

*“Seminar on Evaluating Innovative Approaches to Public Service
Deliver”*

Organisation for Co-operation and Development (OECD)

Madrid (Spain), 30-31 October 2007



“Evaluation and Budgeting: The case of Spain”

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Evaluation and Budgeting: The case of Spain

- ❑ Evaluation and Budgeting: The legal framework
- ❑ The Funding System for Public Infrastructure
- ❑ The legal framework for PPP's in Spain
- ❑ The budgetary risks of PPP's
- ❑ The channels between Evaluation and Budgeting

Evaluation and Budgeting: The legal framework

□ Budgeting

- The Spending Units formulate their budget by Programs including objectives and the needed resources
- The management and internal control systems are focussed to reach these objectives and following the results
- The budgetary assignments are made taking into account the results of the programs from previous years

□ Programs Evaluation

- The Spending Units present to the Ministry of Finance a review of the ongoing programs under its responsibility
- In parallel, the Internal Control Unit (IGAE) performs a review of a significative sample of the ongoing programs at the Central Public Sector (SPE) looking at the principles of effectiveness, efficiency and economy; Additionally, the IGAE conducts audits of government contracts.
- The National Agency for Evaluation of Public performs an assessment on the impact of public policies over the citizens.

The Funding System for Public Infrastructures

- ❑ **Public Investments with direct payments**
 - Financed by the Estate and Autonomous Institutions
 - Paid directly through their investment budgets
- ❑ **Public Investment with deferred payments (PPP's)**
 - The “**German Method**”: There is only one payment at the end of the contract after the verification of receipt of the asset. 1997-2002 Budget: Mill. € 3.270
 - The “**Shadow toll**”: (1º Generation of motorways)
 - ✓ The payments are made by the government
 - ✓ It could include some forms of user charges
 - ✓ Two stages 20 years project Mill. € 5.192 (repairing and maintenance)
- ❑ **Private Investments of Public Infrastructure (PPP's)**
 - Private financing by consumers
 - The **concession** of public works: Motorways: Two stage project:
 - ✓ In progress: Mill. € 1.543
 - ✓ In project: Mill. € 4.036
 - **Public works** made by Entrepreneurial Public Sector: Airports, Railways and Harbours—AENA, ADIF, y Puertos (2008 Investment Budget: Mill. € 7.786)

The legal framework for the PPP's: The Public Sector Contract Law (PSCL)

□ Main features

- Contractual **flexibility**
 - The public partner could assume some contract risks
 - Introducing the “variable pricing system” relating with the rate of return of the project
 - The private partner could assume the direction of the project
- Contractual **Rigor**
 - Guaranteeing the principles of transparency, non-discrimination and equality of treatment
 - Applying this framework only for complex projects with private funding
 - Using the general contracting framework for interpretation and modification of the contracts
 - Introducing the “Competitive dialogue” procedure for awarding complex projects

□ The Committee for the “Competitive dialogue”

- Analysing the complexity of the project (a priori evaluation report)
- Identifying solutions capable of meeting the complex needs of the project
- The candidates are invited to submit their tender on the bases of the solution identified during the dialogue.

The budgetary risks of PPP

□ Risks from future commitments included in this contracts

- The payments of the fees during the whole live of the contract
- Economic effects of the availability and demand risks
 - Economic consequences of the lack of provision of the services for no availability of the asset
 - Economic consequences of the variation of the ongoing need for services (the government's guarantees established in the contract)

□ How affect the PPP's economic transactions to the EU budgetary balance rule?

- Payments under operating contracts to private sector partners for services provided to the government are recorded in the government accounts as an expense.
- The private investments of the project are recorded in the accounts of the private partner if assume the following two risks:
 - The construction risk,
 - and the availability risk or the demand risk

The channels between evaluation and budgeting

□ The connection channels

- The Committees for programs analysis
 - Compound by Control Units, Spending Units, and the Budget Department
 - Discussing investment projects for social infrastructures
- The reports from the Control and the Spending Units
 - Reports from the Control Units on the formulation and performance of these contracts
 - Reports from Spending Units on these contracts

□ Looking to the future: The challenges

- Giving Impulse to the study and knowledge, for budgeting purposes, of future risks coming from contingent liabilities derived from this type of contracts
- Strengthening the interchange of information among Spending Units, Control Units and the Budget Department, on the formulation and execution of these contracts.