings and recommendations of the assessment were presented to the former Ministry of Labour and Social Welfare (now Ministry of Finance, Labour and Transfers) which then initiated the reforms by preparing the Concept Document related to drafting of the new Law on Social and Family Services.

Czechia provides an exceptional example of a country in which a Constitutional Court has conducted a judicial review assessing social spending and the equivalence of social benefits. While it could be questioned whether assessing the social impact of selected benefits should fall under the remit of the Czech Constitutional Court, this Court has played an important role in social policy on several occasions. For instance, in 2021, the Court repealed part of an Act on Assistance in Material Need. The repealed part of the law made it possible to declare part of a city as a zone in which no entitlement to Housing Supplement would arise. According to the Constitutional Court (2021), this regulation is an unconstitutional interference with the right to guaranteed basic living conditions in the area of housing. This is expected to lead to an increase in social expenditure.

Experts from other countries report no or only very few examples of tools/processes for reviewing the effectiveness of social spending (BG, CY, MT). For instance, in Malta spending reviews on social outcomes and effectiveness are not common. Among some scarce examples are the two reports on the Maltese anti-poverty strategy covering the period 2014–2019; these give a detailed evaluation of the Strategy but do not evaluate social spending as such nor its effectiveness. In Cyprus, spending reviews during the 2011–2016 economic crisis were greatly influenced by the fiscal targets and strict budgetary criteria set out in the Memorandum of Understanding (which further influenced the formulation of public policy in the years to come), and to a lesser extent by specific social objectives related to poverty and social inequality.

### **The role of Supreme audit institutions**

In general, the Supreme audit institutions have three primary areas of responsibility: financial audit, compliance audit and performance audit. The first two types pertain mostly to the functioning and the efficiency of the institutions per se while the third, also called “value for money audit”, evaluates the government entities’ efficiency, effectiveness, and economy in getting good results for their efforts

(Downes *et al.* 2017). Several ESPN experts report on the latter type of audits in relation to the topic of this report (e.g. AT, BE, BG, CY, CZ, DE, DK, EE, LT, LV, PL; AL, BA, MK, RS, TR, XK). However, in many cases, the reviews are in fact more like evaluations of social programmes, rather than focusing on outcomes and effectiveness of public social spending.

Only a few experts provide examples of reviews by audit institutions examining the outcomes and effectiveness of public spending (AT, BG, FI, LV, NL, SE; AL, MK – see Box 8 for examples) and even described the impact such audits had on (potential) political decisions or reforms (BG, LV).

**Box 8: Examples of Supreme Audit Institutions reviewing social outcomes and effectiveness of public spending**

*The Austrian Court of Audit has repeatedly provided assessments of specific policy areas based on audit assignments from the first chamber of the national parliament or one of the regional parliaments. Furthermore, the Court can independently select topics for audit. Subjects dealt with recently were for example long-term care services provided by the federal provinces, the childcare allowance, and the invalidity pension. These reports provide useful information on the actual implementation of policies in different areas of social protection, and possible issues of efficiency and effectiveness. Although effectiveness of public spending (e.g. impact on income inequality or material deprivation) is usually not the immediate focus of these assessments, they still deal with issues such as the availability and accessibility of benefits and services and likely impacts (e.g. work incentives).*

**Bulgaria**

*The National Audit Office (BNAO) mostly supervises the implementation of the national and municipal budgets, as well as the budgets of the public social insurance funds. For instance, in the case of the National Healthcare Insurance Fund, the audit reports of the BNAO contain detailed information on revenue and expenditure during each year. Nevertheless, the BNAO also occasionally publishes thematic reports, which differ from regular reports by their stronger emphasis on policy outcomes rather than the monitoring of budgets. In 2020 it published a thematic report assessing the effectiveness of social assistance and anti-poverty measures for the period 2015-2018. The report provides recommendations to the relevant Ministries concerning the need to improve prioritisation and target the anti-poverty measures at the most vulnerable, with a deadline for reaction set for the end of 2021 (in January 2022 when the Bulgarian ESPN country report was finalised, there had been no reaction from the ministry). However, reports of this type are rare and seem to go beyond the mandate of the BNAO as set out in the law, namely to monitor the implementation of public budgets and the use of public funds.*

**Finland**

*The National Audit Office reviewed social spending and its efficacy in 2017. This review was triggered by the political discussion on the welfare state's sustainability deficit, caused by the increase in age-related social spending. The Office recommended better coordination of expenditure monitoring between responsible ministries, including enhanced coordination of microsimulation models and more open availability of data. In its follow-up audit, the Office stated that the ministries have responded satisfactorily to the recommendations.*

