OECD Public Governance Reviews

SPAIN

FROM ADMINISTRATIVE REFORM TO CONTINUOUS IMPROVEMENT



OECD

OECD Public Governance Reviews

Spain: From Administrative Reform to Continuous Improvement



BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2014), *Spain: From Administrative Reform to Continuous Improvement*, OECD Public Governance Reviews, OECD Publishing.
http://dx.doi.org/10.1787/9789264210592-en

ISBN 978-92-64-21054-7 (print)
ISBN 978-92-64-21059-2 (PDF)

Series: OECD Public Governance Reviews
ISSN 2219-0406 (print)
ISSN 2219-0414 (online)

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm*.

© OECD 2014

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to *rights@oecd.org*. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at *info@copyright.com* or the Centre français d'exploitation du droit de copie (CFC) at *contact@cfcopies.com*.

Foreword

Reform of the public administration is very high on the Spanish policy agenda. To achieve the government's goals, the Commission for the Reform of the Public Administration (CORA) was established to improve the efficiency of the public administrations, enhance the quality of services provided to citizens and business, and make the public administrations more accountable and transparent.

Rather than focusing on cutting expenditure or downsizing the public sector in an environment of severe budgetary duress, the CORA reform aims to increase the quality of public institutions in the long term. It is being implemented in parallel with a number of complementary measures in the areas of public finance, multi-level regulatory policies, local governance, transparency and access to information, as well as the Package of Democratic Regeneration to fight corruption.

This *OECD Public Governance Review of Spain* was produced at the request of the Spanish authorities. It provides recommendations to fine-tune and implement the reforms in light of international best practices and OECD standards, and provides insights for other countries seeking to improve public governance and institutions.

The key message of this Review is the need to keep the strategic link and synergies among the different reforms. To do so, an *ad hoc* implementation unit has been placed under the direct leadership of the Vice President of the Government and reporting to the Council of Ministers, together with strong inter-ministerial collaboration. This, indeed, goes in the direction of reinforcing the so-called Centre of Government, and strengthening co-ordination mechanisms and leadership.

A set of reforms of this magnitude requires inclusive approaches to mobilise all relevant stakeholders, including citizens and the subnational levels of government. Spain is very advanced in e-government tools and can go further in the direction of involving citizens through participatory approaches. A fundamental aspect of the CORA reform relates to the functioning of the *Estado Autonómico*, focusing on a number of measures to improve its performance, such as the revitalisation of the sectoral conferences and the elimination of some unnecessary duplication. In this respect, this Review notes a convergence of views and strategies among the different levels of administration to respond to the demands of the citizens and the requirements of the economy.

The *OECD Public Governance Review of Spain* is an important contribution to the global debate on how to build public institutions that are effective, efficient and accountable, and can foster economic performance and competitiveness. The OECD welcomes Spain's efforts to reform its public administration and is confident that its full implementation will deliver better lives for all Spaniards.



Angel Gurría

Acknowledgements

This Review was prepared by the Public Governance and Territorial Development (GOV) Directorate of the OECD headed by Rolf Alter. It is part of the series of Public Governance Reviews developed by the Governance Reviews and Partnerships Division under the responsibility of Martin Forst. The mission of the GOV Directorate is to help governments at all levels design and implement strategic, evidence-based and innovative policies to strengthen public governance, respond effectively to diverse and disruptive economic, social and environmental challenges and deliver on government's commitments to citizens. The review process was launched on 15 July 2013 in Madrid by the Vice-President of the Government of Spain, Soraya Sáenz de Santamaría and the SecretaryGeneral of the OECD, Ángel Gurría. Both presented the conclusions of the review together with Cristóbal Montoro, Minister of Finance and Public Administrations in Madrid on 1 April 2014. The review was discussed and approved at the 49th session of the OECD's Public Governance Committee on 1-2 April 2014.

This *Public Governance Review of Spain* has been elaborated under the strategic direction of Mario Marcel, who drafted the chapter on public finance and oriented the policy recommendations of the entire report. The process of review and drafting was led by Carlos Conde, who provided extensive comments to all chapters, harmonised the narrative, and coordinated the data collection and fact-finding missions. Jacobo Pastor García Villarreal provided strategic support and advice to the drafting, editing and harmonisation process of all chapters and compiled the recommendations. Silvia Losada supported the data collection process, supervised the accuracy of factual information and provided preliminary drafts of Chapter 1 and several sections in Chapter 8. Chapter 1 was prepared by Carlos Conde and Jacobo Pastor García Villarreal. Adam Ostry and Rudiger Ahrend drafted the sections on administrative rationalization and multi-level governance in Chapter 2. Chapter 3 was drafted by Jacobo Pastor García Villarreal. Barbara Ubaldi drafted Chapter 4 on ICT and digital government. Emma Cantera drafted the section on Public procurement in Chapter 5. Daniel Gerson drafted Chapter 6 section on Human Resources management. Paloma Baena and Emma Cantera drafted Chapter 7 on transparency and integrity. Jacobo Pastor Garcia Villarreal drafted Chapter 8, with the exception of the sections on performance management, which were prepared by Adam Ostry, with the support of Silvia Losada. Jacob Arturo Rivera Pérez administered the questionnaire to the autonomous communities and analysed its results.

Natalia Nolan Flecha supported the data collection process and the organisation of the factfinding missions. Jennifer Allain edited the manuscript and prepared it for publication. Administrative support was provided by Katarzyna Weil.

This Review benefited from the wise counsel of OECD member country peer reviewers.

- Canada: Roger Scott-Douglas, Assistant Secretary, Priorities and Planning, Treasury Board of Canada Secretariat.
- Denmark: Lars Frelle-Petersen, Director General, Danish Agency for Digitisation, Ministry of Finance.

France: Charles-Henri Montin, Counsellor, Ministry of Economy, Finance and Industry. The review process was launched in the framework of an international workshop in Madrid, which contributed to the discussion of the strategic vision of the Commission to Reform the Public Administrations (CORA) in light of international good practice. International experts intervening in the workshop included:

- Roger Scott-Douglas, Assistant Secretary, Priorities and Planning, Treasury Board of Canada Secretariat.
- Paul Reid, Programme Director, Public Service Reform and Delivery, Department of Public Expenditure and Reform, Ireland
- Charles-Henri Montin, Counsellor, Ministry of Economy, Finance and Industry, France.
- Sarah Fox, Team Leader, Local Government Commissioning and Procurement, Department for Communities and Local Government, United Kingdom.
- Aleš Pecka, Counsellor, Ministry of Industry and Trade, Czech Republic.
- Benjamin Zasche, Ministry of Economy and Technology, Germany.

The Review team wishes to acknowledge the significant contribution made by their interlocutors in the Spanish administration, in particular Jaime Pérez Renovales, UnderSecretary of the Ministry of Presidency and chair of the CORA; Pilar Platero, Under-Secretary of the Ministry of Finance and Public Administration and Vice-Chair of the CORA. The chairs of the CORA sub-commissions: Marta Crespo Calzada (Subcomission of Administrative Duplicities); María Ester Arizmendi Gutiérrez (Subcommission of Administrative Simplification), Irene Domínguez-Alcahud Martín Peña (Subcomission of Service Delivery and Shared Services) and Juan Ignacio Romero Sánchez (Subcommission of Institutional Administration). Angelina Trigo, Head of the Office for the Execution of Administrative Reform (OPERA) provided general support to the review process, and effective help in the process of data verification. The organisation of fact-finding missions was supported by Víctor Laquidáin, Chief of Staff, UnderSecretariat of the Ministry of the Presidency. The fact-finding missions were dependant on the contribution of a large number of Spanish public officials in different ministries and agencies, as well as independent institutions such as the *Defensoría del Pueblo* (Ombudsperson) and Court of Accounts. The peer review team had extensive discussions with representatives of civil servant unions (UGT, CCOO, FEDECA, CSI-F), business associations (ATA), as well as with a panel of academic experts. We thank the collaboration of the Secretariat of State for Relations with the Parliament concerning the reforms in the area of transparency and fight against corruption, and the General Directorate for Budgeting in the Ministry of Finance and Public Administrations, concerning the fiscal stability measures. The peer review team met the autonomous communities of Aragón, Galicia and La Rioja. A survey for autonomous communities was sent to all counsellors of the Presidency in the 17 autonomous communities and the two autonomous cities of Ceuta and Melilla. The OECD Secretariat received answers from: Aragón, Asturias, the Canary Islands, Castile and León, Castilla-La Mancha, Catalonia, Galicia, Murcia, Basque Country and Valencia. The OECD expresses its gratitude to all the Spanish interlocutors for the quality of discussions and the richness and interest of the information provided for this review.

This *Public Governance Review of Spain* was funded by the Fundación Internacional e Iberoamericana para la Administración y las Políticas Públicas (FIIAPP).

Table of Contents

Acronyms and abbreviations . . . 13

Executive summary . . . 15

Recommendations: Creating an environment for continuous improvement . . . 17

Chapter 1. **The context of state development in Spain** . . . 27

The rapid transformation of the Spanish state . . . 28
The state of governance and public administration . . . 33
Going institutional: the governance emphasis in the Spanish reform package . . . 53
Notes . . . 55
Bibliography . . . 56

Chapter 2. **Administrative rationalisation and multi-level governance** . . . 59

Administrative structure and rationalisation reforms . . . 60
Multi-level governance reforms . . . 72
Notes . . . 94
Bibliography . . . 96

Chapter 3. **Raising Spain's productivity through better regulation** . . . 99

CORA initiatives dealing with Better Regulation and administrative simplification . . . 101
Background and diagnostic . . . 105
Opportunities for improvement . . . 108
Notes . . . 127
Bibliography . . . 128

Chapter 4. **Strengthening digital government for a more strategic public administration in Spain** . . . 129

Digital government in Spain . . . 130
The transversal role of ICT to make public administration reform happen . . . 133
Transforming ICT management into a strategic asset . . . 134
Strengthening multi-level co-ordination . . . 137
A more user friendly administration: Simplifying access and improving service delivery . . . 139
Shared services: Increasing rationalisation and consolidation . . . 146
Recommended actions . . . 149
Bibliography . . . 152

Chapter 5. **Mobilising and using resources: public financial management and public procurement in Spain** . . . 153

Public financial management . . . 154

Procurement reforms in Spain . . . 175
Notes . . . 193
Bibliography . . . 194

Chapter 6. **Developing a sustainable and flexible human resources management system** . . . 197

Spain's public service today . . . 198
Meeting the short-term human resources challenges in the CORA report: Sustainable job cuts and administrative reforms . . . 201
Embedding human resources management considerations in administrative reforms . . . 203
Focusing on the longer term: Building capacity to manage performance from the senior civil service downwards . . . 207
Conclusion and recommendations . . . 222
Notes . . . 224
Bibliography . . . 225

Chapter 7. **Strengthening transparency and building trust in government in Spain** . . . 227

Transparency in the reform of the Spanish public administration . . . 231
Transparency in complementary reforms . . . 234
Trust, integrity and democratic regeneration . . . 243
Conclusions and recommendations . . . 261
Notes . . . 264
Bibliography . . . 265

Chapter 8. **Implementing governance reform in Spain: challenges and opportunities** . . . 267

Reinforcing accountability and evaluation . . . 268
Ensuring the consistency of the reform package . . . 280
Balancing efficiency and effectiveness . . . 284
Promoting collective commitment for reform . . . 287
Making the reform sustainable in the long term . . . 305
Notes . . . 314
Bibliography . . . 315

Annex A. **Cross-reference table: OECD and CORA reports** . . . 317

Figures

Figure 1.1. General government final consumption expenditure, 1970-2011 . . . 28
Figure 1.2. Change in sub-national revenues and expenditures, 1995-2009 . . . 29
Figure 1.3. Public sector employment in Spain, 1985-2010 . . . 30
Figure 1.4. Distribution of public employees by level of government . . . 30
Figure 1.5. Ageing Index . . . 32
Figure 1.6. Total inflows of foreign population in Spain, 1985-2012 . . . 32
Figure 1.7. Labour force participation rate for women . . . 33
Figure 1.8. Share of women parliamentarians and legislated gender quotas, 2002 and 2012 . . . 34
Figure 1.9. Share of women ministers, 2005 and 2012 . . . 34
Figure 1.10. Annual compensation across central government positions, 2011 . . . 38
Figure 1.11. Fiscal balances and gross debt of the general government in Spain, 1995-2012 . . . 41
Figure 1.12. Fiscal consolidation composition . . . 42
Figure 1.13. Distribution of GDP by autonomous community in Spain . . . 46

Figure 1.14. Distribution of population by autonomous community in Spain . . . 46
Figure 1.15. GDP per capita by autonomous community in Spain . . . 47
Figure 1.16. Regional Competitiveness Index in Spain . . . 47
Figure 1.17. Sense of national and regional pride among autonomous communities' population in Spain . . . 48
Figure 1.18. Confidence in national government in Spain . . . 49
Figure 1.19. Political perceptions of the Spanish population . . . 50
Figure 1.20. Gross external debt . . . 51
Figure 1.21. General government surplus (+) or deficit (-) . . . 52
Figure 1.22. Unemployment rate . . . 53
Figure 2.1. Evolution of the number of public entities by type in the central government in Spain . . . 66
Figure 2.2. Evolution of the number of public entities in the sub-national governments in Spain . . . 67
Figure 2.3. Evolution of the number of public entities by type in the sub-national governments in Spain . . . 67
Figure 2.4. Distribution of general government expenditures (a) and revenues (b) across levels of government, 2001-11 . . . 73
Figure 2.5. Effectiveness of different sectoral conferences to develop initiatives and implement polices . . . 81
Figure 2.6. Main reasons for the ineffectiveness of sectoral conferences . . . 82
Figure 2.7. Degree of institutional or administrative duplication between the autonomous communities and the central government . . . 91
Figure 2.8. Assessment by the autonomous communities of which competencies could be shared with the central government . . . 92
Figure 3.1. The regulatory governance cycle . . . 107
Figure 4.1. Internet use for interaction with public authorities (last 12 months), 2012 . . . 132
Figure 4.2. Total ICT expenditures as a share of central government expenditures, 2011 or latest available year . . . 148
Figure 5.1. Evolution of employment in Spain by level of government . . . 154
Figure 5.2. Evolution of government employment in Spain . . . 155
Figure 5.3. General government procurement as a share of GDP and as a share of total government expenditure, 2011 . . . 176
Figure 5.4. Share of general government procurement by level of government, excluding Social Security funds, 2011 . . . 177
Figure 5.5. Impact of austerity measures on procurement . . . 177
Figure 5.6. Number and value of notices carried out through framework agreements, June 2010 . . . 182
Figure 5.7. Percent of enterprises using electronic procurement systems, 2012 . . . 187
Figure 5.8. KONEPS . . . 190
Figure 5.9. Public availability of procurement information at the central level, 2010 . . . 191
Figure 6.1. Employment in general government as a percent of the labour force, 2001 and 2011 . . . 199
Figure 6.2. Change in the number of government staff employed at the central level, 2001 and 2011 . . . 200
Figure 6.3. Utilisation of strategic human resource management practices in central government . . . 204
Figure 6.4. Type of recruitment system used in the central government . . . 208
Figure 6.5. Extent of the use of performance assessment in human resource decisions in central government . . . 212
Figure 6.6. Use of separate human resource management practices for senior civil servants . . . 218
Figure 7.1. OECD countries' goals of investing in openness and citizens' engagement and high priority goals to pursue open and inclusive policy making . . . 228
Figure 7.2. Confidence in national (central) government in Spain and selected countries . . . 229
Figure 7.3. Trend to trust or not to trust government and regional/local level authorities in OECD and EU member countries . . . 230
Figure 7.4. Confidence in government and corruption, 2012 . . . 244

Figure 7.5. Trust in government and in political parties in European OECD member countries, 2013 . . . 245
Figure 7.6. Direct public funding to political parties . . . 246
Figure 7.7. Ban on anonymous donations . . . 247
Figure 7.8. OECD countries using diagnostic tools to measure the impact of the policy, rules and procedures on conflict of interest (e.g. surveys, statistical data, cost-benefit analysis, etc.) . . . 250
Figure 7.9. Level of disclosure of private interests and public availability of information . . . 252
Figure 8.1. Use of performance budgeting by central governments, 2011 . . . 271
Figure 8.2. Corruption Perceptions Index vs. GDP, 2012 . . . 283

Tables

Table 1.1. Public spending on education, health and social protection . . . 31
Table 1.2. General government balance 2012 and targets 2013-16 . . . 41
Table 1.3. Population, unemployment and GDP per capita by autonomous community in Spain . . . 45
Table 3.1. Starting a business indicators in the European Union. . . . 106
Table 3.2. Key milestones in the development of Better Regulation policies in Spain . . . 106
Table 3.3. Simplification techniques applied in the CORA initiatives . . . 117
Table 5.1. Loss of fiscal space as a percent of non-pension primary spending . . . 156
Table 5.2. Economic distribution of state expenditures in Spain. . . . 160
Table 5.3. Mechanisms to create fiscal space beyond the annual budget framework . . . 169
Table 5.4. Information used by regional governments in Spain in the preparation of their budgets. . . . 173
Table 5.5. Approaches in place to promote the access of small and medium-sized enterprises to public procurement in central government . . . 185
Table 5.6. Functionalities of e-procurement systems. . . . 186
Table 7.1. Transparency across the CORA's reforms and related initiatives. . . . 232
Table 7.2. Breadth of central government freedom of information laws, 2010 . . . 236
Table 7.3. Disclosure of selected private interests and public availability of disclosed information . . . 251
Table 7.4. Awareness-building actions on disclosure of private interests . . . 253
Table 7.5. Disclosure of selected private interest and public availability of disclosed information for at-risk positions. . . . 257
Table 8.1. Effectiveness of the state ombudswoman ***vis-à-vis*** the autonomous communities' ombudsmen . . . 284
Table 8.2. Analysis horizons: Strategic decision-making needs by planning timeframes . . . 295
Table 8.3. The CORA's main stakeholders in the policy-making processes . . . 298
Table 8.4. Overall assessment of the CORA reforms . . . 313

Boxes

Box 1.1. New budgetary rules apply from 2012 . . . 43
Box 2.1. Overview of the municipal reform in Spain: Law on Rationalisation and Sustainability of the Local Administration . . . 78
Box 2.2. Main mechanisms for vertical co-ordination in OECD countries . . . 82
Box 2.3. Integrating lower levels of government in consultation procedures: The cases of Sweden and Switzerland . . . 84
Box 2.4. The Council of Australian Governments (COAG) . . . 85
Box 2.5. Inter-governmental relations and the role of the Canadian Inter-governmental Conference Secretariat (CICS) . . . 87

Box 2.6. Strengthening the role of horizontal inter-regional co-ordination . . . 88
Box 2.7. AEVAL's *Handbook on the Streamlining and Elimination of Duplicities* . . . 89
Box 3.1. Regulatory policy, Better Regulation and administrative simplification . . . 101
Box 3.2. Consultation principles applied in the United Kingdom . . . 110
Box 3.3. The 2010 *Guidelines on RIA* . . . 111
Box 3.4. Good practices in undertaking broad-based reviews of the regulatory stock . . . 112
Box 3.5. The mobile business license (British Columbia, Canada) . . . 116
Box 3.6. The Better Regulation Committee . . . 120
Box 3.7. The Australian Productivity Commission . . . 121
Box 3.8. The use of financial incentives in Australia . . . 123
Box 3.9. Benchmarking regulatory performance at the sub-national level in Australia . . . 125
Box 4.1. The frontier of digital government in Denmark: Expanding mandatory use . . . 136
Box 4.2. Linking transparency and open data agendas in Mexico . . . 146
Box 5.1. Previous efforts at zero-based budgeting in Spain . . . 159
Box 5.2. Austria's top-down budgeting system . . . 161
Box 5.3. Sweden's Annual Cabinet Budget Retreat . . . 163
Box 5.4. Australia's forward estimates . . . 164
Box 5.5. Building new independent fiscal institutions . . . 165
Box 5.6. Programme evaluation and budgeting in Chile, Colombia and Mexico . . . 169
Box 5.7. Spending reviews and performance budgeting in the United Kingdom . . . 172
Box 5.8. Consip (Italy) . . . 179
Box 5.9. Mandatory framework agreements . . . 182
Box 5.10. E-procurement for local enterprises and small and medium-sized enterprises in Italy . . . 184
Box 5.11. Integrated e-procurement: Korea and Chile . . . 188
Box 5.12. Launching an awareness campaign in Portugal . . . 189
Box 5.13. The Mexican Institute for Social Security's Transparency Portal . . . 192
Box 6.1. Lessons from workforce restructuring experience in other OECD countries . . . 202
Box 6.2. Recent public management changes in Portugal . . . 205
Box 6.3. Career- vs. position-based public employment systems . . . 208
Box 6.4. United Kingdom: Professional Skills for Government Competency Framework . . . 210
Box 6.5. The French job classification system: *Le répertoire interministériel des métiers de l'état* (RIME) . . . 210
Box 6.6. Proyecto GEO . . . 213
Box 6.7. France's integrated approach to improving mobility . . . 214
Box 6.8. Master in Public Management at the Institute for Fiscal Studies . . . 216
Box 6.9. Chilean "*Sistema de Alta Dirección Pública*" . . . 217
Box 6.10. Recruiting senior management in Belgium, France and Ireland . . . 219
Box 6.11. The Canadian Management Accountability Framework . . . 220
Box 6.12. Roadmap for implementing competency management . . . 221
Box 7.1. Transparency in the reforms proposed by the Commission for the Reform of the Public Administrations . . . 231
Box 7.2. The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information . . . 237
Box 7.3. Examples of bodies that provide oversight to transparency laws: Chile and the United States . . . 242
Box 7.4. Key proposals for better monitoring and enforcement of political parties' financial activity in the Democratic Regeneration Plan . . . 248
Box 7.5. Standards of behaviour and public office in the Democratic Regeneration Plan . . . 254
Box 7.6. Committee on Standards in Public Life, United Kingdom . . . 256
Box 7.7. Managing post-employment conflict of interest: Good Practice Framework . . . 258
Box 7.8. International Guidance on the Criminalisation of Corruption . . . 259

Box 7.9. Anti-corruption criminal and procedural measures in the Democratic Regeneration Plan 260
Box 8.1. Audit, evaluation and inspection in the context of the Spanish control framework 270
Box 8.2. Colombia's SINERGIA 279
Box 8.3. The regulatory review exercise *Base Cero* in Mexico 285
Box 8.4. Common features in processes of administrative reform 287
Box 8.5. Project files ("*fiches*") prepared by OPERA 290
Box 8.6. Governance of the General Review of Public Policies in France 290
Box 8.7. The "Compartir" Project: Streamlining training and recruitment processes in the public sector 300
Box 8.8. How can governments strengthen their relations with citizens? 302
Box 8.9. Examples of the CORA's proposals that change processes on a permanent basis 305
Box 8.10. Awareness of emerging issues: Finland's strategic foresight 307
Box 8.11. Effective mechanisms for *ex post* evaluation of reforms: France 309
Box 8.12. Committees and citizen bodies monitoring reform in Canada 311

Acronyms and abbreviations

AAI	Consolidated administrative authorisation
AC	Autonomous community
AEAT	State Agency of Revenue Services
AEVAL	Agency to Evaluate Public Policies and the Quality of Services
AIRF	Independent Authority on Fiscal Responsibility
AK CR	Association of Regions of the Czech Republic
ALGA	Australian Local Government Association
CAF	Council for the Australian Federation
CAPs	Committees for programme analysis
CAS	Sub-Commission on Administrative Simplification
CAT	Regional central purchasing body (Italy)
CCDs	Common commencement dates
CEPREDE	Centre for Economic Forecast
CG	Central government
CGSES	General Commission of State Secretariats and Deputy Secretariats
CICS	Canadian Inter-governmental Conference Secretariat
CIO	Chief information officer
CIRCE	Centre for Information and Business Start-up Network
CIS	Centre for Social Research
CNMC	National Markets and Competition Commission
COAG	Council of Australian Governments
COG	Centre of Government
CORA	Commission to Reform the Public Administrations
CPB	Central purchasing body
CRC	COAG Reform Council (Australia)
DRP	Democratic Regeneration Plan
DUE	Consolidated electronic document
EBEP	Basic Statute of the Public Employee
EMU	Economic and Monetary Union
EPA	Active Population Survey
FEMP	Federation of Municipalities and Provinces
FLA	Autonomic Liquidity Fund
FMM	First Ministers Conferences or Meetings (Canada)
FOI	Freedom of information
HRM	Human resources management
ICO	Official Credit Institute
ICT	Information and communication technology

IFI	Independent fiscal institution
IGA	Inter-Governmental Agreement on Federal Financial Relations (Australia)
IGAE	General Comptroller of the State Administration
IGS	General Inspection of Services
INAP	National Institute of Public Administration
INE	National Statistics Institute
INTOSAI	International Organisation of Supreme Audit Institutions
INVESPE	Inventory of State Public Sector Entities
KONEPS	Korea On-line e-Procurement System
LAECSP	Law 11/2007 of 22 June governing Citizens' Electronic Access to Public Services
LLGR	Law on the Local Government Regime
LOFAGE	Law on the Organisation and Functioning of the Central Government
LRSLA	Law on Rationalisation and Sustainability of the Local Administration
MINETUR	Ministry of Industry, Energy and Tourism
MINHAP	Ministry of Finance and Public Administrations
MTEF	Medium-term expenditure framework
MYFF	Multi-year financial framework
OJEU	*Official Journal of the European Union*
OPERA	Office for the Execution of Administrative Reform
PAG	General Access Point for Public Administrations
PAIT	Contact point for advice and start-up procedures
PB	Performance budgeting
PC	Provincial council
PGA	General Point of Access of the Canary Islands
PID	Platform for Data Exchange
PLACE	State Contracts Platform
PPP	Public-private partnership
RDO	Reform and Delivery Office (Ireland)
REA	Electronic Register of the Power of Attorney *Registro Electrónico de Apoderamientos*
RGPP	General Review of Public Policies (France)
RIA	Regulatory impact assessment
SALAR	Swedish Association of Local Authorities and Regions
SBA	Small Business Act
SCS	Senior civil service
SCM	Standard Cost Model
SEAP	State Secretariat of Public Administrations
SME	Small and medium-sized enterprise
SNS	National Health Service
SPPs	Specific purpose payments
TCU	Court of Audit
TI	Transparency International
UNCAC	United Nations Convention against Corruption
VAT	Value added tax
VUE	One-stop-shop for businesses

Executive summary

On 26 October 2012, the Council of Ministers of Spain published the Agreement to Create the Commission to Reform the Public Administrations (*Comisión para la Reforma de las Administraciones Públicas*, CORA) whose mandate is to produce proposals to make public administrations more austere, useful and effective.

The CORA report was presented by the President of the government on 19 June 2013. It includes 217 proposals, 139 of which concern the central administration and the autonomous communities (*Comunidades Autónomas*, ACs) and 78 concern only the central administration. These proposals were generated by senior civil servants from key areas of the central government, which also received suggestions from citizens through an electronic box and from an advisory council with representation of unions, the private sector and academia.

The objective of this review is to assess the CORA reform agenda *vis-à-vis* good practices in OECD countries. This report will thus discuss reforms in different fields (i.e. public finance, the management of information and communication technologies, multi-level governance, transparency, Better Regulation, human resources management) and put them in the context of the challenges, experiences and good practices in OECD countries. This will involve combining the administrative approach of the CORA with a functional approach based on the building blocks of good governance developed by the OECD. This review will highlight the reforms that follow good practices and standards, including OECD instruments, but it will also indicate weaknesses, shortcomings and missing elements to consider to make reforms more comprehensive and long lasting, as well as to support implementation.

A main focus of this report is to identify potential synergies, both within the CORA reform agenda and with other reforms under way on public financial management, transparency and integrity. Better Regulation, budgeting and human resource management are featured as areas that can contribute to continuous improvement in public management. Multi-level governance and the use of information and communication technologies (ICTs) cut across the reform agenda and should be seen as essential to a long-term effort at articulating a more responsive and inclusive public administration. This feature is important to address the "trust deficit" that public institutions are experiencing in Spain and many other OECD countries. In fact, the OECD has argued that restoring trust is essential to increase the effectiveness of public policies.

The review concludes that the CORA reform package is the result of a rigourous process of data collection, dialogue among practitioners and diagnosis about the weaknesses of Spain's public administrations. The reform package is substantial, evidence-based and consistent with the ongoing process of modernisation. The number of policy issues included in the CORA reform, together with parallel initiatives in areas such as budget stability, transparency or democratic regeneration, talk about one of the most ambitious processes of governance reform in the OECD. Indeed, Spain is not the only OECD country in search of new sources of growth, fiscal consolidation and competitiveness, but few countries have articulated such a broad public administration reform plan. Indeed, the CORA reform agenda aims at serving as

a means to achieve long-term results for the country based on a strategic vision for its growth, including a framework for the role of government in implementing it and going further than shortterm ends (i.e. cost-savings, downsizing).

The review indicates that, despite the richness of the reform agenda, the CORA could be strengthened through a whole-of-government approach that gets away from the silos structure usually preferred by governments. Furthermore, it recommends the Spanish government to persevere in its continuous efforts to consult and establish a genuine dialogue with civil society, as a way to mitigate side effects of reforms and achieve buyin from critical stakeholders, such as the ACs.

Although the CORA proposals emerged in a context marked by the need to balance fiscal consolidation and foster economic growth, the drivers of the reform go beyond this objective, incorporating strategic objectives within a broader scope. The economic crisis that started in 2008 resulted in high levels of unemployment, which in turn hindered public revenues. At the same time, fiscal targets have required cutting public expenditures. But the public sector should also contribute to revitalising the economy. Hence, beyond the need to spend less, Spain needs to spend better, minimising waste and duplicities and facilitating growth and productivity. As the CORA put it: "fiscal urgency should not determine the path of reform, but public imbalances are the alarm highlighting its need" (Commission to Reform the Public Administrations, 2013: 36).

Such ambitious goals underscore that administrative reform should not be conceived as a one-off exercise, but as a way to develop incentives, processes and organisational arrangements that generate continuous improvement in public management, and therefore better social outcomes. Similarly, administrative reform should be seen as an important component of structural reform, with its impact depending on consistency with other reforms that are under way.

Indeed, the experience of OECD countries with administrative reform is that it is successful when it is not perceived as a one-off exercise, but rather as a process of continuous improvement to constantly identify waste, shortcomings and opportunities to do things better.

Ultimately, this review aims at informing Spanish government officials as to how they could strengthen the reform agenda not only to overcome the current financial crisis, but also to achieve a more efficient and effective public administration that contributes to the strategic objectives of the country in the short, medium and long term; to find a "new normal" in state performance that contributes to productivity, competitiveness and wellbeing. It also aims to inform the international audience about the ambition and scale of the ongoing processes of institutional reform in Spain, for which the CORA is an individual initiative within a much wider package of related reforms in the area of public governance.

Recommendations: Creating an environment for continuous improvement

This section provides recommendations in order to exploit the full potential and synergies of the reform agenda of the Spanish government. Despite the wide range of reforms being advanced, additional initiatives and steps could be taken to leverage critical success factors described in the CORA. Each of the recommendations makes reference to the different themes and dimensions of the reform package, such as digital government, human resources management, procurement, transparency, Better Regulation, public finance, multi-level co-operation and the rationalisation of the public administrations. This section illustrates new areas of opportunity and courses of action towards a whole-of-government approach and long-term vision.

The CORA reform package is the result of a rigorous process of data collection, dialogue among practitioners and diagnosis about the weaknesses of Spain's public administrations. The reform package is substantial, evidence-based and consistent with the ongoing process of modernisation. The number of policy issues included in the CORA reform (i.e. e-government, multi-level governance relations, Better Regulation, budget reforms) together with parallel initiatives adopted in the last two years in areas such as budget stability, transparency or democratic regeneration, talk about one of the most ambitious processes of governance reform in OECD countries. While Spain is not the only OECD country in search of new sources of growth, fiscal consolidation and competitiveness, few others have articulated such a broad public administration reform plan.

Despite the wide scope of the CORA and the other reforms, some additional steps could be considered to fully exploit the potential and synergies among them. The recommendations in this chapter refer to the different reforms addressed in the CORA package. They identify potential synergies and gaps that may need to be filled with additional initiatives, according to the best practices and principles of OECD countries. Legal synergies are not enough, but the real challenge is to link in practice and build on the strengths of the different initiatives. The horizontal nature of the recommendations encompasses the different thematic areas in which the CORA reforms aim to have an impact (i.e. human resources management, procurement, Better Regulation and transparency). In addition, the recommendations must be understood in the context of other, already ongoing reforms, which complement the CORA agenda and make it much more comprehensive, such as the implementation of Law 7/2007 on the Civil Service Basic Statute, Law 11/2007 on Citizens Electronic Access to Public Services, Law 22/2009 that regulates the financing system for the Autonomous Communities, Organic Law 2/2012 on budget stability and financial sustainability, Organic Law 6/2013 on the creation of the Independent Authority on Fiscal Responsibility (*Autoridad Independiente de Responsabilidad Fiscal*, AIRF), the Democratic Regeneration Plan (*Plan de Regeneración Democrática*, DRP), Law 19/2013 on Transparency, Access to Public Information and Good Governance, Law 20/2013 for Market Unity, Law 14/2013 to Support Entrepreneurship and Internationalisation, Law 27/2013 on Rationalisation and Sustainability of the Local Administration, the draft law

regulating senior public officials in high positions of the state general administration and the organic law for the control of the economic and financial activity of the political parties.

Develop a long-term multi-stakeholder vision of reform through dialogue and consensus-building

Good governance requires forward-looking governments with a clear strategic vision that goes beyond immediate actions and the present context. Going beyond the current context calls for a permanent dialogue with stakeholders of reform.

Dialogue and consensus-building is still perceived as insufficient by specific stakeholders, despite the ongoing efforts of the Spanish administration to reach out and consult on the CORA proposals. Dialogue must continue through the implementation process, and even for evaluation purposes, which would support the definition of priorities and the communication of "quick wins". The intensified dialogue that the Office for the Execution of Administrative Reform (OPERA) is advancing with the ACs and the open door for stakeholders to continue providing feedback are definitely steps in the right direction. Hence, developing such a robust communication and engagement strategy should ensure that all potential partners are made aware of the developments throughout the government, creating opportunities to participate and provide feedback. This could also be part of the mitigation strategies put in place to advance the continuity of reform.

- An inclusive consensus-building approach, also at political level, calls to pursue the evidence-based features and the technical nature of the CORA exercise. In the near future, it will also be important to decrease fragmentation and break the "silos approach" by making connections among the different areas addressed in the CORA. Indeed, they build on each other, creating synergies that maximise impacts.
- The CORA reform package should not be regarded as a "one-off" exercise, but as a first and critical step to lay the foundations for continuous improvement, so that public administration reform initiatives are linked and guided by medium- and long-term strategic objectives for Spain's economy. More than one wave of reforms will be needed to mainstream public administration reform on an ongoing basis to pursue national strategic objectives.
- Similarly to the recommendation made to France to conduct its General Review of Public Policies (*Révision générale des politiques publiques*, RGPP), the Spanish government should focus on optimising the role of the central administration on an ongoing basis by extending systematic reform to the mission of the government itself, to programme spending, particularly social transfers, and to the organisation of government action at the sub-national level.

Prioritise and further support reforms in the CORA agenda that can contribute the most to continuous improvement

- The package of the CORA reforms, while comprehensive, risks not having a clear set of priorities and an idea of the best sequence for implementation. Even though, in principle, there are no fixed impediments to advance simultaneously on every CORA measure, according to its own implementation schedule, international experiences suggest that political support weakens with time, calling for a concentration of resources and political leadership. This is important as the impact of the different initiatives can be prioritised and it would be extremely difficult, if not impossible, to

move forward on all 217 proposals at the same time and pace. Prioritisation is also due to make the best use of political, financial and human resources and to concentrate them on those reforms that deliver the best cost-benefit balance.

- There are well-established mechanisms for reporting on progress, mainly the OPERA. Adding capacity to its oversight and monitoring functions, for example by ensuring the right number of staff and organisational structure, could support the effectiveness of implementation efforts. In addition, periodic review of milestones and achievements by outsiders (i.e. the OECD, think-tanks or independent experts) could provide objective advice and enable the government and its leadership to prioritise and advance corrective measures.
- While some initiatives have a relatively short time span impact (i.e. supressing a specific agency and transferring its functions to another one), others represent more structural changes in the way public administrations conduct their daytoday activities and provide mechanisms for continuous improvement. Such reforms, such as the Law for Market Unity; the Law for Transparency, Access to Public Information and Good Governance; the Law on the Civil Service Basic Statute; the implementation of a system to measure productivity and efficiency; the normative review; the centralisation of procurement activities; and the Organic Law on Budget Stability and Financial Sustainability, should have priority over more limited ones and will require significant political back up.

Adjust and complete the reform agenda to fully exploit synergies

- The body of this document has made a clear case on the need to complement different thematic reforms with other initiatives that would strengthen public governance, including the strategic ability of the government to become a positive factor to overcome the effects of the financial crisis.
- A whole-of-government approach to reform requires upgraded co-ordination and communication, breaking the tendency of bureaucratic organisations to fragmentation and lack of integration. The CORA implementation strategy is gaining leverage and obtaining interesting results in a short space of time, even in areas that were, prior to the CORA process, in a situation of relative stagnation, as the initiatives towards performance assessment and strategic management of human resources (HR) undertaken at the Ministry of Finance and Public Administrations (MINHAP), which have been considerably revitalised. The rapid development of the HR measures of the CORA into a complete HRM strategy is key for the success of the whole process.
- Evaluation should become a key element to adjust reform over time. The different institutions performing evaluation exercises (i.e. OPERA, the Evaluation and Quality of Public Services Agency – AEVAL, the Independent Authority on Fiscal Responsibility – AIRF) should work together to build on their strengths and find complementarities so that their work is useful to steer public administration reform and develop a whole-of-government evaluation culture that ensures, *inter alia*, that evaluation integrates short-term output-based measurement within longer term outcomes-based performance assessment linking reform performance to the achievement of the government's strategic results for the country.
- In this sense, OPERA could be mandated to work on an ongoing basis with the Ministry of Presidency, the MINHAP, the audit and control agencies, AEVAL and the Civil Service General Directorate to "join 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, and communicate it transparently through regular reporting of how government activity is achieving strategic results for Spain and its citizens.

- Another key element that needs to be reviewed is the institutional one. An inadequate institutional set up would hinder the chances of success for reform and make it easily reversible. While institutional reform can aim at short-term ends (i.e. cost-savings, downsizing), it should also serve as a means to achieve long-term results for the country based on a strategic vision for its growth, including a framework for the role of government in implementing it. Sound institutions require adequate political backing, sufficient resources to carry out their missions, and a clear distribution of powers and responsibilities, along with a governance framework. This seems to be more of an issue in some areas (for example, concerning the regulatory oversight functions), while it is clear that the Spanish administration has given more thought to other areas (the establishment of the CIO).
- The Spanish administration should be aware and mitigate potential risks that could hinder reform, such as lack of co-operation by key stakeholders, reform fatigue or insufficient resources. As argued by the OECD report *Making Reform Happen: Lessons from OECD Countries* (2010a), successful reform usually takes several attempts. Concessions to potential losers need not compromise the essentials of the reform: they may indeed be coherent with its overall logic, improving the prospects of particular groups that will be affected by the reform without contradicting its overall aims. Broader trade-offs may be possible, particularly when complementary reforms in different domains are undertaken in such a way as to allocate both costs and benefits more equitably.

Make technology and information work for reform

- The CORA acknowledges the strategic importance of information and communication technologies (ICT) as a powerful enabler of reform. ICT can maximise the impact and scope of other initiatives, such as those dealing with transparency and Better Regulation. Indeed, technology can be an effective tool to correct the "silos approach" and overcome a situation of atomised initiatives by enhancing information-sharing; centralising common infrastructures, platforms and applications; and by allowing real-time updates and communication throughout the government and in its interactions with citizens and business.
- The Spanish government should ensure that all measures aiming to produce, collect and use new data to assess reform progress and performance are coherently managed and linked, and become permanent practices to support a sustainable change in the administrative culture. To this end, the government could consider the adoption of a "Government Data and Information Management Strategy". This would favour the alignment of initiatives and consistency with ongoing reforms.
- Ensuring uptake of newly developed ICT services from a high number of citizens, businesses and local levels of government will be essential to reap the benefits of investments. This will require training, skills development and a communications plan on new available opportunities. Furthermore, in order to increase the uptake of services, both inside and outside of the administration, the government could consider

making the use of some digital services mandatory. Common infrastructures are being used in some advanced entities, such as the National Tax Administration Agency (*Agencia Española de la Administración Tributaria*, AEAT). It would be helpful to conduct a review of what conditions have enabled this mandatory nature to extend the experience to other key sectors (e.g. Social Security, traffic administration) and maximise the investments made so far.

Leverage transparency as a key instrument for reform

- Transparency is particularly associated in the CORA with the quality and accessibility of the underlying information required to ensure budget discipline. In addition, transparency is contemplated in complementary reforms, as it is an important element of the Democratic Regeneration Plan (DRP) and a standalone objective of the Law for Transparency, Access to Public Information and Good Governance. Taken together, these initiatives represent a bold step forward in the recognition of transparency as an important and necessary element of public administration reform. However, despite their complementarity and capacity to leverage on each other, these reforms have not been treated up to now as part of a single, comprehensive package. Moving forward, the government of Spain should ensure strategic co-ordination of these reforms, and the units and institutions responsible for their implementation, to maximise their potential and ensure consistency.
- Transparency should become a guiding principle underpinning the different initiatives of reform, from financial management and regulatory design to HRM and multi-level relations (including transfers). Transparency has the potential to set new incentives for public officials to perform their duties and manage budgets knowing that they are under continuous public scrutiny. Indeed, transparency is an essential element to prevent corruption and promote integrity in public management. This is critical to overcome the low levels of trust in government prevailing among the Spanish population. Furthermore, transparency interacts strongly and maximises the effect of other reforms, such as those dealing with financial management and Better Regulation.
- It is important to keep in mind that enhancing transparency in the public administration often requires a cultural change, which needs clear guidance, steady support and adequate incentives to become a reality. Comparative experience illustrates the imperative of investing in the attributes of the information disclosed – providing informed guidance, capacity and criteria to ensure that complete, objective, reliable, relevant and easy to understand information is made available and usable by stakeholders for different purposes, from holding governments to account, to proactively participating in the public policy discussion.
- Adequate supporting institutional arrangements will be needed to provide legitimacy to government efforts, advance feasibility and sustainability of the reforms, and achieve the necessary cultural change. For these purposes, the Spanish government should take full advantage of the sequenced implementation provided for in the Law for Transparency, Access to Public Information and Good Governance, using this time to invest in capacity building, standard setting, needs estimation and testing, as well as to identify and build implementation synergies with relevant components of administrative reform to shape a coherent, unified and complementary transparency reform package.

Develop a complementary agenda on budgetary reform

Although the current reform agenda does not intend to revise the whole budget-making process, it offers additional opportunities to reconcile fiscal sustainability, government effectiveness and fiscal transparency in Spain. Budget is a very powerful tool of public management that should be fully used to support state reform. Despite the fact that the examination of expenditure has intensified in recent years in search for savings, this still does not take the form of expenditure reviews in the sense that they are understood in other OECD countries, which requires a structured methodology to identify the focus of the analysis, a richer set of inputs and a well-structured process. The following proposals would help in this regard:

- Consolidate top-down budgeting by making the spending framework more predictable and communicating it at an early stage of the budget process, establishing criteria to define sector spending ceilings and developing authority to allocate resources within sector ceilings.
- Strengthen the credibility of multi-year financial frameworks (MYFF) by using them to anticipate fiscal space constraints and prompt early decisions, further integrating risk analysis and complementing medium-term MYFF with long-term fiscal projections.
- Ensure a good start of AIRF as a fully transparent institution, with links beyond the executive branch and an evaluation framework for its activities. Since AIRF reports will be issued under the "comply or explain" principle, there should be a track record of the responses provided to each report.
- Build the generation of fiscal space into the budget process by establishing spending reviews as a regular input; developing benchmarking as a standard practice; revising and improving the performance evaluation/audit arrangements to increase their volume, relevance and timeliness; and including information in the budgetary documentation on the performance of government programmes.
- Develop robust budgeting practices at the sub-national level by creating incentives for regional and local governments to meet their fiscal targets; sharing systems, methodologies and data across governments; strengthening networks of senior budget officers; and developing a working relationship of sub-national governments with autonomous bodies that support public financial management.

Develop multi-level dialogue, co-operation and commitment

- Since the ACs 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. During OECD field missions and in the survey applied to the ACs, it is clear, as recognised by the CORA, that 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, as the Council of Australian Governments (COAG) did in Australia.
- Full agreement between levels of government on the CORA reforms and a wider agenda may be difficult, if not impossible. However, the central administration should ensure that disagreements about specific measures, which are considered by some

ACs as hindering their autonomy, do not impede implementation of the larger share of relatively uncontroversial initiatives. In this sense, it would be legitimate for the central administration to find a compromise in recognition of reiterated concerns by some ACs, for the purpose of managing opposition but without giving up high-impact reforms.

- It is advisable to leverage not only on the possibility to emanate authoritative orders, but also on the power of convincing the ACs to collaborate by providing them with incentives and strong business cases. Multi-level dialogue platforms should become fora for "champions" of reform to emerge, to develop success stories and peer learning, and exchange good practices to overcome common challenges. These would make a strong case that reform is not only possible, but also desirable. Likewise, horizontal co-operation among the ACs should be pursued so that they can find shared positions in negotiations with the central government and facilitate vertical co-ordination.

Adjust institutions and the processes to obtain regular feedback

- Effective institutions are required to guide and monitor implementation. Many of the reforms proposed in the CORA require institutional adjustments to be effective (for example, the setting up of the CIO, ensuring sound fiscal management or advancing a Better Regulation whole-of-government culture). Indeed, institutions are one of the key elements highlighted in the OECD report *Making Reform Happen: Lessons from OECD Countries* (2010a). This issue should be dealt with in the early stages of reform; otherwise it would not be sustainable in the longer term, losing the investment made and reversing the gains achieved.
- Since reform is a dynamic process, obtaining regular feedback to make adjustments and correct mistakes is essential for its long-term success. As mentioned previously, on the one hand, dialogue and consultation with key stakeholders should be permanent to allow the continuous flow of feedback; on the other hand, public policy evaluation should be institutionalised and intensified. Institutions such as OPERA, AEVAL, the General Comptroller of the State Administration (*Intervención General de la Administración del Estado,* IGAE), the Court of Auditors and others 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.
- If the government has not coalesced around an integrated reform strategy, it sends out mixed messages, and opponents are able to exploit divisions or disconnects between components of the reform along with any resulting incoherence in its implementation. Defeat is usually the result. OECD experience suggests that strong political leadership from the centre is often about winning consent and building alliances among key actors across the government rather than securing their compliance. Strong, top-level, political leadership should thus be sustained to ensure and maintain buy-in from key stakeholders of the CORA reforms.
- Leadership is also about illustrating solidarity among key government players with a sound communication strategy that focuses on a small number of strategic objectives to be achieved over the medium and long term, aimed both internally at all levels of the bureaucracy, and externally, to the wider public. Hence, the Centre of Government (COG) institutions should define clear roles and responsibilities to facilitate co-ordination and avoid communication gaps between ministries. On top of that, whole-of-government performance monitoring can help COG institutions steer reform effectively and correct course if and when required.

Strengthen the involvement of citizens in the reform process

- The Spanish government needs to go "the extra mile" to regain trust from its citizens, which is clearly in a downward trend. This is an issue that may have consequences in the future. Low levels of trust in government may hinder state revenues, rule of law and social fairness. Efforts should be made to explicitly increase social trust and to reinforce the confidence on the ability of public administrations to drive and sustain change for the benefit of the public interest. Administrative reform is necessary to address such lack of trust, but it is clearly insufficient. A comprehensive governance approach would anticipate the need to engage citizens in governmental functions, consult them on critical policy matters and communicate effectively its decisions. Such an approach would help the government identify social trends and potential future issues, so that the policies of today anticipate and provide remedies to the problems of the future. As mentioned throughout this review, the strategic link between the CORA reforms, the implementation of the Law on Transparency, Access to Information and Good Governance, and the package of democratic regeneration is a unique opportunity to improve governance frameworks in Spain.
- In this line of thought, the chapter on Better Regulation has recommended to review and standardise consultation practices by issuing guidelines with specific requirements as to when it should take place, its length, scope, methodologies, procedures and the feedback to be provided to participants.
- Involving citizens is much more than pure rhetoric; it is a requirement to realise the benefits of reform. Emerging technologies and technological platforms (e.g. social media) provide new opportunities to strengthen consultation, but these ICT-enabled channels will not have a strong impact if citizens do not make use of them in their interactions with public administrations. In order to facilitate uptake, user needs should be linked with the achievement of internal efficiencies. Likewise, the right of access to government information should be socialised, so that citizens make use of it and exercise control over the public administration. This may take time, but it can certainly become a strong incentive to advance integrity in the public service.

Institutionalise transparency and integrity in the public sector

- Good scrutiny supports good government. The Law on Transparency, Access to Public Information and Good Governance has gathered great expectations, domestically and internationally. However, some of its provisions may be enhanced in order to make it a solid foundation for the institutionalisation of transparency as a core value of the future public administration in Spain. Further attention to providing the necessary supporting guiding elements for its full institutionalisation, building upon extensive comparative experience, is an imperative. Likewise, while reforms in principle can be considered closer to first-generation access to public information initiatives, implementation may provide additional opportunities to advance confidently towards an open government model, following the trend of OECD countries and beyond.
- The political reform package announced by the government and referred to as the DRP is particularly important. The DRP is both the recognition of the existing trust deficit in Spain and an ambitious plan to address it at the highest levels of decision making, including matters such as the finances of political parties, the exercise of public office, and criminal and procedural reforms to further combat corruption. Full

implementation, beyond legislation, of these reforms is expected by citizens. Its results would go a long way in setting an example of decisive political action to protect and strengthen the foundations of the democratic system.

- Other high-risk policy areas at the intersection of the public and private domains will need to be addressed in order to consolidate a comprehensive and effective integrity framework in Spain, in particular lobbying, whistleblower protection and pre-post public employment risks. A number of instruments (i.e. the 2010 *OECD Recommendation on Principles for Transparency and Integrity in Lobbying*; the 2010 OECD report *Post-Public Employment: Good Practices for Preventing Conflict of Interest* or the *G20 Anti-corruption Action Plan: Protection of Whistleblowers*), can provide guidance to decision makers to address these critical issues.
- These measures could be further strengthened and complemented with a renewed mandate and capacity of external and internal control mechanisms moving from input-/output-oriented to outcome-oriented audits to, in broad terms, promote integrity, enhance transparency and combat corruption more proactively, following the path of countries like Chile, Italy or the United States.

Bibliography

G20 (2011), *G20 Anti-corruption Action Plan: Protection of Whistleblowers,* www.oecd.org/g20/topics/anti-corruption/48972967.pdf

OECD (2010a), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en.

OECD (2010b), *Post-Public Employment: Good Practices for Preventing Conflict of Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264056701-en

OECD (2010c), *Recommendation of the Council on Principles for Transparency and Integrity in Lobbying*, C(2010)16, OECD, Paris, 18 February, http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=256&InstrumentPID=%20250.

Chapter 1

The context of state development in Spain*

This chapter describes the context of state development in Spain, its rapid transformation and the consolidation of the current state of public administration and governance. It analyses the composition of the public sector in the context of the decentralisation process, assessing its impact on public employment and state revenues and expenditures. Furthermore, it describes the state's functions and its increasing role in the welfare system, addressing the different demographic trends which have influenced it and the implications for public spending. In addition, the chapter provides a complete picture of Spain's current governance structure and public administration, its reform capacity, its institutional challenges and the impact of the recent economic crisis. The chapter summarizes the wide range of governance reforms currently in phase of implementation.

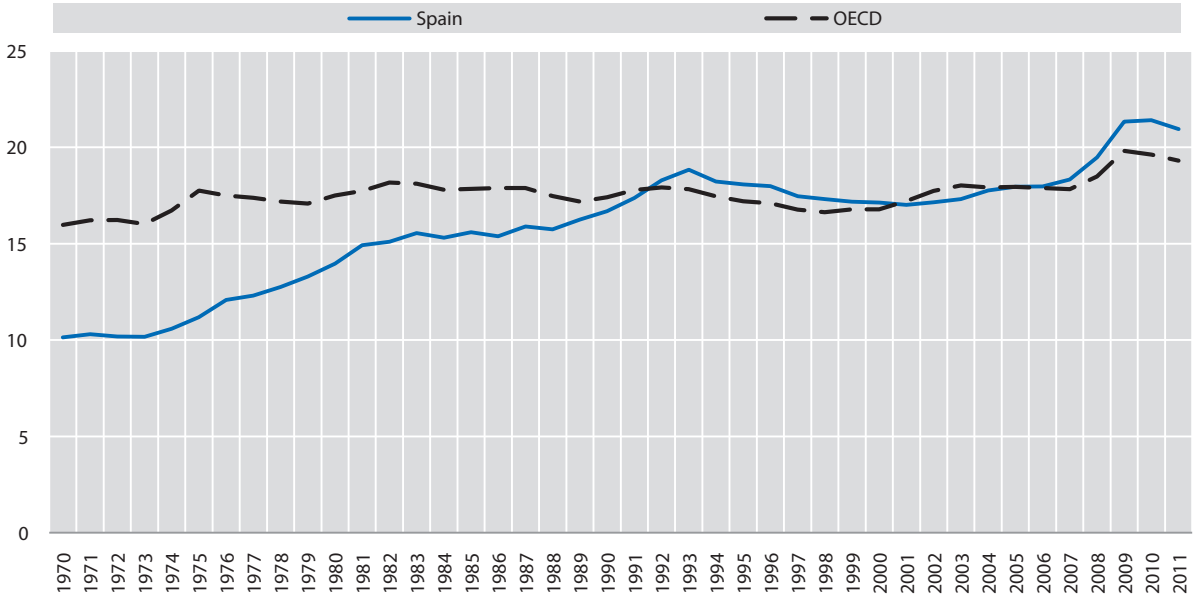
* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The rapid transformation of the Spanish state

Size of the state

The size of the Spanish state compared to EU and OECD standards is not excessive. Spain is among the ten EU countries with the lowest public spending as a percentage of GDP (43.4% in 2012). This contrasts with the EU average (49.9%) and the extent of public spending in other major EU economies such as France (56.6%), Germany (45%), Italy (50.7%) and the United Kingdom (48.5%). Spain has only reached this level of public spending recently. At the time of the Spanish transition to democracy during the late 1970s, the percentage of public expenditure was significantly lower than the OECD average, reflecting a less developed welfare state. The expansion of public spending accelerated in the year prior to the financial crisis, growing from 38.4% of GDP in 2005 to 45.2% in 2011. Fiscal pressures have increased also as a consequence of declining revenues. In 2012, Spain's public revenues as a percentage of GDP were 36.4%, about 10 points below the EU average, exceeding only Ireland (34.6%) and the Slovak Republic (33.1%) (Commission to Reform the Public Administrations, 2013: 12).

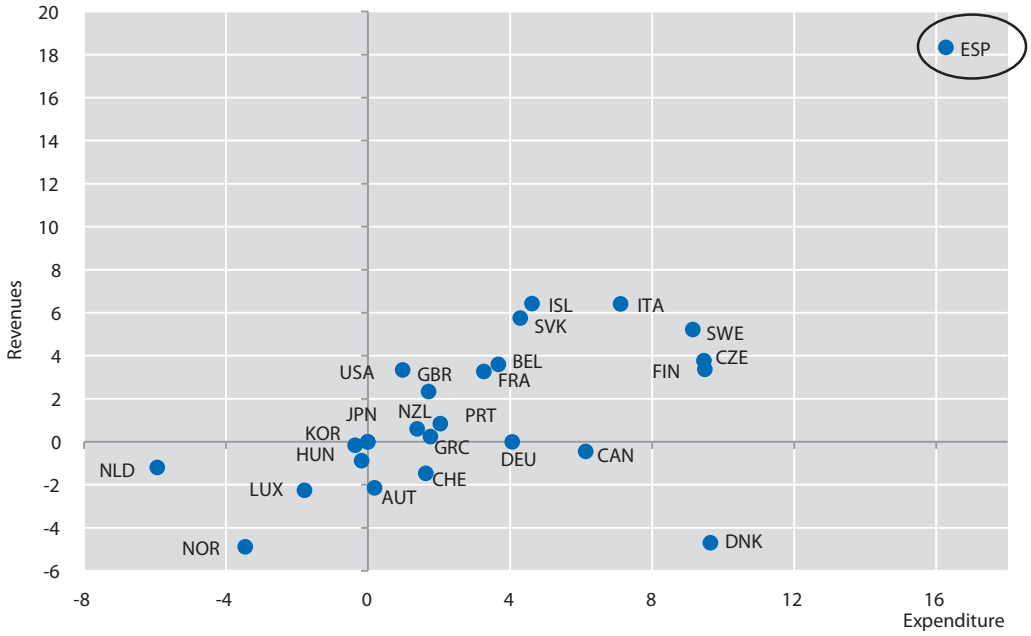
Figure 1.1. **General government final consumption expenditure, 1970-2011**
% of GDP



Source: World Bank, World Development Indicators, World Bank, Washington, DC, http://databank.worldbank.org (accessed on 13 December 2013).

The public sector in Spain has expanded in parallel to the process of decentralisation. Spain is not only one of the most decentralised countries in the OECD, but also the one that has experienced the fastest decentralisation in the last 15 years (Figure 1.2). Currently, nearly half of public expenditure is managed by the territorial administrations (34% by the autonomous communities and 12% by the local entities). Decentralisation was further enhanced by a reform of the autonomical financing system in 2009. This was the result of an extensive negotiation in the context of the reform of the Statutes of Autonomy, which increased the level of self-governing of autonomous governments by transferring new competencies to them. Additionally, the government established the Autonomic Liquidity Fund (*Fondo de Liquidez Autonómica*, FLA), to provide funding to facilitate payments to suppliers.

Figure 1.2. **Change in sub-national revenues and expenditures, 1995-2009**



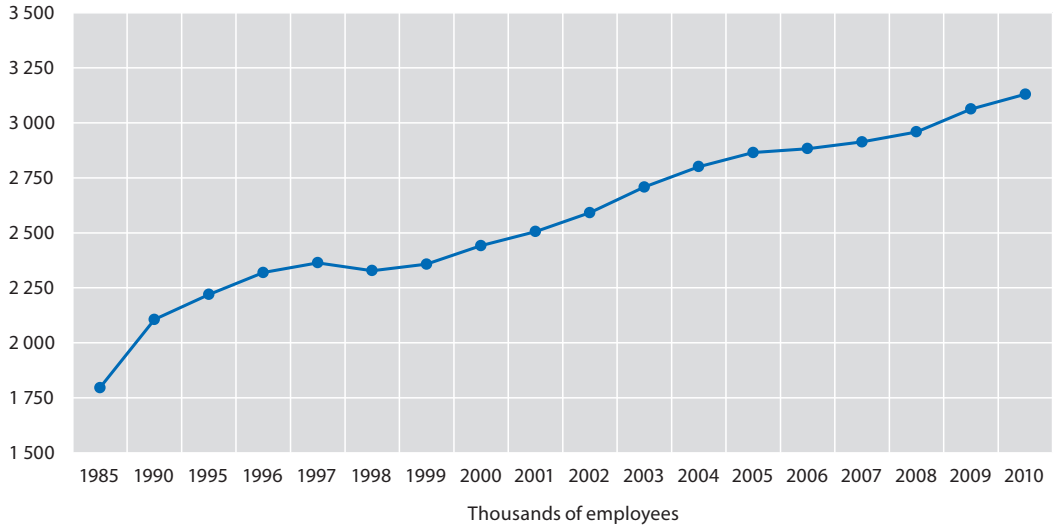
Source: Blöchliger, H. and C. Vammalle (2012), *Reforming Fiscal Federalism and Local Government: Beyond the Zero-Sum Game*, OECD Fiscal Federalism Studies, OECD Publishing, Paris, p. 118, http://dx.doi.org/10.1787/9789264119970-en.

The size of the public sector in Spain is also reflected in public employment. The number of public employees reached 3 220 600 in the third quarter of 2011, which represented 17.7% of total employment in the economy, similar to the OECD average. This was an increase of 288 700 employees relative to the third quarter of 2007. By the first quarter of 2013, however, this expansion had been more than reverted with a reduction of 374 800 employees. The decrease in public employment since the third quarter of 2011 (11.6%) has been much larger than the decrease in private sector employment (7.7%) (Commission to Reform the Public Administrations, 2013: 43).

In terms of its composition, public employment has mirrored the process of decentralisation of the Spanish state. Between 1982 and 2012, the number of employees in the central administration decreased by 74% while those in the autonomous communities (*Comunidades Autónomas*, ACs) was multiplied by 30 and those in the local entities was multiplied by 4 (Commission to Reform the Public Administrations, 2013: 44). Figure 1.4 illustrates the distribution of public employees by level of government as of January 2012.

To sum up, the Spanish administration has grown significantly in the last years. This was the result of the expansion of public services and the development of the welfare state and is reflected in the evolution of public spending and employment. The Spanish public sector is still smaller than the OECD average, especially in financial terms. At the same time, the structure of the public sector changed significantly as a result of decentralisation, as larger amounts of financial and human resources have been channelled to sub-national governments in a period in which the central administration has significantly contracted.

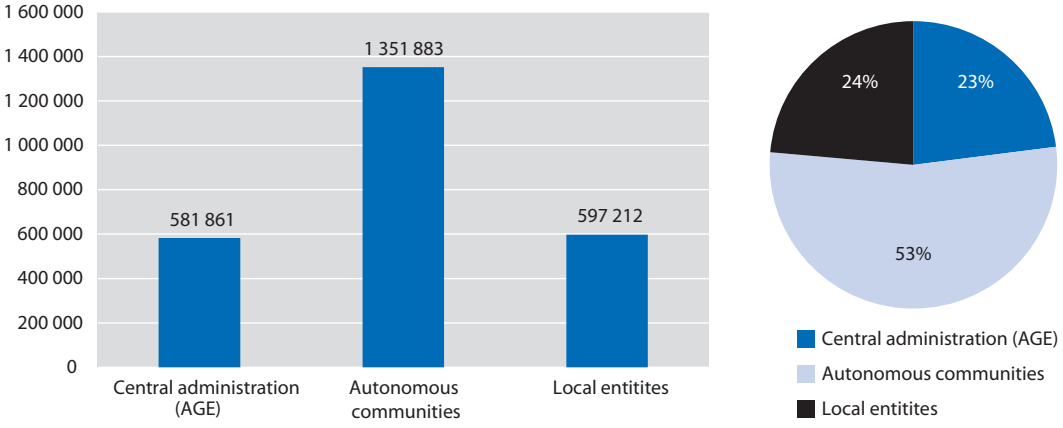
Figure 1.3. **Public sector employment in Spain, 1985-2010**



Notes: 1. Information not available for years 1986-1989. 2. 1985: 1985 or closest available year. 3. 1990: 1990 or closest available year. 4. Public sector employment: general government sector + publicly owned enterprises.

Source: International Labour Organisation, *LABORSTA database*, ILO, http://laborsta.ilo.org/default.html (accessed on 14 December 2013).

Figure 1.4. **Distribution of public employees by level of government**
In total and as a % (as of January 2012)



Source: Commission to Reform the Public Administrations (CORA) (2013), "Informe de la Comisión Para la Reforma de las Administraciones Públicas", Government of Spain, Madrid, p. 45, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

State functions and the welfare state

The Spanish state has been increasing its role in the welfare system and the resources devoted to education, health and social protection have increased over the last two decades. Demographic trends will continue pressing the welfare state institutions in the years to come.

In education, public spending rose from EUR 17 709 million in 1992 to EUR 53 092 in 2009. However, public spending in education as a percent of GDP increased only slightly in the same period, from 4.80% to 5.07%. This was enough to match the average for the EU in 2008, with the additional positive feature of an increasing trend since 2001. The ACs have significantly taken over education spending. While in 1992 they provided 51.69% of public funding for education, in 2009 their contribution represented 86.75% of the total. During the same period, the percentage of public funding by the central administration declined from 39.43% to 4.66%.[1]

Public spending on health has dramatically increased in the last two decades, in total terms, per inhabitant spending and as a percent of GDP. Public spending on health rose from EUR 18 258 million in 1991 to EUR 73 800 million in 2009. However, public spending as a percent of total spending in health decreased from 77.5% in 1991 to 73.6% in 2009, which suggests that part of the demand for health services has spilled over to the private sector. Public spending per inhabitant rose from EUR 468.88 in 1991 to EUR 1 606.81 in 2009. Finally, public spending on health also increased as a percent of GDP, from 5.33% in 1991 to 7.04% in 2009, just below the EU average (7.3%) but with an increasing trend since 2001.[2]

The growth in the Spanish welfare state also touched social protection spending, growing from 20.98% of GDP in 2001 to 25.19% of GDP in 2009. While the latter is still short of the EU average (29.51%), social protection is the sector that accounts for the largest part of the increase in public spending in the last decade. Spending per inhabitant more than doubled in nominal terms, from EUR 1 845.83 in 1991 to EUR 5 746 in 2009.[3]

Table 1.1. **Public spending on education, health and social protection**

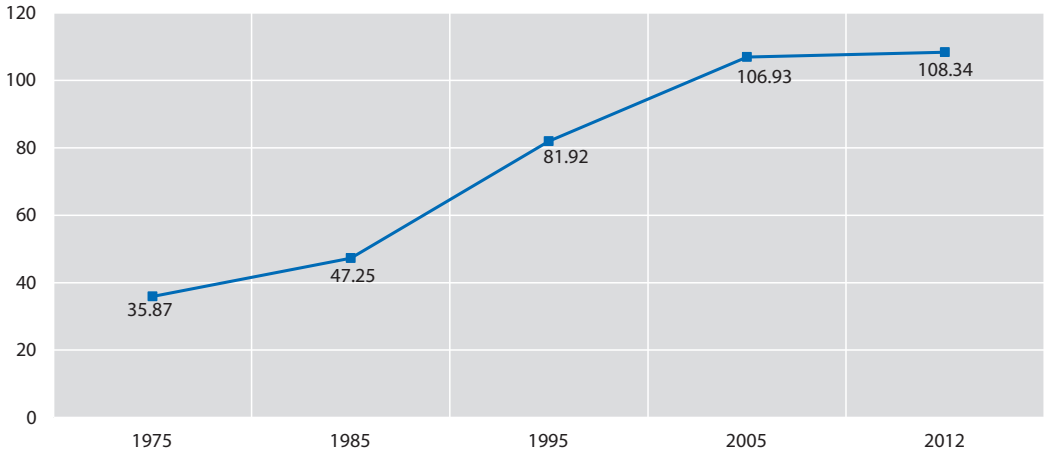
	1991	1995	1998	2001	2004	2009	Unit
Education	17 709[1]	20 609	23 999	29 208	36 961	53 092	EUR millions
	4.8[1]	4.61	4.45	4.29	4.39	5.07	% of GDP
Health	18 258	24 031	28 509	35 079	48 603	73 800	EUR millions
	468.88	610.11	717.71	861.44	1 138.46	1 606.81	EUR per inhabitant
	5.33	5.37	5.28	5.15	5.78	7.04	% of GDP
Social protection	1 845.83	2 454	2 742.74	3 253.09	4 079.32	5 746	EUR per inhabitant
	20.98	21.61	20.19	19.46	20.71	25.19	% of GDP

Notes: 1. Information is not available for 1991. Values for 1992.

Source: National Statistics Institute, www.ine.es (accessed on 8 November 2013).

The current model of welfare provision will need attention in view of the demographic tendency. The Spanish society is ageing; while in 1975 the median age of the population was 33.13 years, by 2012 it had grown to 41.51.[4] This is also reflected in an indicator developed by the INE called the Ageing Index.[5] The Ageing Index has dramatically grown in the last decades, as shown in Figure 1.5.

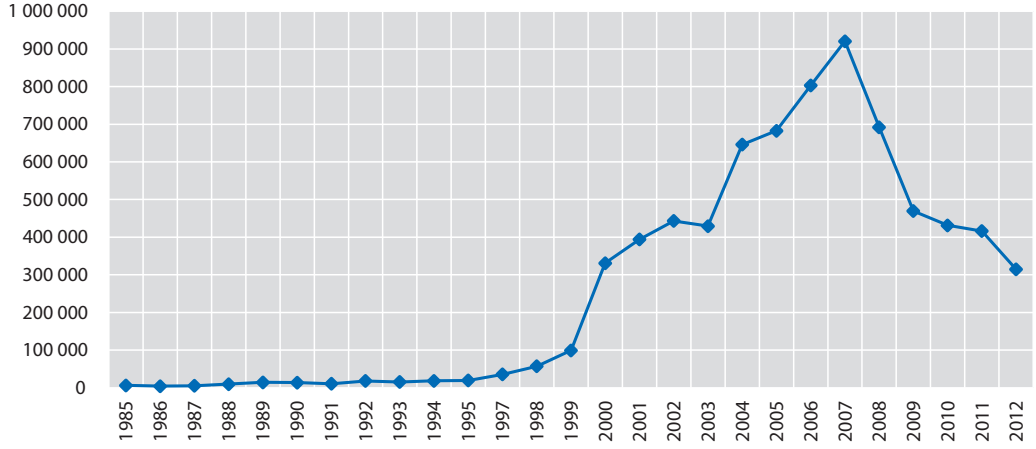
Figure 1.5. **Ageing Index**



Source: National Statistics Institute, www.ine.es (accessed on 14 November 2013).

A second social phenomenon with a profound impact on public services is immigration. Although Spain has been receiving migrants the last few years, the flow has been decreasing (Figure 1.6). Between 1997 and 2007, Spain received around 4.8 million migrants from other countries. In 2007, migration levels reached a peak, when 920 000 people arrived to the country. This situation tested the capacities of the Spanish government to respond to social needs. For instance, in 2008 migrants represented around 15% of total students in upper secondary education in some ACs (Zinovyeva et al., 2013). However, immigration was also a blessing for Social Security, as there were millions of additional, relatively young workers to contribute to it. The economic crisis had a direct impact on migration levels, with the flow of migrants decreasing by 47.5% between 2008 and 2012.

Figure 1.6. **Total inflows of foreign population in Spain, 1985-2012**

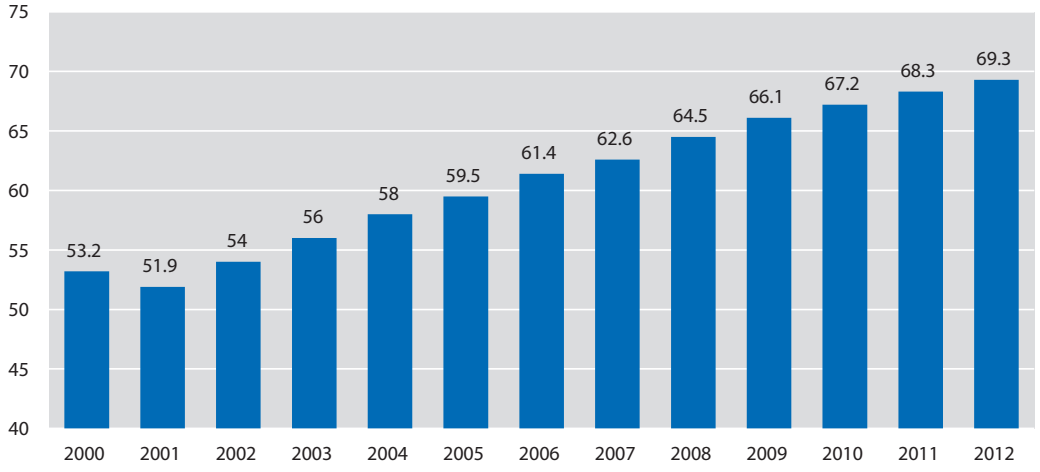


Note: *Data not available for 1996.

Source: 1985-2011: OECD.StatExtracts, http://stats.oecd.org (accessed on 14 December 2013); 2012: National Statistics Institute, www.ine.es (accessed on 14 November 2013).

A third social trend that deserves attention is the massive involvement of Spanish women in the economy and the public sector. Women have increasingly integrated the labour force, particularly during the last decade. In fact, the participation rate for women has continually increased since 2001 (Figure 1.7) and, at 69.3% of the labour force in 2012, compares favourably to the averages of the EU21 (67.1%), EU15 (68.1%) and OECD countries (64.6%).

Figure 1.7. **Labour force participation rate for women**



Source: OECD.StatExtracts, http://stats.oecd.org (accessed on 14 November 2013).

Women have also gained representation in government, not only at the level of public servants, but also at the managerial and political level, where Spain compares favourably to the average in OECD countries. This is true, for example, for parliamentary and ministerial positions (Figures 1.8 and 1.9) (OECD, 2013a: 127).

The state of governance and public administration

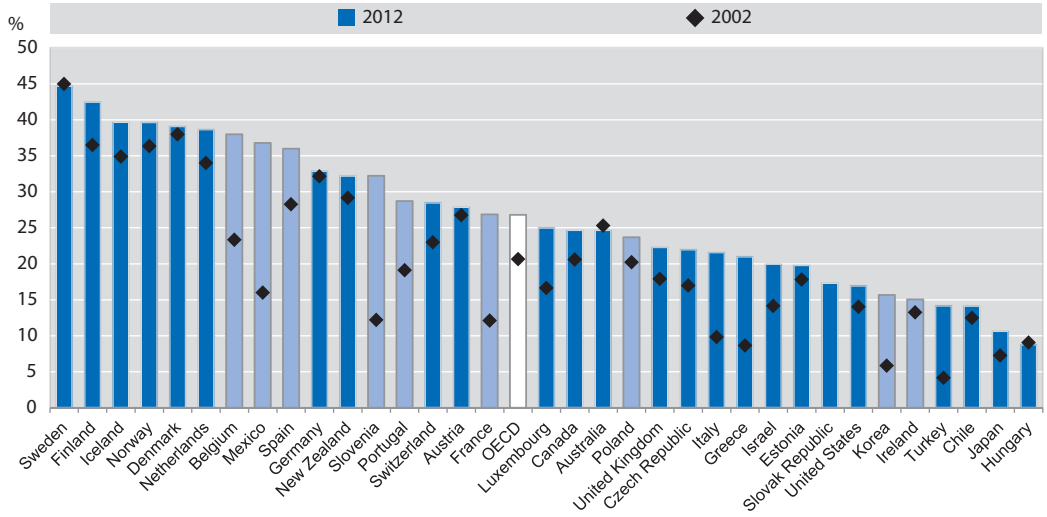
New state built upon administrative tradition

The Spanish Constitution set the basis of the current public administration and configures the relationship between government and administration

The Spanish Constitution (*Constitución Española*, CE) of 1978 defines both the state model and the territorial organisation of public powers. It also frames the organisational model of the public administrations, grounded on the principles of legality, effectiveness, hierarchy, decentralisation, deconcentration and co-ordination, objectivity, efficiency and economy in the execution of public expenditure, and the participation of citizens in public affairs. The enactment of the Constitution triggered a process of transformation of the public administrations to adapt them to the needs of a democratic and politically decentralised regime.

Figure 1.8. **Share of women parliamentarians and legislated gender quotas, 2002 and 2012**

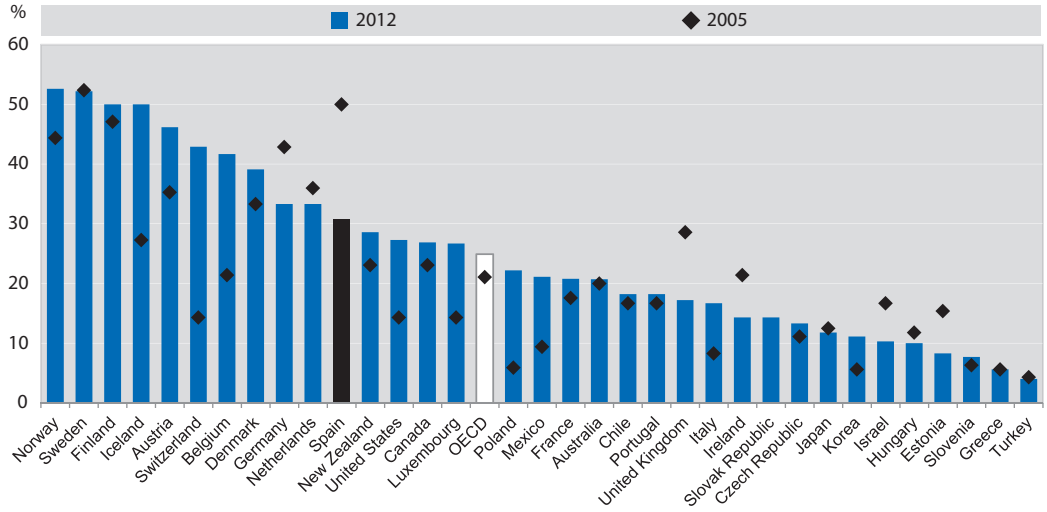
Lower or single house of parliament



Notes: Bars in light blue represent countries with lower or single house parliaments with legislated candidate quotas as of 21 January 2013. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, p. 127, http://dx.doi.org/10.1787/gov_glance-2013-en.

Figure 1.9. **Share of women ministers, 2005 and 2012**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, p. 127, http://dx.doi.org/10.1787/gov_glance-2013-en.

The Constitution treats the government and the public administration differently, giving the government the role of direction and policy orientation, as well as director of the administration, while the public administration is defined as an instrument at the service of the general interest subject to the direction of the government. As a result, the legislator chose to dedicate a law to the government (Law 50/1997) and another to the organisation and functioning of the central administration (Law 6/1997).

The Constitution contains clear guidelines for the administration, which is defined as a different power from government and directly linked to serving the general interest. Its essential feature is its subordination to the law, under the guidance of the government, which runs it and is politically responsible for its actions. Accordingly, the public administration responds to an institutional model strictly built on bureaucratic principles (Article 103 of the Constitution), and its legitimacy comes from its role as executing the law and its direct dependence on the government. These principles apply to all public administrations regardless of the level of government (central, autonomous, local).

The new territorial organisation of government: Breaking with traditional centralism

With the promulgation of the Spanish Constitution, the political-administrative system underwent the most important transformation in its recent history: the creation of the 17 ACs, each of them with its own political bodies and a different administration. At the political level, this meant the establishment of a quasi-federal system, while at the administrative level this meant establishing new actors and processes for decision making, as well as new lines of communication with citizens for the delivery of public goods and services. Prior to the 1978 Constitution, Spain was one of the most centralised countries in Europe, while nowadays it is one of the most decentralised in resources and political powers assigned to subnational governments.

The Constitution established two optative levels of autonomy for territories: one reduced, but easily accessible (known as "*via lenta*" – slow track), as an intermediate step to reach the maximum level after five years; and one in which from the outset the maximum possible autonomy was obtained ("*via rápida*" – fast track). The so-called "historical regions" (Catalonia, the Basque Country and Galicia), as well as Andalucía, opted for the highest level of autonomy, while most of the ACs obtained a reduced level of autonomy. Catalonia, Basque Country, Galicia and Andalucía conducted referenda for the approval of the Statutes of Autonomy.[6] All ACs were set up between the late 1970s and the early 1980s.

By the early 1990s, it became evident that the "*via lenta*" ACs had failed to reach full autonomy and that the constitutionally intended uniformity had not been achieved. An "Autonomous Pact" between the main political parties was then agreed to make the central government transfer competencies and statutory modifications so as to conclude the autonomic process by the end of that decade. Since then, all ACs have more or less the same fundamental responsibilities, and their political institutions (parliaments, governments and presidents) have similar functions, although some differences and peculiarities remain (for example, concerning linguistic regulations in ACs with specific languages; or civil law, which for historical reasons is also specific in some territories).

The "Autonomous State" configuration has undoubted advantages, since it implies an administration that is closer to citizens, which, combined with the principle of solidarity in the Constitution, provides citizens with access to essential public services under conditions of equality across the whole territory. However, the constitutional system is particularly complex in the attribution of competencies, and most policy areas are a shared responsibility of two

or more administrations, which weakens accountability and encourages duplications. The so-called principle of "one administration, one competence" which guides decentralisation in other countries is not included in the Spanish constitutional system.

The distribution between different levels of government is defined by the Constitution through open-ended clauses; that is, competences that can optionally be assumed by the AC or be shared with other levels of government. While this may have generated some heterogeneity and indetermination in the competences assumed by the ACs, this is a problem common for many federal or decentralised countries. In the case of justice, for instance, while the Constitution centralises its administration in the central government, in practice, the central government has transferred relevant aspects of its management to several ACs, such as the provision of human, economic and material resources. These transfers have been done gradually, sometimes incompletely, resulting in a heterogeneous competence map. Some experts and stakeholders have asked for this uneven distribution to be reconsidered, given the existing doubts that it contributes to a more efficient administration of justice.

Decentralisation caused very fast growth of both spending and public employment in sub-national administrations, and was not always accompanied by an equivalent reduction in the central government. In building their administrations, many regional governments replicated the model of the central government, generating inefficient structures. At the same time, the process of construction and consolidation of the regional administration meant an immense institutional effort, possibly shifting attention away from other administrative reforms, like those aimed at developing a more performance-oriented management, which were common in OECD countries during the same period.

The Spanish political structure, the growth in public resources, the continuous process of transferring competences to the ACs and the great autonomy enjoyed by them resulted in a remarkable proliferation of public institutions. Some of these were conventional entities, like ombudspersons or internal auditors, but many others were unconventional, like foundations and public enterprises. As outlined below, the latter phenomenon was also experienced in the central government, which some observers link to "exit strategies" from the rigid administrative regime of public administration. The rationalisation of these structures has become a main focus of fiscal consolidation and administrative reform itself.

The fiscal crisis and the social perception about the excessive cost of the decentralised model put the Spanish autonomic state model at the centre of political debate. However, citizens are still in favour of decentralisation: the advantage of having a public management closer to the citizens is identified as an advantage by 43.5% of the Spanish population. In addition, 31.6% prefer the current autonomic model, while less than 13.5% of population would prefer a model with a higher or lower level of autonomy. In contrast, only the 23.1% of Spanish population would prefer a highly centralised public management model and the dissolution of the autonomic model (CIS, 2012). These favourable views, however, should not exempt administrative reforms from reaching the regional and local level. Horizontal and vertical co-ordination are crucial to underpin the ACs' financial and administrative efficiency, increasing social trust and reinforcing the Spanish state as a whole (CIS, 2012).

