

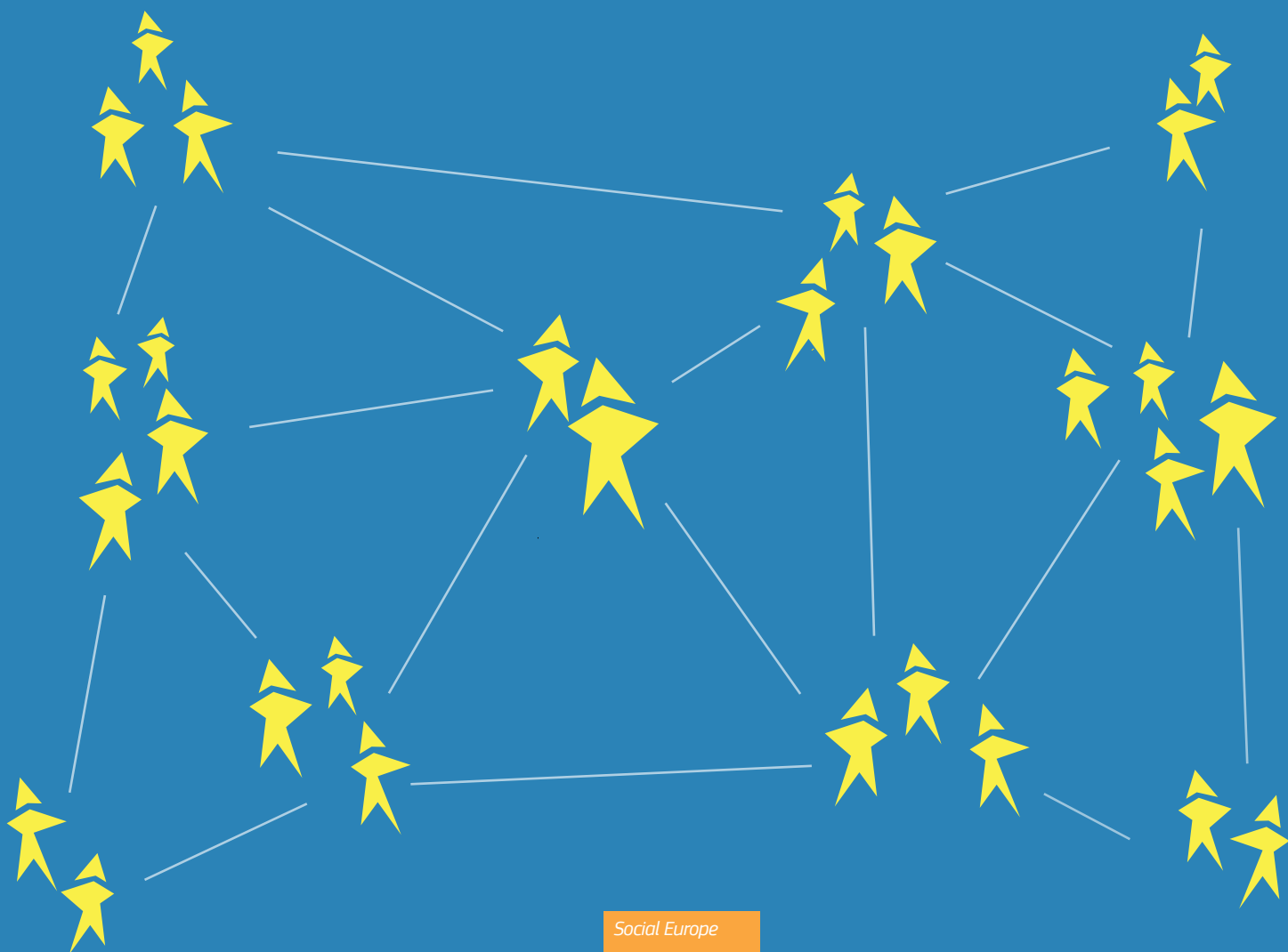


EUROPEAN SOCIAL POLICY NETWORK (ESPN)

National monitoring frameworks for public social spending

Portugal

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Social Europe

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
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European Social Policy Network (ESPN)

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

Portugal

2022

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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 the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

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Manuscript completed in January 2022

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QUOTING THIS REPORT

Perista, Pedro (2022). *ESPN Thematic Report on National monitoring frameworks for public social spending – Portugal*, European Social Policy Network (ESPN), Brussels: European Commission.

