



National Programme for Turkey 2010 under the Instrument for  
Pre-Accession Assistance

*This project is co-financed by the  
European Union and the Republic of Turkey*

# **TR2010/0136.01-01/001- Technical Assistance for Improved Strategic Management Capacity**

*Spain Country Report*

*Additional Activity related to A2.3*

*28.12.2014*



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## List of Abbreviations

AEVAL: Spanish Evaluation Agency.

CORA: Commission for the Reform of the Public Administration

NRP: National Reform Plans

OECD: Organization for Economic Cooperation and Development

TC: Court of Audit

# 1 INTRODUCTORY COUNTRY INFORMATION

## 1.1 Basic geographic and demographic information

The total area of Spain is 504,782 km<sup>2</sup>. Its population is 46.704314 (estimate for 2013). This means a reduction of about 110000 inhabitants in relation to 2011 census (46,815,916).

The main reason behind this reduction is the return of immigrants to their countries due to the economic crisis. In 2011 there were 5.7 million foreign residents in Spain (12% of the total population).

The density of the country is 92 inhabitants per km<sup>2</sup>.

The territory is divided in 17 Regional Governments also called Self-governing Communities ("Comunidades Autonomas"), 2 self-governing cities, 50 provinces and more than 8119 municipalities.

Map of Spain and its Comunidades Autonomas



## 1.2 Overall information on the Economy, financial and budgetary situation

The burst of a housing-market bubble in 2008 and other economic structural weaknesses meant that the Global Financial Crisis (GFC) hit Spain hard and made through out of government to the socialist party (PSOE). The conservative Popular Party won the November 2011 general election and has since introduced the largest budget deficit–reduction in recent Spain’s history. Good progress has been made toward the EU standard of 3 percent of GDP, although the government is not there yet. In 2012, Spain received a €41 billion loan from the EU to bail out its banking sector. In 2014, Spain appears to have pulled out of its recession, but growth remains low.

The recession in Spain has been prolonged for six years now. GDP contracted by 3.7% in 2009, ending a 16-year growth trend, and continued contracting through most of 2013. Economic growth resumed in late 2013, although only modestly, as credit contraction in the private sector, fiscal austerity, and high unemployment continued to weigh on domestic consumption and investment. However, exports (particularly tourism) have been resilient throughout the economic downturn, partially offsetting declines in domestic consumption and helped to bring Spain's current account into surplus in 2013 for the first time since 1986.

### Basic performance indicators

Indicator	Value* (14 Nov. 2014)
<u>GDP (purchasing power parity):</u>	\$1.049181 Million €
GDP Rate of growth	0,5 %
<u>Unemployment rate:</u>	24%
<u>Budget surplus (+) or deficit (-):</u>	6.8% of GDP (2013)
<u>Public debt:</u>	92,1 of GDP (2013)
<u>Inflation rate (consumer prices):</u>	- 0,2%

\*(Eurostat News release Euroindicators, 14 November 2014)

In a recent report of the Bank of Spain (12-Sept-2014) the public debt in Spain represents a 98.4% of the GDP (Banco de España, 2014).

Unemployment rate rose from a low of about 8% in 2007 to more than 26% in 2013, straining Spain's public finances as spending on social benefits increased while tax revenues fell.

Spain's budget deficit peaked at 11.4% of GDP in 2009. Spain gradually reduced the deficit to just under 7% of GDP in 2013, slightly above the 6.5% target negotiated between Spain and the EU. The estimated deficit for 2014 is 5.5% Public debt has increased substantially – from 60.1% of GDP in 2010 to 93.4% in 2013. By mid-2014 the public debt has reached the 100% of the GDP.

#### Medium-term fiscal plan (per cent of GDP)

Level of Government	2014	2015	2016	2017
General Gov. financial balance	-5.5	-4.2	-2.8	-1.1
Central government	-3.5	-2.9	-2.2	-1.1
Autonomous regions	-1.0	-0.7	-0.3	0.0
Local government	0.0	0.0	0.0	0.0
Social security administration	-1.0	-0.6	-0.3	0.0

Source: Government of Spain (2014), Actualización del Programa de Estabilidad 2014-17 (Stability Programme Update).

According to a recent report of the OECD (September, 2014), the Spanish economy has returned to moderate growth. This major turnaround reflects decisive reforms to strengthen the banking sector (including a financial sector programme), the European Central Bank's actions, the improvement of public finance sustainability, with a now somewhat slower pace of fiscal consolidation, and the rationalization of the Administration among many other reforms.

## 2 GOVERNMENT STRUCTURE AND PUBLIC ADMINISTRATION REFORM TRENDS

### 2.1 Constitutional institutions, Central Government and its Administration

#### a) Main Organs of the State

Since 1978, Spain is a constitutional monarchy with its territory structured in regional Government with a high degree of political and administrative autonomy. The Head of the State is the King which has no executive role, other than appointing officials, requiring reports of official activities and representing Spain at formal and ceremonial occasions. The king is also the commander in chief of the Spanish Armed Forces. The current king, Felipe VI, has held this position for three months, since 19 June 2014, after his predecessor, Juan Carlos I, abdicated the throne. In case of dispute of interpretation of the Constitution, the final decision is the competence of the Constitutional Court.

The legislative power (Las Cortes Generales) has 2 chambers:

- The Congress of Deputies, a general assembly of representatives whose controlling party forms an executive government and proposes legislative changes. It has 350 members, elected by popular vote on block lists by proportional representation in constituencies matching the Spanish provinces. Congressmen serve four-year terms.
- The Senate, which considers the wider implications and compatibility of proposed legislation. The Senate of Spain is the upper house of Spain's parliament, the Cortes Generales. It is made up of 266 members: 208 elected by popular vote, and 58 appointed by the regional legislatures. All senators serve four-year terms
- The Judicial branch is composed of a hierarchy of law courts which ensure that any proposed or imposed executive enforcement complies with Spanish and European law.

The executive branch (Council of Ministers) consists of the President, Vice-Presidents, when appropriate, Ministers and other members as may be created by law. The President of the Government (equivalent to "Prime Minister" in other countries) is elected by the Congress of Deputies and leads the Governments' action and coordinate the functions of the other members, without prejudice to the competence and direct responsibility of the latter in the discharge of their duties. The

Council of Ministers is jointly accountable before the Congress for its conduct of political business.

After consultation with the representatives appointed by the political parties, the King nominates a candidate for the Presidency of the Government. After the candidate submit to the Congress its political programme and the Congress, by vote of the overall majority of its members, give its confidence, the King will appoint him President of the Government. The other members of the Government shall be appointed and dismissed by the King at the President's proposal.

### **b) Central Government Organization**

The Government and its Administration has to be organised and act with full respect of legality and in accordance to the following principles:

#### Organizational principles

- *Hierarchy*
- *Functional decentralization*
- *Functional and territorial de-concentration*
- *Economy, sufficiency and coherence of resources to institutional means.*
- *Simplicity, clarity and proximity to citizens*
- *Coordination.*

#### Functional principles

- *Effectiveness in the accomplishment of pre-established objectives.*
- *Efficiency in the allocation and use of public resources.*
- *Programming and development of objectives and management and control by results.*
- *Public management accountability.*
- *Rationalization and agility of administrative procedures and operative management.*
- *Effective services to citizens.*
- *Objectivity and transparency of public management.*
- *Cooperation and coordination with all levels of government.*

Today the Council of Ministries (Cabinet) consisted of a President of the Government (equivalent to a Prime Minister in other EU countries), a vice-president and the Ministers. Central Government organization is structured in the Ministry of the Presidency (headed by the Vice-President) and 12 Ministries. Multiple Public Entities

(Autonomous Organs, Agencies and State Owned Enterprises) are subordinated to the Ministries.

The main organ for coordinating economic and fiscal policies are the Government Delegated Commission for Economic Affairs, which is chaired by the President or the Vice-president of the Government, and consist of the Minister of Finance & Public Administrations (Herein after MoF); the Ministry of Economy and Competitiveness; and other Ministries dealing with matters related to the economic matters, e.g. .

- Ministry of Development (literal translation of “Ministerio de Fomento”), which in fact is a ministry of Public Works, transport and telecommunications, rather than a Ministry of Economic Development.
- Ministry of Employment and Social Security.
- Ministry of Industry, Energy and Tourism; Ministry of Agriculture, Nutrition and Environment.

Furthermore, depending on the agenda, other Ministries could invited to participate in this Government Delegated Commission. For instance the Ministry of Foreign Affairs (when dealing with EU economic issues) or the Ministry of Defence (for issues related to army industry).

Another important government economic forum is the Council of Fiscal and Financial Policy (Consejo de Política Fiscal y Financiera). This council is chaired by the Ministry of Finances and consists of all regional government ministers (“Consejeros”) of Finances (see next section).

## **2.2 Intergovernmental relation: distribution of competences, and cooperation among levels of government**

The State is regionally structured into 17 Self-governing Communities (Regional Government). All of them enjoy a high level of autonomy for the government and management of the competences attributed to them by the Constitution. Each Regional Government has its own legislative Assembly and a President of the Community. They have their own resources (e.g. 50% of the income tax).

### **a) Distribution of competences between central and regional governments**

The Constitution explicitly identify in detail the concrete competences of the State (central government) and regional self-governing Communities. First, it identifies the competences that the regional governments may perform, then the competences which belongs to the State in exclusivity. See long list in next boxes:

## List of Self-governing Communities' competences explicit in the Constitution

1. Organization of their institutions. 2. Changes in municipal boundaries within their territory and, in general, functions appertaining to the State Administration regarding local Corporations, whose transfer may be authorised by legislation on local government. 3. Town and country planning and housing. 4. Public works of interest to their Community, within its own territory. 5. Railways and roads whose routes lie exclusively within their territory. 6. Harbour, recreational ports and air-ports and, in general, those which are not engaged in commercial activities. 7. Agriculture and livestock raising, in accordance with general economic planning. 8. Woodlands and forestry. 9. Management of environmental protection. 10. Planning, construction and exploitation of hydraulic projects, canals and irrigation of interest to the Community; mineral and thermal waters. 11. Inland water fishing, shellfish industry and fish farming, hunting and river fishing. 12. Local fairs. 13. Promotion of economic development of the Community within the objectives set by national economic policy. 14. Handicrafts. 15. Museums, libraries and music conservatories of interest to the Community. 16. The Community's monuments. 17. The promotion of culture and research and, where applicable, the teaching of the Community's language. 18. The promotion and planning of tourism within its territorial area. 19. The promotion of sports and the proper use of leisure. 20. Social assistance. 21. Health and hygiene. 22. The supervision and protection of its buildings and installations. Coordination and other powers relating to local police forces under the terms to be laid down by an organic act.

The State (Central Government) shall have exclusive competence over the following matters:

## List of exclusive competences of Central Government explicit in the Constitution

1. Regulation of basic conditions guaranteeing the equality of all Spaniards in the exercise of their rights and in the fulfilment of their constitutional duties. 2. Nationality, immigration, emigration, status of aliens, and right of asylum. 3. International relations. 4. Defence and Armed Forces. 5. Administration of Justice. 6. Commercial, criminal and penitentiary legislation; procedural legislation, without prejudice to the necessary specialities in these fields arising from the peculiar features of the substantive law of the Self-governing Communities. 7. Labour legislation, without prejudice to its execution by bodies of the Self-governing Communities. 8. Civil legislation, without prejudice to the preservation, modification and development by the Self-governing Communities of their civil law, or special rights and traditional charters ("fueros"), whenever these exist. In any event, rules for the application and effectiveness of legal provisions, civil relations arising from the forms of marriage, keeping of records and drawing up to public instruments, bases of contractual liability, rules for resolving conflicts of law and determination of the sources of law in conformity, in this last case, with the rules of traditional charters ("fueros") or special laws. 9. Legislation on copyright and industrial property. 10. Customs and tariff regulations; foreign trade. 11. Monetary system: foreign currency, ex-change and convertibility; bases for the regulations concerning credit, banking and insurance. 12. Legislation on weights and measures and determination of the official time. 13. Basic rules and coordination of general economic planning. 14. General financial affairs and State Debt. 15. Promotion and general coordination of scientific and technical research. 16. External health measures; basic conditions and general coordination of health matters; legislation on pharmaceutical products. 17. Basic legislation and financial system of Social Security, without prejudice to implementation of its services by the Self-governing Communities. 18. Basic rules of the legal system of Public Administrations and the status of their officials which shall, in any case, guarantee that all persons under said administrations will receive equal treatment; the common administrative procedure, without prejudice to the special features of the Self-governing Communities' own organizations; legislation on compulsory expropriation; basic

*legislation on contracts and administrative concessions and the system of liability of all Public Administrations. 19. Sea fishing, without prejudice to the powers which, in regulations governing this sector, may be vested to the Self-governing Communities. 20. Merchant navy and registering of ships; lighting of TCsts and signals at sea; general interest ports; general-interest airports; control of the air space, air traffic and transport; meteorological services and aircraft registration. 21. Railways and land transport crossing through the territory of more than one Self-governing Community; general system of communications; motor vehicle traffic; Post Office services and telecommunications; air and underwater cables and radio communications. 22. Legislation, regulation and concession of hydraulic resources and development where the water-streams flow through more than one Self-governing Community, and authorization for hydro-electrical power plants whenever their operation affects other Communities or the lines of energy transportation are extended over other Communities. 23. Basic legislation on environmental protection, without prejudice to powers of the Self-governing Communities to take additional protective measures; basic legislation on woodlands, forestry and cattle trails. 24. Public works of general benefit or whose execution affects more than one Self-governing Community. 25. Basic regulation of mining and energy. 26. Manufacturing, sale, possession and use of arms and explosives. 27. Basic rules relating to organization of the press, radio and television and, in general, all mass-communications media without prejudice to powers vested in the Self-governing Communities for their development and implementation. 28. Protection of Spain's cultural and artistic heritage and national monuments against exportation and spoliation; museums, libraries, and archives belonging to the State, without prejudice to their management by the Self-governing Communities. 29. Public safety, without prejudice to the possibility of Self-governing Communities creating police forces, as provided for in their respective Statutes of Autonomy and within the framework to be laid down by an organic act. 30. Regulation of the requirements for obtaining, issuing and standardization of academic degrees and professional qualifications and basic rules for implementation of section 27 of the Constitution, in order to guarantee the fulfilment of the duties of public authorities in this matter. 31. Statistics for State purposes. 32. Authorization of popular consultations through the holding of referendums.*

Matters not expressly assigned to the State by this Constitution may fall under the jurisdiction of the Self-governing Communities by virtue of their Statutes of Autonomy. Jurisdiction on matters not claimed by Statutes of Autonomy shall fall with the State, whose laws will prevail, in case of conflict, over those of the Self-governing Communities regarding all matters in which exclusive jurisdiction has not been conferred upon the latter. State law will in any case have priority and supplement that of the Self-governing Communities.