Moving from legalistic tradition to a managerial administration

Spain inherited a strong Napoleonic administrative tradition, where administrative laws are set up to regulate the public activities and the relations between the administration and the citizens. Many studies have noted that the overriding incentive of complying with regulations hinders a real culture of assessment or performance evaluation in the Spanish public administration. Some attempts were made to modify this situation in the recent past,

like for example Law 28/2006 on the creation of state agencies to improve public services.[7] In addition to providing more administrative autonomy, this law was aimed at allowing citizens to clearly visualise the goals and results of public entities and hold their managers accountable. The law also aimed at promoting a culture of evaluation, based on the fulfillment of clear and measurable objectives oriented towards the provision of quality public services. This included the creation of the Agency to Evaluate Public Policies and the Quality of Public Services (*Agencia Estatal de Evaluación de las Políticas Públicas y la Calidad de los Servicios*, AEVAL), with the aim of measuring and evaluating the final impact of public policies and services. However, lack of implementation of several of these initiatives, the limited culture of evaluation, a heavy operational design and resistance to change severely curtailed the impact of the law and the work of the AEVAL.

Responding to the same administrative tradition, challenges to public management tend to be addressed in Spain through the enactment of laws and regulations. However, such regulations do not always influence management as expected and managers do not necessarily exercise all their potential powers as envisaged by legislators.

As it will be further developed in this review, the government of Spain should put greater emphasis on the incentive structure facing managers and public servants and should reinforce evaluation as a source of feedback to generate a climate of continuous improvement at all levels of the Spanish public administration. The new culture of transparency and management of information provides an extraordinary opportunity in this direction.

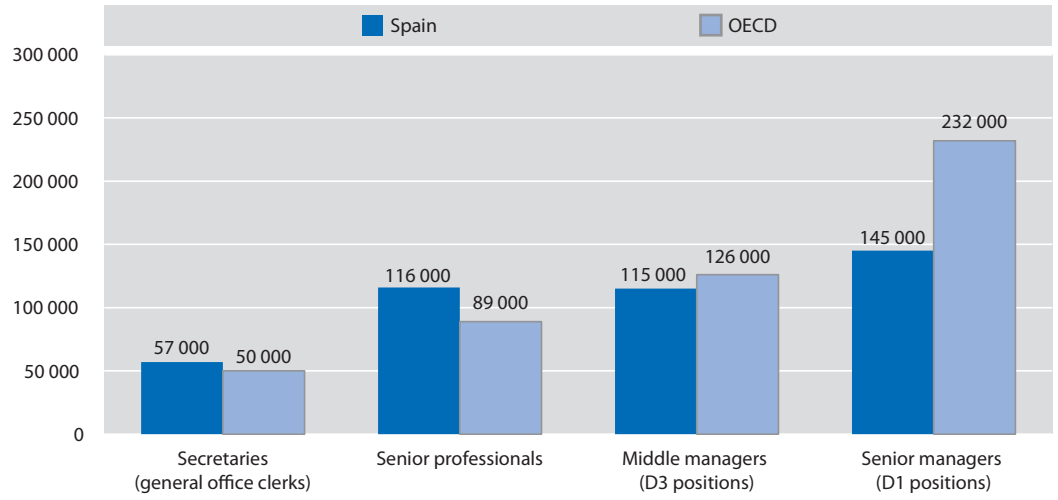
Professionalisation of public administration

Over the years, there has been a trend towards the professionalisation of senior management levels of the central government as a guarantee of efficiency, impartiality and neutrality of the administration in Spain. However, since the enactment of Law 6/1997, secretaries of state and secretary-generals are appointed without major selection requirements; the remaining officials with managerial responsibility, such as under-secretaries and director-generals, have to be selected from the pool of A-grade officials. While these appointments are based on political confidence, the professional capacity is a condition *sine qua non.* The principles of selection on the basis of merit and performance established in the civil service regulations apply in full to positions below director-general level. All of the latter have professional responsibility and are personally accountable for their performance and remain subject to monitoring and evaluation by the corresponding line manager.

Public servants can hold political responsibility or become members of parliament, with a guarantee to return to their previous position in the public administration. This makes the limits between politics and administration less clear-cut. On the other hand, since public officials are the main source of policy advice, the influence of the bureaucracy of the government is high. At the same time, mobility between the public and the private sector is not very high in comparison with other OECD countries, which could imply a very endogamic administrative culture.

It is important to note that according to OECD data, the compensation of senior positions in the Spanish public administration is considerably lower than the OECD average, as shown in Figure 1.10.

Figure 1.10. **Annual compensation across central government positions, 2011**
USD PPP



Source: OECD (2012), Survey on Compensation of Employees in Central/Federal Governments, OECD, Paris.

Stability and change: Reform capacity in Spain

Public administration in Spain experienced some important changes in the 20 years prior to the current reforms. These reforms were fostered to a large extent by Spain's integration into Europe. This section will review some of those reforms, including the convergence process to the Economic and Monetary Union (EMU), the progressive reinforcement of budgetary stability necessary to meet the requirements of the Stability and Growth Pact, and the Basic Statute of the Public Employee (EBEP) of 2007. Lessons from past reforms are undoubtedly an important source of inspiration when planning and implementing new reforms.

Convergence to the EMU

The economic crisis of the first half of the 1990s hardened Spain's economic convergence to the EMU. In 1993, economic growth was -1% and inflation was 5%. During this period there were major increases in public spending, resulting in a significant budgetary deficit, which in 1995 reached 7% of GDP. In this context, an urgent and far-reaching economic and fiscal reform was needed.

The reform process was aimed at ensuring compliance with the nominal convergence criteria laid down in the Maastricht Treaty. Hence, several political and fiscal adjustments were carried out including, among others, the modernisation and privatisation of stateowned enterprises and a reorganisation of the Social Security system, all with the objective of reducing the public deficit and debt.

By 1996, meeting the requirements to be part of the European integration process became an absolute priority. Even without absolute majority in parliament, the government gained enough political support to carry out the required reforms. This made possible the reinforcement of monetary stability, the elimination of uncertainty and risk premium of interest rates, the elimination of transaction costs arising from exchange rates on European transactions and an increased transparency in price formation.

In this context, Spain, as well as other European countries, changed its budgetary policies, prioritising consolidation and fiscal discipline. A Budget Office reporting to the President of the government was established in 1996, with the aim of better monitoring the public accounts to meet the convergence criteria. The subsequent reduction of the deficit in Spain (six points of GDP from 1995 to 1999, twice that of the average in the euro area), along with a climate of economic recovery and lower interest rates, allowed a sustained decrease in the debt/GDP ratio from 1997.

The budgetary adjustment was led by a reduction of public spending, complemented by a moderate revenue increase. Between 1995 and 1999, expenditure fell from 44.4% to 39.9% of GDP, while revenues increased from 37.2% to 38.7% of GDP. Among the expenses, the reduction affected both current expenditure and investment. The reduction in the cost of public debt service was especially important, falling from 5.1% to 3.5% of GDP. This was favoured by the expectation of the single currency, which eliminated the risk of exchange rate among the member countries and reduced the debt interest rates. Public wages also moderated their weight in GDP, mainly as a result of the wage freezes of 1994 and 1997.

On the revenue side, in-depth reform on personal income tax entered into force in January 1999,[8] contributing to promote economic activity and employment through a new simplified structure of taxation. It should also be noted that part of the growth in public revenues came from indirect taxes, mainly as a result of the increase of the value added tax (VAT) rate and the beginning of the real estate boom. Law 24/1997 contributed to the consolidation and rationalisation of Social Security,[9] separating the sources of funding for the central government and Social Security system, reinforcing the contribution system and its proportionality. As a result, social benefits reduced their weight in GDP and the Social Security system recorded a surplus from 1999.

The restructuring and subsequent sale of state-owned enterprises, which previously enjoyed dominant positions in key industries, and the introduction of competition, produced efficiency improvements and increased investment opportunities. The privatisation process, which affected major state-owned companies such as Telefónica, Endesa, Repsol or Argentaria, had the double objective of contributing to the promotion of the market economy and reallocating resources in a framework of competition. Proceeds from privatisation reached more than EUR 12 billion per year in 1996 and 1997,[10] more than 2.5% of GDP, and resulted in a dramatic reduction of the presence of the public sector in a number of sectors.

The government conducted an extensive consultation and dissemination process to support these reforms. For example, an agreement on the consolidation and rationalisation of the Social Security system was signed by the government and the trade unions (*Comisiones Obreras* and *Unión General de Trabajadores*). The fact that different groups contributed to the reform programme made it easier to implement. Similarly, the reform of the personal income tax was based on a report prepared by a commission of experts, which proposed a new simplified tax structure, in order to contribute to stimulate economic activity and job creation. Awareness-raising campaigns underlined the need and the benefits of the Spanish convergence, showing citizens the positive effect in external trade or the transparency gains in price formation. This was further supported by substantial inflows from EU Structural Funds. For a long period, Spain remained a net recipient of European funds, at a level close to 1% of GDP per year.

The reforms attracted the interest and support of Spanish citizens. A survey of the Centre for Social Research (*Centro de Investigaciones Sociológicas*, CIS) in 1997 on the European integration process[11] indicated that more than 50% of the people believed that Spain's membership to the EU was beneficial, compared to only 18% who considered it negative. In

addition, 37% believed that the adherence to the euro would be beneficial to the interests of the Spanish people while only 23% considered it negative.

Once Spain fulfilled the requirements to become member of the EMU, interest rates fell and exchange rates stabilised, creating good incentives for productive investment and the expansion of aggregate demand. The fiscal deficit and public debt fell from 7.2% and 69.3% in 1995 to 0.9% and 66.5% in 2000 (Figure 1.11).

While the economic circumstances of the late 1990s are very different from the crisis environment that has engulfed most OECD countries since 2008, the effort at combining fiscal austerity with structural reforms, and its capacity to create a virtuous circle of credible policies and confidence in the Spanish economy, with a sizeable reduction in risk premia, set a good example to follow today.

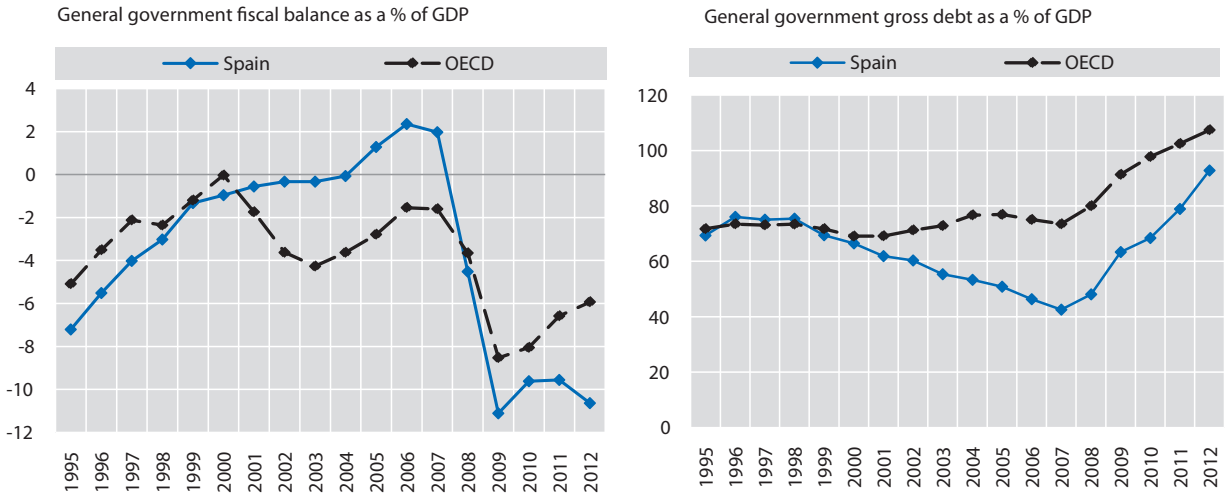
Promoting fiscal stability

Budget stability was first incorporated into the Spanish legal system in 2001 with the publication of Law 18/2001 on Budgetary Stability and Organic Law 5/2001. Law 18/2001 aimed to ensure the budgetary sustainability through the establishment of fiscal rules to discipline the political decision-making process, to improve the expectations of economic agents and to incentivise a more efficient allocation of public resources. The law was in line with the principles of the Stability and Growth Pact of the European Union that set limits on government deficits and public debt of the EMU members. Organic Law 5/2001 also attempted to establish mechanisms of budgetary coordination between the central government and the ACs. The main aspects of the law were the establishment of the so-called "zero-deficit rule" for the general government and an annual limit to non-financial expenditure, applicable only to the central government.

In 2006, Law 15/2006 and Organic Law 3/2006 reformed the budget stability framework, with the purpose of making the fiscal rules more flexible in relation to the economic environment, increasing the room for manoeuvre of the fiscal policy to compensate the economic cycle, and to increase the engagement of the ACs. The latter responded to the political tensions raised by the implementation of the 2001 fiscal rule, which included appeals to the Constitutional Court. As several ACs did not weigh in the reform, the 2001 rules failed to gain the necessary support, watering its overall effectiveness.

Over the last few years, fiscal consolidation has been an overwhelming concern in Spain. Between 2007 and 2009, the headline financial balance of the general government seriously deteriorated by nearly 13 percentage points of GDP – the worst in the OECD area after Iceland and Ireland – and gross public debt started an upward spiral that is not expected to level out until 2015-16 (Figure 1.11). Fiscal deterioration was the result of a number of reasons, including underlying spending pressures prior to the crisis, an initial strong expansionary fiscal response, a deeper than expected economic contraction, the burst of the housing bubble, lack of restraint in some sub-national governments, the fiscal cost of supporting the financial sector, and mounting costs of refinancing debt. According to IMF estimates, the last two factors explain as much as a third in the increase of debttoGDP ratio of Spain between 2007 and 2013.

Figure 1.11. **Fiscal balances and gross debt of the general government in Spain, 1995-2012**
% of GDP



Note: Data for fiscal balance corresponds to the OECD's government net lending definition. Gross debt data corresponds to general government gross financial liabilities.

Source: OECD (2013), "OECD Economic Outlook No. 94", *OECD Economic Outlook: Statistics and Projections* (database), http://dx.doi.org/10.1787/data-00676-en.

The pressure coming from the financial markets together with the increased country risk premium put the Spanish public finances under stress, fostering the fiscal discipline as a central objective of the economic policy, aiming at restoring the confidence of financial markets, abating borrowing costs and ensuring long-term sustainability. To this end, the government has agreed to a medium-term budgetary stability programme with the European Union and has moved fast to implement the 2012 European Treaty on Stability, Co-ordination and Governance through a number of institutional reforms.

The current fiscal targets stipulate that Spain should achieve a 6.5% of GDP deficit in 2013, 5.8% of GDP in 2014, 4.2% of GDP in 2015 and ultimately 2.8% of GDP in 2016 (Table 1.2).[12] Such targets should stabilise public debt at around 100% of GDP by the end of the period. To this end, the Spanish government has adopted a number of measures, some of which date back to 2010 but that have been significantly extended and intensified by the current administration since it took over in late 2011. One-third of the cumulative 2010-15 consolidation is expected from tax increases while the remaining twothirds are expected to come from spending cuts in the national government and further restraint from subnational governments (Figure 1.12). This is very much in line with the composition of fiscal consolidation plans in other OECD countries (OECD, 2012c).

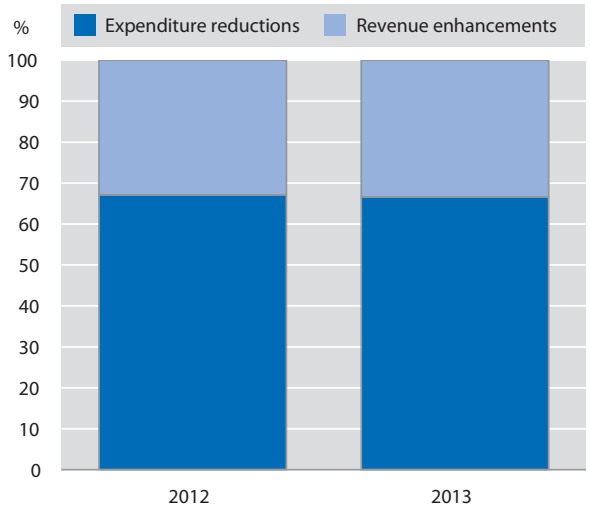
Table 1.2. **General government balance 2012 and targets 2013-16**

	2012	2013	2014	2015	2016
Central government	-4.2	-3.8	-3.7	-2.9	-2.1
Autonomous communities	-1.8	-1.3	-1	-0.7	-0.2
Local corporations	0.2	0	0	0	0
Social Security	-1	-1.4	-1.1	-0.6	-0.5
Total	-6.8	-6.5	-5.8	-4.2	-2.8

Note: Not including deficits' one-off impact from financial system restructuring operations.

Source: Based on information of the Spanish Ministry of Finance (MINHAP).

Figure 1.12. **Fiscal consolidation composition**



Note: The composition of consolidation is expenditure reductions and revenue enhancements in the actual year (cumulative, total 100%).

Source: OECD (2012), "OECD Fiscal Consolidation Survey 2012", OECD, Paris; Ministry of Finance (2012), "Stability Programme 2012", Madrid; OECD (2011), "Restoring Public Finances: Fiscal Consolidation in OECD Countries", *OECD Journal on Budgeting*, Vol. 11/2, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v11-2-en.

Tax measures include an increase in VAT, income tax, saving tax and property tax; spending cuts include a 10% replacement ratio of retiring staff in 2011 and 0% in 2012, both with exceptions, a salary freeze in general government and the suspension of special seasonal pay for employees at different levels of administration, measures to streamline health spending and parametric pension reforms, among others. Regional and local governments have been subject to strict nominal balance targets and have applied their own consolidation measures. Some preliminary results of these efforts include a reduction of 374 800 public employees across all levels of government since the third quarter of 2011, as well as a reduction in public investment that is planned to abate a further 10% in 2014. The OECD estimates that under current plans, primary spending by the general government will fall from 44.9% of GDP in 2009 to 39.3% of GDP in 2014, with an improvement in the cyclically adjusted balance from -9.7% of GDP to -1.8% of GDP in the same period. As Table 1.2 shows, all levels of government are contributing to these results.

The path to the reform of the fiscal framework was led by a constitutional reform adopted in 2011 that introduced a structural balance target for the whole general government. This was followed by an Organic Law on Budgetary Stability and Financial Sustainability (*Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera*) passed in 2012 (Box 1.1).[13] This law applies to all government levels and includes: *i)* a debt limit at 60% of GDP for the general government; *ii)* a structural balance target for the general government; *iii)* a balanced nominal budget for local governments; *iv)* a priority for servicing of public debt above other expenses; *v)* requirements to harmonise fiscal accounting and regular financial reporting for all public entities; *vi)* mechanisms to enforce compliance with the fiscal targets on subnational governments.

Box 1.1. **New budgetary rules apply from 2012**

In April 2012, legislation came into force requiring a structural fiscal balance and limiting public debt to 60% of GDP from 2020 onwards. It also limits government spending growth to nominal national medium-term GDP growth at each level of government with immediate effect. A higher structural deficit of up to 0.4% of GDP would be allowed when structural reforms with a positive medium-term impact on the budget are implemented. The regional governments and the central government may also record a temporarily higher deficit in specific situations. By 2020, general government debt must be reduced by at least 2 percentage points of GDP per year if annual real GDP growth or net employment growth reach at least 2%, until debt falls to 60% of GDP. The general government structural deficit has to be reduced by an average of 0.8% of GDP per year, to which the central and regional governments contribute. Any administration exceeding these ceilings will be banned from issuing further net debt. The law puts stronger requirements on reporting. Budgets must be presented in national accounts terms. Budgetary outcomes have to be presented on a monthly basis by the regions and on a quarterly basis by municipalities. If the central government detects risks of non-compliance it can issue an early warning, after which the administration concerned has one month to take action. If actions taken are deemed insufficient, the central government can intervene by, for example, withdrawing the authorisation for the administration concerned to issue debt or intervening in discretionary spending and revenue decisions.

If an annual target is not met, a plan has to be developed to correct the deviation within one year. If that plan is not met, a sanction regime applies. The administration breaching the target will not have access to additional credit and will have to deposit 0.2% of its nominal GDP at the Bank of Spain. These funds can only be withdrawn once corrective measures are implemented. If this is not done within three months, the administration will have to pay interest on the deposit and after another three months it becomes a fine. Higher ranking levels of government may not assume the commitments of lower ranking ones.

Source: OECD (2012), *OECD Economic Surveys: Spain, November 2012 Overview*, OECD Publishing, Paris, www.oecd.org/eco/surveys/SPAIN2012OverviewFV.pdf.

The implementation of the co-ordination, supervision and enforcement of fiscal commitments of sub-national governments under the organic law is the responsibility of the Fiscal and Financial Policy Council of the Autonomous Communities (*Consejo de Política Fiscal y Financiera de las AC*s) and the National Commission on Local Administration (*Comisión Nacional de Administración Local*). This has contributed not only to the attainment of aggregate fiscal targets but also to a noticeable improvement in the quality of national accounts as well as in the frequency and transparency of budget execution data. Thanks to this, budget execution data are now published on a monthly basis in terms of national accounting, consolidated at the level of the central administration, Social Security and autonomous communities.

The organic law is expected to be complemented by the creation of the new Independent Authority on Fiscal Responsibility (*Autoridad Independiente de Responsabilidad Fiscal*, AIRF), which will assess the budgeting policies at all government levels. This authority was planned to operate from early 2014 and will report on: *i)* the macroeconomic framework of the budget and the stability programme; *ii)* the implementation of fiscal policy and potential deviations from stated objectives; *iii)* the fiscal consolidation plans of the central government and autonomous communities; *iv)* the budgets of public administrations; *v)* the operation of the correction mechanisms established in the organic law and the concurrence of the exceptional circumstances foreseen in that same law. To this end, the AIRF will have administrative

autonomy and its president will be appointed by the Council of Ministers, after approval by parliament, for a six-year term.

The progress made by Spain in restoring public finances and building fiscal institutions in the last few years is particularly remarkable in the light of previous trends in public finances. In particular, the ten-year period prior to the crisis was characterised by a systematic growth in public spending and a radical process of fiscal decentralisation that transferred many resources and responsibilities to subnational governments. Between 1995 and 2007, public spending in Spain grew cumulatively 20% in real terms, very much in line with the expansion of GDP. This followed a period of more substantial government expansion from the early 1980s, when Spain built its welfare state.

The Basic Statute of the Public Employee

Law 7/2007 of the Basic Statute of the Public Employee (EBEP) is the main regulatory standard of the different categories of the Spanish civil service. This law replaced and expanded previous legislation, in particular Law 30/1984 of measures for the reform of the public function and the pre-constitutional Civil Service Law of 1964. Therefore, the EBEP came to fill a gap in the legislation for the public service by creating a single normative framework for its management.

The main objectives of this reform were to: *i)* establish a homogeneous model of public service, with a basic framework applicable to all public employees; *ii)* introduce specific regulations for senior civil servants in order to make them accountable for the delivery of the objectives of their organisations; *iii)* homogenise the compensation structure of all administrations, fixing the level of basic compensation and leaving complementary compensations to the discretion of each administration; *iv)* introduce performance assessment, linked to performance incentives.

To this end, a specialised commission was created, which followed a participatory scheme involving representatives of the ACs, local governments, trade unions and other stakeholders. The resulting report took into account all the views and discussions, giving an unbiased analysis of the situation of public employment, its values, strengths and weaknesses. The report was the basis for the elaboration of the bill. The parliamentary debate resulted in more than 300 amendments to the bill, which was finally approved in April 2007. One of the most difficult issues was the scope of the EBEP. After long debates, it was decided to include all staff members working for the public administrations, including temporary workers.

The main lines of action of this statute of public employees included service to citizens and general interest; equality, merit and capacity as principles for recruitment and promotion; gender equality; objectivity, professionalism and impartiality in the service; efficiency in the planning and management of human resources; training and permanent professional qualification of civil servants; transparency; evaluation and accountability; hierarchy in the distribution, management and performance of functions and tasks; collective bargaining and participation; and co-operation between public administrations.

However, due to a lack of implementation of several of these initiatives, the objectives of the reform were partly frustrated. In the case of performance evaluation, for instance, the law provided only a very general framework, stating that public administrations would "establish systems that allow the performance evaluation of its employees, in accordance with the criteria of transparency, objectivity, impartiality and non-discrimination. The [g]overnment will determine the effects of the evaluation on the horizontal career, training and provision of jobs and in the perception of the complementary compensations".[14] This made the statute a minimum common denominator that required further regulations to be effective,

as well as strong managerial decisions and action, supported by political leadership. Many of these regulations were never enacted and political commitment was not present during the process. This experience is a good example of the limitation of legal approaches to public management reforms, where, as legal reform is often needed, the approval of a law is far from being sufficient to have an impact.

To overcome these shortcomings, the government would need to develop specific rules to achieve the objectives of the reform of 2007, in particular to make the civil service more flexible with further functional and geographical mobility, recruitment processes and career development, to create a statute for senior officials and to develop a performance evaluation system for the civil service. Likewise, there is room for improvement in the transparency of the public compensation systems at the different levels of government. In this respect, a step forward in the standardisation of the complementary compensation in public administrations might be studied. The connection between the EBEP and the CORA, as well as the role of human resources management in the process of governance reform will be developed in Chapter 3.

Institutional challenges, growing dissent and citizen disaffection

Equity and heterogeneity of the autonomous state

The relative uniformity of the Spanish autonomous system does not hide the strong structural heterogeneity of the country. The 17 ACs differ significantly in aspects such as GDP, income per capita, migratory flows, population density, territory size, competences or historical profile.

Table 1.3. **Population, unemployment and GDP per capita by autonomous community in Spain**

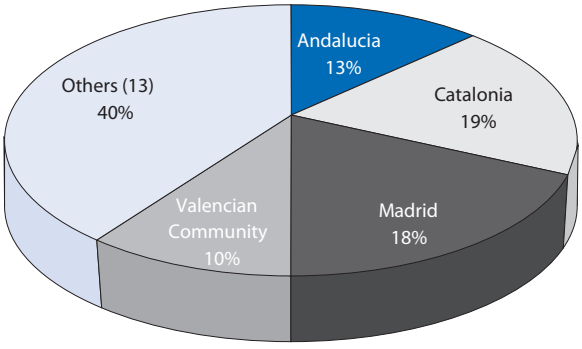
Autonomous community	Population (2012)	Unemployment rate (%, 2013, Q3)	GDP per capita (EUR, 2012)
Andalucia	8 449 985	36.37	16 960
Aragon	1 349 467	20.48	25 540
Asturias	1 077 360	24.18	21 035
Balearic Islands	1 119 439	17.02	24 393
Canary Islands	2 118 344	35.12	19 568
Cantabria	593 681	19.03	22 341
Castile and León	2 546 078	20.94	22 289
Castilla-La Mancha	2 121 188	29.48	17 698
Catalonia	7 570 908	22.84	27 248
Valencia	5 129 266	28.29	19 964
Extremadura	1 108 130	33.24	15 394
Galicia	2 781 498	21.59	20 723
Madrid	6 498 560	20.05	29 385
Murcia	1 474 449	29.01	18 520
Navarre	644 566	18.23	29 071
Basque Country	2 193 093	15.84	30 829
La Rioja	323 609	19.82	25 508

Source: National Statistics Institute, www.ine.es (accessed on 28 November 2013).

In terms of size, four ACs – Andalucía, Madrid, Catalonia and the Valencian Community – concentrate almost 60% of the total GDP and population, in contrast with the 40% of the other 13 ACs (Figures 1.13 and 1.14).

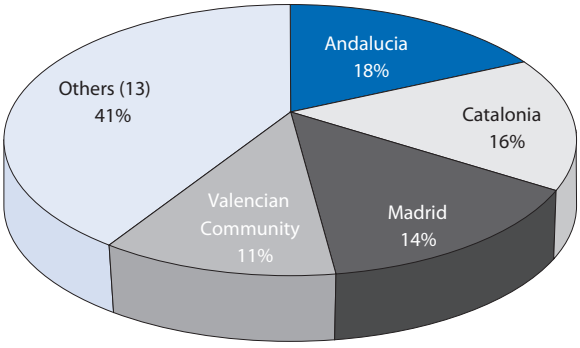
Income per capita, as an indicator of wealth, reveals wide differences between those at the top, like the Basque Country and Madrid, and those at the bottom, like Extremadura and Andalucía. In fact, the AC with the highest income per capita is twice that of the AC with the lowest income per capita (Figure 1.15).

Figure 1.13. **Distribution of GDP by autonomous community in Spain**



Source: National Statistics Institute, www.ine.es (accessed in 2012).

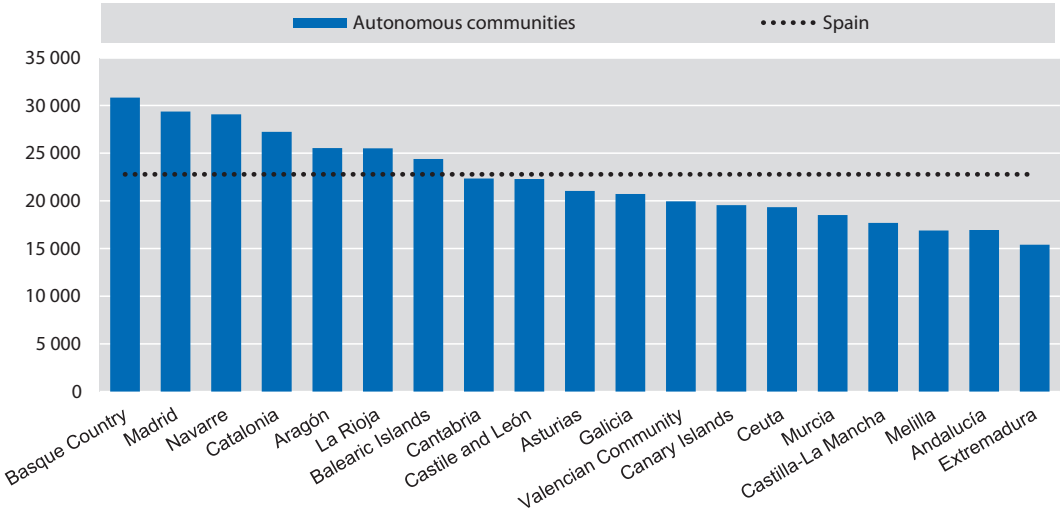
Figure 1.14. **Distribution of population by autonomous community in Spain**



Source: National Statistics Institute, www.ine.es (accessed in 2012).

Figure 1.15. **GDP per capita by autonomous community in Spain**

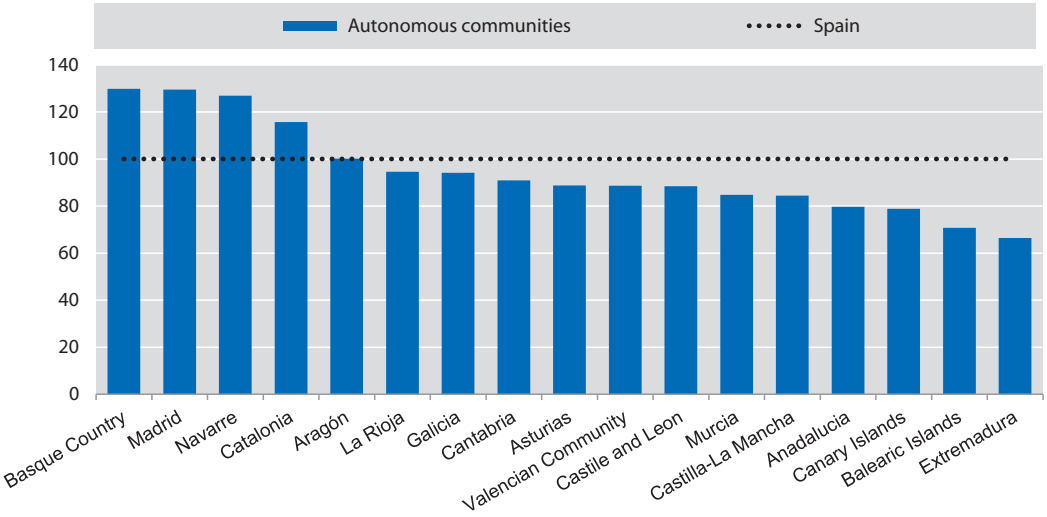
EUR



Source: National Statistics Institute, www.ine.es (accessed in 2012).

This may reflect gaps in regional competitiveness. In 2008, the Regional Competitiveness Index (CEPREDE, 2009) pointed out a 63-point difference between Basque Country (129.8) and Extremadura (66.4). The ACs leading the regional competitiveness ranking were the Basque Country, Madrid, Navarre, Catalonia and Aragón (Figure 1.16).

Figure 1.16. **Regional Competitiveness Index in Spain**



Source: Based on CEPREDE (Centro de Predicción Económica) (2009), "Predicciones, alternativas y riesgos", CEPREDE, Madrid, June, www.ceprede.es/informes/notas_ceprede/Nota%20CEPREDE%202009.10.pdf.

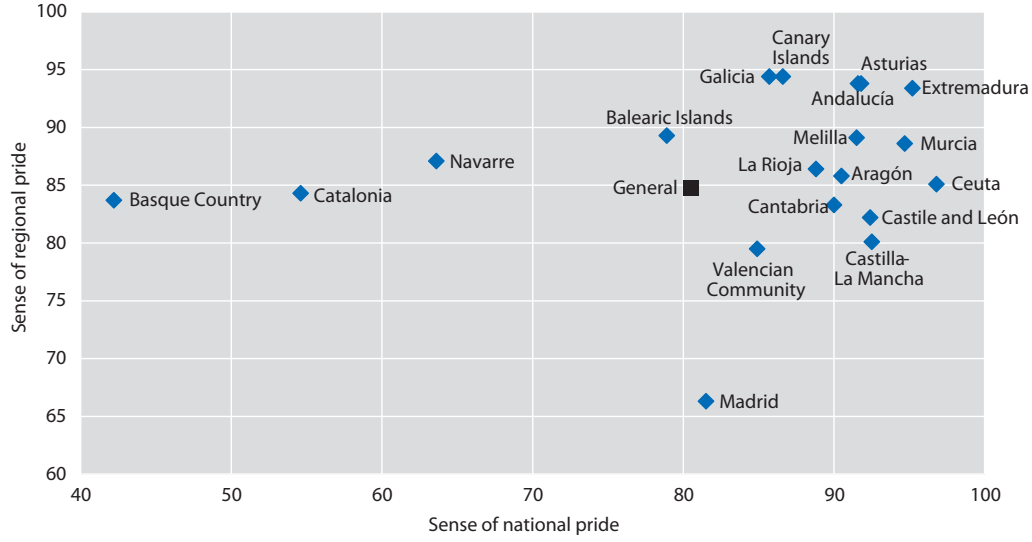
Migration flows had a severe impact on autonomous finances: around 7 million immigrants entered Spain between 1999 and 2009, generating an asymmetric impact among ACs. From a public spending perspective, it had a major impact on health and education and welfare-related

expenses. On the revenue side, the AC financing system that kicked in in 2002 was based on the population of 1999, and it did not acknowledge these changes in population. As a result, the financial structure of the ACs' funding was disassociated from the factors that influenced spending needs. This problem moved many ACs to demand a new funding system, which is in force nowadays and capable of adapting to population fluctuations in a more flexible manner.

A final aspect to consider is the difference in regional identities and past history. In Spain as a whole, regional and national self-identification are commonly not confronted but balanced: 54.1% of the Spanish population has an equal sense of national and regional belonging versus 6.6% and 16.6% being only autonomous community or Spanish selfidentified (CIS, 2013).

The ACs' populations have developed a strong regional pride and identity in parallel with a sense of belonging to the Spanish state as a whole. This is the overall scenario in almost all ACs excluding Catalonia, the Basque Country and Navarre, which show the lowest sense of national pride *vis-à-vis* high levels of regional pride among their population (Figure 1.17). In general, only 42.2% of the Basque population feel proud to be Spanish versus 83.7% feeling proud to be Basque. A similar situation is observed in Catalonia, where sense of national and regional pride are 54.6% and 84.6 respectively (CIS, 2012).

Figure 1.17. **Sense of national and regional pride among autonomous communities' population in Spain**



Note: Figures comprising percentages for "highly proud" and "quite proud" results for questions 19 and 20 of the CIS questionnaire.

Source: OECD based on information from CIS (Centro de Investigaciones Sociologicas), *Barómetro Autonómico III*, Resultados generales, *Estudio nº 2 956*, September-October 2012, General results and results by ACs.

In some cases, strong regional pride has evolved into a regional nationalist sentiment. Catalonia, the Basque Country and Galicia have much stronger identities that lead to nationalist feelings, which are particularly strong in Catalonia and Basque Country where the system of political parties substantially differs from that of the rest of the country. According to the regional barometer of the CIS[15] in 2012, 53.2% of the citizens of Catalonia had a strong Catalan nationalist sentiment compared to 24.5% having a strong Spanish nationalist sentiment. This strong differentiation between territories in terms of national feelings has

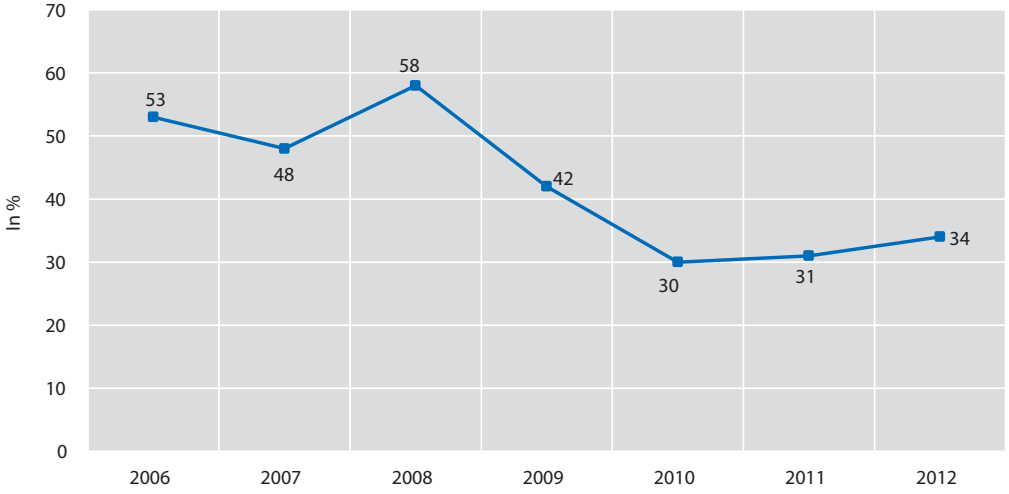
historically jeopardised the consolidation of the institutions of cooperative federalism, based on homogeneity and symmetric distribution of responsibilities.

Trust in government and growing perception of corruption

During the course of the economic crisis, trust in government has significantly deteriorated. In fact, the nearly 20-point decline since 2006-08, to 34%, is one of the worst in the OECD area (Figure 1.18). While this has an evident connection with the deterioration of the economy, the increase in unemployment and cuts in public spending, some additional factors have pushed citizens' trust further down.

Figure 1.18. **Confidence in national government in Spain**

% answering "Yes"



Source: Gallup World Poll.

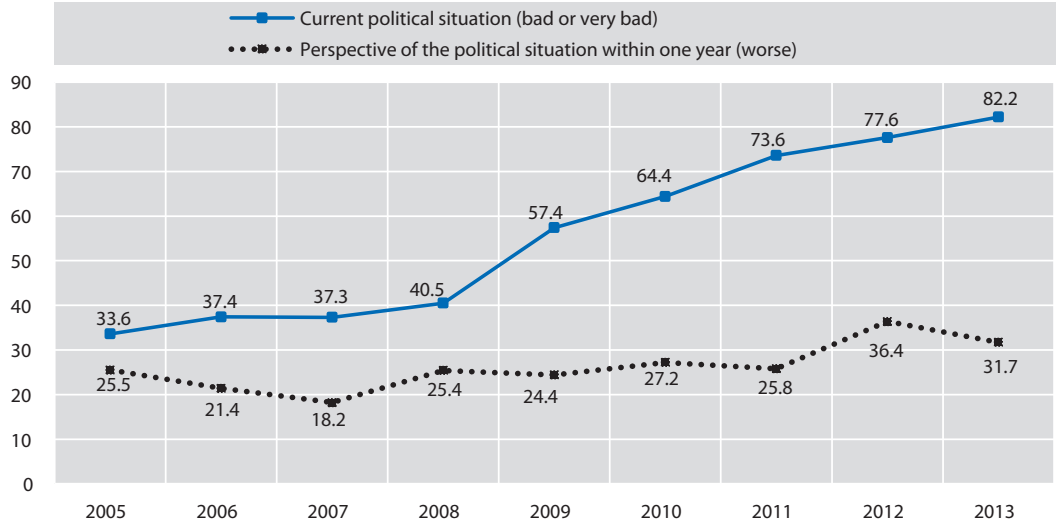
Negative perceptions of the political situation have increased since 2009 (Figure 1.19). Data collected by the CIS shows that there has been a dramatic increase in the percent of the population which considers the political situation as bad or very bad. Likewise, the percentage of people who think the political situation will worsen within the next year has increased as compared to 2005, although the trend was reversed in 2013.

In recent years there has been a considerable increase of citizens' perception of corruption, as illustrated in the surveys conducted periodically by the CIS.[16] In 2013, corruption and fraud were perceived as the second key problem, right after unemployment, whereas years ago, it was ranked seventh or eighth place.

This phenomenon could be partly due to several cases of corruption that have had large media coverage. Such cases have involved elected politicians at all levels of the administration and senior representatives of mayors' political parties. As a consequence, a sizeable part of the public opinion perceives corruption no longer as isolated cases but as a widespread political problem.

Figure 1.19. **Political perceptions of the Spanish population**

Measured in October of every year (in %)



Source: CIS (Centro de Investigaciones Sociológicas), www.cis.es (accessed on 13 November 2013).

The NGO Transparency International (TI) annually publishes a Corruption Perception Index[17] that measures, on a scale from 0 (perception of very corrupt) to 100 (absence of corruption), the levels of perceived corruption in the public sector. In 2012, Spain obtained a score of 65, occupying 30th position in the international ranking of 174 countries. In the scope of the EU 28 member countries, it was ranked 13th. Finally, Spain was ranked 10th of the 18 euro area countries.

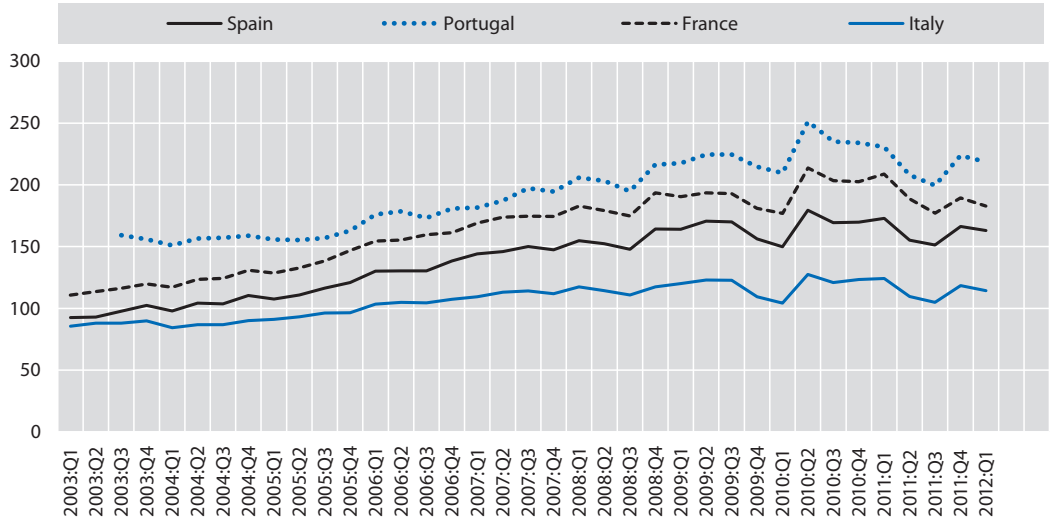
Concerning the ACs, TI periodically carries out evaluations of its transparency (Transparency International España, 2012a), through the Transparency Index. In 2012, a general improvement in transparency was reported, since all the ACs got a valuation of more than 50%. The overall average was 79.9, up from 71.5 in 2010. The two autonomous communities leading the ranking were the Basque Country and La Rioja, whereas Murcia and Castilla-La Mancha obtained the worst results. Regarding municipalities, the Index of Transparency of Councils built by TI for the largest 110 municipalities in Spain (Transparency International España, 2012b) reveals a slight improvement of the transparency level, from 70.2 in 2010 to 70.9 in 2012.

Finally, the identification of politicians and political parties as the third most important problem in the CIS survey[18] is also a matter of concern. There is a growing disaffection among the population towards politicians and their parties, due to the difficulties to solve the economic and social challenges, and their perceived corporatism, as illustrated in a qualitative study carried out by the CIS on political corruption (CIS, 2011) in Spain. It should be noted that a context of severe economic crisis necessarily implies difficulties for governments to meet citizens' expectations. That said, the Spanish government has reacted to these perceptions by advancing initiatives to reform the regime of public employees concerning issues such as conflicts of interest and compensation, strengthening the financial control of political parties and the role of Accounts Tribunals for the fiscal control of political parties and their foundations, and improving government transparency (see section on transparency, policy making and trust in government in Chapter 3).

The economic crisis in Spain

The Spanish economy accumulated major imbalances in the years before the economic crisis. On the one hand, a considerable indebtedness in the private sector, exceeding 150% of GDP from 2007, generated an over-dependence on external funding, as shown in Figure 1.20 (OECD, n.d.). While the debt of households was in line with European standards, business indebtedness was high and concentrated in the construction sector. This reflected a property bubble, revealed in the excessive weight of the residential construction sector in the economy that reached a peak of 9.2% of GDP and 13.6% of employment in 2007. This led to a deterioration of the solvency of the financial sector, due to its exposure to the real estate sector and the over-valuation of its property portfolio in comparison with the decreasing market values.

Figure 1.20. **Gross external debt**
% of GDP



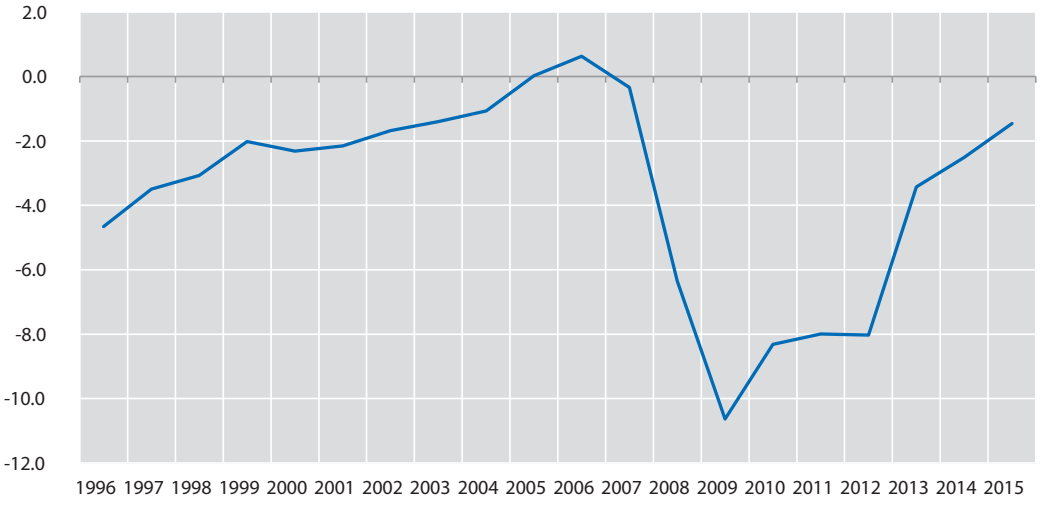
Source: OECD (2012), *OECD Economic Surveys: Spain 2012*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-esp-2012-en.

Historically, Spanish national saving has been insufficient to cover investment, generating an external structural deficit. This reached a historical high of 9.6% of GDP in 2007, fuelled by low funding costs and optimistic growth forecasts.[19] At the same time, however, the economy lost competitiveness, especially in labour-intensive sectors, such as construction and tourism.

Regarding the public sector, it should be noted that during the period of strong economic growth, expenditure expanded on the basis of revenue from the construction sector, putting fiscal sustainability at risk. At the beginning of the crisis, fiscal policy became more expansionary, combining counter-cyclical spending measures with a sharp decline in revenue due to the collapse of the construction sector. As a result, the Spanish general government deficit reached 10.6% of GDP in 2009 (Figure 1.21). The ACs followed a similar path, resulting from significant decreases in their revenues combined with the rigidity of their main expenses, concentrated on health and education. Concerns on the solvency of the ACs led to closing their access to financial markets and an accumulation of payment arrears.

Figure 1.21. **General government surplus (+) or deficit (-)**

% of potential GDP



Source: OECD (2013), "OECD Economic Outlook No. 94", *OECD Economic Outlook: Statistics and Projections* (database), http://dx.doi.org/10.1787/data-00676-en (accessed on 2 March 2014).

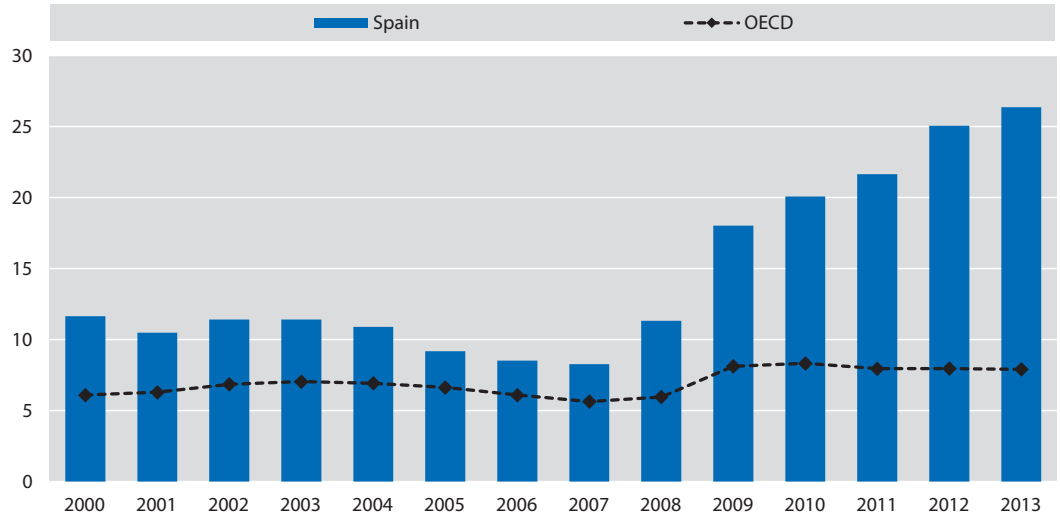
The combination of macroeconomic imbalances and growing risk perceptions led to a contraction of GDP that has extended for nearly five years – with a short break in 2011, a sharp increase in unemployment to more than 25% of the labour force and a deep contraction in domestic demand. By 2013, the output gap against potential GDP reached nearly 10%.

As illustrated by Figure 1.22, the increase in unemployment in Spain has far exceeded the OECD average, fuelled by the excessive rigidity of its labour market. The adjustment was done via quantity, since wages did not begin to fall until 2010. The duality was illustrated by the fact that the number of hours worked per employee increased while unemployment soared.

In response to these challenges, the authorities have responded with a number of measures that have taken a growing structural dimension. Many reforms have been passed in the course of last three years. The full impact of these reforms cannot be entirely grasped yet, but there is no question that the Spanish economy, its institutions and public policies will never look the same as they did as prior to the crisis.

The main challenge for Spain is to make the most of these reforms to increase economic competitiveness, social cohesion, fiscal sustainability and trust. This can be achieved not only by securing full implementation of the reforms, but also by exploiting synergies and filling remaining gaps. Gaining further consistency in the reform agenda will indeed make a difference in terms of the strength with which Spain will emerge from the crisis.

Figure 1.22. **Unemployment rate**
% of total labour force



Source: OECD.StatExtracts, http://stats.oecd.org (accessed on 2 March 2014).

Going institutional: the governance emphasis in the Spanish reform package

Many of the reforms that have been passed in the last few years and those that are still in the making have a distinct impact on public administration. The CORA reforms occupy a very important part of this agenda, but they do not stand alone. As in the case of the broader agenda, there is an opportunity to exploit synergies and fill gaps with the aim of achieving an environment seeking continuous improvement in public administration. While, arguably, the economic crisis did not originate in the public sector, fiscal constraints and the search for a more structural response to the long-lasting problems of the Spanish economy have increased the pressure for bolder responses from the public sector. Public administration reform is also necessary to minimise the social cost of adjustment and to rebuild trust in institutions. This challenge applies both to the central and sub-national governments. The ambition of the institutional reform package clearly exceeds the response to the economic crisis; on the contrary it is inspired by an autonomous dynamics.

The CORA reform was envisaged as a "top-down audit of the administration", to make public administrations more austere, useful and effective, eliminating inefficiencies and duplications across the central government and between levels of government. The reform was built on four core principles: *i)* budget discipline and public transparency; *ii)* public sector rationalisation; *iii)* increased efficiency of the public administration; and *iv)* greater alignment of service provision with the needs of citizens and businesses. The integration of the four CORA sub-commissions allowed all the Spanish ministries to be represented under the leadership of the Under-Secretary of Presidency. The reform was in line with the agreement reached at the Conference of Presidents in 2012, and focused its work in the areas of administrative duplicities, administrative simplification, service delivery and common means, and institutional administration management. The CORA reform is the main focus of this review and is extensively assessed throughout the different chapters, while building links between this reform and the parallel governance reforms. Concerning the simplification of economic regulations, the Law for the Unit of Market, which came into force 11 December 2013, aims to establish the principles and basic rules to guarantee market unity while respecting the regulatory attributions of the autonomous communities (*Comunidades Autónomas*, ACs)

and local entities, generating a pro-competitive environment that favours investment and economies of scale, leading to gains in productivity, employment and growth, as well as benefiting consumers who will have wider access to goods and services.

Regarding fiscal institutions, the Law on Budget Stability of April 2012 established a new set of rules requiring a structural fiscal balance and limiting public debt to 60% of GDP from 2020 onwards. It also limits government spending growth to nominal national medium-term GDP growth at each level of government with immediate effect. To further guarantee compliance with these targets, an Independent Authority on Fiscal Responsibility (*Autoridad Independiente de Responsabilidad Fiscal*, AIRF) was created, starting operation in 2014. This fulfils the commitment to implement a more robust oversight and control system to watch over the achievement of the budget stability, public debt and spending rule objectives, and to provide increased transparency to the fiscal policies of the various public administrations.

On multi-level governance, the implementation of Organic Law 2/2012 of budgetary stability and financial sustainability, was accompanied by additional regulatory developments in the ACs. On the other hand, strict conditions for debt issuance were put in place: regions must have an authorisation for long-term debt issuance from the central government, debt should be devoted to fund capital expenditures, and debt service costs (amortisation and interest payments) should not exceed 25% of annual revenues.

As many ACs had serious problems financing their deficits in the markets, in 2012 the central government adopted two extraordinary instruments to facilitate payment to suppliers: the Royal DecreeLaw 21/2012 of Measures of Public Administrations' Liquidity,[20] and the Autonomic Liquidity Fund (*Fondo de Liquidez Autonómico*, FLA). Overall, EUR 102 billion of liquidity was provided to the sub-national governments in 2012 and 2013 (Ministry of Finance and Public Administrations, 2013a). The resources of the FLA, managed by the Official Credit Institute (*Instituto de Crédito Oficial*, ICO) – the financial agency of the government – were subject to certain conditionalities, such as information requirements to better monitor the financial and fiscal situation of the ACs and strengthened control for those ACs that do not meet their deficit objective or which have high payment delays.

In addition, the Law on Rationalisation and Sustainability of the Local Administration, has the following main objectives: *i)* clarify and simplify the competences of the municipalities to avoid duplications with other levels of government; *ii)* rationalise the structure and organisation of the local administration, looking for efficiency and balanced budgets; *iii)* promote budgetary and financial control over the municipal accounts; and *iv)* favour liberalisation measures to promote private initiatives.

The Law for Transparency, Access to Public Information and Good Governance approved in December 2013, envisages a three-pronged scope of action: *i)* increase and strengthen transparency in public activity by actively publicising obligations for all administrations; *ii)* acknowledge and guarantee access to information, regulated as a right with an ample scope; and *iii)* establish obligations for good governance to which public authorities must adhere.

Finally, the Spanish government is also implementing an ambitious political reform package, referred to as the Democratic Regeneration Plan, which includes several initiatives in three broad policy areas: *i)* the financial and economic activity of political parties; *ii)* the exercise of public office; and *iii)* criminal and procedural measures to combat corruption. The focus on these policy areas aims to improve government's response to corruption by strengthening preventive measures and closing the impunity gap with stronger sanctions.

Notes

1. National Statistics Institute, www.ine.es (consulted on 8 November 2013).
2. National Statistics Institute, www.ine.es (consulted on 8 November 2013).
3. National Statistics Institute, www.ine.es (consulted on 8 November 2013).
4. National Statistics Institute, www.ine.es (consulted on 14 November 2013).
5. The Ageing Index is the population over 64 years old as a percentage of the population younger than 16 years old by 1 January of year t.
6. It should be noted that while the participation of citizens in Catalonia and Basque Country was 60%, in Galicia it was relatively low, around 28%.
7. www.boe.es/boe/dias/2006/07/19/pdfs/A27124-27132.pdf.
8. www.minhap.gob.es/Documentacion/Publico/NormativaDoctrina/Tributaria/IRPF/LEY%2040.pdf.
9. www.boe.es/diario_boe/txt.php?id=BOE-A-1997-15810.
10. Consejo Consultivo de Privatizaciones, http://.es/es/ccp_index.php.
11. http://.es/cis/export/sites/default/-Archivos/Marginales/2640_2659/2641/e264100.html.
12. Such targets should be met unless GDP growth is less than expected, in which case the automatic stabilisers should be allowed to operate, at least in part.
13. The new organic law replaced the previous Organic Law of 2001 and the General Law of Budget Stability of 2007 that had applied the previous EU fiscal framework.
14. Article 20 of the Basic Statue of the Public Employee, www.boe.es/buscar/act.php?id=BOE-A-2007-7788&tn=1&p=20131230&vd=#a20.
15. Barómetro autonómico del Centro de investigaciones sociológicas, www.cis.es/cis/opencm/ES/1_encuestas/estudios/ver.jsp?estudio=1235.
16. Encuestas de opinión del Centro de investigaciones sociológicas, www.cis.es/cis/export/sites/default/-Archivos/Indicadores/documentos_html/TresProblemas.html.
17. www.transparency.org.
18. Encuestas de opinión del Centro de investigaciones sociológicas, www.cis.es/cis/export/sites/default/-Archivos/Indicadores/documentos_html/TresProblemas.html.
19. Actualización del Programa de estabilidad de España 2012-2015, http://ec.europa.eu/europe2020/pdf/nd/sp2012_spain_es.pdf.
20. www.boe.es/boe/dias/2012/07/14/pdfs/BOE-A-2012-9365.pdf.

Bibliography

Arenilla Sáenz, M. (2010), "La administración pública entre dos siglos", Instituto Nacional de la Administración Publica.

Bezes, P. and S. Parrado Diez (2013), "Trajectories of administrative reform: Institutions, timing and choices in France and Spain".

Blöchliger, H. and C. Vammalle (2012), *Reforming Fiscal Federalism and Local Government: Beyond the Zero-Sum Game*, OECD Fiscal Federalism Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264119970-en.

CEPREDE (Centro de Predicción Económica) (2009a), "Indicador sobre competitividad regional (resultados 2008)", CEPREDE, Madrid.

CEPREDE (2009b), "Predicciones, alternativas y riesgos", CEPREDE, Madrid, June, www.ceprede.es/informes/notas_ceprede/Nota%20CEPREDE%202009.10.pdf.

CIS (Centro de Investigaciones Sociológicas) (n.d.), "Encuestas de opinión del Centro de investigaciones sociológicas", CIS, Madrid, www.cis.es/cis/export/sites/default/-Archivos/Indicadores/documentos_html/TresProblemas.html.

CIS (2013), "Barómetro de Octubre 2013: Distribuciones marginales", Estudio No. 3 001, CIS, Madrid, October.

CIS (2012), *Barómetro Autonómico III, Resultados generales*, *Estudio nº 2 956*, September-October, General results and results by ACs, CIS, Madrid.

CIS (2011), "Estudio cualitativo: 'La corrupción política en España'", *Estudio nº 2 863*, March, CIS, Madrid, www.cis.es/cis/opencm/ES/1_encuestas/estudios/ver.jsp?estudio=11864.

CIS (1997) "La opinión pública ante el proceso de integración Europea", *Estudio No. 2 246*, CIS, Madrid, May, www.cis.es/cis/opencm/ES/1_encuestas/estudios/ver.jsp?estudio=1235.

Commission to Reform the Public Administrations (CORA) (2013), "Informe de la Comisión para la Reforma de las Administraciones Públicas", Ministry of Finance, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Consejo Consultivo de Privatizaciones, www.ccp.es/es/ccp_index.php.

European Commission (2013), "Spring forecast 2.13 – The EU economy: Adjustment continues", European Union, Brussels, http://ec.europa.eu/economy_finance/eu/forecasts/2013_spring_forecast_en.htm.

Fernández, J.A. (2011), "El control interno y el externo en la lucha contra la corrupción: Su nuevo papel en el entorno de la nueva gobernanza y la accountability", *Revista Cuenta con la Intervención General de la Administración del Estado*.

Iglesias Quintana, J. and J. Monzó Torrecillas (2008), "Los presupuestos para el sector público administrativo español", *Boletín económico de ICE*, Información Comercial Española.

International Labour Organisation, *LABORSTA database*, ILO, http://laborsta.ilo.org/default.html.

INTOSAI (1996), "El papel de las entidades fiscalizadoras superiores en la lucha contra la corrupción", Informe del 12º Seminario Naciones Unidas/INTOSAI sobre Auditoría Gubernamental, 21-25 October, Vienna, www.intosai.org/uploads/3vn1996s.pdf.

Ministry of Finances and Public Administration (2013), *Boletín estadístico del personal al servicio de las Administraciones Públicas. Registro Central de Personal, Enero 2013*, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/publicaciones/centro_de_publicaciones_de_la_sgt/Periodicas/parrafo/Boletin_Estadis_Personal/BE_ENE2013.pdf.

Ministry of Finances and Public Administration (2012), *Libro de presentación del proyecto de presupuestos generales del Estado 2012*, Government of Spain, Madrid, www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/PGE2012/Documents/LIBROAMARILLO2012.pdf.

Ministry of Finances and Public Administration (2011), *Libro de presentación del proyecto de presupuestos generales del Estado 2011*, Government of Spain, Madrid, www.unav.es/adi/UserFiles/File/80977065/A11.pdf.

Ministry of Finance and Public Administration (2010, 2011, 2012, 2013), *Informes económicos financieros de los PGE*, Government of Spain, Madrid, www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/InformeEconomicoFinanciero/Paginas/InformeEconomicoFinanciero.aspx.

Ministry of Finances and Public Administrations, Actualización del Programa de estabilidad presupuestaria de España 2013-2016, http://serviciosweb.meh.es/apps/dgpe/TEXTOS/progest/progest.pdf.

Ministry of Finances and Public Administrations, Actualización del Programa de estabilidad presupuestaria de España 2011-2014 and 2012-2015, www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/Documentacion/paginas/programasdeestabilidad.aspx

Moreno Fuentes, F.J. (2007), "Inmigration and welfare state in Spain", *Revista Política y Sociedad*, Vol. 44, No. 2, pp. 171-184, Madrid.

National Statistics Institute, www.ine.es.

OECD.StatExtracts, http://stats.oecd.org.

OECD (n.d.), "OECD Economic Outlook: Annex tables", OECD, Paris, www.oecd.org/eco/outlook/economicoutlookannextables.htm

OECD (2013a), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

OECD (2013b), "OECD Economic Outlook No. 94", *OECD Economic Outlook: Statistics and Projections* (database), http://dx.doi.org/10.1787/data-00676-en.

OECD (2012a), *OECD Economic Surveys: Spain* 2012, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-esp-2012-en.

OECD (2012b), *OECD Economic Surveys: Spain, November 2012 Overview*, OECD Publishing, Paris, www.oecd.org/eco/surveys/SPAIN2012OverviewFV.pdf.

OECD (2012c), "OECD Fiscal Consolidation Survey 2012", OECD, Paris.

OECD (2012d), *Restoring Public Finances, 2012 Update*, OECD Publishing, Paris, http://dx.doi.org/10.1787/10.1787/9789264179455-en.

OECD (2012e), "Survey on Compensation of Employees in Central/Federal Governments", OECD, Paris.

OECD (2011), "Restoring Public Finances: Fiscal Consolidation in OECD Countries", *OECD Journal on Budgeting*, Vol. 11/2, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v11-2-en.

Ortega Almon, M.A., M.A. Sanchez Dominguez and F. Gonzalez Gomez (2003), "Privatization, deregulation and competition: Evidence from Spain", *Revista de Economia del Rosario*, Vol. 6, No. 1.

Parrado, S. (2008), "Failed policies but institutional innovation through layering-diffusion in Spanish central administration", UNED, Madrid.

Pizarro Nevado, R. (2004), "La reforma de la administración general del estado en España", *Revista Estudios Socio-Jurídicos*, Vol. 6, No. 2, July-December, pp. 63-89, Universidad del Rosario, Colombia.

Transparency International España (2012a), "INCAU 2012", www.transparencia.org.es/INCAU_2012/INDICE_INCAU_2012.htm.

Transparency International España (2012b), "ITA 2012", www.transparencia.org.es/ITA_2012/INDICE_ITA_2012.htm.

U.S. Government Accountability Office, www.gao.gov.

Vallés Liberal, J. and J. Monzó Torrecillas (2011), "El refuerzo del gobierno económico europeo", *Revista presupuesto y gasto público*, No. 63.

World Bank, World Development Indicators, http://databank.worldbank.org.

Zinovyeva, N., F. Felgueroso and P. Vazquez (2013), "Immigration and student achievement in Spain: Evidence from PISA", *Journal of the Spanish Economic Association*, SERIEs, August, http://dx.doi.org/10.1007/s13209-013-0101-7.

Chapter 2

Administrative rationalisation and multi-level governance*

This chapter makes an evaluation of CORA's rationalization initiatives and it presents the multi-level governance aspects of the CORA reform.Regarding administrative rationalisation, the chater underlines the importance of pursuing long-term strategic reform objectives. In parallel, multi-level governance is presented against the background of the existing institutional arrangements, followed by a number of best practices from other OECD countries that could be useful for improving co-operation bodies between different levels of government, as suggested in the CORA report.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Administrative structure and rationalisation reforms

The Spanish public sector's institutional arrangements

The map of the public administration includes, in addition to government ministries, the administrative public sector, state-owned enterprises and public foundations of all three levels of government.

The administrative sector is mainly composed of *organismos autónomos* and agencies. They are regulated by their enabling legislation, Law 6/1997 on the Organisation and Functioning of the Central Government (LOFAGE), and Law 28/2006 on State Agencies for the Improvement of Public Services. This legislative framework establishes their basic regime; it is supplemented by other legislation and regulations, including, for example, on procurement and financial control.

The *organismos autónomos* enjoy management autonomy as well as their own public legal personality, assets and treasury. That said, they depend on the public administration, reporting to a specific ministry (or *Consejería* in the autonomous communities) that is accountable for their strategic management, evaluation and control of results. These entities carry out public programming and policies funded by their own revenues and/or public transfers.

Over time, the management model of the *organismos autónomos* was deemed to be too rigid, especially with respect to budgetary, financial and human resources (HR) management. Over time, this led to a proliferation of entities with more flexible legal frameworks. As a result, almost one-third of the total existing *organismos autónomos* operate under distinct legal regimes.

To address this issue, a new organisational model with higher functional autonomy and management flexibility was introduced in 2006 through legislation on state agencies and the improvement of public services. Many public entities whose activity fits within this new managerial approach would be transformed into agencies. This legislation promoted a new culture of accountability and results:

- The main objective of the law was to establish accountability mechanisms in the management of these new agencies, linking their objectives to an evaluation of the effectiveness and proper use of public funds. Greater autonomy was thus granted, along with more flexible budgeting rules, in exchange for tighter performance assessment and reporting.
- A key tool in this new organisational model was transparent performance-based management, codified in management contracts (*contratos de gestión*), the instrument that established the objectives of the agency, strategic planning to achieve them, service delivery quality requirements and the associated human, material and financial resources required to carry out its mandate. It also established performance accountability for the agency's management team by linking their performance to impacts associated with the degree of fulfillment of the agency's objectives.

The 2006 legislation set a two-year deadline to complete the transformation to state agencies, and simultaneously generalised the model under which new entities would be created. However, although the law authorised the creation of an initial group of 12 agencies, only 8 were created in the central administration. In addition, expenditure control measures taken as a result of the economic crisis have pre-empted giving agencies greater financial autonomy; even current annual budget laws temporarily prohibit this possibility.

The activity of state-owned enterprises or SOEs (*entidades públicas empresariales*, EPEs, and *empresas públicas*) consists of the provision, production and sale of goods and services of public interest with economic compensation. State-owned companies are those in which the public sector owns, directly or indirectly, more than 50% of the total capital of the company. On the one hand, SOEs are public entities; on the other hand, they are subject to private laws, occupying an intermediate position between public and commercial companies. The fact that the sole requirement for this type of entity is the existence of economic compensation for its services has contributed to a proliferation of this kind of entity across all levels of government. Examples of large SOEs in the central government in Spain are the AENA, the ADIF and the ICO.

The proliferation of the specific-purpose SOEs, the model of which is not uncommon in OECD countries, raises questions about the prevalence of the administration's use of this form of management. The activities of these SOEs focus on meeting the needs of the administration itself through specific *ad hoc* management arrangements (*encomiendas de gestión*). This type of SOE, in practice, competes with private firms in open markets, in contrast with other public enterprises that offer public goods that private enterprises do not. A rationalisation of SOEs was clearly warranted, since the main purpose of an SOE should be to deliver goods or services that meet the public interest in a way that justifies public intervention, for instance because of a market failure or national security. In addition, transparency and control of an SOE's activity should be reinforced to ensure that its main source of income is its commercial activity, rather than public subsidy.

The lack of regulation governing public sector foundations might explain why the use of this instrument appears to have been abused, given the significant number of foundations created by governments that were not always sufficiently justified, and whose activity might not have always followed the provisions of the legislative framework on foundations. Moreover, the control and performance evaluation of these foundations have been limited.

Other entities have taken the form of inter-administrative *consortia*, public service delivery entities used regularly at the local level. Municipalities have frequently used them to provide common services involving local public authorities. Lately this instrument has also been widely used by the ACs. A large heterogeneity of public entities and a sizeable regulatory dispersion thus characterise the public sector in Spain. This proliferation has occurred in all levels of government, and likely accelerated during the economic expansion given the abundance of public financial resources. In some cases this has produced overlapping competences between central and sub-national governments, such as the meteorological agencies, which significantly increased transaction costs shouldered by citizens and businesses.

In addition, the classification of entities provided for in the LOFAGE does not fully match the one included in the General Budgetary Law. Although the LOFAGE contains a detailed description of the nature and characteristics of each type of entity, it does not provide clear and objective guidelines on the type of entity suitable to provide a particular good or service. Likewise, framework legislation also affects their activities, including the Procurement Law, the Basic Statute of the Public Employee and the annual Budget Law.

In this context, the need to undertake an in-depth reform of the institutional composition of the public sector was apparent because of the need both to provide a new regulatory framework for public sector entities as a means to clarify and tighten financial and performance controls, and to consolidate different classifications of public entities so as to more clearly define each type of entity and reduce dispersion, overlap and duplication across entities.

CORA measures: Toward rationalising the public sector

From the first actions taken by the government in December 2011, Spain's public administration reform has been framed by deliberate legislative initiatives:

- The Law of Budgetary Stability and Financial Sustainability was the first measure to be adopted and frames budgetary consolidation for the entire public administration. The law improves transparency at all levels of government and enhances control over the execution of the budget with new instruments and preventive and corrective measures. The legislation caps the public administration's structural deficit at 0.4% of GDP once long-term budgetary structural reforms are carried out. The positive results of fiscal consolidation already reached in 2012 were made possible by the implementation of this new law:
  - At all levels of the administration, restructuring and rationalisation have been pursued for government entities, national public sector companies and foundations. Public administrations themselves showed a deficit in the national accounts of approximately 7% of GDP in 2012 (not including resources transferred under the bank-restructuring framework), compared to about 9% of GDP deficit in 2011. The central administration itself reduced its deficit by 1 percentage point to 4.1% of GDP in 2012.
  - The government has launched the creation of an Independent Fiscal Responsibility Authority that will strictly control compliance with the principles of budgetary stability and financial sustainability at all levels of the administration; evaluate budgetary cycle, public debt and macroeconomic projections on an ongoing basis; and analyse the setting and implementation of fiscal policy early to detect potential deviations from reaching consolidation targets.
- The Law for Transparency, Access to Public Information and Good Governance envisages a three-pronged approach to strengthen transparency in public activity through active publication by all administrations; acknowledges and guarantees access to information – to be regulated as a right; and establishes obligations for good governance to which public authorities must adhere, along with legal consequences for non-compliance. This would establish an accountability framework for entities undertaking activities of public relevance.

At the same time, the CORA's Sub-Commission on Administrative Overlap focused on rationalising the public sector through reducing overlap and duplication by eliminating redundant, inefficient or unsustainable entities. Using the "dispositive principle", the subcommission's approach was based on the Spanish Constitution's disposition of powers between the state and the autonomous communities. The sub-commission identified and analysed administrative/institutional overlaps between the general state administration and the regional governments, as well as within the state administration itself. It defined "overlap" as that which exists when different public entities provide identical services to identical recipients, who can then opt for one or the other public entity offering the service. The sub-commission found that overlap also exists when like entities with like missions act on the same subjects.

The sub-commission asked ministries to provide information on the functions carried out by the autonomous communities, the entities within the autonomous communities responsible for carrying them out, the optional or compulsory nature of the autonomous communities' activities, and proposals for organisational modification and implementation of mechanisms to facilitate vertical co-operation and co-ordination between levels of government with the

aim of eliminating overlap. This information was supplemented with that contributed by the state government representation located within each autonomous community.

The sub-commission also examined various state and regional reports judged to be the most relevant to the exercise. These included the October 2011 *Report on Efficiency of Public Action in the Autonomic State: Diagnosis and Improvement Proposals*, by the AEVAL (the government's policy evaluation agency); the December 2012 *Report on Duplications in the State and Regional Administrations*, produced by the National Institute of Public Administration (*Instituto Nacional de Administración Pública*, INAP); the December 2012 *Report on Administrative Duplication Detected from the Practical Experience in Devolution of Functions and Services to the Regional Governments*, produced by the Directorate-General for Competence Co-ordination with the Regional Governments and Local Entities; and the January 2013 *Report on Duplications and Costs of the Regional Configuration*, produced by the Institute of Fiscal Studies.

The analysis of all documentation delivered by ministries began during the first quarter of 2013. In addition, comments received in the citizen suggestions box of different ministries were analysed, as were the contributions made by the CORA's Advisory Board on the matter. A report was issued for each ministerial department summarising the issues and presenting the CORA's proposals and observations. The Under-Secretary of the Cabinet Office and the Chairman of the CORA then convened bilateral meetings with each ministry to discuss the information and determine possible courses of action. These meetings concluded with the identification of a set of proposals which were then codified in the CORA's report.

The analytical principles and assumptions that enabled the CORA to provide the type of advice it did in this area are based on the notion that the configuration of a state comprised of self-governing regions presents undeniable advantages common to any decentralised unitary or federal state. The CORA advanced the view that:

- Decentralised administrative arrangements can lead to a public administration that is closer to citizens which, in conjunction with the solidarity principle enshrined in the Spanish Constitution, allows Spaniards access to basic public services equitably across the entire territory. However, the particular configuration of the Spanish regional system gives rise to overlap and inefficiencies that hinder the full functioning of the principle "one administration, one power".
- The autonomous communities can gain efficiency by exercising their ability to self-organise, which allows them to decide on matters regarding reducing or eliminating administrative agencies and bodies. What the CORA observed – and recommends in its report – was that some of the autonomous communities had already considered eliminating entities or reducing the size of even those with special institutional relevance, such as legislative assemblies or offices of the ombudsman.
- Contributions to efficiency improvements in the exercise of power regionally can also come from the state. The CORA's proposals in this area are consistently based on the same premise: the ability to continue delivering the same service with equal or better quality at lower cost. So when the CORA proposed eliminating a specific body, it did so based on analysing its current structure and expenses, so that if these can be greatly reduced, then the same objectives can be reached by other means.

Joint planning and comprehensive management were identified as mechanisms to be reinforced in those areas where, although overlap had not been detected per se, sectorbased and territorial powers coincide. The sub-commission also encouraged the interface between databases and public state and regional registries in different fields. Other measures were presented aimed at improving effectiveness and efficiency by sharing resources amongst

different administrations ranging from representational offices abroad to roadway conservation, public employment training programmes and management of educational centres. In this regard, noteworthy reforms were recommended related to public procurement, which, in addition to boosting efficiency, will mean improved services available to citizens and businesses.

The current government made numerous decisions to rationalise institutional administrative arrangements, public sector companies and foundations, while reforming the legal status applicable to the heads of public companies and bodies and adopting entity-reducing schemes:

- The 2013 Law on Creating the National Markets and Competition Commission included the elimination of eight regulatory bodies, providing better efficiency and legal certainty for economic agents.
- A 2012 royal decree and subsequent law providing urgent measures for labour market reform limits the compensation for termination of labour contracts and senior officer contracts for senior posts in state public sector entities; prohibits payment of this compensation to executive officers who are civil servants and can return to their former post after dismissal; and determines the establishment of a compensation schedule for executive directors of state commercial enterprises.
- Another 2012 royal decree regulates the compensation scheme for top executive officers and directors in public sector companies and other state public sector entities; limits the maximum number of members on the administrative council or board of governors of each entity, its organisational structure and the maximum compensation of its chief officers.
- A 2012 Council of Ministers decision approved the Plan for the Restructuring and Rationalisation of the National Public Business and Foundations Sector, affecting 86 public sector companies and foundations, either through dissolutions, mergers, divestment or closings.

The CORA made this one of the lynchpins of its reform, co-ordinating the SubCommission on Overlap's work with that of the Sub-Commission for Institutional Administration:

- To bring utmost clarity and consistency to the legal framework regulating the organisation of the Spanish public sector, the CORA recommended new legislation to provide a complete and codified text for administrative organisation, reforming and codifying the Public Administrations and Common Administrative Procedure Act. This legislative initiative establishes criteria for identifying each type of entity, its economic and financial oversight system and what procurement and employment schemes it will have. It also envisages, with a view to unifying efforts, the representation of different public administrations in a single entity.
- The General Comptroller of the State Administration (*Intervención General de la Administración del Estado*, IGAE) and the Inspection of Services will evaluate and oversee independently public entities at two different points. First, the creation of any new body or public entity should rigorously justify its reasons for existence and include an analysis of possible overlapping and of the human, material and financial resources allocated to run it. Then, these entities will be evaluated periodically and in the case the reasons or resources substantiating their existence no longer apply, the entity will be eliminated.
- In order for the typology of existing public bodies to be clear and precise, this recommendation takes into account the entities existing in both the autonomous communities and local entities that may have similar characteristics but different

names. It establishes a basic common framework to organise the current dispersal and variety of institutions. It ensures that before any public administration creates a new entity, there must be proof that there is no overlap with another entity.

By co-ordinating the work of these two sub-commissions, the CORA conducted an analysis of existing public entities and bodies within the general state administration, assessing whether they comply with the criteria justifying their existence as individual entities with separate legal personalities, and can therefore maintain their autonomy to carry out the activities entrusted to them. Based on this co-ordinated analysis, the SubCommission on Overlap made a number of recommendations to rationalise the institutional administration and national public sector companies and foundations. The CORA identified 118 measures to eliminate overlap between the central public administration and the autonomous communities, 7 of which were horizontal in nature and 111 of which were sector-based, aimed at achieving the principle of "one administration, one power":

- After analysing the costs associated with the provision of certain services or activities by the regional administration and studying the possibility of these being provided by a state body with equal or improved quality, the subcommission recommended that functions carried out by regional bodies under these conditions be taken over by state bodies. This was particularly the case for the powers granted to audit authorities and external control units; data protection agencies; administrative hiring advisory boards; administrative tribunals of contractual appeals; regional ombudsman's offices; university-level evaluation agencies; regional energy agencies; meteorology agencies; airport inspection agencies; opinion surveys; cartography institutes or service agencies; competition authorities; amongst others.
- The report recommended the elimination of 90 observatories in different fields due to overlap with others. Since improved co-ordination between different public administrations has an obvious effect on citizens to the extent that it means better services for them, the CORA recommended that a *Manual for Rationalisation and the Elimination of Overlaps* be published, which will allow for ongoing eliminations and the prevention of such overlaps in the future.

The CORA recommended the following measures to rationalise the general state administration:

- six regional bodies to be eliminated, merged into other existing bodies or assigned functions currently carried out by a ministry
- the consolidation of three managing entities and common services of the Social Security system into a single entity
- the elimination of three occupational accident and related illness insurance consortiums, and the unification of eight biomedical research centres into a single entity
- the identification of 19 foundations, 13 of which are to be eliminated by ensuring that their mandates are taken up within ministerial portfolios, other public entities or foundations; 4 that will cease to be publicly owned; 1 that changes ministerial affiliation; and 1 that takes over regional mandates
- the elimination of six public corporations or entities
- the pooling of training and research activities of 11 regional bodies and state agencies.

The CORA also recommended a series of measures related to local reform through a draft piece of legislation on the Rationalisation and Sustainability of the Local Administration that clarifies municipal jurisdictions in an effort to prevent duplications of functions, while

subjecting the distribution of "misplaced powers" to efficiency criteria. The CORA estimated that this will generate a savings of at least EUR 7.1 billion over the 2013-15 period.

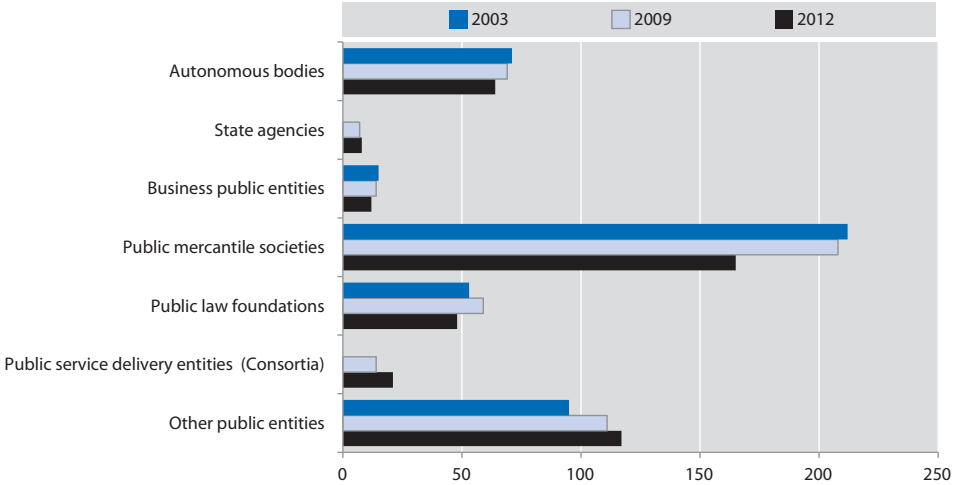
Assessment: Opportunities for further action

Considerable efforts have been made by the government of Spain to rationalise the public administration at all levels of government, thanks to the progressive implementation of relevant CORA measures and the successive decisions of the Council of Ministers in 2010, 2011 and 2012 on the restructuring of the central government.[1] These include the Fiscal and Financial Policy Council's Agreement 1/2010 on a plan to rationalise the structure of the public sector to improve efficiency and reduce public spending and Agreement 5/2012 that created a Working Group on Administrative Rationalisation, as well as the National Commission of Local Administration's 2012 agreement on reorganising and rationalising the local public sector.