Contents

- SUMMARY 4
- 1 COUNTRY-SPECIFIC MONITORING FRAMEWORKS FOR PUBLIC SOCIAL SPENDING..... 5
 - 1.1 Country-specific dedicated monitoring framework(s)..... 5
 - 1.2 Separate monitoring framework(s) linked to schemes provided by employers 5
 - 1.3 Distinction between current expenditure and capital expenditure..... 6
 - 1.4 Type of monitoring: level and outcomes 6
 - 1.5 Level of granularity of public social spending 6
 - 1.6 Breakdown of public social spending 8
 - 1.7 Timing and public accessibility of data..... 8
 - 1.8 Sub-national frameworks 8
- 2 REPORTING/REVIEW TOOLS FOR PUBLIC SOCIAL SPENDING 9
- REFERENCES 13

Summary

Fully fledged accounting for public social spending incurred in Portugal still needs to be developed. The European Commission's 2020 Country Report regarding Portugal, for instance, notes that a bottom-up review of public expenditure for a number of years, aimed at improving the efficiency of public spending in a broad range of areas, was not yet undergoing a regular and independent evaluation, in particular regarding the quantification of the savings effectively achieved. The Portuguese Recovery and Resilience Plan (RRP) calls for increased monitoring of public expenditure and improvements in its control and efficiency.

Statistics Portugal (INE) monitors total social protection expenditure and all functions of the European System of integrated Social PROtection Statistics (ESSPROS). The state's general account (CGE) is the main document of annual accountability of the Portuguese state. It closes the annual budget cycle and should be presented to the Parliament by 15 May of the year following that covered in the document. Public social spending is part of the overall total public expenditure framework. Another relevant framework is provided by the monthly syntheses on the social security budget implementation released by the Institute for the Financial Management of Social Security (IGFSS).

All the frameworks presented in this report do not monitor social outcomes, but rather only the level of spending. The information provided by INE distinguishes between expenditure on social protection benefits, administration costs, transfers to other schemes, and other expenditure. The two other documents provide a clear distinction between current expenditure and capital expenditure, and they both provide disaggregation of social spending (e.g. by function and/or by scheme). All frameworks are publicly accessible and provided in a relatively timely manner.

Breakdowns of public social spending by specific population groups are scarce. Neither the CGE nor the monthly syntheses on the social security budget implementation provide any disaggregation of this sort. INE provides expenditure on benefits under ESSPROS functions by place of residence. Some breakdowns are also provided by gender. No proper and well established sub-national frameworks could be found. However, there are a few separate monitoring frameworks linked to schemes provided by employers.

It was not possible to identify any specific recurrent monitoring/reporting/review tools used by ministries, national parliaments, independent fiscal institutions, regional or local authorities or other interested parties, aimed at assessing the effectiveness of public social expenditure. Similarly, no information could be found on either the possible triggers of reviews/audits that take place on an ad hoc basis or any actions that are taken following the conclusions of such exercises.

These are weaknesses that should be addressed.

On the strengths side, it is worth mentioning that one of the milestones included in the RRP regards the implementation of mechanisms allowing for the integration of the spending review exercise into the regular budgetary procedure, including an *ex post* evaluation of the exercise. However, the stated objective is to achieve this goal in 2024. The recent creation of the new Competence Centre for Planning, Policy and Foresight in Public Administration (PlanAPP) may represent a strong basis for the future planning, design, adoption/implementation, and monitoring/revision of public policies, including *ex ante* and *ex post* impact evaluation.

For the moment, there are a few examples of reports issued by different bodies that focus on social spending. However, and even if they sometimes formulate recommendations for improving effectiveness, they most often seem to concentrate on the monitoring of public social expenditure rather than clearly assessing its effectiveness.

1 Country-specific monitoring frameworks for public social spending

1.1 Country-specific dedicated monitoring framework(s)

INE monitors total social protection expenditure and all ESSPROS functions: sickness/healthcare, disability, old age, survivors, family/children, unemployment, housing, and social exclusion.