**The Netherlands**

*An internal independent accountant audit is conducted by the Central Government Audit Service. This audit checks the financial statements and analyses the financial management of all ministries. The budget year ends on 31 December and the annual report is drawn up early the following year. The House of Representatives debates this report in May, on the so-called "Accountability Day". On Accountability Day, the Court of Audit presents a report to the House of Representatives, containing an assessment of the government's policy over the past year: have the desired policy goals been achieved and did the Cabinet observe the law and financial regulations? The Court of Audit also comments on the annual reports of each ministry. The implementation of the various policy programmes, as well as the results and costs, are discussed in the House of Representatives. Regarding the Ministry of Social Affairs and Employment, the 2020 annual report, audited and approved by the Court of audit, describes policy priorities, overall policy goals and the financial statements.*

**Sweden**

*The Swedish National Audit Office, an independent organisation answerable to the Swedish parliament, carries out reviews of certain parts of the social protection system. It is the only organisation in Sweden that can audit all state finances, and it carries out both performance- and financial reviews. Around 30 performance audits are carried out each year, but only a fraction of these concern the effectiveness of public social expenditure. In 2021, a performance review was carried out in relation to the work of the Swedish Social Insurance Agency to prevent sick leave. A financial review results in an interim financial statement, which is submitted to the government and to the audited authority. A performance report is instead submitted to the parliament, which in turn submits it to the government. Within four months, the government must explain which measures have been taken in response to the audit, or which actions will be taken.*

*Source: ESPN national reports (2022)*

## The role of Parliaments in reviewing public social spending

While in the majority of the ESPN countries, **parliaments reportedly play a crucial role in the budget cycle**, most often by adopting the annual budget, **in some of the countries studied they also play a further role in reviewing expenditure and the related policy outcomes** (e.g. AT, BG, DE, DK, ES, FI, LV, PL, SE; XK). The latter role is described in this subsection.

First, in several cases, the role of the parliament is closely linked with the role of the national audit institutions (e.g. AT, BG, DE, DK, EE, ES LV, PL, SE; XK). In **Austria**, for example, the first chamber of the national parliament or one of the regional parliaments can assign a specific task to the Austrian Court of Audit in this area. In **Germany** as well as in **Denmark**, the audit authorities are free to select the subjects of their audits, but also take up topics that may be driven by the parliament and the government. In several countries (i.e. BG, DE, ES LV, PL, SE), the national audit institutions report directly to the parliament when they carry out ex-post expenditure audits.

Second, a further role of the Parliament could be in overseeing the budget and reviewing public spending (e.g. CY, FI, HR; XK). In **Cyprus**, the Parliament may request further information on how certain funds have been allocated, particularly subsidies/sponsorship to non-governmental organisations and institutions. In **Finland**, the Information Service Unit of the Parliament uses microsimulation models to produce evaluations of the impacts of government budget proposals. Moreover, when the government presents its budget, opposition parties usually present their own “shadow” budgets. When preparing these alternative budget proposals, the opposition parties can utilise the Parliament’s Information Service Unit. This unit helps all parties, Parliament members and their assistants with information requests. In **Croatia**, the national Parliament is directly involved in monitoring public social spending via three Committees – the Committee on Labour, the Pension System and Social Partnership, the Committee on Health and Social Policy and the Committee on Family, Youth and Sport. These three Committees monitor social programmes and social spending on an ongoing basis.

Third, in **Ireland, Malta, the UK and the Netherlands**, the Parliament has even more powers to monitor public social spending, which feed into the whole public policy cycle. In Malta, the National Audit Office has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently and effectively. In the Netherlands, the House of Representatives debates an internal independent accountant’s report produced by the Central Government Audit Service (see Box 8). The ministers are accountable to both chambers of the Parliament. Because the implementation of the plans is evaluated the following year, the Cabinet can incorporate the comments made by Parliament into the draft National Budget for the following year, and thus adjust or change its policy if necessary.

In the non-EU countries, the parliaments may also play an important role (AL, RS, XK). In **Serbia**, the State Audit Institution is accountable to the National Parliament. In addition, the National Parliament has the ultimate power to monitor and review public spending. Three parliament committees – the Committee on Finance, State Budget and Control of Public Spending; the Committee on Labour, Social Issues, Social Inclusion and Poverty Reduction; and the Health and Family Committee – are responsible for monitoring public social spending and the implementation of public social policies. In **Kosovo**, the Parliamentary Commission for Oversight of Public Finances is responsible for supervision of the legality of all public expenditure, based on the audited reports of the National Audit Office. The Parliamentary Committee on Health and Social Welfare monitors the implementation of social laws and policies and oversees public social spending. The Parliamentary Committee on Budget, Labour and Transfers monitors and reviews the Annual Financial Report of the national budget, which, among other things, includes all public social spending during that year.