Efforts to reduce central entities; merge public corporations or foundations; wind down entities no longer providing relevant public services; rationalise institutional arrangements in autonomous communities by transferring some responsibilities back to the central administration, especially for foreign representation, regional ombudsmen and competition tribunals; and to increase control and efficiency while reducing public expenditures at the local level, may have a long-term multiplier effect on the efficiency and effectiveness of the public sector in meeting the needs of citizens and businesses – leading the Spanish state to "do better with less".

Quantitative evidence illustrates the results of these efforts. Data from the early 2000s demonstrate a considerable increase in the number of SOEs and foundations at regional and local level, and the existence of duplication and overlaps together with operational inefficiencies. This was the starting point of the process of restructuring and rationalising the institutional administration at all levels of government. The proliferation of entities peaked in 2009, then began to recede as government decisions in this area began to take effect, in particular with respect to SOEs and foundations (Figure 2.1).

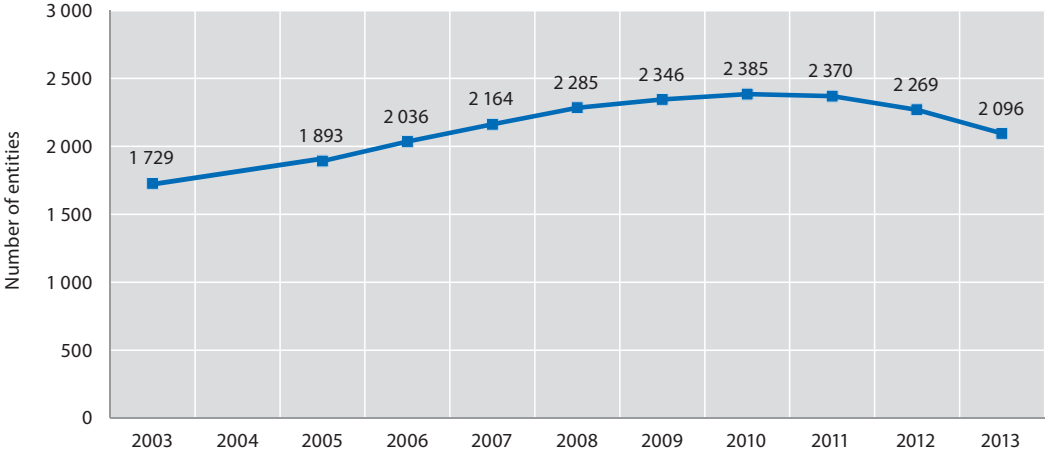
Figure 2.1. **Evolution of the number of public entities by type in the central government in Spain**



Source: INVESPE (IGAE), Ministry of Finance and Public Administration, Inventory of Public Sector Autonomous Entities. INVESPE.

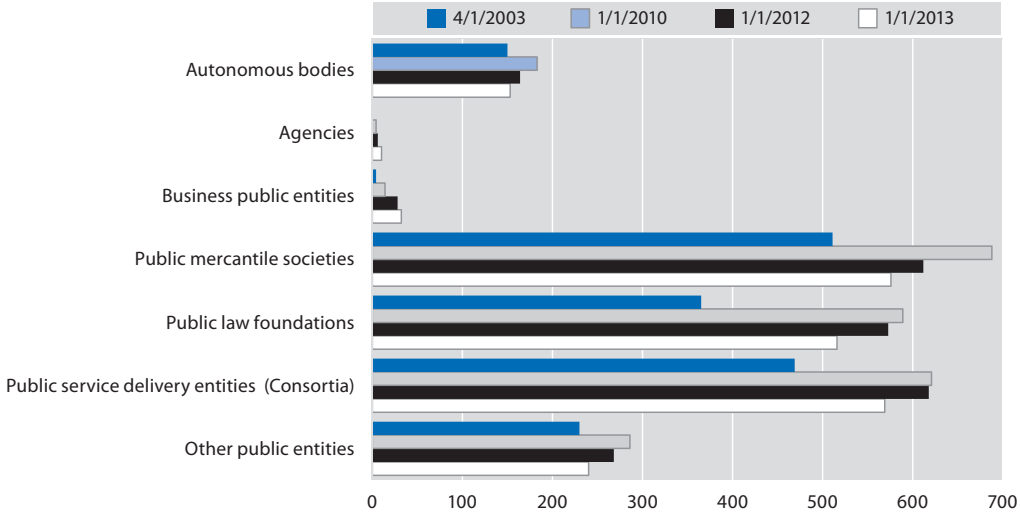
In the sub-national governments, proliferation reached its peak in January 2010. From that moment on, rationalisation effects can be observed (Figure 2.2). Reduction takes place mostly with respect to larger SOEs, foundations and consortiums, with the exception of agencies and EPEs, which slightly increased during this period (Figure 2.3).

Figure 2.2. **Evolution of the number of public entities in the sub-national governments in Spain**



Source: Ministry of Finance and Public Administration, Inventory of Public Sector Autonomous Entities, Informe inventario de entes del sector público autonómico a 1/1/2013, Ministry of Finance and Public Administrations, Spain.

Figure 2.3. **Evolution of the number of public entities by type in the sub-national governments in Spain**



Source: Ministry of Finance and Public Administration, Inventory of Public Sector Autonomous Entities.

The strategic driver framing these measures has been the aim to create an economic environment more favourable to sustainable, private sector-led growth and employment creation. Proceeding in accordance with the constitutional principles of efficiency, economy

and budgetary stability, the government of Spain believes that rather than implying a decrease in the quality and quantity of public services delivered to citizens and businesses, a reduction in internal expenditure and the introduction of rationalisation principles in the procurement of goods and services will contribute to greater public sector efficiency. The result of these actions will be a smaller public sector that requires less public resources, contributing to Spain's return to a path of national growth and employment.

In its own words, "the Spanish [g]overnment launched an ambitious reform project aimed at exiting the worst economic crisis of recent decades, correcting the imbalances halting growth and laying the proper foundations for launching a new cycle of economic prosperity and employment for Spaniards… The creation of the Commission for Public Administration Reform (CORA) follows this ambitious reform course to perform the most meticulous x-ray examination of our public sector undertaken in recent decades" (Commission to Reform the Public Administrations, 2013: 11). The challenge, however, is how to ensure that these short-term reductions in public sector expenditures and savings resulting from institutional rationalisation effectively translate over time into the efficiency gains that frame the government's actions, and that these gains really do sustain private sector-led growth and job creation over time.

Linking the CORA's institutional consolidation measures to the pursuit of longterm strategic objectives

At issue is the link between the government's long-term economic growth objectives and the CORA's institutional reform measures. Of course, the CORA's mandate was to reduce, rationalise and reform – but within what whole-of-government strategic vision for the role of the state in supporting private sector-led growth over the long term? Indeed, the government's strategic objective is to reduce the size of the state to drive private sector-led growth – to launch the "new cycle of prosperity and employment". But what is the role envisaged for the state in, for example, ten years that will enable the government to pursue this strategic objective? Are decisions on reducing spending, public sector jobs and eliminating public sector entities being taken as a function of this long-term strategic vision of the role of the Spanish state in supporting growth, or are they driven simply by the need to achieve short-term spending and job-reduction targets? How will the government determine whether the institutional rationalisation it has undertaken and the savings it has registered will produce private sector-led growth and job creation over time? How will it determine that mergers in public entities in a given sector of the economy positively affect that sector's performance over time? How will it be able to ascertain whether, in fact, the elimination of entities in a given sector will not harm that sector in the future?

The CORA's approach and results to date are laudable. Yet the methodological focus on legislative reforms to the exclusion of effective linkages to long-term public policy considerations about the role and composition of the state in supporting private sectordriven growth could end up spoiling the long-term impact of its short-term consolidation successes. For example, as noted above, the legislation on state agencies introduced in 2006 an organisational model based on performance management. However, the absence of a culture of evaluation – especially one based on measuring actions against strategic outcomes, along with resistance to change within the public administrations themselves – has prevented this model from being fully operationalised. Thus its adoption – albeit late and partial – cannot be characterised as having been fully successful. Nonetheless, state agencies do constitute a promising tool for promoting performance management in the public administration. The Spanish government might consider reinforcing this administrative model in its rationalisation process to improve accountability, transparency and delivery, along with cross-government co-ordination to achieve results effectively. Country examples are presented in the next section.

In fact, this juncture provides the government of Spain with an important opportunity to build on the CORA's initial strategy of reducing the size of the Spanish state. The government's CORA exercise, while initially conceived as an instrument to define important short-term structural reform initiatives, has engendered the development of an enduring administrative structure to manage their implementation over time. In this sense, the CORA "machine" (i.e. the OPERA and the CIO) has laid the foundations whose potential can be exploited to link explicitly public administration reform and the achievement of medium- and long-term strategic objectives for Spain's economy.

Sustaining the spirit of the CORA: Linking institutional reform to pursuing long-term strategic objectives

In fact, the CORA itself hints at these linkages, for example in its strategic measures for public employment. Measure 10E recommends "stronger links between human resource planning, general state administration strategies and public policies…" The CORA notes that "it is necessary to enhance and strengthen the relation between identifying staffing needs, on the one hand, and the organisation's strategic objectives, on the other, as well as addressing short- and long-term challenges. Thus, further analysis must be made of the demands to be met, the staff required to do so and their level of professional qualifications" (Commission to Reform the Public Administrations, 2013: 79). The link between human resources planning and the achievement of the government's short- and long-term policy objectives illustrates the link between public administration reform and the pursuit of whole-of-government strategic objectives for the country over time.

This implies that more than one wave of reforms will be needed to "mainstream" public administration reform initiatives on an ongoing basis as tools to pursue national strategic objectives, not only in the area of strategic human resources management, but in structural and institutional reforms, the internal management of the state, linking national budgeting to results by assessing spending performance against the achievement of policy outcomes, and measuring improvements in the quality of service delivery (especially online), to mention but a few. It also points to the need to facilitate similar public administration reform strategies at the sub-national level.

The OECD has focused on these issues in several Public Governance Reviews. For example, in the 2012 review of France's *Révision générale des politiques publiques* (RGPP, General Review of Public Policies, a French government initiative not dissimilar to that undertaken by the CORA), the OECD (2012a) made a series of recommendations whose spirit reflects the issue raised here. Highlights related to the CORA's administrative overlap exercise include:

- In recognising that the RGPP had enhanced central government organisation and operations, the OECD advised that there was still scope for improvement, particularly given that some of the features of the organisation of the French central government resulted from what is still a very *ad hoc* approach, with a proliferation of committees, boards and inter-ministerial institutions, and the fact that "state operators" fell outside the scope of the nature of the organisational reforms to date, and recommended *inter alia* that the French government push reform efforts toward the ministry level as the opportunities for pursuing broader reorganisation decline.
- Perhaps more importantly for the longer term, in recognising that the French RGPP had proven its effectiveness in reforming how government works, the OECD advised that the RGPP process needed to evolve to ensure its sustainability over time, and recommended that the French government focus on optimising the role of the central

government on an ongoing basis by extending systematic reform to the mission of the government itself, to programme spending, particularly social transfers, and to the organisation of government action at the sub-national and local level – in other words, to ensure the perenity of the role of the state in the French economy and society into the future.

The OECD also advised in its *Public Governance Review of Slovenia* (2012b), advised on how the central government could evolve "toward [becoming] a strategic and efficient state". While Slovenia is a much smaller country than Spain, and the history of its evolution over the 20th century is markedly different, there are perhaps some features of the review of Slovenia that could be of interest to Spain. In particular, the review focused on the notion of "fit for purpose" machinery of government. Machinery of government refers to the systems and structures of government. Public administration performance is a key indicator of whether the machinery of government is fit for the purpose of delivering sound policy and services to citizens and businesses efficiently, effectively and affordably – in other words, whether a government's machinery is fit to implement its agenda over time. In discussing this theme, the OECD recommended a series of actions to the Slovenian authorities, some of which are echoed in the CORA's work, including, *inter alia*:

- develop a strategy to articulate and diffuse a whole-of-government vision for the role of the public administration
- increase the use of business plans within each ministry to link organisational objectives to those in the whole-of-government vision and to promote greater clarity in terms of roles and responsibilities across the public administration
- adopt a strategic approach to workforce reduction that links workforce planning strategy to the achievement of national public administration strategic objectives
- strengthen the performance management system to achieve results
- on an ongoing basis, use targeted programme reviews to monitor and evaluate the achievement of programme results against the outcomes articulated in the national vision.

Spain is clearly not the only country facing reform challenges. In having made the significant progress it has to date, the government of Spain can seize the opportunity to build on its successes in this area to sustain public administration reform as a tool to enhance its capacity to achieve national private sector-led growth and employmentcreation objectives over time.

Assessing the impact of institutional reform against the achievement of strategic results over time

This simultaneously implies a stronger focus on measuring the impact/performance of the CORA's institutional reform measures against the state's strategic national growth and job-creation objectives, and sustaining this assessment over time – taking a wholeofgovernment perspective of the impact of institutional reform on national economic performance over a long-term planning horizon. To be clear, this implies:

- Insuring that Spain's whole-of-government performance evaluation framework includes measuring the impact of institutional rationalisation/consolidation against the achievement of the government's strategic policy objectives over the medium and long term.

- Embedding the measurement of the impact of institutional consolidation within a broad performance assessment framework that links spending, strategy and civil service performance and measures the integrated impact of decision making in these three areas against the achievement of whole-of-government strategic objectives over time.
- Ensuring government-wide co-ordination in the development and application of this integrated performance assessment framework, led by a Centre of Government (CoG) institution mandated for this purpose.

This suggests that OPERA, the state office charged with implementing the CORA's public administration reform measures, could co-ordinate closely and on an ongoing basis with the state's key performance evaluation agencies, including the AEVAL (the public policy and service delivery evaluation agency, see Chapter 4), the General Inspection of Services, the financial audit and control agency (General Comptroller of the State Administration, IGAE), and the Ministry of Finance and Public Administrations, in setting, implementing, monitoring and reporting on the results of a robust performance assessment framework that, *inter alia*, "tells the story" to citizens and businesses of the impact of institutional consolidation at all levels of government on economic performance, nationally and in the regions.

While this is certainly not the norm across the OECD, this integrated, wholeofgovernment performance assessment approach increasingly constitutes practice in several OECD countries. In addition to Canada's Management Accountability Framework that links national strategy implementation to resource allocation and decision making (see Chapter 4), the government of Ireland has sustained a robust performance assessment of its whole-of-government governance reforms. Ireland's banking and construction collapse in 2007-08 led to a loss of one-third of its state revenues while significantly increasing demand for public services due to deepening unemployment. This led to the unprecedented comprehensive Public Service Reform Plan of 2011 and the establishment of the Department of Public Expenditure and Reform:

- The department established a Reform and Delivery Office (RDO, akin to the CORA and OPERA) to set, carry out and monitor the performance of a cluster of reforms aimed *inter alia* at reducing jobs in the public sector, consolidating service delivery and rationalising government agencies, consolidating state-owned property and enhancing leadership and performance management to link clearly the performance of senior officials to the achievement of reform results. Agreements with public sector unions have been key enablers of the reform programme.
- The RDO's tasks include communicating reform implementation effectively across government and to the public, and sharing across government best practices in resource management plans and successful reform implementation methodologies. Reporting is robust: it includes quarterly presentations to the relevant Cabinet Committee, yearly progress reports (including savings information) issued by the Department of Public Expenditure Reform through its Cabinet Committee.

Given the importance of multi-level governance in Spain, particularly in implementing the CORA's institutional consolidation reforms, an example regarding the assessment of effective co-ordination of reform implementation between levels of government could also prove useful here. In 2009, the government of Australia carried out an important series of reforms to its fiscal relationship between levels of government, leading to the implementation of its Intergovernmental Agreement on Federal Financial Relations (IGA). This established an effective framework for measuring the impact of reforms (and of straight service delivery) on the pursuit of national policy objectives:

- The IGA aims to establish a robust foundation for collaboration between levels of government on policy development and service delivery, and on facilitating the implementation, and measuring the impact of economic and social reforms in areas of national consequence. The IGA provides a new framework for collaboration between the central government and the states through two types of arrangements: national agreements, which set out policy objectives and performance indicators for key service areas; and national partnerships to achieve specific policy objectives across a wide range of government activities.
- The overarching objective underpinning these arrangements is to move from input control (measuring the impact of earmarked grants, for instance), to output and outcome measurement through the use of performance indicators. National agreements thus define objectives, outputs, outcomes and performance indicators, while clarifying the roles and responsibilities that guide the central government and the states in the delivery of services in a particular sector. Currently, six agreements have been signed between the two levels of government; these cover healthcare, education, skills and workforce development, disability services, affordable housing and indigenous reform.
- Two institutions play an important role in implementing and monitoring the performance of these arrangements:
  - the Council of Australian Governments (COAG) convenes the federal Prime Minister and the state premiers *inter alia* to negotiate and define the objectives and performance indicators contained in the agreements
  - the COAG Reform Council, an independent monitoring, assessment and reporting institution, publishes regular reports on progress made by each state for each performance indicator, thus generating pressure on individual states to act/improve their performance in a given policy sector to achieve policy outcomes more efficiently and effectively.
- This regular monitoring and reporting encourages improvements to these national agreements and their performance indicators. For example, in healthcare, indicators have been streamlined from 45 to 25, improving the link between objectives, outcomes and performance indicators for the sector. In indigenous reform, 27 indicators have been reduced to 14.

These country examples illustrate the need to ensure that a performance assessment framework measuring the impact of reforms – including institutional reforms – on the achievement of medium- and long-term policy outcomes is effectively established in a way that allows for robust monitoring and reporting, so that governments can know if progress is being made, citizens can see whether it is in fact, and adjustments can be undertaken if reforms are not achieving the outcomes they were designed to achieve in the first place. This requires effective governance within the central government. In Spain, at a minimum, the CORA/OPERA could be mandated formally to partner strategically with key national and regional performance monitoring actors, to develop and implement such a performance assessment framework.

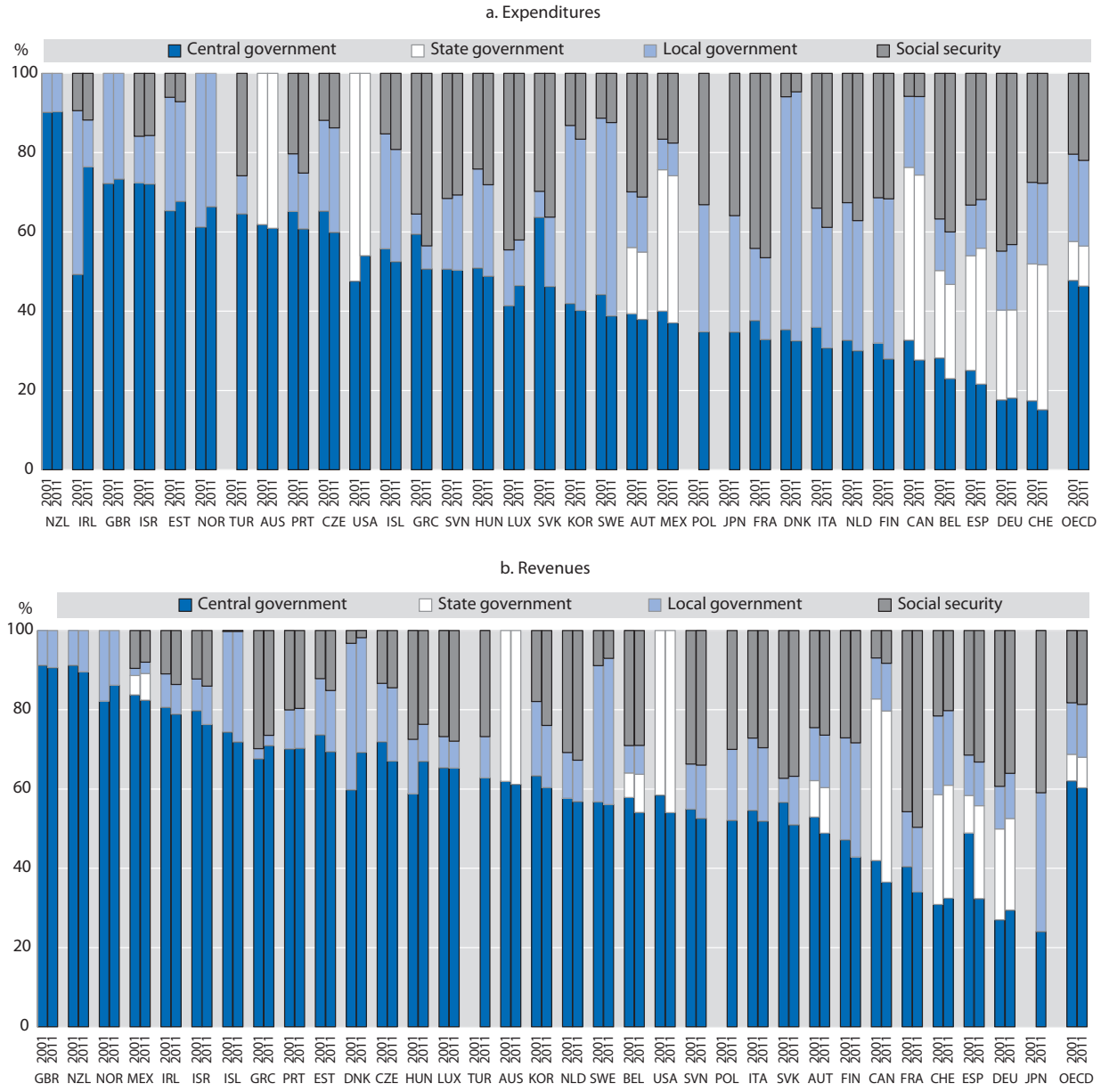
Multi-level governance reforms

Existing multi-level governance arrangements

Multi-level governance co-operation started with the process of decentralization in the 80's. The national government and each AC had to agree on the interpretation of the decentralised tasks, and on how to provide the physical and financial means related to implementing them.

This negotiation procedure was institutionalised in bilateral co-operation forums (*comisiones mixtas de valoraciones*). For each specific transfer of responsibilities, an agreement (*acuerdo de traspaso*) was signed between the central government and the AC specifying the exact nature of the responsibility and the resources transferred (OECD, 2007b).

Figure 2.4. **Distribution of general government expenditures (a) and revenues (b) across levels of government, 2001-11**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Different kinds of institutionalised governance mechanisms have since been developed in Spain to facilitate the co-ordination and co-operation among levels of government:

- Sectoral conferences. Sectoral conferences represent the most important multilevel governance arrangement in Spain. For a given policy area, they bring together regional ministers (*consejeros regionales*) with the equivalent central government ministry. Their activities and functions are variable, but usually include five main areas (Leon and Ferrín Pereira, 2011; Arbós Marín et al., 2009): *i)* to agree on the implementation of national legislation that affects regional competences; *ii)* to approve, monitor and evaluate joint plans and programmes (*planes y programas conjuntos*); *iii)* to participate in the definition of the territorial assignment of central government grants; *iv)* to exchange information between central and regional governments; and *v)* to formulate joint positions that will be considered by the central government at European level, and to transpose European policies at the regional level.
- Joint plans and programmes. As mentioned, these plans are created at the initiative of the respective sectoral conference to achieve common objectives in areas where the central government and the ACs have shared competences.
- Bilateral co-operation commissions (*comisiones bilaterales de cooperación*). Similar to the sectoral conferences, they are established between the state and a single AC. These commissions seek to solve co-ordination problems in a more focused and timely manner. Bilateral commissions have worked successfully in a number of areas, for example in the field of environmental policy (OECD, 2010a).
- Co-operative covenants (*convenios*). *Convenios* are typically used by the central government and the ACs to reach co-operative agreements on specific issues, with the main type of agreement used being the *convenio de colaboración*. A *convenio* is a kind of contract that specifies the duties of the parties in developing a concrete activity or programme. Both parties, the central government and the AC, are free to decide if they wish to engage in this kind of contractual relationship. Most *convenios* have a financial component, with the financial commitment of the national government, most of the time, in the form of inter-governmental transfers. However, in some cases it is also composed of direct financing of certain items, or by providing personnel or assets (OECD, 2007b). *Convenios* can strengthen the institutional framework for developing joint plans and programmes between different governments on particular issues, since they are legally binding contracts and the parties can rely on the courts for enforcement (OECD, 2007b; 2010a). As for similar legal arrangements in other OECD countries, the importance of *convenios* in Spain has been steadily increasing over time.
- The Conference of the Presidents of Autonomous Communities. Created in 2004, this is the highest level institution for multi-level co-operation between the central government and the ACs. It is presided by the Prime Minister of Spain and composed of the presidents of the 17 autonomous communities and autonomous cities of Ceuta and Melilla. It has met five times: in 2004, 2005, 2007, 2009 and 2012.
- The Conference of the Governments of the Autonomous Communities. While strictly speaking not multi-level, such a horizontal institution can nonetheless be important for multi-level co-operation. It can facilitate finding shared positions of the ACs in negotiations with the central government, and thus vertical coordination. It can also help as a forum for exchanging knowledge and best practices among regions, or to conduct shared projects or initiatives. Even though there have been some shared declarations and agreements, the activity of this conference has been fairly limited so far.[2] Possible reasons include legal challenges, as co-operation agreements between

regions normally require the approval of the lower house,[3] the different positions and self-interests of each AC, and political divisions among the presidents of the ACs.

- The Local Administration National Commission (*Comision Nacional de la Administracion Local*). This is the permanent body of collaboration between the central and local government, regulated by Law 7/1985.[4]
- The Fiscal and Financial Policy Council. It is the main body for the debate of financial and budgetary matters between the central administration and the ACs, which has created and hosts a specific Working Group on Administrative Reform to deal with the CORA simplification and duplication measures.

Finally, the arbitrating role of the constitutional court (*tribunal constitucional*) is worth mentioning. This court has the capacity to resolve legal conflicts between the central government and the ACs, and conflicts among the ACs. Most of these conflicts have been related to the delimitation of competences between one AC and the central government. The constitutional court has decided in favour of the ACs as well as in favour of the central government (OECD, 2007b).

The multi-level governance dimension of the CORA reform

Given the high level of decentralisation in Spain and the importance of sub-central governments (autonomous communities and municipalities), improving co-ordination between the different levels of government and avoiding duplication of functions has been stated as a key issue in the context of the CORA reform. The CORA report acknowledges that Spain has a good administrative system overall, and that administrative decentralisation can have positive efficiency outcomes by bringing the administration closer to the citizens. The report draws attention, however, to a rapid increase in sub-central governments' expenditures and sub-central public staff during a decentralisation process that was conducted in a comparatively short time. Recognising that such increases are in part due to the process of modernisation and development of the welfare system in Spain over the last 30 years, this increase is also seen as the outcome of inefficient administrative overlaps and duplications.

From the 217 concrete proposals presented in the CORA reform, 118 are focused on eliminating duplications, showing the importance of this issue within the overall reform agenda. As local government competences are already being addressed in the Law on Rationalisation and Sustainability of the Local Administration (*Ley de Racionalización y Sostenibilidad de la Administración Local*), the CORA proposals focus on duplications between the central government (CG) and the ACs, even though there are also measures to confront duplications within the CG (e.g. merging two or more central government institutions with similar functions). Of the 118 measures related to duplications, 7 are about duplications at the national level and 111 about duplications between the national and sub-national level. Most of the proposals related to duplications are gathered in the report of the Sub-Commission on Duplications, but given the transversality of the issue, other sub-commissions occasionally also refer directly or indirectly to the topic.

Identifying duplications: Rationalisation of public institutions, foundations and observatories

Abolishing duplicate institutions: The CORA reform suggests the abolition of certain institutions at the level of the ACs whose competences would be assumed by institutions at the central level. The CORA report does not argue the right of the ACs to set up such institutions, but rather considers them to be an inefficient duplication, since existing national institutions

could assume the competences of their regional peers. The institutions which are suggested to be abolished at the AC level include:

- the regional courts of auditors (functions to be assumed by regional sections of the Spanish Court of Auditors)
- regional ombudsmen (competences to be assumed by the national ombudsman)
- regional agencies of data protection
- local and regional procurement centres and regional public procurement advisory boards
- regional geographic institutes
- regional agencies for tertiary education evaluation
- regional agencies of energy (to be integrated in the *Instituto para la Diversificación y el Ahorro de la Energía*)
- regional meteorological agencies; regional public opinion institutes and services (assumed by the *Centro de Investigaciones Sociológicas*).

Rationalisation of public enterprises, foundations and public observatories: Prior to the publication of the CORA reform, a plan for a restructuration and rationalisation of public enterprises and foundations[5] at all levels of the administration had already been put forward, including for public entities at the sub-national level. The CORA reform reiterates the necessity for such a rationalisation to go ahead. Similarly, the CORA reform identifies redundant territorial public observatories (most of them in the ACs, some in municipalities) and proposes the unification of such entities or their integration into the pertinent CG observatory. The CORA reform plans to supress 90 AC observatories in areas such as employment, information and communication technologies (ICT), tourism, trade, health or youth.

In addition, the CORA reform proposes the following concrete measures in order to avoid administrative duplication.

Use of certain central government resources by the ACs: The CG invites the ACs to transfer their foreign offices to the Spanish embassies, trade commissions, foreign offices for tourism promotion or foreign development co-operation offices.[6] Some agreements have already been reached, especially to integrate regional offices in the Permanent Representation of Spain to the UE, and into the Spanish ICEX trade commission offices in foreign countries.[7] The central government also proposes to make available its material and human resources related to technical inspections of telecommunications to the ACs to free them from having to develop an ICT inspection service. Similarly, the CG Roads Direction proposes to share with the ACs the use of buildings and workshops, and the Ministry of Culture and Education proposes to create a network for interchanging resources between different opera theatres.

Transferring of CG infrastructure to sub-central governments: The CORA report suggests transferring those national road segments that cross urban areas to the local governments.

Improving the co-ordination between the CG, the ACs and the local level on public registers and databases: To improve the access to information, as well as to promote information sharing between administrations, the CORA report proposes creating unified databases and/or public registers, including on social and unemployment benefits, foundations, subventions and SME support. It is also proposed to create a unified database of the National Health Service (*Sistema Nacional de Salud*, SNS) and a health card, based on a single code-number for each citizen. The unified database will interconnect the ACs' health databases, while the single code will improve the access to a patient's clinical information across the state territory (currently each

AC has its own social security card/registers). On 20 September 2013, the Council of Ministers approved the delivery of a unique social security card based on the unified citizen health code. Additional measures in this area include the publication of all public bidding processes (either from the state public sector or from the ACs) in a single platform of public procurement; creating a single web platform gathering all job offers arriving to the different state and regional job services; and the launching of a unified Information Centre that provides information about the financial, economic and budgetary activity of the different public administrations. This would contribute to reducing the current dispersion of public information and increase public transparency.

Unifying processes and standards, joint planning: Different initiatives are proposed to unify processes, standards and even licenses. Proposed measures include legal reform to improve the compatibility between the ICT systems used by the different justice administrations; improved co-ordination on aspects related to surveys (e.g. health surveys); the unification of criteria and standards regarding labour risk prevention; joint planning and strengthened interactions between state, regional and local authorities on gender violence; the unification of criteria and processes related to research, development and innovation; an improvement of the interaction and inter-connectivity among the CG and the ACs' educational assessment systems; the drafting of a new law – since approved – to improve the co-ordination between the CG and the ACs' deployment of telecommunications infrastructure;[8] and joint planning of the CG and the ACs about assistance to the victims of terrorism.

Avoid duplications or overlap in access to subsidies: Also proposed is a reform to the legislation on subsidies to eliminate duplications through a better delimitation of competences and functions among the CG and the ACs' administrations.[9]

Simplification and reduction of administrative charges: The inscription of one business operator in the register of production and management of waste of one AC should be sufficient to implement activities in other ACs; it is also proposed to unify criteria for environmental impact assessment.[10]

Unique work permit: It is also proposed to introduce a unique work permit. Currently, foreigners could be subjected to obtain two legal authorisations for work: one request for authorisation to reside and work in Spain, which is under the exclusive jurisdiction of the central government, and another for the opportunity to work, this permit being under the executive authority of the regional labour authorities. In practice, there generally had been a single procedure whereby both authorisations were required, and currently, the second authorisation is only required in Catalonia. This means, however, that foreigners could be subject to obtain two legal authorisations to work, and that in the future – in the case other ACs would require regional work permits – a foreigner could have to acquire several work permits in case he would like to work in several ACs.

Preventing future duplications among public institutions: Beyond proposals to avoid current duplications, the CORA reform also proposes creating specific guidance for avoiding future duplications.[11] It will be used as a base for different ministries to make an annual revision, looking for potential duplications or administrative overlapping not previously detected. The CORA reform also proposes to approve a new Law of the Legal Regime of Public Administrations (*Ley de Régimen Jurídico de las Administraciones Públicas*). This new law would replace the current various classifications – among the CG and the ACs – of public institutions with a single one, containing a precise delineation and integrated view of the existing types (including those of the ACs and local entities). Under such a new regulation, the creation of any new public institution should be strictly justified, in particular avoiding duplication with other existing institutions. In order to improve the control of potential duplications, institutions depending on the ACs or local governments should be

integrated in the Inventory of State Public Sector Entities (*Inventario de Entes del Sector Público Estatal*, INVESPE), which currently only gathers institutions of the central level.

Creating unified employment policies: To improve the efficiency of employment policies it has been proposed to unify criteria between the national government and the ACs regarding the planning, follow-up and evaluation of the state employment plan; to share the online public staff training platforms of the National Institute of Public Administration (INAP) and the ACs; and to sign collaboration agreements (*convenios de colaboración*) with the different ACs to ensure that the National Market Commission assumes full responsibility for safe-guarding fair competition in Spain. In parallel to the CORA reform, a draft Law for the Guarantee of Market Unity (*Ley de Garantía de la Unidad de Mercado*) is going through the legislative process.[12] This law would guarantee that any economic operator legally installed in Spain, or any good legally produced and in circulation, could execute its economic activity or circulate over the entire Spanish territory, without requiring additional legal permits. The proposal has been criticised by political opposition parties, arguing – among others – that it would offend devolved competencies (Segovia, 2013).

Clarifying municipal competences: The CORA report briefly mentions the contribution of the Law on Rationalisation and Sustainability of the Local Administration – developed in parallel to the CORA reform – one aim of which is to avoid duplication among sub-national entities (Box 2.1).[13]

Improving multi-level co-operation: Sectoral conferences and public sector agreements

The CORA report stresses that to avoid duplications, shared decision making between the central government and the ACs needs to be promoted. This would require improving the use of co-operation bodies which currently do not meet regularly and lack the competencies to take decisions, as well as the capacity to follow-up on decisions taken. Based on the reports received from different ministries, areas where further joint planning will be required would include development co-operation, ICT, support to entrepreneurship, tourism and transport infrastructures. In addition, the report suggests improving the sharing of economic information about the financing of public policies and the shared used of databases across levels of government.

Box 2.1. **Overview of the municipal reform in Spain: Law on Rationalisation and Sustainability of the Local Administration**

The Law on Rationalisation and Sustainability of the Local Administration (*Ley de Racionalización y Sostenibilidad de la Administración Local*, LRSLA) was approved by the Council of Ministers on 26 July 2013 and at the time of writing was pending approval by the Congress. This draft law aims at an in-depth reform of the main laws that regulate the organisation and competences of local governments and provinces in Spain (particularly the Law on the Local Government Regime, LLGR, approved in 1985, *Ley 7/1985, Reguladora de las Bases de Régimen Local*).[1] The law has the following four main objectives: *i)* clarify and simplify the competences of the municipalities to avoid duplications with other levels of government; *ii)* rationalise the structure and organisation of the local administration, looking for efficiency and balanced budgets; *iii)* promote budgetary and financial control over the municipal accounts; *iv)* favour liberalisation measures to promote private initiative.

Clarification of municipal competences to avoid administrative overlap

The reform promotes a clearer delimitation of municipal competences. Prior to the law, municipalities did not have a precise definition or delimitation of their competences. The

Box 2.1. **Overview of the municipal reform in Spain: Law on Rationalisation and Sustainability of the Local Administration** *(cont.)*

Constitution in Spain only defines the competences of the central government and of the autonomous communities. Local government competences are defined by the LLGR, but in a broad and imprecise way, leaving the door open to administrative duplication and overlap.[2] In this regard, municipalities have often carried out competences that were not officially assigned to them ("*competencias impropias*"). From the point of view of the municipalities, they were forced to implement these competences because the higher levels of government failed to provide them, whereas from the point of view of the higher levels of government, municipalities were voluntarily implementing these competences (Paniagua and Rodríguez, 2012).

To end this "competence ambiguity", and potential duplications, redrafting Articles 25 and 26 of the LLGR, the LRSLA provides a more precise definition of the core municipal competences. Redrafting Article 27, it also provides an open list of non-core competences not under municipal responsibility which, under certain conditions, might be devolved by a higher level of government. Conditions for moving these competences to a municipality include: *i)* the acceptance of the municipality; *ii)* the provision of sufficient financial resources to the municipality by the higher level of government to execute this competence in an efficient way; *iii)* a report demonstrating that the execution of this non-core competence by the municipality will not generate any administrative duplication.

Recentralisation of some competences

Under the LRSLA, some competences on social services, health, sanitary inspection and education will be recentralised to the ACs.[3] In the 1985 LLGR, these services were considered either core municipal services (in the case of social services, and with co-participation in the management of basic health services) or services that the municipalities were allowed to implement as a complement to those services (such as health in general terms, and education) provided by other levels of government. Under the new law, after a transition period, these services will be implemented by the ACs (maximum of five years in the case of health services, one year in the case of social services and six months in the case of sanitary inspection; there is no reference to a transition period in education). However, under the above-mentioned circumstances and based on an agreement between the AC and the municipality, these competences for social services and health can be transferred back to municipalities. Moreover, unless the ACs assume the competences on health and social services in the stipulated transition period, these remain in the hands of municipalities, but need to be financed by the ACs.

Provincial councils (PCs) may co-ordinate some services in the smaller municipalities. Provinces or similar institutions[4] will co-ordinate the delivery of several services, including the supply of drinking water, street paving, waste collection and treatment for municipalities with less than 20 000 inhabitants. The PCs, with municipal consent, will propose to the Ministry of Finance and Public Administrations the way in which the service will be provided: direct provision by the PC, co-provision by municipal associations (*mancomunidades*) or other. In all cases, the municipality will continue covering the cost of the service provision. In cases where the PC – upon request of the municipality – documents that municipal provision will have a lower cost, the municipality can assume the service provision. The PCs can also assist municipalities with less than 20 000 inhabitants with their competences of tax collection management, financial management, e-government and centralised procurement. Finally, the PCs will monitor the financial efficiency of service provision by the municipalities of their province. Additionally, entities below the level of municipalities will be dissolved if they are not sustainable from a financial point of view.[5]

Incentives for municipal mergers or municipal co-operation

Voluntary mergers of adjacent municipalities within the same province are encouraged through different incentives. Municipal mergers have been almost non-existent in Spain.[6] To overcome this situation, the LRSLA proposes several incentives for municipalities that decide to merge,

Box 2.1. **Overview of the municipal reform in Spain: Law on Rationalisation and Sustainability of the Local Administration** *(cont.)*

including higher funding per capita, a temporary waiver to delivering new services that may be required by the overall increase in the population of the merged municipality[7] and a preferred status for being considered for local co-operation plans or grants. Municipal cooperation in the provision of services is also promoted. When the PCs prove that a joint provision of services by several municipalities results in cost reductions, these municipalities will receive higher funding through central government grants.

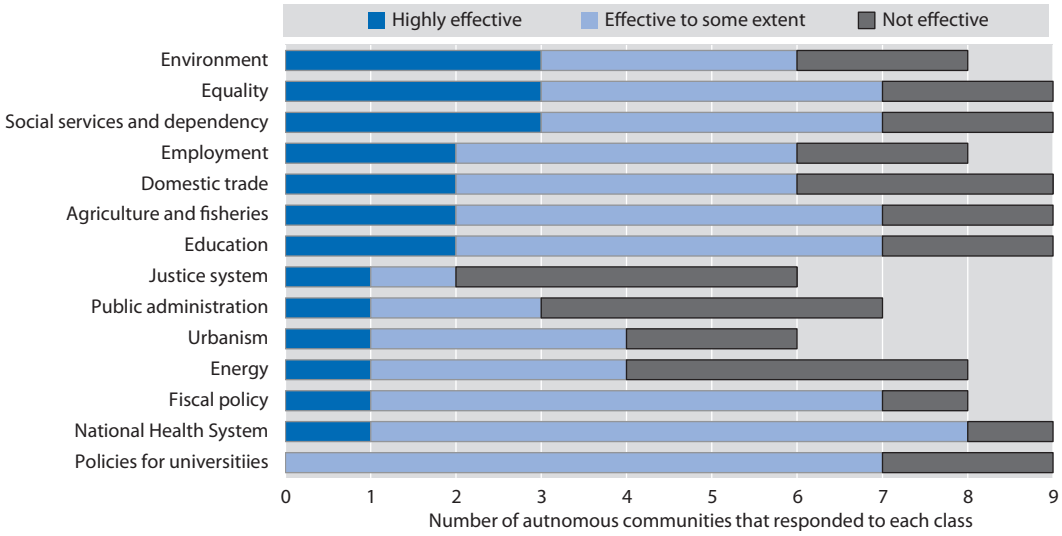
Other issues

The reform also includes other aspects, mostly devoted to control and reduction of local government expenditures. For example, it limits the number of elected municipal representatives and full-time municipal public staff and their salaries, promotes budgetary and financial control over municipal accounts, and favours liberalisation measures to promote private initiative.

Notes: 1. It does not substitute for the law of 1985 or the other laws, but makes an in-depth modification to an important part of their articles, revoking some of them. The other laws affected by this reform are the Law of Local Finance (*Ley Reguladora de las Haciendas Locales aprobado por el Real Decreto Legislativo 2/2004, de 5 de marzo*), the Basic Statute of the Public Employee (*Ley 7/2007, de 12 de abril, del Estatuto Básico del Empleado Público*) and Law No. 30/1992 of 26 November 1992 on General Government and the Common Administrative Procedure (*Ley 30/1992, de 26 de noviembre, de Régimen Jurídico de las Administraciones Públicas y del Procedimiento Administrativo Común*). 2. For more information, see e.g. http://hayderecho.com/2012/08/23/duplicidades-y-competencias-impropias-de-los-municipios-el-ejemplo-de-madrid. 3. As regards education, it refers mainly to those activities relative to the enforcement of compulsory schooling and the maintenance and monitoring of public school buildings. Responsibility for the remainder of education-related competences by the ACs and the central government has never been questioned. 4. *Cabildos* on the Canary Islands, *consejos insulares* in the Balearic Islands. 5. The LLGR stipulates that to stimulate social participation and local management, municipalities can establish another layer of institutions. These institutions (e.g. *parroquias* in Asturias) normally exist in rural areas of regions with low population density and scattered settlement patterns. 6. See, for example, http://hayderecho.com/2011/05/12/la-fusion-de-municipios-una-reforma-inaplazable; www.elmundo.es/elmundo/2013/08/05/espana/1375717851.html. 7. Bigger municipalities are required to provide additional services.

The CORA report briefly mentions the desirability of strengthening the Conference of Presidents of the ACs, but in particular focuses on the need to strengthen the sectoral conferences, suggesting new ones, e.g. in civil defence, vehicle traffic or road safety.[14] Specific measures suggested to improve the role and functioning of sectoral conferences include giving more relevance to the sectoral conferences' joint plans and programmes, improving the territorial assignment of budgets to finance those joint plans and programmes; establishing a minimum periodicity to ensure more regular meetings (of the 39 established conferences, only 21 have met regularly over the last 3 years); and strengthening horizontal collaboration mechanisms. Improving the effectiveness of sectoral conferences would indeed seem to be a priority, as the results from an OECD Survey of Spanish ACs indicate. Even sectoral conferences treating major policy issues are rarely thought to be highly effective, and the large majority of sectoral conferences that were covered in the OECD survey are even considered to be ineffective by between 20% and 65% of the ACs (Figure 2.5).

Figure 2.5. **Effectiveness of different sectoral conferences to develop initiatives and implement polices**

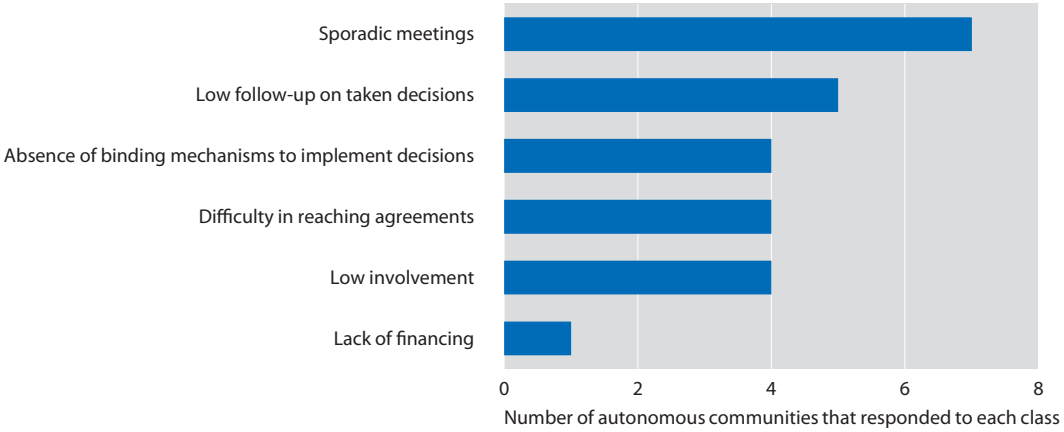


Source: Based on results from the 2013 OECD Questionnaire on the public administration reforms in Spain: Survey for the Spanish Autonomous Communities. Based on information provided by the ACs of Aragón, Asturias, the Canary Islands, Castilla-La Mancha, Castile and León, Catalonia, Galicia, Generalitat Valenciana and Basque Country.

The most frequently cited reasons for the perceived lack of effectiveness of many sectoral conferences are the sporadic nature of the meetings and the low follow-up on decisions that are taken (Figure 2.6). One reason for the lack of follow-up would seem to be the lack of binding mechanisms for implementation, which was mentioned by the majority of surveyed ACs, as were difficulties in reaching agreements. A lack of local best practice exchange, as well as weak conference management – while not included in the survey questionnaire – were also mentioned by the ACs as reasons for the ineffectiveness of certain sectoral conferences.

The CORA report also makes some proposals to improve the efficiency of public sector agreements. These measures do not refer exclusively to the *convenios de colaboración* among different levels of government, but also to agreements between central government institutions themselves, and between government institutions and the private sector. Recommendations are rather general and include developing a specific normative framework to regulate collaboration agreements, providing more control over the way collaboration agreements are used, creating a database of the different collaboration agreements signed by the public administration, *ex ante* annual planning by ministerial departments about the number of agreements to be signed, objectives to be reached with these agreements, and delivering information on the agreements above a certain financial threshold to the CG audit office. In addition, concrete proposals have been put forward for co-operation agreements that would improve central/regional and/or inter-regional collaboration in areas such as emergency management or humanitarian aid. Finally, there is a proposal to invite the ACs to participate in central government institutions that directly deal with issues relevant to the regions to improve interinstitutional co-ordination.

Figure 2.6. **Main reasons for the ineffectiveness of sectoral conferences**



Source: Based on results from the 2013 OECD Questionnaire on the public administration reforms in Spain: Survey for the Spanish Autonomous Communities. Based on information provided by the ACs of Aragón, Asturias, the Canary Islands, Castilla-La Mancha, Castille and León, Catalonia, Galicia, Generalitat Valenciana and Basque Country.

Multi-level governance institutions: Best practice from OECD countries

The provision of public services typically requires the intervention of different levels of government. Even with a regulatory framework that delimitates the involvement and precise competences of each government level well, it is impossible to have a complete separation of policy responsibilities among levels of government. This holds even in centralised countries like Chile or Sweden but is particularly true in federal or highly decentralised countries like Spain. Interconnectedness and possible overlaps of responsibilities and implementation activities lead to a strong degree of mutual dependence between government levels. This implies that vertical co-ordination arrangements are crucial for policy coherence. In this regard, OECD member countries, especially federal or decentralised countries like Spain, are increasingly developing and using a wide variety of multi-level co-ordination mechanisms. These governance arrangements are supposed to promote the collaboration among levels of government, to improve the coherence and complementarities among their interventions, to exchange information and knowledge, to reduce administrative overlapping and duplications, and in general, to increase the quality and efficiency of public service delivery. These mechanisms may be "binding", such as contracts, or "soft", such as platforms for discussion (Box 2.2). Transparent and accountable behaviour by all parties facilitates managing multi-level governance relations because each party understands what is expected of it, and of the others, and can meet its responsibilities accordingly. Transparency also facilitates holding concerned parties accountable if commitments are not met (Charbit and Michalun, 2009).

Box 2.2. **Main mechanisms for vertical co-ordination in OECD countries**

Legal mechanisms (binding laws and legislation) are the strongest method for organising multi-level governance relations. This mechanism is often used with respect to fiscal resources, and to allocate competencies.

Standard setting. Many OECD countries establish universal standard-setting to ensure a similar level and quality of service provision across the country. In Sweden, for example, municipalities enjoy a high degree of autonomy in the provision of public services, but need to meet nationally set standards and regulations.

Box 2.2. **Main mechanisms for vertical co-ordination in OECD countries** *(cont.)*

Contracts or agreements between national and sub-national governments concerning their mutual obligations, i.e. assignment of powers of decision, distribution of contributions (including financial commitments) and contract enforcement mechanisms. These arrangements offer several advantages: they allow for customised management of interdependencies; they are useful tools for dialogue that can be used for clarifying responsibilities and making mutual commitments explicit; they open possibilities for judicial enforcement; and they can be used as learning mechanisms. In federal and decentralised countries, "contracts" are a particularly important tool for promoting co-operation, coherence and synergies among levels of government. Examples include "arrangements" in Canada; "joint tasks" in Germany; "*accordi*" in Italy; and "*convenios*" in Spain. Challenges with contracts that have been observed across OECD member countries include high transaction costs, a power bias towards higher levels of government, or insufficient evaluation procedures to ensure compliance by all parties.

Strategic co-ordinating committees and partnership groups. The interests and inputs of key actors from different levels are co-ordinated through joint representation on administrative bodies or working groups. These committees can serve as forums for improved communication and dialogue over subjects of common interest. They can also help align interests and timing, and set the basis for signing contracts and agreements among government levels. Finally, they can help disseminate good practices between different levels of government, or, horizontally, across regions. In some countries, co-ordinating bodies are leading actors in fiscal capacity building by representing the interests of the local or regional level to national level decision makers. In Norway, for example, the Association of Local and Regional Authorities provides a forum to discuss the framework for distributing revenues in relation to the tasks carried out by local governments, the financial situation of local government and efficiency measures. In the Czech Republic, the Union of Municipalities and the Association of Regions have representatives on the national government's Board of Deputy Ministers for Regulatory Reform and Effective Public Administration, and represent the regions' interests in the Czech parliament, the Cabinet and in European institutions. In Spain, examples include the sectoral conferences and the Conference of the Presidents of Autonomous Communities.

Sources: Charbit, C. and M. Michalun (2009), "Mind the gaps: Managing mutual dependence in relations among levels of government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris, http://dx.doi.org/10.1787/221253707200, adapted from Saltman, Richard B. (2008), "Decentralisation, re-centralisation and future European health policy", *European Journal of Public Health*, Vol. 18, No. 2, pp. 104-106.

Strengthening sub-national consultation and involvement: Examples from Sweden and Switzerland

Wide participation in policy making can contribute to a better planning and implementation of policy options on the basis of more comprehensive knowledge. Increased consultation with sub-national actors in the legal or regulatory process can also be beneficial as it contributes to making local stakeholders understand and feel part of measures and reforms. The legitimacy of a law or regulation stems not only from the authority of the body adopting it, but also from the degree of input received from the different actors that will be affected. Increased participation can result in longer and more complex processes for approving a reform, but it can also make reform implementation easier, in particular when implementation partly depends on the approval or actions of sub-national entities. In Spain, the participation of local government representatives (the Spanish Federation of Municipalities and Provinces, FEMP) in the negotiations of the Law on Rationalisation and Sustainability of the Local Administration complemented the central government vision, and led to the integration of some of the FEMP's observations into the final project.

Box 2.3. **Integrating lower levels of government in consultation procedures: The cases of Sweden and Switzerland**

In Sweden, the process that precedes the development and passage of a new law includes setting-up committees of inquiry. The terms of reference of such committees are stipulated by the government and its members, the latter being special advisers and experts appointed by the lead minister concerned. Often, experts are recruited from local and regional authorities and from the Swedish Association of Local Authorities and Regions (SALAR). Committees normally hold public meetings, and their results are extensively circulated for comments. Even if there are only limited formal consultation mechanisms, groups and citizens present their views through the normal work of local municipal councils and committees in the course of their normal public business. Informal consultation mechanisms also involve contacts with local enterprises and business organisations, municipalities, SALAR or other state agencies.

In Switzerland, extensive consultation procedures are used at cantonal level, and to integrate cantonal views at the federal level following Article 45 of the federal Constitution. Since cantons are in charge of the implementation of federal laws, the Confederation informs them in advance and in detail about future projects, and is obliged to involve them in the consultation procedure. The participation of the Association of Cantons in the consultation is an important, but not the only, way of participating. Cantons can also raise their voice through representatives in mixed working groups or institutionalised meetings. The commissions of the Council of States consult with cantons on the applicability of laws.

Source: OECD (2007), *Multi-level Regulatory Capacity in Sweden*, OECD Publishing, Paris, www.oecd.org/gov/regulatory-policy/38287547.pdf; OECD (2007), *Government Capacity to Assure High Quality Regulation in Switzerland*, OECD Publishing, Paris, www.oecd.org/regreform/regulatory-policy/38286959.pdf.

Consultation and co-operation mechanisms, however, only work if they are perceived as useful by all parties. In Chile, for example, programming agreements (*convenios de programación*) still have a very limited use, even though, in principle, they could be a major tool for formalising multi-level priorities among regional governments and sectoral ministries through a contract that establishes co-responsibility in the design and financing of initiatives. One of the explanations for this may be the lack of incentives for subnational governments, as they sometimes perceive that the initiative and leading role in these agreements comes largely from the line ministries. These are sometimes perceived as using the system to carry out projects that would have been implemented anyway, with the added advantage – from the point of view of line ministries – that under this scheme the expenses are shared (OECD, 2009d).

Strengthening multi-level governance forums: Examples from Australia and Canada

Institutionalised forums for vertical co-operation have a lot of potential to promote collaboration between different levels of government, enhance complementarities of their interventions, interchange information and knowledge, and reduce administrative duplication. These forums can be sectoral, as, for example, in the case of the sectoral conferences in Spain. They can also have a more global focus, to deal with strategic multi-level issues, as, for example, the Spanish Conference of Presidents of the ACs. The Council of Australian Governments (COAG) – which includes both types of forums – is considered to be one of the most successful multi-level co-operation arrangements in the OECD (Box 2.4), and some of its features could therefore be of interest for improving the efficiency of both the Conference of Presidents of the ACs and the sectoral conferences in Spain.

Maybe the most important feature of inter-governmental co-operation bodies is that they have to be perceived as a useful tool by its members. In this respect, the important role that has

been given, for example, to the COAG, is an asset as the premiers of the six states of Australia have strong incentives to participate in meetings where they will discuss subjects of vital importance for their regions. The COAG has developed and monitored the implementation of a large reform agenda on issues of crucial significance for Australia and its regions. For example, it provided the framework for important microeconomic reforms, as well as for implementing reforms of Australia's financial relations between the central government and the sub-national level. Since its establishment in 1992, the COAG has negotiated and signed a number of intergovernmental agreements (IGA). In many instances, agreements have been the precursor to the passage of crucial legislation. Sometimes this has been central government (Commonwealth) legislation, while on other occasions joint Commonwealth and state and territory legislation has been enacted (Council of Australian Governments, 2012; Standing Council on Federal Financial Relations, n.d.).

Permanent secretariats can strongly increase the stability and success of multi-level conferences. The COAG and the COAG Reform Council have permanent secretariats located in the Department of the Prime Minister and Cabinet. The use of a permanent secretariat is not a unique case of the COAG. In Canada, for example, the majority of the high-level inter-governmental conferences are served by the Canadian Inter-governmental Conference Secretariat (CICS). Any federal, provincial or territorial government department proposing to convene an inter-governmental meeting of first ministers, ministers or deputy ministers can request the CICS' services (Box 2.5).

A general purpose conference of presidents and sectoral ministerial conferences can mutually feed each other. The COAG, for example, acts as an umbrella institution, using ministerial councils to identify areas for reform and develop implementation plans for sectoral ministerial councils.

Box 2.4. **The Council of Australian Governments (COAG)**

The Australian Constitution created a federal system of government, in which power was divided between the Commonwealth government (the national government) and the six state governments. A large number of competencies in the federation are held concurrently by the Commonwealth and the states, ensuring that neither tier of government can act substantially independently of the other (Kildea and Lynch, 2010). This leaves an important need for multi-level co-operation arrangements. The Council of Australian Governments (COAG), established in May 1992, is the highest inter-governmental forum in Australia comprising the Prime Minister, state premiers, territory chief ministers and the President of the Australian Local Government Association (ALGA). The COAG's role has been to initiate, develop and monitor the implementation of policy reforms that are of national significance, and which require co-operative action by the Commonwealth and state and territory governments. It has a secretariat located in the Department of the Prime Minister and Cabinet. The COAG meets on an "as needed" basis, but at least once a year. It met four times in 2008 and 2009, and three times in 2012. Alternatively, the COAG may settle particular issues out-of-session by correspondence, and over the past decade, a number of issues have been settled in this manner. The outcomes of the COAG meetings are contained in "communiqués" released at the end of each meeting. Where formal agreements are reached, these may be embodied in inter-governmental agreements (IGA). Meetings are chaired by the Prime Minister. Prior to the introduction of the COAG in 1992, Financial Premiers' Conferences served as the highest inter-governmental forum through which the Commonwealth, the states and territories discussed issues of national concern. These meetings, however, were mainly driven by the Commonwealth, with limited opportunity for input by the states. In contrast, the COAG meetings have displayed a high degree of collaborative efforts by state, territory and Commonwealth political leadership, as well as agency officials, who participate in the COAG's decision making through heads of government meetings, ministerial councils and working groups.

Box 2.4. **The Council of Australian Governments (COAG)** *(cont.)*

The COAG has a strong record of achievements, driving a large reform agenda: a microeconomic reform linked to national competition policy in the mid-1990s improved the competitiveness, efficiency and flexibility of the economy. More recently, the COAG has initiated reforms to increase productivity, raise workforce participation and mobility, and improve the delivery of government services. Government service provision reform has included: health policy changes; a range of early childhood, education and training reforms; detailed commitments to close the gap in indigenous disadvantage; and regulatory reforms to create a unified national economy by removing unnecessary differences in law across states. As a further example of the relevance of the COAG, a historic IGA on Federal Financial Relations was signed in 2008, providing an overarching framework for the Commonwealth's financial relations with the states and territories. This new framework is aimed at improving the quality and effectiveness of government services by reducing Commonwealth conditionality on service delivery by the states, providing them with increased flexibility, clearer specification of the roles and responsibilities of each level of government, and an improved focus on accountability for better service delivery outcomes. This was accompanied by a major reduction in the number of specific purpose payments (SPPs) to the states from over 90 to 5.

Since 2007, the implementation of the COAG reform agenda has been boosted by new working arrangements at the COAG, including the use of ministerial councils, made up of senior state officials chaired by a Commonwealth minister, to identify areas for reform and develop implementation plans. Under the auspices of the COAG, inter-jurisdictional, ministerial level councils facilitate consultation and cooperation between the Australian central government and the governments of states and territories in specific policy areas, and take joint action in the resolution of issues that arise between governments. In particular, ministerial councils develop policy reforms for consideration by the COAG, and oversee the implementation of policy reforms agreed by the COAG. There are three types of councils: standing councils to address issues of national significance (e.g. Energy and Resources; Environment and Water; Federal Financial Relations; Health; Primary Industries; Skills and Employment); select councils, that are reformfocused and time-limited (e.g. Women's Issues; Workplace Relations); as well as legislative and governance fora, that oversee responsibilities set out in legislation, the IGAs, and treaties outside the scope of standing councils (e.g. Consumer Affairs Corporations; Food Regulation; Gene Technology).

The COAG Reform Council (CRC) was established in 2006 as an independent body to assist the COAG to drive its national reform agenda by strengthening accountability for the achievement of results through independent and evidence-based monitoring, assessment and reporting of the performance of governments. The CRC is independent of individual governments and reports directly to the COAG. The CRC has a secretariat, located in Sydney, funded 50% by the Commonwealth and 50% by the states and territories, which supports the COAG Reform Council in its work and assists it in its assessment and monitoring role. Finally, in 2006, the Australian states established a Council for the Australian Federation (CAF), comprising all the state premiers and territory chief ministers. The CAF aims to facilitate COAGbased agreements with the Commonwealth by working towards a common position among the states, as well as common learning and sharing of experiences across states.

Along with the COAG's growing influence and relevance in promoting crucial reforms, some critics have pointed to three main challenges: first, uncertainty surrounding its legal status and operation; second, its tendency to centralise policy control at the expense of diversity – the council's secretariat, for example, is located within the Department of the Prime Minister; and third, the "democratic deficit" associated with its model of executive decision making (Kildea and Lynch, 2010).

Sources: www.coag.gov.au/contact; www.coagreformcouncil.gov.au; www.federalfinancialrelations.gov.au; Kildea, P. and A. Lynch (2010), "Entreching co-operative federalism: Is it time to formalise COAG's place in the Australian federation?", Conference of the Australian Political Studies Association, University of Melbourne, 27-29 September; OECD (2010), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264067189-en; Charbit, C. and M. Michalun (2009), "Mind the gaps: Managing mutual dependence in relations among levels of government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris, http://dx.doi.org/10.1787/221253707200.

Similarly, the presence of horizontal sub-national councils can facilitate reaching agreements in vertical co-operation bodies. For example, the Council for the Australian Federation (CAF), comprising all the state premiers and territory chief ministers, facilitates the COAG-based agreements with the Commonwealth by working towards a common position among the states, as well as common learning and sharing of experiences across states (Box 2.6).

Box 2.5. **Inter-governmental relations and the role of the Canadian Inter-governmental Conference Secretariat (CICS)**

Managing inter-governmental relations is an important aspect of Canadian federalism. In Canada, most issues in public policy cross jurisdictional lines, and in most areas the actions of one government affect other governments. Consequently, relations with other governments are a major concern of all Canadian jurisdictions, and governments have developed mechanisms to co-ordinate. Inter-governmental relations in Canada focus on the relations among federal and provincial/territorial executives – first ministers, ministers and senior officials. These relationships serve a number of purposes. They provide forums for the exchange of information, for bargaining, negotiation and consensus-building. Given the importance of inter-governmental relations, overall responsibility for them is normally assumed by the Prime Minister at the federal level, and by premiers at the provincial/territorial level. At the federal level, the Prime Minister is assisted by a Minister of Inter-governmental Affairs with specific responsibilities in the area, and supported by a secretariat within the Privy Council Office. Provinces and territories have either a department, a secretariat or a co-ordinating unit within the Executive Office, responsible for intergovernmental relations. Their primary roles are strategic policy and communications, co-ordinating activities with other ministries, keeping up with developments in other jurisdictions, and day-to-day liaison with their counterparts elsewhere. Departments in policy fields where inter-governmental relations are a major concern also have units dedicated to managing the inter-governmental relationships.

At the apex of the system, bringing together Canada's most senior political leaders, are federal/provincial/territorial First Ministers Conferences or Meetings (FMMs). They often provide the opportunity for governments to find common purposes and chart general policy directions. They provide a forum for the exchange of information and ideas, and for negotiation and persuasion. These FMMs can be regular multi-agenda meetings or issue-specific, such as the constitutional conferences in the 1970s and 1980s or the FMMs on Health in recent years. The frequency of meetings has varied considerably over time, depending on the political agenda, since there is no regular schedule for the holding of the FMMs. They are called by the Prime Minister. There are no fixed procedures. The Prime Minister chairs, and normally provinces speak in the order of their entry into the Confederation. No votes are taken. Parts of conferences may be held in public, but most discussion takes place *in camera*. In addition to the FMMs, there are many informal contacts between the Prime Minister and premiers, often taking place bilaterally. Much of the work on inter-governmental relations takes place in a growing number of councils of federal, provincial and territorial ministers, responsible for developing co-operation in specific policy sectors, from the environment to social policy. Some have become institutionalised, with regular meetings, often cochaired by federal and provincial ministers, and with strong bureaucratic support. Several have also developed working relationships with interest groups involved in their policy fields. Ministers regularly meet to discuss sectoral issues relating to, for example, agriculture, education, environment, finance, health, internal trade, sport, tourism and transport.

The majority of the high-level inter-governmental conferences are served by the CICS. The CICS was created in 1973 by the first ministers. Governments recognised at that time a need for a mechanism to serve conferences of first ministers, and a growing number of inter-governmental meetings on a permanent basis. It is an agency of the federal and provincial governments, funded by both level of governments, and its staff includes both federal and provincial/territorial public servants and, as such, acts as a neutral intergovernmental body. The primary objective of the CICS

Box 2.5. **Inter-governmental relations and the role of the Canadian Inter-governmental Conference Secretariat (CICS)** *(cont.)*

is to support the numerous logistic, technical and administrative tasks associated with the planning and conduct of federal-provincial-territorial and provincial-territorial meetings of first ministers, ministers and deputy ministers. Any federal, provincial or territorial government department proposing to convene an inter-governmental meeting of first ministers, ministers or deputy ministers can request the CICS' services.

Sources: www.pco-bcp.gc.ca/aia/index.asp?lang=eng&page=relations&doc=context/context-eng.htm; www.scics.gc.ca.

Strengths and weaknesses of the CORA reform plan and reform process in the multi-level governance dimension

While, overall, the rapid decentralisation process in Spain has been a success,[15] in a context of strong cyclical fiscal revenues prior to the global economic crises, it has also allowed for certain increases in public employment that were neither warranted nor sustainable (OECD, 2005; Joumard and Giorno, 2005). This has resulted in some duplication or overlapping of administrative tasks, functions and institutions. However, the challenge of administrative duplication in Spain is not simply due to the existence of areas of shared competences, which is also common in other federal or decentralised OECD countries, or unexpectedly high fiscal revenues in a prolonged period of strong economic growth. It is also related to weaknesses in existing shared or integrated planning mechanisms, and insufficient co-operation among administrations.

Box 2.6. **Strengthening the role of horizontal inter-regional co-ordination**

Horizontal inter-regional co-operation can make it easier to find shared positions in negotiations with the central government, and thus facilitate vertical co-ordination. It can also help as a forum to interchange knowledge and best practices among regions, or to conduct shared projects or initiatives. The examples of the German Council of Prime Ministers (*Ministerpräsidentenkonferenz*), the Council for the Australian Federation or the Association of Regions of the Czech Republic show the advantages both for horizontal and vertical co-ordination of such institutional arrangements.

The governments of the German *Länder* (*Länder* being the German sub-national level corresponding to the ACs in Spain) co-operate through the Council of Prime Ministers and 19 subject-specific standing conferences of ministers. The council/standing conferences are not part of the German government and cannot pass legislation. Nevertheless, they play an important role in the federal system. Councils have two primary functions. In policy fields where legislative powers reside with the *Länder*, they are the main forum for policy co-ordination across the *Länder*. In policy fields where the *Länder* have limited powers, council/conference resolutions articulate common interests of the *Länder* to other actors, such as the federal government or the European Commission. Co-operation in the council/conferences is consensus-based and most decisions are made unanimously. Formally, the Council of Prime Ministers and most other permanent conferences require the approval of 13 of the 16 German *Länder* to pass a resolution. Although resolutions are not legally binding, they have a strong symbolic power, and are almost always enacted by *Länder* governments. Some permanent conferences also draft model laws and regulations to support state administrations and to further harmonise laws across states. The Council of Prime Ministers convenes four times a year. After the council meetings, prime ministers meet with the German Chancellor. Subject-specific permanent conferences have their own meeting schedule and tend to meet between one and four times a year. The federal minister in charge of the respective portfolio typically attends the meeting in an observing role. Several permanent conferences have

Box 2.6. **Strengthening the role of horizontal inter-regional co-ordination** *(cont.)*

established additional committees to discuss particular topics in more detail. The administrative structure of permanent conferences varies depending on their responsibilities. Some permanent conferences have their own permanent secretariats with sizable staff numbers, while others use the administration of the state that holds the rotating presidency of the permanent conference.

The Association of Regions of the Czech Republic (AK CR) was founded in 2001 to represent the collective voice of the Czech regions. It associates the Czech Republic's 13 regions and the capital Prague. The supreme body of the AK CR is the council composed of the president of each region and the Mayor of the capital, Prague. The association offers services ranging from representing regional interests in parliament, the Cabinet and European institutions, to drawing up various reports, standpoints and initiatives. The council elects a chairman and three vice-chairmen, and decides on setting up commissions. Commissions serve as advisors to the council. Actual commissions include the Commission for Regional Development, the Commission for Public Administration, the Commission for Regional Financing, the Commission for Education, the Commission for Health Services, the Commission for the Environment and Agriculture, and the Commission for Transportation. Commission sessions serve for monitoring and issuing standpoints on major national and European issues in their area of competence. The council meets once every six to eight weeks, on a rotating basis in one of the regions. External guests, from the central government administration, members of parliament, public organisations or international companies may also be invited to the meetings. The association has a small secretariat and is financed through regular membership fees.

Source: www.asociacekraju.cz/association-of-regions-of-the-czech-republic.

The multi-level governance dimension of the CORA reform essentially aims at increasing short-term efficiency through eliminating duplications, while at the same time improving the framework for multi-level governance mechanisms to increase the longterm efficiency of the decentralised Spanish political system. This is a sensible approach, which taken in combination with the reform proposal for the rationalisation and sustainability of the local administration, presents an ambitious reform effort. The multilevel governance dimension of the CORA reform is technically well prepared, with a large number of detailed proposals, reflecting both the serious reform commitment by the Spanish government and the large amount of thorough technical work that has gone into it. The latter is illustrated by the AEVAL's current work on developing a *Handbook on the Streamlining and Elimination of Duplicities*. When finalised, the handbook will provide guidance to central government institutions and the autonomous communities to perform assessments focused on identity, prevent and address duplicities based on the CORA report's main findings (Box 2.7).

Box 2.7. **AEVAL's *Handbook on the Streamlining and Elimination of Duplicities***

In 2013, the Council of Ministers agreed on the evaluation activities to be performed by the Agency to Evaluate Public Policies and the Quality of Services (AEVAL). These activities were framed within the measures envisaged by the CORA report and, specifically, within the work of the Sub-Commission on Duplicities. Therefore, the AEVAL was instructed to prepare a handbook focused on providing guidance to the central government and the autonomous communities for streamlining and eliminating administrative duplicities (*Manual para la Racionalización y Eliminación de Duplicidades*).

The handbook builds on the work of the CORA and the Sub-Commission on Duplicities. It aims to address the dysfunctions highlighted by the sub-commission's main findings with a preventive and a corrective approach. It aims to provide a methodology that focuses on: *i)* the assessment and

Box 2.7. **AEVAL's *Handbook on the Streamlining and Elimination of Duplicities*** *(cont.)*

identification of duplicities; *ii)* providing possible solutions; *iii)* defining monitoring mechanisms to assess the effectiveness of implemented corrective measures. In this regard, it provides assessment tools for evaluating dysfunctions within each ministerial department.

It also highlights the fact that malfunctions occur not only horizontally but vertically. Therefore, it proposes corrective measures to correct dysfunctions related to joint decision making between the central government and the ACs, co-operation, ministerial policy financing and institutional information systems.

The purpose of the handbook is also to prevent new dysfunctions and duplicities within the central government and the ACs to ensure a continuous and efficient administrative reform. Following up on this continuity approach, the handbook provides a methodology to support ministerial departments on implementing yearly assessments aiming to identify and prevent dysfunctions. In this respect, it provides a theoretical framework around the concepts of duplication, overlapping and inefficiency.

The handbook highlights administrative procedures on which different levels of government interact, addressing issues related to co-ordination and co-operation, joint decision making, financing of public policy or shared information systems.

Building on the institutional co-operation component of the Spanish whole-of-government administrative reform, the handbook also acts as a co-ordination tool, providing a horizontal methodology to assess sectorial dysfunctions that may require joint institutional programme and policy planning but an individual institutional response.

Currently, the AEVAL is working on the draft final version of the handbook. The final version will provide Spanish public officials with an operational tool and a homologated assessment methodology to introduce a continuous improvement in the management of the multi-level system.

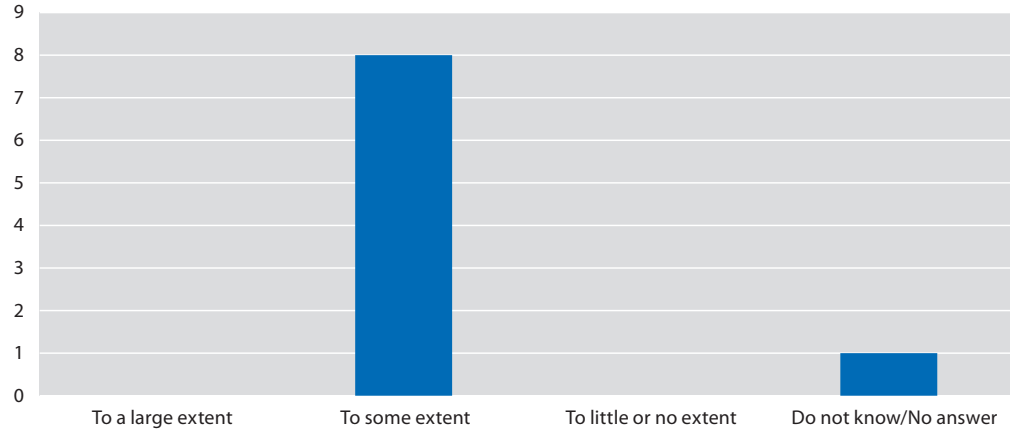
Source: Based on information provided by the Spanish government.

During the elaboration of the reform proposal, the central state administration was well represented, with high-level representatives from different ministries and key central government offices forming the CORA Commission. The CORA Commission was supported by an advisory council of different civil society representatives, including the ombudsman, trade unions representing public workers, and employers' associations, and the CORA process was opened to citizen participation through a public e-mail address to which suggestions and recommendations could be mailed. Even though studies conducted by the administration of several autonomous communities on duplications and burden reduction were used in the preparation of the CORA report, representatives of subnational government were not part of the advisory council, and seem not to have played an active role in the preparation of the report. The reason for this lack of involvement was presumably the intention for moving forward quickly, as possible objections from the ACs to some of the reform proposals would have complicated and lengthened the elaboration process of the reform. The lack of multi-level consultations during the drafting stage of the reform may, however, render its implementation more difficult. A large number of the concrete reform proposals on eliminating duplication or improving co-ordination between levels of government need to be implemented by, or at least need co-operation from, the sub-national level, and the ACs might be more reluctant to implement measures that do not reflect their vision or that they feel are being imposed on them.

So far, the ACs are playing a relevant role in the implementation of the measures. The files on duplication and simplification have been forwarded to them, and are being discussed at the Fiscal and Financial Policy Council. The ACs have been informing the

central administration on the follow-up of the recommendations, as well as on alternative or complementary measures they are planning to implement. Generally speaking, most ACs seem to share the drive to achieve efficiency gains by eliminating duplications, which may bode well for the implementation of a large number of measures that need to be implemented at the regional level.[16] While none of the surveyed ACs saw a large extent of institutional or administrative duplication between the central level and the ACs, a large majority agreed that there was duplication at least to some extent (Figure 2.7).

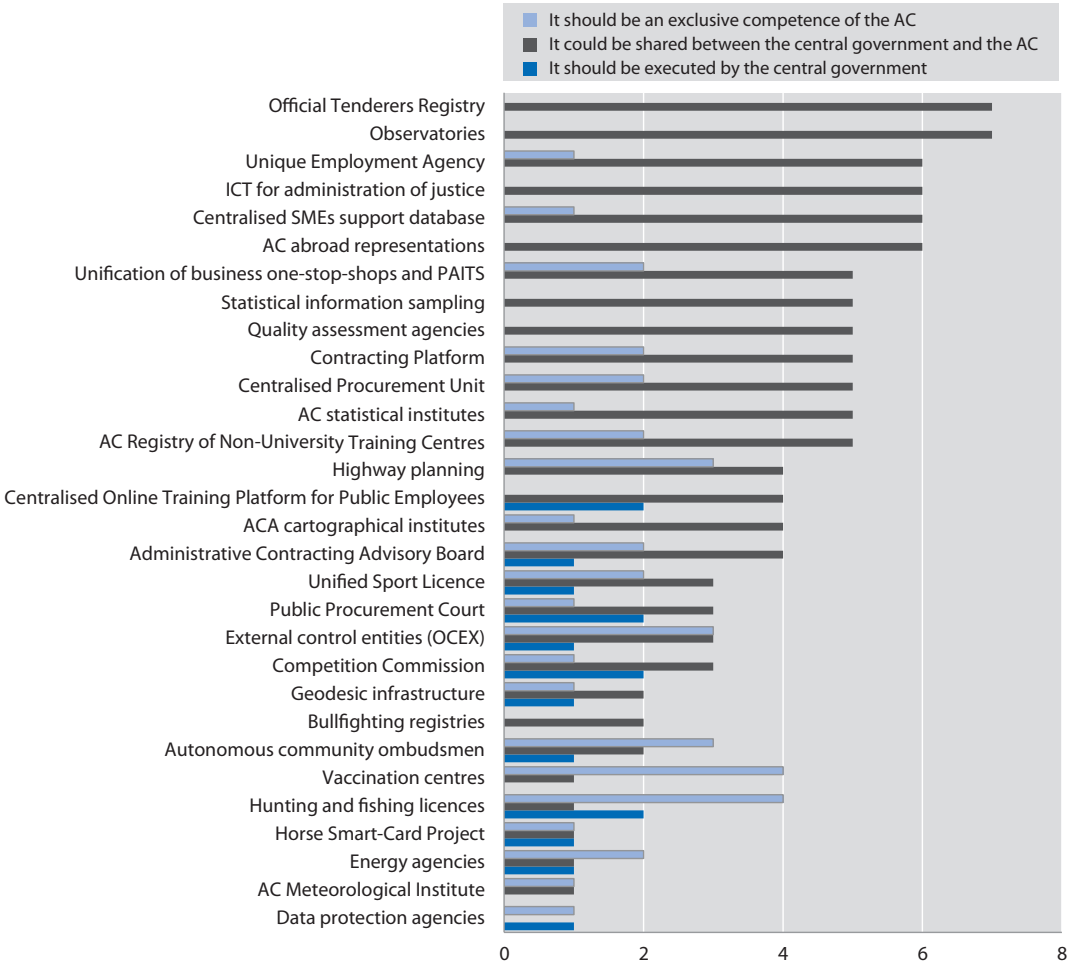
Figure 2.7. **Degree of institutional or administrative duplication between the autonomous communities and the central government**



Source: Based on results from the 2013 OECD Questionnaire on the public administration reforms in Spain: Survey for the Spanish Autonomous Communities. Based on information provided by the ACs of Aragón, Asturias, the Canary Islands, Castilla-La Mancha, Castile and León, Catalonia, Galicia, Generalitat Valenciana and the Basque Country.

Some of the duplications targeted in the CORA reform, however, are touching on institutions which are considered by some ACs, and not only historic ones like Catalonia or the Basque Country, are considered as integral part of their autonomy.[17] For example, certain regions have indicated their intention of keeping their regional court of auditors, implying that political costs of trying to force through such change may outweigh possible efficiency benefits. More generally, few areas that have been singled out for duplications between the two levels of government are seen by the ACs as under the sole responsibility of the central government, and a certain share of the ACs even consider some of these areas as under their own sole responsibility. However, most of these areas are considered as shared responsibilities with the central government by a majority of the ACs, presumably implying willingness for co-operation in these areas (Figure 2.8).

Figure 2.8. **Assessment by the autonomous communities of which competencies could be shared with the central government**



Note: Observatories includes on employment; racism; migration; inequality; health; youth, childhood; information society; tourism and economy.

Source: Based on results from the 2013 OECD Questionnaire on the public administration reforms in Spain: Survey for the Spanish Autonomous Communities. Based on information provided by the ACs of Aragón, Asturias, the Canary Islands, Castilla-La Mancha, Castile and León, Catalonia, Galicia and Generalitat Valenciana.

Finally, for some institutions targeted in the CORA reform, it is also not clear from a normative point of view that centralisation would be the only, or the best way, of improving their efficiency. While, for example, the role of institutions such as the regional ombudsman could certainly be assumed by a central government institution, other OECD countries, like Canada, also have regional ombudsmen, possibly as they are seen as closer to the people.

Concrete recommendations

- Ensure the relevance of the Conference of Presidents, as well as the sectoral conferences. Maybe the most important feature of inter-governmental cooperation bodies is that they have to be perceived as a useful tool by their members. Unfortunately, the OECD Survey of Autonomous Communities indicates that numerous ACs perceive many sectoral conferences as not very useful. To be considered useful, these conferences would need to be bodies for real exchange between levels of government on topics

that are seen as important, the Australian COAG being a good example in that respect. Relevance also implies that agreed decisions need to be implemented subsequently, which – again according to the OECD Survey of Autonomous Communities – seems to be complicated by the absence of binding mechanisms to implement decisions taken by these multi-level conferences.

