

Presentation of Phase III of the Spending Review 2018-2021

AIReF CALLS FOR CHANGES IN ITS ORGANIC LAW TO CONSOLIDATE EVALUATION

- The President of AIReF, Cristina Herrero, calls for the Organic Law to be amended to convert evaluation into a permanent function of the institution, ensure stable financing, sufficient human resources and greater initiative from AIReF in selecting the policies to be evaluated
- She stresses the need to improve the commission process to better plan evaluations, with more consultation of the institution on the issues to be evaluated, the establishment of more realistic commission timelines and *ex ante* approval by AIReF of any evaluation commissioned under a law
- She calls for a real commitment from all General Government sub-sectors to evaluation by means of more development and the extension of the principle of “comply or explain” to proposed evaluations by AIReF
- These changes are necessary to tackle the increase in AIReF’s evaluation function, which receives increasingly more commissions from Autonomous Regions, compared with the reduction in the scope of policies evaluated in the Spending Review of the Central Government, while also taking on other commissions and evaluations contained in laws, such as the Minimum Income Scheme (MIS), employment plans and sustainable mobility
- AIReF closes off the cycle of the first Spending Review 2018-2021 with the presentation of the results of the studies that form part of the third phase: municipal waste management and financial instruments
- She observes that Spain has fallen behind other peer countries in waste management policy and proposes to develop measures designed to improve the quality of information, the establishment of such instruments as Pay as you throw (PAYT), door-to-door (D2D) collection and Deposit Refund Schemes (DRS)
- She proposes that the General Government sector should reinforce oversight and supervision mechanisms of extended collective responsibility systems (ERP) of producers and promote the powers of private agents that operate in the market
- As regards the study of financial instruments, she makes proposals to improve the coordination and planning of financial instruments, such as the creation of a working group that promotes complementarity, aggregate strategic planning of the system as a whole, a common information repository and a portal that centralises the whole offer of instruments

- **As regards the instruments to promote internationalisation, she detects a lack of clear and measurable performance targets and control mechanisms, which are sometimes badly designed, to limit the volume of operations.**

The President of the Independent Authority for Fiscal Responsibility (AIReF), Cristina Herrero, today called for a reform of the Organic Law of AIReF to boost structural changes that consolidate its evaluation activity, which has not stopped increasing in recent years. Although evaluation is one of the institution's main activities, it does not enjoy the same legal status as its fiscal supervision, and the time has come to push through structural changes that allow the institution to perform this function with the necessary economic and human resources and providing AIReF with a greater role in decision-making.

At a press briefing to present two studies under phase three of the Spending Review 2018-2021, the President took the opportunity to take stock of AIReF's evaluation activity, which has gained force over the years. The first Spending Review stems from the commitment taken on with the European Commission and is materialised in the three phases that have been developed over the years, resulting in the analysis of such major policies as health, education, infrastructure, employment and tax benefits, among others. These analyses have also affected all General Government sub-sectors (ministerial departments, Autonomous Regions and Local Governments) along with various agents (Correos, Adif and Renfe, the Spanish Securities Market Commission, the National Institute for Health Management and the Spanish Medicines Agency). Today's presentation of the results of the studies on financial instruments and municipal waste under phase three closes off the cycle of this first Spending Review 2018-2021, in which a total of €108bn of public expenditure has been analysed

In addition, the Government has already commissioned the following cycle on the revision of multiyear spending – the Spending Review 2022-2026 – and its first phase, in which public sector financial instruments to support productive sectors and spending derived from assistance for administrative mutual insurance will be analysed. Furthermore, as regards Component 29 of the Recovery, Transformation and Resilience Plan (RTRP), the Government undertook to provide continuity and permanence to these spending review exercises, which led to the creation of a Public Expenditure Evaluation Division at AIReF in August 2021.

This Division is responsible for implementing these projects and other studies commissioned by the different General Government sub-sectors. In fact, AIReF is receiving an increasing number of commissions from the Autonomous Regions, which have shown a growing interest in analysing such major policies as health, education and employment policies as opposed to the reduction in the scope of the evaluation policies under the Spending Review. All these commissions are in addition to those from the Central State Administration but which do not form part of the Spending Review, like the recently-published FONPRODE Study, along with the evaluations contained in legislation, as occurred with the Minimum Income Scheme (MIS), employment plans, the Start-Ups Act and sustainable mobility.

Reform of the Organic Law

The Evaluation División was set up by means of the amendment of the Organic Statute of AIReF but, according to Cristina Herrero, the increase in activity it performs requires a more structural change that must be implemented by means of an amendment to the Organic Law of AIReF. By undertaking this change, it seeks to provide the Division with

the necessary economic and human resources to perform its functions. Furthermore, the change must enable AIReF to take on a greater role in decision-making on evaluation.

Specifically, the President feels that the reform of the Law is necessary to ensure stable and sufficient financing of its evaluation activities by means of a fee, as occurs for its supervisory function, and which guarantees that the institution has sufficient human resources, providing it with the capacity to contract multidisciplinary staff profiles that are not public servants or are transferred from other public authorities. Cristina Herrero also feels that greater initiative from AIReF should be included in the selection of policies to be evaluated along with the promotion of the power of coordination bodies to undertake commissions (Fiscal and Financial Policy Council and the National Commission of Local Administrations).

Furthermore, Cristina Herrero considers it necessary to improve the process to commission AIReF to better plan evaluations, with greater consultation and a larger role of the institution in decision-making on the matters to be evaluated; realistic delivery timelines in line with the information available and the *ex ante* approval by AIReF of any evaluation commissioned by means of a law. Lastly, she views a real commitment by all the General Government sub-sectors to evaluation to be essential as key, along with the extension of the principle of “comply or explain” to the proposed evaluations by AIReF.