### Microsimulation models as tools for ex-ante reviewing of social protection

Regarding ex-ante assessment of the outcomes of social spending, **several ESPN experts report good/innovative practices linked to microsimulation models**. These, indeed, may be an effective ex-ante tool enabling policymakers to predict the impact of policies, including in the areas of social protection. Microsimulation models can be powerful tools for policymakers “to understand the effects of policies, particularly taxes and benefits, and reforms to them” (OECD 2019).

One of the most frequently used microsimulation models is EUROMOD, which is widely used to calculate, with a cross-country comparability, the effects of taxes and benefits on household incomes, poverty, inequality as well as on work incentives, at both the national and European level. In particular, in several ESPN countries (e.g. BE, BG, CY, EE, FI, IT, LV, LT, MT, SE, SK; UK) EUROMOD is used in different contexts, such as to estimate the redistributive effects of actual, previous or future tax-benefit policies, the budgetary effects of policy changes, and the effects of policies on work incentives and the labour supply. For instance, in **Cyprus** a report based on EUROMOD is regularly published, providing quantitative information and describing the policy implications of incremental changes in the tax system and of social benefits. In **Latvia** in 2017, at the request of the Ministry of Welfare, the Baltic International Centre for Economic Policy Studies (BICEPS) performed an analysis of the potential effects of the planned minimum income reform on the income distribution of households (impact on the poverty rate, the Gini coefficient and the quintile income ratio), using the tax-benefit microsimulation model EUROMOD and EU-SILC 2015 data (see also Section 2.3.2). In **Belgium** there are several monitoring tools used to monitor the social impacts of social protection spending. However, there is no unified framework for this, neither at federal nor at regional level, since microsimulation models vary between Flanders, Wallonia and the Brussels-Capital Region. Since 2018, a microsimulation model called BELMOD, financed by the European Commission, has been used for some ex-ante policy evaluations relating to social protection. The goal of BELMOD is to improve the access to social protection, aiming – as a unique feature – to combine the current microsimulation model MIMOSIS (which has the advantage of a very large sample) with the user-friendliness of EUROMOD.

Several countries (AT, BE, DK, ES, FI, IT, LV, SE; MK, UK) have developed their own specific microsimulation models other than EUROMOD to anticipate the impact of a variety of policies. Since the introduction of the new Federal Budget Act in **Austria** in 2013, an *ex-ante* “Impact-based outcome assessment” has to be provided before reforms are implemented. This “Impact-based outcome assessment” uses a publicly accessible microsimulation tool called “Social-Reform-Microsimulation”<sup>18</sup>, which makes it possible to assess the financial and social effects of potential reforms in different strands of social protection, as well as to assess the *status quo* compared to a situation with modified attributes of social protection schemes. In **Italy** there is no comprehensive framework aimed at monitoring the effectiveness of public social expenditure. However, the cost of reform bills/acts in the field of social protection is subject to ex-ante monitoring by both the National Statistical Office and the General Accounting Office. These institutions also use microsimulation models to estimate the distributive effects of proposed social protection reforms, but neither the models nor their results are publicly available.

It is worth underlining that in Nordic countries, such as Denmark, Finland and Sweden, there has been ongoing development of monitoring tools and microsimulation models beyond EUROMOD. Importantly, these are widely used in policymaking. For instance, in **Denmark**, the Law Model includes several microsimulation models that are used by the central administration to calculate effects on revenue, income distribution and behaviour in a broad range of policy areas, including policies relating to social spending. In addition, new tools such as the Socio-Economic Investment model have been developed to inform policymaking, especially at the local level where decisions on such programmes are made, on the

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<sup>18</sup> It is based on a further development of instruments deriving from EUROMOD.

economic costs and benefits of particular social investment schemes. In **Finland**, microsimulation models are widely used by ministries and research institutions to evaluate the impacts of past and planned social security reforms and to provide more granular information, necessary for monitoring. In 2014 the Finnish Centre for Pensions released a dynamic ageing microsimulation model based on administrative register data covering both earnings-related pensions and the national pension system. The model is also used to analyse the potential effects of policy proposals on pension benefits, future pension expenditure, and retirement trajectories. Moreover, when opposition parties present their own “shadow” budgets, they can utilise the Parliament’s Information Service Unit, which uses the microsimulation models developed by Statistics Finland. Similarly, in **Sweden**, the distributional analyses of tax and transfer systems are based on a microsimulation income model called FASIT (*Fördelningsanalytiskt statistiksystem för inkomster och transfereringar*), provided by Statistics Sweden and designed to facilitate analyses of the effects of changes in taxes, fees, and transfer systems for individuals and households. FASIT is static, i.e. based on repeated cross-sections of the underlying micro-level income data, and runs on micro-level register income data, to which policy regulation modules of tax and transfer systems are attached.