- Establish a permanent secretariat. The Conference of Presidents could establish a permanent secretariat dealing with conference organisation and follow-up. This secretariat could also give support to the sectoral conferences. The OECD Survey of Autonomous Communities indicates that the sporadic nature of meetings and the low follow-up on taken decisions are key impediments for the effectiveness of sectoral conferences. A permanent secretariat with adequate resources and responsibilities would be well placed to overcome, or at least to significantly mitigate, these problems. Permanent secretariats play an important role for the stability and success of multi-level conferences in Australia and Canada. In the Spanish case, the Canadian Inter-governmental Conference Secretariat (CICS) may be the more useful example, as being funded and staffed by both the central and regional levels of government clearly makes it a neutral inter-governmental body.
- Ensure that the Conference of Presidents, as well as each sectoral conference, adapt a minimum frequency at which it convenes. In Germany, for example, the Council of Prime Ministers convenes four times a year, with subject-specific permanent conferences having their own meeting schedule and tending to meet between one and four times a year.
- Ensure that multi-level government conferences lead to concrete and significant outcomes. To achieve this goal, a strengthening – as also suggested in the CORA reform proposal – of the role and importance of joint plans and agreements may be useful. Having more interactions during the preparatory stage of "joint plans and agreements", and in particular giving a larger role to the ACs – or a permanent secretariat – in the design phase, could encourage the use of these governance arrangements within sectoral conferences. In Australia, for example, the COAG has negotiated and signed a number of inter-governmental agreements which were the precursor to the passage of crucial legislation.
- Strengthen linkages between the Conference of Presidents of the ACs and the sectoral conferences. Using the example of the Australian COAG, the Conference of Presidents of the ACs could draw on sectoral conferences to study and develop concrete policy reforms, and vice versa, the sectoral conferences could use the Conference of Presidents to raise the attention on particular sectoral issues.
- Strengthen horizontal multi-regional co-operation among the ACs. Such co-operation can facilitate finding shared positions in negotiations with the central government, and thus facilitate vertical co-ordination. It can also help as a forum to interchange knowledge and best practices among regions, or to conduct shared projects or initiatives. The examples of Australia, the Czech Republic and Germany show the potential usefulness of horizontal co-operation bodies, and provide possible models for developing the Spanish Conference of the Governments of the Autonomous Communities.
- Ensure widespread elimination of identified duplications. Significant efficiency gains will result from a widespread elimination of the identified duplications. Given that the ACs will be responsible for implementing a large share of the identified measures, it needs to be ensured that disagreements about those measures, which are considered by some ACs as infringing on their regional autonomy, do not affect the implementation of the large share of relatively uncontroversial measures.

Notes

1. Plan de racionalización de la administración institucional en el Estado 2012, www.lamoncloa.gob.es/NR/rdonlyres/C5806805-A33F-48B2-8A11-B60DAAD2CB80/197818/PlanReestructuracinSectorPblicoEmpresarial.pdf.

2. From 1996 to 2006, only 22 horizontal agreements were signed, most of them among neighbouring regions. During this period, no single horizontal agreement was signed by all ACs (León and Ferrín Pereira, 2011). See also Aja and García Morales (2000).

3. Article 145.2 of the Constitution stipulates that co-operation agreements among the ACs shall require authorisation by the *Cortes Generales*, unless they are explicitly recognised by the respective Statutes of Autonomy: "Statutes of Autonomy may provide for the circumstances, requirements and terms under which self-governing communities may reach agreements among themselves for the management and rendering of services in matters pertaining to them, as well as for the nature and effects of the corresponding notification to be sent to the *Cortes Generales*. In all other cases, co-operation agreements among self-governing communities shall require authorisation by the *Cortes Generales*".

4. See also www.seap.minhap.gob.es/en/ministerio/organos/cnal.html.

5. Plan de Restructuración y Racionalización del Sector Público Empresarial y Fundacional Estatal, approved on March 2012 and still operative.

6. At the time of the launch of the CORA report, 166 offices of Spanish autonomous communities existed in different countries, including representations, regional trade commissions and regional offices of development co-operation.

7. The Ministry of Foreign Affairs has already signed either protocols of collaboration or collaboration agreements with Asturias, Castile and León, Galicia, La Rioja, Navarre and the Valencian Community to integrate the ACs in the Permanent Representation of Spain to the UE, and with Valencia, Galicia, Castilla-La Mancha, Castile and León, Aragón, Murcia, Cantabria, the Canary Islands, Andalucía, Madrid, La Rioja and Extremadura to integrate the ACs in the Spanish ICEX trade commission offices in foreign countries.

8. www.lamoncloa.gob.es/ConsejodeMinistros/Enlaces/130913enlace_Telecomunicaciones.htm.

9. Currently, a *National Grants Database* (*Base Nacional de Subvenciones*) is managed by the Ministry of Economy through the IT tool TESEOnet. The CORA report proposes to establish an automatic interconnection between the different grant databases at the national, regional and local level in order to increase transparency and simplify procedures.

10. The new Law on Environmental Impact Assessment refers to regulatory discrepancies among the national and the ACs' regulation, see: www.congreso.es/public_oficiales/L10/CONG/BOCG/A/BOCG-10-A-59-1.PDF.

11. In line with the goals of the CORA report, the 2013 Work Programme of the AEVAL includes a mandate by the government to elaborate a *Handbook on Streamlining and Elimination of Duplications*, in order to identify the main types of inter-governmental inefficiencies and duplications in each ministry, see: www.aeval.es/export/sites/aeval/comun/pdf/agencia/Plan_de_Trabajo_AEVAL_2013.pdf.

12. www.congreso.es/public_oficiales/L10/CONG/BOCG/A/BOCG-10-A-56-1.PDF.

13. The project has been criticised from diverse social and political sectors. The Spanish Federation of Municipalities and Provinces (FEMP) now accepts the reform, after the initial government project was modified to attend to a number of its objections.

14. A detailed description of the different multi-level co-operation mechanisms (Conference of Presidents of the ACs, sectoral conferences and *convenios de collaboracion*) is provided in the second part of the following section.

15. It has allowed sub-national governments to better align their policies with regional preferences, and to implement innovative policy options allowing them to better benefit from territorial opportunities and to better meet economic and social challenges.

16. The last (fifth) Conference of Presidents of the ACs recognised the problem of duplications and agreed to create a working group on administrative rationalisation, showing that the ACs have been aware and willing to address the challenge. Final Declaration of the Fifth Conference of Presidents of the ACs, last paragraph of point 2, page 3: www.lamoncloa.gob.es/NR/rdonlyres/B6C706B6-FACF-4520-A557-B45BF5E05CCA/214752/DeclaracinconjuntaConferenciaPresidentes.pdf

17. The Council for Statutory Guarantees of Catalonia (regional advisory council), for example, has the task to pronounce itself on whether regulations with the force of law of the Generalitat of Cataluña comply with the Statutes of Autonomy and the Spanish Constitution. The dissolution of this institution by the will of the regional government seems highly improbable. For further information on the institution see, for example, www.cge.cat/contingut.php?id_pagina=3.

Bibliography

Aja, E. and M.J. García Morales (2000), "Las relaciones entre Comunidades Autónomas: Problemas y perspectivas", *Informe Comunidades Autónomas*, Institut de Dret Públic, Barcelona, pp. 645672.

Alda Fernández, M. and J.A. Ramos Gallarín (2010), "Cambio político y evolución de las relaciones intergubernamentales entre el Estado central y las Comunidades Autónomas (1996-2008)", in: *La administración pública entre dos siglos: (ciencia de la administración, ciencia política y derecho administrativo): Homenaje a Mariano Baena del Alcázar*, Instituto Nacional de Administración Pública, Madrid, p. 347-376.

Arbós Marín, X. (Coord.), M.J. García Morales, C. Colino Cámara and S. Parrado Díez (2009), *Las relaciones intergubernamentales en el Estado Autonomico. La posición de los actores*, Collecció Institut d'Estudis Autonomics, No. 64, Generalitat de Cataluña, Institut d'Estudis Autonòmics, Barcelona, Spain, www.gencat.cat/drep/iea/pdfs/IEA_64.pdf.

Charbit, C. and M. Michalun (2009), "Mind the gaps: Managing mutual dependence in relations among levels of government", *OECD Working Papers on Public Governance*, No. 14, OECD Publishing, Paris, http://dx.doi.org/10.1787/221253707200.

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Council of Australian Governments (COAG) (2012), "Guide to inter-governmental agreements", Commonwealth of Australia, 17 April, http://archive.coag.gov.au/intergov_agreements/index.cfm.

INVESPE (IGAE), Ministry of Finance and Public Administration, "Inventory of Public Sector Autonomous Entities", Intervención General de la Administración del Estado (Ministry of Finance and Public Administrations).

Joumard, I. and C. Giorno (2005), "Getting the most out of public sector decentralisation in Spain", *OECD Economics Department Working Papers*, No. 436, OECD Publishing, Paris, http://dx.doi.org/10.1787/838564110008.

Kildea, P. and A. Lynch (2010), "Entreching co-operative federalism: Is it time to formalise COAG's place in the Australian federation?", Conference of the Australian Political Studies Association, University of Melbourne, 27-29 September.

León, S. and M. Ferrín Pereira (2011), "Intergovernmental co-operation in a decentralised system: The sectoral conferences in Spain", *South European Society and Politics*, Vol. 16, No. 4, pp. 513532, http://dx.doi.org/10.1080/13608746.2011.602849.

Moreno, J.L. (1997), "Federalization and ethnoterritorial concurrence in Spain", *Publius: The Journal of Federalism*, Vol. 27, pp. 65-84.

OECD (2012a), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies,* OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167612-en.

OECD (2012b), *Slovenia: Towards a Strategic and Efficient State*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264173262-en.

OECD (2012c) "Spain: Reforming the funding of autonomous communities", in: H. Blöchliger and C. Vammalle, *Reforming Fiscal Federalism and Local Government: Beyond the ZeroSum Game*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264119970-12-en.

OECD (2010a), *OECD Territorial Reviews: Sweden 2010*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264081888-en.

OECD (2010b), "The interface between subnational and national levels of government", in: OECD, *Better Regulation in Europe: Spain 2010*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264095076-13-en.

OECD (2010c), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264067189-en.

OECD (2009), *OECD Territorial Reviews: Chile 2009*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264060791-en.

OECD (2007a), *Government Capacity to Assure High Quality Regulation in Switzerland*, OECD Publishing, Paris, www.oecd.org/regreform/regulatory-policy/38286959.pdf.

OECD (2007b), *Linking Regions and Central Governments: Contracts for Regional Development*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264008755-en.

OECD (2007c), *Multi-level Regulatory Capacity in Sweden*, OECD Publishing, Paris, www.oecd.org/gov/regulatory-policy/38287547.pdf.

OECD (2005), *OECD Economic Surveys: Spain* 2005, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-esp-2005-en.

OECD (1993), *OECD Economic Surveys: Spain 1993*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-esp-1993-en.

Paniagua, Milagros and Jésus Rodríguez (2012), "Reforma de las competencias de los entes locales a fin de eliminar los gastos impropios de los municipios", November, https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=xveep&paper_id=102.

Saltman, Richard B. (2008), "Decentralisation, re-centralisation and future European health policy", *European Journal of Public Health*, Vol. 18, No. 2, pp. 104-106.

Segovia, Carlos (2013), "El PP salva la Ley de Unidad de Mercado frente el rechazo de toda la oposición", *El Mundo*, Madrid, 26 September, www.elmundo.es/elmundo/2013/09/26/economia/1380198076.html.

Standing Council on Federal Financial Relations (n.d.), www.federalfinancialrelations.gov.au.

Chapter 3

Raising Spain's productivity through better regulation*

This chapter discusses the CORA initiatives dealing with Better Regulation and administrative simplification. While making a positive evaluation of the simplification initiatives, the chapter argues in favour of reviewing and improving the mechanisms to control the flow of regulations (i.e., consultation and Regulatory Impact Analysis) and developing a culture of Better Regulation throughout the public administrations. Likewise, the chapter analyses the institutional and governance challenges for Better Regulation, highlighting the need to assess how the functions usually undertaken by a regulatory oversight body are being performed in Spain. Finally, this chapter calls for Autonomous Communities and local entities to adopt Better Regulation policies and tools, as a mechanism to improve their efficiency and competitiveness.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Chapter V of the CORA report refers to a series of measures on Better Regulation, and particularly administrative simplification (see Box 3.1 for a basic definition). There is evidence confirming that regulations have an impact on productivity in many different ways. If regulations efficiently correct market failures, they increase productivity by empowering consumers to make better choices, by increasing competition in the market or by reducing negative externalities of production. Regulations can also negatively influence the productivity of firms by reducing incentives to invest, adopt the leading technologies available in the market and innovate. Inadequate regulations raise entry costs, curbing competitive pressure and hindering the allocation of resources across sectors and firms. To the extent that lack of competition results in higher prices, this effect can generate spillovers by raising the costs of intermediate inputs.

There is a growing body of empirical evidence that shows that competition increases the level of output by boosting productivity (Nicoletti and Scarpetta, 2003; Conway et al., 2006; Arnold et al., 2008). Such an effect on productivity is likely to work by enhancing investment and innovation. In a competitive environment, successful enterprises will be able to expand, thus increasing aggregate productivity, while low-productivity firms are more likely to be driven out of the market, with similar consequences for the aggregate indicator.

Anti-competitive regulation in product markets, however, hinders competition, and may therefore slow down productivity growth. A high level of anti-competitive regulations, which are often concentrated in services sectors, not only reduce the level of efficiency in the regulated sector itself, but will also have far-reaching effects throughout the economy as other sectors rely on inputs from regulated sectors. For example, high costs or inefficient services in post and telecommunications, energy supply or professional business services put other industries which depend on them as suppliers at a disadvantage against their competitors in other countries where these sectors operate more efficiently.

There seems to be a persuasive link between Better Regulation and sustained economic growth. Sweden, for example, has moved from a relatively poor performance to one that put it in a group of countries with high productivity growth. Growth in 1991-98, measured as value added in the total economy per hour worked, averaged 2.2%, compared to 1.2% in 1980-90. It increased to 2.5% on average for the period 1999-2005. A number of factors explain this improved performance, among others, the closure of low-productivity firms through deregulation and liberalisation of the telecommunications market in the early 1990s (OECD, 2007d: 24-25).

Better Regulation policies are based on a mix of economic, legal and public management principles. The underlying policy objectives sought are largely common among OECD countries, though the emphases may differ widely, reflecting different specific circumstances. The main objectives underlying Better Regulation policy, in line with those of the CORA report, are (OECD, 2002: 28):

- Increasing social welfare by better balancing and more effectively delivering social and economic policies over time.
- Boosting economic development and consumer welfare by encouraging market entry, innovation and competition, thereby promoting competitiveness.
- Controlling regulatory burdens so as to improve productive efficiency by reducing unnecessary costs, in particular for small and medium enterprises.
- Improving public sector efficiency, responsiveness and effectiveness through public management reforms.

Box 3.1. **Regulatory policy, Better Regulation and administrative simplification**

The objective of regulatory policy is to ensure that regulations support economic growth and development, the achievement of broader societal objectives such as social welfare and environmental sustainability, as well as strengthen the rule of law. It addresses the permanent need to ensure that regulations and regulatory frameworks are justified, of high quality and achieve policy objectives.

The use of regulatory policy to inform and improve policy formulation and decision making has a number of dimensions. A range of tools must be deployed in a consistent and mutually supporting manner to achieve systemic quality assurance. The tools involve strategic approaches and the use of instruments to give effect to regulatory policy. The essential tools include regulatory impact analysis, the consideration of regulatory alternatives, administrative simplification, ensuring regulatory transparency and *ex post* evaluation.

The emergence of regulatory policy has taken different pathways across the OECD, reflecting the diverse range of legal, political and cultural contexts in which countries have built their public governance. Perhaps the most important lesson is that the development of an effective regulatory policy is an evolutionary process which involves a broad scope of issues. In the EU, for example, the terms Better Regulation or Smart Regulation are used to mean delivering policies and laws that bring the greatest possible benefits to people and businesses in the most effective way.

Source: OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264116573-en; European Commission (n.d.), "Smart Regulation", http://ec.europa.eu/smart-regulation (consulted on 1 December 2013).

CORA initiatives dealing with Better Regulation and administrative simplification

The CORA report proposes a series of reforms to simplify the normative framework for business and facilitate the interactions with the public administrations. Many of these initiatives follow good practices of OECD countries and of the EU's Better Regulation agenda. In some cases, the initiatives require some horizontality, while others are ministry-specific.

The projects advanced by the Sub-Commission on Administrative Simplification (*Subcomisión de Simplificación Administrativa*, CAS) of the CORA were selected from a pool of more than 400 proposals. These proposals were documented in a standard format by ministries and agencies of the central government and supported by a series of interviews with representatives of different vice-ministries and project managers. Likewise, they were collected from the public through different means established by the CORA, including an electronic box. Projects were classified in three categories – A, B and C – according to priorities and assessed applying several criteria, such as horizontality; importance for citizens; relevance for more than one public administration; savings created for citizens, business entrepreneurs and the administration itself; costs; and implementation schedule.

A first assessment resulted in 60 A, 133 B and 5 C projects. A second evaluation was carried out to highlight those projects with the highest priority out of the 60 classified as A. A new category of 42 AA initiatives was created and these were to be implemented in the short to medium term, with the others to follow at a later time. Some of the most important, with special mention to the normative review, regulatory impact assessment (RIA) improvement, law for market unity and simplification of start-up procedures include:

- Reform of administrative rules: The CORA proposes to provide the administration with a systematic, clear, coherent, transparent and uniform regulatory framework by issuing two consolidated rules, one on the legal regime of the public administrations, including requirements to promote discipline in institutional management, and one on

administrative procedure, which would regulate the electronic interactions between citizens and the public administrations.

- Burden reduction manual: Building on the achievement of the 30% reduction in administrative burdens in late 2012 and the Royal Decree on RIA (1083/2009, 3 July), which established a simplified methodology for administrative burden measurement and reduction,[1] the CORA proposes to produce a manual on administrative burden reduction. Currently, there is no such guiding document for the central administration and only some autonomous communities have developed one, such as Galicia.
- Common commencement dates: Techniques such as common commencement dates (CCD) can make it easier for business to assimilate and prepare for regulatory requirements. In consequence, the CORA proposes the application of CCD to facilitate access to rules and avoid the existence of disperse legislation.
- One in-one out: The CORA proposes to establish, for the first time in Spain, the "one in-one out" rule so that each administrative burden introduced would at least be offset with the elimination of another burden of equivalent cost. The focus is on burdens, not the number of regulations per se.
- General access point for public administrations (PAG): See the section on ICT and digital government.
- Simplification of environmental formalities: The CORA establishes a set of initiatives concerning environmental regulations to simplify and reduce administrative burdens regarding the management of hydraulic public goods, the consolidated administrative authorisation (*Autorización Ambiental Integrada*, AAI),[2] waste management and environmental assessment.
- One-stop shop for foreign trade operations: The one-stop shop aims at reducing processing and turnaround times, consolidating formats, decreasing the amount paper documents required and accelerating the clearance of merchandise by synchronising control interventions by the authorities concerned. The project is led by the State Agency of Revenue Services (*Agencia Estatal de la Administración Tributaria*, AEAT), but implies the participation of six different agencies.
- Strengthening the platform for data exchange: Law 11/2007 of 22 June on Citizens' Electronic Access to Public Services, establishes that citizens do not have the duty to submit documents that the administration has previously collected. In order to make this mandate effective, public administrations have launched a series of horizontal electronic platforms and services, such as the Platform for Data Exchange (*Plataforma de Intermediación de Datos*, PID). The PID and other platforms are already operative, but they have not achieved the optimal degree of horizontality. The CORA proposes to boost the PID as the main instrument to make effective citizens' right to avoid submitting documents that the administration already possesses.
- Simplification of tax procedures: The World Bank's 2013 *Doing Business* report ranks Spain 34th out of 185 countries in the indicator of easiness to pay taxes. In the EU context, Spain is ranked 9th and compares favourably to the regional average. The CORA proposes a set of initiatives in this regard, particularly through the use of electronic platforms.

Normative review and codification of laws

The OECD's report *Better Regulation in Europe: Spain* (2010a) concluded that the revision of regulatory frameworks in the country was not systematic or a common practice

in the legal tradition, increasing the risks of regulatory inflation (OECD, 2010a: 101-2). In addition, the CORA report explains that the regulatory stock has become more complex as a consequence of practices such as the "legal mix" (attaching to a particular rule additional norms that are not related to the general subject of the rule) and the absence of exhaustive lists of rules being abolished when new regulations are issued.

The CORA acknowledges that the government is advancing a Plan for Normative Rationalisation, which until the presentation of the CORA report (June 2013) had identified 5 800 rules in 28 economic sectors. The initiative is contained in the draft Transparency Law and its objective is to review, simplify and, if adequate, consolidate regulations. For this purpose, it mandates ministries and agencies to study their normative frameworks, abolish obsolete rules and, where necessary, amend, reform and consolidate regulations. Likewise, the draft law mandates the *Secretaría de Estado de Relaciones con las Cortes* to elaborate a plan and co-ordinate the review process. In fact, this ministry has already created a working group with representatives from other ministries and agencies in order to move this initiative forward.

The CORA also proposes the approval of a law that would mandate the government to consolidate specific regulations. In fact, on 20 September 2013, the Council of Ministers agreed on a legislative bill to allow the government to draft 17 consolidating rules.

RIA improvement

Ex ante impact assessment of new regulations is one of the most important regulatory tools available to governments. Experience in OECD countries shows that a strong and coherent focal point with adequate resourcing helps ensure that impact assessment finds an appropriate and timely place in the policy- and rule-making process and raises the quality of assessments.

In Spain, the production of some forms of impact assessment has been enshrined in the legal system for a number of years. The system covered legislative and secondary regulatory proposals. Law 50/1997 (*Ley del Gobierno*) regulating the government sets out that the development of legislative and regulatory proposals should include so-called *memorias*, comprising a report or studies on the need and appropriateness of the proposal, an economic report with estimated costs (introduced in 2003) and a report on the gender impact of the measures. Up until 2009, when Decree 1083/2009 set up an integrated core for *ex ante* impact assessment, the *memorias* did not, however, represent a fully-fledged impact assessment process. For instance, there were no explicit and standard analytical methods, such as a cost-benefit test. More generally, the legal requirement to produce the reports was just that: nothing had been added to specify what exactly the impact should include and how it should be assessed. In other words, the law was not fleshed out. It was left to the discretion of each ministerial department how analysis should be conducted and the results presented. As a consequence, impact assessments on national initiatives were not produced systematically, generally not until the very last stages of the drafting process, and with a varying degree of quality and completeness. It was broadly acknowledged within the administration that RIA was not working, not least because ministries were not clear how to tackle impact assessments and needed help.

In addition to Law 50/1997, the Spanish government has developed two legal instruments aiming to improve the quality of regulation. The Guidelines on Normative Technique, approved by the Council of Ministers on 22 July 2005, strive to improve the technical and linguistic quality of regulations. In the context of the policy to reduce administrative burdens by 30%, the government issued Royal Decree 1083/2009 of 3 July, setting up an integrated and mandatory core for *ex ante* impact assessments. The main objective of the decree was to

make an integrated analysis of regulatory impact mandatory for the central administration. The three distinctive *memorias* were now mandatory integral parts of a single document. The decree specifies that the RIA report must be produced in parallel with the drafting of the proposal. The new system entered into force on 11 December 2009, when the new related operational *Guidelines on RIA* were officially adopted.

Even though the CORA report makes reference to Decree 1083/2009 and the *Guidelines on RIA*, and foresees their overhaul linked to the burden reduction manual, it neither sets out plans for their widespread implementation nor identifies areas of opportunity to improve the RIA methodology (see section "Opportunities for improvement").

Law for Market Unity (Ley de Unidad de Mercado)

In a study published in 2012, the AEVAL found that the ACs adapt their regulatory frameworks to the state's rules at different paces, which leads to inconsistencies on the criteria to authorise economic activities and, as a consequence, to different time and information requirements (AEVAL, 2012).

One of the main proposals of the CAS of the CORA is the draft Law for Market Unity. The objective of this law is to establish the principles and basic rules to guarantee market unity, while respecting the regulatory attributions of the autonomous communities and local entities. The draft law states that it should be conducive to a pro-competitive environment that favours investment and economies of scale, leading to gains in productivity, employment and growth, as well as benefiting consumers who will have wider access to goods and services.

The draft law advances the principle of effectiveness throughout the national territory, which grants effectiveness to the administrative decisions of the authorities of the territory of origin throughout the whole country, based on mutual trust and recognition of the authorisations granted by any authority. In practice, this means that any business legally established and duly authorised, or any good legally produced and commercialised, can operate and circulate throughout the whole national territory without the need for additional authorisations or having to comply with further formalities imposed by other authorities.

In addition, the draft law sets out the following mandates:

- creating a Council for Market Unity to serve as an administrative co-operation body to follow up on the implementation of the contents of the law
- authorities can select whether to require a previous communication, a "responsible declaration" or an administrative authorisation, based on the public interest to protect, the requisites requested to protect such interest and the nature of the economic activity
- authorities will periodically review their regulatory stocks to ensure that they do not hinder market unity
- promoting the voluntary use of quality standards by businesses to benefit consumers
- establishing dialogue platforms between the central administration and the private sector to allow businesses to communicate obstacles to market unity.

Simplification of start-up procedures

The CORA is advancing a draft Law to Support Entrepreneurship and Internationalisation (*Ley de Apoyo a los Emprendedores y a su Internacionalización*). Its objective is to support entrepreneurship and business activities, facilitating their development, growth and internationalisation, as well as to promote entrepreneurship and a favourable business climate, from the start-up stages to the consolidation of business initiatives.

The draft law contains several mandates to streamline start-up procedures, such as:

- Eliminating the minimum capital requirement to establish a limited responsibility company.
- Expanding the universe of businesses which are subject to "responsible declarations", instead of administrative authorisations, by increasing the threshold from 300 m² to 500 m² for businesses to be exempted from the municipal business license and subject to only a "responsible declaration".
- Integrating the business one-stop shop (*Ventanilla Única Empresarial*) with the contact points for advice and start-up procedures (*puntos de asesoramiento e inicio de tramitación*, PAIT): the Centre for Information and Business Start-Up Network (*Centro de Información y Red de Creación de Empresas*, CIRCE) is composed of the PAIT,[3] the Virtual PAIT (electronic one-stop shop) and the consolidated electronic format (*documento único electrónico*, DUE).[4] The CORA proposes to link these tools with municipalities, so that "responsible declarations" are managed electronically and the municipalities clear them in a maximum of three days, hence the name of the initiative "Entrepreneurship in Three" (*Emprende en Tres*).[5] As of July 2013, the municipalities of Madrid, Gijon (Asturias), Molina de Segura (Murcia), Alameda de la Sagra (Toledo) and Villanueva de Alcardete (Toledo) were applying this scheme.

In line with the CORA, some autonomous communities are advancing similar bills. For example, the government of Galicia has sent a law proposal on entrepreneurship to its Economic and Social Council, which substitutes the need for an administrative authorisation by a previous communication that allows low-risk businesses to start up in 15 days. Likewise, the Generalitat Valenciana advanced Law 2/2012 of 14 June on Urgent Measures to Support Business Initiatives, Entrepreneurship and SMEs, which establishes the regime to apply "responsible declarations" for starting up a business.

Background and diagnostic

The Spanish government has implemented a wide range of economic and structural reforms over the last three decades, focusing on deregulation and liberalisation, which reduced the role of government in the markets. These reforms helped the economy grow steadily, at around 3% per year. The situation changed dramatically in the wake of the global financial crisis and, indeed, Spain is one of the European countries the most affected by it.

Like many other OECD countries, Spain is now facing the challenge of advancing structural reforms to develop new sources of growth and address underlying issues of weak productivity growth. However, the room for maneuver is limited. Fiscal policy is very much exhausted and there is a need for consolidation, while monetary policy is not a unilateral choice in the context of the monetary union of the EU. Hence, the alternative is to look for structural reforms that could have a significant impact on the efficient allocation of resources to advance productivity. In this context, Better Regulation policies emerge as an option.

Spain has generally based its Better Regulation agenda on the EU Better Regulation policy. However, Spain is still lagging behind with regards to the adoption of European best practices. The World Bank's *Doing Business* report ranks Spain 136th out of 183 countries in the indicator on ease of start-up procedures, with 10 procedures required to start up a business, which take 28 days and imply a cost of 4.7% of income per capita. This means Spain is third to the last in the EU context (only the Czech Republic, Greece and Malta were ranked lower) and far from the average figures of the region (World Bank, 2013). Interestingly, the AEVAL reached similar conclusions in a study published in 2012 and found that 50% of entrepreneurs

think about giving up their business projects given the cost and time requirements of the administrative procedures to start up (AEVAL, 2012).

Table 3.1. **Starting a business indicators in the European Union**

Indicator	Lowest regional performance	Best regional performance	Regional average	Spain
Procedures (number)	11 (Malta)	2 (Slovenia)	6	10
Time (days)	40 (Malta)	4 (Belgium)	14	28
Cost (% of income per capita)	20.5 (Greece)	0 (Slovenia)	4.9	4.7

Source: World Bank (2013), *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises, Regional Profile: European Union*, 10th edition, International Bank for Reconstruction and Development/The World Bank, Washington, DC, www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Profiles/Regional/DB2013/DB13-European-Union.pdf.

Likewise, Spain lags behind in the indicator of administrative burdens on start-ups of the OECD Product Market Regulation Index. In the 2008 measurement, Spain scored 2.33, well above the EU15 average of 1.42.[6] These shortcomings have created incentives to move Better Regulation further up the government's agenda, as evidenced in recent major initiatives to strengthen programmes for the reduction of administrative burdens on business and the reinforcement of impact assessment for new regulations, as well as actions taken in the autonomous communities to strengthen regulatory management. Likewise, the fact that one chapter of the CORA is devoted to simplification and normative reforms illustrates political support to advance this agenda.

Spain is a relatively late comer to the Better Regulation agenda, starting in the late 1990s with programmes for administrative simplification. Since then, momentum has grown and a broader range of issues has gradually been tackled, including impact assessment. The different levels of government are now aware of the principles for Better Regulation, and have started to integrate a broadening agenda with a longstanding tradition of administrative simplification (OECD, 2010a).

Table 3.2. **Key milestones in the development of Better Regulation policies in Spain**

1999	Administrative Simplification Plan (led by the Inter-Ministerial Commission for Simplification)
2005	National Reform Plan, following the 2005 Lisbon Strategy setting overall objectives for reform, within which Better Regulation initiatives were developed
2007	Law 11/2007 of 22 June on Citizens' Electronic Access to Public Services
2008	– Action plan for the reduction of administrative burdens – Two agreements by the Council of Ministers on fast-track actions to reduce administrative burdens – Covenant with the autonomous community of Cantabria
2009	– Additional agreements by the Council of Ministers on fast-track actions to reduce administrative burdens – Covenant with the Spanish Federation of Municipalities and Provinces (FEMP) – Covenant with the High Council of Chambers of Commerce, Industry and Navigation and the Spanish Confederation of Enterprises and SMEs (CEOE-CEPYME) – Agreement with the autonomous communities and the municipalities on a common method for SCM implementation – Royal Decree on RIA (1083/2009 of 3 July) setting up an integrated and mandatory core for *ex ante* impact assessments
2010	– *Guidelines on RIA* – Finalisation of the measurement of the more than 300 information obligations from the 6 priority areas included in the action plan – Renewal of the Covenants with the High Council of Chambers of Commerce, Industry and Navigation and the CEOE-CEPYME

Table 3.2. **Key milestones in the development of Better Regulation policies in Spain** *(cont.)*

2012	Law 12/2012 of 26 December on Urgent Measures for Liberalisation of Trade and Specific Services (which eliminated the *ex ante* municipal license for low-risk commercial businesses established in shops of less than 300 m^2)
2013	Commission to Reform of the Public Administrations (CORA) programme, which includes proposals to issue laws on market unity, entrepreneurship and transparency, among others

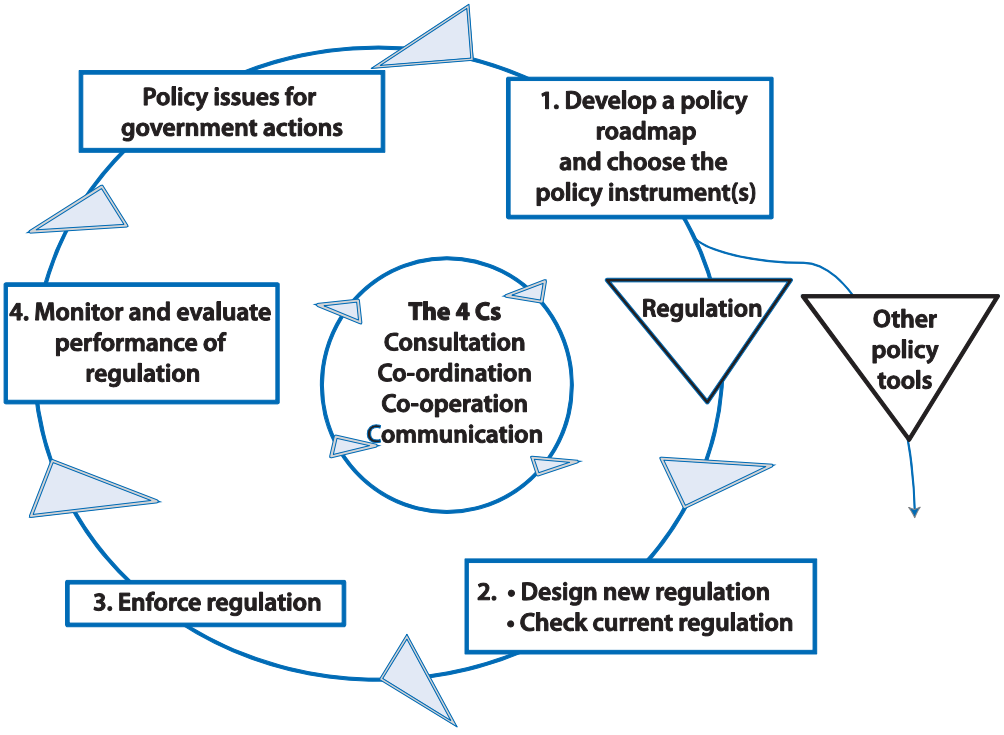
Source: OECD (2010), *Better Regulation in Europe: Spain 2010*, OECD Publishing, Paris, pp. 41-42, http://dx.doi.org/10.1787/9789264095076-en.

As in several other European countries, e-government has expanded significantly within the public administration, and in so doing has helped to support aspects of Better Regulation.

In November 2006, in the framework of its strategy on growth and employment and the initiative "Legislating Better", the European Commission proposed a programme to reduce administrative burdens created by regulations. The European Council of spring 2007 proposed a reduction target of 25% to be achieved by 2012 at the latest. Spain committed to fulfill this objective and, according to its own counts, had achieved a 30% reduction by the end of 2012.

Despite all this progress, the Spanish administration still needs to assimilate a culture of Better Regulation, going beyond the approach of simplifying isolated rules or formalities and moving towards a more comprehensive regulatory governance system. A core challenge for effective regulatory governance is the co-ordination of regulatory actions, from the design and development of regulations to their implementation and enforcement, closing the loop with monitoring and evaluation, which informs the development of new regulations and the adjustment of existing ones, as illustrated by the regulatory governance cycle (Figure 3.1) (OECD, 2011: 74).

Figure 3.1. **The regulatory governance cycle**



Source: OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, p. 76, http://dx.doi.org/10.1787/9789264116573-en.

In 2010, the OECD recommended Spain adopt a regulatory governance approach in its report of the series *Better Regulation in Europe*. As will be discussed in this section, several of these recommendations have not been tackled yet. Hence, the CORA represents an opportunity to move on this agenda and address the shortcomings that previous reforms have been unable to fix. Simplification of business and citizen formalities is a good start, but in order to get closer to best practice, Spain needs to go further in the systematic use of tools to support evidence-based decision making and in the design of its regulatory governance structures.

Opportunities for improvement

Embedding a regulatory governance approach

Despite the fact that some of these reforms follow good practices of OECD countries, it is important to consider how they could work in Spain, given the particular features of its regulatory system, institutions and administrative culture. In some cases, the logic to advance specific reforms is not clear and does not respond to the need to create a more comprehensive regulatory governance system.

The regulatory governance cycle (Figure 3.1) implies policies and systematic practices to advance evidence-based decision making, consider alternative policy instruments, not only regulations, as potential solutions to a public policy problem, oversee implementation and evaluate the results of the solution chosen. The concept and image of the cycle can serve as a starting point for reflection on what needs to be done to strengthen regulatory governance. Specific programmes or institutions may be working, but it is necessary to consider how they are linked with the different stages of the cycle and in which of these stages the main opportunities can be found, as well as how to incorporate this integral approach in the different agencies with regulatory attributions.

Better Regulation therefore goes far beyond the concept of administrative simplification advanced by most of the initiatives of the CORA. In fact, the understanding of Better Regulation policies varies among countries. At one end of the spectrum, Better Regulation may be seen as limited to little more than minimising the administrative costs and burdens imposed on business by regulations, whilst at the other end it can be seen as an integral part of the structural reform of economies, including such fundamental issues as the economic role of the state and the public policy objectives that regulation is seeking to achieve. There is scope for the CORA to move from a narrow approach of minimising the administrative costs imposed on business and citizens by regulations towards a broader one whereby Better Regulation is an integral part of structural reform and evidence-based policy making.

Better Regulation policy needs to focus on two dimensions of regulatory activity: it must establish or reform the regulatory appraisal of new regulations (flow concept) and advocate the reform of existing regulations (stock concept). The CORA concentrates heavily on the regulatory stock, but does not extensively suggest improvements to the system to control the flow of regulations. Indeed, the improvement and implementation of tools to control the flow, such as consultation and RIA, were identified as important opportunities in the report *Better Regulation in Europe: Spain* (OECD, 2010a). Strengthening these controls would complement the simplification and review measures proposed by the CORA and allow them to have a long-lasting effect, otherwise any gains realised from simplification will be easily reversed by future regulatory activities.

Furthermore, addressing the weaknesses of the system to control the flow of regulations is far more important than other measures proposed by the CORA that seem to have no strong rationale (i.e. one in-one out policy). The CORA could anticipate additional specific actions

for an important stage of the regulatory governance cycle. In addition, aside from very specific initiatives (i.e. labour and social security inspections), improving regulatory enforcement and inspection is not comprehensively addressed by the CORA. That said, it is fair to recognise that the Law on Transparency, Freedom of Information and Good Government; the Law for Market Unity; and the draft law to support entrepreneurship and internationalisation contain initiatives aiming at streamlining regulations and creating an improved business environment in Spain, as described below.

Regulatory consultation

The obligation to consult during the rule-making process is enshrined in the Constitution and backed up by Article 24 of Law 50/1997 of 27 November on Government. This article mandates a public hearing (*audiencia*) on a regulatory instrument or *reglamento*, once the text is elaborated. The public hearing should last a reasonable time and no less than 15 working days and can be carried out directly with the stakeholders interested or through the groups or associations that represent them. In addition, this article establishes that under exceptional and justified circumstances, the length of the hearing process can be reduced to seven working days or not carried out at all (based on public interest circumstances). Finally, it states that the specific procedure to undertake consultation should be justified by the leading agency.

The Council of State checks that legal requirements have been met when preparing regulations. It reports on the accuracy and appropriateness of the consultation carried out. In particular, it assesses whether the consultation round was merely a bureaucratic exercise or not, and whether stakeholders were provided with sufficient and adequate background documentation. Appeals can be filed if consultation was not carried out, as the lack of consultation is considered an essential fault in administrative justice.

The report *Better Regulation in Europe: Spain* (OECD, 2010a) found that, in practice, a wide range of specific processes are used for public consultation, such as notice and comment, e-consultation, leveraging on the Spanish Economic and Social Council, consultation via organised groups, and informal channels. However, it also found several weaknesses that have not been addressed so far and that the CORA may address by incorporating specific guidelines:

- There is no general explicit legal requirement to consult on legislative proposals (i.e. primary laws). Usually, the Council of Ministers decides on the extent of public consultation and its timeline on an *ad hoc* basis.
- Practices vary and are neither consistently applied nor standardised throughout the government. Specific arrangements are left to the discretion of individual ministries.
- The stage at which consultation should take place may not be adequate. Article 24 of Law 50/1997 mandates public hearings once a draft is elaborated. This implies two problems. First, consultation takes place once there is a commitment for a regulatory option since the draft is already elaborated and there may be little scope (or none at all) to consider non-regulatory or market solutions. Second, even within the choice for a regulatory solution, there may be little room for adjustment as at this stage there may be commitments for specific policy instruments, requirements and prohibitions. One way to assess the incidence of this issue is by analysing to what extent the texts of proposals are significantly modified after consultation.
- Consultation contributions are generally not published and feedback is not provided to participants.

One practice that has proven useful in other OECD countries to systematise and standardise regulatory consultation is to issue guidelines with specific requirements as to when consultation should take place, its length, methodologies, procedures and what feedback should be provided to the participants (see Box 3.2 on the case of the United Kingdom). The CORA could propose the production of guidelines for consultation as a way to ensure *ex ante* the consideration of alternatives to regulatory instruments and to prevent consultation from becoming a mere bureaucratic requirement. Furthermore, a more systematic process for regulatory consultation would build on other CORA initiatives to advance transparency, accountability and open government.

Box 3.2. **Consultation principles applied in the United Kingdom**

In the United Kingdom, the government is improving the way it consults by adopting a more proportionate and targeted approach, so that the type and scale of engagement is proportional to the potential impacts of the proposal. The emphasis is on understanding the effects of a proposal and focusing on real engagement with key groups rather than following a set process. The Code of Practice on Consultation establishes seven criteria:

When to consult: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Duration of consultation exercises: Consultations should normally last for at least 12 weeks, with consideration given to longer timescales where feasible and sensible.

Clarity of scope and impact: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence, and the expected costs and benefits of the proposals.

Accessibility of consultation exercises: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

The burden of consultation: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Responsiveness of consultation exercises: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Capacity to consult: Officials running consultations should seek guidance on how to run an effective consultation exercise and share what they have learnt from the experience.

Source: Cabinet Office (2012), "Consultation Principles", Cabinet Office, London, www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance.

Regulatory impact assessment (RIA)

Royal Decree 1083/2009 of 3 July setting up an integrated and mandatory core for *ex ante* impact assessment was a significant improvement to the previous system of *memorias*. It promoted a more integrated approach, in which the economic impact of regulations is to be emphasised and there is a link to the simplified methodology to measure administrative burdens. In line with OECD best practices, it allows regulators to concentrate their resources on high-impact regulations, by allowing a simplified analysis of low-impact regulations. Furthermore, the *Guidelines on RIA* (Box 3.3) represent a benchmark against which monitoring and control activities can take place and set the basis for systematic *ex post* evaluation. In terms of institutional set up, the royal decree established, in the Ministry of the Presidency, the functions of co-ordinating, promoting and monitoring developments, but this has since changed and the functions have been transferred to the State Secretariat of Public

Administrations (*Secretaría de Estado de Administraciones Públicas*, SEAP) at the Ministry of Finance and Public Administrations (MINHAP, this issue is addressed in the next section).

Box 3.3. **The 2010 *Guidelines on RIA***

The guidelines specify that each integrated *memoria* should include at least the following elements:

- the rationale and opportunity of the proposal, its motives and objectives
- a description of the contents of the proposal
- the alternatives considered (including the "no action" option)
- a legal analysis, which includes the detailed list of all abrogated rules as a consequence of the entry into force of the new rule
- a summary of the procedural steps followed, including consultation and hearings
- the analysis of the adjustment of the proposed rule to the order of distribution of powers (the effect of a rule on competences across levels of government)
- the need to consider EU law
- the economic and budgetary impacts, including the impact on the sectors, groups or stakeholders affected by the rule and the effect on competition, as well as the detection and measurement of administrative burdens
- the gender impact assessment.

The memorandum should also contain any other parts which are deemed relevant by the proposing authority – with special attention to social and environmental impacts and to effects regarding equality of opportunities, non-discrimination and universal access of disabled persons. The proposing administration has complete discretion in deciding whether and what to include under this section.

Decree 1083/2009 includes the possibility of issuing a shorter report (*memoria abreviada*) when the impacts of a proposal are not deemed to be substantive. The guidelines specify the need to justify why recourse is made to the short assessment and indicate what essential information must in any case be presented.

Source: OECD (2010), *Better Regulation in Europe: Spain 2010*, OECD Publishing, Paris, pp. 93-94, http://dx.doi.org/10.1787/9789264095076-en.

The CORA could have anticipated specific measures for the widespread implementation of the mandates of the royal decree and to address the areas of opportunity that still remain, such as:

- There are no explicit or formal provisions for quality control and effective support (i.e. capacity building) for officials on what they need to do. These functions are now the responsibility of the SEAP.
- Despite the fact that the new guidelines stress economic impacts (i.e. on prices, employment, SMEs, competition) and measuring administrative burdens, the RIA remains relatively narrow. The guidelines do not provide any orientation on data collection or assessment methodologies such as cost-benefit analysis, measurement of compliance and irritation costs, risk analysis or environmental impacts.
- The RIA challenge function should be clearly allocated and the scope of the SEAP review defined. Data on how many RIAs are challenged by the SEAP would be

illustrative as to how well it is performing this function. Furthermore, the strict scrutiny of legislative initiatives carried out by the General Commission of State Secretariats and Deputy Secretariats (*Comisión General de Secretarios de Estado y Subsecretarios*, CGSES) should be co-ordinated with the challenge function exercised by the SEAP.[7]

- The guidelines do not explain the different stages through which the RIA and the draft regulatory proposal have to go before reaching the Council of Ministers.
- There is no system to periodically evaluate general compliance with the RIA requirements and the performance of the SEAP concerning its challenging function.

The CORA would significantly improve its contribution to better regulatory governance by upgrading the RIA system and advancing a culture of *ex ante* evaluation from the early stages of the policymaking process. Furthermore, upgrading the RIA system would pave the way to also use this tool *ex post* to evaluate the effects of regulations. Efforts to embed an evaluation culture in the public administration have been undertaken in the past, for example, through the foundation of the AEVAL in 2007, but today this agency is not playing a prominent role in feeding the policy-making process. Measures such as granting political leverage in a central body to challenge the quality of the RIA and evaluating general compliance with this tool could help to eventually establish evaluation as part of the routine policymaking process.

Management of the stock of regulations: The case of the Plan for Normative Rationalisation

Practices in OECD countries suggest that regulatory reviews aiming at the broad stock of regulations run the risk of becoming unstructured exercises when they are not properly managed. There are institutional, governance and political issues, as well as operational, organisational and methodological considerations to bear in mind.

The experience of OECD countries with comprehensive reviews applied to business regulations indicates that there are different approaches regarding the organisation and methodologies of review processes. Nevertheless, it is possible to derive some general principles and good practices. The OECD documented some of these good practices, listed in Box 3.4, during a cooperation with Mexico's Ministry of Economy to help it lead a regulatory review.

Box 3.4. **Good practices in undertaking broad-based reviews of the regulatory stock**

1. Sustaining high-level political support is key to ensuring the success of the review:

   A core governmental body should lead the reform, with a top-down approach, to help minimise resistance from various sectors. Senior-level officials must support the process, with presidential or prime minister endorsement.

2. Engaging with regulators to maintain momentum for reform:

   This strategy requires close and ongoing communication with line ministries and agencies responsible for enforcing regulations. It also calls for incentives and facilitation to motivate them to be proactive, accompanied by capacity building and guidance. Naming and shaming, and reporting on progress to the senior political level can help as well.

3. Involving businesses and other stakeholders:

   Consultation and stakeholder participation have multiple positive effects for reviews: Business and citizen participation provide useful input for an expert review, helping to define goals,

Box 3.4. **Good practices in undertaking broad-based reviews of the regulatory stock** *(cont.)*

ensuring that the most burdensome regulations are tackled – not just the "low-hanging fruit" – acting as a check on vested interests and avoiding regulatory capture.

4. Partnering with Congress and legislators:

   Involving legislators helps push amendments through parliament. For the exercise to have a significant economic impact, it must include not only secondary regulations, but also primary legislation and policy.

5. Planning, organisation and guiding criteria for the review:

   Careful planning and organisation are key to success. They require clear objectives, responsibilities and timelines, especially as the process is likely to extend over a year. Criteria used by OECD countries include compatibility with international standards, costbenefit analyses, assessing administrative burdens on businesses, identifying legal justification and any duplication with sub-national regulations, assessment of risks and whether regulations have been updated in the past. It should be noted that a "guillotine" exercise risks eliminating regulations that may, in fact, serve some public interest.[1] The planning process should include anticipating remedies to correct mistakes made.

6. Regulatory reviews are typically organised in stages:

   These stages usually include identifying the existing laws and regulations (stock), classifying whether they are necessary or not, and codifying or simplifying them.

7. Capacity building and guidance:

   It is essential to produce guidelines, manuals and handbooks, as well as training and other capacity-building activities for ministries and agencies, including support from experts, to help towards the achievement of successful results. The central body must facilitate the work of the ministries and help them adopt a proactive approach to conducting reviews.

8. Measuring the economic benefits:

   This is useful to guide and justify further reforms and build momentum for an in-depth review. The Standard Cost Model (SCM), for example, is useful to define the benefits of simplification in monetary terms.

9. Communicating to the wider public:

   A well-articulated communications strategy keeps stakeholders and the wider public informed of the review, hence generating support to sustain the effort over time.

10. Taking preventive action for the flow of regulations and envisaging regular "clean up" with periodic reviews:

    A review of the regulatory stock must be accompanied by strict controls on the flow of new draft regulations in order to avoid rebuilding the stock. This strategy implies establishing or improving an *ex ante* assessment system. Furthermore, regulatory reviews are not "one-off" exercises; they must be performed periodically and build on previous reforms.

Note: 1. A variant of reviews of the regulatory stock is the "guillotine", which annuls regulations that are not formally registered before a certain date.

The CORA report does not provide much information on how these issues will be managed and perhaps it is not the right place to do so given its strategic nature. However, it is important that the *Secretaría de Estado de Relaciones con las Cortes* address these topics more profoundly in the plans it will develop. Given that these plans are still a work in progress,

it is difficult to assess to what extent the project meets the criteria listed in Box 3.4, but a preliminary analysis suggests the following strengths and opportunities:

- Strengths:
  1. Sustaining high-level political support is key to ensuring the success of the review:

     The project is included with some relevance in the CORA report, which speaks of the political commitment to carry it out. In addition, the review is mandated by the Law on Transparency, Freedom of Information and Good Government. The fact that the leading body is in the Centre of Government – the Ministry of the Presidency – also illustrates political support from the top level and grants authority to the *Secretaría de Estado de Relaciones con las Cortes* to request the participation of line ministries and agencies.

  2. Measuring the economic benefits:

     The experience that Spain has gained in developing and applying a simplified method to measure administrative burdens will be useful to quantify the economic benefits and the savings derived from consolidating, eliminating and streamlining regulations.

- Opportunities:
  1. Engaging with regulators to maintain momentum for reform:

     The exercise, at least in its early stages, seems to be highly decentralised, allowing line ministries to perform their own analysis of their regulatory stocks. International experience suggests that line ministries are usually not very proactive at the early stages of reviews, so their proposals to eliminate or simplify regulations may not be very ambitious. Therefore, it is important that the leading body provides incentives for line ministries to think hard about significant regulations that could be eliminated or simplified, and not only those rules that are clearly outdated or unenforced (the "low-hanging fruit").

  2. Involving businesses and other stakeholders:

     Despite the fact that the CORA report was built around a wide consultation process, it is important that the normative review is supported by business groups and other stakeholders throughout its different stages. This citizen participation functions as a control on ministries, motivating them to reach their goals and avoid "reform fatigue". Furthermore, it guides the efforts of line ministries to concentrate on the really burdensome regulations from a business and/or citizens' perspective. The government of Spain has already leveraged on stakeholder input to guide its policies. For example, when drafting the Law for Market Unity, a survey by the CEOE was considered to identify and address obstacles to the single market deriving from the different legal instruments existing in the AC. Likewise, the government is developing, under the leadership of the Ministry of Economy and Competitiveness, a plan to streamline legislation. Stakeholder participation has been critical to analyse 5 800 rules and spot 2 700 state and regional laws that affect market unity. In addition, questionnaires are being sent to all business and sectoral associations to continue identifying regulatory obstacles. The normative review would benefit greatly from a similar participative approach.

  3. Partnering with Congress and legislators:

     The Transparency Law is the main legal basis of the review process. Congress has approved it to strengthen the legal backing of the exercise. Its continuous

involvement is a must, as it will be required to pass other laws, such as the one to mandate the government to consolidate regulations or others to implement the recommendations derived from the review process.

4. Planning, organisation and guiding criteria for the review:

   The CORA report is not descriptive of how the review will be organised, what stages it will follow or the criteria to be used to assess regulations (i.e. costbenefit analysis, legal justification, duplication). For the exercise to be successful, the *Secretaría de Estado de Relaciones con las Cortes* will have to be more specific on these issues, the milestones and the timeline of the review. In fact, the Law on Transparency, Freedom of Information and Good Government establishes that the *Secretaría de Estado* will prepare a Plan for Normative Quality and Simplification. This document provides an opportunity to define the organisation and milestones of the review.

5. Regulatory reviews are typically organised in stages:

   The government of Spain has already moved on the identification of the regulatory stock (5 800 rules in 28 economic sectors). The Law for Market Unity set up a procedure whereby legal instruments should be examined (annually within the sectoral conferences) and the mechanism to remove obstacles, which will be further developed in the Plan for Normative Quality and Simplification established by the Law on Transparency, Freedom of Information and Good Government.

6. Capacity building and guidance:

   The CORA does not anticipate specific training or capacity-building activities to guide and support the public servants of the different line ministries who will be executing the review procedures. The plans to be developed by the *Secretaría de Estado de Relaciones con las Cortes* should include facilitation activities, as lack of capacity might become a serious obstacle for the success of the exercise.

7. Taking preventive action for the flow of regulations and envisaging regular "clean up" with periodic reviews:

   As mentioned in the previous section, Spain's RIA system has some weaknesses that must be addressed to guarantee the long-lasting effect of the gains from the normative review.

Simplification and e-government initiatives

Administrative simplification efforts may include primary and secondary regulations. OECD countries have relied on different techniques to implement regulatory simplification, such as (OECD, 2006):

- removing existing legislation/regulation
- changing legislation/regulation to ease compliance:
  - compiling different laws into one single law to simplify communication
  - minimising requirements imposed on businesses
  - simplifying administrative procedures (i.e. business registration procedures)
  - minimising the number of businesses affected by legislation (by increasing thresholds, excluding sectors, etc.).

- harmonising report obligations (between different authorities or across line ministries)
- datasharing: creating access to reliable data through the optimal sharing of data within the public sector, based on user consent and legitimate purposes
- risk-based approaches: this technique allows focusing regulators' resources in those areas where the risks to society are the greatest, simplifying the licensing requirements in less risky sectors
- packaging different formalities in a single window (one-stop shops).

The different simplification initiatives presented in the CORA make use of these techniques and, in most cases, incorporate the use of e-government tools to increase efficiency and minimise administrative burdens for business and citizens (Table 3.3). The Law for Market Unity, for example, mandates periodic reviews of the regulatory stock to eliminate barriers to market unity and, in doing so, should lead to removing unnecessary regulations. It harmonises the definitions and requirements for previous communications, "responsible declarations" and administrative authorisations, and advances a risk-based approach to determine when the latter should be explicitly required. Furthermore, it minimises requirements imposed on business by applying the principle of effectiveness throughout the national territory for licenses issued by any authority. A similar scheme, called "mobile business license", is used in British Columbia, Canada (Box 3.5). Australia has also struggled with the issue of harmonising regulatory requirements and advancing mutual recognition among sub-national states. The agenda of the Council of Australian Governments (COAG) has focused, in particular, on product standards, product safety and mutual recognition of professional qualifications and a national trade licensing system.

Box 3.5. **The mobile business license (British Columbia, Canada)**

The mobile business license (MBL) is a good illustration of co-ordination between the provincial and local governments of British Columbia. It eliminates the requirement to have a separate license for each municipality in which a business operates. Instead, a business would obtain one license that will allow it to operate in any jurisdiction in the province. A pilot project was implemented in 2008 in the region of Okanagan-Similkameen. Under the pilot, mobile businesses could purchase an MBL from their home municipality for USD 150, in addition to their basic business license. This MBL allows the business to work in all 17 participating municipalities. The provincial government plays a supporting role by offering assistance, analysis of options and IT support.

After the pilot, businesses reported that the MBL is cost-effective and convenient and municipalities claimed that it had increased revenues. In fact, there was a significant revenue gain of over USD 148 000 in one year. There are also strong indications that compliance increased under the programme. In the Capital Region District, the number of licensed contractors increased by 20% in the year following the introduction of the licenses. According to the Canadian Federation of Independent Business Survey results, 41% of businesses in the area reported that the MBL had a "very positive" impact on the business climate and 26% reported a "somewhat positive impact".

Source: García Villarreal, Jacobo Pastor (2010), "Successful practices and policies to promote regulatory reform and entrepreneurship at the sub-national level", OECD Working Papers on Public Governance, No. 18, OECD Publishing, Paris, p. 34, http://dx.doi.org/10.1787/5kmh2r7qpstj-en.

Table 3.3. **Simplification techniques applied in the CORA initiatives**

Initiative	Removing existing regulations	Changing regulations to ease compliance	Harmonising report obligations	Data-sharing	Risk-based approaches	One-stop shops
Normative review and codification	X	X				
Reform of administrative rules		X				
Burden reduction manual	X	X				
Law for Market Unity	X	X	X	X	X	
Simplification for start-ups		X		X	X	X
Common commencement dates		X				
One in-one out	X					
General Access Point (PAG)				X		X
Environmental formalities		X			X	
One-stop shop for foreign trade				X		X
Platform for Data Exchange				X		
Tax procedures		X		X		

The simplification of start-up procedures is another good example. The draft Law to Support Entrepreneurship and Internationalisation increases the threshold (in terms of square meters and specific activities) to apply the simplified system of "responsible declarations", instead of requiring an explicit administrative authorisation. This practice also involves the implementation of a risk-based approach in the definition of activities subject to the simplified regime. Furthermore, the initiative relies heavily on egovernment tools (i.e. the DUE) and one-stop shops (i.e. the PAIT and Virtual PAIT). Integrating the VUE and the PAIT and articulating the *Emprende en Tres* project directly addresses a complaint from the business sector which claims that the proliferation of socalled "one-stop shops" has led to confusion, as they sometimes provide contradicting information and hinder regulatory transparency. This might be a reason why 72.2% of entrepreneurs prefer to comply with administrative requirements physically (AEVAL, 2012). Hence, a real one-stop shop, centralising regulatory information, should be useful to advance regulatory certainty.

Simplification leads not only to savings in terms of administrative burdens for business and citizens, but also to avoiding opportunity costs. In other words, simplification frees resources that were used to address administrative requirements and now can be dedicated to productive activities, such as upgrading capacity, improving the supply chain, implementing a Total Quality Management system, refining HRM, and so on. This is particularly important for SMEs, since they do not have vast resources to dedicate to administrative requirements.

As mentioned previously, the CORA simplification initiatives follow good OECD practices and EU standards, but the challenge is to make sure a whole-of-government approach is achieved during implementation, particularly for those initiatives with a horizontal nature. This is the case, for example, for the PAG or the PID. Both initiatives have already been working for some time, but they have not reached their full potential, in part because the participation of the different ministries and agencies has not always been proactive, hindering the facilitation of citizen interactions with the public administrations.

Much needs to be done to achieve the degree of horizontality required, for example, setting policies and guidelines requiring the adoption of these tools, harmonising data requirements, ensuring information security and privacy protection, reviewing the governance structures, facilitating implementation processes and achieving a user orientation. The leaders of each initiative will have to anticipate solutions and action plans to address these issues.

Institutional and governance challenges for Better Regulation

Royal Decree 1083/2009 of 3 July setting up an integrated and mandatory core for *ex ante* impact assessment established in the Ministry of the Presidency the functions of co-ordinating, promoting and monitoring developments, but this changed more recently and the functions were transferred with the SEAP to the MINHAP. During the factfinding interviews conducted for this review, several actors expressed concern as to whether the current arrangements allow these functions to be properly performed. The transfer of the RIA challenge function from the Ministry of the Presidency to the MINHAP seems to go against the general recommendation of concentrating it as close as possible to the Centre of Government.

The 2012 *Recommendation of the OECD Council on Regulatory Policy and Governance* suggests that countries "establish mechanisms and institutions to actively provide oversight of regulatory policy procedures and goals, support and implement regulatory policy, and thereby foster regulatory quality". A standing body charged with regulatory oversight should be established close to the Centre of Government to ensure that regulation serves whole-of-government policy. Such a regulatory oversight body usually performs the following functions:

- Co-ordination function: Co-ordinating and supervising the implementation of Better Regulation with a horizontal perspective.
- The challenge function: A central pillar of regulatory policy is the concept of an independent body assessing the substantive quality of new regulation and working to ensure that ministries comply with the quality principles embodied in the assessment criteria. This function usually implies that the oversight body reviews RIAs and draft regulations, and challenges them in case they do not meet the criteria established by Better Regulation policy.
- The "advisor/facilitator" task: Government bodies in charge of Better Regulation advise public administration offices to draft their regulatory programmes and train their staff through seminars, workshops and the dissemination of best practices.
- Advocacy: Drafting annual reports and programmes, strategically guiding Better Regulation policy and communicating its achievements are activities carried out by regulatory reform bodies as part of their advocacy function.

The MINHAP has clearly received a big political push by being the leader, together with the Ministry of the Presidency, of the work of the CORA. Moreover, it is the absolute leader concerning the projects advanced by the CAS. Its experience in heading the efforts to reduce administrative burdens by 30% also talks about its political leverage. However, it would be important to assess the impact of having moved some regulatory oversight functions away from the Centre of Government (the Ministry of the Presidency).

It is not clear to what extent the challenge function is being performed effectively. RIAs and draft regulatory proposals are sent to the SEAP for approval, but its resources seem to be limited to perform comprehensive analyses of draft RIAs. Despite the fact that the *Guidelines on RIA* provide criteria to produce and evaluate RIA, public officials recognise that not so many of them are challenged and/or devolved to the ministries or agencies leading regulatory projects. In some cases, the criteria are also not very clear. For

example, the *Guidelines on RIA* establish the possibility to produce a simplified version when regulations do not imply "significant impacts", but there is no further indication as to what the threshold is. This undoubtedly makes it difficult to challenge simplified RIAs and moves the SEAP to operate in an *ad hoc* basis. Furthermore, the lack of a regulatory assessment culture throughout the government, evidenced by the late stage in which RIA takes place, leaves little room for the SEAP to challenge ministries to elevate the quality of draft RIAs. In some interviews conducted for the current review, Spanish officials suggested that the SEAP's review of normative proposals consists basically of verifying whether the proponent agency includes all the elements mandated by the *Guidelines on RIA*, but not on assessing the quality of the analysis.

That said, it is fair to recognise that legislative proposals to be discussed by the Council of Ministers must pass a comprehensive examination by the CGSES, which includes an analysis of regulatory impacts. In fact, all regulatory projects have to be accompanied by an RIA and, in some cases, also by different reports (i.e. for the Council of State and the National Markets and Competition Commission). This information is made available to all ministries and departments a few days before the meeting of the Council of Ministers takes place. All ministries can provide feedback to the projects and, if there is no agreement on the contents of a draft law or there are comments on the RIA, the project is devolved to its sponsoring ministry or agency to be amended and elevated again to the council.[8] The discussion at the Council of Ministers represents by itself a control on the regulatory flow, even though its review does not concentrate exclusively on regulatory quality.

As for the facilitation function, the SEAP has advanced by providing officials with the *Guidelines on RIA*, which, despite the fact that a relatively narrow approach to regulatory assessment is kept, they provide pertinent guidance on topics such as assessing impacts on competition and identifying administrative burdens. However, in order to create a whole-of-government culture of impact assessment, the SEAP will have to do much more to build capacities and develop expertise. The facilitation function should be integrated in the whole-of-government taking advantage of the administration reform strategy that the CORA has initiated.

Concerning advocacy, the SEAP is not in the best position to advance this function. Advocating reform is important in helping to identify reform opportunities and arguing for the development and progress of reform initiatives. Technical expertise and an overall understanding of the regulatory process are necessary requirements for an effective advocacy function. Furthermore, in order to freely and publicly advocate for Better Regulation, political leverage, a degree of autonomy and independence are key features that an advocacy body must have. The SEAP is part of the government structure and has no autonomy or independence with respect to it so, in the best case, it can only advocate reform internally, but certainly not publicly without the previous consent of the government. In the past, the AEVAL has tried to fulfil the advocacy function but, as mentioned previously, the agency is not feeding the policy-making process to the extent that would be desirable.

Some of the functions of a regulatory oversight body, particularly the challenging and advocacy functions, are not being fulfilled according to OECD best practice. The CORA must address this issue to facilitate the achievement of the reforms proposed by the CAS. The following recommendations may be helpful:

- Develop and issue a policy document clearly establishing the functions to be advanced by the SEAP concerning Better Regulation. It should raise its role as the enforcer of the *Guidelines on RIA*, not only in terms of meeting the different elements proposed by the document, but also concerning the quality and depth of the analysis. This should serve to avoid dispersion and favour synergies.

- Encourage the Council of Ministers to recognise the challenge function performed by the SEAP and consider ways in which it may participate. For example, the Council of Ministers could play a role in revising high-impact regulations and then forwarding them to the SEAP.
- Elaborate on the role of line ministries and agencies concerning RIA. A policy document should identify the responsibilities of ministers for putting Better Regulation policy into effect. In many OECD countries, such as the United Kingdom, RIAs are signed off by the head of the regulatory agency or the minister responsible for the regulatory proposal. This is a powerful measure to improve the quality of draft RIAs and advance a whole-of-government approach.

Box 3.6. **The Better Regulation Committee**

Law 17/2009 of 23 November on Free Access to Services Activities promotes a model for better economic regulation in order to develop business and professional activities, based on principles of need, proportionality and competition. This law mandates the establishment of the Better Regulation Committee (*Comité para la Mejora de la Regulación*), as a multilateral cooperation body, with participation of the central administration, the autonomous communities, cities with autonomy statutes and representatives of local governments.

The committee's objectives, as established in its Institutional Agreement of 19 July 2010, are:

- adopting criteria to improve the economic environment via the application of Better Regulation principles, avoiding unjustified or disproportionate restrictions to markets
- co-operating for better regulation in the services sector
- co-ordinating and following up the initiatives implemented by the different public administrations for the transposition of Directive 2006/123/CE of the European Parliament and the European Council of 12 December, on services in internal markets.

The committee works in plenary and in a Local Commission for Better Regulation. The plenary is composed of the following members:

- he Secretary of State for the Economy and Business Support, who presides over the plenary, and the General Director for Economic Policy of the Ministry of Economy and Competitiveness
- a representative from each of the autonomous communities and the cities with autonomy statutes, with a minimum rank of general director
- three representatives of local governments, with a minimum rank of general director.

The Local Commission for Better Regulation is also composed of the Secretary of State for the Economy and Business Support and the General Director for Economic Policy, along with 28 representatives of local governments, designated by their respective mayors, with a minimum rank of general director. The Better Regulation Committee has met on three occasions: 19 July 2010 (foundational meeting), 14 December 2010 and 29 September 2011.

The programme of work of the Better Regulation Committee is carried out by technical working groups, which are formed by representatives designated by the members of the committee. So far, two working groups have been created (on requisites linked to the mandatory presentation of professional work certified by a professional association and on analysis of the activities for which regulation is justified on grounds different from public health, public safety, order or environmental protection).

Source: Ministry of Economy and Competitiveness, www.mineco.gob.es.

- Strengthen the role of the government's Better Regulation Committee and its links with other emerging bodies, such as the Council for Market Unity. The committee should incorporate the participation of different ministries and agencies of the central administration dealing with regulatory issues, so that it can be a strategic group to advance the horizontality of Better Regulation policies. Its work so far seems to be isolated and missing the synergies that could be created from a wider participation. Furthermore, it has not met since September 2011, which suggests the need to boost its role.[9] Likewise, given the incidence that the Council for Market Unity will have on Better Regulation, the committee will have to be co-ordinated with its initiatives.
- Consider the establishment of an agency independent to the government to unilaterally advocate reform: This agency would play an important role in several respects: *i)* it would ensure a citizen/business perspective on the need and features of reforms, independent of the political sphere; *ii)* it would advise the government on the impact of existing regulations by conducting *ex post* analysis of Better Regulation policies and programmes; *iii)* it would help communicate reform and advance its understanding by a wide variety of stakeholders. An observatory may well advocate reform, as long as it keeps a degree of autonomy to do it independently from the government's position. Another alternative could be to strengthen the AEVAL by committing the government to issue an official statement on the AEVAL's reports, either accepting its recommendations or explaining why the public administration will not follow them. Australia provides a good example of an independent body advocating reform (Box 3.7).

Box 3.7. **The Australian Productivity Commission**

The Productivity Commission (PC) is an independent research body that advises the Australian government on a range of economic, social and environmental issues that affect the welfare of Australians. Its mandate is to improve productivity and economic performance, taking into account the interests of the community as a whole, considering environmental, regional and social dimensions not just the interests of particular industries or groups.

An important function of the PC is modeling the economic costs and benefits of alternative policy options. It may make recommendations on any matter that it considers relevant, and it is up to the government to decide how to use the advice provided. The PC is unique among OECD members for its standing inquiry and policy advising work across a range of economic, social and environmental issues. The government directs the PC on what areas to study through the issuance of formal terms of reference, but the PC is independent in its analysis and findings.

The processes of inquiry are public, allowing the opportunity for the participation of interested individuals and groups, and the inquiry reports must be tabled in parliament within 25 sitting days of the government receiving the report. The PC cannot launch its own inquiries, although it can initiate supporting research and publish the results via commission or staff research papers.

Source: OECD (2010), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264067189-en.

Multi-level regulatory governance challenges

In most OECD countries, different levels of government coexist. Central government bodies, supported by a network of institutions and rules, function alongside regional and local governments, with their own set of rules and mandates. In this context, the different layers of government have the capacity to design, implement and enforce regulation. This multi-level regulatory framework poses a series of challenges that affect the relationships of public entities

with citizens and businesses and, if poorly managed, may impact negatively on economic growth, productivity and competitiveness.

In fact, the OECD has found that high-quality regulation at one level of government can be undermined by poor regulatory policies and practices at other levels, impacting negatively on the performance of economies and on business and citizens' activities. In order to ensure regulatory quality across levels of government, the principles that subnational levels should follow must be defined. Clear definitions and effective implementation of the mechanisms to achieve and improve co-ordination, coherence and harmonisation in making and enforcing regulation must also be in place. Finally, measures to avoid and eliminate overlapping responsibilities are also critical.

Empirical evidence and OECD analysis demonstrate that multi-level regulatory governance arrangements are country specific. There is no single optimal model, since sharing and applying competencies remain strongly country specific and depend on many internal and external factors, including the overall economic performance of the given country.

In Spain, the highly decentralised structure of multi-level governance calls for each autonomous community and local entity to develop its own Better Regulation policy and promote the use of specific tools. Autonomous communities such as Aragon, CastillaLa Mancha, Catalonia and Galicia have developed legal instruments establishing criteria and procedures to advance Better Regulation.[10] At the local level, public opinion refers to a "regulatory iceberg", which has led to the proliferation of rules of all types and sources (AEVAL, 2012).

The central administration can be more proactive in developing principles and leveraging on the several existing multi-level dialogue platforms (i.e. the *Conferencia de Presidentes*, the *conferencias sectoriales*, bilateral co-operation commissions, the National Commission of Local Administration and the Better Regulation Committee) to improve regulatory co-ordination.[11] In fact, the Law for Market Unity and the council established by it are called to become important regulatory co-ordination platforms. Likewise, co-operation covenants have been used in the past to advance specific policies (i.e. infrastructure and environmental policies) in autonomous communities, creating incentives through financial commitments assumed by the central administration. This same scheme could be used to motivate autonomous communities to adopt Better Regulation policies and tools. Indeed, financial incentives have been used in other OECD countries, such as Australia (Box 3.8).

In a multi-level context, the challenge for most countries is to ensure that the right institutions are in place, at the right level, with the right powers and accountability to allow them to exploit endogenous strengths and tackle the particular weaknesses of each area. In OECD countries, regulatory institutions have appeared at sub-national levels of government as a way to maintain coherence and to support co-ordination. In Spain, this issue does not seem to be solved, as even the central administration has been challenged to develop the right institutional models and problems remain, as documented previously. This issue is also present in the autonomous communities, where units in charge of Better Regulation have adopted different models. In Catalonia, for example, the Direction for Normative Quality (DQN) was created in 2008 to advance the Better Regulation agenda. However, in 2009 the DQN was consolidated in the Office of Government and the agenda, although still pursued, is now led by a lower level office. In Galicia, the Office for General Legal Advice, a General Directorate within the Vice-Presidency, is in charge of Better Regulation. A General Directorate on Citizen Services, Quality and Modernisation, within the Finance Counsellor Office, fulfils this role in Castile and León.

Institutions should also serve to engage citizens in the management and evaluation of Better Regulation policies, so that they function as anchors and continuity is facilitated.

There is a wide variety of forms for sub-national governments to allow business and citizen participation in the management of Better Regulation and, even though each form may not be perfect, the important point is that they create mechanisms to sustain Better Regulation as a long-term policy. Spain has already seen the participation of business groups in Better Regulation policies. For example, in 2010, the Spanish Confederation of Enterprises and the Spanish Confederation of SMEs (CEOE-CEPYME) established the Business Network on Administrative Burdens, which currently involves 133 business groups and supports the identification of administrative burdens. Likewise, in the Canary Islands, the Commission for Participation in Simplification, Burden Reduction and Better Regulation was established in October 2008 to engage civil society in simplification policies, identify their needs and define priorities.

Box 3.8. **The use of financial incentives in Australia**

In November 2008, the Council of Australian Governments (COAG) agreed to a new overarching framework for the Commonwealth's financial relations with the states, to "reduce Commonwealth prescriptions on service delivery by the states, providing them with increased flexibility in the way they deliver services to the Australian people." The Intergovernmental Agreement on Federal Financial Relations (IGA) was a new funding agreement with the objective of improving the well-being of all Australians through collaborative working mechanisms, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a focus on long-term policy development and enhanced government service delivery.

The principles stated in the IGA require a mutually agreed statement of objectives and outcomes, outputs, roles and responsibilities, and performance indicators. In fact, for each policy area, a mutually agreed statement clarifies the roles and responsibilities that will guide the Commonwealth and states in the delivery of services across the relevant sectors and covers objectives, outcomes, outputs and performance indicators. The performance of all governments in achieving mutually agreed outcomes and benchmarks is monitored by the independent COAG Reform Council (CRC) and reported publicly on an annual basis. The CRC also undertakes comparative analyses of the performance of governments in meeting the objectives of the national agreements.

The CRC is a non-statutory body whose independence is established by a COAG decision. It is composed of a chairperson, a deputy chairperson, four counsellors and an executive counsellor. Each member is appointed for a three-year term. A permanent secretariat, headed by the executive counsellor and jointly funded by the Commonwealth and the states, supports the work of the CRC.

Source: OECD (2010), *Multi-Level Regulatory Capacity in Australia*, OECD Publishing, Paris, pp. 17-18, www.oecd.org/gov/regulatory-policy/44529899.pdf.

Tools for Better Regulation at different levels of government should be designed and used with the aim to reduce transaction costs and to identify the "optimal level" of application. The multi-level dimension requires that policy makers consider avoiding possible overlapping in the use of certain tools that could be costly if not used in a rational way.

The CAS of the CORA recognises that some autonomous communities have already made progress in the implementation of specific tools and continuously calls on them to join the different initiatives. In fact, in 2010, the OECD analysed the experience of Catalonia and ratified several important achievements concerning Better Regulation, such as having established the legal basis for Better Regulation policy and a unit in charge of co-ordinating it, as well as a system for *ex ante* impact assessment (García Villarreal, 2010). Other tools currently used by autonomous communities include:

- *ex ante* regulatory impact assessments: Aragon, Asturias, Castilla-La Mancha, Castile and León, and Catalonia.[12]
- normative reviews and consolidation: Asturias, Galicia and Generalitat Valenciana.
- simplification and burden reduction: Canary Islands, Castile and León (30% reduction target), Catalonia, Galicia (25% reduction target) and Generalitat Valenciana (30% reduction target).

However, the CORA is not clear as to how the central administration will motivate the autonomous communities to participate. While the central administration must respect the autonomy of the territories, it is also true that it can facilitate the adoption of Better Regulation policies. During the interviews with public officials to collect information for this review, the OECD heard about an idea to run the sub-national edition of the *Doing Business* report for the autonomous communities of Spain. Despite the limitations of the *Doing Business* methodology, this seems like a plausible idea.

The CORA itself, citing a study by the AEVAL, recognises the lack of data and information systems that would allow citizens to compare the effectiveness and efficiency of policy making and service delivery. Benchmarking is an alternative that has proven useful in other countries (i.e. Australia and Mexico) to motivate sub-national governments to adopt Better Regulation. Benchmarking the performance of regulation can help identify opportunities and challenges. It can be a good strategy to direct efforts and resources towards areas of reform that might be lagging behind and identify emerging best practices. In a multi-level governance system, it is particularly important as it has the potential to create incentives for jurisdictions to catch up with champions of reform ("race to the top") and scale-up efforts towards regulatory quality.

This benchmarking exercise does not have to be managed by the central administration. Here, again, is where civil society plays a very important role to engage sub-national governments in Better Regulation policies. This might be particularly important in Spain given the sensitivities between levels of government. A business chamber, university, think-tank or a combination can directly undertake this responsibility. For example, in 2008, the Centre for Economic Forecast (*Centro de Predicción Económica*, CEPREDE) benchmarked the competitiveness of autonomous communities based on a set of 18 indicators, some of which deal with regulatory issues and their impacts on productivity.

In Mexico, the Business Co-ordinator Council (CCE), via its think-tank, the Centre for Economic Studies of the Private Sector (CEESP), is running a benchmarking exercise on the complexity of business regulation in the federal states. Similar studies are carried out by other think-tanks, such as the Mexican Institute for Competitiveness (IMCO) and the Centre for Development Research (CIDAC), and universities, such as the Monterrey Institute of Technology and Higher Studies (ITESM) and the Centre for Economic Teaching and Research (CIDE).

Prioritisation and sequencing of regulatory reforms

While the CORA advances a wide set of initiatives concerning administrative simplification and Better Regulation, it is important that the central administration, in coordination with sub-national governments and other stakeholders, identify and agree on a set of strategic projects based on their capacity to embed Better Regulation policies with a whole-of-government approach. This prioritisation has already been pursued during the process of classifying the proposals made by ministries themselves and the public. However, there is still scope to rethink some initiatives that do not have a clear logic and integrate other reforms that would be far more important.

Box 3.9. **Benchmarking regulatory performance at the sub-national level in Australia**

In Australia, through the COAG, states have committed to a rigorous process of benchmarking conducted by the Productivity Commission (PC). The methodology adopted by the PC relies on the adoption of regulatory management practices as a proxy for the quality of regulation. It is based on four sets of indicators: *i)* indicators of the quantity of regulation, including the number and scale of regulators; *ii)* indicators of the quality of regulation, using processes for the design and review of regulation as a proxy for good regulation by looking at consultation, analysis of proposals, gatekeeping, plain language drafting and *ex post* review of regulation; *iii)* indicators of regulatory structure and activity; *iv)* indicators of the quality of regulatory administration.

Western Australia, for example, introduced a comprehensive set of regulatory reform measures, including RIA and gatekeeping, in January 2009, partly to correct its performance as the poorest in the nation for its rule-making practices.

Source: OECD (2010), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264067189-en.

The strategy could be based on a mix of setting or strengthening fundamentals and achieving "quick wins" to create momentum for reform. To strengthen fundamentals, it is critical to address the institutional issues that have hindered the capacity of the government to advance Better Regulation policies with a whole-of-government approach. Elevating the political prominence of the regulatory oversight functions (i.e. coordination, facilitation and challenge), as well as creating the mechanisms for reform advocacy, are key fundamentals for the success of Better Regulation. This is, in fact, an important factor that explains why consultation and RIA have not been advanced with the optimal degree of horizontality.

Fundamentals should also include strengthening the design and implementation of tools to control the flow of regulations. Consultation and RIA are still not fully embedded in the policy-making community and practices differ widely. A more consistent approach is needed to guarantee the long-lasting effects of the initiatives tackling the complexity of the regulatory stock. On that side, the *Secretaría de Estado de Relaciones con las Cortes* should bear in mind the different opportunities signaled in this report when elaborating the plan to unfold the normative review.

Concerning "quick wins", the government may want to concentrate on showing results in some strategic simplification initiatives. Communicating these results will be important to build support for reform and overcome bureaucratic inertias. The Law for Market Unity has a significant potential effect on removing obstacles for business activities and should be one of the priorities. "Quick wins" can also be realised by building on projects that already have some inertia, such as the production of the burden reduction manual, the simplification of start-up and tax procedures, and revamping the PID and the PAG.

On the other hand, other initiatives need to be reconsidered. For example, the logic behind the one in-one out project is not very clear. The key rationale of "one in-one out" is that regulation would no longer be a "free good" and regulators would, instead, be forced to optimise regulatory choices, trading off between different possibilities. While it may have some virtues, it should not be the priority in a context of regulatory inflation and weak *ex ante* controls. This is clearly not the case in the United Kingdom, where this policy has reported good results. Furthermore, lacking a strong challenge function in the Centre of Government to oversee implementation, the chances of success are diminished. Such a feature would be

required to ensure compliance by verifying and approving "offset" proposals. Initiatives like this need to consider the national context of Spain and justify the political capital that their implementation will require. That said, there have already been a few cases in which the application of the one in-one out rule has been the basis for an objection to a new regulatory proposal in the CGSES.

It is precisely limited political capital and resources which call for prioritisation of reform. The chances of success are diminished if the institutional set up is not right and the effects of reform will be easily reversed if the governance issues are not dealt with.

Notes

1. The simplified methodology (MS) is based on the EU model to calculate net administrative costs, which in turn is based on the SCM. The MS is a catalogue of administrative procedures undertaken by business and citizens, such as filing applications and getting certified copies, and simplification initiatives, such as automatic extension of licenses and reducing turnaround time, with an associated monetary cost.
2. The AAI consolidates the different permits reviewed and approved by several entities of the central administration.
3. The PAIT is a network of physical one-stop shops established in co-operation with autonomous communities, municipalities, foundations, business chambers and professional associations. Besides providing a window to launch the procedures to start-up a business, they offer advice and information services. As of July 2013, there were 167 PAIT in Spain.
4. The DUE consolidates 22 formats from 24 agencies and is managed electronically.
5. *Emprende en Tres* is regulated by the Agreement of the Council of Ministers of 31 May 2013.
6. The scale of indicators is 0-6, from least to most restrictive. For more information on the PMR indicators, see www.oecd.org/eco/reform/indicatorsofproductmarketregulationpmr.htm.
7. The rules for the scrutiny by the CGSES are established by the *Instructions to Process Files for the Collegiate Bodies of the Government*, approved by the Council of Ministers on 26 June 1996.
8. Some types of proposals must also be scrutinised by the delegated commissions of government (*comisiones delegadas del gobierno*), as established in Royal Decree 1886/2011 of 30 December. For example, initiatives with economic, financial or budgetary impacts affecting the economy as a whole or relevant economic sectors must be scrutinised by the Delegated Commission of Government for Economic Affairs.
9. The CORA itself recognises the need to strengthen multi-level co-ordination bodies and address failures such as lack of attributions for decision making, weak controls to ensure the fulfilment of agreements and insufficient meetings.
10. In Catalonia, for example, a number of decrees advance Better Regulation policies and tools, such as Law 26/2010 of 3 August on Legal Regime and Procedures of the Catalonian Public Administration, Decree 1/2011 of 4 January on Restructuring the Department of the Presidency, and Decree 325/2011 of 26 April on Restructuring the Department of the Presidency. Likewise, in Aragon, Law 2/2009 of 11 May on the President and the Government of Aragon establishes the procedures to issue regulations, including the use of tools such as consultation and *ex ante* impact assessments (*memorias*).
11. During the 5th meeting of the *Conferencia de Presidentes*, for example, participants agreed to undertake an administrative rationalisation programme to eliminate red tape, simplify rules and avoid duplicity.
12. The scope and contents of the assessments vary by autonomous community.