In matters of State jurisdiction, the Cortes Generales may confer upon all or any of the Self-governing Communities the power to pass legislation for themselves within the framework of the principles, bases and guidelines laid down by a State act. Without prejudice to the jurisdiction of the Courts, each enabling act shall make provision for the method of supervision by the Cortes Generales over the Communities' legislation.

The Central government may transfer or delegate to the Self-governing Communities, through an organic act, some of its powers which by their very nature can be transferred or delegated. The law shall, in each case, provide for the

appropriate transfer of financial means, as well as specify the forms of control to be retained by the State.

The State may enact laws laying down the necessary principles for harmonizing the rulemaking provisions of Self-governing Communities, even in the case of matters over which jurisdiction has been vested to the latter, where this is necessary in the general interest. The Cortes Generales, by overall majority of the members of each House, has to assess this necessity.

If a Self-governing Community does not fulfil the obligations imposed upon it by the Constitution or other laws, or acts in a way that is seriously prejudicial to the general interest of Spain, the Government, after having lodged a complaint with the President of the Self-governing Community and failed to receive satisfaction therefore, may, following approval granted by the overall majority of the Senate, take all measures necessary to compel the Community to meet said obligations, or to protect the abovementioned general interest.

The Self-governing Communities shall enjoy financial autonomy for the development and exercise of their powers, in conformity with the principles of coordination with the State Treasury and solidarity among all Spaniards. The resources of the Self-governing Communities consist of: a) Taxes wholly or partially made over to them by the State; surcharges on State taxes and other shares in State revenue. b) Their own taxes, rates and special levies. c) Transfers from an inter-territorial compensation fund and other allocations to be charged to the State Budget. d) Revenues accruing from their property and private law income. e) Interest from loan operations.

The intention of legislators with the extensive and detail list of competences were to avoid conflict of competences among levels of government. However these conflicts were numerous during years until new intergovernmental consultation channels and instruments were developed.

## **b) Instruments for inter-governmental relations and cooperation**

The relations between the central government and regional autonomies are based on the following fora and instruments:

### **i. Conference of Presidents**

The Conference of Presidents is the highest political organ for the cooperation between the central government and the regional autonomies. The president of the conference is the President of the Spanish government and the other members are the presidents of the 17 regional Governments and of the two autonomous cities (Ceuta and Melilla, place in the north of Africa).

As a political forum, it deals with highly relevant issues related to territorial government. It function in a flexible way with a wide scope for agreements and decision making. Since its creation in 2004 the Conference of Presidents has met in few occasions, dealing with top level political issues such as: the financial system; fiscal discipline, representation of regional governments at the EU, national-wide reforms (e.g. Public Administration Reform).

## ii. Multilateral (Sectoral) Conferencies

These conferences are multilateral bodies for cooperation that operate in a specific policy sector. They consist of the responsible Central government's Minister and all regional governments' Ministers of the same matter. Due to their composition, their number and their activities the sectoral conferences are the backbone of the inter-governmental cooperation. Their meetings are called by the relevant Minister of central government and its agreements are signed by all Ministers. Sectoral conferences are bodies of voluntary cooperation. As a general rule, agreements are only binding on the signatories.

There are about 35 conferences, although only 25 have worked regularly in recent years, the regularity of their work and the nature and importance of matters treated are diverse. The number of meetings kept by these conferences since 2001, is between 60 and 75 per year.

One of the most important territorial coordination body is the Council of Fiscal and Financial Policy (CPFF - Consejo de Política Fiscal y Financiera ) chaired by the MoF and consisting of all regional government ministries (Consejeros) of Finances. The CPFF is the main forum for communication, debate and joint decision making between the MoF and Regional Governments on fiscal policy and discipline at regional level.

During the period 2004-2007, seven sectoral conferences were created due to the strategic importance of their topics and the their effect on regional governments, i.e. Science and technology; Telecommunications and the information society"; Local Administration, the Territorial system Council for autonomy and dependency care; the General Conference on University policy; the Immigration Conference; and the Conference on water.

Broadly, the cooperation system is well institutionalised and properly working. However the functioning of some Sectoral Conferences still need to be improved (e.g. more regular meetings, secretarial support, enriched debates, etc..).

## iii. Bilateral cooperation with each regional government

The bilateral relations between the State and each of the regional governments are articulated through Bilateral Cooperation Commissions and through Collaboration Agreements.

Most of the Statutes of Autonomy regulate extensively the bilateral cooperation, mainly through bilateral commissions, as a permanent organ of cooperation of a general nature. There are some bilateral committees with competence in economic matters. The last Bilateral Cooperation Commissions are chaired alternatively by the Minister of Finance and Public Administration and the corresponding Regional Minister. They adopt agreements by consensus of both parties and have supporting bodies, subcommittees and working groups.

From the central government side, the collaboration agreements are signed by Ministers and top management of public institutions. But they have to be authorized by the Secretary of State for Territorial Cooperation (Ministry of Finance and Public Administration).

Although formally the cooperation agreements are to be considered as of a bilateral nature, in practice the Central Government is promoting a multilateral treatment, proposing a same text, or very similar, to all or a large part of the autonomous governments ("Generalized Subscription Agreements"). These agreements are signed with all or the vast majority of the autonomous government and respond to general policies to develop in all or most of the national territory.

The conventions have achieved stability and continuity in the collaboration. A significant number of them have multi-year projection or are extended annually. In the period 2004-2007, the total number of agreements and arrangements between the State and the autonomous communities was 4.597. In 2008 the figure was 1001, in 2009 of 1059, 2010 1,009 conventions and agreements. 812 and authorized agreements are recorded in 2011.

A significant majority of the agreements contain financial commitments by the State, so that they are used by the Government to promote policies and concrete actions of national interest that the autonomous governments should carry out. These State budget contributions complement the contributions of the autonomous communities.

### **2.3 Changes in the Public Spending structure after political decentralization**

The constitutional attribution of competences to Regional Governments (RG) went along with the transfer of financial resources and personnel including the authority for both spending and human resources management. This process occurred in an

accelerated way and was accompanied by a rapid growth of their administrations. In many cases the growth of Regional Governments responded to the creation of administrative structures in areas also covered by Central Government, which has generated redundant actions in other public administrations.

Spain is one of the countries with a higher degree of decentralization of expenditure of the OECD. Almost half of public sector spending is managed by the Regional and Local governments. The territorial distribution of public spending in 2011 was as follows:

Level of Government	Share of Public Sector total spending
Central Government	20,50 %
Regional Government	34.50 %
Local government	13,40 %
Social Security	31.60 %
Total	100,0 %

Source: OECD Factbook 2013

The process of decentralization has also produced a change in the distribution of public employees between levels of governments. According to the Central Registry of Personnel data, from 1982 to 2012 the number of employees of the General Government was reduced to almost a 25% of the total personal of the Public Sector; the number of those of the Regional Government, virtually non-existent in 1982, was multiplied by 30 and those of the Local Government was multiplied almost by 4.

## 2.4 Public management reform trends in Central Government

The following 3 initiatives can be considered the main efforts made by Spain to improve public management in Central Government in 2000s. The scope of these reforms is technical and managerial rather than political. The first two “a” (Decentralization) and “b” (Evaluation) were initiated in the previous decade, and the third one “c” (CORA initiative) has been recently started:

### ***a) Management decentralisation and creation of Executive State Agencies***

The Law of State Agencies for the Improvement of Public Services (LAE, 2006) was approved with the aim of providing a new general organizational model for central government, based on a high degree of managerial autonomy for new state agencies and, simultaneously, on strengthened mechanisms for ex-post controls and evaluation focused on results.

According to this law, managers of state agencies have the authority to make decisions regarding their own resources (revenues out of internal operations), and managers will be held accountable for achieving their objectives. To this end, the law introduces a system of Transparent Management by Objectives, based on the notion of multiyear management contracts (LAE, article 13).

These contracts must present the following elements:

- i. The objectives to be pursued, outcomes to be obtained, and, in general, the activity to be carried out;
- ii. The operative plans necessary for achieving the objectives, specifying the corresponding timeframes, the projects associated with each strategy, and its duration, as well as the indicators for evaluating the results;
- iii. The staffing, material, and budgetary resources to be provided to achieve the objectives;
- iv. The effects associated with the degree of compliance with established objectives;
- v. The procedure to be followed for covering whatever annual deficits may arise, owing to a shortage in real revenue from the estimated levels, and the consequences, in terms of accountability for management, which may result from such deficits; and
- vi. The procedure for introducing annual changes or adaptations which may occur, as appropriate.

The management contract determine the responsibilities for failing to achieve the objectives. Agencies are required to prepare an annual action plan, an activity report on the preceding fiscal year, and annual accounts, which are to be made available to the public (LAE, article 15). With respect to their financial management regime, the law created flexibility for agencies to shift estimates between types of inputs (line items), with the exception of personnel costs. Agencies are subject to the accounting principles and norms established for public entities and to external auditing by the Court of Auditors as well as oversight by the General Financial Comptroller (IGAE).

This initiative for the reorganization of central government and the introduction of the management contract underwent an initial phase of development. The aim of this reorganization was to delegate management authority and responsibility so as to encourage efficient management focus on results. About eleven central government units were transformed into State Agencies. These units were working in areas such as research, evaluation, official government publishing, international cooperation and development, meteorology, air traffic control and security, and sport anti-doping, were created in sport. The creation, control and coordination of the agencies and their follow-up processes were first established in the Ministry of Public Administration (MAP) and the MoF. The definition and distribution of roles,

responsibilities, and coordination mechanisms among the departments responsible for the agencies (the Ministry of Public Administration, the sector Ministry under which each agency functions, and the MoF) were well established. However, the speed of implementation of the new model was slow and some decision-making processes and functional links have slowly developed.

Since mid-2009, with a change of the government, the MAP was eliminated and its responsibilities concerning the Law of State Agencies were transferred to the First Vice President. The first stage of the reform was completed—setting a legal framework, designing inter-institutional relationships and creating a group of agencies. Seven agencies were initially created and a few more later, amounting to about 10 agencies in total. However, with the first effects of the Global Financial Crisis, the MoF withdrew its support to create more agencies. This initiative lost momentum and currently is a stalemate situation.

### ***b) The Spanish Agency of Evaluation (AEVAL)***

The evaluation of public management performance has been gradually growing in Spain in the last couple of decades. Several organizations with a diversity of conceptual approaches perform evaluation in different functions or sectors.

Initial efforts of program evaluation were based on two main pillars: the evaluation of European Union co-funded programs and the evaluation of international development cooperation programs. The external pressure from the European Commission triggered momentum for program monitoring and evaluation. EU co-financed programs are coordinated by different entities, depending on the policy sector; for example, regional development by the MoF, social policy by the Labor Ministry, etc. Furthermore, Spain participated in the OECD-DAC Network on Development Evaluation, and currently is an active member in this network. Evaluation of development cooperation programs are carried out by a DG of the Ministry of Foreign Affairs and Cooperation.

In the field of public spending, there are other main organizations involved in evaluation, and/or audit of central government performance: the Directorate General of the Budget (DGB) and General Financial Comptroller of the State Administration (IGAE) at the Ministry of Finance (MoF); the Court of Auditors (see section on program budget below). Furthermore, some sector ministries have sectoral evaluation units (particularly in areas such as: education, health, and employment). These specialised and sector evaluation units are independent from the AEVAL. Coordination takes place through personal-professional contacts and, in some cases, through representation in administration boards.

Finally, the creation in 2006 of the Spanish Evaluation Agency (AEVAL), opened up an opportunity to make further progress in the direction of consolidating an evaluation system. The AEVAL was originally placed at the Mtry. of Public Administration, now merged with the MoF (Ministry of Finance and Public Administration). At this stage no changes are perceived in terms of coordinating AEVAL and the Directorate of the Budget.

The creation of AEVAL signals the importance that the government attached to public policy evaluation as a pillar of good governance and as a way to strengthen the democratic process. The mission of the agency is to promote evaluation, to evaluate public policies and programs, and, with the support of management, to enhance the quality of services in order to improve the use of public resources and accountability. More specifically, there are two main objectives the agency seeks to achieve: (i) better use of public resources, and (ii) stronger accountability for the general public, including transparency and participation. AEVAL is mainly focused on Policy and program evaluation, not so much on the performance of each public organizations (institutions). Although there is no formal coordination between the Court of Account (TC) and AEVAL, both of them could use their reports as inputs for their respective assessments.

Concrete objectives of the AEVAL are:

- Improving public services and the knowledge on the effects of public policies and programs on society.
- Promoting rationality of public spending and optimizing the use of resources.
- Promote the productivity and competitiveness of the Spanish economy, eliminating bureaucratic obstacles.
- Enhance accountability of public management to citizens and the quality of democracy, promoting transparency and participation.

The agency focused on three main areas of work: carrying out strategic evaluations, supporting better quality of public services, and promoting a culture of evaluation and quality. This last area of work has included contributions to the development of evaluation capacities in Spain's government at the central and regional levels. The president of AEVAL is appointed by the Council of Ministers, which also approves AEVAL's evaluation program.

AEVAL is an autonomous entity within the Office of the President, and is headed by the Vice President. The governing body of AEVAL is called a Governing Council (Consejo Rector), with representatives from the Ministry of Economy and Finance (the Budget Office's Secretary General), Ministry of Foreign Affairs, and the President's Office, as well as representatives of unions, and recognized experts in

specific policy areas. Additionally, representatives of the regional governments can participate under partnership arrangements.

The agency's structure contains three technical departments, and one department for internal administration. AEVAL's Department of Evaluation (technical) is in charge of performing program and policy evaluations, and, in turn, is composed of three divisions dealing with economic policies, social policies, and environmental policies. A second technical department is in charge of the quality of public services, and a third department is in charge of planning and institutional relations.

The functioning of AEVAL is driven and reflected in a management contract. The management contract is for a period of four years and sets out the objectives and expected performance, which have implications on future resource allocations for the agency. For 2008–2011 the management contract outlines four areas of work: institutionalization of the agency, promotion of an evaluation culture, evaluation of programs and policies, and improvement in the quality of management of public organizations.