### 2.3.2 Ad hoc reviews carried out by non-governmental and international organisations

This category (Table 2, column 4) includes 13 of the 35 ESPN countries (8 EU and 5 non-EU countries). **Non-governmental organisations (including research institutes) and international organisations are also highlighted by the ESPN experts as playing an important role in reviewing the outcomes and effectiveness of public spending.** However, in many cases, these reviews mostly aim to evaluate a public policy and its outcomes, rather than linking this to social spending.

One example of evaluations of the effectiveness of public spending on healthcare, reported by the **Belgian** ESPN experts, are the reports produced by the *Health-care Knowledge Centre* – an independent research centre that provides scientific advice on topics related to healthcare. It carries out studies and clinical trials at the request of public authorities and other stakeholders in healthcare. Its expertise includes (inter alia) the organisation and financing of healthcare in the broadest sense and the evaluation of medical technologies. These analyses are based on a range of indicators, which cover the accessibility, quality and efficiency of healthcare, the sustainability of the healthcare system, equity and equality in healthcare and specific domains of healthcare. The ESPN expert from **Luxembourg** underlines that although rather detailed data are collected on social protection revenue and expenditure, and social outputs or outcomes are frequently commented on, there are still few attempts made to relate systematically the two sets of data. Among the exceptions is a study published by the *Chambre de Commerce* in 2008 and another by the think tank IDEA in 2018. In the former, Data Envelopment Analysis (“frontier analysis”) is used to compare the efficiency of public expenditure in Luxembourg and in other developed countries (based on COFOG information). In the latter, IDEA collected detailed COFOG data on public expenditure by functions in Luxembourg, including social protection and health (health and disability, old-age and survival pensions, children and family and unemployment, also with a distinction made between transfers in cash and in kind). The resulting indicators are compared in a systematic way to the surrounding countries (Belgium, France and Germany) plus the Netherlands.

Charitable institutions, such as the public institution National Relief Work and Caritas in **Luxembourg**, also monitor closely trends in social deprivation and poverty. In 2019, Caritas produced an ad hoc publication with an assessment of the availability, accessibility, affordability and adequacy of key services and benefits in Luxembourg. In **Bulgaria**, some NGOs conduct budgetary reviews in their field of interest and expertise, such as the alternative budget proposed annually by the Institute for Market Economics. Analysis of expenditure on child-related policies is published by the National Network for Children, specifically examining social transfers for families with children, such as child benefits.

Review tools produced by international organisations such as the IMF, WB, the OECD and some regional organisations play an important role in several countries in Eastern Europe (e.g. BG, LV) and especially in (potential) candidate countries (BA, MK, TR). In **Bulgaria**, for instance, review tools initiated and implemented by international organisations, independent research institutions and civil society organisations are used. Comparative budget reviews are sometimes carried out on an ad hoc basis by international organisations and international NGOs. The latest example, which was popularised in Bulgaria by the Institute for Market Economics, was the analysis carried out by the International Budget Partnership “Managing Covid Funds: the accountability gap”, which contains general benchmarks concerning budgetary accountability in relation to government outlays targeting the effects of COVID-19. In **Latvia**, the results of the analysis of the potential effects of the planned minimum income reform on the income distribution of households performed by BICEPS in 2017 (see Section 2.3.1) had an important impact on the reform and the identification of its strengths and weaknesses. In **Malta**, the government recently asked the WB to provide technical advisory services to support efforts to rebalance the current structure of Social Safety Net programmes in favour of more progressive social protection programmes. In **Greece**, reviews have been carried out by the WB in the framework of the Memorandum of Understanding. Nevertheless, it is worth noting that efforts have been concentrated over the last few years on the introduction of performance budgeting elements into the current budgeting framework. Since 2019, the so-called “Performance Budgeting Project” reform has been underway, involving a five-year gradual transition.