Bibliography

AEVAL (2012), *Evaluación de la trabas administrativas para la creación de empresas*, Second Report on Administrative Formalities to Start Up, Ministry of Finance and Public Administrations, Madrid, www.aeval.es/export/sites/aeval/comun/pdf/evaluaciones/E31-Trabas-RE.pdf.

Arnold, J., G. Nicoletti and S. Scarpetta (2008), "Regulation, allocative efficiency and productivity in OECD countries: Industry and firm-level evidence", *OECD Economics Department Working Papers*, No. 616, OECD Publishing, Paris, http://dx.doi.org/10.1787/241447806226.

Cabinet Office (2012), "Consultation Principles", Cabinet Office, London, www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance.

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Conway, P., D. de Rosa, G. Nicoletti and F. Steiner (2006), "Regulation, competition and productivity convergence", *OECD Economics Department Working Papers*, No. 509, OECD Publishing, Paris, http://dx.doi.org/10.1787/431383770805.

European Commission (n.d.), "Smart Regulation", http://ec.europa.eu/smart-regulation (consulted on 1 December 2013).

García Villarreal, Jacobo Pastor (2010), "Successful practices and policies to promote regulatory reform and entrepreneurship at the sub-national level", *OECD Working Papers on Public Governance*, No. 18, OECD Publishing, Paris, http://dx.doi.org/10.1787/5kmh2r7qpstj-en.

Nicoletti, G. and S. Scarpetta (2003), "Regulation, productivity and growth: OECD evidence", *Economic Policy*, CEPR, CES, MSH, Vol. 18, No. 36.

OECD (2011), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264116573-en.

OECD (2010a), *Better Regulation in Europe: Spain 2010*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264095076-en.

OECD (2010b), *Multi-level Regulatory Capacity in Australia*, OECD Publishing, Paris, www.oecd.org/gov/regulatory-policy/44529899.pdf.

OECD (2010c), *OECD Reviews of Regulatory Reform: Australia 2010: Towards a Seamless National Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264067189-en.

OECD (2007), *OECD Reviews of Regulatory Reform: Sweden 2007: Achieving Results for Sustained Growth*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264009103-en.

OECD (2006), *Cutting Red Tape: National Strategies for Administrative Simplification*, Cutting Red Tape, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264029798-en.

OECD (2002), *Regulatory Policies in OECD Countries: From Interventionism to Regulatory Governance*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264177437-en.

World Bank (2013), *Doing Business 2013: Smarter Regulations for Small and MediumSize Enterprises, Regional Profile: European Union*, 10th edition, International Bank for Reconstruction and Development/The World Bank, Washington, DC, www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Profiles/Regional/DB2013/DB13-European-Union.pdf.

Chapter 4

Strengthening digital government for a more strategic public administration in Spain*

This chapter highlights the relevance of the new measures foreseen by the CORA, particularly in light of the efforts made by previous governments to spur a modern and efficient administration. The analysis underlines the importance of reaping the untapped potential of government data and information to improve performance, increase trust and foster cultural change in the administration; the need to focus on achievements made as a result of investments made in e services; and the priority need to enable the new CIO and governance structure to be operational as soon as possible to allow stronger co-ordination.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Information and communication technologies, widely known as ICTs, have radically changed approaches to increase the productivity of administrations and societies across OECD member countries. The strategic use of ICTs in public administrations has indeed the potential to enhance internal efficiency through the reorganisation of internal processes (e.g. increased sharing of tasks, resources and information; sustained strategic workforce planning and human resource mobility plans; increased administrative simplification). Additionally, ICTs can increase efficiency by making service delivery more convenient for the providers and the users (e.g. cutting costs for the delivery and access of public services). Through ICT-enabled simplified back-ends, services supply in the front-end becomes more agile and cheaper for governments, while the delivery is more responsive and easy to access for the users (e.g. technologies create the opportunity to open new channels for service delivery like in the case of mobile government) (OECD/International Telecommunication Union, 2011).

Furthermore, by enabling a simplified administration and reducing administrative burdens for business – both national and foreign – ICTs can ease the interaction between private companies and social entrepreneurs and the public sector, and can facilitate the establishment of new companies. This can have a significant impact on the perceived easiness of doing business in a country; it can boost innovation; and it can create opportunities for the development of new businesses (e.g. the growth of info-mediaries as a result of the expansion of open data initiatives). As a result, all measures aimed to spur digital government, particularly if they are aligned with broader public sector reform efforts, have the potential to significantly impact national competitiveness and economic growth.

Nevertheless, the achievement of these results has important implications. For example, it is imperative, among others, to establish an adequate legal and regulatory framework, to develop the right capabilities and skills, to have a clear governance structure to support co-ordination and collaboration not only within and across levels of government, but increasingly also with non-institutional stakeholders. The latter point is becoming more and more relevant as the drives for increased openness, transparency, engagement and innovation are making societies in the broader sense get closer to governments and to the public sector, thus requiring new participatory dynamics and frameworks.

The context within the Spanish public administration is very much in line with the trends in OECD member countries. A number of ICT-enabled initiatives foreseen by the CORA are indeed aimed to reinforce the public administration's efficiency, national competitiveness and economic growth. Hence, the strategic potential of ICTs is considered as a key contributor to the achievement of the CORA's general objectives.

The CORA's proposed measures build on important efforts made in the past decades by the different Spanish governments aimed at developing a paperless administration and spreading the use of ICTs to help increase competitiveness and productivity, favouring equal opportunities across the country and boosting the economy and consolidating a sustainable model of economic growth. These efforts were framed by a number of domestic and European policies. In particular, the information society strategies Plan Avanza 1 (2006-10) and Plan Avanza 2 (2011-15) have structured a national strategic approach meant to strengthen the linkage between investments in the development of communication infrastructure and the goal of fostering a more efficient administration capable of delivering better services (OECD, 2010b; 2013i).

Digital government in Spain

Launched in 2005 to cover the period 2006-10, Plan Avanza 1 addressed actions in four areas: digital citizenship, digital economy, digital public services and digital society. It

provided a major concerted policy response to the role played by ICT in the Spanish economy and society. The second phase of Plan Avanza (Plan Avanza 2) was approved on 16 July 2010 by the Spanish Council of Ministers. It was designed to ensure continuity with the original plan's course of action. One of the main objectives of Plan Avanza 2 is to leverage ICTs to change Spain's economic model. Finally, at the European level, the European "Digital Agenda for Europe" – one of the flagship initiatives of the "Europe 2020" strategy to overcome the financial and economic crisis – and the Directive on the Re-use of Public Sector Information (Directive 2003/98/EC, known as the "PSI Directive") have been establishing a guiding path for the development of digital government in Spain.

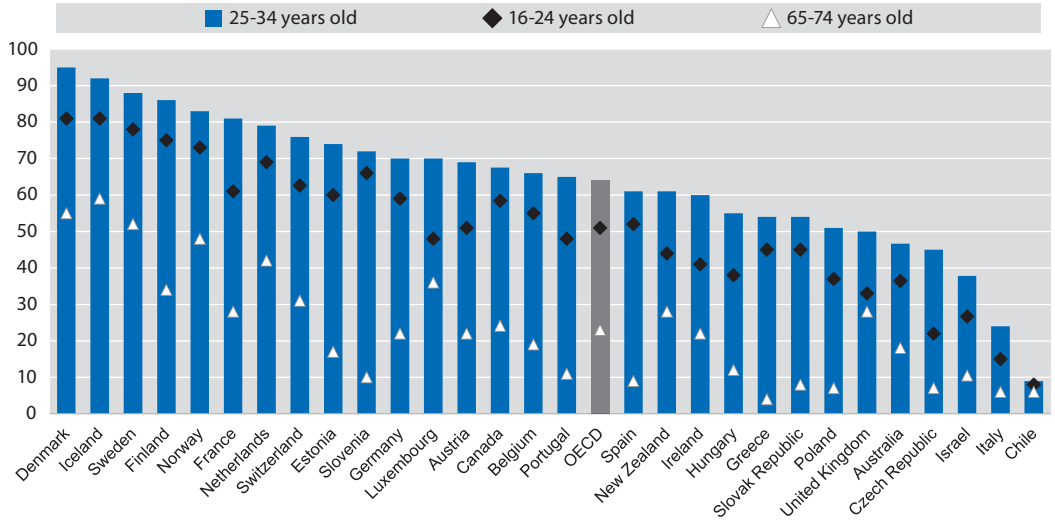
Digital government development in Spain has had a strong focus on taking the actions necessary to enable automation of service delivery to better satisfy users. In order to increase availability and use of e-government services, previous administrations have started by taking the necessary legal steps to recognise specific citizens' rights, like not having to submit documents already held by the administration – Law 11/2007 of 22 June governing Citizens' Electronic Access to Public Services (LAECSP) – and have set the foundations for interoperability and security frameworks. Common architectures and common services have been created for use by both the general state administration and other administrations (e.g. common service infrastructure, common communication network SARA, the Data Interchange Platform, @FIRMA, e-signature, e-ID cards). Automation was correctly seen as an important potential source of savings for the administration (e.g. especially in areas where the requests for interaction have increased, such as in the submission of requests for deferred payment of taxes).

These efforts have led to important results. The ICT units of the general state administration in Spain have, for instance, been able to meet a growing request for public services and more sophisticated demands, which have placed the current offer of services at levels equal to, or greater than, the EU average. To date, about 2 500 procedures and services are available online. Additionally, as from 2011, the focus was moved on increasing uptake of services, and the EU measurement on uptake shows an important improvement. Nevertheless, the lack of strong leadership and co-ordination has led to the development of "islands" of excellence within parts of the administration (e.g. Ministry of Finance and Public Administrations, Social Security, National Tax Administration Agency – AEAT, Ministry of Defence), leaving others behind. Similarly, overlapping delivery processes have not been removed and several units tend to duplicate procedures needed to offer services to citizens.

Additionally, the numbers on uptake of e-government services are lower than expected. For example, although 30 000 000 e-ID cards have been issued, this is less than expected. The problem seems to be that an individual's interaction with the administration given the services available online is limited to a couple of times a year only. Therefore citizens do not see a strong personal value associated with using e-ID cards. A second problem appears to be the complexity of using the e-signature, which is why the government has developed a new infrastructure for the advanced digital signature to be used by January 2014. Aware that uptake is below the level of expectation, the focus for increasing the use of the digital signature is now on "indirect access". For the time being, the use of the digital signature is compulsory for all businesses interacting with the tax administration and for all intermediaries interacting with the tax administration on behalf of individuals. The aim is to extend the mandatory nature of the use to other groups of service users. This can be facilitated, for instance, by making sure that the advanced signature will be used not only by the AEAT, but by an increasing number of public service providers. One of the problems with making the use mandatory is not only the need to develop relevant services for citizens, it is also the need to overcome the remaining problem of inadequate Internet penetration in Spain.

Another explanatory reason for benefits below the desired level is that in general there is no effective reuse by the different ICT units of what others have developed; nor is there reuse of the services which each unit creates to meet its needs. Similarly, several eadministration platforms have been developed with different technological solutions regardless of the adoption of a common interoperability framework. This is why since the beginning of 2013 the government has placed the focus on reaping the benefits of investments made so far.

Figure 4.1. **Internet use for interaction with public authorities (last 12 months), 2012**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Consolidation processes, organisational streamlining and the generation of economies of scale require work on central co-ordination. The OECD underlined in a review of paperless administration in Spain (OECD, 2013) how the governance and organisational structure of ICT management in the general state administration shows a dispersal of resources and decision-making centres which hinders the achievement of economies of scale and increases the costs of providing services. The existing dispersed structure of ICT governance is a result of where ICT began to be deployed in the general state administration, which is why so far there have been significant difficulties identifying a single, leading strategy.

Moreover, deployed common infrastructures (communications and networks, dataprocessing centres), productivity and workstation tools (equipment, licences, local area networks, user support centres), common applications (common e-government modules, enterprise resource planning systems, customer relation management, web publishing systems), sectoral infrastructures and sectoral applications (applications belonging to the area of public action of each organisation) exist and are a key resource the Spanish government could build on to create a more efficient and strategic administration. However, these horizontal electronic platforms have not been optimally supporting the objective of strengthening horizontality within the administration. The reason for this seems to be the voluntary nature of the use of these platforms (missed opportunity for higher integration) and lack of implementation of complementary platforms. The sections below highlight the importance of the measures

foreseen by the CORA to address most of the challenges elaborated above with the purpose of creating the right conditions to reap the benefits of ICT investments to sustain a reformed administration.

The transversal role of ICT to make public administration reform happen

The CORA recognises the strategic importance of ICT as a cross-cutting enabler of public sector reform. The value of ICT cuts across the four areas of the sub-commission: *i)* administrative simplification; *ii)* administrative duplication; *iii)* shared services; *iv)* institutional rationalisation. As a result, there are proposals for ICT initiatives put forward by each sub-commission. About 50% of the initiatives of the CORA are ICT related or enabled, and for 30% of the initiatives, ICTs are at the core of the reform programme.

It is very important to underline that the CORA acknowledges the efforts made by previous governments to reach the current state of maturity in the use of ICT within the public administration in Spain. It also provides momentum to further implement and build on existing initiatives. However, officials also seem to acknowledge the fact that until now the use of ICTs was not fully integrated with efforts aimed to simplify administrative processes; developments have happened in the right direction in a number of areas but not overall. There is also awareness of the inadequate structure of governance of ICT at the level of the general state administration impeding a unified strategy and vision in order to facilitate the optimisation of resources and cost-saving. On this basis, the CORA aims to leverage the results achieved in some sectors, and distinguishes the role of ICT as a cornerstone for the reform and transformation of the general state administration to generate efficiencies and optimise the management of resources. The push for increased rationalisation within the public sector (competencies, institutions and processes) driven by ICTs in the CORA ultimately aims to improve overall management within the public sector and the quality of services delivered to citizens.

The CORA's proposals concerning ICT and digital government emerge from awareness of the need to modify current administrative procedures and structures around the goals of efficiency and optimal use of resources. The reform of ICT management has indeed been conceived as a mix of actions aimed not only to achieve savings but to rethink the model of governance for IT use in the public sector to provide a new governance structure and leadership to set and implement a new common vision (e.g. hence the proposed creation of a Chief Information Officer and a new agency to support it) and to review the procedures and organisation of internal delivery of IT services at the level of the general state administration – particularly those which correspond to horizontal units. The aim is to correct the "island model" approach and to overcome a situation of atomised management of IT resources through enhanced collaboration, consolidation and sharing (e.g. through centralised IT procurement, provision of shared services, centralisation of common infrastructures, platforms and applications which accounts for 60% of the IT spending of the general administration).

Proposed initiatives were conceived with strong support from the political leadership and involvement of senior officials from the central administration (with significant knowledge and experience). Feedback was solicited and gathered from all ministries to identify areas of action, and these were complemented by over 2 200 suggestions from citizens (provided via online consultation). What emerged was, for example, inefficiency in a number of joint procedures due to lack of integration of information systems and sharing between the local authorities and the central administration. This approach increases the perceived comprehensiveness of the recommendations and the identification of priority areas. However, the overall perception is that the preparation process of the reform programme could have been utilised more strongly

to enhance collaboration across the central administration, to reuse and transfer experiences between areas, to enhance integration and to fully capture the contribution of IT "practitioners" and frontline civil servants.

A different type of engagement could have facilitated the fostering of synergies, the scaling up of existing systems and the sharing of good practices which are essential to support more efficient IT resource management and use. It will be critical to ensure that the implementation phase compensates for this missed opportunity in order to ensure that the implementation of envisaged measures and the design and deployment of new projects, take full advantage of existing resources, systems and knowledge. Sustainable implementation of ICT initiatives to support reform efforts requires consistency of reform initiatives across all sectors and involvement of all interested stakeholders. This is why it will be very important for the government to ensure the involvement of all relevant public sector workforces, as civil servants will be those responsible for transforming nicely conceived initiatives into efficient results.

Finally, in a country with such a level of decentralisation, duplications have occurred in the development and deployment of ICT systems across levels of the administration. Mapping what exists, creating the right sense of ownership at all levels, and providing incentives for enhanced collaboration in a multi-governance context will be crucial to correct sources of inefficiency.

Transforming ICT management into a strategic asset

The following sections underline some of the major ICT measures and initiatives foreseen by the CORA.

A new governance and organisational model for ICT management in the general state administration

To support the adoption and implementation of a single strategic vision for the central administration focusing on achieving economies of scale by consolidating infrastructures, services and procurement, the sub-commissions preparing the CORA recognised the relevance to redesign the current organisation and to create a governance structure which would make it easier to achieve the aims of rationalisation and better management of common IT resources.

The CORA creates the position of a Chief Information Officer (CIO) of the general state administration as the head of the central administration in the ICT field. The CIO position, established by Royal Decree no. 695/2013 of 23 January and which came into power in October 2013, is expected to lead the process of change and articulate the government's policy on ICT for the general state administration. Therefore, the CIO's main responsibilities include the adoption of an ICT strategy to be elaborated together with a newly established council (comprising the CIO of the general state administration, who presides it, and the CIO of each ministry and of the major ICT management centres of the general state administration). The establishment of an ICT Council aims to support a process of identification of what can be shared and what for the time being should remain under the competence and responsibility of each ministry. This could help identify opportunities for rationalisation and the creation of economies of scale (e.g. building on good examples such as the one of the AEAT and the Social Security Agency).

The CIO is also expected to lead the efforts on ICT consolidation (of common processes, services, etc.), which includes creating a single vision to co-ordinate and centralise decisions on IT procurement, thus rationalising the costs of procuring ICT and spurring systems'

consolidation. This is linked to the CIO's responsibility to consolidate the communication infrastructure. For the time being, ministries have their own communication process contracts and procurement processes. The CIO will also lead the technical decisions (e.g. on increased use of fibre optic to connect all institutions) and coordinate on specific activities with the Directorate General for Administrative Modernisation, Procedures and Promotion of E-Government within the Ministry of Finance and Public Administrations, which is the ultimate authority within the central government with respect to the promotion of e-government. The creation both of a Chief Information Officer and a Chief Procurement Officer to support pooled procurement and shared services, as in the CORA reforms, were key enablers of the savings achieved in Ireland.

To enable the CIO to deliver, the CORA foresees the creation, under his leadership, of an agency responsible for consolidating and developing a catalogue of horizontal common services and infrastructures. This agency will provide common ICT services to the public administration as a whole, and will help streamline the development of infrastructure and sector services. The process of staffing the agency is still under discussion and one of the options is looking into the possibility of transferring staff currently working in the ICT units of ministries with strong ICT capacities (e.g. AEAT, Social Security and the Ministry of Defence).

There is wide recognition of the existence of a corps of civil servants specialised in ICT management and with a high level of technical training and knowledge of the subject matter and related business processes, both among the political leadership and across the top level civil servants within the general state administration. This awareness also emerged during the numerous interviews held by the OECD during the course of this review. This is a key resource to be used strategically; and it seems indeed that the intention is to reuse human resources available across the administration. According to INAP – which has been responsible for the selection of the ICT personnel for the general state over the past 20 years – most of the civil servants that took up office in the administration in the last few years are young, skilled individuals from the private sector. Reallocating staff available is key, but it requires a clear human resources mobility plan and a common approach to the development of relevant IT skills. Currently, IT competencies are spread across the administration (i.e. mainly the Ministry of Finance and Public Administrations, the Ministry of Industry, the AEAT and Social Security). The reality is very fragmented, especially as different criteria have been used to select personnel for the various IT units. The CIO is expected to correct this fragmentation as well. In the short term, needed actions from the CIO include the adoption of clear criteria to be applied for the selection of the human resources for the staffing of the new agency. Additionally, clarity on the legal and concrete competencies of the agency will be essential for the CIO to develop a clear governance model and criteria to guide the staffing of the agency, not only during the inception phase, but also in the long run.

This organisational model is expected to allow more effective ICT management in the general state administration through the consolidation of infrastructures and common services (data-processing centres, internal communications networks, voice and data communication) and the integration of ICT at the highest level in all aspects of administrative and regulatory reforms. This structure should help to establish and adopt a comprehensive ICT strategy throughout the general state administration. The CORA also considers the possibility for the agency to be supported by a large ICT service provider in a sectoral area, which would also offer an ideal environment for testing solutions and common services, prior to its adoption by the general state administration as a whole.

Once the agency is fully operational and capable of delivering common services, it will be essential to incrementally ensure these services are used. There are various options, ranging

from making it mandatory from the beginning to starting by focusing on those that want to collaborate and are willing to join and eventually making it compulsory for all institutions to use these services – as is the case in Denmark. This is an important way to avoid creating a hostile environment in the administration once the new agency has consolidated the services and is fully operational to deliver them. Hostility may arise from a perceived decrease of power and financial resources, although some parts of the administration will instead welcome the centralisation of the delivery of the services, especially if supported by a business case highlighting the benefits.

To ensure the success of the implementation of the process, it should initially be focused on small and medium ICT centres, because in the major centres (the AEAT, Social Security Information Technology Management, State Public Employment Service, etc.) integration between their infrastructures and the sectoral services commissioned is so close that short-/medium-term actions may plunge these functions into crisis. In any event, the exporting of the successful models of these centres to the general state administration as a whole will be enabled thanks to the new system of governance. In addition, these centres will use and provide common services and will progressively adopt the models, standards and guidelines which result from the process, once they are consolidated, tried and tested.

Box 4.1. **The frontier of digital government in Denmark: Expanding mandatory use**

The Danish eDay initiative is an initiative where the Danish public sector on a specific date agrees to fulfill certain significant goals. Denmark has had four eDays since 2003:

- eDay 1: By 1 September 2003, all public sector organisations in 271 municipalities, in 14 counties and in central government had to send internal written communications by email only, instead of by traditional physical mail.
- eDay 2: By 1 February 2005, all citizens and businesses had the right to send secure electronic communication using the common public sector digital signature and encryption to public authorities and had the right to expect secure electronic communication from public authorities.
- eDay 3: eDay 3 had three goals to be achieved by 1 November 2010: *i)* each public authority had to offer secure single sign in using *Nem-Login* (in English "Easy-Login") and the Danish second-generation digital signature *NemID* (in English "Easy-ID") when accessing citizen-oriented online services; *ii)* all citizen-oriented online services had to be integrated into the Danish national citizens portal borger.dk; *iii)* all public authorities should have been ready to offer secure digital communication through Digital Post (a government authorised digital letter box).
- eDay 4: This marked the transition to digital-only communication between citizens and businesses, and public authorities using the government provided digital letter box – Digital Post. The initiative is part of the Danish government's push towards mandatory "digital-by-default" – demanding citizens and businesses to use the digital channel only by law. eDay 4 concluded a remarkable development of progressively introducing mandatory use of Digital Post for all. Businesses were obliged to use Digital Post by 1 November 2013 with citizens following on 1 November 2014.

Source: Information provided by the Danish Agency for Digitisation.

Moreover, delivering a full catalogue of services to an increasing number of institutions will require adequate availability of human resources. Eventually considerations on outsourcing or increasingly relying on cloud computing will be necessary. The United Kingdom Government

Cloud Framework Agreement is an excellent example in this sense. The G-Cloud framework was developed to give customers access to pay-as-you-go services as a cheaper alternative to traditionally sourced ICT. G-Cloud is a key component of the government's ICT strategy. The programme involved early adopter stakeholders across government (known as Foundation Delivery Partners, FDPs) working with the Government Procurement Service at the Cabinet Office to deliver an innovative framework for the first G-Cloud iteration.

Cloud computing could eventually help the government to deliver common services also to small municipalities that do not have a huge IT budget. If the municipalities can appreciate the savings they could gain by using the services provided by the central government, this could provide them with an incentive to collaborate. As a matter of fact, the CORA rightfully recognises that the organisation of ICT in the general state administration will also require consideration of a redesign of the ICT personnel structures of departments and defining the functions to be performed by general state administration personnel to be supported through outsourcing by external companies if needed, and rearranging the relationships between positions according to the functionalities anticipated.

Given that the aim is to correct existing inefficiencies due to insufficient integration within and across levels of government and to foster joint planning in the ICT domain (e.g. development and deployment of IT systems), the new governance and organisational model foreseen by the CORA constitutes a solid and strategic first attempt to correct dysfunctional and inefficient use and deployment of ICTs and is in line with the good practices of the OECD. However, the challenge will be in balancing the need to centralise decisions to achieve better economies of scale, rationalisation and synergies (decrease in duplication, etc.) and the focus on using the establishment of the CIO position and council to spur co-ordination at the central level. This will require overcoming foreseeable resistance as facing the challenge will require a change in the organisational culture.

Finally, a clear mandate is only one of the key conditions enabling the CIO to carry out the ambitious plan under his responsibility. The CIO must be able to count on the continuous support from the top political leadership in the short, medium and long terms independently of changes in government, as well as on sufficient financial and human resources; which are means that, at the moment, are in other departments. In his initial efforts aimed to define the governance model, develop a procurement platform for ICT, consolidate communication infrastructures and set up the agency, the CIO will be supported by a team of three people and IT experts from the units of the various ministries. The CIO will, however, have to be able to count soon on a fully stuffed agency. Also, it remains to be decided if the agency will be located under the Ministry of Finance and Public Administrations or the Office of the Presidency.

Addressing these pending issues with the shortest delay will be essential to enable the CIO to perform the expected tasks and implement the ambitious programme under his responsibility. Similarly to Spain, countries like Australia, Austria, Denmark, New Zealand and the United States have all put in place governance models foreseeing a strong CIO position within the central government. Their CIOs have been capable of driving strategic progress and results in the management of ICT to support public sector reform since they were able to count on resources, mandates and tools enabling them to take decisions and implement them.

Strengthening multi-level co-ordination

There is space for improving co-ordination and collaboration across levels of government, which would certainly help optimise the impact of the e-government measures foreseen by the CORA, which apply only to the general state administration. What emerges from a survey

conducted by the OECD is that the representatives from the autonomous regions feel that the "*conferencias sectoriales*" have been very effective to facilitate sharing of information, good practices and sustain progress in regulatory alignment, but there are shortcomings when it comes to the implementation phase. Ensuring alignment between the central administration and the regional and local authorities through stronger joint governance and co-ordination mechanisms would indeed help ensure that all the opportunities brought forward by the initiatives foreseen by the CORA benefit citizens across Spain equally. At the moment, the levels of e-government development across the country are very different. For example, in terms of electronic service delivery, not all regional governments followed the legal requirement of the Act governing Citizens' Electronic Access to Public Services. This increases the gaps of digital opportunities for citizens depending on the geographic location, gaps which have legal origins and are not due to differences in the development of the infrastructure.

However, there are also very good advanced examples of e-administration across local governments. The establishment of the "*sede electrónica*" of the Xunta, the adoption of the system to measure the estimated savings of burdens for companies and individuals achieved through e-government, the adoption of the e-invoice and the e-health system "*Bibliosalud*" are all examples of important advancements in Galicia. These examples are mirrored by similar initiatives in Castile and León which, among the many initiatives of e-administration, also adopted the interoperability framework, created the "Centre for Operating Goods and Services" to manage in an integrated manner all telecommunication services, and is in the process of developing a single Centre for Data Processing in an efficient manner. These are some of the good examples showing how there are experiences and skills available at the local level which could be shared with less advanced local entities and thus help close the gap and could be eventually used also to support the development and deployment of ICT measures foreseen by the CORA for the general state administration. The General Point of Access (PGA) of the Canary Islands, operational since 2011, is an excellent example in this sense.

The CORA foresees some specific measures in the area of e-government aimed to improve multi-level governance. In the meetings held with the ACs to discuss the CORA proposals, one of the points on the agenda was the Centre for Technology Transfer, which allows local and regional governments to share ICT solutions with the central government and develop joint initiatives. In addition, in the field of justice, one of the CORA measures (already completed, Royal Decree 396/2013) was the creation of the State Technology Committee for Electronic Judicial Administration, a co-ordination and joint planning body that comprises the General Council of the Judiciary, the Ministry of Justice, regional governments and the Office of the Public Prosecutor. Moreover, the administrative simplification project "Entrepreneurship in Three" (*Emprende en Tres*), initially developed by the SEAP, is now being adapted to the needs of every AC, in coordination with the e-government departments of the regional governments. This is the case, for example, of the autonomous community of Madrid. In April, the joint project of the SEAP and the autonomous community of Madrid was to be presented and a joint letter to be sent to all local entities encouraging them to get involved.

However, the implementation of the CORA's measures which aim to establish the new governance structure at the level of the general state administration could envisage among its results better multi-level co-ordination. Currently, the frequency and degree of co-ordination of the local levels of government varies (e.g. through co-operation with the Spanish Federation of Provinces and Municipalities). Within the limits allowed by the Constitution, the establishment of the new CIO, of the ICT Council and of the new agency should be used as an opportunity to strengthen co-ordination and collaboration vertically and horizontally. The "Joint Committee for Cross Government Co-operation (STS) in Denmark and the Korean Committee for the Advancement of Public Information Sharing are good examples in this sense. In Germany, co-ordination between institutions and across levels of government is

fostered through the Administrative e-Service Directory (DVDV), which creates a secure and reliable communication infrastructure based on open Internet protocols and allows cross-organisational and paperless processes.

Additionally, the successful implementation of most of the initiatives described in the sections below, which focus on reinforcing the capacity to deliver horizontal egovernment services within the central administration, would benefit from an extensive use of the newly developed platforms by as many parts as possible of the public administration across all levels. These new projects include, for instance, the Data Integration Platform (*Plataforma de Integración de Datos*, PID) and the Electronic Register of the Power of Attorney (*Registro Electrónico de Apoderamientos*, REA) which have the potential to spur consolidation, rationalisation, integration and high efficiency. Given the impossibility of making the use mandatory for the local administration the provision of incentives, the clarification of a business case showing the concrete and economic advantages that would arise from the use of these platforms are key measures that should be foreseen in the months to come. They could, for instance, be envisaged as part of the responsibility of the newly established agency and set among the criteria to evaluate the success of its operations.

A more user friendly administration: Simplifying access and improving service delivery

The major axes of the CORA reform are reducing costs, simplifying procedures and improving management, and the first beneficiary of the reform of the administration should be citizens. This is why fewer forms, less paperwork and fewer points of access to the administration are seen as ways to increase returns, increase agility, lower costs and achieve savings while improving the satisfaction of public service users. Additionally, in order to give effect to the general right of citizens to access public services electronically, the CORA foresees the strengthening of existing horizontal platforms and e-government services, or the establishment of new ones.

Although from a technical point of view, all of these platforms – those fully operational and the newly proposed ones – are correct steps in line with OECD good practices aimed to improve horizontality and integration within the administration, for reasons unrelated to ICT deployment, their full impact on increasing efficiency is, in practice, not yet fully achieved. One of the main reasons for this, as indicated below, is that the use of many of these platforms is not mandatory. Given the voluntary nature of the use, there is an uneven uptake of these horizontal platforms and in the e-government services provided by the agencies and departments from the central administration as well as from those from the other levels of government.

Individual sectors have indeed developed their own platforms and systems which have nurtured the development of a context characterised by "islands" of excellences and different levels of sophistication of e-government services provided to external users, i.e. many administrative processes still remain face-to-face or paper-based but could be replaced by electronic transactions. Many of the new measures put forward by the CORA – such as the planned enhancement of the PID as well as the full implementation of the REA (see below) – have the potential to improve horizontality and delivery of integrated public services. However, efficient integration and interoperability require extensive use of platforms by as many parts of the administration as possible.

Therefore, focus on the development of new platforms is as essential as targeting the full implementation and use of the existing ones, and the reuse of already deployed systems whenever feasible. This implies, for example, that in the short and medium terms greater attention could be given by the new agency in providing incentives and business cases to the

various departments and agencies to ensure increased uptake of the platforms. In the long run, the government should focus on making use mandatory, starting with specific parts of the administration or "segments of users".

- Finally, there is a lack of integration between Law 30/1992 on the Legal Regime of Public Administrations (*Ley de Régimen Jurídico de las AAPP y Procedimiento Administrativo Común*) and the LAECSP. In particular, in various phases of the administrative procedure:
- identification of the users
- initiation
- documentation
- conclusion.

This provoked an overlapping of both legal frameworks, producing confusion, lack of legal surety and complicating the application of e-government.

The CORA proposes a new law to regulate the administrative procedure, redefining the relation between the administration and citizens by electronic means, merging and updating the two former laws. This will contribute to increasing the effectiveness and efficiency of the government, improving the public service and reducing financial and environmental costs, as a result of the elimination of "paper".

Creating a single electronic administration and a unique point of access

The end goal of the CORA in terms of service delivery is to provide the image of, and single access to, an efficient and user-centered administration, and to improve citizens' life through a simplified delivery of services and access to the administration. In this sense, digital government is seen as a key strategic enabler. The idea is to promote the use of the horizontal platforms, in line, for instance, with the principle "submitted once and reused many times" applied to the provision of individuals' documents and information to the public administration. Access to e-administration should be easier and this should contribute to improving the relations between the state and its citizens, for an administration perceived as more transparent and closer to its constituents.

From this perspective, one of the more important initiatives foreseen by the CORA is the establishment of a General Access Point for Public Administrations (PAG), a single entry point to access the public administrations and all horizontal information on activities, organisation and functioning of the administration, as well as for the handling of transactions and most relevant services. This access point was envisaged in the LAECSP (Article 8) and by Royal Decree 1671/2009 of 6 November, which partially implemented the former in its introduction and Articles 7, 8, 9, 24 and 31, and in point 2 of the Additional Provisions. The legislation defines, regulates and describes the basic features of the e-Access Point. The e-Access Point should replace the www.060.es portal. The PAG should be recognised as the trademark representing the general state administration and should guide citizens and entrepreneurs in their dealings with the administrations. It is expected that the PAG will fill the gaps currently characterising the mentioned portal, and it will be designed in order to meet the requirements outlined in the regulations governing it and respond to citizens' expectations.

This initiative is essential as it supports the aim of the reform to simplify access to the administration, rationalise it through the achievement of economies of scale and improve its quality and image through better access to public services. The implementation of a single

entry point for citizens will, in fact, allow the users of public services to access information from the different public administrations in one place, receive orientation for administrative dealings, initiate administrative processes and check the status of their transactions at any time. To make service delivery even more user friendly, the services will be categorised by subject or key "life events". The creation of the PAG provides the opportunity to expand the use of the digital signature and single eID.

In the development of the PAG, it will be important for the government to make the best use of relevant experiences in the administration. For example, Social Security relies on modern electronic platforms that allow citizens to complete formalities fully online. Certificates of payments of social security fees can be requested and received online; the process is fully transactional. Likewise, European sanitary cards can be requested and received online. The Social Security Portal provides citizens with a personalised space to access their electronic files, information and complete formalities fully online. Based on the existing platform SRED, the ministry is developing a system (to be completed by 2014) that will improve online communication with businesses and individuals and spare individuals from having to pay any sort of physical visit to public offices. Similar to the case of Social Security, the tax administration relies heavily on e-government platforms. In fact, the Tax Authority is trying to consolidate different platforms into a single one, which will be called Pin24hours. Currently, 64.38% of revenue declarations are submitted online. In some cases, declarations have to be completed electronically, while in others there is still the alternative to complete it on paper. Currently, users have access to their electronic files via advanced electronic signature. The AEVAT is working to simplify its systems via the use of non-advanced electronic signature similar to the tax declaration model and e-taxation system in France. The experience, resources and knowledge available in these ministries, which have supported the implementation and deployment of these systems enabling access to services online, could be exploited in support of the development of the PAG.

Supporting businesses and investments

Cutting red tape for companies and entrepreneurs has been a constant goal of the administrative simplification process in Spain over the past decade. The CORA also foresees the creation of the "*ventanilla única para el comercio exterior*" (one-stop shop for foreign trade), which aims to provide a single point of access for foreign trade. The objective is to bring together all of the relevant actors to develop a single platform to the benefit of the users. Allegedly, the context of the preparation of the CORA was helpful, as it provided a forum where common problems could be discussed and such a forum supported the development of the platform. The leadership in the development of this project was given to the AEAT, building on the fact it had already developed part of the system and had experience in running it.

Additionally, different programmes work to facilitate the process to start a business. For example, the Centre for Information and Business Start-up Network (CIRCE) is an online system to allow entrepreneurs to complete start up formalities online (although not all the steps of the process can be completed online). The CIRCE is supported by a network of contact points for advice and start-up procedures (PAIT) and a platform called Virtual PAIT, as well as by a consolidated electronic document (DUE) that consolidates 22 formats from 24 agencies. It is interesting to note that the only steps of the start-up procedure which cannot be completed online are those implying interactions with outside actors: banks and the notary. This differs quite radically from experiences in other OECD countries, like Denmark and Estonia for example, that have sought partnerships with banks or worked on providing incentives that have counterbalanced the political resistance of strong interest groups – e.g. notaries – to achieve internal efficiencies and deliver better services to users. Completion of the procedure online is

not compulsory at the moment. This appears to be justified by the fact that the authorities do not want to create, or increase, the digital divide of businesses; however, the level of voluntary uptake of online opportunities is below expectations. Therefore, considerations should be given to the possibility of making use mandatory.

Finally, to support integrated service delivery, the CORA foresees the upgrading of the PID and the REA, to transform them into a real horizontal platform and enable a single virtual administration. The aim is to improve information sharing between the central and local levels of government to increase the efficiency of the procedures requiring joint action from two or more agencies. Similarly, the idea to establish a single "*portal de empleo*" (Employment Portal) replacing the one now managed by the central administration and the several existing ones at the local level aims to increase integration, create a single image of the administration for users, improve accessibility to services and efficiency of delivery (e.g. it can lead to important savings). Similarly, the development of a single e-procurement platform for the central administration aims to improve integration and the quality of services (e.g. avoid duplication of criteria for public procurement). Finally, another example of a CORA initiative that aims to spur better integration and co-ordination to increase the quality of public services across levels of government is in the area of "distance learning". Each autonomous community runs its own system of e-learning and the plan is to move towards the development of a single platform. The development of the e-procurement platform is also meant to increase internal integration and improve access to services. At the moment, multiple processes are possible (in person, paper based) and the aim is to substitute all conventional processes with an electronic one.

Improving e-health

The philosophy of the e-health programme is to deliver integrated services to citizens, to provide the same level of service to Spaniards even when travelling throughout the country (it seems that 10% of the population is treated outside of their region of residence), while ensuring their right to personal data privacy and security. In particular, the Electronic Clinical File and the Electronic Prescription (i.e. any prescription issued by a doctor can be accessed by any pharmacy in Spain) are seen as key projects to improve the quality of service delivery for users, and higher efficiency of service provision achieved through facilitated access of health personnel to relevant information. The Electronic Clinical File enables accessibility at all times to all available information on patients who can see who accesses the information, can grant the right to access and can hide access to some. Therefore, the programme envisages increasing the responsibility of both health operators and citizens in the management of the information. The e-prescription system saves time of chronically ill patients as they know exactly when to pick up the next medicine; and it generates information on consumption in the autonomous communities.

The new projects can help reduce the time of the diagnostic which can save resources of both health professionals and patients (e.g. less time, less tests) and can improve the relations between patients and doctors. In order to achieve results, key enablers were put in place, including a legal mandate, an agreement with the relevant authorities (Ministry of Industry and Local Authorities), the infrastructure interoperability, the Clinical Reference Index standard identification system for the patient across the country associated with a patient ID number (*National Health Card Identification Database*), and a register with information on all professionals. Both projects started in 2005, but the CORA provides the momentum to increase the speed of implementation.

To date, the focus has been on integrating information management and facilitating access. The next steps foresee focusing on improving the quality of the data, their use to deliver better

services to professionals and increasing use of the systems. To date, 61% of prescriptions are issued online, and as for the Electronic Clinical File, take up among doctors is limited. The experience gained in this domain can be used to support the development of the PAG, hence co-ordination with the CIO office to transfer lessons learnt and create synergies will be essential. Given that public health is managed by the autonomous communities, co-ordinating policies and their implementation has been a key challenge.

Increasing transparency and improving efficiency through e-invoicing

The e-invoicing initiative is also considered a key measure to simplify the administration. The European Commission has identified electronic invoicing as a key action within the first pillar (the creation of a single, dynamic digital market) of its "Digital Agenda for Europe". As a consequence, the European Commission has issued several communications, both general and specific, regarding public procurement; and on 20 April 2012, the European Parliament adopted the Resolution "on a competitive digital single market – eGovernment as a spearhead" which, among other aspects, called for mandatory electronic invoicing for all procurement processes by 2016. In this European context and in view of the focus on increasing productivity and the competitiveness of the Spanish economy while strengthening the fight against corruption, the CORA aims to promote the use of electronic invoicing in the public sector, enabling suppliers to make use of instruments such as the electronic seal and the advanced electronic signature. These instruments will be of mandatory application from 15 January 2015 for certain companies, i.e. those obliged to present electronic tax returns. Accordingly, Act 56/2007 of 28 December on measures to promote the information society, will be amended to promote the use of electronic invoicing by suppliers of particular economic significance, for whom it will be compulsory from 15 January 2015. The draft Law on Electronic Invoice Promotion and Accounting Registry Creation (*Proyecto de Ley de Impulso de Factura Electronica y Creación de un Registro Contable*) has the objective to foster the use of electronic invoicing in both the public and private sectors as foreseen by the CORA.

However, public authorities may exclude from this obligation invoices for less than EUR 5 000. The submission and the processing will have to be made online, and the use of new technologies will enable invoice processing to be streamlined. There will be a single entry point for the receipt of electronic invoices for each level of government (the state, each autonomous community and municipality), to co-ordinate all the electronic invoices received by organisations, entities and associated or dependent agencies. However, it will be possible for one level of government to make use of the invoice entry point created by another, rather than developing its own. The adhesion of the autonomous communities or of local governments to the general state administration general entry point for electronic invoices will be voluntary, but non-adhesion must be justified in terms of efficiency under Article 7 of Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.

These measures have the potential to strengthen the position of the supplier but also to complement efforts to achieve efficiencies and increase rationalisation and consolidation efforts across levels of government and reduce administrative burdens. This measure is key in connection with the efforts to develop e-procurement.

Capturing the strategic value of government data and information: Synergies with the open data and transparency agendas

Some of the initiatives under the CORA provide the conditions to push the government to strengthen the management of government data and information to improve efficiency and service delivery. The planned unification of statistical surveys aims to support better integration

in information management, access and sharing. Similarly, the development of performance indicators to assess efficiency provides a platform to link work on measuring performance with the open data agenda. In addition, the creation of a centralised public information agency to provide information on the economic and financial activities of all areas of government (to be hosted on the website of the Ministry of Finance and Public Administrations, www.minhap.gob.es) will be essential to standardise criteria for the publication of information, and a system of governance for the updating and full maintenance of the content information held. This will make it easier and more efficient to search for economic, budgetary, financial and statistical information; rationalise data production by avoiding duplication; improve data quality and support data and information interoperability which is essential to enable reuse – a key requirement for open data. Finally, the Implementation Unit is to report to the President on progress, based also on the information to be provided (every three months) by the various entities, which will lead to the production of a wealth of important data and information.

These measures are indeed excellent examples of the efforts made by the Spanish administration to build on previous actions, including the adoption of LAECSP and the Open Data Project. The Open Data "Aporta" Project builds on the European Directive on Public Sector Information and has, during the years of its implementation, broadened the focus from targeting exclusively access to public sector information to leveraging the potential of open data to produce economic benefits and impact national growth. Hence, the specific measures foreseen by the CORA that are relevant to information management can sustain not only the overall cross-cutting goal of the reform programme to improve interoperability, information sharing and foster synergies, but they can also contribute to the transparency and open data agendas.

In Spain, the Aporta Project encourages the reuse of government data and information by providing access to over 650 government datasets in reusable formats through a public data portal, http://datos.gob.es/datos. Spain estimates that there are over 150 companies that work solely on the infomediary sector and employ around 4 000 people generating EUR 330-550 million annually that can be directly attributed to open data reuse. This is an important stimulus for Spain from the ICT sector, which is a bit of a beacon in otherwise difficult economic times (Ubaldi, 2013). The newly envisaged initiatives in the CORA will increase the public sector data and information available for access and reuse, thus expanding the basis for the potential growth of open data, helping promote a culture of open access and reuse, and increasing the awareness of the need to ensure adequate resources and security levels to support open data growth. If better linked with the Aporta Project and the overall Open Data initiative led by the Ministry of Finance and Public Administrations – which sustains fostering open data through guidelines on implementation of interoperability frameworks, raising civil servants' awareness, providing tailored support to individual agencies and ministries, awarding prizes for good examples – the CORA initiatives can potentially change internal dynamics, culture, management as well as the way of working within the administration and achieve longterm results.

As an example, these initiatives can improve internal data sharing as well as practices such as data analytics, data mining, crowd sourcing of services and innovation to create internal efficiencies, improve final service delivery and find joint solutions to societal problems. Additionally, the wealth of data acquired in the preparation of the CORA plus those produced in the course of its implementation provide a basis to sustain an informed analysis of financial and human resources within the central administration in the IT domain.

Similarly, stronger synergies could be created with the implementation of the actions foreseen by the recently adopted Law on Transparency no. 274/2013 of 26 November. This law has a triple purpose: to increase and strengthen government transparency, to recognise and guarantee citizens' right of access to information and to establish good governance obligations

to be met by public officials and the legal consequences of noncompliance. It does not fill an absolute vacuum but delves into what has been achieved so far, correcting deficiencies and creating a legal framework to grant certainty to citizens' rights. The law establishes, for instance, a number of obligations to sustain proactive dissemination of certain information without waiting for specific requests of the citizens. This applies, for example, to data on institutional information, organisational and planning, legal relevance and of an economic, budgetary and statistical nature. Additionally, it broadly sets the right of access to public information which may be exercised without having to justify the request.

To channel the publication of such an enormous amount of information and to facilitate compliance with the obligations of active publishing and access to the information disclosed, the law relies on the use of ICTs and provides for the establishment and deployment of a Transparency Portal. This will include, besides the information for which there is a duty of active advertising, information whose access is requested more frequently. Therefore, ICTs, and new technologies in particular, are seen as strategically instrumental to fulfill the provisions of the law. The portal will indeed provide a single access point for citizens to obtain all available information. Thanks to the support of new technologies, the portal will be a virtual meeting point and broadcast showing a new way of understanding the right of citizens to access public information. The foreseen format of the portal is interoperable to enable agencies to upload information proactively. As it will not initially be compulsory to publish data on the portal, it will be very important to provide incentives and to foster the involvement of all government authorities, at the local level as well.

The law arises from recognition of the fact that transparency and good governance are essential elements to spur economic and social development. Such a law is essential to sustain the growth of open data, not only to deliver good governance – i.e. accountability, transparency, integrity – but also to produce economic (e.g. stimulate the emergence of new businesses, achieve efficiencies within the public sector) and social value (e.g. citizens' engagement in service design and policy making, social innovation). For this, access is a necessary but insufficient condition, as value creation implies in most instances data reuse. In order to achieve economic and social value, it is essential that data – and not only information and content – are relevant to those interested in reusing them and are increasingly made available and released as open data (e.g. accessible, usable and reusable).

Chapter II of the law also foresees that newly available data and information accessible thorough the portal will have to be made available as clear, structured, understandable data and preferably in reusable formats. But the law does not make it compulsory for the public sector to change the format of already available data and information to make it reusable. It will be crucial to ensure integration of the Transparency Portal with the Open Data Portal (http://datos.gob.es/datos) managed by the Ministry of Finance and Public Administrations, to ensure that data available will be reused and that the development of the new portal will build on previous experience.

Linkages between the transparency and open data initiatives will ensure that the focus of access to public sector information for boosting transparency and accountability be strategically complemented with the priority of data reuse, which is needed to produce social and economic value. For example, this can have an implication on which data and information to prioritise for publication. Therefore, it will be important to ensure an informed decision on the data and information that need to be made available as they have the potential to produce a comprehensive set of impacts. The United Kingdom is an excellent example of a country that has adopted a similar approach. The open data initiative is indeed under the responsibility of the Domestic Transparency Unit at the Cabinet Office.

Box 4.2. **Linking transparency and open data agendas in Mexico**

In Mexico, the issue of transparency is led by the federal Institute for the Access to Public Information (IFAI), which is an autonomous constitutional body currently focusing on implementing the Law on Protection of Personal Data in Mexico, which involves regulations concerning the private and public sectors, as well as individuals. The adoption of this law, with one of the broadest scopes in the world, shows the commitment of the Mexican government to transparency and access to public information.

The government of Mexico has focused on the implementation of the transparency and open data agendas through the collaboration of the Presidency, the statistical agency (INEGI) and IFAI to adopt a general standard for the publication and access to government data and information in accordance with the principles of open data.

The government intends to ensure a collaborative and participatory approach in the implementation of a comprehensive set of measures and to link the various initiatives to sustain the development of an environment conducive to transparent and open data by bringing together the various stakeholders.

For example, the Transparency Portal (http://portaltransparencia.gob.mx) managed by IFAI and the Open Data Portal under the responsibility of the federal government (http://datosabiertos.gob.mx) are linked.

Source: OECD (2011), *Towards More Effective and Dynamic Public Management in Mexico*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264116238-en.

Focusing only on publishing information on the functioning of the state to increase transparency might create missed opportunities, for example, achievable through linked data, e.g. emerging from publishing datasets that if linked to those on internal functioning can provide insights on how to obtain better results and improve internal management. In Denmark, for instance, open data initiatives were used to identify redundancies in data production within the administration and to clean up and rationalise processes of data production. Issues of interoperability of systems and data will be a challenge in Spain when centralising information, creating shared portals and back-office systems as foreseen by the CORA. Use of information and knowledge on specific processes can support understanding of the potential for sharing and consolidation as well as the need to retain sectoral ICT units, requiring high training and preparedness of ICT personnel to develop and operate the specific-sector applications.

Finally, on data production, it is important to underline that the major data producers are now authorities in the areas of tax, defense and social security. Within the consolidation and rationalisation efforts, the new CIO will have to work on convincing these ministries to give up some of their responsibilities related to data production and management. Additionally, it will be important for the CIO to come up with a strategy identifying which information and data should be produced by the various entities. Adoption of an Open Data Strategy as part of a broader Government Data and Information Management Strategy would help achieve better results and provide central impetus and guidance to initiatives that happen often at the local government level.

Shared services: Increasing rationalisation and consolidation

In preparation of the CORA, a Sub-Commission for Management of Common Services and Resources was established under the presidency of the Under-Secretary of the Ministry of Defence, comprised of representatives of the Ministries of Finance and Public Administrations;

Infrastructure; Employment and Social Security; Health, Social Services and Equality; and Industry, Energy and Tourism. This decision was based on the idea that a push for increasing the services to be shared may have a significant potential impact on rationalisation and consolidation efforts. The aim is to achieve cost-savings and improved efficiency through shared services.

The sub-commission worked on a number of areas: human resources, computing and e-government, real estate management, liquid assets, service and supply contracts, centralised management of contract services, agreements, management commissions, notifications, vehicle fleet, publishing and printing, state air and sea assets.

The proposals in this area put forward by the CORA are based on good experiences in the private sector as well as on international examples, in line with best practices in OECD countries, including Australia, the United Kingdom and the United States. Meetings were held, for instance, with representatives of some major Spanish and foreign companies including Banco de Santander, Inditex, IBM, Mapfre, Informática El Corte Inglés, Telefónica, Microsoft, British Telecom and Correos Telecom. The objectives of the meetings with these businesses as well as with the administrations affected were to obtain information and collaboration.

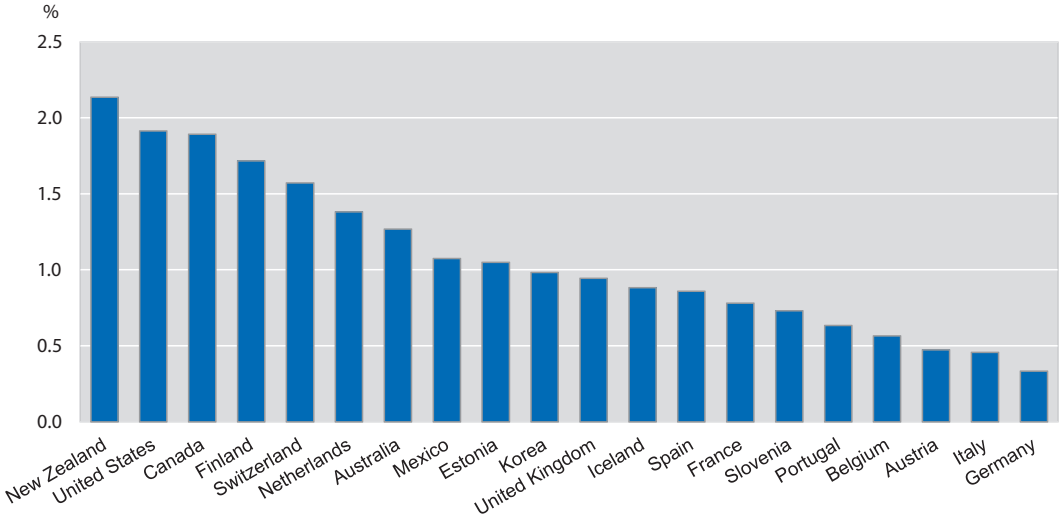
To expedite its activities, the sub-commission created working groups devoted to indepth analysis of different areas within their respective competences. The analysis led to the identification of the service areas where centralising contracts with the aim to save costs would be feasible. The work of the commission in this area is a good example of a case in which the preparation of the CORA report took advantage of cross-governmental collaboration.

In the area of ICT equipment and e-government services for the public administration, a working group was created to obtain information from the various agents involved in ICT in the state administration. This group was co-ordinated by the State Secretariat for Telecommunications and the Information Society, which reports to the Ministry of Industry, Energy and Tourism. Analysis focused on the ICT area of the general state administration, although it includes references to the experiences of private companies, territorial administrations and those of other countries.

The current organisational structure of ICT in the general state administration is based on multiple ICT units which provide direct services to the bodies on which they depend, on ICT units which provide general services to the bodies on which they depend and on a basic structure of governance which co-ordinates the actions of all of them and defines ICT policies in the area of e-government. The size and institutional structure of these ICT units varies greatly and ranges from large to small ICT-dependent units and specific bodies of the general state administration.

According to the e-Government Observatory, the ICT budget for the general state administration in 2013 was EUR 1.35 billion, reduced from EUR 1.95 billion before the crisis. The total for ICT expenditure and investment in the general state administration was EUR 1.164 billion in 2012 and the budget for Item 1 of ICT personnel was almost EUR 344 million, although its distribution is highly heterogeneous among the different ministerial departments. Overall ICT expenditures at the level of the general state administration seem below the OECD average (Figure 4.2).

Figure 4.2. **Total ICT expenditures as a share of central government expenditures, 2011 or latest available year**



Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

The principal conclusions of the analysis were that the present organisation of ICT in the general state administration is complex and heterogeneous. There is a large degree of atomisation and independence when providing services. This has meant that many ICT units have not attained the size needed to take advantage of the benefits deriving from economies of scale. The "island" organisational model should evolve towards a more centralised model in the provision of certain horizontal services.

The working group established for the CORA made a number of proposals that focus on consolidating common infrastructures (this initial measure is intended to relieve ICT units of the responsibility for those services which are identified as common and which may be offered with greater guarantees and efficiency in a centralised manner). This would allow resources to be focused on the offer of services by the organisations to which they belong. It seems logical, therefore, that a primary aim of the streamlining measures to be implemented in the short and medium term to increase efficiency in the management of ICT in the general state administration should be to evolve towards models of service provision and common infrastructure deployment which aggregate demand for them, eschewing the silos model used up to now.

As indicated previously, consolidation would affect communications, networks and data-processing centres; consolidate productivity and workstation tools; centralise the management of workstations and peripheral devices; homogenise applications and equipment for different user profiles; consolidate common e-government modules; unify the web publishing systems of the general state administration; and consolidate ICT procurement. As mentioned above, the CORA foresees the establishment of a specific department for ICT procurement within the new centralised agency for horizontal ICT services and infrastructure to be led by the CIO. This department would be specialised in market research, trend analysis and definition of procurement criteria.

The CORA also favours the creation of a mechanism to increase efficiency in ICT sectoral developments. Within the infrastructures and sectoral services, the proposal is in line with encouraging the sharing and reuse of infrastructure and sectoral applications and promoting

the creation of applications under this model, adopting from the start a standardised and a specific technology strategy which favours this process. To do so, it will be necessary to create a catalogue and a common repository which enables to quickly check units to spot availability of applications in case specific requests are submitted, to re-use what already exists in the general state administration.

An exclusive focus on ICT savings can have negative consequences due to the huge impact of ICT on other operating costs of the general state administration. Therefore, a thorough analysis of the efficiency and impact of ICT spending is an essential element to seek additional efficiencies and savings in the overall management in the public administration. Additionally, the move towards the delivery of shared services should be seen – as in Denmark and the United States – as an opportunity to change organisational culture and improve the understanding of a large number of interdependencies across the administration. This can support and complement human resources mobility plans, thus increasing synergies between different policy measures of the reform. The Danish Service-Centre initiative builds upon very detailed cross-sector analyses of "common administrative services" which each central government organisation needs to have. The basic idea (the hypothesis) was that basic administrative services in central government could be made more efficient and effective by having them in one or a few organisational bodies common for all central government organisations. This was the reason for Denmark to engage quite comprehensive analyses of a number of general administration areas such as the administration of wages, accounting, travel, operational ICT services and support, and human resources. The Shared Service Centre for IT (Statens IT or SIT) – currently providing IT services to eight ministries – was staffed with IT specialists previously from various ministries and relies heavily on the US Service Reference Model and Technology Reference Model (www.egov.gov) and a range of municipalities have increasingly been adopting it (OECD, 2010b).

Recommended actions

Maximising returns on investments on digital services

- The ICT measures proposed by the CORA – such as those on shared IT services – have been designed for the general state administration, but this does not prevent other territorial administrations from taking advantage of new opportunities when possible. Ensuring uptake of newly developed services from high numbers citizens and local levels of governments (e.g. municipalities) will be essential to reap the benefits of investments. This will require adequate training, skills development and a communications plan on new available opportunities.
- To increase the uptake of services, both inside and outside of the administration, the government could consider making the use of some digital services mandatory. Common infrastructures are being used in some advanced areas, like the AEAT. It would be helpful to conduct a review of what conditions have enabled this mandatory nature in order to extend the experience to other key sectors (e.g. Social Security, traffic administration) and determine how to maximise the experience and investments made so far.
- A review of the services delivered within the administration to spot inefficiencies and identify competencies and skills needed – for example, to see how many services are delivered by several authorities to a small number of users – will help support better implementation of the plan for shared services. This can help identify the tasks and competencies that should remain within the central administration and those that should stay with the municipalities. It is recommendable to complete this review by

rethinking about the financing model and considering the possibility of opting for outsourcing or cloud computing to deliver services to the administration.

- Focus on users has led to considerable results in terms of improved availability of online services. However, in order to maximise returns on investments, the focus on users needs to be reconnected with the achievement of internal efficiencies. For instance, the important recognition of the citizens' right to interact digitally with the public administration did not correspond to a rapid increase in the development of opportunities (online services) to exert such a right due to inadequate internal integration and interoperability of systems, which are needed to deliver integrated services.

Reinforcing actors' involvement to create ownership and foster the co-ordination of all stakeholders within and across levels of government

- Most IT-related initiatives foreseen by the CORA aim to improve consolidation and integration within the public administration. Hence, they will require wide coordination, collaboration and involvement of various actors. It is advisable to leverage not only the possibility to emanate authoritative orders, but also the power of convincing the various stakeholders to collaborate by providing them with incentives and strong business cases.
- Focusing on enhanced collaboration, engagement and co-ordination of all parts of the administration by involving front-line managers in the implementation process and fostering dialogue with key stakeholders will be a necessary means to provide feedback to the CIO, find ways to overcome resistance to change and create acceptance for the need for giving up some existing responsibilities. Furthermore, it will help to facilitate the transfer of good experiences and synergies across levels of government, to ensure the viability of implementation and sustainable results in the medium and long run through a stronger sense of ownership. Additionally, this will help overcome the feeling that some actors have that the CORA initiatives were conceived from the political level and backed up by a pretty legalistic approach, but with minimal upfront consultation and involvement of the ACs and local entities.

Reaping the untapped potential of government data and information to improve performance, increase trust and foster cultural change in the administration

- The government should ensure that all measures aiming to produce, collect and use new data to assess progress and performance are coherently managed and linked, and become permanent practices to support a sustainable long-term change in the culture of the administration (e.g. promoting a performance-measuring and evaluation culture). To this end, the government could consider the adoption of a "Government Data and Information Management Strategy". This would ensure providing guidance to support alignment of actions and would build on the results already achieved (Open Data Initiative and Aporta Project, etc.), on the efforts made to collect relevant data in view of the CORA preparation and on some of the newly foreseen initiatives (e.g. establishment of the Transparency Portal).
- Reaping the untapped potential of government information and data will imply the identification of linkages between initiatives under the CORA and existing ones to ensure consistency and synergies. Strengthening the connection between the efforts to develop the Transparency Portal (based on the Transparency Law) and the initiative on open data is an example. This will ensure a management of data and information

that supports the broad public sector reform and that aims not only to increase public sector information accessibility to boost accountability, but also to spur government data reuse to produce social and economic impact and thus more effectively increase public trust. To ensure linkages with other relevant initiatives and secure that open data initiatives at all levels of government target the same desired goals and benefits, it would be beneficial for the government to adopt an Open Data Strategy and Action Plan.

- The government should also consider the need to provide incentives to the authorities to motivate the uploading of information and data on the Transparency Portal as well as on the Open Data Portal. A benchmark of the level of active participation of the various agencies could also serve as an incentive.
- It will also be essential to adopt a communication strategy to ensure that citizens are aware of the existence of these platforms and are informed about the reason why certain information and data cannot be shared with the public (e.g. for security or privacy reasons).

Enabling the CIO to meet expectations and deliver the ambitious plan

- Most of the measures under the responsibility of the newly established Chief Information Officer will impact the capacity of the administration to deliver many of the policy outcomes targeted by the reform. To implement the ambitious IT reform programme and to transform ICT management into a strategic asset, it is imperative that the CIO be able to count on clear authority and powers, on political support, on backing up of the various ministries and on adequate financial and human resources. These conditions are necessary to enable the CIO to take decisions affecting various parts of the administration and to face significant challenges to consolidate and rationalise resource management and to co-ordinate given the increasing number of common services, centres, platforms, etc.
- What appears to be a blurred plan for implementation could be clarified in order to set realistic expectations for a timeline of achievements and to speed up their fulfilment. This requires adopting a clear timetable, prioritising initiatives and actions and linking them with targeted strategic goals in the short, medium and long terms (multi-year strategy), starting with clarifying the responsibilities of the CIO and of the new agency and the governance structure. For example, setting clear criteria to identify the CIO's responsibilities not only in terms of overall use of technology (digital agenda), but also in relation to competencies in the area of e-government, should be a priority (e.g. how to co-ordinate with the Ministry of Finance and Public Administrations which will maintain the responsibility to manage most of the common infrastructure for the delivery of horizontal eadministration services at the central level). Transparent communication on results, on the functions of the CIO and of the new agency, on the changes in existing responsibilities of ministries, is necessary to enable the implementation of decisions and systems across the government, to identify the best model resource management sustainable in the long run, to count on necessary collaboration and co-operation and to strengthen the co-ordination within and across levels of government.

Bibliography

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Ministry of Finance and Public Administration, et al. (2012), "Characterization Study of the Infomediary Sector: 2012 Edition", Spanish Open Data Portal Annual Report, July, http://datos.gob.es/datos/sites/default/files/121001%20RED%20007%20Final%20Report_2012%20Edition_%20vF_en.pdf.

OECD (2013), *Reaping the Benefits of ICTs in Spain: Strategic Study on Communication Infrastructure and Paperless Administration*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264173224-en.

OECD (2011), *Towards More Effective and Dynamic Public Management in Mexico*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264116238-en.

OECD (2010a), *Good Governance for Digital Policies: How to Get the Most Out of ICT: The Case of Spain's Plan Avanza*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264031104-en.

OECD (2010b), *Denmark: Efficient e-Government for Smarter Service Delivery*, OECD e-Government Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264087118-en.

OECD/International Telecommunication Union (2011), *M-Government: Mobile Technologies for Responsive Governments and Connected Societies*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264118706-en.

Ubaldi, B. (2013), "Open government data: Towards empirical analysis of open government data initiatives", *OECD Working Papers on Public Governance*, No. 22, OECD Publishing, Paris, http://dx.doi.org/10.1787/5k46bj4f03s7-en.

Chapter 5

Mobilising and using resources: public financial management and public procurement in Spain*

This chapter analyses, under a fiscal stability and austerity framework, progress made and reforms proposed on budgetary issues, such as the introduction of a new technique to budget operational expenditures in the central administration or the creation of an independent fiscal institution. Strategic areas of action and policies are presented in order to promote transparency and efficiency in the allocation of public resources and to help restoring the credibility of public finances and reinforce its sustainability in the long run and to increase the government's effectiveness in reducing budgetary imbalances.

The section on public procurement focuses on three key reforms, in particular the use of the State Centralised Purchasing System by regional governments and the establishment of the General Directorate of Procurement Rationalisation and Centralisation as a unique central purchasing body; encouraging the participation of small and medium-sized enterprises in public procurement; and developing a single platform for government.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Public financial management

Reinforcing fiscal discipline

In September 2011, due to the loss of credibility of the existing fiscal rules to control the deficit, a political agreement between the two largest parties allowed a reform of the Constitution to introduce a new framework to limit the structural deficit and the public debt. The new article set the mandate of developing its content in an organic law, which was passed in April 2012. In doing so, Spain became one of the pioneers in incorporating the EU rules on budgetary discipline into a text of maximum legal status. The law is also in accordance with the new Treaty of Stability, Co-ordination and Governance in the Economic and Monetary Union of March 2012, ensuring a continuous adaptation to European legislation.

The new framework for fiscal discipline applied to all levels of government, including the central administration, autonomous communities, local corporations and social security administrations. After entering into force in May 2012, the new legislation was modified in September that year by Organic Law 4/2012, to implement measures of financial support to the ACs and local councils, which affected their level of public debt.

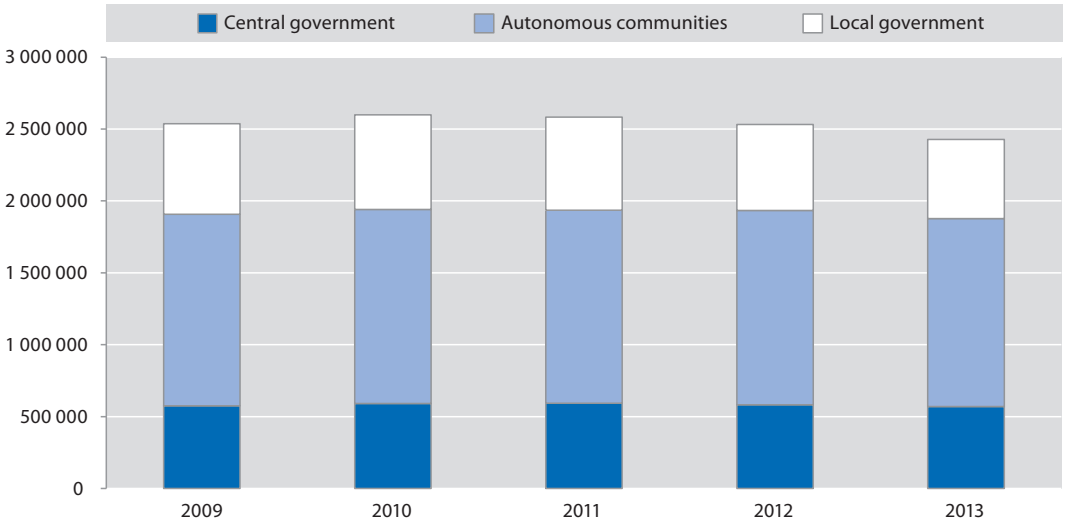
Due to the importance of reaching consensus across the ACs and local councils, discussions were conducted through multilateral co-ordination mechanisms, such as the Fiscal and Financial Policy Council and the National Commission for Local Administration, respectively. These bodies then became the main fora to monitor the compliance with the new regulations.

The measures to meet the new fiscal targets originally included a temporary increase in income tax, saving tax and property tax; a minimal replacement rate of retiring workers; a freeze of public wages; the elimination of rent subsidies for young people; and the postponement until 2013 of the application of the dependence law for new beneficiaries. The government also adopted additional measures in the 2012 budget, which included, among others, streamlining health expenses and ensuring the sustainability of the national health system. In education, the number of teaching hours and number of students per class were raised and rationalisation measures were taken on universities. Moreover, there were further reductions of investments, foreign aid development and pensions. In relation to the value-added tax, in 2010 and 2012, there was an increase of the general rate of 5 points up to 21% and of the reduced rates up to 10% and 5%, in order to converge with the VAT rates of other EU countries. Likewise, some excise duties were also raised (OECD, 2012c).

Due to its importance in the budget, personnel expenditures became an important target of the consolidation measures. In 2010, public sector salaries were reduced by 5% on average. In subsequent periods, salaries have been frozen. Additionally, during 2012, a one-off suppression of the extra Christmas pay was approved. Limitations on the hiring of public employees have also been used extensively. In 2009, the replacement rate was 30%, with few exceptions. In 2010, it was lowered to 15% and in 2011 and 2012, no new personnel entered the public service, with the exception of certain essential sectors, which applied a 10% rate.

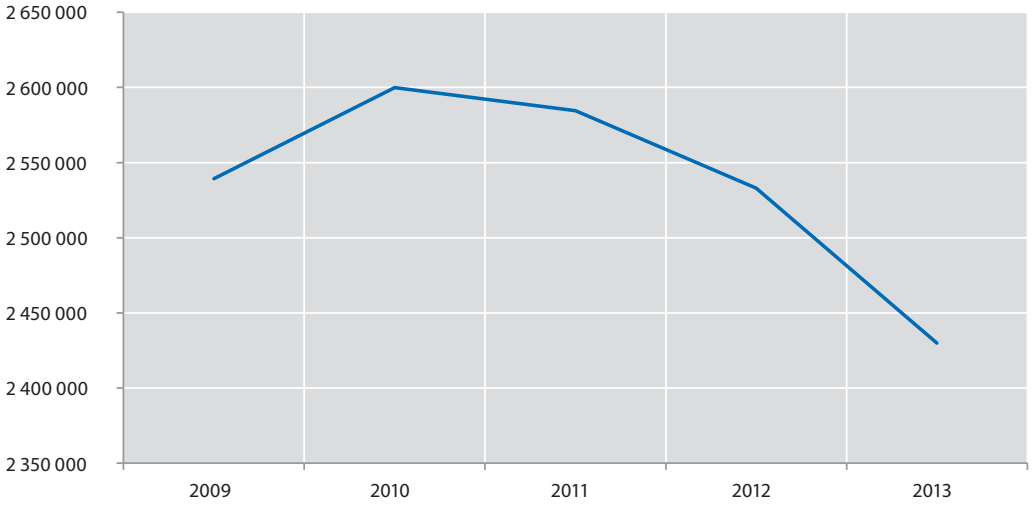
Starting in 2011, a reduction in the number of employees in the public administrations can be observed, which accelerated in the following years (Figures 5.1 and 5.2). In particular, according to the EPA (*Encuesta de Población Activa* or Labour Force Survey), from late 2011 to late 2013, public employment decreased by 425 000, currently standing at 2 795 000. The budgetary impact of this measure has a certain delay, due to the time lag between the adoption of the measure, the selective processes and the selected staff joining the civil service. In the period 2010-13, the number of public employees was reduced by 6.5%, representing the most important reduction in local entities.

Figure 5.1. **Evolution of employment in Spain by level of government**



Source: Ministry of Finance and Public Administrations, Registro central de personal.

Figure 5.2. **Evolution of government employment in Spain**



Source: Ministry of Finance and Public Administrations, Registro central de personal.

Reforms aimed at increasing fiscal sustainability have also extended to social security. These include an increase in the retirement age from 65 to 67 years, attempting to maintain older workers in the labour market, improving the proportionality between contributions and benefits, as the period for full pension benefit entitlements was increased from 35 to 37 years. The key objective is to safeguard the pension system from future increases in life expectancy, which is very high in Spain, introducing a factor of sustainability.

As a result of these different measures, the increase in pension expenditure as a percentage of GDP will only be half of that expected in the absence of reform. Spain will thus be in line with the European average for pension expenditure as a share of GDP.

It is important to highlight that the tightening of fiscal discipline has generated a reduction of public expense "in gross terms" of EUR 30 billion, which added to the revenue increases achieved amounting to EUR 11 billion (gross revenues), yielding a total effort amounting to EUR 42 billion. Such an effort has enabled a EUR 24 billion reduction of the deficit; the defrayal of unavoidable expenses of EUR 10 billion, such as unemployment benefits and debt interests; and offsetting the loss of other revenues most affected by the cycle, amounting to EUR 8 billion.

The reform agenda

While progress in the consolidation of public finances and the commitment to a new institutional framework for public finances has been remarkable, results are not necessarily secured for a post-crisis environment. On the one hand, the fiscal consolidation needs of Spain go beyond the targets for 2016. As indicated above, under the current plans, by that date the debt/GDP ratio would stabilise at close to 100% of GDP, which contrasts with the European target of 60% of GDP, ratified in the Spanish Organic Law. If the expected increase in pension payments is brought into the picture, Spain would lose fiscal space equivalent to 20% of GDP to meet its fiscal and pension commitments between 2011 and 2030 (Table 5.1). On the other hand, the experience of several countries indicates that in the absence of more structural changes in the priorities and in the operation of government, gains in fiscal restraint in the course of a crisis may revert once the emergency is over. In other words, fiscal sustainability requires a continuous and lasting improvement in governance, policy making and public financial management.

Table 5.1. **Loss of fiscal space as a percent of non-pension primary spending**

Country	Non-pension primary spending[1] % of GDP	Contribution to stabilise debt[2] % of GDP	Additional consolidation to reduce debt[3] % of GDP	Expected increase in pension spending[4] % of GDP	Loss of fiscal space as a % of non-pension primary spending[5]
Denmark	49.8	-0.2	0.4	0.6	1.6%
Iceland	39.7	1.6	3.1	-4.0	1.9%
Estonia	29.8	1.3	0.0	-0.7	1.9%
Sweden	41.9	0.9	0.4	0.5	4.3%
Germany	31.9	-0.3	1.3	1.2	7.0%
Switzerland	26.8	-0.1	0.2	1.8	7.1%
Italy	29.6	1.9	1.8	-0.8	9.5%
Czech Republic	34.0	3.2	0.2	-0.2	9.6%
Hungary	34.3	3.2	1.1	-0.8	9.9%
Korea	25.9	0.9	0.3	1.6	10.8%
Poland	29.7	4.3	0.2	-0.9	12.2%
France	39.6	2.7	2.2	0.3	13.2%
Austria	34.5	0.9	1.2	2.6	13.6%
Australia	30.8	3.7	0.0	0.7	14.1%
Netherlands	42.9	3.0	1.2	2.3	15.1%
New Zealand	40.5	3.8	0.3	2.0	15.1%
Canada	34.5	2.4	1.3	1.6	15.3%
Finland	42.3	2.7	0.8	3.5	16.6%
Slovenia	37.9	4.2	0.3	2.1	17.4%
United Kingdom	39.7	4.6	2.5	0.1	17.9%

Table 5.1. **Loss of fiscal space as a percent of non-pension primary spending** *(cont.)*

Country	Non-pension primary spending[1] % of GDP	Contribution to stabilise debt[2] % of GDP	Additional consolidation to reduce debt[3] % of GDP	Expected increase in pension spending[4] % of GDP	Loss of fiscal space as a % of non-pension primary spending[5]
Luxembourg	33.8	1.1	0.2	4.8	18.0%
Belgium	39.6	1.3	1.9	4.5	19.4%
Slovak Republic	28.9	4.0	0.1	1.5	19.5%
Spain	31.7	5.0	1.1	0.5	20.8%
Ireland	40.2	4.5	3.2	1.5	22.7%
United States	32.0	5.1	2.5	0.3	24.7%
Portugal	32.5	6.0	2.6	0.7	28.6%
Greece	30.0	7.1	2.6	0.5	34.2%
Japan[6]	40.8	8.9	5.2		34.6%
Average[7]	31.1	3.8	2.0	0.5	18.2%

Notes: Countries are listed from lowest to highest loss of fiscal space (last column). 1. Current primary spending is the 2011 general government expenditure minus the 2011 debt interest payments and the 2011 public expenditure pensions. 2. Consolidation to stabilise debt is the average improvement in the underlying primary balance to 2030 (2040 for Japan) required to stabilise the gross government debt-to-GDP ratio, assuming consolidation in 2012-13 is consistent with the shortterm projections described in Chapters 1 and 2 of the *OECD Economic Outlook No. 91*, and thereafter amounts to 0.5 percentage point of GDP per annum (1 percentage point of GDP in Japan). Fiscal consolidation projections are the consequence of applying a stylised fiscal consolidation path and should not be interpreted as a forecast. 3. Additional consolidation to reduce debt is the average improvement in the underlying primary balance to 2030 (2040 for Japan) required to reach a target gross debt-to-GDP ratio of 60%, assuming consolidation in 2012-13 is consistent with the short-term projections described in Chapters 1 and 2 of the *OECD Economic Outlook No. 91*, and thereafter amounts to 1 percentage point of GDP per annum (1.5 percentage points of GDP in the case of Greece, Ireland, Italy, Japan, Portugal, the United Kingdom and the United States). Some countries have not quite achieved the 60% debt target by 2030, but with the exception of Japan, it is close enough that it is achieved within a few years after 2030 with little further consolidation. Countries with a projected debt ratio lower than 60% in 2013 are assumed to target their 2013 debt ratio. Fiscal consolidation projections are the consequence of applying a stylised fiscal consolidation path and should not be interpreted as a forecast. 4. Based on the projections of public expenditure on pensions, 2007-60. 5. Loss of fiscal space is expressed as the percent of the 2011 public primary spending for each country which includes three future financial obligations: the expected increase in pensions expenditure from 2010-30, the consolidation measures required to stabilise debt to 2030, and the consolidation measures required to reach a target gross debtto-GDP ratio of 60% until 2030. Note that loss of fiscal space for Japan includes only consolidation measures but not its public expenditure on pensions nor its projections. 7. Weighted average considers all OECD countries, including those not analysed in this table.

Source: Marcel, M. (forthcoming), "Budgeting for fiscal space and government performance after the big recession", *OECD Journal on Budgeting*, Vol. 13, No. 2, OECD Publishing, Paris, forthcoming, based on *OECD Economic Outlook 91* estimates.

This is partly recognised by the CORA report, which is not only aimed at generating further savings in government operations, but also at improving some elements of public financial management, including: *i)* a new procedure to budget for intermediate consumption and investment in the central government; *ii)* the creation of a public Information Centre on the economic-financial activity of public administrations; *iii)* new regulation on the management of public sector commercial debt; *iv)* a new law on public grants; *v)* treasury management.

- Zero-based budgeting for intermediate consumption and investment. The CORA report proposes a "zero-based" approach to budget for Chapters 2 and 6 in the state Budget, which cover central government intermediate consumption of goods and services and real investment, respectively. Under this initiative, these items will be budgeted on the basis of a cost standardisation of similar transactions across government to the most efficient standards available in actual practice. To this end, transactions of a similar nature by different departments should be grouped, measured on the basis of a common denominator and costed on the basis of a standard extracted

from best practices in the public sector, rather than on the basis of previous years' spending (Commission to Reform the Public Administrations, 2013: 69). Some preliminary candidates for such a procedure include energy, postal services, office supplies, cleaning, telecommunications, insurance and fuel, among others. Given the initial emphasis on unit costs, this procedure could be better described as internal cost benchmarking rather than zero-based budgeting, which presupposes an assessment of the justification of the activity in the first place. While the focus of this measure is initially the central government, it is expected to generate a methodology and data that could be used by sub-national governments, tapping on the standard operational measures and costs generated in the process. This initiative is planned for the 2015 budget. To such an end, the Budget Office of the Ministry of Finance and Public Administrations has convened an intra-governmental committee that will initiate the process of grouping, analysing and standardising transactions.

- Information Centre. The creation of an Information Centre seeks to comply with Organic Law 2/2012 on Budgetary Stability and Financial Sustainability and its implementation regulations, which set forth that the Ministry of Finance and Public Administrations shall maintain a public Information Centre capable of providing information on the economic-financial activity of the different public administrations (Commission to Reform the Public Administrations, 2013: 81). This centre will be hosted on the web portal of the Ministry of Finance and Public Administrations (www.minhap.gob.es), fed by information supplied by the different entities responsible for the data. To this end, publishing criteria will be homogenised and a governance system will be established to ensure that the Information Centre is regularly updated and that the information it contains is complete.

- Controlling commercial debt. To reinforce the principle of fiscal responsibility, the control of the public sector's commercial debt will be embedded into the Organic Law on Budgetary Stability and Financial Sustainability. A new Law on the Control of Public Commercial Debt (*Ley de Control de la Deuda Comercial en el Sector Público*) will enforce an average payment period of 30 days to suppliers by publishing the actual delays and corrective and coercive mechanisms in the case of failure to meet this standard.[1] Treasury management should be improved in order to guarantee compliance with commercial commitments and budget constraints. If a public entity falls into arrears, the state will ultimately pay the supplier on its behalf, deducting the payment from the budget allocated to the entity. A new Law to Promote Electronic Invoicing and the Creation of an Accounting Register (*Ley de Impulso de la Factura Electrónica y Creación del Registro Contable*), on the other hand, will establish a computerised invoice control system to reduce the administrative burden of procurement, eliminate paperwork, track payment arrears, facilitate internal control and increase operational efficiency.[2] This law will create an invoice accounting record managed by financial officers (IGAE), which will provide information regarding the invoices billed to the administration which are yet to be recorded in their accounting records.