During its initial years of operations, AEVAL focused on conducting evaluations without paying much attention to dissemination.

Evaluation priorities are decided by the Council of Ministers, taking into account the National Reforms Plan (Plan Nacional de Reformas, or PNR). The PNR has been Spain's response to the EU Lisbon Strategy. Presented to the European Commission in October 2005, the PNR is at the core of the midterm Spanish economic policy and establishes, as a strategic goal for 2010, full convergence with the European Union in terms of per capita incomes, employment rates, and science, technology, and knowledge policies.

AEVAL is expected to carry out an independent evaluation of the PNR, which will be made public and sent to Parliament, the CCAA, the Spanish Federation of Municipalities and Provinces, and others. Furthermore, some evaluations demanded by ministers are focused on critical issues that require evidence for decision making and/or to clarify the way in which policies are being implemented or entities are functioning.

The policies and programs to be evaluated, and the scope of the evaluations, are mainly defined by AEVAL's Governing Council, based on a performance contract signed every year with the Vice President's Office, the Office of the President, and the Ministry of Finance. The specific terms of reference for the evaluations are agreed with the corresponding ministry or public entity, with regard to initial work plans, timeframe, procedures, the recipients of the evaluation, etc. AEVAL evaluations are published on the agency's website.

Evaluations are managed and executed by AEVAL staff, and rely on occasional outside technical support when needed. At the beginning of 2010, AEVAL had a staff of 60, most with training in economics or law, and the rest in disciplines such as political science and sociology, among others. Quality control is done by its management team, with the support of an external consultant. For its evaluations, AEVAL applies flexible criteria, taking into account traditional ones (e.g. efficiency and effectiveness) but also supplementing them with criteria that correspond to Spain's socio-political reality, including, for example, —equityll as an evaluation criterion.

AEVAL published in 2009 a document that provides an evaluation framework, and defines AEVAL's guiding principles for the evaluation of policies and programs. AEVAL's evaluation may cover the whole policy intervention cycle, from the planning process (ex-ante evaluation or appraisal), through implementation (interim evaluation) and ex-post evaluation. So far, most of the evaluations have corresponded to interventions under implementation.

Despite the important evaluation efforts made at AEVAL, performance government evaluation in Spain still need a long way to go. The number of evaluations is relatively small and the results and recommendations presented in AEVAL's reports are, in general, not used for policy making or resource allocation. The new Public Administration reform (CORA) is an opportunity for AEVAL to enhance the relevance of its reports.

***c) Current trend: Slimming Public Administration and initiating a wide Public Administration reform (CORA initiative).***

One of the Central Government reactions to the prolonged effects initially caused by the GFC (Global Financial Crisis) were to cut spending and slimming Public Administration. Many social services have suffered important cuts in quantity and quality. The urgent priority of Government was to respond to the pressures of financial market and the recommendations of International Organizations (EU and FMI). The main measures taken by current Government were related to reducing the number of personnel and privatizing public services.

Furthermore, at the end of 2012, the Government launched a wide, diverse and ambitious reform initiative which aims to overcome one of the worst economic crisis, correct obstacles impeding growth and create a sound basis on which raise a new cycle of economic prosperity and employment to the Spaniards. Among many other measures (such as: Labour reform, financial system restructuration, reform of the education system, etc...), the government also initiated a wide reform of the Administration including a multitude of reform projects or initiatives.

The Commission for the Reform of the Public Administration (CORA) was created with the responsibility to assess the situation in the Administration, and propose improvement for the Administration to be functionally austere and effective and useful for society. The novelty of this reform approach is to consider the Public Administration's reform as a comprehensive and ongoing effort (e.g. including specific monitoring and evaluation mechanisms and, where necessary, public managers and staff training).

The report of the CORA was presented in June 2013. The diagnostic report recognised the advances made in the last 3 decades but also identify important weaknesses in public management, such as for instance: inefficiencies, redundancies, lack of transparency, unnecessary expenses, etc... Since then a process of reforms has started with a long list of measures and a clear calendar of reforms.

The reform approach is highly participative. The CORA organized its tasks through the creation of several subcommittees (e.g. the Subcommittee of duplications and simplification; the Subcommittee of common services and means management; the Subcommittee of Institutional Administration, etc...) in which all Ministries and departments concerned are represented.

Furthermore, CORA developed its work in collaboration with the society. An Advisory Council was established with the participation of the Ombudsman, business organizations and of public servants trade unions, the Council of consumers and users, the Association of self-employed workers, the Higher Council of Chambers of Commerce, the Spanish Association of consulting companies, etc... In addition, a mailbox of citizen participation was opened. There were 2.239 suggestions in terms of duplication and simplification of administrative procedures. All these channels of participation provided useful feedback for identifying potential improvements.

The full plan of reforms presents a total of 217 measures (139 affecting the Central Government and Regional Governments and 78 exclusively affecting the Central government).

These measures were grouped in the following categories:

- Rationalization of the Administration and multilevel governance (e.g. eliminate overlapping among levels of government, etc...)
- Better regulation and administrative simplification
- Digitalization of Government and multiple level coordination
- Improving financial management
- Building flexibility in human resources management and capacity for performance management.

- Increasing transparency and trust in government.

Out of the 217 measures:

- 11 are of general and horizontal nature for all areas of the public administration;
- 118 tend to eliminate duplication with the autonomous communities and within the State;
- 42. eliminate barriers, simplify procedures and facilitate the access of citizens to the Administration;
- 38. improve the management of services and common facilities;
- 8 streamline the institutional administration, both at the policy level and by suppression and integration of 57 State public entities.

Furthermore the reform proposal includes arrangements for coordinating, monitoring and assessment of the reform implementation. For this purpose a new department has been created with the name of Office for the Execution of the Administrative Reform (OPERA) within the Vice-President of Government Office.

Up to 2013, out of the 221 actions (many of them regulatory) identified by the CORA report, 63 have already been completed and the rest are currently being implemented. Some major legal reforms were completed, such as: the reform of the law on financing of political parties; modifications of the criminal code on transparency and fight against tax and social security fraud; and the Law on Transparency, Access to Public Information and Good Governance.

In 2014 these actions are complemented with two new draft laws, already submitted to the Parliament:

- The draft Organic law for the control of the economic and financial activity of political parties, to increase the control, auditing, transparency and obligations of political parties.
- Draft law regulating senior management positions of public officials within the General Administration, which will fill a legal void and will create also more obligations, control, auditing and transparency for such officials.

During 2014 this regulatory effort has continued. Many new actions are being specified and savings are expected to emerge as execution proceeds. By the end of 2014 an estimated 50% of all the measures will be completed. The following should be highlighted:

- The future Law on Public Administration and Common Administrative Procedure directed to making the regulation of the Spanish Public Sector organization clear and coherent.
- The reform of the General Law of Public Grants in order to reinforce the transparency in the concession of grants; limit public financing of certain modalities of private spending; eliminate duplicities, among others.

Further measures will be taken to: improve the efficiency in the Government's cash management; streamline and eliminate duplicities; increase efficiency in public employment structure and management; impulse e-government; and reduce administrative burden.

Furthermore, progress is being made on measures for democratic regeneration, institutional strengthening and fight against corruption, as a central element to regain the confidence of citizens in the institutions. These measures address corruption and lack of transparency from two perspectives: firstly, with preventive measures that prevent wrong behaviors and, secondly, with initiatives that limit impunity, better identify crime, and punish more severely.

## **2.5 Key issues, lessons learnt and recommendations**

Up to 2012, performance management and evaluation reforms in Spain have been slow in achieving actual change. Most measures and actions on performance-related reforms have focused on adapting legal and technical aspects (for example, new norms, methodologies, data, formats, and working procedures). Insufficient attention has been paid to other reform drivers which partially explains the delay in the actual reform development in Spain, for instance:

- Discontinuous political support and interest for performance management and program evaluation;
- Weak integration among ministries and units responsible for reform of related initiatives or functions (e.g. performance budgeting). This is particularly the case of the Ministry of Public Administration and the Ministry of Finance;
- Limited participation of stakeholders in the diagnosis, design, and development of the reform model;
- Weak efforts has been done to identifying and introducing incentives for adapting cultural values and behaviour related to management by results (for example, reporting and accountability for results).

Current trend of reform (CORA) seems to have paid attention to some of these shortcomings. For instance: 1) political support is much stronger. Reforms in the previous decade was led by the Ministry of Public Administrations. The political weight of this ministry was low in the Government and particularly in relation to the Ministry of Finance. On the contrary, the current reform is directly supported at much higher political level. The Vice-President has taken the lead and is exposing herself as champion of the reform; 2) The Ministry of Public Administrations and the Ministry of Finance have been merged into one single macro ministry (Ministry of Finance and Public Administrations); 3) the process of diagnosis has been open and participative. Furthermore for the first time in Spain, the Public Administration reform has incorporated monitoring and learning arrangements in its design and it is expected further development of the reform during its implementation.

Still important recommendations for improving the Administration Reform have been recently presented by the OECD to the Spanish Government (OECD, 2014). The following boxes offer a summary of these recommendations:

### Recommendation nº 1

#### **Need for prioritizing and sequencing the “CORA” Administration reform**

- *The reforms is comprehensive but miss having a clear set of priorities and sequencing for implementation. Prioritization is important to make the best use of political support and financial and human resources and to concentrate them on those change initiatives that are strategic for the rest of reforms. Some reforms represent more structural changes in the way public administrations conduct their day-to-day activities and provide mechanisms for continuous improvement. For example, the Law for Transparency, Access to Public Information and Good Governance; the Law on the Civil Service Basic Statute; and the implementation of a system to measure productivity and efficiency; the normative review, should have priority over more limited ones and will require significant political back up.*

### Recommendation nº 2

#### **Maintain the participatory effort during the implementation of the reform**

- *Despite the participatory efforts done so far to consult on CORA*

*proposals, the dialogue and consensus-building is still perceived as insufficient by specific stakeholders. There is still a need to prolong the dialogue and consensus-building with stakeholders of reform. Participation must continue through the implementation process and evaluation of the reform. This will be essential for defining reform priorities and communicating first successes. One of the main challenges for the CORA reforms is to achieve the collaboration of regional governments.*

### **Recommendation nº 3**

#### **Integrate reform efforts from different ministries and institutions**

- *A whole-of-government approach to reform requires upgraded co-ordination and communication among between the Office for the execution of the Administrative reform (OPERA) and other influential units the Ministry of Presidency, the MoF, the Financial Comptroller (IGAE), the State Evaluation Agency (AEVAL) and the Civil Service General Directorate). Ideally they should be mandated to work on an ongoing basis for “joining up” performance-assessment tools from across the government as a means of defining and implementing a comprehensive, integrated whole-of-government framework that links spending, civil service performance and policy results together within short-, medium- and long-term planning horizons.*

### **Recommendation nº 4**

#### **Consolidate the structure and channels for intergovernmental communication**

- *Since the CCAAs are one of the main stakeholders of reform and key actors for ensuring an effective implementation (for example, in the cases of the Law for Market Unity or to embed transparency as a basic principle of the public administrations), multi-level dialogue should be continuously pursued and strengthened. Several sectorial conferences are not performing at their full potential. They need to become bodies for real exchange between levels of government on topics that are perceived as important. A minimum meeting frequency, a more formal agenda-setting mechanism and a permanent secretariat could also*

*revamp their role. Ideally, they would serve as the platform to agree a common agenda to advance productivity and growth,*

## **Recommendation nº 5**

### **Guarantee regular and effective feedback to make adjustments and correct mistakes**

- *Effective institutions are required to guide and monitor implementation. Many of the reforms proposed in the CORA require institutional adjustments to be effective. Since reform is an ongoing and dynamic process, obtaining regular feedback to make adjustments and correct mistakes is essential for its long-term success. Feedback from key stakeholders should be regular and relevant. This requires that institutions such as the Executive Office for the Administrative reform (OPERA), the State Evaluation Agency (AEVAL), the General Financial Comptroller (IGAE), the Court of Auditors and others centers related with the reform should be strengthened for this purpose by adjusting their operational methods, increasing their capacities and allowing flexibility to adapt to the institutional adjustments required by the CORA.*

## 3 PLANNING, PROGRAMING, AND BUDGETING REFORM

### 3.1 Introduction

As in other continental European countries, public administration in Spain has a legalistic culture focused heavily on the detailed regulation of procedures and the application of strict control mechanisms. Public management and budgeting system have been centered on compliance— e.g. control of formal procedures and the level and objects of spending rather than on the results. Civil servants responsible for budget preparation and execution have customarily concentrated their efforts on following budget legislation and instructions established in regulations, without much concern with the efficiency and effectiveness of their initiatives.

Since the end of the 1970s various forms of planning and program budgeting, such as PPBS, ZBB, Performance Budget, budget by objectives, etc..., (hereinafter *Program Budgeting*—PB) have been used as reform models in Spain. Since that time discontinuous efforts have been made to move from administrative line-item budgeting to PB. As explained later some relevant improvements have taken place. However change proposals and efforts have been limited to formulating new legislation and incorporating the main formal elements of PB.

After several decades of not very successful efforts to implement a PB like model, and especially after the GFC (Global Financial Crisis), there seems to be a need to reconsider the budget reform approach. So far, the focus of the reform has been to change the documentation and technical procedures of the budget but insufficient attention has been paid to the behavioral effects (i.e. actual decision making style when allocating and using resources) and the conditions imposed by this type of management and budget models on those responsible for the reform and its stakeholders. At this stage it is important to review the evolution of past reform experiences in order to get a better understanding of how best to move ahead and to avoid committing the same errors made in the past.

The aims of this section are, first, to present an overview of Spanish experience with planning and performance budgeting; then, to outline the current situation (main institutions and procedures) and reforms trends; and finally, to discuss main challenges and main lessons learned for further development of planning and PB.

### **3.2 Brief review of PPB from 1970 to 2000**

During the 1960s and 1970s, the Spanish government, with the support of the IMF, put in place developmental policies to leave a period of serious post-civil war economic crisis and instability. They were materialized by the so called Planes de Desarrollo (National Development Plans). In general they were considered successful from the economic point of view. Spain had a high growth rate and became the ninth largest economy in the world. One of the main steps towards planning and programming reform was the creation of the “Comisaria del Plan de Desarrollo”, latter becoming a Ministry (Ministry of the Commissariat of the Development Plan). The Development Plans presented five year projections of main national initiatives and introduced provisions aimed at measuring public programs and objectives. Associated with this effort, interdepartmental commissions were created to develop methodologies (such as ex-ante assessments and cost-benefit analysis) for evaluating public investment projects. By mid 1970s, with the change of regime from a dictatorship to a democracy, this Ministry was suppressed and the Development Plans were gradually abandoned.

