



EUROPEAN SOCIAL POLICY NETWORK (ESPN)

# National monitoring frameworks for public social spending

## Spain

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## **European Social Policy Network (ESPN)**

# **ESPN Thematic Report on National monitoring frameworks for public social spending**

## **Spain**

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## Summary

The planning, management and monitoring of public social spending in Spain is carried out at three levels of government: central, regional,<sup>1</sup> and local. Central government manages and monitors part of general social expenditure, together with the social security system. The regions have full competence in the management of social spending on education, health, long-term care, and social services. Local government manages and monitors part of regional expenditure and has competence in the management of social services. This distribution of competences implies different capacities for monitoring social expenditure.

The evaluation of public social spending was of secondary importance at the central and regional government levels until 2017, and was not part of a system shared by all levels of public administration. There has not been an evaluation culture in the public sector, nor the capacity for regular *ex post* evaluation of the social and economic impact of public policies.

In 2007, the central government created the State Agency for the Evaluation of the Quality of Services and Public Policies (AEVAL). Its scope was limited to the assessment of the quality of services, not the analysis of their efficiency or overall impact. This agency was replaced in 2017 by the Institute for the Evaluation of Public Policies (IEPP), which evaluates certain social spending programmes at the request of central government.

The 2017 EC Recommendation on assessing the efficiency of spending marked the beginning of the progressive, systematic evaluation of public spending in Spain – through the Independent Authority for Fiscal Responsibility (AIReF), an independent agency of central government. AIReF assesses public spending at the request of the central and regional governments. Its evaluations are mainly *ex post*, but can also be *ex ante* (as in the case of the regional minimum income system as a preliminary step to the creation of the new Minimum Living Income).

The Recovery, Transformation and Resilience Plan (PRTR), submitted by the government to the EU, includes provision for evaluating public policies and improving the effectiveness of public spending. In September 2021, the Public Spending Evaluation Division was set up within AIReF. In 2022, an evaluation of the European funds associated with the PRTR will be carried out, and a law regulating the evaluation of public expenditure will be adopted.

The evaluation techniques are different for each type of programme, apart from usually involving cost-benefit analyses and/or impact and sustainability estimates. There is no common methodology for assessing net social value and economic efficiency yet.

The progress made between 2017 and 2021 in setting up public expenditure monitoring and review frameworks is a positive step for public policy evaluation, but is still limited. It will be necessary to strengthen the culture of evaluation within the public sector and to institutionalise its systematic implementation. There is a need to reinforce some key organisational elements, such as improving the capacity, accessibility and use of information systems, and the training of public employees.

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<sup>1</sup> Spain consists of 17 Autonomous Communities, which are a mixture of regions, nationalities, and historical communities. The term “regions” is used in this report to cover all three.

# 1 Country-specific monitoring frameworks for public social spending

## 1.1 Country-specific dedicated monitoring framework(s)

Spain has no single framework to monitor levels and trends of public social spending apart from obligations under the Classification of the Functions of Government (COFOG) and European System of integrated Social Protection Statistics (ESSPROS). There are several public bodies that conduct diverse monitoring activities.

The **Social Security** body, under the Ministry of Employment and Social Security, administers a large number of in-cash benefits (including pensions of various kinds, child-related benefits, and the Minimum Living Income). It also finances in-kind benefits such as social services and some areas of health assistance. It provides the results of its activity through many periodical statistics easily accessible in its website.

The **Public Service of State Employment**, under the Ministry of Employment and Social Security, provides statistics on unemployment protection.

The **National Statistics Institute** monitors statistics on different aspects of public social spending prepared jointly by the competent national and territorial bodies. There are statistics such as: the **State System of Education Indicators**, which provides figures on public spending on education at all levels of the system, the share of public sector economic resources allocated to education, and the satisfaction of international requirements; the **Health Accounts System**, which shows aggregate figures for public spending on health, a classification by national accounting aggregates, a territorial breakdown of public spending, and the methodological approach to the OECD Health Accounts; and the **Integrated Social Protection Statistics**, which provide information on social protection and its financing.

The **Ministry of Finance**, through the State Budget and the Economic and Financial Report, provides information about public spending, disaggregated to show social spending. It is responsible for preparing the Budget Plan, the National Reform Programme, and the Stability Programme of Spain for submission to the Council of the European Union.

The **General Intervention in the State Administration (IGAE)** provides regular reports on the legal, economic, and financial control of public spending by each public entity. Moreover, some reports disaggregate information on social spending by function. In addition to being the internal control body for the public sector, the IGAE prepares the report of the General State Account according to COFOG criteria.