The implementation of the state budget should be monitored by the Parliament and by the national audit office. Before the latter issues an opinion, the Parliament assesses the **CGE** (*Conta geral do Estado*) issued yearly by the Directorate-General for the Budget. This is the main document of annual accountability of the Portuguese state and includes all the accounts of the state budget, a report, budgetary and financial statements, and respective notes. It closes the annual budget cycle and should be presented to the Parliament by 15 May of the year following that covered in the document. Public social spending is part of the overall total public expenditure framework.

The Social and Economic Council (CES) issues opinions regarding the CGE.¹ The latest was released in May 2021 and related to the CGE of 2019, which means a time-lag of over one year. The CES said that: *"the CGE is the main document of annual accountability of the Portuguese state, [and] goes well beyond the fulfilling of legal requirements envisioned in the law on budgetary principles, namely regarding norms and accounting tables. The CGE is also a relevant tool for ex post evaluation of budget implementation and an opportunity to analyse the deviations between prevision and implementation and to interpret the consequences of those deviations to budget policy as well as its incidence in macroeconomic policy"* (CES, 2021: 3).

The CES also considers that, over time, the presentation of the CGE has been improving. The document is deemed to have become more readable and to provide more adequate information needed for budgetary assessment. However, it also notes the persistence of limitations on the comparability of the policies defined by the state budget with its implementation. The CES considers, for instance that: *"the information on the degree of implementation of budgetary measures is insufficient and it does not allow a comparison with the total impact envisioned in the state budget for 2019"* (CES, 2021: 4).

The opinion devotes a specific section to the social security account. The CES points out that: *"the account presents global implementation by system and sub-system. The budget is disaggregated by system but the analysis is made at the aggregate level. The CES considers that the document would be more transparent if the contributory system [sistema previdencial] and the non-contributory system [sistema de proteção social de cidadania] were analysed separately"* (CES, 2021: 14).

The IGFSS releases a **monthly synthesis of the social security budget implementation**.

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

Civil servants in Portugal may opt in to the Civil Servants' Health Sub-system (ADSE). The CGE includes information on the ADSE. However, there is also a separate framework

¹ The CES is a constitutional body for consultation and social concertation. Its main goals are to promote the participation of economic and social agents in decision-making procedures at a macro level, concerning social and economic policies. It comprises representatives for different areas – the government, social partners, and civil society organisations. All decisions (exclusively consultative) have to be approved by the plenary.

provided by the social monitoring report of the ADSE² that provides the amounts of expenditure on benefits within the sub-system.

There are a few private-funded occupational schemes set up at the initiative of a company and/or groups of social or professional associations, covering 3.8% of the working-age population (15-64 years) (Perista *et al.*, 2021).

The Portuguese association of investment funds, pensions, and patrimony releases information on a quarterly basis.³ However, the information provided focuses on the number and amount of assets rather than on spending.

The lawyers' and solicitors' social protection scheme provides: i) old-age pensions; ii) invalidity pensions; iii) survivor's pension; iv) death and funeral benefits; and v) social assistance. The scheme's annual reports and accounts⁴ provide information on related expenditure.

1.3 Distinction between current expenditure and capital expenditure

The information provided by **INE** distinguishes between expenditure on social protection benefits, administration costs, transfers to other schemes, and other expenditure.

The **CGE** makes a distinction between current expenditure and capital expenditure, both in overall terms and specifically regarding (for instance) the health and social security accounts. Current expenditure is divided into: i) personnel costs; ii) purchase of goods and services; iii) interest and other charges; iv) current transfers; v) subsidies; and vi) other current expenses.

Capital expenditure is divided into: i) acquisition of capital goods; ii) capital transfers; iii) financial assets; and iv) financial liabilities.

The **monthly syntheses on the social security budget implementation** also disaggregate expenditure into current expenditure and capital expenditure. Capital expenditure is split between capital expenditure associated with the "Programme for investment and development expenditure of central administration" and other types of capital expenditure.

1.4 Type of monitoring: level and outcomes

All the frameworks mentioned monitor only the level of spending. However, one of the milestones included in the RRP regards the implementation of mechanisms allowing for the integration of the spending review exercise into the regular budgetary procedure, including an *ex post* evaluation of the exercise. The RRP includes the objective of achieving this by 2024. Additionally, the recent creation of PlanAPP may represent a firm foundation for the future planning, design, adoption/implementation, and monitoring/revision of public policies, including *ex ante* and *ex post* impact evaluation. PlanAPP's mission includes, for instance, the co-ordination of the process of evaluating and quantifying the economic, social, and environmental impact of public policies.