From the management point of view this planning initiative had important weaknesses. For instance the analytical effort was focused on expected effects of investment projects, not on the effects of overall programs, and they were analyzed in isolation from their implications on current spending. Consequently, the global impact of the programs (group of projects) were not assessed. Moreover, there were difficulties for performance measurement of non-financial benefits and costs of projects. The analytical exercise was applied to programs or departments with an economic/financial nature, such as Public Works, Agriculture, etc. (Lozano, 1982). Another problem was the limited connection between the cost estimated in the planning process and the final budget allocations. One of the reasons for this weakness was that budget allocations did not include indirect costs. For instance, operative staff wage costs of projects were treated as a ministry overhead cost assigned to the ministry central offices rather than the project (Carreño and González Finat, 1979). Finally the lack of capacity for program-based budgeting and management, at that time, was also an important weakness (Barea and Carreño, 1971).

Strong growth of the economy and public spending in the 1970s and 1980s was not accompanied by proportionate advances in public management and budget management capacities. During those years, public spending in Spain nearly doubled, rising to the level of the most developed countries. However, at the end of

the 1970s the budget process remained in a very traditional mode. In effect, it was a process of incremental allocation of resources, in which, for instance:

- The main priority of the Ministry of Finance was focused on control of aggregate spending levels and compliance with budget and public accounting regulations. Budget preparation was largely an exercise of administrative calculations including projections of spending increases stemming from administrative decisions, new laws, inflation, etc...(Gunther, 1980),.
- Financial control focused on formal compliance with budgetary and accounting regulations, with spending limits and fraud prevention constituting the primary objectives, and with control mechanisms based on strict and detailed ex-ante check of every expenditure item. Evaluation and planning played no significant role.
- Parliamentary ex-post control of budget final execution was based on the role of the Court of Auditors, also legalistic by nature, and the approval of the General Ledger of the State (i.e. the formal approval of the Budget Annual Report) tended not to attract great interest on the part of members of Parliament (Argüello and Palacios, 1979).
- One of the usual criteria applied by the MoF for assessing spending managers' performance, at the end of the fiscal year, was the level of consumption of the budget resources allocated to them at the beginning of the year. This criteria encouraged the so called "fever to spend at the end of the year" even if not needed or no time to proper application of the resources, in order to be regarded as "effective managers" and avoid budget cuts in the following year.

Since then successive Spanish governments have done discontinuous and often ad-hoc efforts for reforming budgeting, in parallel with broader reforms in economic policy and management. In 1977, a General Budget Law (*Ley General Presupuestaria—LGP*) was adopted which included a number of important provisions for budget reform oriented toward achieving greater spending efficiency and effectiveness. The new democratic Constitution (*Constitución Española de 1978*) also set out a basic framework for the modernization of government financial management, stipulating that the programming and execution of public expenditure should meet the criteria of efficiency and economy (Article 31.2 CE), and that public administration should comply with the principle of efficiency (Article 103.1 CE).

In late 1970s, the Ministry of Finance started to require a few Ministries to formulate their budgets by programs. This was extended to the whole government by the mid-1980s, with the introduction of a new budget classification in which all expenditures were grouped by programs. This reform effort across the whole Spanish Administration was more a formalistic than substantive one: the sole requirement was

for a program classification of expenditure, which in many cases ended up being a simple transposition of the organizational structure into programs (Sánchez Revenga, 2005). In the late 1980s, the focus of budget reform moved forward from budget classification and format to the budget process.

Comprehensive planning as such was first neglected and then abandoned. Yet, important efforts were made for programming investments. The Directorate General of Economic Policy at the Ministry of Economy and Finance lead the Committee for Public Investments (CIP - Comité de Inversiones Públicas). The CIP was an inter-ministerial forum in which all main investment proposals were evaluated according to the principles, criteria and methodology established settled by the DG of Economic Policy. They used a multi-criteria approach with relative weights of several potential economic consequences of each project (e.g. on employment, GDP, exports, territorial distributions, etc...). However, in times of scarce resources, the amounts allocated to investment were finally fixed by the DG Budget.

Influenced by EU initiatives, Central Government placed much greater emphasis on fiscal discipline. In 1988, it approved the first Macroeconomic and Budgetary Scenarios (four-year projections signaling spending ceilings for the first year and updated annually). The EU *Maastricht Treaty* (1992) and the creation of the European Monetary Union (1999) increased the pressure for fiscal discipline. In this context, there was an increasing recognition of the need to reinforce aggregate spending discipline and greater effectiveness and efficiency of public managers, as it is described in the next section

### **3.3 Planning and Performance Budgeting in the 2000s**

Central government had abandoned traditional comprehensive and detail planning. However, in the framework of the EU strategic management, renovated efforts have been made for selective planning and national reforms. Simultaneously Program Budgeting developments have been rolling through two different paths: the improvement of budgetary techniques and processes (particularly in the context of a new General Budgetary Law approved in 2003), and the refinement of the evaluation and control systems. The next subsections refer to these planning and program budgeting initiatives.

## a) EU driven planning: National Reform Plans and Stability Programs

### ➤ National Reform Plans

Current planning efforts in Spain are done in the framework of the “European Strategy 2020” – (Europe-2020). Europe 2020 is the European Union’s ten-year growth and employment plan or strategy that was launched in 2010. Its aim is not only overcoming the economic crisis but also addressing the shortcomings of the EU growth model and creating the conditions for an effective, sustainable and inclusive growth. Thus, the NRP is a long term document (10 years) including national reforms’ objectives related to European initiatives and strategic priorities.

This Strategy presents a set of goals, around 5 headline targets agreed for the whole EU. These EU-level targets are translated into 8 national targets in each EU country, reflecting different situations and circumstances (see next table).

1. Employment
2. R&D
3. Climate change and energy sustainability
4. Education
5. Fighting poverty and social exclusion

The next table shows the headlines and the 8 priority targets for the whole EU and for Spain.

“European Strategy 2020” main priorities and targets for the whole EU and Spain

EU/Member States Headline Target levels	Employment rate (in %)	R&D in % of GDP	CO2 emission reduction targets <sup>2</sup>	Renewable energy	Energy efficiency–reduction of energy consumption in Mtoe*	Early school leaving in %	Tertiary education in %	Reduction of population at risk of poverty or social exclusion in n° of persons
<b>EU</b>	75%	3%	-20% (compared to 1990)	20%	20% increase in energy efficiency equaling 368 Mtoe	10%	40%	20,000,000
<b>SPAIN</b>	74%	3%	-10%	20%	25.20	15%	44%	1,400,000- - 1,500,000

\*Mtoe - Million tonnes of CO2 equivalent

Furthermore the strategy 2020 identifies other instruments to encourage growth and jobs which are called “flagship initiatives” (e.g. Digital agenda; Innovation; Youth; industrial policy; etc...). Within each flag initiative, both the EU and national authorities have to coordinate their efforts so they are mutually reinforcing. These initiatives are also presented with their corresponding targets and indicators.

Every year Spain, like each member state, has to present to Brussels a stability/convergence programmes (see below) and a NRP (National Reform Plan). The NRP is prepared by at the Ministry of Economy and Competitiveness in close collaboration with the Economic Office of President of Government. Every year these two organizations collect information from all ministries related to the interventions included in the NRP, and prepare a report (normally included in the new updated NRP on the advances made and the adaptation of the NRP according to the changes in problems and priorities. The contributions from each ministry are supported in Sector plans and annual reports. Information included in the plan refer to reform programs not to organizational or institutional plans. The information presented in budget programs is coherent with the NRP and sector plans, but the linkage is not automatic or codified. There are no specific plans at ministerial level public organizations institution

The NRP should include all the elements necessary for monitoring progress towards the Europe 2020 national targets. The 2014 NRP sets forth the main measures that the government will implement in the course of 2014 in the five abovementioned priority fields. Among the measures included in the NRP for 2014, it is worth noting the following:

1. Differentiated, growth-friendly fiscal consolidation (e.g. Modernizing the tax system in accordance with international best practices; Contribute to fiscal consolidation and job creation; Favor economic development, ensure market unity and fiscal neutrality and enhance the competitiveness of the Spanish economy)
2. Restoring lending to the economy (e.g. measures to promote both banking and non-banking financing sources).
3. Promoting growth and competitiveness for today and tomorrow (e.g. measures for the flexible functioning of markets and moderate price adjustments)
4. Fighting unemployment and the social consequences of the crisis (e.g. measures to increase hiring and the activation of the unemployed; part-time contracts and flexible management of working time, etc...)
5. Modernizing the Public Administration (e.g. see above section on CORA reform in section 2.4.c)

The structure of the NRP follows the specific recommendations made by the EU and the Spanish responses (measures):

- 1) *Budget adjustments*
- 2) *Fiscal measures and measures against fiscal and labour corruption*
- 3) *Recovering the Financial sector*
- 4) *Assessment of the labour Reform and additional modifications (Active employment policies)*
- 5) *Youth unemployment and education reform)*
- 6) *Poverty and social exclusion*
- 7) *Improving competition and markets*
- 8) *Energy, Transport and Digital agenda*
- 9) *Local Government Reform and Judicial system reform*

The NRP also presents the advances expected in the year towards the EU objectives (see next table)

**Table X. Evolution of the objectives of the Europe Strategy 2020**

<b>Objectives/Targets</b>		<b>2013 (unless otherwise indicated)</b>	<b>2020 European Objective</b>
<b>Employment</b>	Employment for 74% of persons aged 20 to 64 years	58,2%	75%
<b>R&amp;D</b>	Investment up to 2% of the GDP in R&D	1,3% (*)	3%
<b>Climate change and sustainable energy</b>	Greenhouse gas emissions (-10% in 2005)	-13% (*)	-20% (over 1990)
	20% of renewable energy	16,6% (2)	20%
	Increase of 20% in energy efficiency (final consumption of primary energy in 135 Mtep)	122Mtep (*)	20% of the energy efficiency equivalent to a final consumption of primary energy of 1.474 Mtep
<b>Education</b>	Rates of early school leaving below 15%	23,5%	10%
	At least 44% of the people from 30 to 34 years of age are required to complete studies at the tertiary level	40,7%	40%
<b>Fight against poverty and social exclusion (**)</b>	At least at 1.4-1.5 million fewer people in situation or risk of poverty and social	28,0%	Reduction of 20 mill people at risk of poverty and social exclusion

	exclusion		

(\*) Data from 2012.

(\*\*) Rate of risk of poverty and social exclusion according to the National Institute of Statistics

Source: National reform Plan of 2014

### ➤ **Stability Programs**

As mentioned above, the NRP has to be submitted to the EU accompanying the Stability Program. As it is well known fiscal discipline and financial stability have been the main priorities in Europe during the last few decades, even more after the crisis. Spanish Governments have developed a comprehensive and solid legal and institutional framework to respond to these priorities, including an emergency reform of one article of the constitution.

In 2011 was even decided to reform Article 135 of the Spanish Constitution to review and consolidate the fiscal discipline legal framework around the principle of zero deficit. The new article mandate the introduction of a fiscal rule for the structural and limit the Public Debt according to the Treaty of the EU. Following this new article the Central government prepared the Organic Law of Budgetary Stability and Financial Sustainability, which was approved in April 2012.

The new law reinforces budget principles already considered in previous legislation (fiscal stability, multiannual projections, transparency, and efficiency) and incorporates new principles (financial sustainability, responsibility and institutional loyalty).

All levels of government are obliged to present and achieve a surplus or budget balance. No structural deficit will be accepted from 2020 onwards. However, exceptionally, in case of undertaking structural reforms with long term budgetary effects, a structural deficit of 0,4 percent of the GDP will be accepted.

The maximum rate of debt for the public sector will be a 60 percent of GDP. These limits will gradually be implemented until full compliance is reached in 2020. During the transitional period, the public sector structural deficit should be annually reduced in a 0.8 percent as an average. Public debt will be reduced if the economy is growing in real terms. Fiscal targets will be reviewed in 2015 and 2018. Fiscal objectives will be fixed taking into consideration EU recommendations on the Spanish's Stability Program. In general, the methodology for setting the limits and arrangements for ensuring compliance are similar to and coherent with EU budget stability framework and deficit deviation procedures. All levels of government will have to approve a maximum spending level respecting the norm that the rate of increase in total spending in Public Sector cannot be higher than the rate of GDP growth.

Deviations oblige the responsible government, either central, regional or local, to present an annual correction plan. If this plan is not accomplished this government will see automatically blocked its budget estimates for an amount sufficient to guarantee the achievement of fiscal targets. This penalty is not applied if the deviation is due to exceptional circumstances (structural reforms, and cases of hardship). EU sanctions in the framework of budget stability will be paid by the government (central, regional or local) responsible for the deviation. This rule is an incentive aiming to stop the so far undisciplined spending behaviour of regional governments.

According to the principle of transparency regional governments are obliged, vis a vis central government, to:

- sending main budget lines before approval;
- providing national accounting information corresponding to budget information;
- sending information on extra-budgetary data every three months

The law also establishes incentives to encourage compliance in other areas. For instance: debt issuing, policy grant concessions and intergovernmental agreements will be conditioned to achieving fiscal objectives. Furthermore, it guarantees the continuous and automatic adaptation of Spanish norms to future changes in the European economic governance.

Furthermore the Law consolidates the principle of long term budgeting by relating the Spanish Medium Term Budget Scenarios to the EU Directives on Budget Frameworks on this matter and creates a new Independent Authority for Fiscal Responsibility (IARF) with the aim to oversight the respect of the Organic Law of Fiscal Discipline and Financial Sustainability.

The President of the IARF will be appointed by the Council of Ministers, on a proposal from the Minister of Finance and Public Administration, prior attendance of the person proposed for the position before the relevant Committee of the Congress, which has to examine if its experience, training and ability are suitable for the position. The experts of the IARF will prepare macroeconomic projections that will be incorporated to the draft of the Medium Term Budget Scenarios and of the annual Budgets in order to issue early warnings of fiscal deviations. The Independent Authority for Fiscal Responsibility will have its own experts and resources to guarantee independence. The IARF will have its own resources, based on the creation of a new earmarked tax.