**Romania** has also received support from international organisations in developing an administrative capacity in this area. The WB, the United Nations International Children’s Emergency Fund (UNICEF) and Save the Children have, over the last decade, produced a series of policy reviews in the field of social protection and social assistance – independently or in partnership with public institutions – which have significantly shaped the capacity of public institutions to monitor social expenditure and link this to social outcomes to which the government is committed. In 2021, the WB published a synthesis report based on the implementation of the monitoring and evaluation systems for social protection programmes, as part of the technical assistance offered to the Romanian government.

In all (potential) candidate countries under examination in this report, in addition to the various forms of EU assistance, international organisations, such as the WB, IMF, the United Nations Development Programme (UNDP) and UNICEF also play a significant role in monitoring public social spending. In **North Macedonia**, for example, the WB financially supports a Cash Benefit Management Information System administered by the Ministry of Labour and Social Policy. It serves, among other main purposes, as an analytical and monitoring tool for assessing the effectiveness of the tax-financed social protection benefits. The system is not publicly available, and it is used by the governmental officials and staff at the Centres of Social Work. Moreover, a recent example of an EU-assisted monitoring exercise, within the EU Instrument for Pre-Accession Assistance 2018 twinning project “Strengthening budget planning, execution and internal control functions”, focused on an assessment of financial management and monitoring of the guaranteed minimum assistance and the child allowance. In **Kosovo** in 2019, the former Ministry of Labour and Social Welfare asked the WB to assess the current social assistance scheme and to propose reform options. The recommendations of the report were taken up by the ministry and constituted the basis of the Concept Document underlying its reform. Furthermore, the government requested financial support in the form of a soft loan from the WB to implement the reform, which aims also to improve the monitoring of public social spending.

## 2.4 Subnational review tools for public social spending

**Very few examples are reported** by the national ESPN experts of regular, or ad hoc, **well-established subnational review tools for monitoring the outcomes and/or the effectiveness of social expenditure at the local and regional level** (but see AT, BE, DE, EE, HR, NL, PL, RO, SE; BA).

In unitary states (decentralised or not), very few examples of such review processes/tools have been reported by ESPN experts (e.g. FI, HR, NL, PL, SE). At subnational levels, the **Swedish** ESPN expert reports that the Association of Local Authorities and Regions conducts reviews, evaluates policies, and provides guidelines on various social protection areas such as healthcare, social services, as well as early education and childcare. The Association also regularly carries out a series of specific open comparisons (*öppna jämförelser*) especially investigating aspects of different areas of social protection and expenditure, analysed and benchmarked across the regions. Similarly, in the **Netherlands**, the Association of Municipalities (VNG) helps local governments to exchange knowledge and experience regarding the implementation of national and local policies. To allow for this exchange, the VNG has developed multiple evaluating tools, such as a social cost-benefit analysis tool for social neighbourhood teams which allows local policymakers to assess possible improvements and drawbacks of a change in policy. In addition, each municipality has an independent local Court of Audit promoting the quality of local governance, including the effectiveness of social spending. In **Croatia**, reportedly, the number of local government units that publish reviews of social spending is growing. At local level, one example of good practice in regularly monitoring levels of social spending and social services is the social overview conducted every year by the Social Council of the City of Zagreb (the network of organisations dealing with social policy issues). Finally, in **Poland** local governments are required to prepare an assessment of social assistance resources based on an analysis of the local social and demographic situation. The assessments are published annually in reports – on basic organisational units at the level of regions, counties, and municipalities – covering social infrastructure as well as persons and families benefiting from social assistance and their quantitative distribution. However, these reports contain no analyses of the effectiveness and efficiency of incurred expenditure on social assistance and other activities, nor recommendations for improvements.

In the ESPN countries with devolved competences, such as **Spain and the UK**, the general responsibility for monitoring social spending remains at the central level, while regional and local authorities retain limited powers to commission such evaluations of specific matters. In **Spain**, the Autonomous Communities (regional levels) have the same powers as the central Administration to audit public social spending in their regions through their own Courts of Accounts, although the State Court of Accounts still has the power to audit public social spending in all regions. The Independent Authority for Fiscal Responsibility (AIReF) is commissioned to conduct systematic evaluations of state public spending and sectoral spending policies that fall under the exclusive or shared competence of the regional governments. The regional and local governments may also commission AIReF to carry out ad hoc public social spending reviews. Similarly, in the **UK**, most social security expenditure is determined, monitored and evaluated at national level. The Welsh and Northern Ireland governments have very limited powers to make decisions regarding social security. Since the Scottish government has some control over income tax, as well as property taxes, and is using them and the other resources it obtains from the UK central government to introduce new and additional social protection benefits, it also conducts some planning and monitoring in this regard. The Scottish Fiscal Commission is responsible for forecasting all social security devolved to the Scottish Parliament and has produced forecasts of expenditure up to 2026. The Scottish Parliament Information Service provides analysis of the impact of public social spending (for example, a report on how the removal of the £20 (€24) per week uplift in the Universal Credit standard allowance would affect poverty rates. In addition, the Scottish equivalent of the National Audit Office takes on the responsibility for auditing a range of social security benefits from the UK government.