1.5 Level of granularity of public social spending

ESSPROS functions monitored by **INE** are broken down by specific schemes. Family social protection includes expenditure on family or child allowances. Under old age, survivors, and disability, the following tables are included: i) funeral grant; ii) monthly living allowance; iii) social benefit for inclusion; and iv) tertiary care allowance. Parenthood includes spending on the initial parental benefit, and social exclusion includes spending on

² Available at: <https://www2.adse.pt/institucional/instrumentos-de-gestao/>.

³ Available at: <http://www.apfipp.pt/index2.aspx?MenuCode=FP&ItemCode=NotaFP>.

⁴ Available at: <https://www.cpas.org.pt/instituicao/relatorios/>.

social integration income. Spending on unemployment benefits and sickness benefits is included under unemployment and sickness, respectively.

The **CGE** disaggregates spending by function. The social function is disaggregated into: i) education; ii) health; iii) social security and social assistance; iv) housing and collective services; and v) cultural, recreational, and religious services.

As regards the social security account, there is disaggregation of spending according to (sub-)system: contributory; non-contributory; family protection; social action; and special regimes. It also provides a disaggregation of employment-related spending between active labour market policies, vocational training, and administration.

Another table distinguishes between: i) social benefits; ii) administration; iii) other current expenditure; iv) vocational training; and v) current subsidies.

Social benefits are divided into the following categories: i) pensions; ii) child benefit; iii) sickness benefit; iv) unemployment benefits; v) solidarity supplement for older people; vi) social benefit for inclusion; vii) parental benefits; viii) COVID-19 extraordinary temporary benefits; ix) crèche-complement; x) other social benefits; xi) social action; xii) minimum income scheme (RSI); xiii) informal carer's benefit; and xiv) specific pensions.

For each of the categories, the following figures on expenditure are presented: budget implementation, and year-on-year growth rate in absolute and relative terms.

The IGFSS **monthly syntheses on the social security budget implementation** provide different tables regarding public social spending.

A first table divides current expenditure into: a) pensions; b) other social benefits; and c) other current expenditure.

A second table provides more disaggregation. Social benefits are divided into the following categories: i) child benefit; ii) sickness benefit; iii) unemployment benefits; iv) solidarity supplement for older people; v) social benefit for inclusion; vi) crèche-complement; vii) social action; RSI; viii) informal carer's benefit; ix) COVID-19 extraordinary temporary benefits; x) other social benefits; and xi) pensions.

Pensions are further divided into the following categories: i) survivors; ii) invalidity; iii) old age; iv) former combatants;⁵ and v) recent extraordinary upratings of pensions.⁶

The synthesis report regarding September 2021 also included a specific section on public spending on COVID-19-related measures. It distinguished the following list of measures: i) extraordinary support for job-retention in a situation of entrepreneurial crisis – the simplified layoff scheme; ii) extraordinary support for the progressive resumption of activity in companies in crisis that have introduced short-time working; iii) extraordinary support for families; iv) COVID-19 sickness benefit; v) COVID-19 sickness benefit for workers in the healthcare sector; vi) sickness benefit for reasons of precautionary self-isolation; vii) assistance for children or grandchildren for reasons of precautionary self-isolation; viii) extraordinary support for workers' income; and ix) extraordinary incentive to promote the normalisation of entrepreneurial activity.⁷

⁵ Pensions attributed to former combatants of the Portuguese armed forces involved in the wars that eventually culminated in the independence of the former Portuguese colonies in Africa.

⁶ The first took effect in August 2017 and regarded pensioners whose global pension amount was equal to or lower than €631.98/month (1.5 times the social support index in 2017) "as a way of compensating the loss of purchase power caused by the suspension, in the 2011-2015 period, of the pension update regime (...) and to increase the income of pensioners with lower pensions" (República Portuguesa, 2017: 4410-(2)). In general terms, the uprating for those pensioners consisted of a nominal increase of €10/month. However, the nominal increase was reduced to €6/month for pensions uprated during the 2011-2015 period. A similar measure has been applied every year since 2018.

⁷ For a detailed overview of the social protection and inclusion policy responses to the COVID-19 crisis put forward in Portugal up to April 2021, please refer to Perista, 2021.