In short, as it is well known, one of the key external forces behind the reform of the budget process was the *economic and financial pressure* (i.e. international financial markets directly and indirectly through the EU Commission fiscal and financial discipline measures) to restrict public spending in order to comply with fiscal stability

and sustainability targets. But responding to this pressure (particularly for sustainability) not only demands the control of aggregate spending, but also the improvement of the quality of *spending* (Pollit and Bouckaert, 2004). Budget stability and program budgeting need to be addressed in a coherent and complementary manner. The synergy between these aspects of budgeting is well captured in the basic principles articulated in the new legislation, namely: *budgetary stability*; *multiyear projections*; *transparency*; and also *efficiency in the allocation and use of public funds* (LGP, 2003). *To the latest aspect, efficient spending, is dedicated the next section.*

## **b) Program Budget in Central Government<sup>\*1</sup>:**

### *b.1 Main institutions and process*

At the political level the main budget institutions are the Parliament, the Council of Ministries and its Delegated Commission for Economic Affairs (consisting of the President of the Government, the Minister of Finance and Public Administrations, the Minister of Economy and all Ministers dealing with matters related to the economy or with significant investment portfolios) and the Council for Fiscal and Financial Policy (consisting of the Minister of Finance and Public Administrations and his counterparts – “Consejeros de Finanzas” – of each Regional Governments). The roles and policy decision making procedures of these authorities and organs are properly established in the Constitution and derivate laws and regulations. However, neither by law nor in practice they have not played any relevant leading or supporting role for the development program budgeting in Spain.

At the Policy-Administrative level the main institutions for program budgeting are the following:

### **Ministry of Finance and Public Administration**

Traditionally the Ministry of Finance in Spain has been a powerful institution. Today it is even more so. Since 2011, it has been merged with the Ministry of Public Administration. The new Ministry of Finance and Public Administration is now-a-days

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<sup>1</sup> \*(Regional and local government are fully autonomous to initiate public management and budget reforms. The program budget reform experiences and advances are diverse)\*

responsible for proposing and executing the Government policy in the field of public finance, budgeting and financial management, civil service and management reform of Central Government, and the financial and management relations with regional governments and Local government, in addition to many other powers and duties conferred by the legal system.

This Ministry is structured in 3 main organs:

- (a) The Secretary of State for Finance (dealing with taxes).
- (b) The Secretary of State for the Budget (dealing with the budget cycle and financial Management in general); and
- (c) The Secretary of State for Public Administrations (Central Government and relation with other levels of Government).

The **Secretary of State for the Budget** contains, in addition to other DGS and units, the General Financial Comptroller (IGAE) and the DG of the Budget. These two organization have been and still are essential for the design and implementation of program budgeting in Spain.

The IGAE deals with budget execution and financial management in general (including: follow up and control of budget execution, accounting, internal audit and evaluation of budget programs achievements) of the whole Central Government. The IGAE has an important network of financial officials and auditors detached in all spending ministries and functionally fully dependant on its orders. Their role has been important for the M&E of budgetary programs.

The DGB deals with the budget preparation and modifications, including medium term budget scenarios and fiscal discipline. To do this work the DGB depends on the information sent by Budgetary Offices in spending ministries. These offices depend on their own Ministries and their personnel is independent of the DGB. Still they receive guidelines and instruction to contribute to the preparation of the budget. Their function has been very important in the development of program budget.

The **Secretary of State for Public Administrations**, through the DG of the Civil Service and the Agency of Evaluation (AEVAL), is the most important institution contributing to the public management reforms. It provide essential support to the Vice-President of the Government in the current “Cora” reform.

The coordination of these two Secretaries of State is essential for the effective and integrated development of both Program budgeting and performance management related measures included in the “CORA” reform.

## The Court of Audit

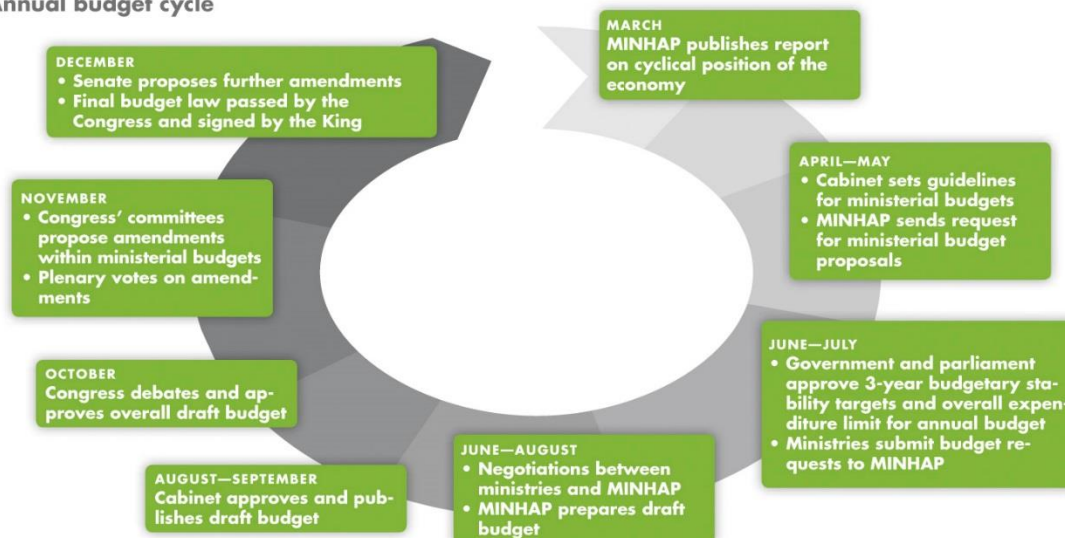
The Court of Audit (TC) is the supreme body charged with auditing the accounts and financial management of the public sector. Is directly accountable to the Parliament (Las Cortes Generales) and discharges its duties by delegation of the Parliament when examining and verifying the General State Accounts. The TC sends an annual report to the Parliament informing of any infringements that may, in its opinion, have been committed, or any liabilities that may have been incurred. Its members enjoy the same independence and tenure position as judges. Performance audit is within the scope of its functional improvements. With regards to program budget reform, the Court of Audit has not yet played any relevant role.-Although some efforts have been done and are still being done (e.g. internal training and development of methodology) to introduce performance audit, so far not relevant advances have been made. This might be partially due to lack of political willingness to strengthen the Audit capacity of the TC.

### *b. 2 Budget preparation process*

Overall, the Central Government budget preparation processes is formally well designed and structured. In the first trimester of the previous year (normally in **March**) the MoF (Ministry of Finances and Public Administrations – MINHAP: Spanish acronym in the diagram below) publishes a report on the cyclical position of the Economy (economic outlook).

Between **April and May**, the MoF (on behalf of the Government) sends to spending ministries the guidelines for preparing the draft Budget, including government priorities. In **June/July** the MoF prepares 3 years *budgetary stability targets* (in accordance with the EU Stability and Growth Pact) and the overall expenditure limits for the annual budget for the whole public sector. Both Council of Ministers (Cabinet in the diagram below) and Parliament has to approve these targets and limits. The DGB (DG Budget) prepare these scenarios based on: budget information available on the budget of precedent year and the estimated execution of budget being executed at that moment; new legislation recently approved; and contextual information (Government directions, Economic situation, etc..) and the information on budget requests for next year they have received from spending ministries. The DGB adds the revenue projections estimated by DG of Taxes and send the scenarios to the MoF who presents it to the Council of Ministers (CoM) and this council send it to the Parliament.

### Annual budget cycle



(\*) Source - <http://donortracker.org/donor-profiles/spain/budget-process>

(\*\*) MINHAP = Ministry of Finance and Public Administrations (MoF in this report)

(\*\*\*) Cabinet = Council of Ministers (CoM)

Normally between **June and August** technical teams in the MoF and in Spending Ministries have a series of meetings and multiple contacts to reach an agreement on the allocation of resources. The main budget negotiation fora or meetings in the budget preparation process are:

- (A) The **Spending Policy Commission**, chaired by the Minister of Finance with the assistance of the Secretary of State for Finance and Budget and with the participation of spending ministers or other top officials representing them. The role of this Commission is to reach agreement on an initial allocation of budgetary resources which is consistent with government priorities and aggregate fiscal policy. The Commission sets ceilings within which each spending department prepares its budget proposal.
- (B) The **Commissions for Program Analysis – CPA** (at least one per department, chaired by the Secretary of State for Finance and Budget), whose functions include: the analysis of the adequacy and validity of budget programs for consistency with the priorities defined at political level by the Spending Policy Commission, and assuring that resources are allocated within the budget ceilings for each department or program; and to review and take into consideration program results in the preceding year.

Originally the Commissions for Program Analysis were expected to function in a multilateral way. Meetings and negotiations were to rely on bilateral discussions between the MoF and representatives of spending ministries concerned with each program. The multilateral negotiations aimed to encouraging departments and spending units to compete among themselves for resources under a specific spending limit, in order to guaranteeing aggregate expenditure discipline. However traditional bilateral meetings persist. Furthermore a representative of the internal General Financial Control Office (Internal audit body placed at the MoF) did participate on these meetings providing special reports based on a new performance M&E of selected budget programs. These innovations proved to be more difficult to implement than expected (see below).

In **September** the MoF finishes the preliminary draft Budget and send it to the CoM for approval. Before the first of October, the CoM send the Draft Budget to the Parliament. During **October and November** Congress's committees debate and analysis the draft budget and present amendments for discussion and approval in the plenary. Currently, debates in the Parliament are dominated by the majority party in government. Normally, the debate at the Parliament does not pay attention to program performance. During **December**, the Senate may still proposed further amendments. The final approval is given by the Congress. If the Budget is not approved before the end of the year, the Government maintain its activity with monthly allotments equivalent to 1/12 of previous budget.

*The Budget is executed during the natural year (January to December). Its implementation and control process is a highly centralized by the MoF. These functions are firmly regulated with a traditional concern on monitoring spending execution from a financial point of view and checking formal compliance with procedures. The functions of spending process control and auditing are vested into the General Financial Comptroller (Intervención General de la Administración del Estado – IGAE) which is a powerful institution with plain responsibility and resources for dealing with Central Government financial management: ex-ante control of spending decisions, accounting, ex-post internal audit. The centralization of financial management functions in the IGAE has undesirable consequences on public managers' motivation and engagement towards reforms aiming at increasing efficiency and effectiveness in Central Government. However the IGAE has contributed to the development of PB with efforts on M&E of budget programs achievements (see below).*

After the budget execution is finished, the IGAE prepares the General State Accounts and send them to the Court of Audit for verification and reporting to the Parliament. Furthermore the TC also do financial management *audit* during the year. However, this audit activity is not aimed to contribute to program budget development.

## b. 2 Ongoing reform efforts towards program budgeting

At the beginning of the first decade of the new century, the Ministry of Finance prepared a new budget law, the General Budgetary Law (GBL) of 2003, in order to reinforce the initiatives related to program budget and the efficiency in financial management. The substance of the new LGP 2003 shows a keen interest in establishing an appropriate normative framework, making it possible to apply performance approaches into budgeting and to develop a management by results culture in public expenditure management (Sánchez-Revenge, 2005),

This law mandated the definition of objectives on regular basis. The aim of this initiative was to establish a systematic linkage between budget allocations and the objectives of Ministries and spending management units. The law mention the following initiatives:

(1) *Development of a system of spending management by objectives:*

Public managers are required to be effective in attaining their objectives, and focus on results during the programming and implementation of their initiatives. For each program, spending management units are required to specify a relevant set of objectives appropriate to their organization. These objectives must be included in their annual program budget document.

(2) *Development of information and performance monitoring systems:*

the management and control systems of public spending must be oriented towards results as well as financial compliance. Spending management units should prepare an annual report on the achievement of their objectives, which shall be included in their annual reports and in the multiyear programming.

(3) *Continuous evaluation of spending policies:* the Ministry of Finance, in collaboration with the various spending management units, leads and coordinates the evaluation of budget programs with the purpose of ensuring that spending policies achieve their strategic and socio-economic objectives.

The State Agencies initiative starting in 2007 by another Ministry (see section 2.4.a ) was coherent with this performance budget reform. From a budgetary perspective, the transformation of units of the central administration into agencies meant having greater flexibility since managers negotiate with their Ministry and with the MoF over their general funding levels and have full discretion to use the resources except in the area of personnel. Agencies may sell a relevant share of their services or encourage sponsors to assist fund their activities. They are subjected to performance control and audit of their achievements in the frame of their management contracts. This

initiative was expected to develop a deeper sense of responsibility among public managers for the resources they use and the results they achieve, and to facilitate a gradual development of a management by results culture of the organization.

However, Budget officials at the MoF, were not very keen to further development of the State Agencies. Initially they agree with the creation of Agencies but only for those areas where, by the nature of the services provided, there is a greater chance of improving the quality of management and of services for citizens. After the crisis, the MoF did not consider opportune to continue with the creation of agencies because of fearing losing control over their revenues and spending.

The MoF initiative to develop program budgeting has followed its own path, including the improvement of the budget document and process as explained in the following two points.

#### ➤ **Program Budget Document**

The Annual Budget of Central Government consist of multiple thick documents for Constitutional Institutions, ministries, associated agencies, State Owned Enterprises - SOE, and special bodies. These documents present all traditional classifications of spending (organic, economic and functional) and, since 1984, it also presents the program classification. The information provided for each budget program has a basic structure as indicated in the following box. A summary of a real program document is presented in the Annex.

## Ministry/DG responsible NUMBER & TITLE of the PROGRAM

### 1. General description of the Program

*Including information on:*

- References to the National Reform Plan if necessary
- Main legislation referring to the initiatives reflected in the program
- Principles, goals and main lines of interventions or areas of activities
- Other matters considered relevant

### 2. Description of Activities and responsible units

- Specific information on activities by line of intervention

### 3. Objectives, indicators and targets

OBJECTIVE/ACTIVITY
DOMAIN: _____
Nº and Title: _____

INDICATORS	2012		2013		2014
	Estimated	Completed	Estimated	Completed	Estimated
1. Inputs					
2. Outputs					
3. Results					

### 4. Summary of the organic and economic classification of spending, including information on investment projects.

### 5. Summary information on the staff working in the unit

(See a summary of a real budget program document in the annex)

The programs cover all the budget amount and activities. Within a Ministry each General Directorate and autonomous organization (similar to affiliated institution in Turkey) should present at least one program. Some times they present more than one. Every program corresponds to a single unit (General Directorate, or autonomous organization) as the one responsible for its implementation and results.