The four ESPN experts from federal states report the existence of such frameworks. For instance, in **Austria** the governments of the federal provinces publish “Social Reports”, generally on a regular basis. However, these reports are mainly descriptive and do not assess the efficiency and effectiveness of social spending in a narrower sense. In **Belgium**, the Brussels-Capital, Flemish, and Walloon regional authorities publish indicators on the social situation of the population, which can be used to assess the effectiveness

of social protection. In 2019, the Flemish government started a new procedure to assess budgetary expenses, including public social spending, in the Flemish Social Protection scheme, social expenditure on people with disabilities and on the child benefit scheme. Scientific evaluations are part of the critical assessments of budget use. In **Germany**, reflecting Germany's three-tier federal structure, there are audit authorities at the federal, state and municipal levels. These are responsible for examining the budgetary and economic management of the public administration, regarding compliance with formal and substantive legal provisions and efficiency (auditing). The audit authorities submit an annual audit report addressed to the respective parliament, which is an important aspect of the discharge of the government by the corresponding parliament. The state audit offices in the 16 federal states audit the management of the Land, the municipality budgets as well as the financial relations between each Land and its municipalities. Authorities with comparable tasks (auditing of municipal budgeting) at the municipal level are called audit offices. In **Bosnia and Herzegovina**, the existence of different accounting and bookkeeping practices may be a reason why the state-level Ministry of Finance and Treasury has not yet produced consolidated general government fiscal data, although it is required to do so by Article 11 of the Law on ministries and other administrative bodies of Bosnia and Herzegovina.

### 3 STRENGTHS AND GAPS IN THE NATIONAL MONITORING FRAMEWORKS

This section provides some reflections on the strengths (Section 3.1) and the gaps (Section 3.2) in the national monitoring frameworks, as well as in the processes/tools reviewing the outcomes and effectiveness of public social spending. It also focuses on some recent policy changes/reforms and discussions regarding the monitoring frameworks under scrutiny (Section 3.3). Finally, although the existence, the development and the scope of such frameworks are undeniably related to the specificities of each country, some common patterns are reported, with a wide variation among countries and complexity within countries. For these reasons, it should be noted that this section neither contains an evaluation nor provides recommendations for potential policy changes/reforms.

#### 3.1 Strengths of country-specific monitoring frameworks: from data availability to recurrent monitoring and reviewing processes

Regarding the frameworks for monitoring the levels of social spending, **almost all ESPN experts report that the main strength of their countries' monitoring systems is to provide timely and publicly accessible free data beyond the COFOG/ ESSPROS obligations and earlier than these.** Moreover, the data are generally presented in detail, as is the distinction between current and capital expenditure (except for CY, HU, NL). Several experts report the existence of reliable, precise indicators on levels, outputs and outcomes (e.g. AT, BE, DE, DK, FR, FI, LU, SE; UK). The existence of comprehensive centralised information systems bringing together the bulk of the data on social spending has been also highlighted as an important strength in some countries (e.g. EE, LT, LV). Such examples have revealed the potential benefits of reliable data availability and centralised management for the end users (beneficiaries of different social benefits).

With regard to review processes/tools, **the countries which have regular reviewing procedures, and especially if incorporated into the state's general budgeting procedure, are highlighted as those able to provide more comprehensive monitoring of social spending outcomes.** Overall, effective, and recurrent review processes/tools on the effectiveness of social spending have been highlighted only in a few countries (DK, FI, LT, SE, NL). With regard to the role of the different actors, almost all the ESPN experts point to **Supreme Audit institutions as producing among the most informative reviews** of social outcomes. In some countries, their role is now even part of the general budget monitoring system. In this regard, independence of the auditing institutions from their countries' governments and cooperation with the domestic parliaments on timely policy matters to be evaluated is another good practice highlighted in the monitoring process. For example, in the **Netherlands** performance audits conducted by the Court of Audit, anchored in national legislation and an integral part of the budgetary cycle, are considered to be an important and strong feature, as they act as a regular review of spending on domestic policies.