Other categories mentioned in the table include: administration; other current expenses; training; and current subsidies.

For each of the categories, the following figures on expenditure are presented: total budget (as presented in the state budget); total budget after corrections; cumulative state of implementation; implementation rate; accumulated year-on-year growth rate; and year-on-year growth rate implicit in the state budget.

1.6 Breakdown of public social spending

Breakdowns of public social spending by specific population groups are scarce. Neither the **CGE** nor the monthly syntheses on the social security budget implementation provide any disaggregation of this sort.

The INE provides information on expenditure on benefits under ESSPROS functions by place of residence (NUTS II, NUTS III and municipality). Some information is also provided by gender.⁸

1.7 Timing and public accessibility of data

The Classification of the Functions of Government (COFOG) data are published annually on the **INE** website.⁹ The COFOG data are updated once a year, in December, and published annually (Eurostat, 2019).

The **CGE** is publicly available at the website of the Directorate-General for the Budget.¹⁰ Both a report and easily downloadable tables and graphs are available for each year. According to Law 151/2015, the account for each year should be presented to the national Parliament by 15 May of the following year. The same law also lays down the rules regarding the way the accounts should be organised, elaborated, and presented.

IGFSS **monthly syntheses on the social security budget implementation** are publicly available at the IGFSS website. At the time this report was completed, in November 2021, the latest synthesis available related to October 2021, which meant that there was no significant time-lag.

This means that, in both latter cases, the availability of information is more timely than the requirements regarding the COFOG.

1.8 Sub-national frameworks

No proper and well established sub-national frameworks could be identified.

COFOG expenditure by municipalities is compiled by the Directorate-general for Local Administration (Eurostat, 2019).

Decree-Law 84/2012, which lays down the structure of the IGFSS, highlights that this is a central body with jurisdiction over the whole Portuguese territory.

⁸ Available at: https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_bdc_tree&contexto=bd&selTab=tab2.

⁹ Available at: https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_cnacionais2010&contexto=si&selTab=tab1&perfil=220677337&INST=220618891.

¹⁰ <https://www.dgo.gov.pt/politicaorcamental/Paginas/Conta-Geral-do-Estado.aspx?Ano=2020>

2 Reporting/review tools for public social spending

It was not possible to identify any specific recurrent monitoring/reporting/review tools used by ministries, the national Parliament, independent fiscal institutions, regional or local authorities, or other interested parties, aimed at assessing the effectiveness of public social expenditure.

Similarly, **no information could be found either on the possible triggers of reviews/audits** that take place on an ad hoc basis **or on any actions** that are taken following the conclusions of such exercises.

The EC 2020 Country Report regarding Portugal mentioned that: *“overall, expenditure control, cost efficiency and adequate budgeting continue to be tackled within the framework of the ongoing review of public expenditure, including in the health sector. In particular, a new fully-fledged programme to strengthen the overall sustainability of the health system started being implemented in 2019, and a formal structure to evaluate the managing of public hospitals was created in June 2019”* (EC, 2020: 69).

It also noted that: *“Portugal has been undertaking a bottom-up review of public expenditure for a number of years, aiming at improving the efficiency of public spending in a broad range of areas (...) The exercise is not yet undergoing a regular and independent evaluation, in particular regarding the quantification of the savings effectively achieved. Strengthening the growth-friendliness of public finances could have been best achieved through a two-pronged strategy, whereby the resulting bottom-up savings could have been complemented with a top-down focus on the overall composition of public expenditure. The ongoing spending review could thus have been used not only as a source of efficiency savings, but also as tool for more growth-friendly public expenditure”* (EC, 2020: 30).

However, it emphasised that: *“there are delays in the implementation of the 2015 Budgetary Framework Law, in particular in the areas of medium-term and programme-based budgeting (linked to CSR1 sub-part on improving the quality of public finances by prioritising growth-enhancing spending) and accrual accounting (linked to the CSR1 sub-part on strengthening overall expenditure control, cost efficiency and adequate budgeting)”* (EC, 2020: 15).

The **Portuguese RRP** calls for *“an increased demand in terms of planning of public resources and control and monitoring of public expenditure (...) improving its control and efficiency. The modernisation and simplification of public financial management represents a crucial reform of Portuguese public finance. Within this scope, there is the aim to implement a wide array of structural changes boosted by CSRs 2019 and 2020 (...) and by the new law on budgetary principles”* (República Portuguesa, 2021a: 180-181).