- New Law on Public Grants. With the objective of increasing transparency and competitiveness in project selection, and the simplification of administrative burdens, the CORA report rightly includes a proposal to modify the current Law on Grants. Specifically, limits on public funding will be introduced in certain cases, and measures will be put in place to eliminate duplicities between the central and autonomic governments, through a clearer distribution of competencies. Furthermore, the *National Grant Database* will be improved, using this platform as an advertising

system for the grants awarded, promoting increased transparency. Finally, an automatic interface of the various regional and local databases with the national database will be implemented, including the tax information databases as well, to maximise the use of data.

- Treasury management. The CORA report includes several measures in order to optimise revenue and treasury management. In particular, through the centralisation of payroll payments, the Treasury will use a sole bank account in the Bank of Spain for all payments, avoiding the costs of the current decentralised system, and saving interest. In addition, bank accounts in private banks will be dramatically reduced and concentrated in two or three entities, increasing information and liquidity management. Moreover, a payments information hub will be created, facilitating the collection and compensation of debts and better synchronizing the calendar of payments with the calendar of revenues.

These five initiatives address long-identified weaknesses in the Spanish public sector or those that emerged during the course of the crisis. Zero-based budgeting (cost benchmarking) is a renewed attempt at departing from a deeply-rooted tradition of incrementalist budgeting that became entrenched in the long expansion that preceded the crisis (Box 5.1). The Information Centre operationalises the efforts at increasing fiscal transparency and reducing uncertainty on the state of public finances across levels of government that are central to the Organic Law. These reforms aim at eradicating payment arrears and unrecorded commitments that distorted the true fiscal stance of some regional governments and led to successive revisions of fiscal accounts in the middle of the crisis. In this vein, the five initiatives are steps in the right direction and merit recognition.

Box 5.1. **Previous efforts at zero-based budgeting in Spain**

In May 1979, the Council of Ministers, within the budgetary policy guidelines for fiscal year 1980, adopted the Public Spending Rationalisation and Limiting Measures (*Medidas de Racionalización y Limitación del Gasto Público*), which were included in the Medium-term Programme for the Spanish economy. The programme sought to institute the use of programme budgeting and gradually introduce zero-based budgeting, whose ultimate purpose was to conduct an annual review of all proposed spending and not just the additional spending for each year.

The 1980 Order of the Presidency of the Government regarding the review and evaluation of the spending programmes of the ministries and their autonomous bodies, implemented the evaluation of the efficiency and efficacy of the programmes' management, by setting a gradual introduction in the 1981 budget of 25% of the total expenditures of the preceding budget for each ministry and autonomous body. However, the results were not very positive, possibly because the public administration's own organisation and management are part of the cause for the public sector's lack of efficiency.

In 1996, within the framework of the convergence process with Europe to join the euro area, fundamental aspects of zero-based budgeting were established for the preparation of the budget solely for that year, among which the following are worth noting: *i)* an assessment of the usefulness of the budgetary programmes in force; *ii)* the definition of minimum costs associated with each selected programme; *iii)* calculation of the opportunity costs of maintaining or suppressing certain programmes, taking into account the minimum performance levels required to achieve basic levels in the delivery of high-quality public services.

Source: Barea Tejeiro, José and José Antonio Martínez Álvarez (2012), "Fortalezas y debilidades del presupuesto base cero" [Strengths and weaknesses of zero-based budgeting], *Revista Presupuesto y Gasto Publico*, No. 69/2012.

Implementation of these reforms will be challenging, though. Cost benchmarking requires a substantial effort at unbundling transactions that can be homogenized from operational costs; the right operational standards may not be easy to select and unit costs may depend on a number of variables. Bureaucratic resistance – even for such a common sense exercise – should not be underestimated either given the failure of past efforts at zero-based budgeting, while buy-in from regional and local governments remains to be seen. On the other hand, since reforms in the area of procurement under the CORA agenda (new procedure of centralised purchases for shared supplies and services) (Commission to Reform the Public Administrations, 2013: 182), particularly in negotiating listed prices, may facilitate standardised costing, initiatives in both areas should be well co-ordinated. Regarding the implementation of the treasury management measures, it should be ensured that these projects will not generate a bottleneck in the budget execution.

The main challenge for the projects in the registration and control of public invoicing lies in the risk of moral hazard. This may emerge from the government commitment to settle bills in arrears, even if they are deducted from the budgets of the corresponding public entities. This is particularly a risk in high-profile service areas that are managed by regional and local authorities, like health, where overcommitment of funds is common in many countries, due to the highly decentralised management of health centres and the moral dilemmas that can be created for administrators. Indeed, undeclared arrears from hospitals emerged as one of the most serious problems for regional governments in the course of the crisis. Again, close co-ordination of this agenda with initiatives in the area of public procurement will be essential to secure success.

Still, even with a good implementation, these measures may fall short of what may be needed to build continuous improvement into public financial management and budgeting in Spain. Both proposals on benchmark costing and invoice management relate to only a fraction of public spending by the general government. In 2013, intermediate consumption only represented slightly more than 1% of the state's expenditures (Table 5.2). Additionally, a large part of real investment basically refers to investment in infrastructure, which, given its precise nature of multi-year planning, makes benchmark costing difficult to apply. A stricter schedule of reporting

Table 5.2. **Economic distribution of state expenditures in Spain**

	2013 Budget (1) EUR millions	%	2014 Budget (2) EUR millions	%	Change (%) 2/1
Personnel expenditure	15 846.76	6.1	15 795.88	5.8	-0.3
Intermediate consumption	2 856.65	1.1	2 967.57	1.1	3.9
Interest	38 615.09	14.7	36 616.33	13.5	-5.2
Current transfers	93 576.03	35.7	94 557.38	34.9	1.0
Current operations	150 894.52	57.6	149 937.15	55.3	-0.6
Contingency Fund and other unforeseen issues	2 595.46	1.0	2 695.18	1.0	3.8
Real investments	3 902.59	1.5	3 255.75	1.2	-16.6
Capital transfers	7 694.74	2.9	8 960.61	3.3	16.5
	11 597.34	4.4	12 216.36	4.5	5.3
Capital operations	165 087.32	63.0	164 848.69	60.8	-0.1
Financial assets	34 477.97	13.2	38 135.62	14.1	10.6
Financial liabilities	62 320.23	23.8	68 333.67	25.2	9.6
Financial obligations	96 798.20	37.0	106 469.30	39.2	10.0
Total budget	261 885.52	100.0	271 317.99	100.0	3.6

Source: 2014 General State Budget.

on budget execution and a rigorous control of arrears with providers may curtail some abuse and/or disorganisation at the sub-national level, but it may fail to create the incentives to step up fiscal discipline as a value of public administration at all levels and to generate the tools to translate it into regular budgeting practice. This contrasts with a reality where fiscal consolidation should continue far beyond 2016 and where lasting success can only be secured with the continuing co-operation and involvement of regional and local governments.

It can be argued that although the current reform agenda does not intend to reform the whole budget-making process, it offers additional opportunities to reconcile fiscal sustainability, government effectiveness and fiscal transparency in Spain. Budget is a very powerful tool of public management that has to be fully used to support state reform. The following section includes a number of proposals in this regard.

Towards continuous improvement in budgeting

Consolidate top-down budgeting

Top-down budgeting is a mechanism used in preparing budgets that is based on a predetermined overall spending limit that is disaggregated into sector/departmental ceilings with authority over the allocation of resources progressively devolved to the lower levels of the government structure. Top-down budgeting is better understood in contrast to the bottom-up rationale, where the overall budget constraint is subject to changes as a result of successive negotiations aimed at accommodating bids from line ministries. Top-down budgeting is seen as a way to reconcile fiscal discipline with efficiency in government spending, minimising unproductive games in budget negotiations. More specifically, top-down budgeting involves four elements: *i)* a hard, but predictable, aggregate budget constraint; *ii)* the disaggregation of total spending into sector sub-ceilings; *iii)* a mechanism to fund new policy initiatives; *iv)* a mechanism to fund contingencies within the aggregate fiscal constraint.

Box 5.2. **Austria's top-down budgeting system**

Austria's federal Budget was significantly reformed through an amendment to the Constitution which was unanimously adopted in parliament in December 2007.

The cornerstone of this reform is the introduction of a four-year medium-term expenditure framework (MTEF) with binding top-down ceilings enacted into law. Expenditure ceilings are set on the "heading" level as well as for the underlying budget "chapter" level representing the different ministries' portfolios. These ceilings are binding – on the heading level for four years and on the chapter level for the following year. The chapter level limits for the other three years are of an indicative character. A new fourth year is added every year. In this way, medium-term budgetary planning should be ensured irrespective of the governmental period cycle.

As a general rule, the ceilings for about 80% of total expenditure are fixed in nominal terms. Nevertheless, some expenditure, which either heavily depends on the business cycle or on total tax revenues, has variable ceilings based on certain indicators (e.g. unemployment benefits).

The draft of the MTEF Law is accompanied by the Budget Strategy Report, which serves as an instrument for medium-term strategic budgetary planning and policy making. It further explains the ceilings of the MTEF, but not individual appropriations. Parliament should be thereby given an opportunity to discuss the budget aggregates from an overall economic and strategic point of view, thus promoting a strategic orientation to the budget process.

Source: Based on Steger, Gerhard (2010), "Austria's budget reform: How to create consensus for a decisive change of fiscal rules", *OECD Journal on Budgeting*, Vol. 10/1, OECD Publishing, Paris, http://dx.doi.org/10.1787budget-10-5kmh5hcrx924.

- Top-down budgeting has been promoted in Spain for a number of years, starting with the Stability Law of 2001.[3] After the instability brought about by the crisis, this has been revitalised by a number of initiatives in the reform agenda, including the adoption of a fiscal rule that has extended the notion of a global expenditure ceiling to the general government, the creation of an independent fiscal authority, the creation of a framework to establish and enforce budget constraints at the sub-national level, and the institutionalisation of a central contingency reserve in the new Organic Law. However, full implementation of top-down budgeting requires some additional adjustments in the budget process.

In particular, to enforce top-down budgeting, the Spanish administration should intensify its work in the following areas:

- Make the spending framework more predictable and communicate it at an early stage of the budget process. In Spain, the budgetary frameworks included in the Stability Programme are defined, as for the other EU member countries, by European regulations in the so-called European Semester. Moreover, the spending limit is set by the Council of Ministers in the first half of the year, and sent to parliament. Under a structural balance rule, spending is determined by structural revenues, which are subject to significantly less volatility than actual revenues. This should make it feasible to estimate an overall spending limit at an earlier stage of the budget preparation process. The review of structural estimates by an independent fiscal council may provide additional assurance on the stability of these figures.
- Establish the criteria to define sector spending ceilings. Disaggregating the overall spending limit across sectors may take different paths. Sector ceilings may follow a programmatic approach, distributing increases and reductions *a priori* on the basis of broad government priorities. Alternatively, an efficiency dividend may be extracted across the board to generate a pool of resources to fund specific policy initiatives. A similar rationale of across-the-board adjustments would drive a conservative nominal adjustment of spending levels; this may lie behind the current government's plans to minimise budget indexation and price inertia in the budget. A more radical version of the more restrictive approaches aims at setting sector spending "floors" – rather than ceilings – defined on the basis of inertial requirements and legally mandated expenses, maximising the pool of resources to distribute for policy initiatives.
- Devolve authority to allocate resources within sector ceilings. Spain does not have sector ceilings from the legal point of view, although financial envelopes are used internally within the central government. In this context, the choice among the alternative criteria to fix sector ceilings depends very much on the extent of the decentralisation of policy decisions that the government is prepared to grant. It should be noted, however, that top-down budgeting presupposes some degree of decentralisation in order to use the stronger knowledge of sector priorities and the production function at the level of line ministries.

Strengthen the medium-term perspective

One of the most salient features of budgeting reforms in OECD countries in recent years is the move from a fiscal year horizon to a multi-year perspective. As budgets largely remain annual in nature, this is reflected in complementary exercises of multi-year budgeting – sometimes limited to some components of public spending, like real investment – or indicative medium-term expenditure frameworks.

Spain has been making progress in multi-year financial management over the last ten years. The Organic Law of 2001 introduced a multi-year budgeting methodology that was expected to provide a reference to the annual budget preparation. This notion was further elaborated and adapted to the new fiscal framework in the 2012 Organic Law, establishing a clear link with the stability programme and fiscal rules, and further elaborating on the criteria to prepare expenditure projections.[4]

The rule-based formulation of fiscal policy and the enforcement of fiscal constraints in the current framework should increase the relevance of multi-year budgeting. However, as successive fiscal shocks and the emergency responses from the government made previous projections obsolete, some additional efforts may be necessary to rebuild the credibility of multi-year financial frameworks (MYFF) and to strengthen their role as a support for medium-term financial and operational planning by line ministries.

To this end, the Spanish authorities may consider:

- Using the MYFF to anticipate fiscal space constraints and prompt early decisions. The adoption of a stronger rule-based fiscal framework gives a new meaning to multi-year budgeting, as spending limits can best be anticipated and contrasted with existing commitments. The gap between the two may prompt more timely decisions on how to narrow the projected gaps.

Box 5.3. **Sweden's Annual Cabinet Budget Retreat**

In Sweden, the Cabinet meets nine months prior to the start of the fiscal year to give strategic direction and establish expenditure ceilings for the subsequent phase of the budget formulation process. The meeting takes place at the Prime Minister's Retreat which is located outside of Stockholm. The meeting generally lasts two days and is attended by all ministers. Deputy ministers also attend from the Ministry of Finance and the Prime Minister's Office. Senior officials from the Ministry of Finance and the Prime Minister's Office are also present to provide additional information as requested.

It should be emphasised that are no Cabinet meetings related to the budget prior to this and that no Cabinet committees exist on budget matters. The Minister of Finance and the Prime Minister draft joint recommendations prior to this meeting.

The discussions at the Cabinet Budget Meeting generally centre on ministers seeking additional resources for initiatives within their purview. They do this by seeking to reallocate resources from other ministers. Otherwise, they have to finance these initiatives by reallocations within their respective entities. The Ministry of Finance establishes an explicit monetary threshold for initiatives to be considered at the meeting, or that are judged so politically important as to justify being discussed at this stage. This threshold serves to ensure that marginal increases are financed from cuts elsewhere within a minister's area rather than increasing the total. This also serves to limit discussion at these meetings to major programmes.

Ministers have to "digest" a tremendous amount of information during the Cabinet Budget meeting. They have relatively little time available to prepare for this meeting. This would appear to be designed to avoid "leap-frogging", whereby one minister's proposal is agreed in isolation which may then form a justification for the agreement of other proposals and thereby undermining budget discipline. By taking all the decisions in one meeting, there is a clearer focus on the bottom line and increased recognition of the fact that agreeing to one proposal will require corresponding cuts in other areas.

At the end of the meeting, the Cabinet agrees to a level of total expenditure and indicative funding levels for each of the 27 expenditure areas (equivalent to Austria's "heading" level, see Box 3.13) reflecting strategic priorities. As such, the strategic directions of the budget are established at the onset. This serves a very important function in the subsequent phase of the budget process.

Source: based on Blöndal, Jón R. (2001), "Budgeting in Sweden", *OECD Journal on Budgeting*, Vol. 1/1, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v1-art4-en.

- Integrating risk analysis into the MYFF. A baseline scenario may be insufficient as a framework to account for the range of medium-term financial trajectories that a government may be exposed to. Alternative scenarios which take into account risk factors as well as opportunities for public finances may be more appropriate to assess fiscal sustainability over the medium term and test the resilience capacity of public finance against negative shocks. Integrating risk analysis into the MYFF would better address the concerns of sovereign debt markets and would be consistent with the approach that governments are taking towards the financial sector.
- Complementing the medium-term MYFF with long-term fiscal projections. Fiscal sustainability may depend on factors that operate beyond the three to four years of an MYFF. The effects of demographic transition over large expenditure items like education, pensions and health typically operate over ten years or more, but decisions that may change their course may need to be taken well in advance. To this end, the authorities could consider developing long-term fiscal projections that could be regularly updated to account for the effect of policy changes and new developments with a long-term impact. This, in turn, would reinforce the time consistency of fiscal policy decisions.

Box 5.4. **Australia's forward estimates**

In Australia, forward estimates are rolling baseline projections for all revenues and expenditures for three years beyond the next budget. After the budget is passed, the first year of the forward estimates becomes the base for the following year's budget, and another out-year is added to the forward estimates. The forward estimates are an integral part of the budget process; in fact, the whole budget process is built around them – and they are generally viewed as the single most significant and successful budgeting reform in Australia.

Forward estimates represent a provisional government decision on future expenditures. In the absence of any new decision, and of other adjustments for new price or volume indexes where applicable, the out-year expenditures become the budgets in the respective years. The forward estimates record the cost of all ongoing programmes but they do not include any allowance for the introduction of new programmes in future years or the expansion of existing programmes due to policy measures; such measures would involve new government decisions. Thus, the Australian budget system is designed to ensure that incremental budget decisions are strategic, rather than to overcome incrementalism. This has served to significantly increase the discipline of the Australian budget process.

The forward estimates are prepared at the same level of detail as the budget. Each year's budget contains reconciliation between its own figures and the first out-year in the previous year's forward estimates. Differences are explained and categorised as being due to new government policy decisions (i.e. new programmes or expansion of existing programmes), changes in non-economic parameters (i.e. number of people claiming benefits from a certain programme, such as the old-age pension), adjustments to macroeconomic parameters and "other variations". Some programmes are affected by both macroeconomic and non-economic parameter changes. It should be noted that the forward estimates themselves are not enacted into law.

The process for the forward estimates is managed actively throughout the year, and considerable care goes into ensuring that any new decisions or changes in assumptions underlying expenditure projections are included in the forward estimates so that, at any given time, they are accurate and up-to-date.

Source: Blöndal, Jón R., et al. (2008), "Budgeting in Australia", *OECD Journal on Budgeting*, Vol. 8/2, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v8-art9-en.

While some of these elements – sensitivity analysis on interest rates and growth, long-term budget projections – are included in the Stability Programme, which has to be updated every year and sent to the European Commission, the key point is how to make the multi-year perspective a natural component of the budget discussion at different stages and for different actors. This is a perspective that is important not only in terms of adding a forward-looking dimension to the annual budget, but also for encouraging consistent decisions over time; that is, that past projections are an effective reference for current decisions.

Secure a good start of the Independent Authority on Fiscal Responsibility

The OECD defines an independent fiscal institution (IFI) as a publicly funded independent body under the statutory authority of the executive or the parliament which provides non-partisan oversight and analysis of, and/or advice on, fiscal policy and performance. IFIs are a growing trend in OECD countries as a way to enhance fiscal discipline and promote greater transparency and accountability. In the past decade, a diverse group of IFIs have sprung up in Australia, Canada, Ireland, Korea, Portugal, the Slovak Republic, Slovenia, Sweden and the United Kingdom.

Box 5.5. **Building new independent fiscal institutions**

Despite their current growth in popularity, IFIs often experience "growing pains", particularly in their early years, for example, finding their advice ignored, disputes as to the extent of their mandates, or threats to their budgets when they produce critical analysis. Yet, the experience of countries with more long-standing institutions demonstrates that – even if they do not always agree – in the longer term, IFIs are viewed as important partners for finance ministries and legislative budget committees in promoting credible fiscal policies.

The OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network) meets to share experiences on substantive budgeting issues, as well as institutional arrangements and working methods. The PBO's members have consistently taken the lead in identifying, building consensus on and disseminating good practices, culminating in the development of a first set of *OECD Principles for Independent Fiscal Institutions*. Drafted with input from the Working Party of Senior Budget Officials and approved by the OECD's Public Governance Committee in May 2013, the principles are already being implemented by established and emerging IFIs in member and non-member countries alike.

The principles are grouped under nine broad headings:

1. local ownership (for example, taking into account local needs, capacity constraints, a country's legal framework, political system and budgeting culture)
2. independence and non-partisanship (for example, appointment process and term lengths, freedom to hire and dismiss own staff)
3. mandate (for example, clear links to the budget process)
4. resources (for example, commensurate with mandate)
5. relationship with the legislature (for example, mechanisms to encourage appropriate accountability to the legislature)
6. access to information (for example, guaranteed in legislation)
7. transparency (for example, reports and analysis published and freely available, website)
8. communications (for example, fostering informed constituencies that value fiscal transparency and responsibility)
9. external evaluation (for example, review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country).

Box 5.5. **Building new independent fiscal institutions** *(cont.)*

More generally, the principles highlight the core values that IFIs seek both to promote and to operate under – independence, non-partisanship, transparency and accountability – while demonstrating technical competence and producing work of the highest quality that stands up to public scrutiny and informs the public debate. The principles further aim to assist countries in addressing the challenges in designing an enabling environment conducive to the good performance of an IFI and to ensuring its long-run viability. The principles do not seek to be overly prescriptive in terms of the functions of independent fiscal institutions, which vary according to local needs, although certain functions are recognised as typical, such as a role in economic and fiscal projections; analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; or costing of major legislative proposals.

Below are two examples of IFIs.

Canada's Parliamentary Budget Office

Canada established a Parliamentary Budget Office (PBO) in 2008 and operates with a lean component of around 15 full-time staff.

The mandate of the PBO is to provide independent analysis to parliament on the state of the nation's finances, the government's estimates and trends in the Canadian economy; and upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which parliament has jurisdiction.

The PBO provides parliamentarians with a comprehensive analysis of the government's budget proposals, including numerous factsheets and briefing notes. Although it serves all parliamentarians, it gives priority to requests of the Finance Committee.

The PBO has built a reputation domestically and internationally as an independent body whose work has contributed to the parliamentary and public debate on public finances.

One of the functions of such bodies is to enhance the discipline of the Ministry of Finance in presenting the budget, i.e. knowing that parliament has expert staff in order to assist their scrutiny.

United Kingdom Office for Budget Responsibility

The United Kingdom Office for Budget Responsibility (OBR) was established in 2010 and operates with a staff of 20-25. It is tasked with producing the official forecasts for the economy and public finances. Previously, such forecasts were prepared by HM Treasury, the finance ministry. However, the HM Treasury had established a reputation for unreliable and "optimistic" forecasts. The creation of this independent body was designed in part to increase independence in the area of economic and fiscal forecasts.

The OBR is under the executive but is a legally separate arm's-length entity with its own oversight board. It does buy some administrative support services from Treasury (for example, human resources and finance services, set out in a service-level agreement) and from the Attorney General's Office with which it now shares accommodation (for example, IT support, also set out in an agreement).

The OBR's core functions are established by legislation, including the responsibility to provide the official economic and fiscal forecasts to the Chancellor of the Exchequer. However, neither the government nor parliament has a right of direction over the OBR's analysis and the OBR takes full responsibility for the content of its publications and other pronouncements. The OBR's work requires close communication with government departments, particularly to obtain the information and data needed for its forecasts. To safeguard its independence, the OBR makes information on such contacts publically available.

Source: OECD (2014), Recommendation of the Council on Principles for Independent Fiscal Institutions, C(2014)17, 13 February, OECD, Paris, http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=301&InstrumentPID=316&Lang=en&Book=False.

In Spain, the creation of the Independent Authority on Fiscal Responsibility (AIRF) fulfils the commitment to implement a more robust oversight and control system to monitor Spain's goal of achieving budget stability and the new rules on public debt and spending, as well as to provide increased transparency on the fiscal policies of the various public administrations. The organic law conforms to the Council's 2011/85/EU Directive on the Requirements Applicable to the Budgetary Frameworks of the Member States, and complies with the European Union's Regulation on Common Provisions for the Surveillance and Evaluation of Budget Projects. Likewise, it answers the specific recommendations given to Spain on the matter in the framework of the European Semester, in the evaluation of the excessive deficit procedure evaluation, and in the Memorandum of Understanding signed for the instrumentation of the financial sector directed towards the restructuring of the Spanish banking system. It is worth pointing out that all euro area countries are now required to have independent bodies to monitor compliance with fiscal rules and produce or endorse macroeconomic forecasts. Spain has passed the legislation to allow the AIRF to operate from early 2014.

In Spain, the AIRF will have the three functions included in the European countryspecific recommendations for Spain: analysis, advice and control of the budgetary policy. This will be done through the preparation of non-binding reports that are expected to influence decisions by their regularity, analytical rigour and public availability. The AIRF will also be able to conduct studies requested by the government, the Fiscal and Financial Policy Council, the National Commission on Local Administration and the Social Security Financial Commission.

The authority will be assigned to the Ministry of Finance and Public Administrations, although this is solely for administrative purposes, since in the performance of its duties it will act with full organisational and functional independence. This includes the appointment of its president for a six-year period in agreement with parliament and independent funding through a fee to be paid by the various public administrations subject to its supervision.

The experience of recent and more established IFIs indicates that early actions are crucial for good development over time. In particular, the initial organisation of the institution, its first studies and reports are essential to build the credibility and legitimacy that such a body needs to perform its functions appropriately. In this regard, the authorities and the incoming leadership of the AIRF may consider the following:

- Ensure the AIRF is a fully transparent institution. Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in its work and operations provides the greatest protection of its independence and will allow it to build credibility with the public. To this end, the AIRF should ensure that: *i)* the release dates of major reports and analysis are formally established; *ii)* its reports are published under its name and through the AIRF's own website; *iii)* its reports and analysis include a full account of the underlying data and methodology; *iv*) operational information, including staff, procurement and financial management are public and audited, when applicable.
- Build relationships beyond the executive branch. While formally part of the executive branch, the end goal of the AIRF is to promote fiscal responsibility across the whole Spanish public sector and upon the actors that are likely to influence it. To this end, it will be important for the AIRF to build relationships with the parliament, audit institutions, regional and local governments, academia and the press. Since the AIRF will have a special responsibility in promoting fiscal responsibility in sub-national governments, it may be appropriate for it to take early steps at deepening its knowledge of these levels of government and develop a dissemination strategy of its functions, tools and work agenda.

- Track government responses to the AIRF's reports. Since the AIRF's reports will be issued under the "comply or explain" principle, there should be a track record of the responses provided to each report. Such a record may be built by the AIRF itself, recording not only the formal responses provided to reports, but also a follow-up to the actions committed by the authorities in response to assessments and recommendations included in the reports.
- Develop an evaluation framework for the AIRF's activities. The *OECD Principles for Independent Fiscal Institutions* recommend that IFIs develop a mechanism for external evaluation of their work. To this end, the AIRF may consider several alternatives: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.

Budget for fiscal space and results

As indicated above, current projections suggest that Spain may lose substantial fiscal space in order to bring down debt to the EU target of 60% of GDP and meet its existing pension commitments. In particular, such a loss of fiscal space has been estimated at 20% of the 2011 level of primary non-pension spending by the general government by 2030 (Table 5.3). This figure is slightly higher than the loss of fiscal space projected for OECD countries as a whole, equivalent to 18.2% on non-pension primary spending. Even these figures may underestimate the magnitude of the efforts needed in the next few years, as fiscal aggregates mask changes in the composition of spending that are needed to respond to changing political and social priorities.

To respond to these challenges, the tax hikes and across-the-board spending cuts that have been common in a number of OECD countries and the incrementalist (decrementalist) practices in the annual budget exercise may be equally ill-suited. Instead, a more systematic approach that addresses both fiscal constraints and the demand for better services through an in-depth analysis of public revenues and expenditures may be called for. This could draw on a number of techniques, including sunset clauses in government programmes and pay-as-you-go rules for new programmes; programme evaluations, expenditure reviews and zero-based budgeting reviews; the examination of tax expenditures and public-private partnership (PPP) portfolios; benchmarking and cost containment initiatives; and a better examination and information of the fiscal effects of permanent legislation.

What these different mechanisms have in common is that they involve moving beyond the annual budget exercise, examining items that are not necessarily part of discretionary spending, and may need to operate at a larger time scale than the fiscal year. Some of these reviews cannot be performed by the budget authority alone and they require collaboration across the centre of government and with autonomous bodies, like audit offices, IFIs, evaluation agencies and even the private sector. However, in order to be useful for budget decision making, the different tools should be organised in a structured, programmed schedule with clear contact points with the budget process. Table 5.3 summarises some of the main features of the different tools mentioned above.

In the case of Spain, the efforts at generating fiscal space have been normally limited to the budget process or to emergency responses to the crisis. Despite a number of attempts in the past, Spain lags behind other OECD countries in developing performancebased budgeting. In fact, there is no specific unit in the central government responsible for performance budgeting. Expenditure reviews, on the other hand, have been mostly limited to the examination of government programmes in the budget exercise seeking to identify savings and/or funds to

be redistributed. Efforts at stepping up evaluation, like the creation of an autonomous agency on evaluation (AEVAL) in the mid-2000s, have lacked co-ordination with the budget work and there is no evidence that the conclusions from the evaluations have supported resource allocation decisions.

Table 5.3. **Mechanisms to create fiscal space beyond the annual budget framework**

Mechanism	Focus	Key actors	Fiscal space potential	Risks/challenges
Rationalisation of tax expenditures	Tax expenditures	Central budget office, tax administration, legislature	Large in some countries (Mexico, United States)	Co-operation from legislature, resistance from pressure groups
Public-private partnership (PPP) portfolio reviews	Fiscal commitments and contingent liabilities from PPPs	Ministry of Finance, central budget office, PPP unit	Large in some countries (Chile, Mexico, Portugal, Spain, the United Kingdom)	Contract inflexibility, sunk costs
Overlapping zerobased budgeting exercises	Large programmes Set of programmes aimed at same objective	Ministry of Finance, central budget office, Centre of Government, line ministries, evaluation office	Larger and medium term, potentially overlaps with evaluations and reviews	Resistance from pressure group co-operation from line ministries
Cost containment programmes	Cost-push in supply-driven areas	Central budget office, line ministries, procurement authority, competition authority	Large in some sectors (health, defense)	Resistance from pressure groups, co-operation from line ministries
Fiscal sustainability of new legislation	Permanent legislation with fiscal implications	Ministry of Finance, central budget office, legislature, independent fiscal institutions	Large	Co-operation from legislature, autonomous expertise

Source: Marcel, M. (forthcoming), "Budgeting for fiscal space and government performance after the big recession", *OECD Journal on Budgeting*, Vol. 13, No. 2, OECD Publishing, Paris, forthcoming.

Box 5.6. **Programme evaluation and budgeting in Chile, Colombia and Mexico**

Colombia

Following the constitutional revision of 1991, Colombia is making efforts to link public management and performance evaluation. It is for this reason that it created the National Evaluation System of Public Management Performance (*Sistema Nacional de Evaluación de Resultados de la Gestión Pública Gubernamental*, SINERGIA). Since 1994, the National Planification Department (*Departamento Nacional de Planificación*, DNP) is responsible for orienting and supporting the evaluations process.

The 2003 Fiscal Responsibility Law requires that the budget include information about objectives, expected outcomes and indicators to monitor the government's activities. In 2005, this performance monitoring system was transferred to the DNP and is now included in SINERGIA. SINERGIA thus gathers both performance evaluation and monitoring. Different evaluation methodologies are used: executive, impact, institutional, operational and performance evaluations have been carried out. Impact evaluations are the most frequent. These evaluations are carried out by academic institutions and consulting firms, and supervised by the DNP. The number of evaluations carried out each year increased from 2 in 2006 to 61 in 2011.

Since 2009, an observatory of evaluations, RADAR, was incorporated into SINGERGIA. This observatory gathers and publishes evaluations of different public bodies, territorial bodies and research institutions across Colombia. It comprises more than 200 external evaluations carried out since 2004.

Today, the challenges faced by the government to strengthen SINERGIA are to expand its monitoring and evaluation towards sub-national governments and improve and institutionalise the link between the evaluations and the budget.

Box 5.6. **Programme evaluation and budgeting in Chile, Colombia and Mexico** *(cont.)*

Chile

Given the high centralisation of power in the Ministry of Finance, sound and transparent accountability mechanisms are particularly important in Chile. To this aim, performance-based budgeting began being implemented in the mid-1990s, and reached maturity in the 2000s. The Central Budget Authority in the Ministry of Finance manages a number of information and evaluation tools which aim at ensuring that performance information is used in decision making.

The tools in place in Chile today include: *i)* a national system of investment, which evaluates the social impact of all public investment projects and puts those sufficiently profitable in an Integrated Project Bank (*Banco Integrado de Proyectos*), eligible to be financed; *ii)* a system of performance indicators comprising around 1 000 indicators across 200 institutions, each of which has annual objectives; these indicators cover dimensions such as efficiency, effectiveness outcomes and quality; *iii)* a system of evaluation of institutions and programmes which has produced more than 440 programme evaluations and 54 institution evaluations since 1997; *iv)* a Management Improvement Programme (*Programa de Mejoramiento de Gestión*, PMG), which benchmarks management systems and allocates performance rewards to officials of central government bodies; *v)* a homogeneous format (*formato estándar*) for financing requests of public programmes; *vi)* comprehensive management reports (*balances de gestión integral*), which gather annual financial and non-financial reports of each public body which appears in the budget.

Mexico

Mexico has been developing a system of performance-based budgeting since its budget process reform in 1998. Successive reforms have since been carried out to improve the system. In particular, in 2006, the new Federal Budget and Fiscal Responsibility Law (*Ley Federal de Presupuesto y Responsabilidad Haciendaria*, LFPRH) systematised and rationalised various norms which had been added to the budget process since the end of the 1990s, and established a coherent normative framework for the financial and public administration. In particular, the LFPRH insists on the importance of linking performance and budget.

In 2008, Mexico established the first Annual Evaluation Programme (*Programa Annual de Evaluaciones*, PAE). It listed, in consultation with the Congress, the programmes which would be evaluated and the methodologies which would be used. This programme is carried out by external experts and the results are public and sent to the Congress. The number of evaluations carried out each year has increased regularly. The percentage of public spending evaluated increased from 14% in 2008 to 53.4% in 2012. Different types of evaluations are carried out: "logic framework" evaluations (*marco lógico*), consistency evaluations, design evaluations, impact evaluations and process evaluations. All the evaluations are accessible on the web.

To generate the capacity to build fiscal space into the budget and reallocate resources towards new priorities, the Spanish authorities may consider the following:

- Establish spending reviews as a regular input into the budget process even after the end of the crisis. Spending reviews are the process of developing and adopting savings measures, based on the systematic scrutiny of baseline expenditure. They imply an in-depth analysis of the spending structures, management and policies, aimed at reallocating public funds to the most efficient line items, or at contributing to the deficit-reduction process. Spending reviews are a very effective technique for public spending prioritisation and quality enhancement, by subjecting recurrent expenses to a process of ongoing scrutiny. Given the magnitude of fiscal challenges for Spain in the next couple of decades, spending reviews should not be seen as a circumstantial technique to identify savings in an emergency, but rather a permanent tool in the budgeting process. To take full advantage of spending reviews, Spain should move

beyond the "comfort zone" of budgeting. The review work should not be confined to the budget authority, but should involve other actors with the knowledge and capacity to assess public policies, if necessary in a two-step process. The expenditure review cycle does not need to be confined to the fiscal year, either; policy evaluations may combine with an examination of costs and resources in a horizon longer than a year, as long as results are produced in a timely manner for budget decisions. With more time to work and more actors involved, the expenditure review process may well help cover all major government programmes in the medium term.

- Develop benchmarking as a regular practice well beyond Chapters 2 and 6 of the budget. Expenditure reviews of government programmes may combine well with benchmarking regular government processes in the search for savings and efficiency gains. There is no reason why benchmarking should stop at intermediate consumption or maintenance of infrastructure. In principle, all regular processes and the production of services that are delivered by more than one administration or that have similarities with private services can be subject to benchmarking. Still, the capacity to carry out benchmarking and apply it to budget decisions need to be developed, possibly by articulating different specialities and stages in the process.
- Revise and improve the performance evaluation/audit arrangements to increase their volume, relevance and timeliness. On the one hand, although the IGAE and the Court of Auditors currently do performance audits on a regular basis, these audits are not entirely outcome oriented, but rather output oriented, looking for efficiency and cost savings. In addition, the feedback is not used in the budget process, which remains disconnected from the results of performance audit and evaluations. Therefore, the performance audit framework should be updated with an increased focus on outcome indicators and with a better integration in the formulation of the annual budget. On the other hand, the AEVAL was created in 2007 with a mandate to promote and perform evaluations of public interventions and to support quality management of public services. Despite the great expectations put on its creation, the agency has faced some important limitations to fulfil its mission: the volume of evaluations is limited by capacity constraints, as they are mostly performed by the agency's own staff, and the impact of evaluations is limited as there is little connection with policy and financial decisions. This alone should justify a review of the agency's mandate, but this is more urgent as there is a need to generate fiscal space and increase the efficiency of public programmes across levels of government. Since expertise on evaluation will be essential to an enhanced budget process that is consistent with the fiscal and administrative reform agenda, the IGAE, the Court of Auditors and AEVAL should make the necessary adjustments in their capacity, organisation and institutional setting to respond to the new challenges.
- Revise the budget process to formally include information on the performance of government programmes. An important lesson in the experience of many countries with performance budgeting (PB) is that the availability of performance information is not sufficient to improve the efficiency in the allocation and use of public resources. In the case of OECD countries, over twothirds include performance information in their budgetary documentation, but only a few have changed their budgetary structures to focus on performance management. Adjusting the budget process during its formulation, approval and execution to secure that performance information is available at the time of taking decisions is essential for a full deployment of PB. In the case of Spain, the budget formulation process includes a series of committees for programme analysis (*Comisiones de Análisis de Programas*, CAP) that are aimed at examining the capacity of government programmes to deliver on their objectives and their financial

needs. A detailed assessment of the information provided to these committees – and similar instances – and their capacity to link to budget decisions may help in further strengthening the ability to budget for better government results. A good example is the CORA proposal on active employment policies, where the assessment of the extent to which objectives are met will be the basis for future budgetary allocations.

Box 5.7. **Spending reviews and performance budgeting in the United Kingdom**

Since its introduction in 1998, the UK government has been conducting three-year spending reviews to support an efficient planning of expenditure over the medium term. In doing so, the government introduced a set of measurable targets for a wide range of objectives for public expenditure programmes. The aims were:

- reallocate money to key priorities
- change policies to ensure value for money
- improve service quality
- eliminate wasteful spending.

In addition, four principles of public service performance were set out:

- clear, outcome-focused national goals, set by government
- accountability of public service providers
- independent and effective arrangements for audit
- transparency and information on results.

Performance targets are used to give a clear direction and priority to service delivery managers and to provide a focus for delivering improved services. The performance information provides a basis for monitoring what is working and what is not. Performance targets need to be chosen carefully, and meet the SMART criteria (Specific, Measurable, Achievable, Relevant and Timed). Another important element when setting targets is a statement of who is responsible for delivering them (usually the relevant secretary of state).

Regarding the scope, it is worthwhile to note that a considerable part of the government expenditure is covered by the targets, but not all, as in some areas target setting is not appropriate, e.g. no suitable outcomes available. In this sense, although targets should ideally specify outcomes, there are cases where output could be a good alternative, e.g. when the influence of external factors distorting the measurement or when it creates perverse incentives or gaming. Finally, establishing good incentives and high-level leadership proved to be other important factors in the success of the system.

Moving forward, the link between performance information and budget allocations is not at all automatic, as there is no predetermined relationship between past performance and resources for the future. Rather, performance information is discussed as part of the spending review negotiations.

More than a decade's worth of practice has shown that this is a continuous improvement exercise, as each subsequent spending review has refined its architecture, e.g. selecting more relevant targets, improving the reporting (now twice a year) or reducing the number of targets (from 600 to less than 200).

Overall, as pointed out by the National Audit Office, "The introduction of public service agreement targets, and in particular the move to outcome-focused targets, is an ambitious programme of change which puts the United Kingdom among the leaders in performance measurement practice".

Source: Noman, Zafar (2008), "Performance budgeting in the United Kingdom", *OECD Journal on Budgeting*, Vol. 8/1, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v8-art4-en.

Develop budgeting at the sub-national level

Sub-national governments are responsible for nearly half of spending by the general government in Spain. It is for this reason that financial management at these levels should be as leading-edge as for the central government. Evidence indicates, however, that subnational governments not only share a similar bias towards incrementalist budgeting, but also face some important capacity gaps and some specific problems of their own in financial management.[5] The fact that several regional governments had their deficit estimates revised up due to unpaid bills, wrongly dated transactions and substantial deviations in revenues in the course of the crisis, suggests that there is a lot of room for improvement. These deviations subsist despite a reasonable use of budgeting tools and statistics in some ACs, as Table 5.4 illustrates.

The new organic law already included a number of regulations aimed at strengthening fiscal discipline among sub-national governments. These regulations are important as sub-national governments are naturally less aware of macroeconomic constraints and are less committed to fiscal policies defined elsewhere. The fact that a lot of the new regulations are being implemented through collegiate bodies with regional and local authorities reveals an effort to socialise their objectives and to co-operate in implementing them. Furthermore, institutionalising budgeting procedures may help to make them more evidence based.

Table 5.4. **Information used by regional governments in Spain in the preparation of their budgets**

	Aragon	Asturias	Catalonia	Galicia	Castile and León	Castilla-La Mancha	Basque Country	Generalitat Valenciana
Financial or operational reports and data generated by regional ministries/autonomuous bodies (*consejerias/organismos autónomos)* (i.e. unspent budget, audit reports, business plans, strategies, etc.)	●	●	◖	●	●	●	●	●
Outcome assessments generated by regional ministries/autonomuous bodies (*consejerias/organismos autónomos)* (i.e. performance indicators, programme or policy assessments)	◖	●	◖	●	◖	◖	◖	●
Spending reviews, systematic analysis of programmes to identify potential savings and efficiency improvements, zero-based budgeting	○	◖	◖	◖	◖	●	◖	●
Outcome reports generated by independent institutions (i.e. social stakeholders, chambers of commerce, international organisations)	◖	●	◖	◖	○	◖	◖	◖
Statistical information (use of homologated data for inter-sectoral or temporary comparison, data from other ACs, official statistics from other national or international sources)	◖	◖	◖	●	○	●	●	◖
Medium-term budgetary projections	●	●	◖	●	●	●	◖	●
Sensitivity analysis (i.e. of revenues to GDP growth, of debt service to the development of interest rates)	●	◖	◖	◖	○	●	◖	●
●	Highly used							
◖	Used to some extent							
○	Not used							

Source: Based on results from the 2013 OECD Questionnaire on the public administration reforms in Spain: Survey for the Spanish Autonomous Communities.

Still, since the new regulations tend to emphasise short-term needs, constraints and potential sanctions for non-compliance, they may need to be complemented by stronger positive incentives and co-operation to ensure full commitment and sustainability over time. To this end, the Spanish authorities may consider the following:

- Create incentives for regional and local governments that meet their fiscal targets. While the most immediate incentive for complying with regulations and commitments is to ensure that sanctions are applied in the case of noncompliance, regardless of the organisation's influence or political affiliation, full compliance should be also recognised and rewarded. This should happen at the aggregate level – by properly recognising the contribution of sub-national governments to the attainment of fiscal policy targets – as well as at the disaggregate level, by recognising the most successful authorities and generating a better fiscal environment for them as they prove more reliable. The growing volume of information on the financial management of sub-national governments should also help build risk/reliability indicators that may help their citizens compare their performance with peers and eventually recognise success through the political process.
- Openly share systems, methodologies and data across governments. Spain has already made important progress at applying similar standards for public financial management across levels of government. Still, the systems that operationalise them are complex to build and/or expensive to purchase. The central government should make all systems, programmes, templates, indicators and the like a public good for sub-national governments and provide the necessary training for their use as needed.
- Strengthen networks of senior budget officers. National, regional and local budget officers may not only face similar problems, but they may also have some good practice to share. In this regard, there is no reason to believe that there is a hierarchy of good practice that mimics the structure of government, as good practices may be found at the regional and local level as much as at the national one. While both the Financial and Fiscal Policy Council and the Technical Forum on Budgeting and Public Expenditure are an interesting starting point in this respect, Spain may consider formalising networks of budget officers to intensify the exchange of experience and good practice. Particularly in the case of regional authorities, senior budget officials could meet regularly over an agreed agenda and develop some strategic joint projects. These meetings might be used to promote and disseminate best practices in budgeting, such as the MYFF, spending reviews and performance budgeting.
- Join forces with regional governments to contain health spending. Health is one of the most dynamic and complex components of public spending in Spain. To the complexities that are common to all governments, like demographic transition, technological development, difficulties in managing suppliers and personnel, Spain adds a shared responsibility across levels of government. As a result, the OECD has estimated that the health spending/GDP ratio of the general government may grow by 2 percentage points of GDP by 2030, from 5.6% of GDP in 2006-10, that is, an increase of more than 50% in the ratio (De la Maisonneuve and Olvieira Martins, 2013). Although this study may not capture the latest measures adopted by Spain in this respect, a cost containment strategy to moderate this growth should take a medium-term perspective and be prepared to persist and to adapt over time. Furthermore, it will require reviewing areas that were previously considered "off limits" or "out of scope", and should definitely involve regional and local authorities that are in charge of the management of hospitals and health centres.[6]
- Develop a working relationship of sub-national governments with autonomous bodies that support public financial management. Sub-national governments should have a

working relationship not only with the central government through the Ministry of Finance and Public Administrations, but also with autonomous bodies that have been created to support fiscal discipline and good financial management. This is certainly the case of the Independent Authority on Fiscal Responsibility and the evaluation agency mentioned above.

Procurement reforms in Spain

Sound, effective and transparent public procurement is a critical tool for ensuring good management of public funds. Due to the recent financial crisis and budgetary constraints, governments today need to provide public services with fewer resources, greater efficiency and ensure value for money. Governments also increasingly attempt to use procurement to achieve policy goals and raise socioeconomic indicators, like green growth or support to disadvantaged groups. Failure to procure in an effective way can seriously affect a government's ability to meet its objectives and deliver quality public services to citizens. In addition, the volume and value of public contracts, the financial interests at stake and the close interaction between the public and private sectors during awards mean that public procurement is an area exposed to corruption risks.

Spain, acknowledging the strategic potential of public procurement and its importance for the economy, is in the process of reforming its procurement system. In particular, the Commission to Reform the Public Administrations (CORA) found the following problems in public procurement in Spain:

- a significant number of procurement bodies
- limited centralised purchasing
- diversity in management methods, quality standards and an absence of common understanding.

In consequence, the CORA proposes specific measures that will reduce procurement procedures, encourage the participation of small and medium-sized enterprises (SMEs) in public procurement and increase the efficiency of public procurement through eprocurement.

This part of the *Public Governance Review of Spain* examines how the proposed CORA reforms for public procurement can work best and what further initiatives can ensure the success of the reforms.

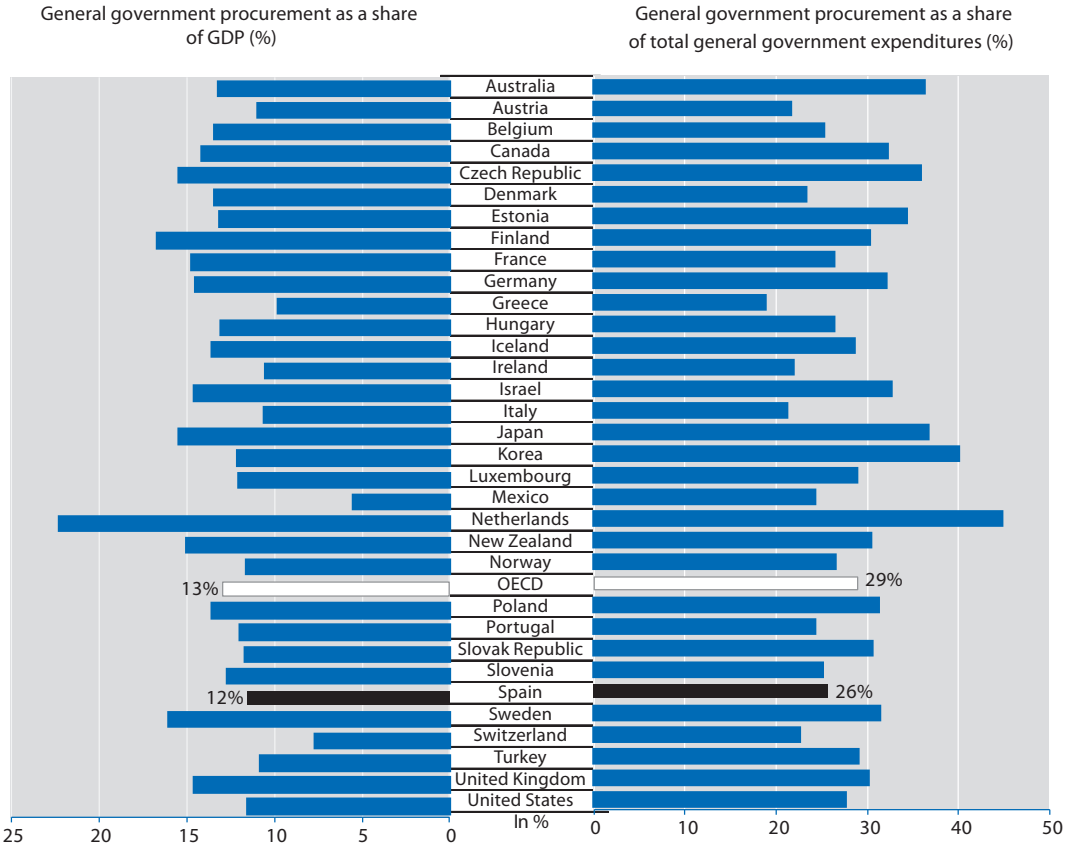
The analysis will focus on the three key reform areas, in particular:

- Use of the State Centralised Purchasing System (*Sistema de Contratación Centralizada Estatal*) by regional governments and the establishment of the General Directorate of Procurement Rationalisation and Centralisation of Procurement (*Dirección General de Racionalización y Centralización de la Contratación*) under the Ministry of Finance and Public Administrations, as a unique central purchasing body. Regional governments should use the centralised contracts put in place by the General Directorate of Procurement Rationalisation and Centralisation of Procurement and, at the same time, maintain their own procurement systems to procure goods and services not included in these centralised contracts.
- Encourage the participation of SMEs in public procurement.
- The development of a single platform for government contracts.

Public procurement accounts for 12% of Spain's GDP and 83% of total procurement expenditure is at sub-central level

In OECD countries, procurement represents 29% of total government expenditures and 13% of GDP. As shown in Figure 5.3, even though Spain's general government procurement as a share of GDP and as a share of total government expenditure is lower than the OECD average, it still represents a quarter of government expenditures and is therefore an important economic activity.

Figure 5.3. **General government procurement as a share of GDP and as a share of total government expenditure, 2011**



Notes: Data for Australia are based on a combination of Government Finance Statistics and National Accounts data provided by the Australian Bureau of Statistics. Data for Chile are not available. Canada and New Zealand: 2010 instead of 2011. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

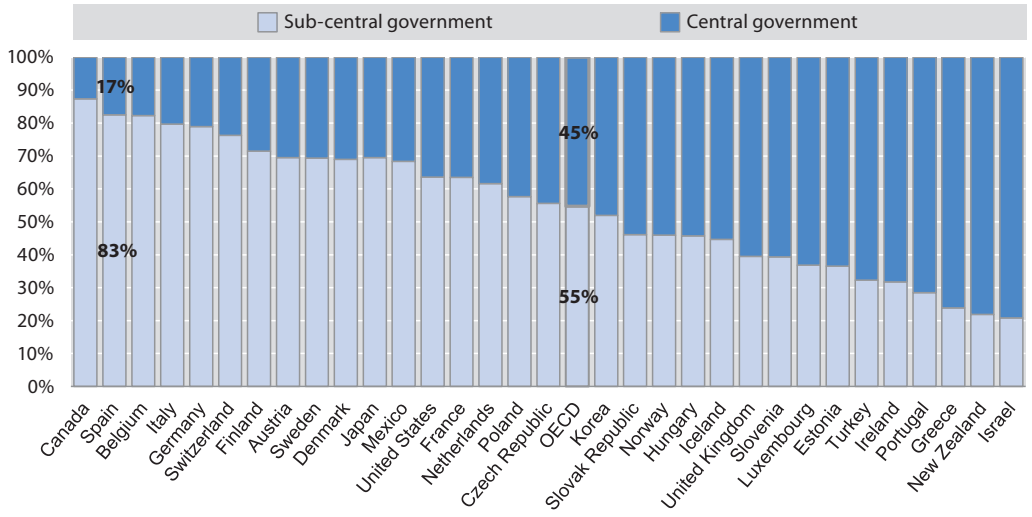
Source: OECD National Accounts Statistics, http://dx.doi.org/10.1787/na-data-en.

Sub-central governments should also be included in efforts to improve efficiency in procurement spending, as procurement spending at sub-central levels accounts for 55% of total general government procurement spending on average across OECD countries. This is of particular importance to Spain since its sub-central levels spend 83% of total government procurement (Figure 5.4).

Spain is not the only OECD country that is carrying out public procurement reforms to face the crisis. In fact, many countries have started using public procurement as an instrument to

rationalise spending as part of austerity measures. Countries lower their procurement spending by establishing centralised procurement bodies in order to achieve efficiency gains and simplify their procurement procedures (Figure 5.5). Public procurement is also increasingly used to support socio-economic policy objectives such as support to SMEs, employment, innovation and environmental protection.

Figure 5.4. **Share of general government procurement by level of government, excluding Social Security funds, 2011**

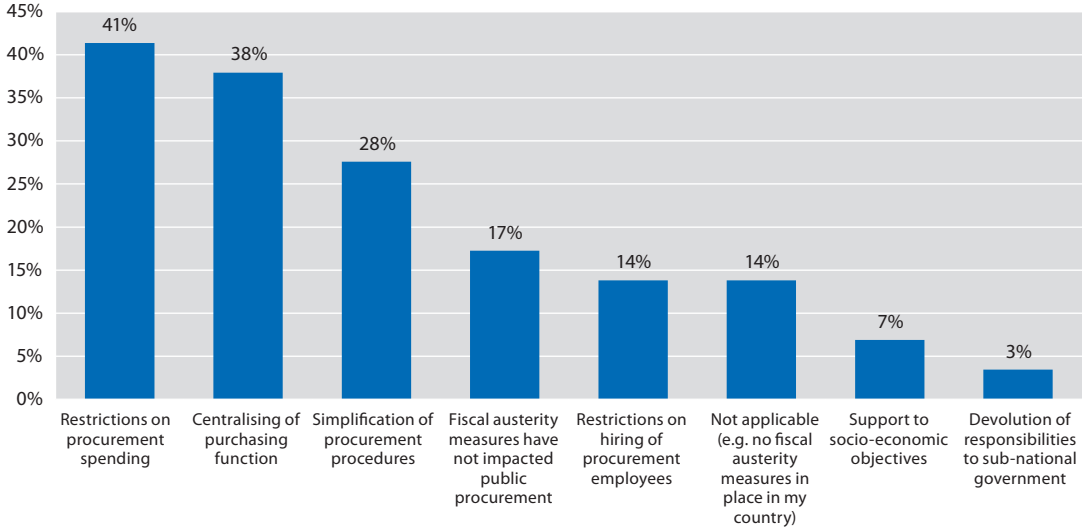


Notes: Data for Australia and Chile are not available. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Figure 5.5. **Impact of austerity measures on procurement**

% of responding OECD countries



Source: OECD (2013), *Implementing the OECD Principles for Integrity in Public Procurement: Progress since 2008*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264201385-en.

Citizens and businesses expect clean and effective procurement. Considering the economic size of procurement, there is a substantial responsibility on governments to show that they are competent stewards of the public resources. Pursuing efficiency gains in procurement to achieve significant savings is at the core of the CORA initiatives.

Spain established a centralised purchasing body and promotes the use of centralised contracts

Public procurement in Spain is regulated by the Legislative Royal Decree 3/2011 of 2011 (*Texto Refundido de la Ley de Contratos del Sector Público*), which adapted Spanish legislation to the EU procurement rules (Directive 2004/18/CE on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts). In its Articles 203-207, the law authorises the creation of centralised procurement bodies by the central government, autonomous communities and provincial delegations in order to centralise the purchase of certain goods, services and public works. Until September 2013, the Directorate-General for National Heritage from the Ministry of Finance and Public Administrations acted as a central procurement purchasing body for the general state administration, i.e. central government. The autonomous communities of Madrid, Murcia, Navarre and Valencia regularly use the central procurement body for the general state administration for most of their own purchases. Catalonia, the Basque Country, Aragón and Andalucía have had their own centralised procurement body for years and the Balearic Islands and Valencia are in the midst of launching one.

The multiplicity of centralised procurement bodies may create some duplicity for both the suppliers and the administrations and therefore lessen opportunities for creating economies of scale and lowering prices. Consequently, the CORA proposes the adherence of all regional governments and the central government to a unique central procurement purchasing body, the General Directorate of Procurement Rationalisation and Centralisation of Procurement (*Dirección General de Racionalización y Centralización de la Contratación*). This directorate was created by Royal Decree 696/2013 of 20 September 2013 to carry the State Centralised Purchasing System (*Sistema de Contratación Centralizada Estatal*), which is a specific procurement tool, also referred to as centralised contracts, to purchase goods, works and services of common use, such as IT, vehicles, paper or furniture. For those goods and services that are not purchased through the state-wide centralised purchasing body, the regions may purchase them through their own purchasing bodies.

Central purchasing bodies consolidate demand and thus, through economies of scale, obtain better conditions and prices for contracts on goods and services. For instance, in the United Kingdom, the Government Procurement Service estimates savings in 2011-12 of GBP 426 million (approximately USD 641 million) from reductions in prices as a result of centralised procurement (OECD, 2013d).

In OECD countries, there is a trend to establish centralised purchasing bodies to achieve economies of scale and lower prices. Central purchasing bodies in the OECD include:

- In Ireland, a new Office of Government Procurement was established in 2013 to centralise procurement arrangements for common goods and services across the public service. The new centralised approach to public procurement in Ireland involves integrating procurement policy, strategy and operations in one office; strengthening spend analytics and data management; much greater aggregation of purchasing across public bodies to achieve better value for money; evaluating demand levels to assess how demand (volume) can be reduced; and strengthening vendor and category management.

- In Poland, a Common Services Centre, established within the Chancellery of the Prime Minister, was identified as the central purchasing body by Order of the Prime Minister in March 2011 for 61 government administration units.
- In Italy, Consip's main goal is to run framework agreements and bulk purchasing for standardised goods and services for all public administrations, especially central administrations and to manage the public electronic marketplace for low value and non-standardised purchases. Spain could be inspired by the recent efforts carried out in Italy to bring together the different regional central purchasing bodies (Box 5.8).

Box 5.8. **Consip (Italy)**

Consip is the Italian national central purchasing body (CPB) established in 2000 under the form of a state-owned company entirely owned by the Ministry of Economy and Finance (MEF). Its main goal is to run framework agreements and bulk purchasing for standardised goods and services for all public administrations, especially central administrations, and to manage the public electronic marketplace for low-value and non-standardised purchases.

The Italian context is characterised by a highly fragmented public administration: over 3.5 million public employees and almost 4 million enterprises scattered all over the 20 Italian regions.

More specifically, the Italian public administration is made up of 10 000 administrations, more than 30 000 contracting authorities represented by around 100 000 buyers. Even the most efficient centralised system could not overcome the barriers presented by such a fragmented reality.

The Italian code for public contracts, Law 163/2006 Art. 33, introduces the possibility for all regions to establish a regional central purchasing body (CAT) in order to reduce and rationalise public expenditure for goods and services.

The financial bill for the year 2007 introduces the setting up of a national network system among the national CPB and the regional CAT in order to harmonise the national and regional procurement plans and create synergies in the use of IT systems in the procurement area.

Thus, since 2008 the Italian public procurement system has been characterised by the coexistence of a national CPB and several regional CATs, within the frame of a network aiming at:

- implementing the network by means of knowledge transfer, strategic co-operation and joint procurement initiatives among the players and the setting up of a devoted portal
- interoperability among the different procurement platforms
- synergies among the different procurement systems
- demand management also by means of an analysis of the procurement needs that takes into account the experiences of the existing CPB and CATs
- developing a good relationship with the business industry by simplifying enterprises' participation to the public procurement market.

Thus, the network is made up of different players who share a common interest in promoting innovation within the public administration and, at the same time, encouraging expenditure cutting.

Such a network necessarily implies: *i)* the harmonisation among the different expenditure rationalisation plans of the CPB and the CAT; *ii)* the identification of potential synergies in the implementation of innovative procurement tools; *iii)* the diffusion of an efficient planning culture, e-procurement use and supplier performance monitoring, with the final aim of bringing value to the entire network and to all of its stakeholders.

Furthermore, a recent law obliges public administrations to use a CPB for their procurement needs, whether the national CPB or the local CAT. This law has further encouraged co-operation within the frame of the network.

Box 5.8. **Consip (Italy)** *(cont.)*

A table indicating when, according to the law, a public administration may or must use the national CPB or the CAT, according to the dimension of the public administration (central, local, school, hospital, etc.), the value of the purchase (above or below the EU threshold) and the typology of the product to be supplied, is available at the following addresses: www.consip.it/on-line/Home/articolo4212.html and www.acquistinretepa.it/TABELLA_DAPA.pdf.

To conclude, the approach and the characteristics of the network allow for a favourable coexistence between the national CPB and the CAT and for an opportunity both for suppliers and public administrations, including the local administrations.

More information on the network is available on the national e-procurement portal: www.acquistinretepa.it/opencms/opencms/sistemaarete.

The main products or services procured by Consip for the public administration:

- healthcare (e.g. ambulances, diagnostic equipment, services for managing healthcare equipment)
- fuel (for heating and transport) and electricity
- office goods/equipment (printers, photocopiers, PCs, servers, software)
- transport (car purchase and rental)
- facility management (for offices, hospitals)
- telecommunications (networks, mobile phones, landline phones, telephone exchanges)
- furniture (for offices, schools, universities)
- insurance and financial services (credit cards)
- food (foodstuffs, meal tickets).

Sources: www.consip.it/on-line/Home/articolo4212.html and www.acquistinretepa.it/TABELLA_DAPA.pdf.

Participating in a bid also means paperwork, time and money spent. According to the European Commission's "Evaluation report: Impact and effectiveness of EU public procurement legislation", in EU member countries, the overall average time invested by authorities and by the winning firm is 38 days (European Commission, 2011).

Spain's centralisation of certain goods and services means that authorities and bidders will benefit from participating in a procedure once for public contracts with a wider scope (for more products and/or more public buyers and/or for a longer duration). Also, centralisation will help to establish a common set of requirements and documents sought from bidders. Currently, in some cases, the technical requirements and the documentation required differ between the central administration and the autonomous communities for similar products or services and this adds to the time and cost spent in bidding. For instance, for Galicia,[7] centralised procurement is an ideal tool for improving the rationalisation and efficiency of public expenditure by obtaining better prices and reducing transaction costs. In addition, it improves the efficiency of the procurement management and encourages competition between companies and the incorporation of SMEs.

Most centralised purchase bodies such as Consip or PPS in Korea design and carry out framework agreements. Framework agreements are a procurement technique allowing purchasers to buy under a pre-established "umbrella" agreement. The EU directives define a framework agreement as "an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing

contracts to be awarded during a given period, in particular, with regard to price and, where appropriate, the quantity envisaged." Italy estimates that public administrations achieve cost savings of 27% through the use of framework agreements. In order to combine cost savings and incentives for innovation in public procurement, the Italian procurement body Consip launched a framework contract on "Integrated Energy Management Services" (heating services including improvement of energy efficiency, consumption reduction and CO_2 emissions avoidance). Involving approximately 6 000 buildings, contracts executed had a total estimated value of EUR 800 million (OECD, 2013d). In the EU, between 2006 and 2009, the number of framework agreements increased by almost fourfold (European Commission, 2011).

Similar to many of those found in the example of Consip (Box 5.8), the range of items usually covered by framework agreements often includes:

- ICT products and services (computers, photocopiers, printers, servers, software), generally the largest product area in terms of purchasing volume
- telecommunications products (networks, mobile phones, landline phones, telephone exchanges)
- office furniture
- travel services
- office equipment and supplies
- vehicle and transport services
- fuel (for heating and transport) and electricity
- food (foodstuffs, meal tickets)
- organisational and human resources development services.

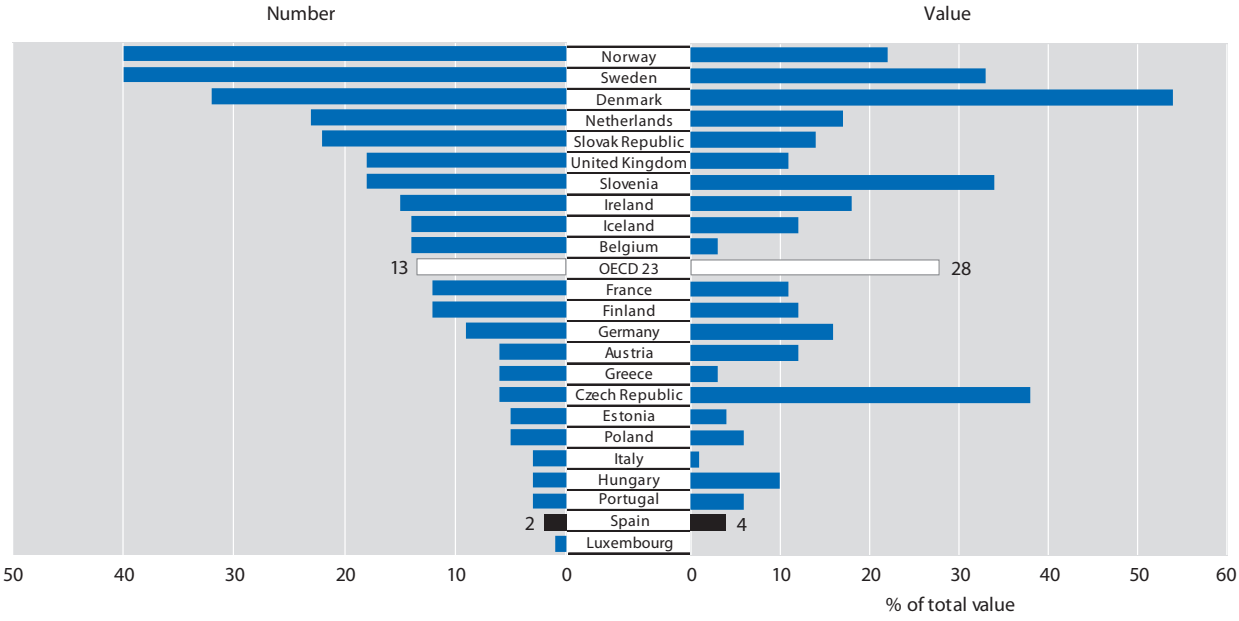
As part of its centralisation efforts, Spain could extend the use of framework agreements. According to "Public procurement in Europe: Cost and effectiveness" (PricewaterhouseCoopers et al., 2011), Spain was one of the OECD and European Union member countries that least uses framework agreements (Figure 5.6). It is worthwhile mentioning that lately, Spain has been promoting the use of frameworks agreements within the ministries and has also given the ACs the opportunity to take advantage of them. Framework agreements have been used for collaboration with job-placement agencies; to purchase drugs and medication; to purchase ICT and other services; in the Ministry of Defense; and for institutional advertising.

The new State Centralised Purchasing System of the CORA is based on the use of framework agreements. Framework agreements may be used for the centralised purchases for inter-governmental shared supplies and services in order to homogenise quality standards of public services, procurement procedures (technical specifications, selection and evaluation criteria and all documents related to tender), and to set a reference price for each type of good or service, resulting in enhanced transparency and efficiency. In addition, having a reference price may facilitate standardised costing of zero-based budgeting for intermediate consumption and investment as described later in this chapter.

To increase the use of framework agreements, some countries such as Canada and Portugal have established the mandatory use of framework agreements for some goods and services (Box 5.9).

However, the quest for economies of scale may have a structuring effect on the market, by favouring large suppliers providing standard goods using established technologies and indirectly affect integrity negatively, e.g. through tacit or explicit market sharing and pricing

Figure 5.6. **Number and value of notices carried out through framework agreements, June 2010**



Source: Based on PricewaterhouseCoopers, London Economics and Ecorys (2011), "Public procurement in Europe: Cost and effectiveness", report prepared for the European Commission, May, available at: http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/cost-effectiveness_en.pdf (accessed 18 November 2013).

collusion between a few, dominant suppliers (OECD, 2013d). Also, some OECD countries and autonomous communities such as Catalonia and CastillaLa Mancha, have reported that centralised purchasing bodies may have a negative impact on end-users, local suppliers and SMEs because of a limited understanding of local needs.

Box 5.9. **Mandatory framework agreements**

In Canada, the Public Works and Government Services Canada (PWGSC) Business Transformation Initiative was approved in 2005, modifying various elements of the supply approach of the federal central procurement agency. Amongst others, the federal contracting policy was modified to render the use of existing framework agreements mandatory. Prior to putting in place any procurement instrument or contract, federal procurement units (either from PWGSC and any other federal department or agency) must first verify whether a framework agreement exists that meets their requirements. If one does, they are required to use it, except in exceptional cases, which they need to justify. The reason for making framework agreements mandatory in Canada was to ensure long-term benefits and savings through government-wide use of such contracts.

In Portugal, use of framework agreements let by the National Agency for Public Procurement (ANCP) is also mandatory for the central administration and public institutes. The mandatory approach was chosen due to the common understanding that it was necessary to promote discipline of use, standardisation of goods and green public procurement criteria, alongside rationalisation of expenditure and savings. The ANCP was merged with the *Entidade de Serviços Partilhados da Administração Pública Portuguesa* (ESPAP) in September 2012 and now the ESPAP is in charge of public procurement activities for the Portuguese government.

Source: OECD (2013), *Colombia: Implementing Good Governance,* OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

Therefore, to ensure that the proposed reform is successful, it is important to:

- carry out needs and market analysis for all regions and feasibility studies for products and services
- define which goods and services will be purchased by the state-wide centralised body and which will be purchased by the regionscontinue and extend designing, carrying out and concluding framework agreements and other aggregation mechanisms for state-wide centralised goods and services and homogenise quality standards of public services, procurement procedures (technical specifications, selection and evaluation criteria and all documents related to tender), and set reference prices for each type of good or service
- assess the recommendations of the study being carried out by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y de la Competencia*, CNMC) on the impact of framework agreements in market competition
- the General Directorate of Procurement Rationalisation and Centralisation could continue with the procurement-related research and data collection to measure the success of the reform and make the results publicly available.

Administrative simplification of the public tender process can promote the participation of SMEs

In 2010, 99.8% (OECD, 2013b) of all enterprises in Spain were SMEs – 89% microenterprises, 9.2 % small enterprises and 1.4 % medium-sized ones – employing 67% of the business labour force.

To promote the participation of SMEs in public procurement, the CORA proposes:

- the publication of all national and regional government tenders in one single platform for government contracts
- administrative simplification of the public tender process.

In Spain, the Law Guaranteeing Market Unity and the Law Supporting Entrepreneurs and their Internalisation already contain important measures to promote the participation of SMEs in public procurement. These measures include:

- early devolution of sureties after the contract completion
- reduction of requirements for accessing public procurement
- prohibition to consider previous services provided within the local awarding government territory for the award, so that there will be no discrimination for SMEs from other places
- burden reduction for SMEs for taking part in public tender processes.

In fact, Spain is one of the OECD member countries which has already been simplifying administrative procedures to facilitate the participation of SMEs in tenders. In addition, 85% of OECD member countries have introduced measures directly aimed to support SMEs and ensure a level playing field for them. The most common measures that have been introduced include carrying out training and workshops for SMEs (introduced by 58% of OECD countries) and making documentation or guidance focused on SMEs available online (introduced by 48% of OECD countries) (Table 5.5).

Box 5.10. **E-procurement for local enterprises and small and medium-sized enterprises in Italy**

Italy has taken a step towards strengthening its co-operation with suppliers by setting up supplier training desks ("*Sportelli in Rete*" in Italian) within the offices of suppliers' associations. Supplier training desks provide training and assistance to local enterprises, and in particular SMEs, on the use of electronic procurement tools. The project consists of a network of dedicated training desks across the country where Consip experts train staff from the associations that will subsequently train local SMEs in the use of electronic procurement tools.

The project addresses point 5 of the European Small Business Act (SBA): "Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use state aid possibilities for SMEs" and has also been quoted as a best practice, at a national level, in the "European Code of Best Practices facilitating access by SMEs to public procurement contracts".

This project is successful, well received and attended by SMEs.

Source: OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

In addition to administrative simplification of the public tender process, Spain could enhance the participation of SMEs in public procurement by:

- collecting data on its current procurement involving SMEs as well as goods and services to measure the performance of its initiatives
- enhancing liquidity and financing by improving their access to loans and credit
- promoting training activities for SMEs in areas such as business management, financial education, business development
- promoting SMEs through various procurement mechanisms, such as:
  - publishing yearly forecasts of contracts of interest for SMEs
  - developing systems that ensure prompt payment to small and medium-sized suppliers
  - reducing the value of performance bonds required to obtain a contract
  - providing quality feedback to participants.

This last point is connected to new Law on the Control of Public Commercial Debt (*Ley de Control de la Deuda Comercial en el Sector Público*) which will enforce an average payment period of 30 days to suppliers, with the goal of reducing the late payments made by the public administration. This topic was further developed in the section on public financial management.

Spain is putting in place an online Single Platform for Government Contracts

E-procurement refers to the use of information and communication technologies in public procurement which can facilitate access to public tenders and increase competition. In addition, e-procurement tools can help reduce costs to government by reducing paperwork, shortening bidding times and raising compliance levels.

The e-procurement process is divided into two phases: award and post-award. The award phase refers to the activities occurring up to the award of the contract such as enotification,

Table 5.5. **Approaches in place to promote the access of small and medium-sized enterprises to public procurement in central government**

Country	Specific legislative provision or policy (e.g. set-aside) is in place to encourage the participation of SMEs in procurement	A specific unit specialised on SMEs is in place at the central government level	Training and workshops are carried out for SMEs	Documentation or guidance focused on SMEs is available online	Administrative procedures are simplified for SMEs to participate in tenders	SMEs benefit from preferential financial treatment, e.g. waving fees	Not applicable, there are no specific measures to support the participation of SMEs in public procurement in central government	Other
Australia	○	●	○	○	○	○	○	○
Austria	○	●	●	●	○	○	○	○
Belgium	○	●	●	○	●	○	○	○
Canada	○	●	●	●	○	○	○	○
Chile	○	○	●	●	○	○	○	○
Czech Republic	○	○	○	○	○	○	●	○
Denmark	○	●	●	●	○	○	○	●
Estonia	○	○	○	○	○	○	○	●
Finland	○	○	○	○	○	○	○	●
France	●	○	●	●	○	○	○	●
Germany	●	○	○	○	○	○	○	○
Hungary	●	○	●	●	●	○	○	○
Iceland	○	○	○	○	○	○	●	○
Ireland	○	○	●	●	●	○	○	○
Israel	○	●	○	●	○	○	○	○
Italy	○	○	●	●	○	○	○	○
Japan	●	●	○	○	○	○	○	○
Korea	●	●	●	●	○	●	○	○
Luxembourg	○	○	○	○	●	○	○	○
Mexico	●	●	●	●	○	●	○	○
Netherlands	●	○	●	○	●	○	○	○
New Zealand	○	○	●	○	●	○	○	○
Norway	○	●	○	○	○	○	○	○
Poland	●	●	●	●	○	○	○	○
Portugal	○	○	●	○	○	○	○	○
Slovak Republic	○	○	○	○	○	○	●	○
Slovenia	●	○	○	○	●	○	○	○
Spain	●	●	○	●	●	○	○	●
Sweden	○	○	○	○	○	○	●	○
Switzerland	●	○	●	●	●	○	○	○
Turkey	○	●	●	○	○	○	○	○
United Kingdom	○	●	●	●	●	○	○	●
United States	●	●	●	●	●	○	○	○

Source: OECD (2012), 2012 Survey on Public Procurement, OECD, Paris.

e-access, e-submission, e-evaluation, e-awarding. The post-award phase refers to activities occurring after the award of the contract, such as e-ordering, einvoicing and e-payment.

According to European Commission (2012: 2), contracting authorities and public entities that have already implemented e-procurement report savings of between 5% and 20% of their procurement expenditure. This is also true for non-European countries such as Brazil and Mexico. For example, when using electronic reverse auctions in procuring medical supplies, experience from the Mexican Institute for Social Security has shown that the savings achieved can be up to 8.8%. Similarly, in Brazil, the Ministry of Planning, Budget and Management estimates that savings of 19% of the total contract value done through e-procurement (approximately EUR 2.4 billion) were achieved by the federal government in 2012 as a result of electronic bidding.

Despite its potential, OECD governments have not yet taken full advantage of the potential benefits of e-procurement. E-procurement systems continue to be primarily used as platforms to publish information rather than as a two-way communication tool with suppliers, enabling them to submit bids, carry out reverse auctions or receive payments. While almost all OECD member countries (97%) announce tenders on a national eprocurement system, only 48% offer potential suppliers the possibility of submitting their bids electronically (Table 5.6).

Spain is trying to increase the use of e-procurement. According to the report *La licitación electrónica en el sector público español: Presente y future* (Bertrán et al., 2011), in 2011 only 1% of all municipalities were actively using e-tendering and in Figure 5.7, it is evidenced that in Spain there is a limited use of electronic procurement system by enterprises. Less than 5% of enterprises used e-tendering in Spain and less than 15% accessed tender documents and specifications. This can be mainly explained by two reasons. On the one hand, bidders do not trust the e-procurement system and feel more secure to continue using the "traditional" method. On the other hand, bidders may not know how to use it or the platform may not be user friendly. One way of addressing these problems is to carry out trainings on the use of the platform and awareness campaigns promoting the use of the e-platform.

Table 5.6. **Functionalities of e-procurement systems**

	Publishing procurement plans (about forecasted government needs)	Announcing tenders	Electronic submission of bids (excluding by e-mail)	Electronic submission of invoices (excluding by e-mail)
Australia	●	●	●	⊙
Austria	○	●	○	○
Belgium	●	●	●	○
Canada	○	●	⊙	○
Chile	●	●	●	○
Czech Republic	●	● ⊙	●	⊙
Denmark	● ⊙	●	●	●
Estonia	○	●	●	○
Finland	○	●	⊙	●
France	● ⊙	● ⊙	● ⊙	⊙
Germany	○	● ⊙	⊙	○
Hungary	⊙	●	⊙	⊙
Iceland	⊙	⊙	○	●
Ireland	○	●	●	○
Israel	●	●	⊙	⊙
Italy	●	●	●	○

Table 5.6. **Functionalities of e-procurement systems** *(cont.)*

	Publishing procurement plans (about forecasted government needs)	Announcing tenders	Electronic submission of bids (excluding by e-mail)	Electronic submission of invoices (excluding by e-mail)
Japan	●	●	●	○
Korea	○	●	○	○
Luxembourg	●	●	●	○
Mexico	● ⊙	● ⊙	●	○
Netherlands	⊙	● ⊙	● ⊙	⊙
New Zealand	●	●	○	●
Norway	●	●	⊙	●
Poland	○	●	○	○
Portugal	●	●	●	○
Slovak Republic	○	●	●	○
Slovenia	● ⊙	● ⊙	⊙	⊙
Spain	●	●	⊙	⊙
Sweden	●	●	●	●
Switzerland	●	● ⊙	○	●
Turkey	○	●	○	○
United Kingdom	●	●	⊙	⊙
United States	● ⊙	●	⊙	⊙

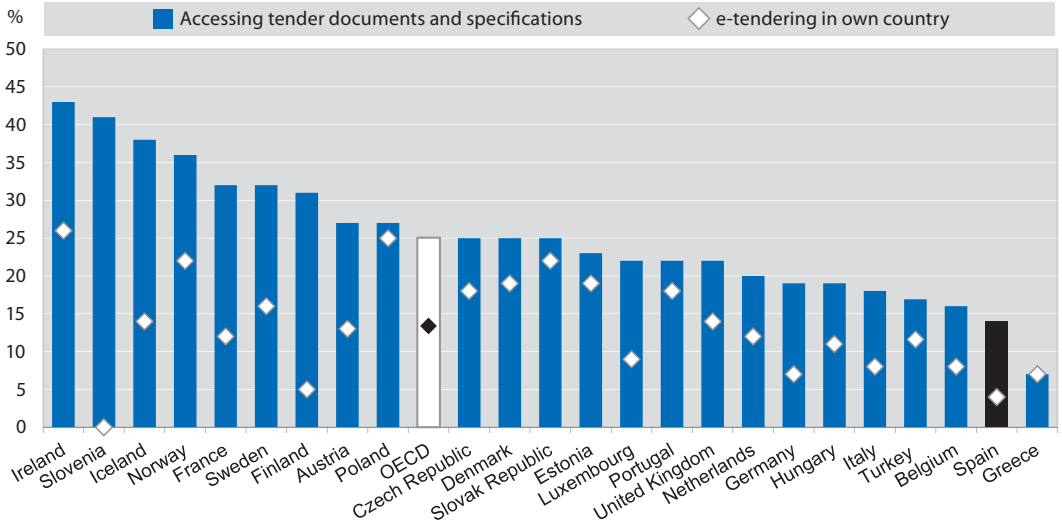
● Yes, in a national central e-procurement system

⊙ Yes, in e-procurement systems of specific procuring entities

○ No

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Figure 5.7. **Percent of enterprises using electronic procurement systems, 2012**



Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Therefore, e-procurement has been at the core of recent reforms. The Plan Avanza 2 (www.planavanza.es/Paginas/Inicio.aspx) 2011-15 for the development of the information society in Spain includes objectives of implementing e-procurement services, particularly for the post-award phase, focusing on e-invoicing. In addition, according to Article 334 of Royal Decree 3/2011 of 14 November 2011 (*Texto Refundido de la Ley de Contratos del Sector Público*) "the State Administrative Contracts Advisory Board will make available to all public sector procurement bodies an electronic platform that will announce all calls for tenders and their results, as well as any information relevant to open contracts and other complementary Internet services in this regard". According to the study on *e-Procurement Measurement and Benchmarking MARKT*, the State Contracts Platform (*Plataforma de Contratación del Estado*, PLACE) is managed by the Directorate-General of National Heritage (*Dirección General del Patrimonio del Estado*). The contract notices published on PLACE are automatically sent to the *Boletín Oficial del Estado* (www.boe.es) and to the *Official Journal of the European Union* (OJEU). National contracting authorities are obliged to use PLACE for purchases above the national thresholds for the publication phase only. The public procurement decree in 2011 introduced the obligation for all contracting authorities to publish tender notices on PLACE in order to centralise access to procurement opportunities. This is implemented only by a minority of authorities so far. According to the CORA report, 223 of 422 public entities use PLACE. Currently they publish contract notices on their regional and local portals (IDC, 2013).

Regional governments such as Andalucía, the Balearic Islands, Catalonia, Ceuta, Galicia, Madrid, Melilla and Valencia have an online procurement platform that allows a two-way communication through publishing procurement opportunities and carrying out procurement activities such as submission, invoicing or payment. Cantabria, Castile and León, Castilla-La Mancha, Extremadura, La Rioja, Murcia, Navarre and Basque Country, on the other hand, have contracts portals that only publish information. These portals and platforms are not connected to one another, which means that a supplier must search every one of them to be aware of existing procurement opportunities.