The long-standing existence of performance budgets (e.g. DK, FR, NL) and their recent introduction (e.g. EE, EL, PL) are also considered by some ESPN experts to be important strengths of the system<sup>19</sup>.

Finally, some experts highlight the role of **ex-ante monitoring of public spending through microsimulation models, which enables the evaluation of consequences of planned policy reforms** (BE, DK, FI, SE). Such models have also been used as a tool for shadow budgeting, which has

<sup>19</sup> OECD defines performance-based budgeting as “the systematic use of information about the outputs, results and/or impacts of public policies in order to inform, influence and/or determine the level of public funds allocated towards those policies in the budgetary context” (Downes *et al.* 2017). However, it should be noted that a variety of definitions and models of performance-based budgeting exist, and there are no generally accepted standards. Such practices are country-specific and linked to “the underlying vision and strategy for their implementation, as well as the resources dedicated to this” (European Parliament 2019).

been helpful in keeping governments accountable for their decisions on budgeting and spending (e.g. FI). It should be stressed that in most cases these models are based on the EUROMOD tool established at EU level.

Still as far as the EU level is concerned, it is important to note that in addition to the EU agreed indicators which measure social outcomes related to social inclusion<sup>20</sup> and social protection, the EU has set up the Healthcare System Performance Assessment (HSPA). Its aim is to assess the performance of health systems in a transparent way to identify national good/bad practices, strengthen effectiveness of care, increase accessibility, and improve the safety of patients<sup>21</sup>. For instance, regarding the impact of spending on healthcare, one important aspect is the redistributive impact of in-kind health benefits (redistribution of income and poverty reduction) (for more information on the impact of in-kind benefits see Atkinson *et al.* 2017).

### 3.2 Gaps: lack of review of the effectiveness of public social spending

As already mentioned, the monitoring frameworks applied to social spending are evaluated as satisfactory by the ESPN experts in terms of precision, timely availability and accessibility of data. Nevertheless, they have one **important shortcoming, concerning the lack of breakdown of data** (e.g. BG, CY, CZ, EL, HR, IE, MT, PT, RO). In most cases, there is barely any breakdown of population and data by income levels in any of the 35 national reports. Some experts also express concern that while there are several frameworks providing data on social spending, there is **no coordination or interaction between monitoring frameworks** (e.g. BE; BA). Furthermore, in some of the countries there are inconsistencies in the monitoring system; for example, local municipalities and central towns, such as the capital city, may provide more detailed data breakdowns than the rest of the country (e.g. HR). It should be also noted that monitoring frameworks covering benefits provided by employers are rare and not comprehensive, even in countries where occupational pensions play an important role. In **Germany**, for example, there is no specific monitoring framework for occupational pensions provided by employers. In **Ireland**, supplementary schemes, such as occupational pensions, which play a significant role in the social protection system, do not form part of Irish public expenditure and are not included in the public expenditure framework. In **Italy**, given the traditionally modest role of private welfare providers, monitoring of private welfare schemes is circumscribed to supervision by the national supervisory authority of supplementary funded pensions, although it does not report either expenditure data or outcomes. In light of the significant expansion of the private healthcare (and partly, pension) sector in recent decades in various countries, more effective monitoring of supplementary pillars is needed.

Most criticism by the ESPN experts concern the ability of the existing frameworks to monitor social outcomes and especially effectiveness of social spending, with some notable exceptions. **While national frameworks are well-equipped to monitor levels of spending and to some extent outputs, in most cases they do not or very rarely monitor social outcomes, let alone effectiveness of spending.** In some cases, social outcomes are monitored but without a (recurrent) link to social expenditure (e.g. AT, BE, FI, HU, IT, LT, LU, SK; XK). In other cases, even when the experts point to performance indicators on social outcomes, they highlight that more is needed to have these included in national debates. **France**, for example, has a performance-based budget with well-functioning indicators on social outcomes, yet although these are easily accessible, they take a backseat in debates pursued by civil society and political bodies: the emphasis in these discussions is on outputs, such as the

<sup>20</sup> As already explained in Section 1, these EU level indicators are not covered by this Thematic Report, which focuses on national monitoring frameworks (for a comprehensive overview and critical appraisal of various EU indicators on social inclusion see Atkinson *et al.* 2017, Marlier *et al.* 2007, Atkinson *et al.* 2002).

<sup>21</sup> There is considerable variation in the maturity of HSPA methods used across Europe and the extent to which HSPA results influence policy design (through feedback on the impact of healthcare spending; for more information see [here](#)).

unemployment rate or the level of the deficit. In a report on evaluating public policies, the State Council observed both the positive changes in evaluation and its limitations, indicating that evaluations still play too small a role in public debates and decisions.