Interdepartamental interventions are not considered as programs in the budget. However the coordination of the ministries involved in these interventions is covered through the efforts done in the Interministerial Commissions.

The annual budget presents spending information for each program but grouped according to the traditional economic classification. In general there is not a cost accounting system, but some autonomous organization (similar to affiliated institutions in Turkey) and SOE (State Owned Enterprises) do have either cost accounting or systematic estimation of unit costs of the services they and products they deliver.

For each program, the financial and non-financial information presented in the budget refers to all the activities and expenditures in the next year. However, in general there is not a systematic and comprehensive approach to allocate indirect costs to the programs.

An internal study made by the MoF about program budget documents (Espadas 2005a, 2005b) identified the need for:

- correcting inconsistencies found for the budget programs studied and extending the effort to other programs;
- improving the link of program classification to the functional classification international standards

Regarding the functional classification of expenditures, the MoF prepare a guidelines for a better and clear link between programs and spending policies, and also to move forward with the alignment with functional international classifications. In particular, strong emphasis was placed on identifying the so-called "Areas of Activity" and their corresponding objectives and performance indicators (See a summary of a real budget program document in the annex). The Areas of Activity may be defined as a set of activities aimed at achieving one or more common objectives. These areas of activity make it possible to identify: the policy function and main internal component; the type of activities to be carried out; and the ends pursued by them. Once the Area of Activity is identified, it can be associated with the strategic and operational objectives. For instance, the program "To promote labour insertion and stability" has as one of the areas of activity the "Vocational training" with the strategic objective of developing working skills and enhancing business competitiveness. This strategic

goal is to be operationalized through two specific objectives: to promote access to a job through vocational training and b) to promote continued participation in labour market through updating professional qualification (MoF, 2005)

The strategic objectives must consider the context of the program and the interaction with other programs sharing the same aim, thereby taking into account the consistency of all the initiatives associated with it. The number of *strategic objectives* of a program should not be excessive. They are complemented by *operational objectives* and at least one of them must address the issues related to performance-based expenditure management: *efficiency and effectiveness*. In addition, they should refer to key aspects of the program, that is, to activities that consume a sizable amount of resources. Some *strategic objectives* refer to the program *globally*, while others refer to specific *Areas of Activity* of the program. The *operational objectives* constitute a further brake down of the *strategic objectives* at a lower level, thereby facilitating the linkages with the activities of the program concerned.

All these improvements in the budget process and document may be regarded as technical steps toward the consolidation of *performance budgeting*, but they are not sufficient for effective program budgeting. While the formal procedure and structure required for PB has been strengthened, there is still a long way to move beyond “incremental” budget and introduce efficiency and effectiveness criteria in spending decision making behaviour.

### ➤ Program Budget monitoring and evaluation

A budget program follow up system was initially designed and functioned since the 1990s. The Ministry of Finance issued general instructions for spending units to implement a budget program follow-up system in April 1989. The system focused on a sample of budgetary programs (see next box), annually selected for monitoring and evaluation by expert auditors of the General Financial Comptroller (IGAE), either working in the IGAE headquarters or permanently placed at spending Ministries.

### **Follow up of special Plans and Budget programs**

Every year the budget law includes a list of specific programs chosen for special follow up and financial control. This initiative includes not only Administrative services but also public enterprises. In the year 2002 the main programs are:

- *Prisons*
- *Courts of Justice*
- *Traffic Safety*
- *Social assistance to immigrants and refugees*
- *Water infrastructure*
- *Train Transportation infrastructure*
- *Road Transport infrastructure*
- *National plan for irrigation*
- *Plan for R+D*
- *Etc.*

Furthermore there is a special follow up of plans of some State Owned Enterprises:

- *Port Authorities*
- *Airports*

Source: Annual Budget Law 1989

This M&E exercise was done during the 1990s and the beginning of the 2000s. The M&E corresponded with the context of the program budget format. The auditors examined the extent to which program objectives have been achieved and the level of efficiency in the use of resources. Finally the IGAE sent the reports to the DG of the Budget to be used in the corresponding Commission for Program Analysis during the budget preparation.

The main aim for this effort of selective follow up and evaluation of budget programs by the IGAE was to provide information useful for reallocating resources. However this proved to be more difficult in practice than expected. Although integration between control/evaluation functions and the budgetary functions still need to improve.

Officials of the IGAE participated in meetings with the Directorate-General for the Budget during the formulation of the budget for several years but the audit reports were not considered useful by DG Budget officials. They did not provide relevant information for budgetary negotiations.

The General Financial Comptroller (IGAE- Intervención General de la Administración del Estado), found difficulties and limitations inherent in the program budget and in

financial management system for assessing efficiency and effectiveness of budget programs. This mainly involved:

- ambiguities in the objectives defined,
- low relevance of performance measures
- weak information systems at ministries,

Studies made at the MoF also identified the need for improving the program budgeting:

- improving program monitoring and information systems;
- identifying units dealing with program evaluation in spending departments; promoting greater involvement of managers; and
- conducting full quality appraisals (including options and management risks of programs, the adequacy of organizational structures, human resources, performance incentives, and information collection systems) (Espadas 2005a & 2005b; and MoF, 2006).

The MoF drafted a guidelines for spending management centres: covering the basic requirements that must be met during the preparation of budget program documents; providing adequate systems for the monitoring and evaluation of program achievements; and providing the information necessary for the adoption of performance-based decisions during the process of resource allocation (MoF, 2004 and 2005).

The General Financial Comptroller (IGAE) has made substantial efforts to use performance auditing and evaluation for the follow up of budgetary programs. The changes made in budget legislation since 2000 has strengthened the role of the IGAE as the main internal control and audit body within Central Government. This legislation highlights not only IGAE's traditional functions of accounting and financial audit, but also the performance auditing on public expenditure management. Clearly there has been a shift from an ex ante compliance controls and financial audits towards the so-called integrated auditing, including the follow up of budget programs through the performance monitoring of the achievements of objectives.

However, after the GFC, these improvements are in standby. The concerns of the MoF are focused on quite different problems, mainly: aggregate spending and fiscal discipline control.

### 3.4 Assessment of the program budget reform

#### ➤ *Functioning of the Commissions for Program Analysis (CPA):*

Although from an instrumental point of view the CPAs (Commissions for Program Analysis) have not been very successful, from other points of view they add value to the budget process. The symbolic and relational role played by the CPAs in the process of preparing the budget is important. The CPAs embody expenditure review and analysis. They significantly facilitate direct relationships among senior officials and shape expectations and standards of behavior or decision-making style facilitating progress towards reaching resource allocation agreements. The CPAs make it possible for technical specialists to obtain direct information on agreements or disagreements on resources for policy and service delivery levels.

The capacity of the CPAs to facilitate information sharing and useful debate on performance in the budget process remains in question. This is due to both technical and political factors. The major weaknesses in the functioning of the CPAs are (Zapico, 2005; MoF, 2005):

- *Shortcomings in the instructions received at the CPA (Commissions for Program Analysis) from the Spending Policy Commissions. These instructions refer to the spending limits and resources available for each ministry.*
- *Inadequate communication and collaboration between spending management departments and the Directorate-General of Budget.*
- *Insufficient use of the analytical capacities of the DGB and other actors in the budget process. Better preparation of the starting positions for negotiation in both parts (DGB and Spending ministries) would facilitate more efficiency in the debates at the CPA.*
- *Limited scope of the debate in the CPAs. Discussions are mainly focused on the projections of spending line items according to expected variations in inflation, or according to new legislation.*
- *There is a tendency to avoid conflict rather than deal with it in a transparent manner.*

Several other specific weaknesses at a more technical level. Sometimes there is a major imbalance between the information requested by the DGB and the information received from the spending management units. This information often arrives at the

very last minute. The capacity to process and analyze this information is limited. Most of the information is financial in nature, and the amount of relevant performance information remains very limited and neglected during the analysis. Analysis lacks sufficient depth, with most budget commitments being considered unavoidable (e.g. personnel) and the scope for discretionary decision-making for budget corrections being therefore perceived as very limited. While this might be right in the short term, it is not necessarily the case over a medium or long term horizon.

Spending management departments often don't have sufficient accurate information about the budget implications of departmental plans, reform programs, or legislative proposals, complicating oversight over the adaptation of annual plans to the medium-term budget scenarios.

There is not enough time for debate in the CPA (Commissions for Program Analysis) meetings. In general, discussions CPAs are incremental and, frequently, focused on the maximum percentage increases authorized for budget chapters. There is scarcely any systematic debate about spending policies or ministerial priorities and past or expected performance. There is also no debate on interdepartmental programs. Up to 2012 Medium Term Budget Scenarios (MTBS) seems to have been considered as a formal exercise complementary to the annual budget. Instead it should be the other way around. Annual budgeting should be an extension of the MTBS. "The efficient allocation of resources in the framework of budgetary scenarios (MTBS) prepared with transparency (better knowledge on sector programs and information on performance) and with the active participation of spending managers, would be much more effective and relevant than the current annual program budget negotiations focus on chapters or line items expenditures" (Zapico 2005).

### ➤ ***Quality assessment of the program budget documentation***

Internal studies of the DGB on the quality of the format and components of a sample of budget programs found the following weaknesses:

- Overly broad nature of many programs. The design of the program classification tends to be somewhat artificial. Normally it is a translation of the organic (organizational) classification of spending.
- Lack of a useful definition of needs or problems being addressed.
- Absence of a clear identification of the program target groups and their main characteristics.
- Ill-defined objectives. Use of excessively general definitions, insufficiently focus on problem solving, or not well supported with operational objectives and performance measures.

- Lack of, or inadequacy of, logical or conceptual framework of programs.
- Failure to adequately link main components of the programs: for example, objectives not always related to activities and resources;
- Performance indicators based on available data and statistics, rather than using goal driven data and information.
- Predominance of indicators based on resources, activities or immediate output. Almost no information on outcomes or external impacts on society.

Public programs presented in the budget document are not sufficiently well developed and specified as to allow proper performance follow up and evaluation. A key reason for the poor quality of budget programs in this respect was the lack of participation and ownership of managers. The incentive for public managers to actively participate in the budget reform has been a missing factor in the efforts made so far done to introduce PB in Spain.

## 4 KEY ISSUES, LESSONS LEARNT AND RECOMMENDATIONS FOR THE DEVELOPMENT OF PLANNING AND PROGRAM BUDGET REFORM

### 4.1 Lessons learnt on Planning

The main external forces for the reform of planning and budgeting in Spain (international financial markets pressures and the EU Commission fiscal and financial discipline measures) have lead the Spanish Government to focus on fiscal stability and financial sustainability planning. Today, in a situation of serious financial difficulties, projecting and setting a strict financial framework is previous to economic planning. Furthermore, in Spain and other EU countries, economic and administrative reform plans are highly influenced by fiscal targets. The EU imposed NRP (National Reform Plans) aim at different targets, but the essential final aim is to calm international financial markets.

The NRPs are not as comprehensive, detailed and centralized as the ambitious Spanish Development Plans and investment programs of the second half of 1900 century. The National Reform Plans are better focused on selected Government priorities (coherent to EU strategy) without getting lost into many details, more participative, and closer to reality. They present clear goals, indicators and targets. However there is still a problem of proper integration of the NRP into the budget.

#### Recommendation nº 1

##### ***Guaranteeing long term fiscal discipline through better alignment of the PNR and program budget***

- *Financial projections have to be compulsory for budgeting. But this obligation alone does not guaranty long term fiscal discipline. Better integration of NRP and program budgeting is essential. The estimation of financial consequences of NPR measures needs to be improved. The MoF needs to enhance the reflection of PNR measures in budget documents with better explanation of the causal logic between PNR targets and program initiatives.*

## 4.2 Lessons learnt on Program Budgeting

Several issues and factors are to be considered to overcome weak results of the program budget reform efforts, particularly for introducing a performance approach. One of them has been the lack of participation and ownership of sector managers. Furthermore: the lack of an actual strategic approach and criteria for the preparation of the budget; the insufficient development of proper arrangements for the effective analysis and negotiations on resource allocation; weak exchange of performance information and lack of right incentives for collaboration for effective program budgeting. The following recommendations correspond to these weaknesses.

### a) Recommendations related to enhancing the budget preparation and negotiations based on performance information

#### **Recommendation n° 1**

##### ***Reorienting MoF's efforts in the budget preparation towards consolidating a top-down and strategic role.***

- *Improve the predictability and credibility of budget multiyear scenarios (earlier communication to Spending Ministries, criteria for defining sector spending ceilings, strengthening its authority for enforcing spending limits).*
- *Guaranteeing the independence and transparency of AIRF – Independent Authority for Fiscal Responsibility (arrangements for monitoring and evaluating its functioning and reports)*
- *Approach budget negotiations in a selective manner; introduce a multiyear perspective in the debate; and take into account information sensitive to the institutional and political context. When preparing CPA (Commissions for Budget Program analysis) budget meetings, the DGB must reorient its efforts and resources toward the analysis of main strategic spending programs. Debates at the CAPs should focus on medium and long term program effects, their cost and returns.*

#### **Recommendation n° 2**

**Identifying resource allocation criteria in order to encourage the application of spending management by results:**

- One of the main focus of debates in the budget preparation should be on ensuring the consistency of budget programs with the National Reform Plans, when appropriate, with government priorities and with sector plans of spending ministries.
- Well-structured expenditure review methodologies and processes should provide evidence to back up budget negotiating positions and generate or release resources. Analytical efforts (e.g. cost-effective analysis, program evaluation, etc...) could be done with the collaboration with audit and evaluation government organizations). Improve performance evaluation/audit arrangements.

**Recommendation nº 3**

**Diversify the types of budget meetings of Commission for Program Analysis (CPA), and revision of their composition and size:**

- Four types of budget meetings are suggested: (a) preparatory meetings to share performance and financial information, among technical experts from the DGB (DG Budget), budget offices of Spending Ministries and representatives of the IGAE (General Financial Comptroller) in spending ministries; (b) main interface meeting between the DGB and Spending ministry high officials; (c) meetings to follow up compliance with agreements and solving controversies in a transparent manner; and (d) final meetings at top level, after which no changes would be accepted unless accompanied by offsetting proposals from the same Department. The composition and size of the CPAs should be adjusted depending on the different types of meetings in order to ensure flexible and efficient functioning.