The **Court of Audit (CoA)** provides ad hoc reports on social spending. Despite the wide range of its audit activities, in practice the CoA is confined almost exclusively to ensuring compliance with legal and accounting standards in the public sector.

### Evaluation of social public spending

There is no specific framework for evaluating public social spending, and nor is there regular monitoring of its effectiveness.

The first ambitious attempt to systematise the evaluation of public spending was the creation in 2007 of AEVAL. Most of its work focused on the quality of public services, and there were practically no efficiency analyses or impact evaluations of public programmes and policies, at least under the required technical standards. Nevertheless, some of the agency's projects were directed to the evaluation of welfare programmes, such as "The role of national government in the system for autonomy and care for dependent persons" in 2008 (Albi and Onrubia, 2018: 251; Labeaga and Muñoz, 2013: 45; De la Fuente *et al.*, 2021: 9). AEVAL was abolished in 2017.

AEVAL was replaced by the IEPP, attached to the state administration, whose functions are “the evaluation of public policies, especially in the educational, health and social fields at the national level”. In practice, it produces technical documents and methodologies on public policy evaluation. So far, it has shown little activity: it has only carried out one evaluation and produced four guides.

Another attempt to carry out some type of regular evaluation is the adoption of one of the proposals of the Commission for the Reform of Public Administration in 2012. This consists of the obligation to draw up, for each law or regulation, a regulatory impact report, which can be considered an *ex ante* evaluation. Each report is drafted by the department responsible for promoting the regulation, and must include a justification of its necessity and an analysis of its legal, economic, and budgetary impact, as well as its compliance costs.

The official evaluation body is AIReF, an independent agency created in 2017. The Spanish government commissions it to conduct systematic evaluations of state public spending – spending reviews – and of sectoral spending policies. These are multi-year assignments, and the government must approve the action plan – objectives, methodology, database, etc. – presented by the agency for each of the evaluations to be carried out. Regional and local government may also commission AIReF to carry out assessments of their public spending. The creation of AIReF has initiated a systematisation of the public policy evaluation process.

## **1.2 Separate monitoring framework(s) linked to schemes provided by employers**

Occupational pensions schemes in Spain are not evaluated. Instead, the Directorate General of Insurance and Pension Funds (DGSFP), attached to the Ministry of Economic Affairs and Digital Transformation, is responsible for supervising pension schemes. Its functions include: a) financial supervision, review of regulatory compliance, and assessment of the risk exposure and solvency of insurance companies; b) the administrative protection of policy-holders, beneficiaries, and participants in pension plans; and c) the supervision of pension plans.

In 2018, the government created a Sub-directorate General for Organisation, Studies and Complementary Social Welfare, attached to the DGSFP, charged with carrying out analyses and studies on the aspects that structurally affect the sector, and especially the promotion of complementary social welfare in its different facets and instruments.

## **1.3 Distinction between current expenditure and capital expenditure**

The same public accounting plan is applicable to all levels of public administration. According to the economic classification, the accounts distinguish between current operations (expenditure on personnel and goods/services necessary for the functioning of public services), capital operations (expenditure on investment and capital transfers), and appropriations for financial operations (raising and repayment of loans). This classification allows the costs of social spending to be separated between current and capital expenditure.

## **1.4 Type of monitoring: level and outcomes**

The internal monitoring of public spending is carried out through the preparation of budgets, permanent financial controls, and public audits. The purpose of permanent financial controls is to ensure compliance with the law and with the objectives of effectiveness and efficiency. Each year the IGAE has a schedule of audits of selected public bodies: however, these audits are not evaluations properly speaking, since they do not examine the impact of spending on the population in terms of income redistribution, poverty and social exclusion.



Internal monitoring reports relating to public accounts contain information about levels of actual spending and deviations from budgets. In addition to this, all ministerial departments publish statistical reports on the beneficiary population.

The external monitoring of public spending is carried out by the CoA. Its oversight function is aimed at verifying whether the General State Account complies with the principles of legality and good financial management (economy, effectiveness, and efficiency). The results of the audit are presented through reports, memoranda, motions, and notes, which are approved by the Plenary of the Court and submitted to the national Parliament (or to the regional Parliament if it is the General Account of a regional administration).

### 1.5 Level of granularity of public social spending

The information on public spending is classified in three ways.