The CORA proposes and reinforces the idea of having a single state platform for government contracts. It will allow economic actors to access aggregate information on public contracts and reduce the costs to regional governments incurred in managing their portals and platforms. For instance, for Valencia, Castilla-La Mancha and Galicia, among others, the platform will help to reduce the administrative burden for SMEs, increase competition and reduce the cost to prepare and present tenders. A proper integration of the different portals would help ensure transparency, provide equal access to information for all suppliers and promote competition. Chile and Korea have taken action in this direction (Box 5.11).

Box 5.11. **Integrated e-procurement: Korea and Chile**

The e-procurement model in Korea is built around the Korea On-line e-Procurement System (KONEPS). KONEPS is an electronic market where public organisations and supplying companies conduct transactions. KONEPS serves as a single procurement window for private enterprises to conduct transactions with public organisations. All bidding information can be accessed at KONEPS, and a one-time registration through that portal is needed to participate in all biddings. Furthermore, all procurement procedures including bidding, contract, delivery inspection, payment of proceeds and others are processed electronically via KONEPS, and related documents are exchanged online. In particular, KONEPS links with about 140 external systems to jointly share any necessary information and provides a one-stop service, including Internet banking. KONEPS represents a fully integrated, end-to-end e-procurement model, which in 2011 enabled 288 533 e-biddings. Its level of acceptance and of user satisfaction is high (84.3% in 2011, increasing

Box 5.11. **Integrated e-procurement: Korea and Chile** *(cont.)*

steadily). The Public Procurement Service in Korea launched a smartphone bidding service in 2011 which allows bidders to search bidding information at KONEPS and participate in biddings via smartphone through a newly developed security token and application.

The Chilean e-procurement architecture, built around the web portal www.chilecompra.cl, has reached a high degree of integration among various systems governing the different phases of the procurement cycle. One of the main achievements of such an integrated system is the high level of transparency towards all stakeholders, mainly by means of accurate data production about public contracts. Among other things, this has generated a lot of official investigations on public contracts awards, thus strengthening the overall level of integrity of the Chilean system. The goals of the two e-procurement systems, including user ease of use and satisfaction and transparency, have been successfully achieved and maintained.

Source: OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

According to the CORA, the ministry will enter into agreement with the regional governments to publish their calls for tenders exclusively on the Public Sector Contracts Platform in order to save on the costs of maintaining regional platforms. This initiative will contribute to the rationalization aspect of the reform; however, some regions that already have platforms in place expressed their incertitude on how this will impact what their existing platforms and the investment they have made in them. Spain may launch an awareness campaign to promote the single platform as well as the centralised purchasing body mentioned above (Box 5.12).

Box 5.12. **Launching an awareness campaign in Portugal**

The Portuguese National Agency for Public Procurement (ANCP) launched an awarenessraising campaign when it was established in 2007, consisting in:

- A road show with meetings in all large Portuguese cities for civil servants and bidders and open to all. Contacts through universities, technical chambers, chambers of commerce were sought and used.
- Direct information sessions for buyers, in particular big or strategic buyers.
- A large and advertised public conference and launching event with political participation, in two parts: the first part with the participation of national political leaders and the second part with international organisations and similar international authorities.
- The ANCP is now a well-known authority which sets up framework agreements and provides procurement advice: its role is recognised country-wide. The ANCP was merged with the ESPAP in September 2012 and now the ESPAP is in charge of public procurement activities for the Portuguese government.

Source: Interview with ESPAP peer reviewer for OECD Public Governance Review of Colombia.

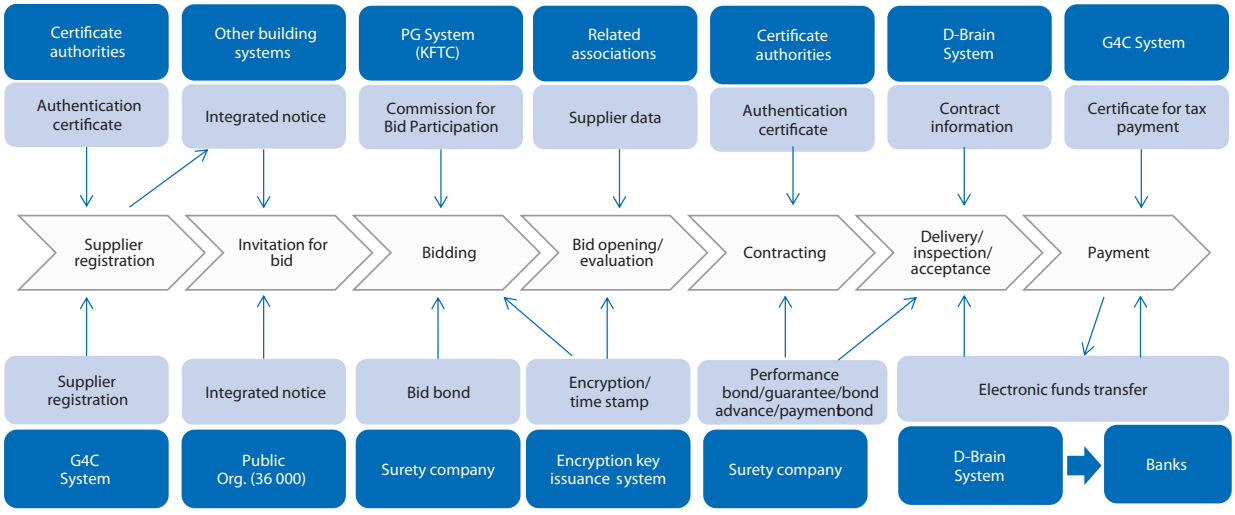
An effective e-procurement platform will, in principle, allow the different phases of the procurement process to be carried out, such as e-submission, e-invoicing, e-ordering or e-payment. Both suppliers and public officials need to be trained on these features. For example, the electronic platform could be enhanced in order to enable electronic contract management, including communications, invoicing and payments during performance and

up to the close-out of the contract. Electronic contract management is useful in monitoring contract development and completion and allows a quick and secure search of contract steps and payments, including contract amendments, performance delays and timing and amount of contract payments. Since electronic contract management is an advanced function, it can be introduced in steps, so that buyers and suppliers become gradually acquainted with the use of an electronic platform and have time to acquire skills and personnel qualified to handle relevant actions and requirements. An example of an advanced e-procurement platform is KONEPS in Korea, which covers all procurement processes, from suppliers' registration to bidding, contracting and payment, and provides a one-stop service (Figure 5.8).

To ensure the success of the proposed State Contracts Platform, initiatives need to be carried out to:

- ensure better integration among the regional e-procurement systems and the new platform
- roll out the implementation of e-bidding features of the single platform
- train public officials and suppliers in the features and potential of the single platform
- launch an awareness campaign on the benefits of the State Contracts Platform.

Figure 5.8. **KONEPS**



Source: Chang, K.-S. (2012), "Innovating public procurement through KONEPS", Public Procurement Service of Korea, presentation at the event "ISSSTE: Desarollo de una Estrategia Organizacional de Adquisiciones", 26 September 2012, Mexico City.

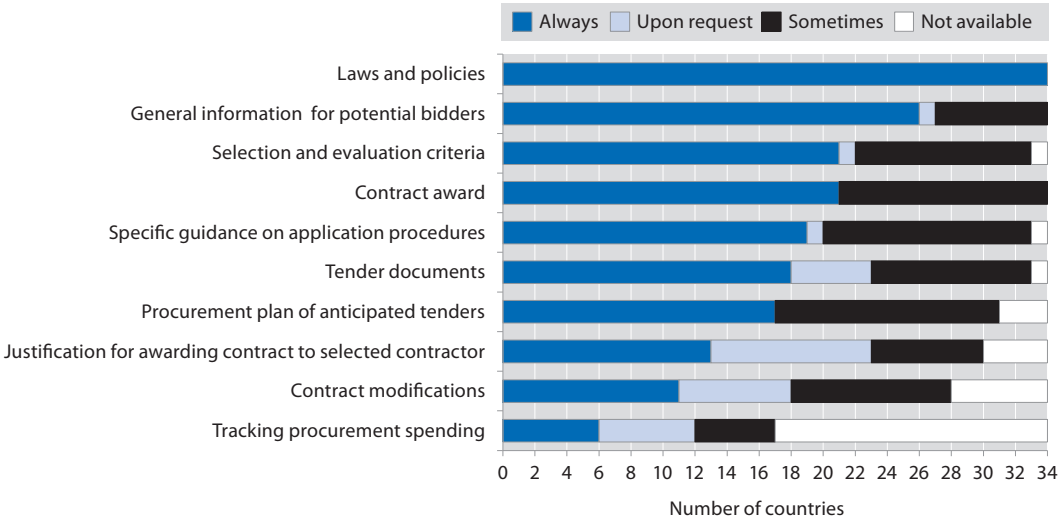
The new transparency law increases transparency in public procurement

Citizens demand greater transparency from government. Information on the who, why and how of decision making is essential to hold government accountable, maintain confidence in public institutions and support a level playing field for business. In this sense, transparency in public procurement is critical due to the financial interests at stake, the volume of transactions, and the close interaction between the public and the private sectors that can create multiple opportunities for private gain and waste at the expense of taxpayers.

Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimising the risk of fraud, corruption and mismanagement of public funds, and to levelling the playing field for businesses, thereby promoting competition. Public availability of procurement information is largely determined by the type of information. OECD member countries more frequently make information available about the pre-tendering and tendering phases of the procurement cycle, including laws and policies (always publically available in 34 OECD countries) and selection and evaluation criteria. In comparison, fewer countries publish information on events of the post-award phase, such as justification for awarding contracts, contract modifications or information that allows the tracking of procurement spending. Estonia, Iceland, Italy, Japan and Korea stand out as making the most types of procurement information available to the public (Figure 5.9).

Article 8 of the recently approved Law for Transparency, Access to Public Information and Good Governance describes the economic, budgetary and statistical information that needs to be published. For instance, all contracts indicating the duration and the amount, the procurement procedure used to award the contract, the number of participants in the bid and the identity of the winner need to be published on the Transparency Portal (created by Article 10 of the Law for Transparency, Access to Public Information and Good Governance) managed by the Ministry of the Presidency. This will contribute to better financial control, a transparent public administration and an improved social scrutiny by allowing free real-time access to information on budget execution, as a basis to support direct monitoring of government expenditure by citizens.

Figure 5.9. **Public availability of procurement information at the central level, 2010**



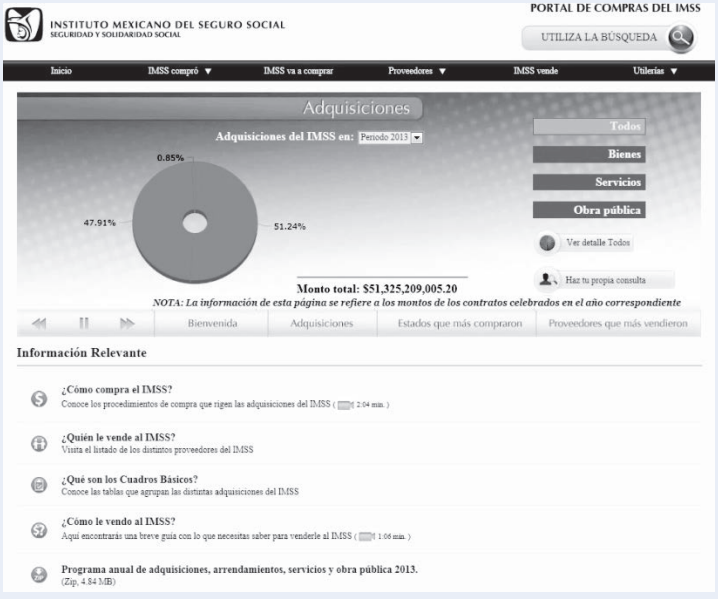
Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

However, a large amount of information available is not a synonym of transparency. The information published must serve a purpose and has to be accurate, comprehensive and comparable as well as published in a friendly, consistent and useful format. Transparency is much more than making information available; it allows a proactive engagement and partnership with citizens to hold governments and businesses accountable. Spain could follow the example of the Transparency Portal of the Mexican Institute for Social Security (IMSS) (Box 5.13).

Box 5.13. **The Mexican Institute for Social Security's Transparency Portal**

In 2011, the Mexican Institute for Social Security (IMSS) created a new online portal (http://compras.imss.gob.mx) with the intention of enhancing public accountability and transparency and improving the understanding of the IMSS' expenditures. It is based on the Mexican Transparency Law and inspired by the US portal http://usaspending.gov. The IMSS procurement transparency portal targets a wide public audience by presenting the IMSS' public procurement activities in a user-friendly manner, and provides a full picture on how, on what and why the IMSS spends its resources.

Currently, the IMSS portal includes a database which sorts and provides specific information (e.g. price paid and quantity procured) based on the type of acquisition, service or public work. It also includes procurement planning and solicitation documents, as well as other relevant information. Details concerning suppliers, such as the value of contracts and nonperformance, will be available in the future as well as the live transmission of key stages of the bidding process and the possibility for any citizen to subscribe and receive automatic email alerts on public procurement. The goal is to strengthen the use of social media networks in connection with the IMSS portal in order to share relevant information on its overall procurement process, such as information on savings achieved. In addition, the portal functions as a knowledge tool for internal stakeholders such as local entities (*delegaciones*) and high specialty medical units (*unidades médicas de alta especialidad*, UMAEs). Its intention is to offer them useful information, such as reference prices and past procurement conditions, in order to enhance the efficiency of the process and increase competition.



Source: OECD (2013), *Public Procurement Review of the Mexican Institute of Social Security: Enhancing Efficiency and Integrity for Better Health Care*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264197480-en.

Notes

1. Source: www.lamoncloa.gob.es/ConsejodeMinistros/Referencias/_2013/refc20130920.htm.
2. Source: www.lamoncloa.gob.es/consejodeministros/referencias/_2013/refc20130628.htm#Factura.
3. This law introduced a two-step budgeting process where a limit to non-financial spending by the central government would be set before the allocation to line ministries (Iglesias and Morano, 2007).
4. These are defined as "trend spending", based on existing policies plus the impact of new expenditure commitments adopted in the current budget.
5. See also Maluquer (2012) for a summary of the evolution of budgeting procedures in Catalonia.
6. Concern with these issues in Spain dates from before the crisis and the Council of Fiscal and Financial Policy issued reports on health costs in 2005, 2007 and 2010. In the last few years, this has been reflected in some concrete initiatives, for instance, to reduce pharmaceutical costs.
7. Response to questionnaire.

Bibliography

Barea Tejeiro, José and José Antonio Martínez Álvarez (2012), "Fortalezas y debilidades del presupuesto base cero" [Strengths and weaknesses of zero-based budgeting], *Revista Presupuesto y Gasto Publico*, No. 69/2012.

Bertrán, José Felipe et al. (2011), *La licitación electrónica en el sector público español: Presente y futuro*, IESE Business School, University of Navarre, Vortal Connecting Business, November, www.iese.edu/research/pdfs/ESTUDIO-160.pdf.

Blöndal, Jón R. (2001), "Budgeting in Sweden", OECD Journal on Budgeting, Vol. 1/1, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v1-art4-en.

Blöndal, Jón R., et al. (2008), "Budgeting in Australia", *OECD Journal on Budgeting*, Vol. 8/2, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v8-art9-en.

Chang, K.-S. (2012), "Innovating public procurement through KONEPS", Public Procurement Service of Korea, presentation at the event "ISSSTE: Desarollo de una Estrategia Organizacional de Adquisiciones", 26 September 2012, Mexico City.

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

De La Maisonneuve, C. and J. Oliveira Martins (2013), "A projection method for public health and long-term care expenditures", *Economics Department Working Papers*, No. 1 048, OECD Publishing, Paris, http://dx.doi.org/10.1787/5k44v53w5w47-en.

European Commission (2012), "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A strategy for e-procurement", COM(2012) 179 final, Article 1, European Union, Brussels, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0179:FIN:EN:PDF.

European Commission (2011), "Evaluation report: Impact and effectiveness of EU public procurement legislation", Commission Staff Working Paper, SEC(2011)853 final, European Union, Brussels, 27 June, http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/er853_1_en.pdf.

European Council (2009), Law 22/2009 governing the financing system of the common regime Autonomous Communities and Cities with Autonomic Statute and whereby certain tax regulations are modified, www.european-council.europa.eu/media/639250/02_-_tscg.es.12.pdf.

Hernández de Cos, P. (2011), *La reforma del marco fiscal en España: Los límites constitucionales y la nueva regla de crecimiento del gasto público* (The Reform of Spain's Fiscal Framework: Constitutional Limits and the New Public Spending Growth Rule), Bank of Spain, Madrid.

IDC (2013), "Study on e-Procurement Measurement and Benchmarking MARKT 2011/097/C. Lot 1 — Public Procurement Performance Indicators. EU Country Profiles Annex to D2", April, http://ec.europa.eu/internal_market/publicprocurement/docs/eprocurement/studies/130601_eu-country-profiles_en.pdf.

Iglesias, J. and M. Morano (2007), "La técnica de presupuestación en la Administración Central española: Estabilidad presupuestaria y asignación de recursos", *Presupuesto y Gasto Público*, No. 51/2008, pp. 107-131.

La Moncloa (2013a), "Creada la Autoridad Independiente de Responsabilidad Fiscal", Madrid, 28 June, www.lamoncloa.gob.es/ConsejodeMinistros/Enlaces/280613Enlace+responsabilidad+fiscal.htm.

La Moncloa (2013b), "Referencia del Consejo de Ministros", Madrid, 20 September, www.lamoncloa.gob.es/ConsejodeMinistros/Referencias/_2013/refc20130920.htm#DeudaComercial.

Maluquer, S. (2012), "Presupuesto público y gestión orientada a resultados: Algunas reflexiones a partir de la experiencia de modernización presupuestaria de la generalitat de Catalunya entre 2004 y 2011", *Preuspuesto y gasto público*, Vol. 69/2012, pp. 91105.

Marcel, M. (forthcoming), "Budgeting for fiscal space and government performance after the big recession", *OECD Journal on Budgeting*, Vol. 13, No. 2, OECD Publishing, Paris, forthcoming.

Ministry of Finance and Public Administrations (2014), Presentación del proyecto de presupuestos generales del estado [Presentation of the 2014 Project on General State Budgets], Madrid, www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/ProyectoPGE/Documents/LIBROAMARILLO2014.pdf.

Ministry of Finance and Public Administrations (2013a), "Mecanismo de pago a proveedores y FLA", Government of Spain, Madrid, 15 November, www.minhap.gob.es/Documentacion/Publico/GabineteMinistro/Notas%20Prensa/2013/CONSEJO%20DE%20MINISTROS/15-11-13%20Presentaci%C3%B3n%20Endeudamiento%20Proveedores.pdf.

Ministry of Finance and Public Administrations (2013b), MINHAP/981/2013 Order whereby rules are set for the preparation of the 2014 General State Budgets, Government of Spain, Madrid, 4 June, www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/NormativaPresupuestaria/Documents/NORMATIVA%20DE%20ELABORACION/OM%20Elaboracion%20PGE%202014.pdf.

Ministry of Finance and Public Administrations (2013c), *Fondo de Liquidez Autonómica resultados* (Results of the Autonomic Liquidity Fund), www.minhap.gob.es/Documentacion/Publico/GabineteMinistro/Notas%20Prensa/2013/S.E.%20ADMINISTRACIONES%20PUBLICAS/03-10-13%20NP%20Comparecencia%20Congreso%20Beteta.pdf.

Ministry of the Presidency (2012), *Boletín Oficial del Estado*, Sec. I, No. 168, page 50 519, 14 July, Government of Spain, Madrid, www.boe.es/boe/dias/2012/07/14/pdfs/BOE-A-2012-9365.pdf.

Ministry of Economy and Finances and Intervención General Administración del Estado (2010), Cuentas de las administracions públicas, IGAE, www.igae.pap.minhap.gob.es/sitios/igae/es-ES/InformesCuentas/Informes/Documents/CAAP/Cap2010.pdf.

Noman, Zafar (2008), "Performance budgeting in the United Kingdom", *OECD Journal on Budgeting*, Vol. 8/1, OECD Publishing, Paris, http://dx.doi.org/10.1787/budget-v8-art4-en.

OECD National Accounts Statistics, http://dx.doi.org/10.1787/na-data-en.

OECD (2014), Recommendation of the Council on Principles for Independent Fiscal Institutions, C(2014)17, 13 February, OECD, Paris, http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=301&InstrumentPID=316&Lang=en&Book=False.

OECD (2013a), *Colombia: Implementing Good Governance,* OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

OECD (2013b), *Financing SMEs and Entrepreneurs 2013: An OECD Scoreboard*, OECD Publishing, Paris, http://dx.doi.org/10.1787/fin_sme_ent-2013-en.

OECD (2013c), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

OECD (2013d), *Implementing the OECD Principles for Integrity In Public Procurement: Progress Since 2008*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264201385-en.

OECD (2013e), *Public Procurement Review of the Mexican Institute of Social Security: Enhancing Efficiency and Integrity for Better Health Care*, OECD Public Governance Reviews, Paris, http://dx.doi.org/10.1787/9789264197480-en.

OECD (2013f), *Public Procurement Review of the State's Employees' Social Security and Social Services Institute in Mexico*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264197305-en.

OECD (2013g), "Spending review", GOV/PGC/SBO(2013)6, OECD, Paris.

OECD (2013h), "OECD Economic Outlook No. 94", *OECD Economic Outlook: Statistics and Projections* (database), http://dx.doi.org/10.1787/data-00676-en.

OECD (2012a), *OECD Economic Surveys: Spain 2012: Overview*, OECD Publishing, Paris, www.oecd.org/eco/surveys/SPAIN2012OverviewFV.pdf.

OECD (2012b), OECD Fiscal Consolidation Survey 2012, OECD, Paris.

OECD (2012c), *Restoring Public Finances, 2012 Update*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264179455-en.

OECD (2012d), Survey on Performance Budgeting, response from Spain, OECD, Paris.

OECD (2012e), Survey on Public Procurement, OECD, Paris.

OECD (2011a), "Centralised purchasing systems in the European Union", *Sigma Papers*, No. 47, OECD Publishing, Paris, http://dx.doi.org/10.1787/5kgkgqv703xw-en.

OECD (2011), *Government at a Glance 2011*, OECD Publishing Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

PricewaterhouseCoopers, London Economics and Ecorys (2011), "Public procurement in Europe: Cost and effectiveness", report prepared for the European Commission, http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/cost-effectiveness_en.pdf (accessed on 18 November 2013).

Public Works and Government Services Canada (PWGSC) (2012), *Supply Manual*, Version 12-2, PWGSC, Ottawa, Ontario.

Steger, Gerhard (2010), "Austria's budget reform: How to create consensus for a decisive change of fiscal rules", OECD Journal on Budgeting, Vol. 10/1, OECD Publishing, Paris, http://dx.doi.org/10.1787budget-10-5kmh5hcrx924.

Treasury Board of Canada Secretariat (2005), *Business Transformation Initiative – The Way Forward, Policy Notice*, TBS, Ottawa, Ontario, www.tbs-sct.gc.ca/pubs_pol/dcgpubs/contpolnotices/2005/04-eng.asp.

Chapter 6

Developing a sustainable and flexible human resources management system*

This chapter argues that the public employment measures under development are headed in the right direction, but recommends further integrating these measures into a strategic Human Resources Management system based on a common competency framework and embedded within a robust organisational performance measurement system.The chapter underlines the importance of focusing on the longer term and it highlights the importance of seing staff an strategic asset and partner of change.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The performance of the public service depends on the capacity of its civil servants. Good human resources management (HRM) contributes significantly to the efficiency of government, its capacity to deliver public services effectively and the agility required to implement reforms in all areas of government.

HRM practices are now critically important in Spain if the government is to deliver on its ambitious reform agenda outlined in the CORA report. In this context, the government's approach to HRM reform will have significant consequences in both the short and longer term for the success of the reforms and for sustainable improvements in government performance.

In the short term, many of the reforms in the CORA report will impact most employees in some way. With any organisational change, there is a risk that low employee morale will decrease individual employee productivity. This demands immediate consideration of issues related to employee capacity, morale and change management, and recognising public employees as strategic partners in the reform process.

Looking further into the future, as Spain moves from fiscal consolidation to long-term continuous improvement, it stands to benefit from developing a more flexible and strategic HRM system, to maximise efficiencies and enable a leaner, more agile and higher capacity public service capable of delivering effective services to citizens. The CORA report includes a number of initiatives which, once implemented, may significantly strengthen the country's strategic HRM capacity. These include initiatives focused on improving mobility and performance assessment, which are already under development at the Ministry of Finance and Public Administrations (MINHAP), whose work in this area presents a promising start. These initiatives still need to be developed into a complete strategic HR system and integrated into a large cross-government initiativecomplet strategic HReloped to a mora strategic nning eform did not have complete HRM strategy, as a horizaontal rmation that cou.

Spain could follow other OECD countries in thinking more broadly about developing a culture of performance management rooted in a competency-based HR system, focusing on all levels, from the senior civil service downwards. Many OECD countries have already made progress in these areas in the last two decades. In this respect, Spain stands to benefit from the experience accumulated and lessons learnt from those countries which have made similar transitions. While there is no single best way to achieve good HRM, the experience of OECD countries gives indications of challenges met by governments, and of the trade-offs that countries face when reforming their HRM in government.

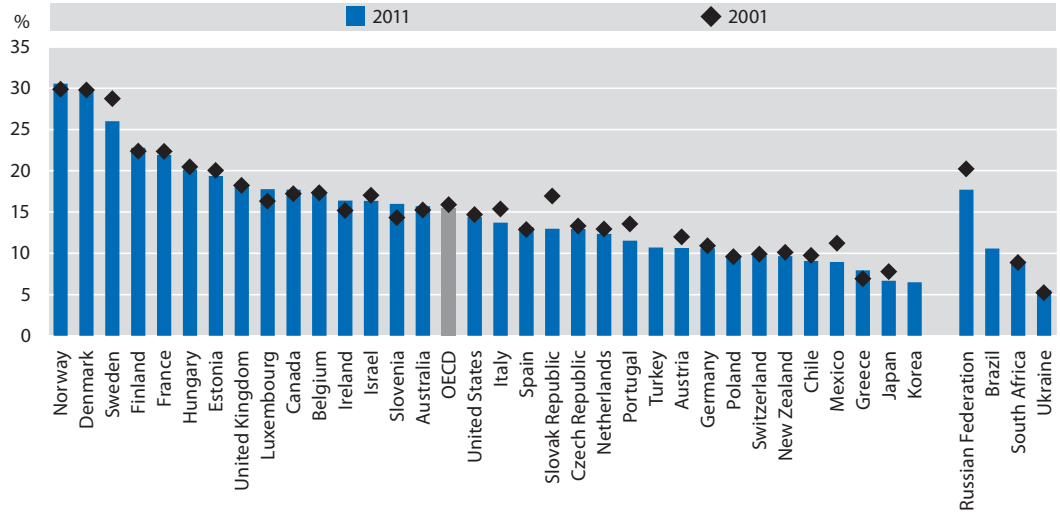
This section will consider Spain's HR reform agenda in light of other OECD countries' experiences in the following key areas:

- meeting short-term challenges: making job cuts sustainable and embedding HRM in administrative reforms
- focusing on the longer term: building capacity to manage performance, from the senior civil service downwards.

Spain's public service today

Spain's level of public employment as a percentage of the labour force is below the OECD average, although it rose slightly between 2001 (12.9%) and 2011 (13.1%).

Figure 6.1. **Employment in general government as a percent of the labour force, 2001 and 2011**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

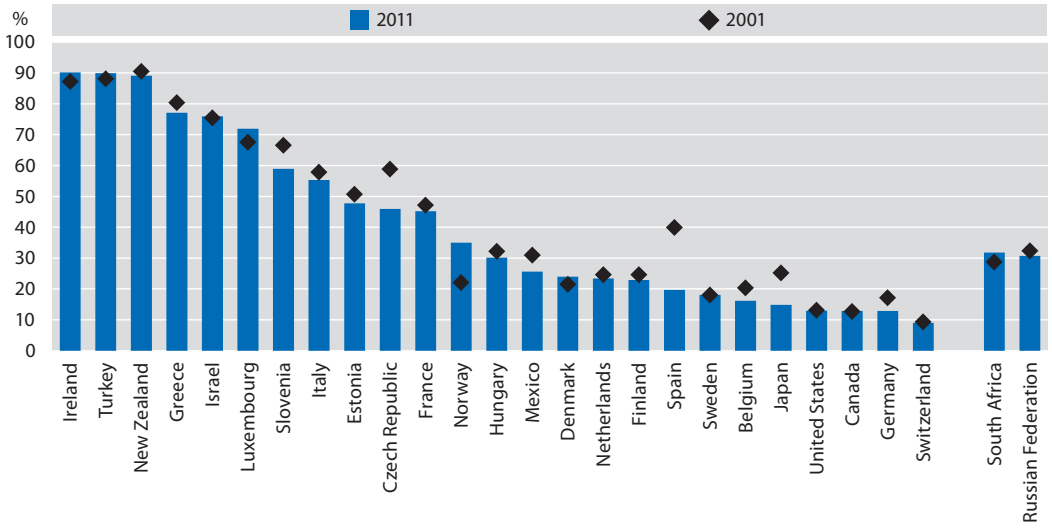
Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Spain is highly decentralised in terms of employment levels, with the vast majority (80%) of public employees employed at the sub-national level. This decentralisation process happened quickly. In 1982, autonomous communities were virtually non-existent and from 1982 until 2012, grew by a multiple of 30, while the central administration was reduced to only a quarter of its 1982 size over the same period (Commission to Reform the Public Administrations, 2013). Figure 6.2 shows that Spain's transition between 2001 and 2011 was much greater than in any other OECD country, with the proportion of staff working at the central level reduced by about half. This is significant given that most of the HR reform work underway at the central level will only have a large impact if it is adopted at the autonomous community (*Comunidad Autónoma*, AC) and local levels as well.

Spain's HR management structures and processes have changed little since 1984. However, in 2007 a new Law on the Basic Statute of the Public Employee (EBEP) was introduced to define the status of public servants across the central government, ACs, local government, special agencies and universities. This law gained widespread acceptance across the political spectrum, due in part to a process which enabled the participation of representatives from the ACs, local (municipal) administrations, public sector unions and other stakeholders. The law is built on principles of service, equity, objectivity and transparency. It supports the development of staff and reinforces the centrality of collective bargaining and employee participation. Its primary objectives are:

- defining a uniform and consistent basic framework of public service for all public employees
- defining HR management objectives focused on managing for results and grounded in strong public service outcomes

Figure 6.2. **Change in the number of government staff employed at the central level, 2001 and 2011**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

- standardising pay categories across all departments, while leaving the question of complementary pay to the discretion of each administration
- establishing a performance evaluation system and process with clear objectives and incentives and which is focused on results.

While ambitious upon its release, implementation of this 2007 law has stalled. The 2007 law provides minimum standards across levels of government; however, initiatives that required investment, including the development of performance assessment systems, have not proceeded.

With the crisis taking centre stage, austerity measures have become an issue of great importance in the political agenda since 2011. These austerity measures include a complete hiring freeze for 2012-14 (0% replacement rate except for "essential" services, where only one in ten staff are to be replaced), a reduction of the number of days off for personal reasons, a modification of the eligibility criteria for "temporary incapacity to work", an increase in the retirement eligibility age from 65 to 67 (with a 14-year transition period), an extension of working hours to 37.5 hours/week, and various other measures to curb absenteeism and reduce spending on employment. Austerity measures have resulted in a reduction of 374 800 public employees across all levels of government since the third quarter of 2011. Sixty-six percent of these reductions have been temporary positions and most of it has occurred at the AC level (Government of Spain, 2013).

Following in this context, the CORA report contains a number of explicit statements of intention to modernise HR management approaches and systems, which, if achieved, would strengthen the capacity of the public administration to manage its human resources more strategically and more effectively. Stated intentions include, among others, improving career paths, better matching resources with demand, developing consistent performance assessment mechanisms, improving internal and inter-administrative mobility, and better

co-ordinating training opportunities. These initiatives, while admirable, will require a long-term and integrated perspective.

More immediately, however, the CORA could have an impact on employees, as a result of restructuring and earlier job reductions across the public sector. The implication of these reductions are considered first in this section.

Meeting the short-term human resources challenges in the CORA report: Sustainable job cuts and administrative reforms

The CORA reforms aim to significantly restructure various public sector entities in order to reduce duplication and streamline the administration of Spain's multiple levels of government. These are reforms with HRM issues at the core of their implementation, since the streamlining of administrative functions and structural reform inevitably impacts employees' jobs. Therefore, the success of such measures will depend upon the quality of the change management strategies employed, including communication, engagement and training (Huerta Melchor, 2008).

Achieving the ambitious goals of the CORA reforms will require that employees feel they are a part of the change process and that they are being supported through the transition. If this is not the case, reform fatigue can result in low employee morale, and a subsequent productivity loss from workers. In interviews conducted by the OECD as part of this review, unions indicated that the risk of this happening is already significantly high.

Ensuring sustainable reductions

As discussed in Chapter 2, the government of Spain has been embarked in very strict fiscal consolidation processes, and as a result, Spain has reduced its public workforce by 374 800 jobs since the third quarter of 2011. This is significant both in amount and speed. Although this reduction represents a return to pre-crisis employment levels, Spain should take a careful look at the impact of these reduction policies and their sustainability, in light of its overall transformation agenda and longer term strategic objectives.

If an organisation is staffed at an optimal level (i.e. no worker redundancy), any staffing cuts should ideally be linked to real productivity gains or a change in the way an organisation does its business. Alternatively, a government can also cut staff associated with activities or services that it explicitly decides to end. Spain's recent staff reductions are largely justified in terms of correcting previous expansion. This raises questions about the conditions that precipitated this expansion, how these conditions have changed and whether/where this has resulted in worker redundancies. In such a case, the challenge is implementing targeted reductions to identify and eliminate redundancies where they are proven to exist, thereby minimising undue hardship on broader working conditions and maintaining capacity to deliver public services.

OECD experience shows that the use of across-the-board hiring freezes is one of the most detrimental approaches to downsizing, regardless of its rationale. This is because any staff reductions resulting from this policy cannot be strategically aligned to priorities or targeted to where reductions are most justified. Instead, they will be in places where staff attrition is highest, which may result in a mismatch of staff capacity to areas of priority for the government.

The risks related to such a mismatched reduction strategy are twofold. First, there is a risk of losing staff in areas deemed strategic priorities while other areas remain bloated. For

example, if retirements and attrition occur more prominently in front-line positions than in back offices, that could result in a reduction in service quality as a result of the hiring freeze, while the back offices, with greater potential for productivity gains, face less pressure to reform.

Secondly, if cuts are not linked to actual productivity increases, cuts to government activities or real employee redundancy, they will have a suffocating effect on organisations. This reduces the ability for organisations to reskill, and results in remaining employees feeling overworked, thereby further eroding morale and threatening productivity. Experience in OECD countries shows that once economic growth recovers, there is a tendency to make up for lost positions in these cases, reversing savings achieved by cuts and entailing significant hiring and training costs.

In order for Spain to ensure that employment reductions are sustainable in the long run, some strategic thinking is required at all levels about the allocation of the workforce, the priorities and activities of government, and the best approach to cuts. Given that Spain's overall government employment numbers are not high compared to OECD averages, it may be worthwhile taking steps to target continued hiring in key strategic areas to ensure reskilling and reduce the risk of overworking remaining staff. It may also be prudent to continue to invest significantly in training and development to ensure that the remaining staff are equipped to function more productively and feel supported through the transition process.

Box 6.1. **Lessons from workforce restructuring experience in other OECD countries**

1. The workforce implications of any public service reform or innovation need to be considered and planned for from the outset, both in terms of any anticipated staff reductions or redeployment and in terms of managing the change so as to minimise disruption, protect capacity and continuity of service, and avoid to the extent possible depleting trust or eroding morale.
2. Workforce reduction and reallocation measures should not be stand-alone but part of broader reforms. There appears to be scope for making better use of a combination of instruments to manage the workforce, particularly through better integration of HRM instruments – such as workforce planning, skills strategies and redesign of work – with budgeting instruments such as automatic productivity cuts, performance management and programme/spending reviews.
3. Using a combination of instruments can help reduce the disadvantages associated with any one instrument. For example, spending reviews can help target cuts, instruments that drive ongoing productivity improvements may reduce the need to resort to *ad hoc* cuts, investment in skills renewal and support for the redeployment of staff can help preserve capacity and maintain the trust and morale of employees.
4. While countries appear to be continuing with reforms aimed at improving the productivity and capacity of the public service even while implementing cutbacks, this will, in fact, be a difficult balance to achieve. There is a risk that the focus will shift to seeing staff as costs rather than as assets. The challenge is to implement workforce productivity improvements that recognise the balance between costs and quality and continuity of service. For government services, continuity of service is a core value related to citizens' trust in government and the public administration.
5. Workforce planning remains an underused instrument in many countries, although some have developed sophisticated systems to link workforce planning and management with strategic planning, budgeting and public policy evaluation.

Box 6.1. **Lessons from workforce restructuring experience in other OECD countries** *(cont.)*

6. Other instruments that remain underused include assessment of future capacity and human capital requirements and development of strategies and instruments to address future needs (e.g. skills strategies, recruitment strategies, competency management, HRM policies that will support innovation, development of leaders).
7. There appears to be considerable scope for some countries to make HRM and employment provisions in the public service more flexible in order to support the adaption of the workforce. The economic crisis may offer a window of opportunity for reforms. Governments have to make sure, however, that when pursuing flexibility, they do not undermine HRM rules that prevent patronage and corruption.
8. Large-scale downsizing is the most problematic option for workforce adjustment. Assessments have highlighted a variety of negative effects on the capacity of the workforce as well as on trust and morale, and questioned the longer term sustainability of staff reductions achieved in this way. Citizens could also lose trust in government if downsizing undermines the continuity of services. If governments feel they have no option but to embark on such programmes, they need to be aware of these risks and take steps to minimise the adverse effects. Experience suggests that close attention to managing the human aspects (for remaining staff as well as those leaving) and use of strategic planning to assess workforce requirements in advance of implementing cuts are essential elements in this regard. A differentiated approach to staff reductions appears preferable to across-the-board cuts.
9. Recruitment freezes are probably the most detrimental approach to downsizing, because they are indiscriminate and limit the ability of organisations to restructure and reskill. Moreover, as they tend to be protracted, the negative impact on the morale of staff and managers and on the capacity to deliver services is likely to be significant.
10. Redeployment arrangements in the context of staff reductions can help retain skills and experience, and moreover help manage the industrial relations aspects of downsizing. More needs to be done also to break down barriers to redeployment and mobility in order to support the restructuring of services and optimal use of skills.

Source: OECD (2011), Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264166707-en.

Embedding human resources management considerations in administrative reforms

In the past, OECD countries tended to implement HR reforms as stand-alone initiatives, while other large public management reforms did not necessarily include changes to HR. This created difficulties in the implementation of reforms, and inconsistencies between HR reforms and other reforms in areas such as budgeting, performance management or fiscal consolidation.

Spain's CORA reforms may present similar challenges. The CORA report contains a range of measures that will have a significant HRM impact beyond cuts, such as those which restructure organisations and those which reduce duplication and reform processes. Staff is central to all of these measures and will be a key determining factor in the quality of their success.

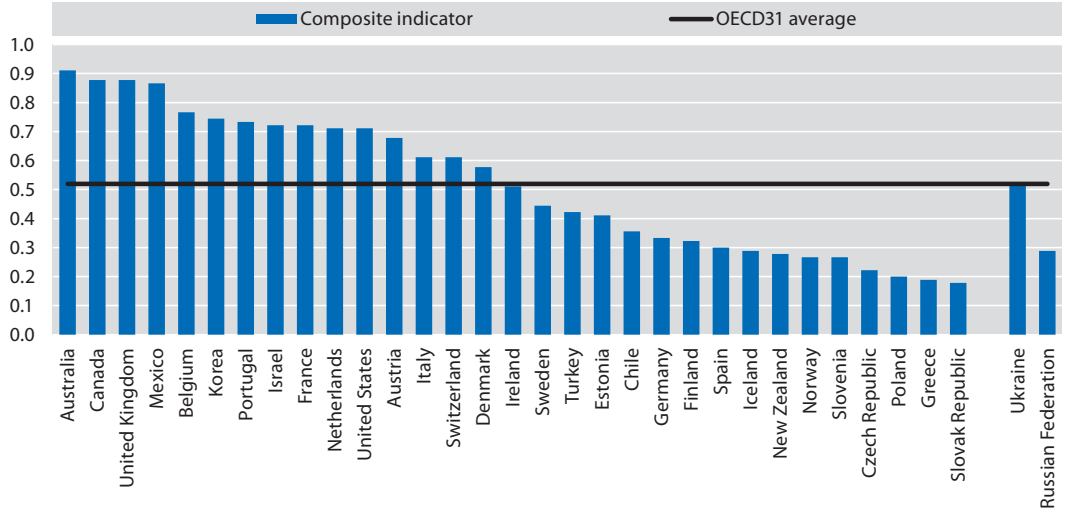
In more recent years, many OECD countries have better linked HRM reforms to the overall management and change agenda of organisations. One of the lessons learnt from the past 20 years of reform in OECD countries is that there cannot be government reform without an emphasis on HRM. Since all reforms in the management of government affairs require the involvement of staff, all reforms should include a component on how to best manage staff in

the context of other reforms. The workforce is now considered a strategic resource that should evolve as the priorities of organisations evolve, and their attitude towards broader management reform is seen as crucial and something that must be successfully managed.

The experience of large public management reform shows that failing to take into account or underestimating the importance of human resources can impede reform efforts or create unwanted and deleterious effects. For example, the lack of flexibility in the management of staff has at times created difficulties in the implementation of performance management in countries such as Belgium, France and Ireland. In some cases, for example, the creation of agencies – meant to build administrative capacity and/or to increase flexibility to respond to policy issues – has also resulted in the development of small and closed parallel systems of public services, undermining the whole-of-government perspective and mobility (e.g. Ireland, see OECD, 2008). This is similar to the current situation in Spain, where the rapid devolution of responsibilities, budgets and staff to the ACs appears to have led to a duplication of resources in various areas of service delivery, reduced staff mobility and resulted in fragmented public administrations across the country.

The strategic management of the existing staff needs to be a high priority to ensure that staff remain engaged and supported through the transition, and that the right staff with the right skills are working in the right priority areas after the transition is complete. Figure 6.3 shows that Spain may not have the right tools in place to enable this strategic alignment.

Figure 6.3. **Utilisation of strategic human resource management practices in central government**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing Paris, http://dx.doi.org/10.1787/gov_glance-2011-en

In the context of the great changes facing the Spanish public administration, staff need to be seen as a strategic asset and partner of change. Negotiating HRM reforms with unions as part of the overall wage bill can add significant legitimacy to reform programmes and give unions the opportunity to be forward-looking agents of public service modernisation. This was

the approach taken by Ireland. In conversations with union representatives conducted as part of this review, it was clear that a number of unions perceive the CORA development process as providing insufficient opportunities to contribute in a substantive manner to the reforms, whereas they have shown commitment to engage in broad strategic agreements, which can be an important asset for the implementation process.

Given the high levels of employee stress reported to the OECD from various sources, Spain would be well advised to, at a minimum, continue to prioritise training investments and engage staff through a variety of channels in a genuine dialogue to ensure that they are informed of the motivation for the changes, the results they can expect, and have the ability to provide input where appropriate. Public sector unions, as representatives of employees, may be a good place to start. OECD countries have progressively learnt to accompany larger reform initiatives with HR measures. A good example of this is the case of Portugal (Box 6.2), which has focused on a few main themes to reform public employment in the context of larger public administration reform. This process has not taken place quickly and has required years of design, discussions, ownership building and negotiations with unions. Through this long-term focused discussion, the government has managed to implement a strategy focused on coherent themes with clear priorities and necessary changes to the system of human resource management.

Box 6.2. **Recent public management changes in Portugal**

The modernisation of public administration is viewed by the Portuguese government as an essential piece of the strategy of economic growth of the country. It has focused on the following:

Restructuring the state central administration, with a programme entitled PRACE, that aims at improving the quality of public services, at decentralising functions to local administrations, at reducing public services of the direct administration and public institutes (rationalisation of its central structures), as well as their resources, including staff numbers.

- Reforming the civil service.
- Modernising and simplifying regulation (better regulation and SIMPLEX).
- Modernising public management (creation of the position of financial controller of ministerial area to reinforce the control of budgetary implementation of services; establishment of patrimonial and state property management).
- Developing e-administration (Technological Plan of the Government; creation of the State Electronic Certification System).

In order to restructure and rationalise services, procedures have been established to put civil servants and contractual staff in a special mobility scheme. These workers can either be reassigned to another service either temporarily or for an indefinite period of time or resume their functions in any service, also on a transitional basis or for an indefinite period of time. Training has been core to allow activity to be resumed in a different service.

Regarding changes in the civil service system, the new system of employment is divided between a system of appointments, for functions with the powers of public authority, and of employment contract in public functions, for the remaining functions. Most public employees will thus now have a contract with their public administration, which is a general labour law contract.

The revision of the current career and remuneration system aims to reduce drastically the number of existing careers (1 460 before the reform), simplify their structure, and relate the professional advancement and promotions of civil servants as well as their remunerations to their performance.

Box 6.2. **Recent public management changes in Portugal** *(cont.)*

A single pay scheme has been established with 115 pay steps. Remuneration supplements have been rationalised and are granted for the fulfilment of functions under demanding conditions. Performance awards may also be granted to stimulate merit for the highest levels of assessment. This new system allows for greater flexibility in the setting of remuneration. The determination of the remuneration level is negotiated in writing, between the worker and the top manager of the service for employees with an employment contract (for appointments, the pay scale is publicised beforehand).

Career advancement and change of pay step is based on performance assessment and according to available budget appropriation.

The current performance assessment system has also been revised. In the new integrated system of management and assessment in the public administration, for the first time, an assessment of the unit or service will be made along with those of top and intermediate managers and remaining staff, thus facilitating the coherent alignment of the performance of services and of the staff working therein. Within the framework of human resources qualification in public administration, priority has been granted to the development of the Operational Programme of Public Administration (POAP) by focusing on the training for managers and senior staff, and on training for support to mobility and resume activities in other sectors and initial training.

The procedures for the appointment and the termination of functions of management staff of the public administration have also been changed. Only top management positions terminate automatically when there is a change of government. Simplified open competitions for middle management positions have been introduced.

At this level, other changes have also been introduced that include the establishment of suitable training courses for managers in the public administration, the creation of the charter of mission, which develops specific mission standards for the functions of those managers that are relevant for assessing how those functions are performed; the possibility to hire managers externally in the absence of suitable applicants; the clarification of incompatibilities and conflicts of interests in the public service.

Regarding social protection, the civil service social protection standards (and of 32 special regimes) have been harmonised with those of the general social protection regarding retirement conditions and the calculation of pensions. The retirement age will be progressively increased up to 65 years in 2015, and early retirement, although possible, is discouraged.

The sustainability factor has been introduced. It links the calculation of pensions to the increase in the average life expectancy, i.e. the number of years that a worker can expect to benefit from the pension. In order to make up for the sustainability factor, the worker may work several months after the age of 65, discount a little more for some time or accept a reduction in pension.

Since 2009, all civil servants are subject to an additional deduction of 1% of their salary which goes to their unemployment fund, to guarantee their right to unemployment benefit in case they lose their jobs.

Source: Presentation by delegate from Portugal to the annual meeting of the OECD Public Employment and Management Working Party, 2008; Portugeuse Directorate General for Administration and Public Employment website, www.dgaep.gov.pt/eng.

The conclusion to be drawn from OECD counties' experiences is that Spain needs to consider its HRM reforms as a strategic enabler to support reforms in other parts of the public administration. With the CORA reforms focused primarily on increasing efficiency and reducing duplication, the HRM portion should not be thought of as a stand-alone reform, but as a central component that will enable the government to meet these ambitious goals. Such a strategic position should be developed in the CORA's approach to HRM.

Focusing on the longer term: Building capacity to manage performance from the senior civil service downwards

In addition to the HR impacts discussed above, the CORA report contains a number of explicit statements of intention to modernise HRM approaches and systems, which, if achieved, would strengthen the capacity of the public administration to manage its human resources more strategically and more effectively. Stated intentions include, among others, improving career paths, better matching resources with demand, developing consistent performance assessment mechanisms, improving internal and interadministrative mobility, and better co-ordinating training opportunities.

While these intentions point Spain in the right direction, much work remains as they are developed into an HRM strategy. It was suggested in a number of interviews conducted by the OECD for this review that these statements of intention do not vary significantly from those outlined in the 2007 EBEP. The impulse and leadership of the CORA is an excellent opportunity to implement such ambitious reforms now, given the minimal progress observed in these areas since the 2007 law was passed.

To do so, it is of essence to integrate these measures with each other and with other administrative processes. Following the examples of successful OECD countries, Spain could stand to benefit greatly from thinking through its HRM systems in an integrated way that focuses on embedding a culture of performance management. Spain could leverage such an achievement to improve outcomes in many areas, including strategic alignment of resources, staff mobility, training and career paths. While these are longterm goals that require many years to develop and implement, a clear message from the MINHAP regarding the steps it is taking to develop the systems and a good engagement strategy that brings employees into the design process could have more immediate positive impacts, improving employee morale and regaining trust and reform momentum. Furthermore, given the high numbers of public employees at the AC level, the central government may wish to study the ACs to identify good strategic HRM practices that already show value and consider scaling these up to the national level. The ACs of Asturias and Galicia appear to have been early leaders in performance assessment programmes, and may be able to provide useful experience and lessons learnt applicable to the CORA process.

The following section will present OECD country experience in developing performance management rooted in competency management processes, and the performance management of managers themselves.

Building a performance culture

The issue of performance has been one of the main areas of focus in the management of staff across OECD countries in the past 20 years. The CORA, and the 2007 law before it, both state intentions to develop staff performance assessment systems across the government. This should be considered as one part of a larger performance management system, along with other elements of strategic HRM including recruitment, staff development, pay and career incentives. OECD data shows that Spain has significant room for growing a strategic HRM culture in its central government (see Figure 6.4).

Performance management is particularly relevant in a career-based public sector such as Spain's, where civil servants are generally recruited early in their careers, through standardised testing (Box 6.3). Since many of these civil servants will work their way upwards through the ranks to eventually become managers, performance management can help develop staff and ensure that they, and the government, build the right skills to support success.

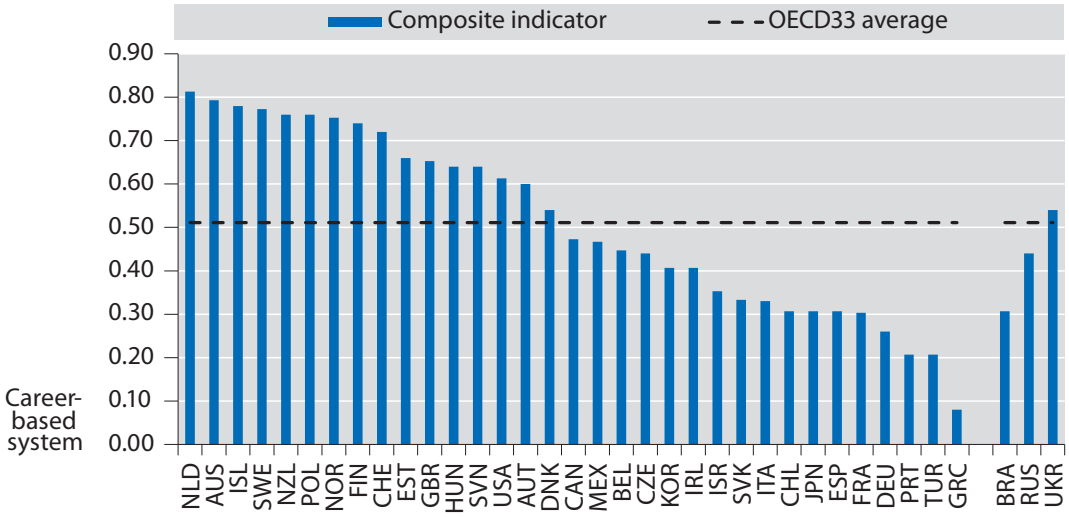
Box 6.3. **Career- vs. position-based public employment systems**

Traditionally, two main types of public service employment systems can be identified in OECD countries. No country's system is purely one or the other, but can be placed along a spectrum, with Spain leaning closer to the career-based system (Figure 6.4):

- In a career-based system, public servants are hired at the beginning of their career and are promoted to positions of increasing responsibility provided they demonstrate competence. Competitive internal selection procedures ensure merit and there is limited possibility to enter the public service at mid-career.
- In a position-based system, all positions are open to competition, through external recruitment or internal competition, and there is usually not a series of defined promotion grades. There is, however, usually a pay range attached to each position, through which employees can progress on the basis of performance.

Source: OECD (2010), "OECD Survey on Strategic Human Resources Management in Central/Federal Governments", OECD, Paris.

Figure 6.4. **Type of recruitment system used in the central government**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2010), "OECD Survey on Strategic Human Resources Management in Central/Federal Governments", OECD, Paris.

The experience of OECD countries shows that managing the performance of people is strengthened when linked to performance management at the organisational level. Performance management should link the management of people with organisational goals and strategies and, ultimately, with the government's programme and objectives. This can then cascade downward, with senior management accountable through a framework focused on results linked to organisational goals. At the level of teams and individuals, performance management is about motivating employees, setting performance objectives within the framework of organisational objectives and strategies, using performance assessment to improve performance and to identify skills that require further development.

Integrating HRM performance with competency management

In OECD member countries, competency management has been used as a way of integrating the HRM function with organisational business goals, as well as integrating the various component parts of the HRM function itself (i.e. recruitment, probation, induction, promotion, training, development, performance management, discipline, reward, etc.). Competencies are used as a way of expressing the key behaviours, skills and experience deemed necessary to effectively perform in a job or a set of jobs. When used to their full potential, competencies provide a common foundation for the selection, development and assessment of staff. They facilitate promotion, career progression and the internal mobility of staff by providing a focus on transferable skills.

Spain does not yet have a global competency management framework to enable integrated people management. While some organisations in the central administration employ tools designed to achieve a minimum level of standardised job description, tools and formats vary according to the organisation and the area in which they were developed. Spain could consider developing an integrated competency management framework drawing on the experience of OECD countries.

Competencies usually include sets of behaviours, skills and knowledge that are considered essential for a job. Competencies can also be generic lists of attributes that apply to a group of jobs. For example, a number of public services have sets of competencies that apply to the senior civil service. Other examples would be applying competencies to job families (e.g. programme manager, policy analyst), managerial competencies or competencies for front office staff. Applying competencies in this way allows for greater staff mobility within similar functions across organisations.

A related practice to competency management is job profiling. Job profiles are a way of describing positions in terms of competencies. Together with competency management, job profiling reflects the changing nature of organisations and work. Traditional job descriptions, which tended to describe jobs in terms of a finite set of tasks to be done, have come to be regarded as a source of rigidity. Job profiling focuses, instead, on the outputs of results, and on the profile of the person needed to do the job. The job profile is about the purpose of the job, why it exists and what results it is expected to achieve for the organisation. It is an approach that is associated with greater organisational flexibility, team-working, employee competencies and sharing of knowledge.

Many organisations use competencies as part of the job profile, as a way of defining and measuring the skills, abilities and behaviours considered necessary for the job. The competencies required are defined by the job profile: for example, behavioural competencies could include things like the ability to work in teams or build networks; if there are managerial responsibilities, competencies would typically include interpersonal skills and leadership abilities; other examples of competencies might be strategic thinking, customer focus or analytical skills.

Job profiling and competency management are not ends in themselves. They need to be carefully integrated into HR processes, particularly performance management, staff development and long-term HR planning. When effective, they provide a foundation to integrate HRM and broader organisational and management imperatives. They should reflect organisational priorities and performance targets and then help to define individual staff performance indicators.

Box 6.4. **United Kingdom: Professional Skills for Government Competency Framework**

The Professional Skills for Government (PSG) Competency Framework is used for jobs and careers in the British civil service. It sets out the skills that staff in the civil service need to do their job well, at all levels and no matter where they work. The PSG Competency Framework applies to all civil service jobs at all grades. The PSG framework can help civil servants identify: *i)* the mix of skills and experience they should have in their current or prospective job; *ii)* the skills they might need to gain to change roles or seek promotion. Civil servants are encouraged to think about the framework in line with their appraisal cycle, which provides an opportunity to look at the skills they have and the skills they need. This is a valuable tool for civil servants to plan their careers.

The PSG Competency Framework is divided into four separate, but supporting, areas:

- Leadership: civil service leadership qualities sit at the centre of the framework to provide direction for the organisation, deliver results, build capacity for the organisation to address current and future challenges, and act with integrity.
- Core skills: every civil servant needs certain core skills to perform effectively. For example, at Grade 7 the four core skills are people management, financial management, analysis and use of evidence, and programme and project management.
- Professional skills: job-specific professional skills are related to the work civil servants do. Everyone in the civil service requires some professional skills in, for example, policy development, operational delivery or providing expert advice (for example, scientists, economists and communicators). This area of the PSG is supported by heads of profession, who set standards for all professions in the civil service.
- Broader experience: for senior civil service (SCS) members and those aspiring to the SCS, both depth and breadth of experience are important. Deep professional knowledge is valuable, but as civil servants progress in their careers, breadth of experience becomes increasingly important. Heads of profession lead the work to define broader experience in each professional context. This experience could be gained within the profession, within another part of the civil service or in other sectors.

Source: UK Civil Service, www.civilservice.gov.uk (accessed on 5 November 2012).

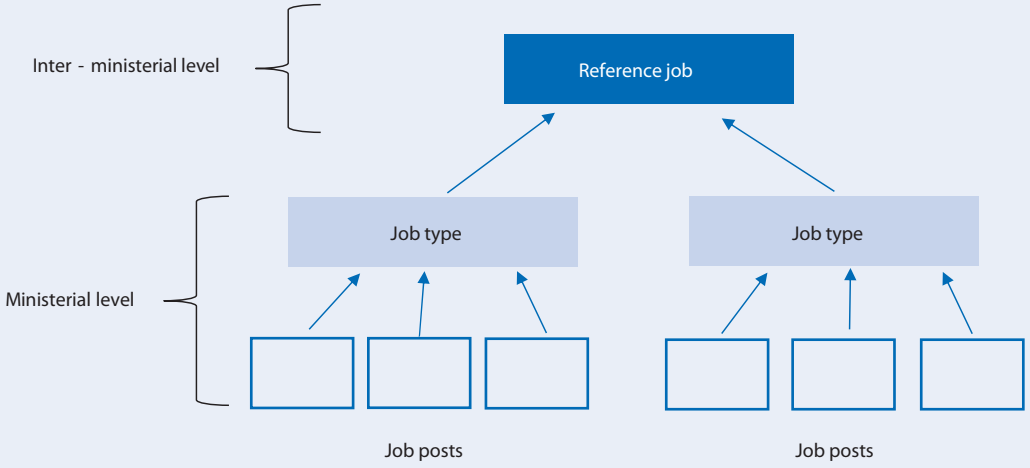
In Spain's career-based system, the development and promotion of staff is essential to develop the country's future public workforce. Embedding competencies in strategic management can develop a future vision of this workforce and help to form a view of changing skill needs. This can then inform, for example, both internal and external recruitment and selection, and can provide a framework for assessing employee development and training needs, designing development and training programmes, and targeting the training budget. The approach taken by France, also a career-based public sector, may provide an interesting example.

Box 6.5. **The French job classification system: *Le répertoire interministériel des métiers de l'état* (RIME)**

France has adopted a job classification system known as the *Répertoire interministériel des métiers de l'état* (RIME). The "*métier*" approach, as it is referred to, aims to: *i)* name and quantify as precisely as possible the necessary jobs within a service; *ii)* ensure the best possible definition of the job profile; *iii)* supply a reference table of skills to accompany training and mobility; *iv)* prepare referential training and build referential for inter-services training; *v)* guide the revision

Box 6.5. **The French job classification system: *Le répertoire interministériel des métiers de l'état* (RIME)** *(cont.)*

of the content of the competitions and organise common competitions for several ministries; *vi)* feed the processes to acknowledge acquired professional experience. The RIME identifies and describes each "*metier*" within the administration of the state (261). It is considered a key element to ensure ministerial and inter-ministerial coherence on employment policies. The RIME proposes a common language on "*métiers*" to develop the ministerial capacities in the area of human resource management.



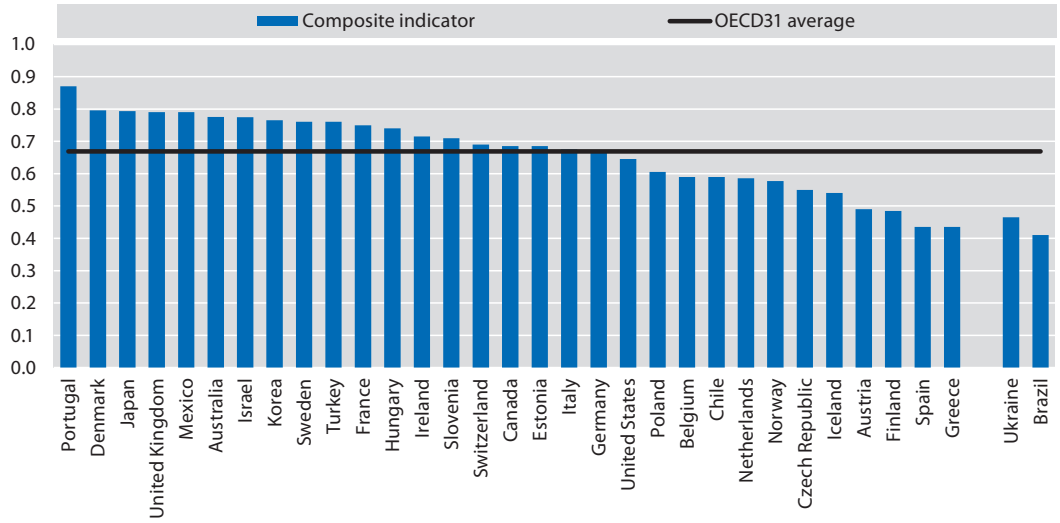
The tools of the RIME are mainly: *i*) the *Inter-ministerial dictionary of competencies* with the definitions of 21 social skills (*savoir-être*), 102 know-how skills (*savoir-faire*) and a database of competencies and their equivalents; *ii*) the inter-ministerial job fair (*Bourse interministérielle de l'emploi public*, BIEP) and the regional inter-ministerial job fairs (*bourses régionales interministérielles de l'emploi public*, BRIEP) which are online databases of available positions and use the same nomenclature as the RIME (since 2006 it has offered 30 000 jobs and has had 5.6 million connections); *iii*) the mobility kit.

In France, the Employment, Workforce and Competency Planning (*Gestion Prévisonnelle des Effectifs, des Emplois et des Compétences*, GPEEC) is a government-wide strategy that analyses the current staffing picture by function and category, and aims at forecasting adjustments of staffing needs. The GPEEC has established a common framework across government departments, although each ministerial department is responsible for its own GPEEC plans under the supervision of the central HRM body. Evaluation of current GPEEC plans shows that all ministries have made progress in aligning staff with missions and integrating HRM strategies into the plans.

Source: OECD (2012), "The government workforce of the future: Innovation in strategic workforce planning in OECD countries", GOV/PGC/PEM(2012)1/FINAL, OECD, Paris.

Performance assessment within a larger performance management culture

Figure 6.5. **Extent of the use of performance assessment in human resource decisions in central government**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2010), "OECD Survey on Strategic Human Resources Management in Central/Federal Governments", OECD, Paris.

In both the CORA and the 2007 EBEP, the Spanish government has prioritised the systematic use of performance assessments as a tool to move towards greater efficiency and performance in the delivery of its public services. This is in line with most OECD countries, which require a formalised performance assessment for government employees. This is commonly carried out by the immediate superior on an annual basis, with a requirement for the superior to provide written feedback. These assessments are a key part of broader performance management systems.

A number of agencies in the Spanish central administration already have a history of integrating performance assessment into their HRM practices, and aligning these with performance-related pay systems. The OECD is also aware of a number of performance assessment pilot projects designed to test the potential features of a government-wide system and to begin developing a broader culture of performance assessment (see, for example, Box 6.6). Furthermore, a number of the ACs appear to have functioning performance assessment programmes in place (e.g. Asturias, Galicia); however, many appear to be waiting for the central government to take the lead in the programme design. Spain still has significant work ahead to prepare the programme for government-wide roll out. Some key questions remain regarding how criteria will be determined, how rewards and incentives will be used, and how performance assessment will align with organisational priorities.

Regarding the development of criteria, competencies and job profiles can provide a good foundation for the development of aligned performance objectives. Experience in OECD countries also shows that performance assessments must be systematic, and objectives must be transparent and easily understandable. It is essential that the performance criteria be seen as clear and fair by staff and their managers. Therefore, it would be a good idea to include unions and/or other representatives of employees and their managers in the design process.

Box 6.6. **Proyecto GEO**

The Proyecto GEO (*Gestión y Evaluación por Objectivos*, Management and Evaluation by Objectives) is a pilot project underway in the Ministry of Industry, Energy and Tourism (*Ministerio de Industria, Energía y Turismo*, MINETUR). The goal is to facilitate a cultural change from a focus on process to one on results, clarifying priorities and increasing the commitment of staff to required organisational change. It aims to contribute to the improvement of the department's management model in three basic ways:

1. Ensuring business activities are aligned with the strategic objectives of the organisation, thereby ensuring efficient use of resources to obtain results.
2. Motivating people by ensuring that each employee can see how their work contributes to the achievement of the organisation's overall objectives.
3. Establishing a continuous and permanent system of improvement based on a cycle of planning, monitoring, evaluation and improvement in the department.

The process consists of four phases. First, units reflect internally and undertake a process of self-diagnosis based on a questionnaire which guides units through analysis based on multiple perspectives, including human capital development, use of resources, partnerships, internal processes, citizen's perspectives and legal frameworks. Next, units set objectives and develop indicators to be monitored. In the third phase, each unit's goals are validated with the central units to ensure alignment and compliance. This is followed by a self-monitoring process to enable each unit to measure and evaluate its progress each year and eventually compare year over year progress.

Connected to this organisational "management by objectives" process, is an individual staff performance assessment process which aligns objectives for each employee with those of the organisation. This is expected to result in the following organisational improvements: employees will have a clear understanding of responsibilities and expectations, difficulties in meeting expectations will be detected early and adjustments will be made, alignment with employee competency development investments will be improved, and there will be better communication between managers and employees.

Early results of the evaluation of the pilot project are primarily positive. Notable is that the project has enabled synergies across units that result in more efficient use of resources. The pilot's evaluation process has also highlighted a number of areas for improvement. Some processes are being simplified to reduce administrative burden and the design and use of indicators is being improved to ensure alignment with management processes.

This pilot project is also an example that may address some of the assessment in Chapter 4 on organisational performance management.

Source: Note provided by the Government of Spain, 2013.

Regarding rewards and incentives, the experience of OECD countries indicates that good performance should be rewarded. Pay rewards may be a complement, but should not be overemphasised. Other types of rewards can also be used, and employees should recognise a clear link between their careers, promotions and sustained performance. Performance-related pay does not make up for the failure of a healthy career or promotion system for good performers. In addition, internal visibility for good performers is very important and managers should try to use non-pay awards or recognition to increase the internal visibility of good performers.

Finally, aligning performance assessments with employee development and organisational priorities requires a clear understanding of organisational goals and how each employee is expected to achieve them. This depends on a performance dialogue between each employee

and his/her closest supervisor, aimed at clarifying what is expected of the employee, but also at what the organisation can do in order to make these performance goals attainable in terms of development and support. The Spanish government's pilot projects have taken initial steps towards integrating performance assessment into a larger performance management framework before incentives are put into place. This is a prudent approach as it allows an adjustment time for civil servants to get used to the system, measures and employer expectations before they are actually penalised or rewarded. Furthermore, attaining the buy-in of employees and their managers through their participation in the design process can help ensure the relevance of performance assessments to the overall achievement of organisational goals, and thereby increase their usage and benefits.

Using performance management to improve mobility

In the OECD's 2010 HRM survey, Spain was one of only three OECD countries which reported a trend towards less mobility in its civil service, although the CORA specifically aims at improving mobility. In developing this measure, Spain may wish to consider the example of France (Box 6.7), which also has a relatively closed career system and has recently opened up opportunities for interdepartmental competitions to promote internal mobility.

Box 6.7. **France's integrated approach to improving mobility**

France has recently tackled its low employee mobility by implementing a number of interrelated reforms, including a law designed to remove barriers, an online tool to improve awareness of open positions across agencies and a common competency approach to job classification. This new approach includes:

- Law on Mobility of 6 August 2009 removed legal obstacles to secondments and integration into corps and job frameworks of the same category and the same level. It also instituted the right to integration after five years of secondment to another corps or framework, the possibility of direct integration into another corps or framework, and recognition of the advantages acquired during a secondment. Lastly, this law offers new guarantees for employees assigned to a unit that is being reorganised, in support of wider restructuring reforms.
- Mobility is also favoured by a new online tool introduced in France in 2008, the *Bourse inter-ministérielle des emplois publics* ("Inter-ministerial Jobs Platform") which offers vacant positions for government units, with a counterpart at the regional level.
- Lastly, the efforts made since 2006 to introduce an "inter-ministerial catalogue of occupations" (*Répertoire inter-ministériel des métiers*) is part of this new approach for improving mobility in the central government and encouraging a common HR language among the different spheres of government.

This stress on mobility gives the French career system the means to function better. An employee should be able to be much more mobile and the pool of employees from which a position can be filled should be expanded, thus promoting better allocation of positions and personnel.

Source: OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Public Governance Reviews, OECD Publishing, Paris.

As discussed above, the use of competency management and job profiling has been associated with an evolution of career structures and mobility in many OECD countries in recent years, as governments seek increased flexibility to manage the workforce. Developing

a standard way to describe positions, based on standard competencies that are common to the whole administration, can help to overcome common barriers to mobility, such as different job classification systems in different parts of the public service. Standardising the requirements for similar types of jobs and defining the competencies required make it possible for public servants to compete effectively for job vacancies in other departments and agencies and to take responsibility for developing the competencies required. For this to work, Spain will be required to invest in training and development programmes.

The CORA report also declares the intention to increase inter-administrative mobility between the central government and the ACs. Potential benefits include better strategic alignment of resources across levels of government and a wider possibility of career paths for public employees. However, the structural barriers are more significant, as success requires harmonising HR systems across the central government and the 17 ACs, each of which have developed their own approach to HRM. Barriers to inter-administrative mobility indicated in the OECD's Survey of Autonomous Communities included differences in the classification of professional categories, differences in remuneration, the lack of common criteria for inter-administrative mobility, and barriers associated with the costs of training and adaptation in a tight fiscal environment. One place to start could be to establish temporary secondment programmes, where employees continue to be remunerated according to their home administration's HRM system, but work for a specified period in another administration. A second step could be to begin the process of dialogue across administrations through sectoral conferences or other forums, with a view to identifying barriers and general criteria to guide the harmonisation of HRM systems for increased mobility.

Developing a senior civil service to manage performance from the top down

Achieving the long-term benefits of a more strategic HRM function in Spain will depend on the capacity of senior civil service leadership. Senior civil servants embody and transmit core public service values such as integrity, impartiality, transparency and merit. They set the example in terms of performance and probity, and are essential players in the development of future planning and strategic capacity. A move towards a focus on performance management in any organisation requires strong management accountability, a shift of attitudes and focus of managers, new management competencies and building ownership of the performance management system. This means performance management of the managers themselves. This not only improves managerial accountability and performance, it sends a signal to staff that the senior echelons of the public service are serious about performance management.

Career-based systems generally emphasise the development of internal staff to eventually take on management roles. Any organisation which focuses on internal leadership development needs to take steps to ensure that managers are not promoted based only on their functional performance, but also on their managerial skills and effectiveness as well. In this context, programmes such as Spain's Master of Public Management offered by the Institute of Fiscal Studies (Box 6.8) can play a significant role in ensuring that managers are prepared to meet modern management challenges. A competency or accountability framework for managers can also help to establish common managerial expectations and the means to measure performance.

Box 6.8. **Master in Public Management at the Institute for Fiscal Studies**

Since 2006, Spain's Tax Administration Agency and the Institute for Fiscal Studies, in collaboration with the Fundación EOI (*Escuela de Organización Industrial* – an established management training institution in Spain), have offered a Master in Public Management for promising managers from the department of Finance and Public Administration.

The objectives of the programme are to:

- Train managers to enhance their ability to perform complex management tasks.
- Strengthen the management group to be an essential factor for the development and attainment of the ministry's strategic objectives, enhancing the knowledge, attitudes and values that support the professionalisation of public managers, and enabling them to be a driver of change and innovation in the ministry.
- Build common understandings and achieve greater integration between the various areas of the ministry by developing a comprehensive and integrated vision of the organisation through the exchange of views and experiences of a diverse group of managers.

The programme trains approximately 27 managers per year and consists of 420 hours of coursework, balanced between classroom and virtual learning. Units studied include people and financial management skills, marketing, strategic planning, ethics and electronic administration.

Source: Note provided by the Government of Spain, 2013.

The Spanish system combines a strong professional orientation at all levels with deep interaction between politics and the professional civil servants at the highest levels. The career system, which is based on objective criteria and entails court-protected employment stability, reaches the level of deputy director, corresponding to the highest professional level in the Spanish civil service (level 30). For senior managerial positions above this level (directors general, secretaries general and undersecretaries), the appointment is approved by the Council of Ministers on the basis of political confidence, although there is a very significant limitation, as the positions can only be filled by professional civil servants of the highest grade (A1). This general rule allows for exceptions that have to be duly justified. This system guarantees professional competency at the top levels and helps to establish a degree of managerial continuity as the professional profile of the senior management group is homogeneous. Political neutrality is not required for senior managerial positions. As a result, the level of turnover when political changes happen is higher than in many comparable OECD countries. Spanish academic literature[1] has underlined the strong connection between politics and the senior civil service, which is illustrated by a significant presence of high civil servants in ministerial positions. In this context, Spain may benefit from establishing mechanisms to strengthen the political neutrality of senior civil servants, which could result in stronger sustainability of long-term policy objectives.

The boundaries between the political and administrative arenas are never simple to manage, but many countries have found their own way to balance the implementation of policy, the delivery of services and the management of public sector institutions in a nonpartisan manner, while maintaining the responsiveness of the administration to political priorities. Some of the features often found in these systems include entrusting the processes for entry, promotion and posting of senior civil servants to a professional body using clear and transparent competency-based criteria, and using performance assessments and rewards as a way of increasing the responsiveness of senior management without infringing on their neutral professionalism.

Experience in OECD countries shows that a clear delimitation of the responsibilities of different layers (e.g. between senior management and political advisors) helps to find this balance. It is very important that political appointees who are not in management positions not play the role of managers of organisations. It is indeed very important for all countries to provide for mechanisms that allow the emergence of leadership in the politically neutral part of the civil service and clear reporting processes. Chile provides one example of an effective division of responsibilities between political advisors and senior managers in the public service.

Box 6.9. **Chilean "*Sistema de Alta Dirección Pública*"**

In 2003, the Chilean government, with the agreement of all political actors (opposition political parties, non-governmental organisations, civil society), created the *Sistema de Alta Dirección Pública* (ADP), a central senior civil service system. The aim of the ADP was to establish a professional senior management. Following the reform, there are three distinct groups:

- The most senior positions which are filled by direct designation by the government (1 000 positions out of 2 000 000 in central government).
- The ADP, for which recruitment is based on public competition (1 000 positions in central government). There are two levels within the ADP: approximately 1% at the first hierarchical level (heads of service, directors general), and the remainder at the second hierarchical level (regional directors, heads of division).
- Middle management positions (2 000 positions in central government) at the third hierarchical level, which form part of the career civil service.

The ADP system has been implemented gradually by recruiting by open competition whenever a post falls vacant and by expanding it over time to additional groups. For example, it has been expanded to include 3 600 municipal education directors and 2 800 new senior management posts in municipalities.

Key features of the ADP are:

- competitive selection based on professional merit
- profile based on competencies which are evaluated by expert consultants
- three-year term of office, renewable for two subsequent terms
- right to severance pay
- assessment under management performance agreements
- possibility of removal by the President for poor performance or loss of confidence.

Most of the selection process for the ADP is contracted out to specialised recruitment agencies. The National Civil Service Directorate (DNSC) is responsible for management of the ADP. However, the Senior Public Management Council (*Consejo de Alta Dirección Pública*) is in charge of guaranteeing the transparency, confidentiality and absence of discrimination of the selection process. It is chaired by the Director of the DNSC and has four members proposed by the President of Chile and approved by the Senate. The selection process, which takes about four months, begins with the publication of the vacancy in the media. A specialised enterprise commissioned by the council analyses the curricula vitae of the different candidates and prepares a shortlist for the council or a selection committee (under the council's supervision). Professional competence, integrity and probity are some of the criteria used in the selection process. Subsequently, the council or the committee selects the best candidates for interview and prepares a final shortlist for the competent authority for the final appointment.

The ADP system was based on international experience. In particular, the experience of OECD countries such as Australia and New Zealand strongly influenced the Chilean model. The system is considered one of the main achievements of the modernisation of Chile's public management. One

Box 6.9. **Chilean "*Sistema de Alta Dirección Pública*"** *(cont.)*

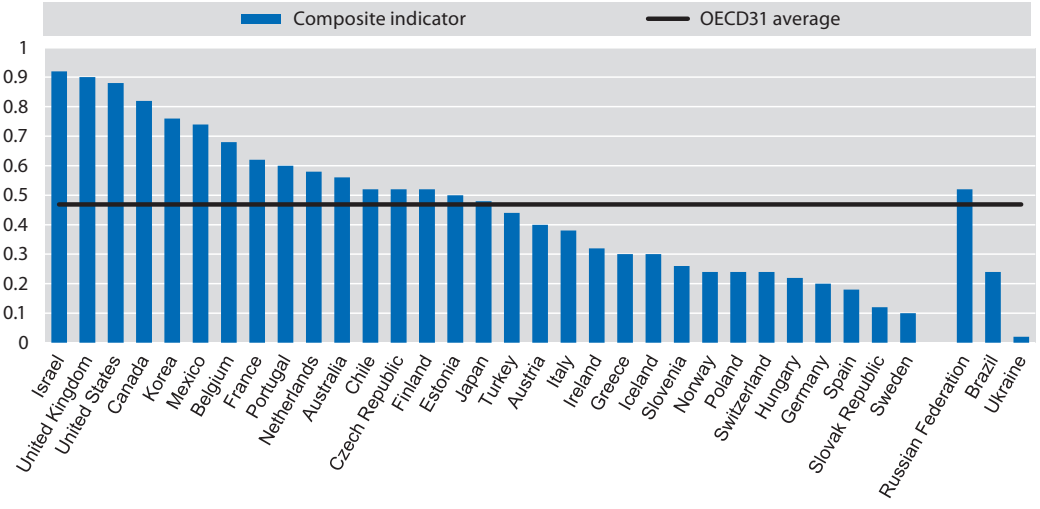
effect has been the decline in the number of political appointees in the central government; they currently represent only 0.5% of the total public workforce. It is also argued that the presence of women in senior positions has increased under the system: they occupy 32% of positions, compared to 15% in the Chilean private sector.

Sources: Weber, Alejandro (2012), "Alta dirección pública", presentation given at the seminar *Fortaleciendo la Capacidad del Empleo Público Colombiano*, Bogota, 27 July 2012.

Taking direct aim at the practices of senior managers may require establishing separate management structures for senior civil servants. A number of OECD countries have established separately managed senior civil service (SCS) systems for senior management. An SCS system usually applies to the first three or four levels of management in large institutions and is typically managed through appropriate central institutions and procedures in order to provide stability and professionalism, but also allowing a necessary flexibility to match changes in government.

Establishing a formal SCS system can help Spain to clarify boundaries between politics and administration and make senior managers more explicitly accountable for the results achieved by the organisations they manage. It can also improve flexibility in recruitment and employment conditions, which can be especially relevant to career-based systems.

Figure 6.6. **Use of separate human resource management practices for senior civil servants**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2010), "OECD Survey on Strategic Human Resources Management in Central/Federal Governments", OECD, Paris.

The Spanish government has recently requested the civil service to begin the development of an SCS statute, in recognition of the need to establish separate management parameters for this particular category of public employees. In order to move towards a stronger emphasis on the performance of government organisations, Spain could use the example of other OECD countries to create an SCS system.

A number of countries (Belgium, France, Ireland and Korea, for example) with career-based public services have recently opened up the recruitment of a limited percentage of their posts to lateral entry and new staff coming from the private sector. In many countries with open recruitment to the senior civil service, this is based on a centrally defined competency profile, and is often managed in a more centralised manner than the recruitment of other staff. Spain may wish to consider this approach.

Box 6.10. **Recruiting senior management in Belgium, France and Ireland**

Ireland

The Top Level Appointments Committee (TLAC) is intended to ensure objectivity in filling senior posts, improve the quality of top management, open posts at the highest level to competition, and encourage interdepartmental competition and mobility. The most senior appointments (secretary-general) are made by government from a shortlist provided by the TLAC and are for a fixed term of a maximum of seven years.

Appointments to the next most senior level, assistant secretary, are also made through the TLAC. Since 2007, all assistant secretary positions have been filled by open competition and since 2010, the majority of secretary general posts have also been filled in that manner. Other management positions are filled through a combination of open recruitment and from competitions held within the civil service.

The composition of the TLAC was reformed in 2011 so that the chairperson and a majority of the members are drawn from outside the public sector. External members, who have specific skills in management and human resources, are appointed by the minister with responsibility for the public service. The aim is to ensure access to the broadest possible range of talent for filling top public service positions. In addition to transforming the structure of the TLAC, new approaches to attract external candidates to these top jobs are also being introduced, including headhunting on occasion. All top-level jobs are advertised.

France

In contrast to other advanced OECD countries, there is no proactive management of leadership in France. Developments during the RGPP have, however, marked the beginning of a reform that will be important for the future of the civil service. First of all, the highest positions in senior management have been opened to candidates from the private sector under contract. This is a significant development, consistent with experience in other OECD countries, one that brings new insights and refreshes the culture of senior management. Management of the senior echelons has also undergone some streamlining, with the deconcentration to the ministerial level of current management tasks concerning civil administrators and the appearance of a new, unique and horizontal employment status to govern all heads of deconcentrated services of the central government and their deputies. This is a first step towards creating a unified senior civil service corps.