**Recommendation nº 4**

### **Improvement of the information used in resource allocation decision-making:**

The DGB (DG Budget) should be more proactive in searching information during the preparation of new sector plans and programs in spending ministries. Officials of the DGB should be present and participate at early stages of sector policy planning getting information on the policy and on the potential budget impact of the main future initiatives. This would allow it to anticipate possible risks of excessive spending, and to ensure sound programming (i.e. relating resources to objectives and actions; choosing relevant indicators, etc., so that subsequent monitoring and evaluation are feasible.

### **Recommendation n°5**

#### ***Introducing incentives for coordination and collaboration between the DGB, Budget offices, and management units.***

*Potential incentives that could be used:*

- *Sharing the benefits derived from performance budgeting between the MoF and the spending management units, rewarding savings resulting from cutbacks or from efficiency gains, or granting flexibility to allocate a portion of the profits in accordance with predetermined criteria;*
- *Creating a Reserve Fund for performance management innovation and productivity, to be distributed on a competitive basis;*
- *Signing budget agreements specifying the information on resources, objectives, and activities which must be submitted to the MoF by spending management units that would increase commitment and allow monitoring of special budget programs.*
- *Using indicators of outcomes or impacts that require the cooperation of several services ;*
- *Focusing evaluation efforts for recognizing and promoting desirable management styles and decision patterns more than on the identification of spending misbehavior or noncompliance;*
- *Making the provision of funds contingent on meeting the information requirements of the MoF so as to penalize resistance or delays in the provision of data on the budgetary impact of plans, or poor quality information on budgetary programs.*

**b) Lessons learnt for Improving performance information presented in program budget documents:**

Although important efforts and advances have been made to technically improve the program budget structure, the format of the documents and their components, there is still a need to improve the quality of the substantial content and performance information included in the budget. A qualitatively different effort has to be done, namely the engagement of sector managers, to provide and include more relevant information on budget programs, the objectives, indicators and the intervention logic.

**Recommendation n° 1**

***Increase direct participation of sector managers in program budget***

*- Budget analysts should have a direct and deeper contact with public managers, beyond the normal practice of getting budget information through the Budget Offices of Sector Ministries. These contacts should take place not only during the budget preparation but also during the whole fiscal year (e.g. ex-ante, during the preparation of sector policies, and ex-post at the closing of the budget exercise). This is expected to have an important influence on the feeling of ownership of sector managers on their budget programs and the resources allocated to them.*

**c) Lessons learnt for improving monitoring, evaluation and performance audit**

Despite the long efforts done and multiple measures taken by the DGB (DG Budget) and the IGAE (General Financial Comptroller), performance monitoring, program evaluation and performance audit are still in phase of development. They still have a long way for improvement. Two of the main reasons behind the weak and late effects of these reforms are related to the excessive centralization of the spending management model and the lack of a collaborative approach to the reform. For instance, so far there has not been collaboration with other evaluation units, such as the National Agency for Evaluation (Agencia Estatal de Evaluacion – AEVAL) described above in section 2.4.b. It is clear that both the IGAE and AEVAL might mutually profit out of a joint approach to the evaluation of National Reform Plans and budget programs.

### **Recommendation n° 1**

***Empower and develop the capacity of spending Ministries for the monitoring and evaluation of their own budget programs.***

- *Each spending ministry, by means of its Budget Office and/or related units, should be the main actor in program budget monitoring, valuation. Since these units are responsible for estimating the budget needs of each Department, they should be also responsible for the M&E of the use of resources. Their capacity for analysis and evaluation should be enhanced (they should be properly staffed and not overloaded with minor bureaucratic functions. The MoF or the IGAE should use the reports they produce and review and assess their M&E systems instead of running them*

### **Recommendation n° 2**

***Undertake a collaborative approach to program budget M&E with government units with available M&E know-how and similar or complementary objectives.***

- *Implementing and running M&E requires an important amount of resources. The MoF (DGB and IGAE) may profit out of a solid collaboration with other government evaluation organizations, such as the National Agency for Evaluation (Agencia Estatal de Evaluation – AEVAL- described in section 2.4.b)*

## 5 CONCLUSION AND RECOMMENDATIONS FOR EFFECTIVE CHANGE WITH PB REFORM

The Ministry of Finance (MoF) in Spain has done long efforts for better planning and program budgeting during the last 4 decades. Successive reforms have focused on improving the budget document, the process of resource allocation and, to a lesser degree adapt performance M&E and auditing. These reforms began to yield some benefits since mid-1990s (Sánchez Revenga, 1989). The capacity to carry out program budget has been gradually being improved. It is now generally accepted that the new budget document offers improved classification of expenditure and more information on performance. The unresolved task is to use or apply performance information for evidence based planning and budget decision making.

Program budgeting in Spain still needs further improvements to be consolidated and effectively used. For example, performance evaluation and accountability for results is still in a phase of development; and better integration of the whole planning and budget cycle is needed for more efficient and effective public policy and services.

Although the Global Financial (and economic) Crisis has diverted the attention from the program budget and related reforms to fiscal discipline budget, in the future, additional efforts will have to be made to further develop program budgeting, performance monitoring, program evaluation to guarantee long term fiscal discipline. Yet, there are several issues and factors to be considered for a substantial qualitative improvement in the program budget reform itself for effective change.

Reflecting on past PB reform experience in Spain, the following points present important lessons and recommendations for improving the reform strategy:

### 1) Political support.

One of the main explanation for the limited success of program budgeting to date is the weakness or lack of continuity of political support. The legal framework for PB in Spain is solid and there have been declarations and initial commitment from several governments supporting the use of efficiency and effectiveness criteria in public expenditure management. However, the political support and interest have not been sustained over time.

## **Recommendation n° 1**

### ***Look for opportunities to gain political support.***

- *The new “CORA” Administration Reform has a clear political support. However, this reform needs to be better integrated with the PB reform. The opportunity for the MoF to gain political backing from CORA political leadership to support PB reform is there. Both reforms, PB and CORA, are mutually beneficial.*

## **2.- Reform assumptions and spending managers' values.**

The main components of planning and program budgeting have been formally introduced into the budget system. But this is not enough. Further attention has to be paid to cultural values and behaviour of budget main actors and public managers – i.e. programing, allocating and using resources in accordance with effective-efficient performance evidence.

The program budget reform model and its implementation strategy in Spain have been based on some questionable values and assumption:

- Relationships between MoF and spending ministries are just hierarchical;
- Full reliance on rules, norms and guidelines to apply the reform;
- General acceptance of reform objectives by all stakeholder.

Legal and hierarchical values are deeply rooted in Spanish Public Administration: new norms are proposed in the belief that success will be achieved once the “perfect” norm is established and strictly applied. Although formal procedures and accountability systems are important, they are not sufficient by themselves to ensure the successful development of program budgeting. Spending managers adapt their budget procedures and documents to the requirements set by the MoF, but they do not regard program budgeting as really valuable for their own management performance.

Budgeting and its reform cannot be assumed to be a neutral and technical exercise for economic and financial prediction. Defining concrete objectives, measuring performance, analyzing options and structuring the budget by programs may facilitate program budgeting, but do not guarantee change in spending behavior (i.e. using performance evidence information for the efficient allocation of resources).

Some of the main limitations mentioned in this report on Spain relate to the attempts of the MoF to impose the budget reform from the center on the basis of being a

technically ideal solution. A non-participatory approach to budget reform might result in either a merely formal compliance, or even the actual rejection of performance budgeting by spending managers. Conflicts and negotiations in the reform process should not be perceived as dysfunctions to be avoided, but as opportunities to improve. Uncertainty, conflict and interdependence are part of the reality of the budget process and its reform.

### **Recommendation n° 2**

#### ***Pay attention to reform assumptions and spending managers' values.***

- *Traditional values and assumptions (i.e. reform by hierarchy, law, and direct instructions) are not sufficient for effective change in budget decision making. Spending managers have to perceive program budgeting and its reform as really valuable for their own management performance vis a vis their Minister and society. The technical components of PB (objectives, performance measures, analysis of alternatives, programs classification, etc..) are necessary but do not guarantee change in spending behaviour (i.e. using performance evidence information for the efficient allocation of resources). An open and participatory approach of the MoF will help to align values of spending managers with the reform aims, beyond formal compliance with budget reform conditions*

### **3.- Coordination and cooperation among reformers**

These 2 attributes has not been sufficiently considered in the reform itself. The promoter of PB reform (MoF) does not have the sole responsibility or credit for the results of the reform. They depend on others to achieve effective change. There should be more emphasis on managing the interdependences of reform measures for effective change.

The MoF has to promote active collaboration among units involved in PB and related reforms. Program budgeting in Spain requires the harmonization of several simultaneous or sequential reforms initiatives in: the budget structure and classification (by DGB); accounting, performance monitoring and internal auditing (by the General Financial Comptroller - IGAE), program evaluation (State Agency of Evaluation – AEVAL), external audit (by the Court of Auditors - TC,...); personnel management (DG of the Civil Service); and, in general, internal reorganization and management capacity development in all spending Ministries.

Promoting coordination among reformers requires pressure on them from the appropriate top management level (thus political support) and apply proper incentives. For instance the MoF could apply to spending Ministries similar incentives to those applied to Regional Governments for their active support to the fiscal discipline strategy (e.g. rules with penalties aiming to preventing undisciplined spending

behaviour of Regional Governments ) or even apply positive incentives such creating special funds for rewarding PB quality improvements in a policy sector. If properly applied, monitoring and evaluation of the reform itself could also be used as an instrument for encouraging Spending managers collaboration.

### **Recommendation nº 3**

#### ***Promote active collaboration among units involved in PB and related reforms.***

- *The MoF may apply direct instructions and rules with penalties aiming to prevent wrong reform behaviour (no cooperative attitude of a reform unit within in the MoF) s of Regional Governments). However, for promoting cooperation of units of other ministries and of spending ministries in general it has to apply positive incentives such as creating special funds for rewarding PB quality improvements in a policy sector, organizing award contests, etc... Even, if properly applied, monitoring and evaluation of the reform itself could also be used as an instrument for encouraging Spending managers' collaboration. Ultimately, collaboration in the reform among ministries will require political support above ministerial level).*

### **4.- Building learning capacity for the PB reform development.**

Performance budgeting is regarded as universally valid model. It represents a perfect budgeting model which facilitates improvement in management performance and is perceived as the only possible solution—and the best one—for the whole public sector. However, the applicability of this model to different contexts or types of public organizations has to be questioned, explored and developed. This may explain the difficulties identified when implementing the PB model into a specific organizational context. The contingencies affecting its validity and feasibility need to be examined.

The efforts of the MoF have been based primarily on introducing new legislation and guidelines for implementing changes in budgeting, auditing and evaluation. The expectation being that once the rules are changed, the organizations concerned will be willing and able to apply them almost automatically. The follow up and evaluation of the reform itself have been until recently neglected. A continuous learning effort is required to assess the applicability and adaptation of the PB model to the different characteristics of each ministry. The CORA Administration reform is a good example of this developmental approach to the reform that could be applied to program budgeting initiative.

#### **Recommendation n° 4**

##### ***Apply an adaptive PB reform approach***

- *Question, explore and develop the applicability of PB to different contexts or types of public organizations during its application to a concrete ministry. Apply monitoring and evaluation to the reform itself. Consider the PB reform as a continuous learning effort to approach the model to the reality instead of vice versa.*

In short, further development of the PB reform in Spain depends on: sustained political support at government level; paying attention to PB reform assumptions and spending managers' values; promoting active collaboration among units involved in PB and related reforms; and apply an adaptive PB reform approach.

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## ANNEXES

### Annex 1. Sample of a program presented in the Central Government Budget for 2014

**MINISTRY OF LABOUR**

**PROGRAMA 241**

**PROMOTION OF THE INCLUSION AND EMPLOYMENT STABILITY**  
(Selective summary translation)

#### 1. DESCRIPTION OF THE PROGRAM

In the context of the Europe 2020 strategy, aiming at economic growth and employment, the National Programme of Reforms of the Kingdom of Spain (PNR) sets objectives for the achievement of social cohesion and sustainable development.

The Program to promote the inclusion and job stability has to become an effective instrument for the fulfilment of the objectives of the NRP, defined in axis:

- 1, "Promoting entrepreneurship and improving the adaptability of workers, enterprises and entrepreneurs", aimed at improving the skills of workers so that they can adapt to the changes and work more efficiently in order to increase the productivity of work and achieve a stable and quality employment
- 2, "Promoting employability, social inclusion and equality between men and women", which contributes to the improvement of the overall rate of employment, the increase in the female employment rate, reducing the rate of youth unemployment, and the decrease in the rate of work accidents.

.....

.....

This programme has two main types of active employment policies:

- Development and management of the employment.
- Vocational training for employment,

The common goal pursued is to increase employment, promoting the integration of unemployed people into the labour market and the permanence of workers in the market, especially of those more disadvantaged.

.....(Description and references to main legislation, objectives and instruments of active employment policies: e.g. Employment Law, National System of Employment, and the Spanish Strategy for Employment- 2020, Annual Plans, Agreements with the Regional Governments, etc... ).....

All measures and actions of active employment policies are grouped in 6 main lines:

1. Guidance
  - a) Professional orientation
2. Training
  - b) Training and increasing qualifications
  - d) Training opportunity
3. Opportunities of Employment
  - c) Opportunities of employment and promoting employment contracts
  - f) Opportunities for groups in special difficult circumstances
  - j) Integrated projects
4. Equal Opportunities of Access to employment
  - e) Promoting equal Opportunities of Access to employment
  - i) Promoting geographical and/or sectoral mobility )
5. Entrepreneurship
  - g) Self-employment and creation of businesses
  - h) Promotion territorial development of economic activity
6. Improving the technical and institutional aspects of the SNE

The design and development of the actions and measures integrated in the areas defined in the legislation correspond to the autonomous communities in the field of its competences. Also, the State Public Service of Employment will design and develop these actions and measures in its area of competence. Thus, the implementation of the actions and measures corresponds generally to the regional governments, which have assumed the transfer of management in the field of labour, employment and training. However, these must be directed towards the fulfilment of the objectives established in the Annual Plan of employment policy, to be adopted by agreement of the Council of Ministers.

.....  
.....

## **2. ACTIVITIES** (selected summary)

*(Presentation of all activities indicated in the Law and derivate regulations grouped by the 6 lines mentioned above)*

.....

.....

Flexibility and basic conditions for regional government to distribute the funds received among different activities. With the State funds distributed through the Sectoral Conference, the regional governments may perform the actions and measures covered in the State regulations, or else develop different actions and measures of active employment policies, adapted to their territory. In any case, actions and measures must aim to the fulfilment of the objectives established in the Annual Plan of Employment Policy and be integrated into the various areas of the Spanish Employment Strategy 2012-2014.