The economic classification provides information on the type of expenditure (current, capital); the functional classification identifies sectors of spending, such as education, healthcare, and pensions; and the organisational classification highlights which bodies are responsible for the management of appropriations.

Other reports include the Economic and Financial Report on the public accounts attached to the Budget Plan, which presents a detailed breakdown of expenditure and revenue in the previous year, and (based on the government's economic forecasts) provides estimates for the following year. The information is presented in terms of absolute amounts, as a percentage of total expenditure, as a percentage of GDP, and as an annual increase or reduction, among other ways.

### 1.6 Breakdown of public social spending

Breakdowns of public social spending are contained in the following specific annual reports (latest editions shown).

- **Distribution of expenditure on social security economic benefits:** *Economic and financial report on social security, 2022*. This includes detailed information on the different types of social security benefits, such as contributory pensions, non-contributory benefits, the Minimum Living Income, and temporary incapacity benefit. The information is broken down (as appropriate) by age, gender, pension scheme, type of pension, and territorial distribution of pension expenditure, among other ways.
- **Distribution of expenditure on pensions and unemployment by age and gender:** *Yearbook of Labour Statistics* (Ministry of Inclusion, Migration and Social Security, 2020, c).
- **Distribution of expenditure on education:** *Education expenditure statistics series 1999-2019*. This provides a functional and economic classification (current and capital expenditure with sub-classifications).
- **Distribution of health expenditure:** *Annual Report on the National Health System, 2020*. This covers the state of health, health activity, and the expenditure and resources of the national health system (NHS) broken down by functions and territorial levels.

**Other reports** such as *Pharmaceutical and Health Expenditure Indicators* and *Health in Key NHS Data and Indicators* also reflect public health expenditure and its functional and economic distribution.

In none of the above statistics is there any differentiation of public social spending by income deciles.

## 1.7 Timing and public accessibility of data

Intervention bodies for all departments and levels of public administration provide monthly information on the state of execution of budgeted public spending. Each year they prepare the general budget and the annual settlement of income and expenses for the previous year and the forecast for the next year. The documentation on the public budgets is truly extensive and detailed, and can be found on the official websites of the respective departments.

IGAE reports on the budgetary control of public administrative bodies are published monthly, quarterly, and (for the General State Account) yearly.

AIREF reports on regular spending reviews are published yearly, while the ad hoc spending reviews depend on the term established in the contracts.

IGAE and AIREF reports are easily accessible on the websites of their respective institutions.

## 1.8 Sub-national frameworks

The budgets of public administrative bodies, at the state, regional and local levels, detail their accounts according to the criteria set out in the General Budgetary Law and use the classification established in the General Public Accounting Plan.

All levels of government share a two-fold common framework: a) the internal control of the legal, economic and financial aspects of public spending by the intervention bodies; and b) the external control carried out by the CoA.

Some regions have set up external audit bodies (OCEX) which exercise an audit function over the regional and local bodies within their respective territories, without prejudice to the CoA's competence to audit the whole of the Spanish public sector. At present, 12 of the 17 regional governments have their own OCEX. OCEX use the same tools as the state intervention bodies such as physical monitoring and/or e-monitoring. They can use their own personnel resources and/or contract external personnel.

## 2 Reporting/review tools for public social spending

AIREF studies are carried out by the agency's own staff in collaboration with external groups of consultants and academics, and with the help of the public administrative bodies involved in the spending review.

For each of the spending programmes to be evaluated, AIREF must detail the context, objectives, methodologies, databases, governance, publicity, calendar and budget of the evaluations, which have to be ratified by the Council of Ministers.

The evaluations requested by the general state administration have covered important expenditure headings. Those related to social spending have included: healthcare; pharmaceutical products; employment; scholarships; and policies to fight against poverty (evaluation of minimum income programmes).

The first stage of spending reviews started in 2018 with a three-year work plan to carry out the evaluation of seven projects. This involved the evaluation of €18 billion of spending, which corresponds to 1.5% of GDP. The second phase, starting in 2019, has evaluated spending programmes representing €37 billion, corresponding to 3% of GDP. The third phase of ad hoc evaluations starts in 2022, but does not include social spending evaluations. Nevertheless, AIREF is in charge of giving an "opinion" on different activities of public administration, among which is the Minimum Living Income.

The evaluation techniques are different for each type of programme under evaluation. In addition to the full cost-benefit analyses or impact estimates that help to assess the effectiveness and efficiency of different public interventions, the evaluations can also include very diverse exercises, with less ambitious objectives and of a fundamentally

descriptive nature. These include the analysis of the financial or budgetary sustainability of programmes and projects, as well as measurement of the quantity and quality of public service output, its cost, and citizen satisfaction with services.