**In general, reviews of the outcomes and effectiveness of social spending are not an institutional part of the general budgeting procedure**, and only very few countries present such reviews in a recurrent, systematic, manner (see Section 2.2). In most cases, recurrent budget reviewing is initiated by Ministries but on targeted social protection schemes. Most countries function with ad hoc spending reviews, where levels and outcomes are assessed but without a (recurrent) link to effectiveness of spending.

Finally, the results of reviews on the outcomes of social spending are not systematically considered by policymakers.

### 3.3 Recent policy changes, reforms and debates

This section provides some insights into the few recent policy/changes, reforms and debates. Some countries, such as Estonia (2020), Poland (2010), and partially Spain as of 2017, have implemented a performance-based budget; Greece is about to establish such a budget (at the time of writing April 2022).

In other countries, a more recurrent monitoring system is being established (e.g. PT, RO). In **Romania**, for example, while social outcomes were not previously monitored on a regular basis, the government in 2020 engaged in a process of establishing a systematic monitoring system, on three levels (i.e. strategic – guiding political decisions, linked to action – guiding decisions regarding specific programmes and actions, and programme implementation). In **Portugal and Spain**, one of the milestones included in the national Recovery and Resilience Plan is the implementation of mechanisms integrating a spending review into the regular budgetary procedure, including an ex-post evaluation of the spending review exercise. The stated objective is to achieve this goal in 2024. Furthermore, the recent creation of the new Competence centre for planning, policy and foresight in public administration (PlanAPP) in **Portugal** is considered a potential key element in the planning, design, adoption and implementation, monitoring and revision of public policies, including ex-ante and ex-post impact evaluation. In some non-EU countries, such as in Serbia, the need for more detailed monitoring of public social spending in relation to social outcomes has also been under government discussion as of 2018.

Other countries have set up comprehensive (or sectoral) systems for information gathering and management (e.g. CY, LT, LV). This is the case of the *Open Lithuanian Finance* and *LabIS* in **Latvia**. In **Cyprus**, the newly integrated health information system (2019) could be seen as a strength for health sector spending, as it enables the linking of expenditure to health-specific indicators so that outcomes and effectiveness can be assessed more meaningfully. After the 2008 financial crisis, a number of steps have been taken to strengthen expenditure monitoring, including the establishment of an independent Fiscal Advisory Council.

Some ESPN experts also provide examples of policy changes which happened after a review by Supreme Audit Institutions and other public bodies (e.g. CZ, FI, LV).

In other country examples, however, planned policy changes have been reversed or practices of social spending monitoring have been discontinued. For instance, in the past in **Hungary**, efforts were made to create comprehensive systems for monitoring efficiency, which were later discontinued. A working group was responsible for monitoring the efficiency of the healthcare system between 2013 and 2016; it developed a complex indicator system and produced a comprehensive report of more than 1,000 pages which was intended to be the first in a series, but was never followed by another. In **Romania**, between 2014 and 2017, the National Institute for Statistics provided a publicly available database (TEMPO-online), containing systematic information regarding social benefits (beneficiaries and expenditure, by

gender and county, in some cases by residence/ degree of urbanisation) but since 2017 no data on costs (of social assistance services supported from the local/county budgets) are available. Similarly, the **German** ESPN experts highlight that in recent years the Federal Statistical Office has discontinued several reports. Information on statistical data is now only accessible via a national database, which makes access more difficult and drastically reduces explanations of the data. In **Bulgaria**, up until 2013, the Ministry of Labour and Social Policy used to publish an annual “Social Report” reviewing social inclusion and social assistance policies implemented during the year, including reforms undertaken. The report contained an explanation of the rationale behind each policy/programme, along with some useful data about expenditure and outcomes. The publication of this report was discontinued in 2014. Similarly, in **Serbia** from January 2014 to September 2017, the Ministry of Social Affairs published monthly data on expenditure for all cash benefits disbursed, by the number of beneficiaries. However, this practice was then discontinued.

## ANNEX A: PRESENTATION OF THE ESPN NETWORK MANAGEMENT TEAM AND THE 35 ESPN COUNTRY TEAMS (June 2022)

### A1. ESPN Network Management Team

The European Social Policy Network (ESPN) is managed jointly by the Luxembourg Institute of Socio-Economic Research (LISER), the independent research company APPLICA and the European Social Observatory (OSE).

The ESPN Network Management Team is responsible for the overall supervision and coordination of the ESPN. It consists of six members:

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