.....

.....

*(Examples of two of the 6 lines of activities mentioned)*

#### **Activity 2.5. Opportunities for groups with special difficulties**

This activity integrates actions and measures of employability of collectives that, either structurally or cyclically, present special difficulties for access and permanence in employment. For these purposes, the situation of women victims of gender violence, of persons with disabilities or in situations of social exclusion and the victims of terrorism will be especially considered. In relation to people with disabilities, their recruitment both in regular employment and employment protected through special employment centres will be encouraged. The hiring of persons in a situation of social exclusion will be promoted by special companies of insertion.

Main measures:

- The reduction of business contributions to the Social security of the companies who hire these groups, both temporarily and indefinitely, to promote the recruitment of unemployed people at risk of exclusion social, victims of gender violence or domestic.
- Various bonuses or incentives to promote the integration of persons with disabilities in the labour market.

#### **Activity 2.6. Self-employment and creating businesses**

This activity integrates actions and measures addressed to promote undertakings for self-employment and social economy.

Main measures:

- Provision of information and assistance for self-employment of unemployed who show interest and inclination for work on their own, providing information on the design of the business plan for the creation of a new company, as well as providing individual advice of business projects.

- Promotion of self-employment through aid to unemployed persons who start working as self-employed workers, cooperative members or partners in “labour societies”.
- Support to unemployed people who are integrated as partners in cooperatives or labour societies or workers who are self-employed and receive the benefits for unemployment in the form of lump sum, being able to apply it, in whole or in part, to subsidize the worker to social security.

### 3 PERFORMANCE INDICATORS (*selected summary*)

OBJECTIVE/ACTIVITY					
<b>DOMAIN: GROUPS WITH SPECIAL DIFFICULTIES</b>					
7. Employability of groups which present special difficulties for access and permanence in employment: women victims of gender violence, victims of domestic violence, people with disabilities or in situations of social exclusion					

INDICATORS	2012		2013		2014
	Estimated	Completed	Estimated	Completed	Estimated
<b>1. Inputs</b> - 01. Amount of grants provided for groups special difficulties for access & permanence in employment (in thousand euros)	210.737	220.887	234.544	234.544	234.544
<b>2. Results</b> - 01. N° of disable employed in Special Employment Centres or in normal employment	60.848	54.667	62.181	62.181	62.181

.....  
.....

OBJECTIVE/ACTIVITY					
<b>DOMAIN: ....SELF-EMPLOYMENT AND CREATION OF BUSINESS</b>					
8. Foster entrepreneurship through self-employment or social economics					

INDICATORS	2012		2013		2014
	Estimated	Completed	Estimated	Completed	Estimated
<b>1. inputs</b> 01. Amount of grants provided for becoming self-employed, create cooperatives & labour	51.001	51.376	51.001	51.001	601



societies (in thousand euros)					
2. Results					
01. N° of self-employed, cooperatives & partners that have received the grant	5.177	5.215	5.177	5.177	100

.....(This information is followed by a summary of the organic and economic classification of spending, including information on investment projects, and special information on the staff working in the Directorate General and their administrative level. There are other Budget Documents presenting full detail information on traditional spending classifications).


## Annex 2. Summary table of Recommendations for improving Spanish reforms

Related to Public Management Reform		
1	<b>Need for prioritizing and sequencing the Administration reform</b>	<i>The reforms is comprehensive but miss having a clear set of priorities and sequencing for implementation. Prioritization is important to make the best use of political support and financial and human resources and to concentrate them on those change initiatives that are strategic for the rest of reforms. Some reforms represent more structural changes in the way public administrations conduct their day-to-day activities and provide mechanisms for continuous improvement. For example, the Law for Transparency, Access to Public Information and Good Governance; the Law on the Civil Service Basic Statute; and the implementation of a system to measure productivity and efficiency; the normative review, should have priority over more limited ones and will require significant political back up</i>
2	<b>Maintain the participatory effort during the implementation of the reform</b>	<i>Despite the participatory efforts done so far to consult on CORA proposals, the dialogue and consensus-building is still perceived as insufficient by specific stakeholders. There is still a need to prolong the dialogue and consensus-building with stakeholders of reform. Participation must continue through the implementation process and evaluation of the reform. This will be essential for defining reform priorities and communicating first successes. One of the main challenges for the CORA reforms is to achieve the collaboration of regional governments.</i>
3	<b>Integrate reform efforts from different ministries and institutions</b>	<i>A whole-of-government approach to reform requires upgraded co-ordination and communication among between the Office for the execution of the Administrative reform (OPERA) and other influential units the Ministry of Presidency, the MoF, the Financial Comptroller (IGAE), the State Evaluation Agency (AEVAL) and the Civil Service General Directorate). Ideally they should be mandated to work on an ongoing basis for "joining up" performance-assessment tools from across the government as a means of defining and implementing a comprehensive, integrated whole-of-government framework that links spending, civil service performance and policy results together within short-, medium- and long-term planning horizons.</i>
4	<b>Consolidate the structure and channels for inter-governmental communication</b>	<i>Since the CCAAs are one of the main stakeholders of reform and key actors for ensuring an effective implementation (for example, in the cases of the Law for Market Unity or to embed transparency as a basic principle of the public administrations), multi-level dialogue should be continuously pursued and strengthened. Several sectorial conferences are not performing at their full potential. They need to become bodies for real exchange between levels of government on topics that are perceived as important. A minimum meeting frequency, a more formal agenda-setting mechanism and a permanent secretariat could also revamp their role. Ideally, they would serve as the platform to agree a common agenda to advance productivity and growth,</i>
5	<b>Guarantee regular and effective feedback to make adjustments and correct mistakes</b>	<i>Effective institutions are required to guide and monitor implementation. Many of the reforms proposed in the CORA require institutional adjustments to be effective. Since reform is an ongoing and dynamic process, obtaining regular feedback to make adjustments and correct mistakes is essential for its long-term success. Feedback from key stakeholders should be regular and relevant. This requires that institutions such as the Executive Office for the Administrative reform (OPERA), the State Evaluation Agency (AEVAL), the General Financial Comptroller (IGAE), the Court of Auditors and others centers related with the reform should be strengthened for this purpose by adjusting their operational methods, increasing their capacities and allowing flexibility</i>

		<i>to adapt to the institutional adjustments required by the CORA.</i>
<b>Related to Planning</b>		
1	<b>Guaranteeing long term fiscal discipline through better alignment of the PNR and program budget</b>	<i>Financial projections have to be compulsory for budgeting. But this obligation alone does not guaranty long term fiscal discipline. Better integration of NRP and program budgeting is essential. The estimation of financial consequences of NPR measures needs to be improved. The MoF needs to enhance the reflection of PNR measures in budget documents through better explanation of the causal logic between PNR targets and program initiatives.</i>
<b>Related to Program Budgeting</b>		
<b>➤ For better budget preparation and negotiations based on performance information</b>		
1	<b>Reorienting MoF's efforts in the budget preparation towards consolidating a top-down and strategic role.</b>	<ul style="list-style-type: none"> <li>– Improve the predictability and credibility of budget multiyear scenarios (earlier communication to Spending Ministries, criteria for defining sector spending ceilings, strengthening its authority for enforcing spending limits).</li> <li>– Guaranteeing the independence and transparency of AIRF – Independent Authority for Fiscal Responsibility (arrangements for monitoring and evaluating its functioning and reports)</li> <li>– Approach budget negotiations in a selective manner; introduce a multiyear perspective in the debate; and take into account information sensitive to the institutional and political context. When preparing CPA (Commissions for Budget Program Analysis) budget meetings, the DGB must reorient its efforts &amp; resources toward the analysis of main strategic spending programs. Debates at CAPs should focus on medium and long term program effects, their cost and returns.</li> </ul>
2	<b>Identifying resource allocation criteria to encourage the application of spending management by results</b>	<ul style="list-style-type: none"> <li>– One of the main focus of debates in the budget preparation should be on ensuring the consistency of budget programs with the National Reform Plans, when appropriate, with government priorities and with sector plans of spending ministries.</li> <li>– Well-structured expenditure review methodologies and processes should provide evidence to back up budget negotiating positions and generate or release resources. Analytical efforts (e.g. cost-effective analysis, program evaluation, etc...) could be done with the collaboration with audit and evaluation government organizations). Improve performance evaluation/audit arrangements.</li> </ul>
3	<b>Diversify the types of budget meetings of Commission for Program Analysis (CPA), and revision of their composition &amp; size</b>	Four types of budget meetings can be suggested: (a) preparatory meetings to share performance and financial information, among technical experts from the DGB (DG Budget), budget offices of Spending Ministries and representatives of the IGAE (General Financial Comptroller) in spending ministries; (b) main interface meeting between the DGB and Spending ministry high officials; (c) meetings to follow up compliance with agreements and solving controversies in a transparent manner; and (d) final meetings at top level, after which no changes would be accepted unless accompanied by offsetting proposals from the same Department. The composition and size of the CPAs should be adjusted depending on the different types of meetings in order to ensure flexible and efficient functioning.
4	<b>Improvement of the information</b>	The DGB (DG Budget) should be more proactive in searching information during the preparation of new sector plans and programs in spending

	<b><i>used in resource allocation decision-making</i></b>	ministries. Officials of the DGB should be present and participate at early stages of sector policy planning getting information on the policy and on the potential budget impact of the main future initiatives. This would allow it to anticipate possible risks of excessive spending, & to ensure sound programming (i.e. relating resources to objectives & actions; choosing relevant indicators, etc., so that subsequent M&E efforts are feasible.
5	<b><i>Introducing incentives for coordination &amp; collaboration between the DGB, Budget offices, and management units.</i></b>	<p><i>Potential incentives:</i></p> <ul style="list-style-type: none"> <li>– Sharing benefits derived from performance budgeting between the MoF and the spending management units, rewarding savings resulting from cutbacks or from efficiency gains, or granting flexibility to allocate a portion of the profits in accordance with predetermined criteria;</li> <li>– Creating a Reserve Fund for performance management innovation and productivity, to be distributed on a competitive basis;</li> <li>– Signing budget agreements specifying the information on resources, objectives, and activities which must be submitted to the MoF by spending management units that would increase commitment and allow monitoring of special budget programs.</li> <li>– Using indicators of outcomes that require the cooperation of several services ;</li> <li>– Focusing evaluation efforts for recognizing and promoting desirable management styles and decision patterns more than on the identification of spending misbehavior or noncompliance;</li> <li>– Making the provision of funds contingent on meeting the information requirements of the MoF so as to penalize resistance or delays in the provision of data on the budgetary impact of plans, or poor quality information on budgetary programs.</li> </ul>
<b>➤ For improving performance information presented in PB documents:</b>		
1	<b><i>Increase direct participation of sector managers in program budget</i></b>	<i>Budget analysts should have a direct and deeper contact with public managers, beyond the normal practice of getting budget information through the Budget Offices of Sector Ministries. These contacts should take place not only during the budget preparation but also during the whole fiscal year (e.g. ex-ante, during the preparation of sector policies, and ex-post at the closing of the budget exercise). This is expected to have an important influence on the feeling of ownership of sector managers on their budget programs and the resources allocated to them.</i>
<b>➤ Lessons learnt for improving monitoring, evaluation and performance audit</b>		
1	<b><i>Empower &amp; develop capacity of spending Mtries for M&amp;E of their own budget programs</i></b>	<i>Each spending ministry, by means of its Budget Office and/or related units, should be the main actor in program budget monitoring, valuation. Since these units are responsible for estimating the budget needs of each Department, they should be also responsible for the M&amp;E of the use of resources. Their capacity for analysis and evaluation should be enhanced (they should be properly staffed and not overloaded with minor bureaucratic functions. The MoF or the IGAE should use the reports they produce and review and assess their M&amp;E systems instead of running them</i>
2	<b><i>Undertake a collaborative approach to program budget M&amp;E with other units with capacity for evaluation</i></b>	<i>Implementing and running M&amp;E requires an important amount of resources. The MoF (DGB and IGAE) may profit out of a solid collaboration with other government evaluation organizations, such as the National Agency for Evaluation (Agencia Estatal de Evaluation – AEVAL- described in section 2.4.b)</i>

Related to improving the PB reform strategy		
1	<b>Look for opportunities to gain political support.</b>	<i>The new "CORA" Administration Reform has a serious political support. However, this reform needs to be better integrated with the PB reform. The opportunity for the MoF to gain political backing from CORA political available support for PB reform is there. Both reforms (PB &amp; CORA) are mutually beneficial.</i>
2	<b>Pay attention to reform assumptions and spending managers' values.</b>	<i>Traditional values and assumptions (i.e. reform by hierarchy, law, and direct instructions) are not sufficient for effective change in budget decision making. Spending managers have to perceive program budgeting and its reform as really valuable for their own management performance vis a vis their Minister and society. The technical components of PB (objectives, performance measures, analysis of alternatives, programs classification, etc..) are necessary but do not guarantee change in spending behaviour (i.e. using performance evidence information for the efficient allocation of resources). An open and participatory approach of the MoF will help to align values of spending managers with the reform aims, beyond formal compliance with budget reform conditions</i>
3	<b>Promote active collaboration among units involved in PB and related reforms.</b>	<i>The MoF may apply direct instructions and rules with penalties aiming to prevent wrong reform behaviour (no cooperative attitude of a reform unit within in the MoF) s of Regional Governments). However, for promoting cooperation of units of other ministries and of spending ministries in general it has to apply positive incentives such as creating special funds for rewarding PB quality improvements in a policy sector, organizing award contests, etc... Even, if properly applied, monitoring and evaluation of the reform itself could also be used as an instrument for encouraging Spending managers collaboration. Ultimately, collaboration in the reform among ministries will require political support above ministerial level).</i>
4	<b>Apply an adaptive PB reform approach</b>	<i>Question, explore and develop the applicability of PB to different contexts or types of public organizations during its application to a concrete ministry. Apply monitoring and evaluation to the reform itself. Consider the PB reform as a continuous learning effort to approach the model to the reality instead of vice versa.</i>

The top of the page features a horizontal banner. The left portion of the banner shows the European Union flag, with its characteristic blue field and twelve yellow stars arranged in a circle. The right portion of the banner shows a white outline map of the European Union member states against a blue background. Below this banner is a solid yellow horizontal bar.

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