### **Evaluation examples**

Two summaries of the spending reviews are included here. The first one is an *ex post* review of a public policy, and the second one is an example of an *ex post* review in order to help design an *ex ante* evaluation of a new social benefit.

a) Pharmaceuticals spending dispensed with a medical prescription in pharmacies.

In 2017, public spending on pharmaceutical products dispensed in pharmacies with a medical prescription was almost one percentage point of GDP. AIREF was commissioned to review the policies used by both central government and regional governments for selecting and pricing drugs for sale in pharmacies.

AIREF used various evaluation methods, from interviews with the agents involved to cost-benefit analysis of potential reforms. In view of the results, AIREF made a series of recommendations affecting the efficiency, effectiveness and equity of pharmaceutical spending, such as a new model for the purchase of drugs, a new pricing system, best practice in the prescribing of pharmaceutical products, and a new co-payment model. The proposed measures represent budget savings of €50 million and €200 million, in 2019 and 2020 respectively. The government included this budget reduction in the 2020 Budget Plan. Effectiveness and equity were improved through a more equitable co-payment model and the identification of best practice in prescribing drugs.

b) Implementation of a nationwide minimum income programme.

AIREF carried out an *ex post* evaluation of the minimum income programmes already in place in the various Spanish regions, to serve as a basis for the *ex ante* evaluation of the relevant proposal arising from the Popular Legislative Initiative, and to generate improvements in its design. In this project, AIREF used different evaluation methods: documentary review, descriptive analysis, econometric modelling, and simulation models of social programmes. The evaluation used indicators to evaluate the impact of the benefit on the poverty rate and labour participation. AIREF's conclusions were considered in the design of a new Minimum Living Income benefit at the national level, which was approved in 2020 (Royal Decree-Law 20/2020, 29 May).

### **Public departments with evaluation capacity**

Some public departments carry out evaluations internally or with the help of third parties. These evaluations sometimes form part of multi-annual evaluation plans. To give an example, the Ministry of Foreign Affairs, European Union and Co-operation has an evaluation policy, a biennial evaluation plan, and an evaluation methodology. Other examples are the annual training evaluation plan for the public employment service, and the evaluation plan for European Regional Development Fund Operational Programmes.

In some cases, national legislation also provides mechanisms for carrying out some forms of evaluation, although not in the strict sense of the term. In the field of education mention may be made of the National Agency for Quality Assessment and Accreditation, which evaluates the content of university degrees or the profile of teaching staff; or the Unified System for the Evaluation of Research, Development and Innovation. In relation to healthcare, it is worth highlighting the Spanish Network of Agencies for the Evaluation of Health Technologies and Services of the National Health System.

### **The future of the policy evaluation in Spain**

The Spanish government has considered that the evaluation of public policies needs additional support. The PRTR submitted by the government to the EU includes proposals to reinforce public spending evaluation through regulatory changes, the creation of a new evaluation body, and the institutionalisation of spending reviews. It is also proposed to appoint an evaluation officer in each ministry and to regulate reporting obligations and

data-collection mechanisms for evaluation, among other issues (components C11 and 29 of the PRTR).

To comply with these requirements, the government drafted a new law which was submitted for prior consultation in May 2021; but one month later it was suspended.

A new Public Expenditure Evaluation Division was approved in September 2021 which has been placed within AIREF. It will reinforce the agency's permanent evaluation capacities to do spending reviews, both regular and ad hoc evaluations, with more stable resources.

Some authors (FEDEA, 2021) have reservations about whether spending reviews are best located in AIREF, since it may not be advisable to concentrate quite different tasks in the same institution. They also point out that the draft law on public policy evaluation is unclear about the methods to apply in the spending reviews. But most organisations with some connection to public spending welcome the strengthening of the public spending evaluation, and the improved prospect of recommended reforms being put into practice.

Changes in public management in Spain have been very slow, due to institutional factors and the prevailing administrative political culture. Despite the attempts at improvement, to date there are no clear criteria as to which policies, programmes or projects should be subject to evaluation, and what methods and technical standards will be used.

Success in improving the effectiveness of public social spending evaluations will require some key organisational factors to be addressed, such as improving the capacity, accessibility and use of information systems, and the training of public employees (Casado, J.M. y Del Pino, E., 2022).

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