By means of these proposals, AIReF seeks to resolve the weaknesses detected during evaluations in recent years, including the formulation of public policies without any intention of their evaluation, the lack of specific targets, the deficient quality of information for its treatment and evaluation, the difficulties in the data collection and treatment process, the time problems of evaluations, the limitations of specialised training of public servants, the scant consideration of proposals by AIReF on the issues to be evaluated and the tendency to reduce the scope of the evaluations. In her opinion, although significant progress has been made, there is still a long way to go in consolidating evaluation activity in Spain.

Waste management

The study on municipal waste management analyses a set of instruments to achieve the targets established by the European Union on waste management. Waste management is a policy with significant implications for the environment, the economy and public spending. In 2021, waste accounted for 31% of methane emissions in Spain, employed 90,000 people and local authorities increased their public spending to almost €4bn. AIReF observes that Spain has not complied with the European targets on preparation for reuse and recycling set for 2020 and is far from attaining the targets set for 2025, and accordingly received an early warning from the European Commission in 2023. Specifically, the percentage of waste prepared for recovery or recycling amounted to 40.5% in 2020 (compared with the target of 50%) and the latest data from 2021 (36.7%) thus anticipates difficulties in complying with the target of 55% by 2025. According to AIReF, this unfavourable position requires a structural change that allows progress to be made towards compliance.

In terms of evaluation, AIReF detects a significant lack of information. In its opinion, the efficacy of its monitoring and oversight instruments is limited by the scant information available which, on occasions, is also of poor quality. In addition, these problems are exacerbated at a municipal level, since many local authorities are unaware of the municipal waste generated in their territory. The study includes proposals on how these information systems should be created, along with the scope of their contents.

AIReF's evaluation underlines some instruments where it would be advisable to make progress to facilitate the attainment of the targets. For example, it observes that the Pay as you throw (PAYT) scheme has proven to be a useful instrument for improving attainment of the targets. In addition, the effects of PAYT increases when accompanied by benefits that incentivise positive conduct. As regards technical collection instruments, AIReF's evaluation observes that the door-to-door system in municipalities in Catalonia has reduced per capita waste generation, a figure that was maintained after four years and generated changes in conduct by agents, with an increase of up to 30 points in the levels of separated collection.

The study also analyses Extended Producer Responsibility (EPR), an instrument that transfers the waste management cost to the producer and which is managed in Spain by Producer Responsibility Organisations (PROs). The evidence obtained clearly shows the need for public authorities to reinforce control and supervision mechanisms over these PROs, with a view to increasing information of compliance with their activity. As part of EPR, Deposit Refund Schemes (DRS) are one of the most effective waste management systems and the study undertaken by AIReF shows the positive assessment by the public of the potential of these systems.

Financial instruments

For its part, the study on public sector financial instruments to support productive sectors of the Spanish economy analyses those instruments that comply with two functions: to serve as countercyclical instruments at times of credit restrictions and to resolve market failures of a structural nature related, in general, to problems of information asymmetry. This is a model of multiple windows whereby several agencies offer different instruments.

This model, which offers the benefits of specialisation, suffers from a lack of coordination; hence, AIReF makes various proposals to improve this, such as the creation of a working group that promotes complementarity between different instruments, the preparation of aggregate strategic planning for the overall system, along with the creation of a common information repository. AIReF also indicates that the current model undermines the dissemination and communication of the official set of support instruments, and thus proposes enhancing the visibility of the system with the creation of an information portal on the set of instruments on offer that facilitates their identification in a similar way to other countries.

At a sector level, it detects problems of the overlap of instruments designed to enhance industrial innovation between those of SGIPYME (connected industry 4.0 and IDI) and CDTI and ICO instruments. It also calls for greater coordination between ENISA, CDTI and ICO-AXIS instruments in the field of innovation and digitalisation. In the tourism sector, it calls for these instruments to resume after a period of inactivity since 2012, the revision of the functioning of FOMIT/FOCIT, establishing a permanent call for proposal procedures for the funds available and the creation of adequate coordination mechanisms with the ARs that avoid conflicts of competency.

As regards internationalisation, AIReF observes underrepresentation among smaller beneficiary companies and companies with export experience. In addition, it calls for clear and measurable performance targets to be set in terms of the number of operations, the volume of financing, the levels of risk, sectors and type of companies that manage the instruments. In addition, it proposes making the capacity of management agents more flexible in decision-making, while maintaining their specialisation, eliminating the

PRESS RELEASE
04/10/2023

requirement for operations to be approved by CDGAE or the Council of Ministers for instruments managed by CESCE and FIEM, allowing operations to be approved at a lower decision-making level based on criteria to be set annually by CDGAE.

In the case of ICO, the banking intermediation system has proven to be efficient as it allows a significant volume of resources to be mobilised by employing the capillarity of the network of financial institutions. In contrast, this model involves a limitation on the use of public funds, which may not be effective at adverse times of the cycle or when the intention is to promote certain lines, since the ultimate decision lies with the granting of financing by financial institutions. Lastly, over the course of the evaluation, a widespread deficit has been identified in the evaluation practice with a lack of *ex ante* evaluations that enable market failures to be identified and the suitability of the instruments created, a lack of definition of indicators that facilitate continuous monitoring of the results by management centres, along with *ex post* evaluations by independent external agents.