Law 41/2020 of 18 August represents the latest revision of the current law on budgetary principles, established through Law 151/2015 of 11 September. It stated that the new law should be approved by the end of the first half of 2021. However, the process has been delayed.¹¹

The Portuguese RRP also emphasises an investment of €163 million in information systems for public financial management, aimed at: *“improving the quality of public finances in the framework of the implementation of the law on budgetary principles. This translates into the implementation of integrated management solutions”* (República Portuguesa, 2021a: 182). This should allow: i) an integrated procedural solution for the management of revenue and expenditure; ii) an integrated solution for central management by the Ministry of Finance; and iii) redesign and implementation of the budgetary process, integrating programme budgeting.

¹¹ “Duodécimos limitam execução mensal até à entrada em vigor de novo orçamento”, DN 27/10/2021, available at: <https://www.dn.pt/politica/duodecimos-limitam-execucao-mensal-ate-a-entrada-em-vigor-de-novo-orcamento-14264084.html>.

The RRP also highlights investment in the digital transition of social security. To this end it presents five strategic axes, one of which regards the reorganisation and modernisation of the architecture of the social security information system (República Portuguesa, 2021a: 183). Furthermore, as a milestone for the prosecution of component C17 (quality and sustainability of public finances), it includes the “*implementation of mechanisms allowing for the integration of the exercise of spending review in the regular budgetary procedure, including an ex post evaluation of the spending review exercise*” (República Portuguesa, 2021a: 323). The stated objective is to achieve this in 2024.

The recent creation of **PlanAPP** by Decree-Law 21/2021, of 15 March, may represent a strong basis for progress in this regard. As mentioned in the decree-law, PlanAPP has been created to monitor and strengthen the different phases of intervention at the public policy level – planning, design, adoption/implementation, and monitoring/revision – creating the methodologies and internal competencies within the public structure that are necessary for good-quality public action. PlanAPP should bring together the competencies for: planning, design, and innovation; *ex ante* and *ex post* impact evaluation; and the monitoring and revision of public policies. “*It should also strengthen the means for involving, hearing and contacting final recipients of public policy, as well as training and the dissemination of good practice*” (República Portuguesa, 2021b: 24).

PlanAPP’s mission includes: i) supporting the definition of public policies and their articulation with the tools for planning and budget programming; and ii) co-ordinating the process of evaluating and quantifying the economic, social, and environmental impact of public policies, with the implementation of national strategic plans.

The following paragraphs provide a few **examples of reports issued by different bodies that focus on social spending**. However, and even if sometimes they formulate recommendations for improving effectiveness, they most often seem to concentrate on the monitoring of expenditure (i.e. providing figures and describing types of expenditure), rather than clearly assessing the effectiveness of public social expenditure – for example, whether particular social objectives are met or not.

The Inspectorate-General of the Ministry of Labour, Solidarity and Social Security undertakes auditing and inspection activity within the area covered by the ministry. Its duties include analysing the internal control systems and procedures, and the control of legality and regularity. Its stated objectives include contributing to the improvement of the levels of activity and performance, and ensuring the proper application of public funds and the quality of the services provided.¹²

One of the strategic objectives in the Inspectorate-General of Health Activities strategic plan for 2020-2022 is contributing to the reinforcement of internal control procedures and the proper use of public funds.¹³

In July 2020, the Portuguese Public Finance Council (CFP) issued a report on the budgetary evolution of the Portuguese health system (SNS) between 2013 and 2019 (CFP, 2020). In May 2021, it issued a report on the performance of the SNS in 2020 (CFP, 2021a). Also in May 2021, the CFP issued a report on the budgetary evolution of social security and of the CGA (CFP, 2021b). As regards expenditure, the report analyses its evolution, including the impact of COVID-19-related measures, and budget implementation by system and sub-system.

These reports were intended to be “*the starting point for additional work on other important sectors of the State. The CFP expects to use these reports to continue analysing the global financial situation of the Portuguese state, existing risks and challenges for the future. It also aims at helping decision-makers to improve the decision-making process and at*

¹² <https://www.ig.mtsss.gov.pt/areas-de-intervencao-auditoria-e-inspecao>

¹³ Available at: https://www.igas.min-saude.pt/wp-content/uploads/2020/01/PE_2020_2022_APROVADO_MS.pdf.

improving the citizens' knowledge and capacity for scrutiny regarding the way public funds are used" (CFP, 2021b: 5).

The reports do not specifically cover monitoring of the effectiveness of social expenditure. However, the CFP stresses, for instance, that as a result of the measures for fighting the COVID-19 pandemic, the gap between the level of services provided and the level that would be necessary to respond to the health needs of SNS users widened. This is deemed to *"bring increased risks for the population's health status and for the effectiveness and efficiency of the SNS"* (CFP, 2021a: 6). Additionally, it emphasises that the evolution of the SNS in the post-pandemic period faces risks and uncertainties, both in terms of its budget and the services provided, that may condition its future performance and sustainability, and considers that: *"the full use of RRP funds and the timely concretisation of foreseen reforms and investment in the SNS represent an opportunity to reform its organisation and functioning. It will also contribute for improving the access to and the quality of services provided and especially for increasing its efficiency and sustainability"* (CFP, 2021: 11).

In 2016, Foundation Francisco Manuel dos Santos released a study on income inequality and poverty (Rodrigues *et al.*, 2016). One of the chapters analysed the redistributive effects of social transfers (as well as of taxes). Emphasis was placed on evaluating the impacts of the economic and financial crisis in the late 2000s. The analysis of the effectiveness and efficiency of different policy instruments was based on an income accounting framework.

The authors proposed a flowchart in which a set of income types – wages and salaries, income from self-employment, property income, and other private income – is first aggregated into market yields. Then pensions and, as a third step, other social benefits are added, resulting in gross income. In the fourth step, social security contributions and taxes are deducted from gross income, resulting in families' available income.

They argue that the flowchart allows for the identification of the main tools for redistribution (i.e. pensions, other social benefits, and direct taxes plus social security contributions), after which it is possible to analyse the redistribution impact of the tools. To that end, they suggest using a methodology addressing the measures estimated in the different phases of the flowchart. As a final step, the redistribution effect of each tool (i.e. its effectiveness) is calculated as the difference between the inequality levels registered before and after the tool has been considered. The tool's efficiency is calculated as the ratio between its effectiveness and the tool's weight within the scope of family income.

The same foundation released another study in 2018 on budget architecture. The study emphasised that: *"despite some improvements, budgetary policy is still dominated by obsolete practices and by cash accounting perspectives. The new budgetary framework law represents an important step for the modernisation of the process but it is still far from being implemented. There are considerable steps still missing so that the state budget comes from a mere control of cash flow to a truly guiding document of economic policy articulating the main strategic, intermediate and sectoral objectives with specific programmes with adequate human and financial resources"* (Mateus *et al.*, 2018: 18).

One of the study's chapters analysed the efficiency of public spending in the following sectors: education, health, justice, and old-age pensions, also using a comparative analysis regarding the EU. It covered the period from 1990 to 2015 and the methodology used was the production function approach.

One of the study's objectives was to examine the role of (overall) budgetary policy in reducing inequality. In this respect, the study stressed that: *"the main obstacle to a more redistributive budgetary policy is the exiguity and low income of the middle class, which limits the resources that may be used for such redistribution policy. However, there is margin for an improvement of the effectiveness of redistribution (...). There is also evidence that, from 2011 onwards, the budgetary policy became more redistributive and the liquid inequality decreased"* (Mateus *et al.*, 2018: 17).

The Institute of Public Policy Thomas Jefferson-Correia da Serra (IPP) has decided to release a "Citizen Budget" in 2021 and in 2022. The document *"should resume the state budget in its main points. It aims at facilitating the understanding of the readers of the priorities and implicit decisions of budgetary policy through the use of simplified tables and charts. It aims at establishing good transparency practices and the quality of democracy in Portugal"* (IPP, 2021).

According to the IPP, the decision to produce the Citizen Budget derives from the absence of a similar official document. According to the IPP, the Citizen Budget *"should be a non-technical and easily understandable official document. It should be part of the budgetary cycle and published by the government/directorate-general for the budget. These are the recommendations of international budget good practice as mentioned in the Open Budget Survey (OBS) and in the Open Budget Index implemented by the International Budget Partnership"*.¹⁴

¹⁴ <https://www.ipp-ics.org/orcamento-cidadao/>

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