Belgium

The recruitment of senior managers is specific and has evolved at all levels of government. Recruitment at these levels is open to all applicants, and mandates are automatically renewed or reopened to external competition after they terminate. These management changes represent a major move towards more positionbased systems for the management of senior managers. The Belgian government has developed sophisticated recruitment mechanisms, with pre-selections handled by SELOR, Belgium's central HR recruitment agency. The final selection on the shortlist is a discretionary ministerial decision.

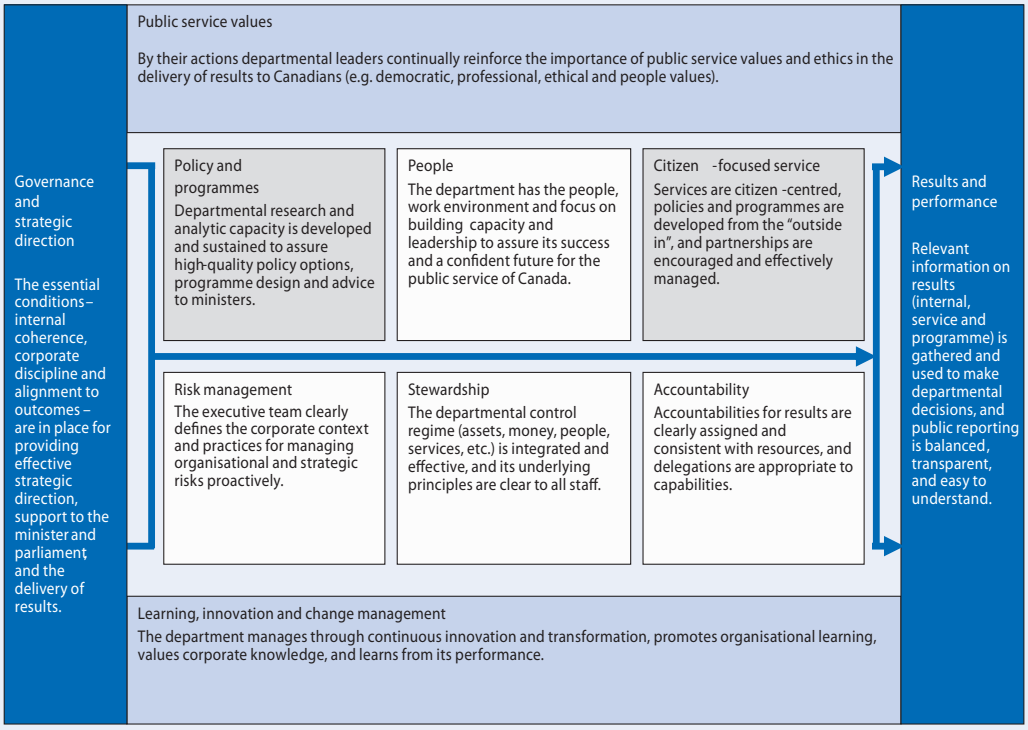
Sources: Top Level Appointments Committee (2011), "Procedures and practices of the Top Level Appointments Committee", http://hr.per.gov.ie/files/2011/12/here.pdf (accessed 6 November 2012); Department of Public Expenditure and Reform (n.d.), http://per.gov.ie (accessed 6 November 2012); OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167612-en.

Some OECD countries have put in place comprehensive management accountability frameworks to support performance management and increased the delegation of management functions to departments, as illustrated by the example from the Canadian public service (Box 6.11). This system has supported a move from prescriptive rules and heavy central control to a more flexible management system of risk-based monitoring and managerial accountability for results. An important feature of this system is that the meaning of management is clearly operationalised – key indicators are identified to ensure that the system can be used to help senior managers assess progress and increase their accountability for results. There is a specific HRM component of the framework which provides a common structure for assessing HRM in departments and agencies.

Box 6.11. **The Canadian Management Accountability Framework**

In the context of increased emphasis on results and performance management, and increased delegation of management functions to departments, the Canadian government has developed a Management Accountability Framework (MAF) to ensure departmental accountability for management results, including human resources. The MAF is structured around ten key elements that collectively define "management" and establish the expectations for good management of a department or agency. It sets clear indicators and measures that can be used to gauge performance over time to help managers, deputy ministers and central agencies to assess progress and to strengthen accountability for management results.

The MAF is part of the government's efforts to move away from prescriptive rules and heavy central regulation to focus on risk-based monitoring and accountability for results. The government uses the annual MAF assessments to identify management strengths and weaknesses in individual departments and agencies, and ultimately government wide. The assessment process leads to a joint agreement on specific management improvement action plans and ultimately public reporting on the state of management. The MAF assessment now also factors into deputy ministers' performance appraisals.



Box 6.11. **The Canadian Management Accountability Framework** *(cont.)*

The people component of the MAF provides a common structure for assessing human resources management in departments and agencies. It sets out a vision, expectations, key performance indicators and associated measures for sound human resource management. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The outcomes are:

- a workforce that is talented, professional, representative, engaged and productive, with the required competencies and values to meet current and future needs
- a workplace that is healthy, safe and fair and enables employees to work effectively in a supportive environment and a culture of excellence
- strong leadership and management capacity to effectively lead organisations and people in a complex and dynamic environment
- effective infrastructure, which facilitates effective organisational planning supported by strategic and enabling human resources management, and achieves high levels of client satisfaction
- the key people management performance indicators provide a solid foundation on which managers at all levels, including deputy ministers and human resource professionals, can build their accountability regimes for quality human resources management and assess their organisations' business and human resources outcomes.

Source: Treasury Board of Canada Secretariat (TBS) (2009), "TB Management Accountability Framework", TBS, Ottawa, Ontario, www.tbs-sct.gc.ca/maf-crg/index-eng.asp.

Box 6.12. **Roadmap for implementing competency management**

This roadmap has been created based on the experience of OECD member countries in introducing competency management. It is not a prescription, but a checklist or guidelines on how to engage in competency management.

Step 1: Deciding to introduce competency-based management. This is a strategic choice and a long-term commitment. Competency management should be regarded as a means to achieve an objective. It is important to establish the objectives for the competency modelling project in advance. Formulating the objectives clearly can contribute to creating a shared perspective on competency management among the different stakeholders. The link to the organisational mission and vision should be made here. The decision to introduce competency management should not be taken lightly, as it is by no means an easy process. Nevertheless, competency management can leverage changing the organisational culture. The introduction of competency management can be an interesting opportunity to introduce organisational change during a period of broader government reforms.

Step 2: Organising, planning and communicating the shift to competency-based management. Three aspects should be considered: *i)* determining the organisation of competency management, which refers to the HR governance structure that is applied; *ii)* planning the approach for the development of a competency management system, which involves defining concepts, determining the relevant parts of the organisation and selecting the development tools; *iii)* developing and implementing communication plans to obtain support from staff.

Step 3: Identifying competencies and developing competency models for the specified target groups. This diagnostic phase begins with specifying the target groups of competency management. Then, the competency model is specified and the competencies are identified. There is no ideal competency management system, but a good competency management system must always be aligned with the specific goals of an organisation. A government's competency model ideally includes a mix of competencies specific to the public service, and competencies that appear in

Box 6.12. **Roadmap for implementing competency management** *(cont.)*

both public and private sector organisations. Competencies specific to the public service generally take the form of (public service) values, for example: commitment, service, integrity, transparency, accountability and equity. Other competencies with an emphasis specific to the public service are public service professionalism and probity, affinity with public sector management, political awareness, political savvy and public service motivation.

Step 4: Integrating competencies into various HR processes. The integration of competencies into the various HR processes can happen gradually or suddenly. With gradual integration, it is possible to start with a pilot project in one department, with a group of employees or in one HR process (selection, remuneration, workforce planning, etc.). Competency management is more than simply using competencies in various HR processes; it requires organisation-wide dynamics. Therefore, the competency-based HR systems should be integrated so that they are aligned and mutually supportive. The challenge is to develop competency management as an integrated, core part of HRM and to avoid the risk of it becoming an isolated tool or an end in itself.

Step 5: Revising and updating the competency management system on a regular basis. It is particularly important to grasp the dynamic nature of individual job-related competencies. Regular updates and revisions of the competency management system must be scheduled. Competency modeling is a continuous process, not a one-time project. To be useful, the list of competencies needs to be revised as business strategies and conditions change. In terms of timing, there are several options, such as periodic evaluation or a comprehensive review over several years.

Source: OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264166707-en.

Conclusions and recommendations

This section has presented an assessment of the HRM implications of Spain's CORA report focused on two fundamental, but interrelated aspects: the need for integrated change management to ensure that the Spanish government's staff are supported to enable short-term reforms highlighted in the CORA report, and a longer term development of a strategic HRM system based on performance management. In the short term, the OECD suggests that Spain should continue making efforts to maintain the staff morale and worker productivity and the sustainability of its job cuts. Spain should also keep analysing its human resources policy in depth to determine where, exactly, the cuts are creating the most pressure, and then take directed measures to alleviate this pressure when and where necessary. Such measures may include staff reallocation and reskilling and/or focused and targeted hiring to reduce the risk of overworking remaining staff. It may also be prudent to continue to invest significantly in training and development to ensure that the remaining staff are equipped to function more productively and feel supported through the transition process.

Furthermore, staff need to be seen as a strategic asset and partner of change. This means continuing to prioritise training and engaging staff through a variety of channels in a genuine dialogue to ensure that they are informed of the motivation for the changes, the results they can expect and have the ability to provide input where appropriate. Taking such measures quickly may have a positive impact on staff morale and avoid reform fatigue.

It would also be advisable for the MINHAP to make a concrete announcement regarding its intentions to implement better strategic management of staff and to invite staff and/or their representatives (e.g. unions) to participate. This may help reduce the scepticism which has been observed and boost morale in the short term.

Taking a longer term view, Spain should work further in the development and design of a performance-oriented HRM system based on competency management and driven by a senior civil service performance culture. While this will be a very long-term process, some elements are already in place. Good work is underway in the MINHAP to develop performance systems that enable a more strategic management of human resources. According to OECD data, Spain already has a forwardlooking HR planning system, respected training institutions, and a number of individual agencies and ACs have implemented successful performance assessment systems which may provide a foundation from which to expand.

The challenges that MINHAP will face in moving these initiatives forward at the whole-of-government level may be immense. Conversations between the OECD and various stakeholders indicate that the work underway at the MINHAP is not centre stage in the current process of reform, although it is gaining profile in the context of the CORA's implementation. However, all public servants with whom the OECD spoke, including managers, employees and a range of union representatives, expressed a genuine desire to implement a more strategic HRM system to improve career paths, increase mobility and give a clearer sense of purpose to their roles. In that respect, in the immediate term, the MINHAP would be well advised to consider developing a more robust communication and engagement strategy to ensure that all potential partners are made aware of its work and have the opportunity to participate.

Finally, Spain should prioritise the development of stable, sustained leadership with the right skills to manage long-term transformation. This may require reconsidering the balance between the political and administrative levels, and Spain may wish to consider methods such as those highlighted in this report to recruit, develop and manage the performance of its executive leaders.

The sequencing of subsequent elements will depend on details specific to Spain that are beyond the scope of this report. The development of competency management, as outlined in Box 6.12, could be a good place to start, as this can act as the foundation for the integration of other elements of a strategic HR system.

Notes

1. See, for example, http://elpais.com/elpais/2012/07/23/opinion/1343043295_174561.html.

Bibliography

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Huerta Melchor, O. (2008), "Managing change in OECD governments: An introductory framework", *OECD Working Papers on Public Governance*, No. 12, OECD Publishing, Paris, http://dx.doi.org/10.1787/227141782188.

Ministry of Employment and Social Security (2013), "Report evaluating the impact of the labour reform", Government of Spain, Madrid, www.empleo.gob.es/es/destacados/HOME/impacto_reforma_laboral/Report_evaluating_the_impact_of_the_Labour_Reform.pdf.

OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

OECD (2012a), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies,* OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167612-en.

OECD (2012b), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264177758-en.

OECD (2012c), "The government workforce of the future: Innovation in strategic workforce planning in OECD countries", GOV/PGC/PEM(2012)1/REV, OECD, Paris.

OECD (2011a), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264166707-en.

OECD (2011b), "Trends in strategic human resource management in government: Findings from the 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries", OECD, Paris.

OECD (2011c), *Government at a Glance 2011*, OECD Publishing Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

OECD (2010a), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en.

OECD (2010b), *Managing Competencies in Government: State of the Art Practices and Issues at Stake for the Future*, OECD Publishing, Paris.

OECD (2010c), "OECD Survey on Strategic Human Resources Management in Central/Federal Governments", OECD, Paris.

OECD (2008), *OECD Public Management Reviews: Ireland 2008: Towards an Integrated Public Service*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264043268-en.

OECD (2007), *OECD Reviews of Human Resource Management in Government: Belgium 2007: Brussels-Capital Region, Federal Government, Flemish Government, French Community, Walloon Region*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264038202-en.

Top Level Appointments Committee (2011), "Procedures and practices of the Top Level Appointments Committee", http://hr.per.gov.ie/files/2011/12/here.pdf (accessed on 6 November 2012).

Treasury Board of Canada Secretariat (TBS) (2009), "TB Management Accountability Framework", TBS, Ottawa, Ontario, https://www.tbs-sct.gc.ca/maf-crg/index-eng.asp.

Weber, Alejandro (2012), "Alta dirección pública", presentation given at the seminar Fortaleciendo la Capacidad del Empleo Público Colombiano, Bogota, 27 July 2012.

Chapter 7

Strengthening transparency and building trust in government in Spain*

This chapter highlights how transparency is addressed in the CORA reforms and other related initiatives, such as the Budgetary Stability and Financial Sustainability Act. It also analyses the Law for Transparency, Access to Public Information and Good Governance and refers to international principles and standards to be included in any freedom of information law as well as guidance on its implementation. Finally, it discusses the Democratic Regeneration Plan (Plan de Regeneración Democrática, DRP) highlighting its three broad policy areas: i) the financial and economic activity of political parties; ii) the exercise of public office; and iii) criminal and procedural measures to combat corruption.

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Policy makers in OECD countries broadly agree that enhancing transparency and facilitating the participation of citizens can enhance democratic engagement, build trust in government and harness productive forms of responsibility, including in the delivery of public services. Accordingly, they have put in place a number of mechanisms that facilitate fair and equitable access to information and services for all stakeholders and leverage the opportunities for citizen's engagement in the policy-making process (OECD 2013b).

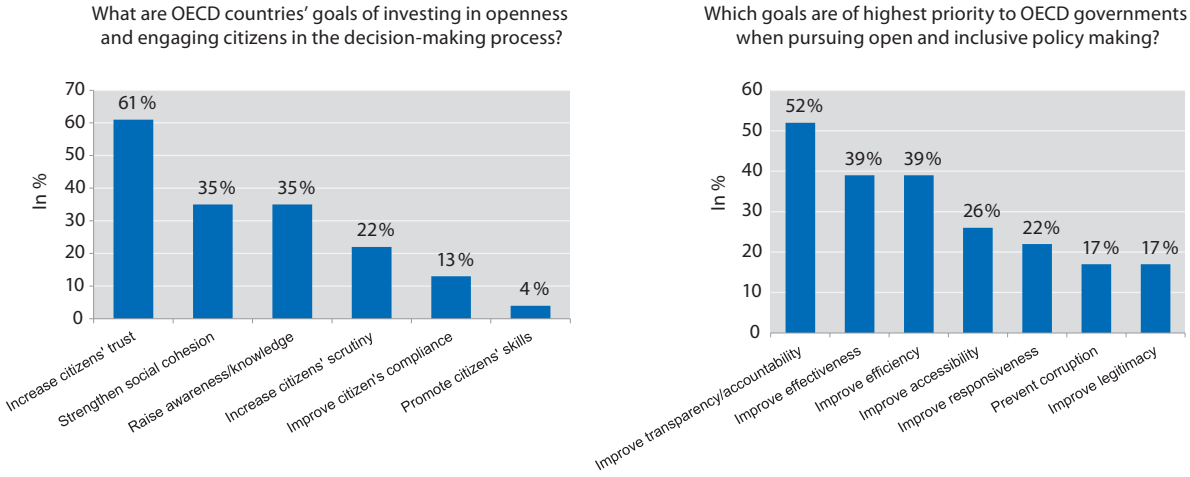
Examples of mechanisms that have been implemented across OECD countries include access to information (or freedom of information) laws, policy enquiry commissions, high-level social partnerships, public consultations and referenda and more recently, two-way citizen engagement mechanisms driven by new, user-friendly information and communication technologies (ICTs).

At the heart of these efforts, governments in OECD countries have predominantly in mind the goal to increase the trust of the citizens (61%). In addition, OECD governments see the value of investing in open and inclusive decision making as a means to increase transparency and accountability (52%), followed by improved effectiveness and efficiency (39% each) of government (Figure 7.1).

The global financial crisis has had an acute negative impact on public trust in OECD governments. The crisis highlighted serious governance and regulatory failures such as limited enforcement, revolving doors, regulatory capture, plain corruption and conflict of interest, that have resulted in plummeting levels of trust in government (OECD, 2013d).

In Spain, the effects have been even more severe. Levels of trust in government have dropped from 48% to 34% in the past five years, almost three times as much as the average decline across OECD countries for the same period (45% to 40%) (Figure 7.2).

Figure 7.1. **OECD countries' goals of investing in openness and citizens' engagement and high priority goals to pursue open and inclusive policy making**

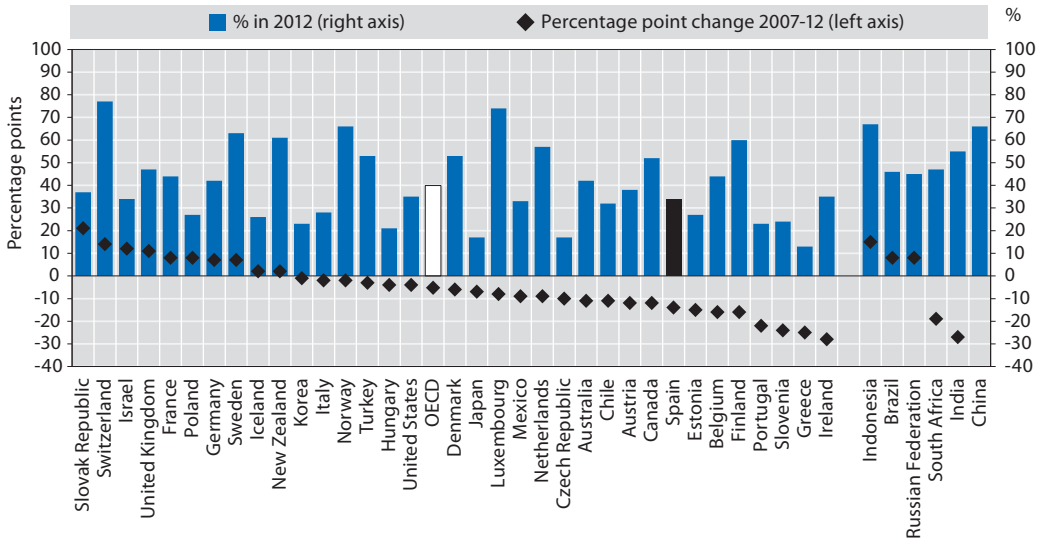


Note: Percent of respondents ranking the option as "important" or "very important".

Source: OECD (2009), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264048874-en.

Figure 7.2. **Confidence in national (central) government in Spain and selected countries**

In this country, do you have confidence national government? Percent of "yes" responses



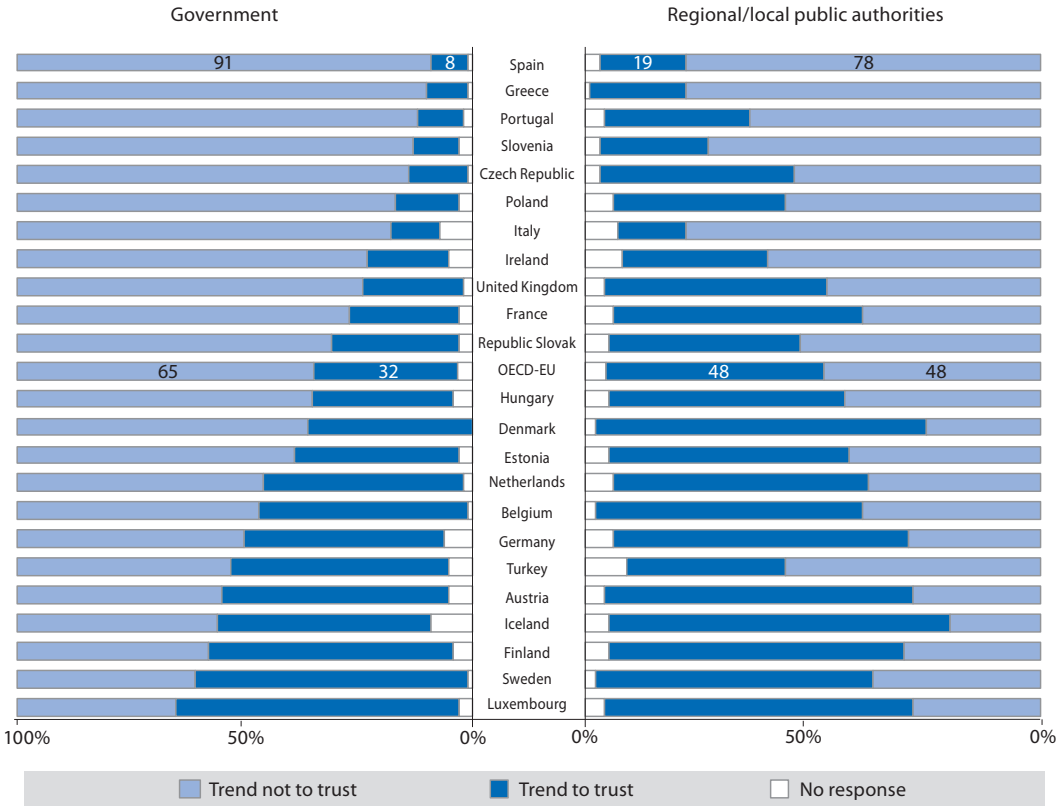
Note. Data refer to percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for Chile, Germany and the United Kingdom are for 2011 rather than 2012. Data for Iceland and Luxembourg are for 2008 rather than 2007. Data for Austria, Finland, Ireland, Norway, Portugal, the Slovak Republic, Slovenia and Switzerland are for 2006 rather than 2007. Data are drawn from the Gallup World Poll. The Gallup World Poll is conducted in approximately 140 countries around the world based on a common questionnaire, translated into the predominant languages of each country. With few exceptions, all samples are probability based and nationally representative of the resident population aged 15 and over in the entire country (including rural areas); however, results may be affected by sampling and non-sampling errors. Sample sizes are limited to around 1 000 persons in each country. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

In addition, according to the 2013 Eurobarometer (European Commission, 2013), the overall tendency to distrust government reaches 91% of respondents in Spain, 26 percentage points above the average for OECD-EU member countries. The same level of distrust is also evidenced at the regional/local level: 78% of respondents tend not to trust the regional/local level authorities. As a result, Spain ranks third as the OECD country with the highest level of distrust in government, behind Greece and Italy (Figure 7.3).

Lack of trust and the concerns raised by corruption cases increased public authorities' focus on the need to strengthen anti-corruption and integrity-related policies. Therefore, the government of Spain has acknowledged the need to address corruption along with other economic recovery measures. The reforms outlined by the CORA focus mostly on administrative simplification and overlap, management of public resources and rationalisation of governance structures. Increasing transparency in public activity is also mentioned as an objective of the reform. While these reforms have not necessarily been treated as a single, comprehensive package, it is important to highlight their complementarity and potential to leverage each other's objectives.

Figure 7.3. **Trend to trust or not to trust government and regional/local level authorities in OECD and EU member countries**



Note: OECD-EU average includes countries that are EU and OECD members countries on the road to EU membership such as Iceland and Turkey.

Source: European Commission (2013), "Public opinion in the European Union: First results", Standard Eurobarometer 79, Spring 2013, European Union, Brussels, July, available at: http://ec.europa.eu/public_opinion/archives/eb/eb79/eb79_first_en.pdf (last accessed on 21 November 2013).

Since February 2013, the parliament has pointed out the need to adopt a wide range of anti-corruption measures, such as ethical pacts among political parties; setting up of an independent commission to report on the revitalising of democracy; a need for legislative measures to improve party funding regulation; increasing the powers to control political parties by the Court of Audit; increasing the transparency and efficiency of public procurement through a centralised procurement body and a central platform; senior public officials' statute; criminal and procedural measures to combat corruption; needed improvements such as the independence of the Transparency Council in the transparency and good governance law; regulating lobbying; and improvements in the asset disclosure system for elected officials (European Commission, 2014). The following sections will provide an overview of ongoing transparency and related reforms in Spain.

Box 7.1. **Transparency in the reforms proposed by the Commission for the Reform of the Public Administrations**

Budget discipline

Transparency, as an element of the reform, appears most prominently in relation to measures addressing budget discipline, mostly concerning the quality and accessibility of the underlying information. Starting in 2013, monthly figures on the budgetary implementation of all public administrations, in terms of national accounts, will be made available (with the exception of local corporations, which will be published quarterly). Likewise, an Information Centre located in the Ministry of Finance and Public Administrations (*Ministerio de Hacienda y Administraciones Públicas*) will consolidate the budgetary and financial information of the public administration.

Public sector rationalisation

Measures aimed at the rationalisation of the institutional administration will establish criteria for identifying each type of entity, its economic and financial oversight system, and what procurement and employment schemes it will have, thus bringing transparency, clarity and consistency to the legal framework by regulating the organisation of the Spanish public sector.

At the sub-national level, the draft Law for the Rationalisation and Sustainability of the Local Administration (*Ley de Racionalización y Sostenibilidad de la Administración Local*) will clarify municipal powers and reinforce the role of municipal comptrollers. Limits will be placed on the number of temporary staff employed and of full-time public officials, based on the population of the municipality and the salaries of local government officials will be determined in the annual Budget Act.

Public administration efficiency

Under the heading of improved efficiency of the public administration, a number of measures will target greater transparency, including: *i)* reform of the Grants Act, which will strengthen transparency and competitiveness in project selection; *ii)* improvement in the administrations' grant databases, including an automatic interface of the different regional and local databases with the *National Grants Database* and with tax information databases; *iii)* leverage this platform as an advertising system for the grants awarded, promoting greater transparency and simplification of processes.

Source: Adapted from Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Transparency in the reform of the Spanish public administration

Throughout the CORA report, transparency is mentioned on an important number of occasions (Table 7.1) in association with the core principles of the reform: *i)* budget discipline; *ii)* public sector rationalisation; *iii)* increased efficiency of the public administration; *iv)* greater alignment of service provision with the needs of citizens and businesses.

Table 7.1. **Transparency across the CORA's reforms and related initiatives**

Initiative	Objectives	Specific transparency tools/ measures	Transparency as…	What is driving the initiative
Law on Budgetary Stability and Financial Sustainability (*Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera*) (CORA pp. 13,49, 82)	– guarantee financial sustainability for the entire public administration – strengthen trust in the stability of the Spanish economy – strengthen Spain's compliance with the EU in terms of budget stability	– Central Information Point (*Central de Información*) managed by the Ministry of Finance and Public Administrations	– public availability of information	– financial sustainability
Draft Law for Transparency, Access to Public Information and Good Governance (*Proyecto de Ley de Transparencia, Acceso a la Información Pública y Buen Gobierno*) (CORA pp. 14,51)	– transparency of public activity – regulate the exercise of access to information – promote good governance from public officials ---------- – improve the quality of public statistics (CORA p. 52) – include a project on review and regulatory simplification and, if possible, a consolidation of the regulations (CORA p. 71)	– Transparency Portal managed by the Ministry of the Presidency	– public availability of information	– increasing confidence in institutions by opening the government to citizens – fiscal discipline by imposing various legal obligations regarding the management of economic resources and respect for budgetary stability
Reform of the Grants Act (*Reforma a la Ley de Subvenciones*) (CORA p. 23)	– strengthen transparency in the granting and competitiveness in the selection of projects, financing costs strictly necessary by requiring a minimum of private contributions	– creating a national subsidy database regrouping all the different databases of the various government subsidies, ensuring automatic interconnection of different regional or local databases, including the tax database	– a tool to level the playing field and increase competition – public availability of information	
Independent Fiscal Responsibility Authority (*Autoridad Independiente de Responsabilidad Fiscal*) (CORA p. 51) The authority was created in November 2013	– increase the transparency and accountability of public officials by carrying out continuous assessment of the budget cycle, public debt and macroeconomic forecasts underlying medium-term draft budgets and scenarios	– introduction of new mechanisms for oversight and transparency in fiscal policies of various levels of government	– accountability	– budgetary stability and financial sustainability at all levels of government
National Markets and Competition Commission, (*Comisión Nacional de los Mercados y de la Competencia*, CNMC) (CORA p. 56) The National Commission on Markets and Competition was created in June 2012	– public body responsible for ensuring, protecting and promoting the proper functioning, transparency and existence of effective competition in all markets and sectors	– performs the functions related to the proper functioning of markets that were formerly attributed to eight regulatory bodies	– transparency to support market competition	– economic savings
Draft Law for the Rationalisation and Sustainability of the Local Administration (*Ley de Racionalización y Sostenibilidad de la Administración Local*)) (CORA p. 57)	– among others, increasing the information transparency requirements on the management model adopted by a local entity that provides services to the public	– no measures described	– information	– efficiency

Table 7.1. **Transparency across the CORA's reforms and related initiatives** *(cont.)*

Initiative	Objectives	Specific transparency tools/ measures	Transparency as…	What is driving the initiative
Performance indicators systems (CORA p. 67)	– performance indicators respond to a change of perspective in the functioning of the public administration, providing an element of transparency and accountability of public activity	– publication of performance information on the website of public entities and on the Transparency Portal	– public availability of information	
Draft Law on Public Sector Commercial Debt Control (*Anteproyecto de Ley Orgánica de Control de la Deuda Comercial en el Sector Público*) (CORA p. 76)	– order of the Minister of Finance and Public Administrations with all the necessary measures to implement the principle of transparency	– no measures described		
Greater transparency in funding public policies (CORA p. 94)	– more integrated communication channels for sharing economic information on the cost of public policies among the different public administrations	– no measures described	– information management to: *i)* understand costs of different public policies; *ii)* promote economies of scale	– avoid duplication – better use of resources
Draft Law on the Single Market Guarantee (*Anteproyecto de Ley de Garantía de la Unidad de Mercado*) (CORA p. 98)	– ensure that the data included in different economic listings, entities or facilities go into a common database and are available for those bodies with oversight powers to exercise the tasks of monitoring and control	– common database (*Ventanilla única*) managed by the Ministry of Finance and Public Administrations	– information management	
New procurement organisation model (CORA p. 183)	– among others, achieve savings and improvements in public procurement by increasing transparency	– electronic reverse auctions – centralised procurement	– information management – efficiency of public expenditures	– savings and improvements in public procurement

Source: based on Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF

Despite the importance attributed to the role of transparency in the future public administration in Spain, a close analysis of these initiatives reveals that there is no clear guiding definition of transparency for the purposes of the public administration reform. It is difficult to understand its motivation or what is expected to be achieved through greater transparency, other than making information publicly available. For instance, transparency is associated with some of the areas of the reform (e.g. budget discipline) while in others, it is presented as a side effect (e.g. implementation of a productivity and efficiency assessment system). Despite the initial recognition that "a competitive economy demands modern, transparent and agile public administrations", the CORA's objective is focused on "achieving more effective and efficient public activity, curbing costs without reducing the quality of services rendered".

Sustainable, structural reform of the public administration requires a reconsideration of the role of the state and its underlying values and principles, in addition to the underlying processes and supporting structures. The institutionalisation of transparency should play a key role in this regard. Transparency is not only key to upholding integrity in the public sector, but it also contributes to better public sector performance, promotes better decision making, and leverages economic growth and social development.

This is better illustrated, for example, in the untapped connections between the CORA's objectives and future outputs of the Law for Transparency, Access to Public Information and

Good Governance. Among others, Article 6.2 of the law obliges the administrations, if they have such documents, to publish annual and multi-annual programmes with policy objectives, indicators and the corresponding periodic evaluation results. This "institutional information", which will require back-office planning, monitoring and control prior to publication, is more than closely associated with the CORA's references on performance management. Likewise, Article 7.2 and the Second Additional Clause on normative simplification complement the CORA's proposals to achieve better regulation. In addition, Article 8 describes the economic, budgetary and statistical information that needs to be published. For instance, all contracts, indicating the duration and the amount, the procurement procedure used to award the contract, the number of participants in the bid, and the identity of the winner need to be published on the Transparency Portal (created by Article 10 of the Law for Transparency, Access to Public Information and Good Governance). This will help reinforce some of the objectives of the CORA such as financial control, a transparent public administration and social scrutiny, by allowing free real-time access to information on budget execution, as a basis to support direct monitoring of government expenditure by citizens.

Transparency in complementary reforms

In referring to transparency, the CORA makes extensive mention of a number of important complementary policy reforms, in particular: *i)* the Law on Budgetary Stability and Financial Sustainability (*Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera)*; *ii)* the draft Law for the Rationalisation and Sustainability of the Local Administration (*Proyecto de Ley Racionalización Administración Local)*; *iii)* the Law on Transparency, Access to Public Information and Good Governance (*Ley de Transparencia, Acceso a la Información Pública y Buen Gobierno)*; *iv)* the Democratic Regeneration Plan (*Plan de Regeneración Democrática*).

Law on Budgetary Stability and Financial Sustainability

Transparency, in this law, appears as a principle (Article 6) and refers particularly to public availability of necessary information. According to the law, accounting oversight requires providing enough and adequate information to allow the financial situation of public administrations, their achievement of financial stability goals and their compliance with EU requirements to be verified. To do so, according to Article 27, the budget of every public administration must be accompanied by precise information to track down the remaining balance between revenue and expenditure. The Ministry of Finance and Public Administrations (*Ministerio de Hacienda y de las Administraciones Públicas*) may request the necessary information to guarantee the enforcement of the law. The law provides a minimum set of documents that need to be provided by public administrations, such as budget proposals, initial financial statements, annual accounts of autonomous regions and quarterly settlements, among others. Still, the specificity of the information, the procedure and the deadlines for providing the information, as well as the public availability of the information need to be further defined.

In observance of the principle of transparency, the Ministry of Finance and Public Administrations will set up an Information Centre (*Central de Información*, Article 28) to make the economic and financial information of public administrations publicly available. However, the type of information, the periodicity and the publishing requirements to ensure consistency, comparability and usability have not been spelled out. Also, it is not clear how this portal is going to interact with other portals such as the Transparency Portal which is/will be dependent on the Ministry of the Presidency.

As with other ongoing reforms, implementation of the law will be reinforced by the now approved Law for Transparency, Access to Public Information and Good Governance, insofar as it typifies infractions in economic management associated with non-compliance of certain elements of the Law on Budgetary Stability and Financial Sustainability (e.g. conducting credit operations without the necessary prior authorisation).

Draft Law for the Rationalisation and Sustainability of the Local Administration

According to the Law on Budgetary Stability and Financial Sustainability, new variations of the basic rules regulating local authorities are needed for the proper application of the principles of budgetary stability, financial sustainability and efficiency of local public resources. In response, the draft Law for the Rationalisation and Sustainability of the Local Administration aims to clarify municipal jurisdictions to prevent duplications of functions and limit the exercise of "improper powers".

Concerning transparency reforms, the draft law provides for: *i)* clarification, by law, of the scope of municipal powers; *ii)* reduction of the administrative authorisations necessary to launch an economic activity; *iii)* definition in the general state Budget of the salary of members of local corporations, according to population and limited to the Secretary of State; *iv)* limitations in the number of staff-in-confidence and part-time staff according to township population.

In addition, the role of municipal comptrollers, including their capacity and autonomy, will be reinforced as local administration civil servants with nationwide certification.

Law for Transparency, Access to Public Information and Good Governance

Access to information or Freedom of Information laws (FOI) are a fundamental pillar of open and inclusive government and recognition of a basic democratic principle: government represents the people and acts on their behalf, and thus its actions must be open to scrutiny (Abramovich and Courtis, 2000). But the potential of access to information goes beyond its recognition as a basic democratic right: access to the information that the government generates, acquires, obtains or processes is indispensable if citizens are to be given the necessary tools to make their participation in public affairs well-argued and relevant (Stiglitz, 1999).

For this to happen, comprehensive regulation needs to be passed, followed by adequate implementation that considers the relevance and "usability" of the information provided *vis-à-vis* its potential users.

The regulation and implementation of the right to access to information has advanced significantly. Today, 95 countries in the world and almost all OECD countries (Centre for Law and Democracy and Access Info, n.d.) have a stand-alone freedom of information (FOI) law or the right to access information is embedded within other laws or regulations.

However, OECD governments are struggling to fully institutionalise openness and inclusiveness through access to information. In part, this is due to regulatory and implementation challenges related to their scope (e.g. entities subject to the law) and to the extent and nature of information disclosed (e.g. active or passive, exceptions). For example, regarding access to information laws, in most OECD countries their reach extends vertically to all levels of government but only half of them extend horizontally to all branches of central government (legislative, judicial and executive) while the inclusion of private entities managing public funds, such as those contracted by the government to provide services to citizens, remains uneven (Table 7.2).

Table 7.2. **Breadth of central government freedom of information laws, 2010**

Level of government	Number of countries	Countries
Central	31	Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United States
Sub-national	25	Austria, Belgium, Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Turkey, Ukraine and United Kingdom
Branches of power at the central level		
Executive	31	Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United States
Legislative	16	Belgium, Chile, Estonia, Finland, Hungary, Ireland, Israel, Italy, Korea, Mexico, Poland, Russian Federation, Slovak Republic, Slovenia, Sweden, Turkey, Ukraine and United Kingdom
Judicial	16	Australia, Belgium, Chile, Estonia, Finland, France, Hungary, Israel, Italy, Korea, Mexico, Norway, Poland, Russian Federation, Slovak Republic, Slovenia, Sweden and Ukraine
Other bodies		
Private entities managing public funds	18	Australia, Belgium, Czech Republic, Estonia, Finland, France, Hungary, Iceland, Italy, Korea, Netherlands, Poland, Portugal, Slovak Republic, Sweden, Switzerland, Turkey, Ukraine and United Kingdom

Notes: Data are not available for Germany and Greece. At the time of writing, Luxembourg was drafting a law on access to information and is not included in the table. The Russian Federation and Ukraine are not included in the totals. The Italian freedom of information law applies only to administrative acts and does not refer to legislative acts. According to the Italian system, all legislative acts are published in the *Gazzetta Ufficiale* (freely available online). Preliminary legislative acts, as well judgments and judicial acts, are also available online. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

In Spain, the disclosure of information by the central government is fragmented along several regulations. For example, Article 105.b of the Spanish Constitution (approved in 1978) defines the obligation of the national government to regulate citizens' access to public records and archives. In addition, Article 35 of the Law of Common Administrative Procedure (Law 30/1992) recognises the "access to records and archives of the government as provided in the Constitution and other laws" and defines the procedure to request any public document or archive and the reasons to deny the access to some information. Furthermore, Article 6 of Law of Citizen's Electronic Access to Public Services (Law 11/2007) "recognises to citizens the right to communicate with the government using electronic means for the exercise of rights defined in Article 35 of Law 30/1992". As a consequence, citizens have, in principle, access to public records and archives.

Yet, these regulations are insufficient. Good practice highlights stand-alone access to information laws as key instruments to advance transparency and openness. In addition, a

2012 study found that more than half of the requests for public information in the country go unanswered, while only 20% of answered requests provided the requested information.[1]

The approval of the Law for Transparency, Access to Public Information and Good Governance by the Senate[2] on 26 November 2013, is a highly expected milestone, nationally and internationally. The law envisages a three-pronged scope of action: *i)* increase and strengthen transparency in public activity through actively publicising obligations for all administrations; *ii)* acknowledge and guarantee access to information regulated as a right with ample scope of both subjectivity and objectivity; *iii)* establish obligations for good governance to which public authorities must adhere and the legal consequences derived of non-compliance with them.

The law has undergone significant improvements as a result of proactive and wellmanaged political and policy-oriented discussions *vis-à-vis* its original 2012 draft. Key issues, such as the scope of its application, have been modified to be expanded. In addition, Chapter 2 of the law, devoted to proactive disclosure (i.e. information to be made available without the need for a specific request) provides a comprehensive list of information to be published, the location where that information will be published and the principles that the information should respect. Regarding the type of information, the law requires that institutional, organisational and planning information be published. This refers specially to the functions, legal requirements and structure of the public entity, including a detailed and updated organisational chart with the job profiles and professional experiences of the public servants. In addition, public administrations, if they have such documents, should publish annual and multi-annual programmes with policy objectives, indicators and the corresponding periodic evaluation results. Furthermore, information of legal importance needs to be published; this refers to draft laws and guidelines, agreements or responses to concerns made by citizens or other bodies in case they mean an interpretation of the law or have added extra effects. Disclosure of information on economic, budgetary and statistical information is also required, including procurement information (e.g. number and value of contracts, the duration, modifications to the contracts, the number of participants in the bid and the identity of the winner). Information will be made available through a unified portal, the Transparency Portal, managed by the Ministry of the Presidency, and will be free of charge, understandable and of easy access. The portal will operate under the principles of accessibility, interoperability and reutilisation. Finally, the oversight of compliance with the obligations of proactive disclosure will rest with the Council of Transparency and Good Government (*Consejo de Transparencia y Buen Gobierno*), established by the law in its Article 33.

However, the law comes at a time when there is significant comparative experience and common understanding at the international level on key principles essential to uphold the spirit of FOI laws (Box 7.2). In light of these, the law still presents important flows that may undermine its capacity, in the implementation stage, to achieve in full its potential.

Box 7.2. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information**

The recognition of a public's right to information implies that "everyone" is entitled to access.

Any person making a request for information in writing, by electronic means or orally to any public authority shall be entitled:

- to be informed whether or not the public authority in question holds a record containing that information or from which that information may be derived

Box 7.2. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** *(cont.)*

- if the public authority does hold such a record, to have that information communicated to the requester in a timely manner
- to an appeal where access to the information is denied
- to make an anonymous request for information
- to make a request without providing justification for why the information is requested
- to be free from discrimination based on the nature of the request
- to be provided with the information free of charge or at a cost limited to the cost of reproduction.

The administration cannot reject a request on the grounds that the request is not based on a specific reason for requesting the information. Disclosure can only be prevented if the administration shows the existence of a prevailing public or private interest in keeping the information confidential. The burden of justification is on the public authority.

Scope

- As for the first issue, freedom of information should, in principle, regard all documents and information held by public authorities, regardless of their pertinence to a specific administrative procedure or to the executive power, constitutional and statutory authorities, non-state bodies which are owned or controlled by government, and private organisations which operate with substantial public funds or benefits.
- As a general rule, transparency regimes apply to all of the sectors/areas of public intervention.
- Transparency rules are a fundamental right. As a consequence, they should also apply to regional/territorial entities.

Object

According to some legislative acts on transparency, the right of access concerns "documents", whereas, according to other regulations, the right of access concerns "information". In abstract terms, the two notions are different. The former right allows the requester to view a document and extract a copy of it. The latter right allows the requester, in addition, to ask the administration to disclose whatever information it has, even when it is not included in a document.

Exceptions

The right of access to documents, like other fundamental rights, meets some limitations. The discipline of exceptions represents the most crucial part of FOI regimes. In case exceptions to disclosure information are applied, they must be clear and narrow and must be legitimated and strictly necessary in a democratic society. The requester must be informed of the reason and legal provision of why the information is not given as well as the possibility to appeal the decision.

The aim of exemptions is to ensure that disclosure of information held by public authorities does not harm relevant public or private interests. Two issues must be addressed:

- grounds: protection of legitimate public or private interests
- legislative constraints on administrative discretion: absolute exemptions: the harm test; relative exemptions: the balancing test.

Processing of requests

Time: requests of access should be processed "promptly" or "without undue delay" and, in any case, within a reasonable time "which has been specified beforehand". In most FOIAs, the time

Box 7.2. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** *(cont.)*

limit is short: 5 days in Estonia; 10 days in Portugal; 15 days in the Czech Republic, Finland and Poland and at EU level; 20 days in Slovenia and the United Kingdom.

Format: access should be granted by effective and appropriate means.

Fee: it is generally admitted that administrative authorities may charge a reasonable fee for a request; a distinction should be made between access to documents that are already available and access to information that involves research, elaboration or processing on the part of the administration.

Give reasons and indicate remedies: no administration can deny access to a requested document without justifying its decision. Any refusal should mention the legislative exemption upon which it is grounded and clarify why the disclosure would harm the legitimate public or private interests protected by the exemption.

Publication

The general principle is that documents should be made accessible by institutions from the outset unless an exception to the public right of access clearly applies. In all of the European legal orders taken into consideration, there are transparency provisions that impose on the administrations a duty to publish information of public interest.

A precondition for the effectiveness of publication is the use of the Internet. Publication on paper in official bulletins or journals does not sufficiently fulfil the duty of the government to promote access to public information; publication on institutional websites is also necessary. The elaboration and publication of registers is another essential prerequisite. Each public authority has to publish a register containing all of the categories of documents and information held on its website. Each register should provide a "guide to information", giving details of: *i)* the information routinely published and directly accessible by means of the register; *ii)* how the remaining information can be accessed on demand; and *iii)* whether a charge will be made for providing access to information.

The selection of information to be published should not be entrusted solely to the concerned administration. Rather, it involves a process of gradual specification and harmonisation, which requires a unitary supervision by an *ad hoc* competent body or government unit.

Review mechanisms

According to the Model Law on Access to Public Information, a requester can appeal a refusal for access to information within 60 working days. The requester can ask for an internal appeal with the head of the public authority or for an external appeal with the Information Commission. Finally, the requester can challenge the decision of the Information Commission in court.

In Europe there are two basic models of reviewing administrative decisions on access requests: in the first model, the crucial reviewing role is performed by the courts, while in the second it is mainly entrusted to a specialised and independent administrative authority.

- The first model is typically structured as an "ordinary" review of administrative acts. In most European countries, this is the basic scheme: if the public authority denies access to information, the requesting person can challenge the decision either before a higher office of the same authority (internal administrative review) or before a judge (usually an administrative court, where a "dual" system of justice – with a jurisdictional distinction between ordinary and administrative courts – is in place).
- The second review model assigns a central role to an *ad hoc* authority that is independent (or quasi-independent) from the government and accountable to parliament. Decisions on access requests may be challenged before the independent authority. Therefore, administrative review is not diffuse, but rather centralised; it is not internal to the decision-making administration, but external and independent; it has a sector-specific mandate, rather than a general competence.

Box 7.2. **The right to transparency: Common European legal standards and the OAS Model Law on Access to Public Information** *(cont.)*

The Information Commission

An Information Commission must be established and will be in charge of promoting the effective implementation of the FOI. It should have legal personality and operative, budgetary and decisionmaking autonomy and shall report to the legislature. It is comprised of (three or more) commissioners, reflecting a diversity of skills and backgrounds. Specific duties and powers for the Information Commission need to be set such as:

- to review any information held by a public authority, including through on-site
- *sua sponte* authorisation to monitor, investigate and enforce compliance with the law
- to issue recommendations to public authorities.

Public authorities shall report annually to the Information Commission on the activities of the public authority pursuant to, or to promote compliance with, the FOI. The reports could contain information such as the number of requests for information received, granted in full or in part, and refused as well as appeals from refusals to communicate information.

Promotional and compliance measures

The Model Law establishes that the operation of the law should be monitored regularly, training on the law should be provided to public officials, formal education needs to be provided to citizens in order to raise awareness on the right to ask for information. The law suggests doing so in primary and secondary education.

Source: OECD (2010), "The right to open public administrations in Europe: Emerging legal standards", *SIGMA Papers*, No. 46, OECD Publishing, Paris, http://dx.doi.org/10.1787/5km4g0zfqt27-en; OAS (2010), "Model InterAmerican Law on Access to Public Information", Organization of American States, available at: www.oas.org/en/sla/dil/docs/access_to_information_Text_edited_DDI.pdf (accessed on 21 November 2013); www.oas.org/en/sla/dil/access_to_information_project_description.asp.

While the OAS model states that "In any event, the failure of the public authority to complete the processing of the request within [20] working days, or, if the conditions specified in paragraph 1 are met, the failure to respond to the request within [40] working days, shall be deemed a denial of the request.", other countries such as Mexico state in its Transparency Law that "Failure to respond to an access request within the period prescribed in Article 44, it is meant resolved in a positive direction. Therefore the agency or entity shall be obliged to give access to information in a time period not exceeding 10 working days, covering all costs generated by the reproduction of information, except material considered as privileged or confidential." In Spain, Article 20.4 of the law proposes "negative administrative silence" meaning that in the event of non-response from the public administration, the information requested will be consider as denied. This aspect has raised some concerns[3] because it may affect the guiding principles of transparency, which implies that all public information is in principle accessible and can only be withheld in order to protect other rights and interests as stated in the law and it can also open the door to discretion and legal insecurity. However, it is worthwhile to mention that the absence of response would mean a breach of the general rules of administrative procedure, where it is specifically indicated the obligation of the administration to respond to all procedures (Article 42 Law 30/1992). In case the request of information is denied, totally or partially, due to the application of one of the limits to the right to information that the law establishes, it has to be justified. This case by case justification has

to be proportional and has to take into account the general objective of transparency foreseen by the law. Moreover, the decision of not providing the information can be challenged before the Transparency Council and the courts of justice.

The incentives to pursue the full institutionalisation of the law can be considered limited. The information requests are to be fully identified, addressed to the head of the public service or entity that owns the information and, subject to the decision of the requester, they can be justified. This justification can be used to clarify the information requested or to inform the decision of the public entities. In addition, there are only very general indications on how information will be published (format, periodicity). While the law provides for a supporting platform, the Transparency Portal, to be managed by the Ministry of the Presidency, there is no clear indication in the law nor in the CORA report as to how it will be integrated with existing and future portals (e.g. Information Centre), or what role the future Council for Transparency and Good Government will play *visàvis* its management. The portal will be a good tool in order to develop the council's competence in monitoring the accomplishment of the provisions contained.

Title III of the law creates the Council for Transparency and Good Government, which will be formed of: *i)* the Commission for Transparency and Good Government; *ii)* the President of the Council, who will also act as the President of the Commission. The president will be selected following the proposal of the Ministry of Finance and Public Administrations for a five-year, non-renewable term. The Commission for Transparency and Good Government will be integrated by the President of the Council, a member of Congress, a senator and a representative from the Court of Audit, the ombudsperson, the Spanish Agency for Data Protection, the Secretary of State and Public Administrations and the Independent Fiscal Responsibility Authority. The criteria and process through which the commissioners will be elected will be established in the Council Statute. The council has competences to evaluate the degree of compliance with the law, including the transparency obligations, and to review the challenges to the decision of not giving information.

The Council for Transparency and Good Government will be the guarantor of the law. One of the main aspects to provide greater legitimacy to the monitoring role of this body is its budgetary and composition independence. For example, the participation of entities that are subjected to the law as members of the council may raise conflicts of interest. Spain could follow best practices by OECD countries to ensure the independence, expertise and sanctioning power of this body (Box 7.3). Also, the council could promote the participation of citizens and/or NGOs, in addition to the ombudsman, for example, through consultation mechanisms.

Once these fundamentals are established, a second step is to ensure adequate capacity to deliver on citizen's expectations. The law does not elaborate on the supporting structure, capacity of mechanisms to manage the day-to-day work of the council and enable its president to take informed decisions. Furthermore, comparative experience questions the feasibility of a one-person decision-making process and advises in favour of careful consideration of the supporting structure needed (e.g. in Mexico, 66 166 requests for information from the federal public administration were submitted only in the first semester of 2012 while in Chile, over 2 000 cases were admitted in 2012, and in the United States, the 99 agencies subject to FOIA collectively received a record high of 651 254 requests in 2012).[4]

Box 7.3. Examples of bodies that provide oversight to transparency laws: Chile and the United States

United States

In the United States, the Office of Government Information Services (OGIS), known as "the Federal FOIA ombudsman" was created within the National Archives and Records Administration (NARA). The OGIS was created when the OPEN Government Act of 2007 amended the Freedom of Information and is responsible for:

- Mediate disputes. Offer mediation services to resolve disputes between persons making FOIA requests and agencies (non-exclusive alternative to litigation). May issue advisory opinions if mediation has not resolved the issue.
- Serve as ombudsman. Solicit and receive comments and questions from federal agencies and the public regarding the administration of FOIA to improve FOIA processes and facilitate communication between agencies and FOIA requesters.
- In addition to these responsibilities, the OGIS also provides dispute resolution training for the FOIA staff of federal agencies, works closely with key FOIA stakeholders like the requester, community and open government advocates, and more.

The NARA is seen as an independent arbitrator distanced from the White House. According to its statute, the NARA shall be an independent establishment in the executive branch of the government. The administration shall be administered under the supervision and direction of the Archivist. The Archivist of the United States shall be appointed by the President by and with the advice and consent of the Senate. The Archivist shall be appointed without regard to political affiliations and solely on the basis of the professional qualifications required to perform the duties and responsibilities of the office of Archivist. The Archivist may be removed from office by the President. The President shall communicate the reasons for any such removal to each House of the Congress.

Chile

The Council for Transparency is an autonomous public body with legal its own personality, created by the Law on Transparency of Public Service and Access to Information of the State's Administration. Its main task is to ensure proper enforcement of the law, which was enacted on 20 August 2008 and became effective on 20 April 2009.

The boards' direction falls under four designated counsellors appointed by the President, with the agreement of the Senate, adopted by two-thirds of its members. The board is entrusted with the management and administration of the Council for Transparency.

The counsellors serve six years in office, may be appointed only for one additional period and may be removed by the Supreme Court at the request of the President or the Chamber of Deputies. The council has the main following functions:

- monitor compliance with the provisions of the Law on Transparency and apply sanctions in case of infringements of them
- solve challenges for denial of access to information
- promote transparency in the public service by advertising information from the state administration bodies
- issue general instructions for the enforcement of legislation on transparency and access to information by the bodies of the state administration, and require them to adjust their procedures and systems to such legislation
- make recommendations to the bodies of the state administration aimed at improving the transparency of its management and to facilitate access to the information they possess
- propose to the President and to the Congress, where appropriate, rules, instructions and other regulatory improvements to ensure transparency and access to information

Box 7.3. **Examples of bodies that provide oversight to transparency laws: Chile and the United States** *(cont.)*

- train, directly or through third parties, public officials in matters of transparency and access to information
- carry out statistics and reports on transparency and access to information of the organs of the state administration and compliance of this law.

Source: https://ogis.archives.gov/about-ogis/directors-bio.htm; www.consejotransparencia.cl/que-es-el-cplt/consejo/2012-12-18/190048.html; www.leychile.cl/Navegar?idNorma=276363.

Last but not least, the draft law misses a "leap forward" opportunity. The advantage of coming in last can be understood as the opportunity to take all of the best practice available and push the policy agenda further, setting a precedent for others to emulate as their own legal frameworks undergo periodic revision. In this context, the law fulfils the criteria of a first-generation reform on access to information (its objective being to "… recognise and guarantee the right of citizens […] to access public information") but there is still room to advance towards the institutionalisation of open government in Spain.

Finally, there will be a transition period of two years for local/regional governments and one year for the central government for the complete implementation of the law. However, there are still some concerns in relation to this implementation. Providing the necessary budget and capacity poses particular challenges. Countries that have recently implemented a FOIA, such as Chile, have shown that providing the necessary resources is essential to ensure the success of the law. New people need to be hired to control, compile and respond to citizens' requests, which may increase expenditure. This is even more important at the regional level, because regional governments have the responsibility, including the budgetary responsibility, to implement the law.

Trust, integrity and democratic regeneration

Together with economic and administrative reforms, the government of Spain is putting together an ambitious political reform package, referred to as the Democratic Regeneration Plan (DRP), under the leadership of the Ministry of the Presidency (*Ministerio de la Presidencia*).

The DRP is anchored in the recognition of trust as the main asset for the economy and for democracy. Indeed, trust legitimises decisive and effective action by government, and creates the favourable conditions for stakeholders' buy-in. Furthermore, research suggests that a drop in political trust can affect social trust and reduce social cohesion, and increase transaction costs driven by asymmetric and costly information. Trust is necessary for the fair and effective functioning of public institutions and for the success of public policies (OECD, 2013d).

Citizens are sensitive not only to the content and outcome of policies, but also to how policies are designed and implemented and fit with broader standards of behaviour. It is not only the "what" of policies that matters, but the "how", "for whom" and "with whom". Accordingly, trust can be influenced by public governance and institutional frameworks, including:

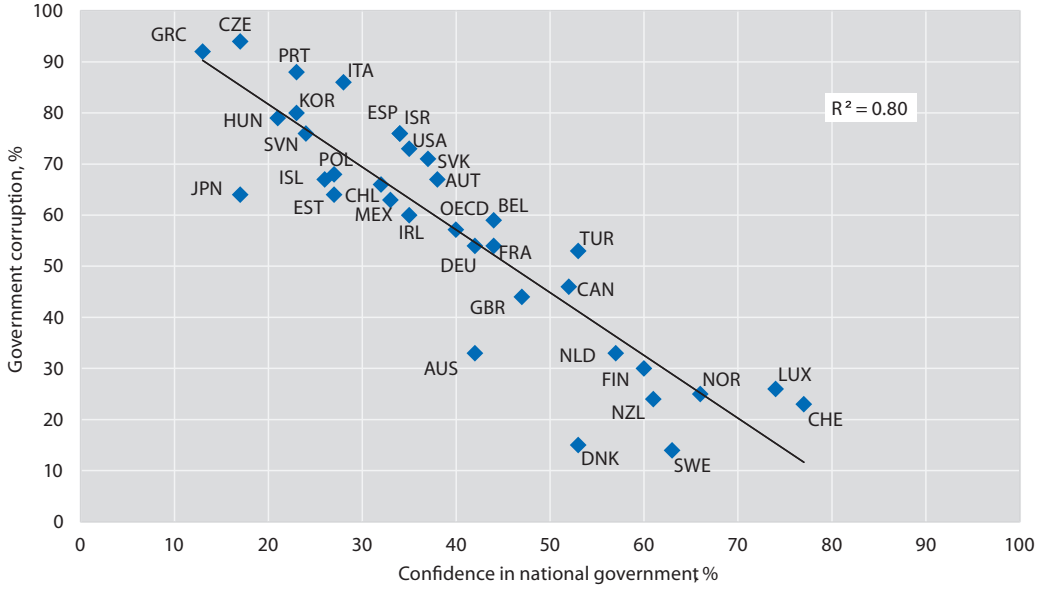
- responsiveness: the provision of accessible, efficient and citizen-oriented public services that effectively address the needs and expectations of tax payers
- reliability: the ability of governments to minimise uncertainty in the economic, social and political environment of their citizens, and act in a consistent and predictable manner

- openness and inclusiveness: a systemic, comprehensive approach to institutionalising a two-way communication with stakeholders, whereby relevant, usable information is provided, and interaction is fostered as a means to improve transparency, accountability and engagement
- integrity: the alignment of government and public institutions with broader principles and standards of conduct that contribute to safeguarding the public interest while preventing corruption (OECD, 2013d).

The DRP is both recognition of the existing trust deficit in Spain, and an ambitious plan to address it at the highest levels of decision making. While OECD member countries have expressed, at the highest political level, their commitment to "rebuilding trust in governments, markets and institutions […] combating corruption, promoting open government and ensuring transparency in policy making" (OECD, 2013c), there is no similar comprehensive package being proposed in OECD member countries. Spain therefore has an historic opportunity to set an example of decisive political action to protect and strengthen the foundations of its democratic system by moving forward to implementation and delivering on its promise.

The DRP encompasses several initiatives in three broad policy areas: *i)* the financial and economic activity of political parties; *ii)* the exercise of public office; *iii)* criminal and procedural measures to combat corruption. The focus on these policy areas aims to improve the Spanish government's response to corruption by strengthening preventive measures to avoid corrupt behaviour and closing the impunity gap with stronger sanctions and sharper detection.[5] In doing so, the DRP is decisively targeting a key driver of trust in government, integrity – the dimension with the single strongest correlation with trust in government (Figure 7.4).

Figure 7.4. **Confidence in government and corruption, 2012**



Note: Data from Gallup World Poll, confidence in national government refer to the percentage of "yes" answers to the question: "In this country, do you have confidence in each of the following, or not? How about national government?" Data for perception of government corruption represent the percent of "yes" answers to the question: "Is corruption widespread throughout the government, or not?" Data for Chile, Germany and the United Kingdom are 2011 instead of 2012. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

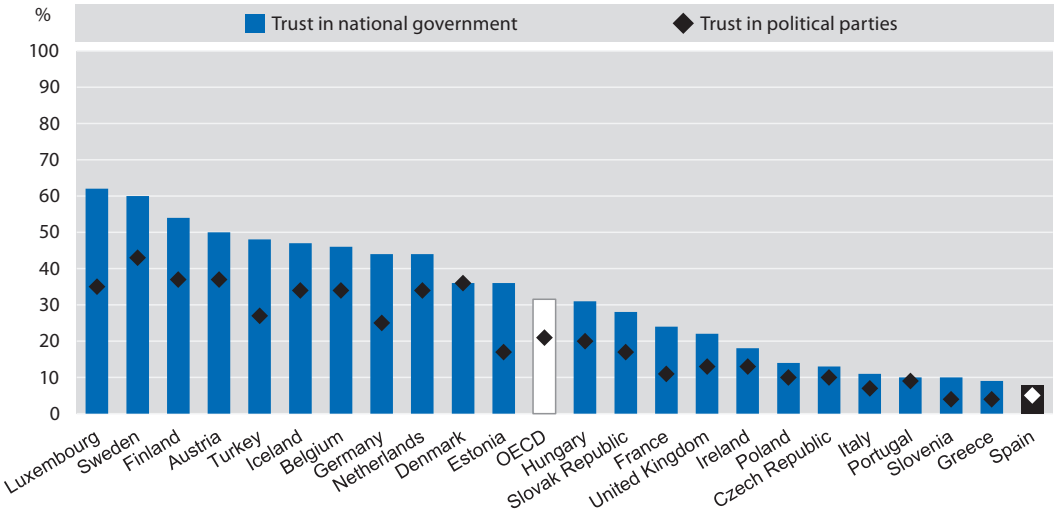
Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Integrity tools and mechanisms aimed at preventing corruption and fostering high standards of behaviour help reinforce the credibility and legitimacy of the actors involved in policy decision making, safeguarding the public interest and restoring a sense of fairness of policy decisions. Policy tools addressing high-risk areas at the intersection of the public and private sectors – including effective management of conflict of interests, high standards of behaviour in the public sector, and adequate lobbying and political finance regulation – can be leveraged to limit undue influence and build safeguards to protect the public interest (OECD, 2013d).

Financial and economic activity of political parties

Today, political parties are the most distrusted institution in OECD countries. For example, according to the Eurobarometer, in Spain, less than 10% of citizens tend to trust the government and only 5% tend to trust political parties. This indicator ranks Spain in the last position in OECD-EU countries (Figure 7.5).

Figure 7.5. **Trust in government and in political parties in European OECD member countries, 2013**



Note: Data refer to percentage of "tend to trust" answers to the questions: "For each of the following institutions, please tell me if you tend to trust it or tend not to trust it: the (national) government; political parties." Data refer to annual averages for 23 OECD member countries. Data are not available for Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New Zealand, Norway, Switzerland or the United States.

Source: *Eurobarometer* (database).

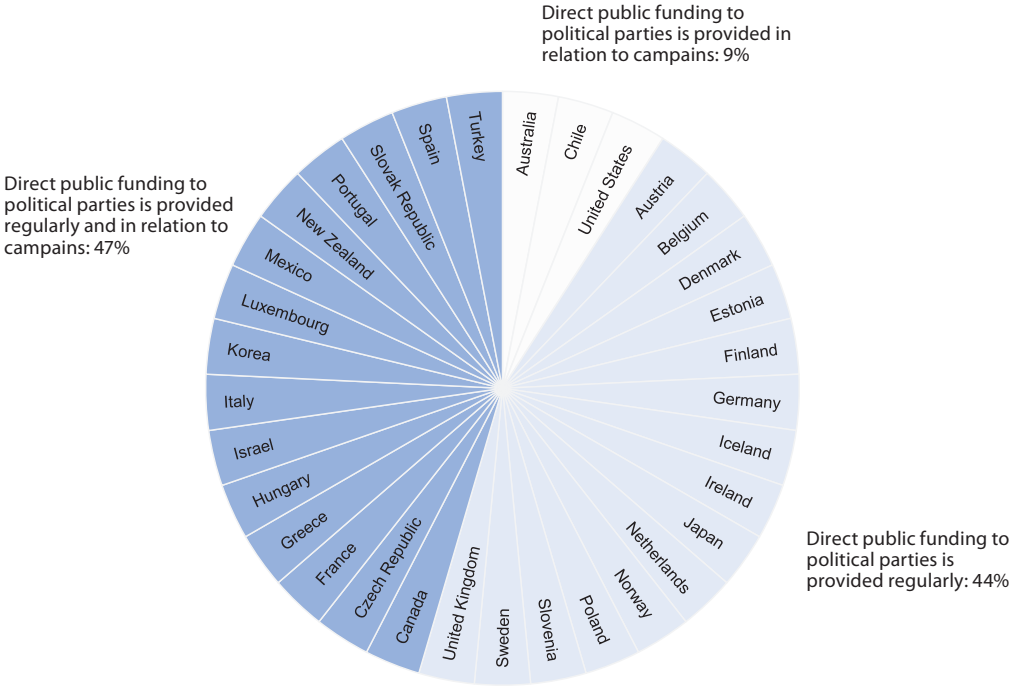
Effective regulation of political finance has been identified in the international arena as a critical policy challenge, and concrete initiatives to provide guidance to countries were adopted over a decade ago. This includes the Council of Europe's 2003 Recommendation on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns (hereinafter, the "2003 Recommendation"), the Venice Commission's 2001 Guidelines on the Financing of Political Parties and the 2004 United Nations Convention against Corruption (UNCAC).

At the country level, some countries have enacted regulations aiming to promote fair competition between political parties and/or candidates by: *i)* balancing sources of funding; *ii)* introducing bans and limits on certain types of donations; *iii)* limiting spending during

elections; *iv)* introducing reporting and transparency requirements; *v)* defining monitoring and enforcement mechanisms of political finance regulations (OECD, 2013b).

All OECD countries, except for Switzerland, provide direct public funding to political parties. Spain and 14 other OECD countries regularly provide funding to political parties and provide funds in relation to campaigns (Figure 7.6). In fact, in Spain, more than three-quarters of party expenses are funded by the state. In addition, the 2007 Law on Party Funding confirmed the right of political parties to use commercial bank loans for their funding. As consequence, the Court of Audit reported in 2012 that the total debt of political parties (national and regional) to financial institutions amounted to EUR 227 million in 2007 (European Commission, 2014).

Figure 7.6. **Direct public funding to political parties**



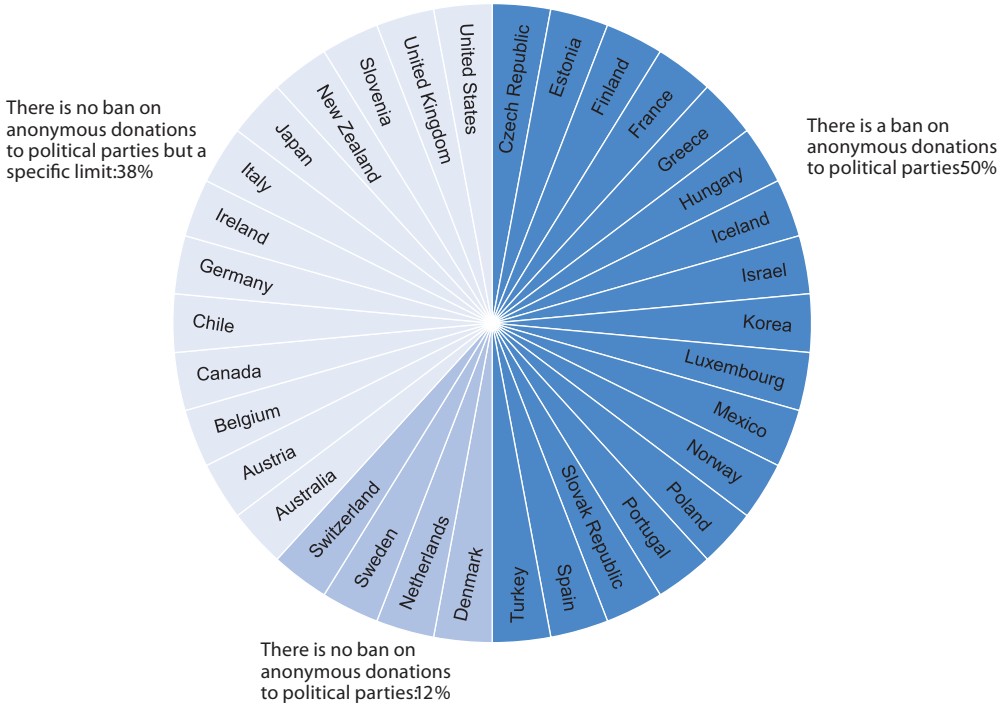
Source: IDEA International Institute for Democracy and Electoral Assistance.

In addition, the law also extended the supervisory powers of the Court of Audit in this area to cover private funding; before this legislative change, its powers were limited to public funds only. Furthermore, the law established restrictions applicable to donations. Fifty percent of OECD countries, including Spain, banned completely anonymous donations (Figure 7.7). Finally, parties are obliged to submit a list of donors to the Court of Audit, which is, however, not made public. Finally, in 2012, the law regulating the financing of political parties was reformed again. Among its main points were:

- enlargement of entities that cannot provide funds to finance political parties due to their condition as beneficiaries of direct or indirect grants by the public administration.
- the prohibition of credit entities to cancel more than EUR 100 000 of debt in a year
- the enlargement of the auditing powers of the Court of Audit in relation to foundations and related entities
- inclusion of transparency measures: publication of annual accounts.

Despite these efforts, challenges remain. Regardless of the particular mechanisms chosen, democratic countries face similar risks when addressing money in politics. Weaknesses in enforcement, such as under declaration of contributions or expenditures, as well as inadequate capacity of electoral management bodies and common loopholes in regulations (e.g. such as third-party financing or in-kind contributions to override controls), highlight common weaknesses that undermine monitoring and enforcement efforts.

Figure 7.7. **Ban on anonymous donations**



Source: IDEA International Institute for Democracy and Electoral Assistance.

The inclusion of the regulation of the economic and financial activity of political parties within the DRP is a step in the right direction. Under this policy area, proposed measures will focus on strengthening: *i)* the transparency requirements of political parties and related foundations and associations; *ii)* monitoring and control mechanisms, in particular, of the Spanish Court of Audit; *iii)* the sanctions system, through broader scope, a higher degree of severity and procedural improvements (Box 7.4).

The Second Compliance Report of the Third Evaluation Round of Group of States against Corruption of the Council of Europe (GRECO) – issued before the Spanish Council of Ministries approved the draft Law on Financial and Economic Activity of Political Parties – recognised the government of Spain's efforts to revise existing regulations on political finance and to promote more transparency and effective control. It highlighted, however, some remaining concerns on: *i)* effective mechanisms for internal control within political parties; *ii)* transparency of party accounts at the local level; *iii)* periodicity and publicity of information on the level of parties' compliance with regulations by enforcing authorities; and *iv)* weaknesses in the sanctioning regime of political finance. GRECO concludes that while efforts towards more transparency are welcome, further reforms are required to restore trust in the political system. If approved, the proposed organic law would address some of these points,

with an adequate emphasis being placed on transparency as a means to enhance monitoring and enforcement. It is of crucial importance for Spain to consider in the implementation of this law the interdependence of all aspects related to political finance as it advances towards restoring credibility in the system of political representation, particularly effective monitoring and enforcement based on "full disclosure".

Box 7.4. **Key proposals for better monitoring and enforcement of political parties' financial activity in the Democratic Regeneration Plan**

Funding

- If annual public funding is more than EUR 12 million, the Council of Ministers has to approve it.
- Public funding is not granted if the political party is in default of payment for taxes and social security obligations or has not disclosed and made public the political party's accounts.
- Political parties may receive membership fees and donations from their members. However, donations may not exceed EUR 100 000 per donor per year.
- Political parties cannot receive directly or indirectly donations from donors who are part of a current public contract.
- Donations are prohibited by legal persons and non-legal entities to political parties.
- Banks are prohibited from forgiving the debts of political parties.
- Public funding will not be released if the beneficiary fails to pay social security or tax obligations or has default payments of previous funding or assistance.
- Political parties may not accept, directly or indirectly, that a third party undertakes the procurement of goods, works or services or any other costs incurred due to the political party's activity.
- All donations above EUR 50 000 and real property donations shall be subject to notification to the Court of Audits by the political party within three months of acceptance.

Transparency

- Clarity of functions and reporting mechanisms: *i)* regulation of the figure responsible for economic and financial management of political parties and related foundations and associations, including reporting procedures; *ii)* internal instructions in recruitment and the establishment of principles to which that activity must conform.
- Information availability: *i)* all parties to publish online grants and donations received over a certain threshold.
- All institutions and public administrations must publish the detail of the grants provided by public authorities and the recipients at least once a year.
- Political parties' account reports must contain at least the following information: annual inventory of all properties, income detailing the yearly amounts from fees and donations from members, public funding, staff and administrative expenditure, and loans, among others.
- Better control of foundations and associations linked to political parties: *i)* clearly defined criteria for linking foundations and associations to political parties; *ii)* obligation to register foundations and associations in the Register of Political Parties; *iii)* disqualification from grants or donations in the absence of registration.

Box 7.4. **Key proposals for better monitoring and enforcement of political parties' financial activity in the Democratic Regeneration Plan** *(cont.)*

Monitoring and control

- Mandatory reporting: *i)* mandatory annual appearance of the chief financial officer of each party to the Joint Commission of the Court of Audits; *ii)* mandatory appearance of the head of the economic and financial management of political parties receiving grants to the relevant committee of parliament.
- Enhanced monitoring: *i)* all political parties, whether or not they are recipients of public funding, will be subject to control by the Court of Audits; *ii)* approval of accounts in the party statutes by the Court of Auditors in the first six months of the year following the year to which they relate; *iii)* more control over the financial and economic activity of foundations and associations linked to political parties, subjecting them to a regime similar to that of political parties.
- Horizontal co-operation for better monitoring: *i)* meaningful partnerships between the Court of Auditors and the Internal Revenue Office, the National Social Security Institute and the Office of the Conflict of Interest; *ii)* meaningful partnerships between the Court of Audits and credit institutions for the proper control of donations to political parties and foundations.

Sanctioning

- New sanctions and clearer penalties.

	Infringements	Sanctions	
Very serious infringements (limitation period is four years)	Accept donations or contributions that violate what is stipulated in the law	A fine of two to five times the amount that exceeds the legally allowed limit	In all cases, public funding will not be released until the sanctions are enforced or the remaining amount will be deducted from the public funding if the political party fails to pay
	Exceed the spending limits by the political parties	An equivalent monetary fine of two to five times the overspending	
Serious infringements (limitation period is two years)	Carry out business or commercial activities	A fixed monetary fine of EUR 50 000 and a proportional monetary fine to 100% of the net profit	
	Non-compliance with accounting and reporting obligations	A monetary fine of a minimum of EUR 10 000 and a maximum of EUR 50 000	
	Absence of an internal audit system	A monetary fine of a minimum of EUR 10 000 and a maximum of EUR 50 000	
Minor infringements (limitation period is one year)	Not providing documents, background information, data and justifications requested by the Court of Accounts	A monetary fine of a minimum of EUR 2 000 and a maximum of EUR 10 000	

Source: Organic Law for the Control of the Economic and Financial Activity of the Political Parties approved by the Council of Ministers, 21 February 2014.

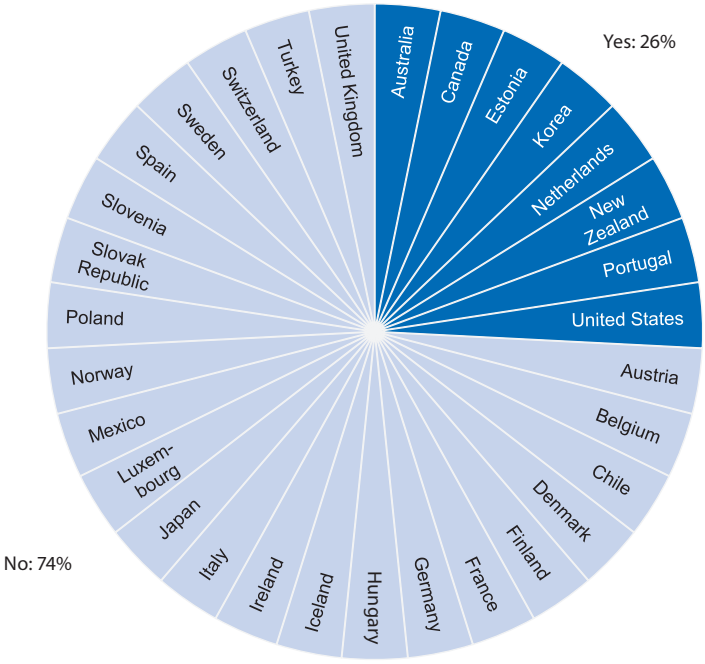
The exercise of public office

Growing expectations of transparent, open and fair public decision making from an increasingly well-informed society and business community put pressure on governments to ensure that official decisions are not improperly affected by self-interest, so that the integrity of markets and fair business competition is supported, and illicit practices are excluded. Ensuring that the integrity of government decision making is not compromised by public officials' private interests is therefore essential (OECD, 2013b).

Defining an effective policy approach to dealing with conflict of interest in line with the 2003 OECD Guidelines for Managing Conflict of Interest in the Public Service has been high on the agenda of OECD countries. A survey conducted by the OECD in 2012 shows that the vast majority of OECD countries, including Spain, have indeed policies to manage conflict of interest.

Despite important progress achieved in the last decade, a number of challenges remain, and effectively managing conflict of interest has proven elusive. For example, only 26% of OECD countries employ diagnostic tools, such as surveys, statistical data and cost-benefit analysis, to measure the impact of the policy, rules and procedures on the effectiveness of conflict of interest management. Measuring compliance also remains a challenge. In the majority of OECD countries, disciplinary, administrative, civil or criminal sanctions are foreseen in the event of a conflict of interest violation. Yet, data on how the sanctions are applied is not available (Figure 7.8).

Figure 7.8. **OECD countries using diagnostic tools to measure the impact of the policy, rules and procedures on conflict of interest (e.g. surveys, statistical data, cost-benefit analysis, etc.)**



Source: OECD (2012), OECD Survey on Conflict of Interest, OECD, Paris.

A crucial tool for identifying potential conflict of interest situations is disclosure of private interests by public officials – a common practice in OECD countries. Yet, on average, only about half of the information related to private interests is disclosed and made publicly available in OECD countries, limiting the capacity of citizens and the media to contribute to oversight efforts. Spain needs to strengthen the institutional arrangements underpinning the policies on standards of behaviour in public life and the transparency and accountability mechanisms associated with them, starting with a clear diagnosis of the strengths and weaknesses. For example, Spain performs below the OECD average and much lower than other countries such as Italy, Portugal or Turkey regarding public availability of information on private interests (Figure 7.9).

This is partly due to the limited disclosure in the judicial branch. For judges and prosecutors, only information on outside positions (paid and non-paid) is disclosed, but it is not publicly available. On the other hand, information on assets and liabilities for the Prime Minister and ministers or members of Cabinet is disclosed and publicly available. Information on income source and amount as well as gifts is disclosed but not publicly available. Legislators, on the other hand, must disclose information on assets, liabilities, and income source and amount, but the information is not publicly available (Table 7.3).

Table 7.3. **Disclosure of selected private interests and public availability of disclosed information**

	Executive branch			Legislative branch		Judicial branch	
	President	Prime Minister	Ministers or members of Cabinet	Upper house legislators	Lower house legislators	Judges	Prosecutors
Assets	.	●	●	⊙	⊙	○	○
Liabilities	.	●	●	⊙	⊙	○	○
Income source	.	⊙	⊙	⊙	⊙	○	○
Income amount	.	⊙	⊙	⊙	⊙	○	○
Outside position: Paid	.	◘	◘	●	●	⊙	⊙
Outside position: nonpaid	.	◘	◘	●	●	⊙	⊙
Gifts	.	⊙	⊙	○	○	○	○
Previous employment	.	◘	◘	●	●	○	○

Notes:

● Information is disclosed and publicly available online or in print.

⊙ Information is disclosed but not publicly available

◘ Information is disclosed and publicly available upon request.

○ Disclosure is not required.

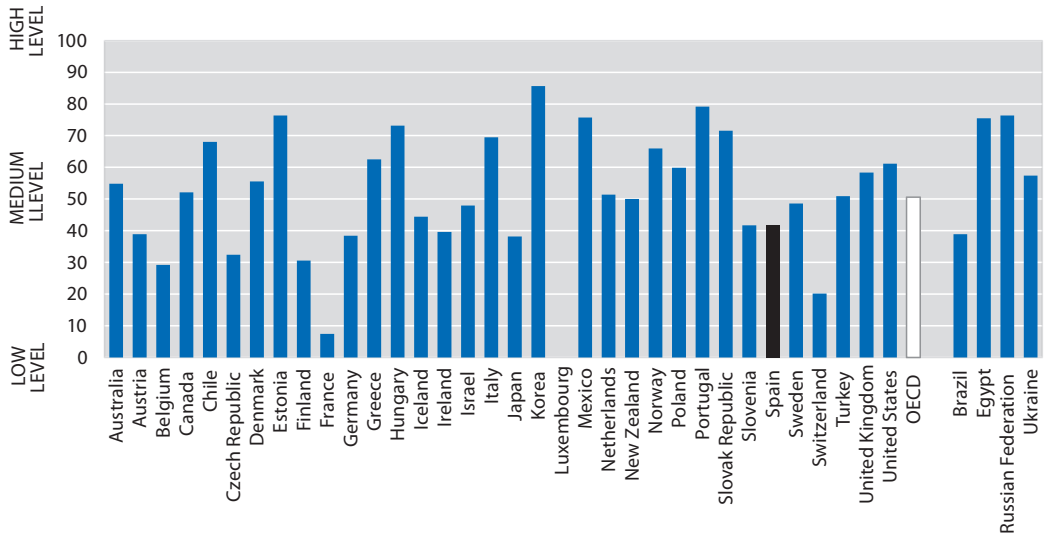
P Prohibited.

Note:. Not applicable (e.g. country does not have a president).

Source: OECD (2012), OECD Survey on Conflict of Interest, OECD, Paris.

In addition, the actions taken following the collection of disclosure forms to monitor and ensure compliance needs to be strengthened: 75% of OECD countries verify the timely submission of disclosure forms, but only 54% of them regularly review the completeness of their content, only 39% perform internal audits of the accuracy of submitted information and, in terms of enforcement, only five countries – Estonia, Italy, Japan, Korea and Slovenia – collect data on the number of sanctions that have been applied for violations of disclosure requirements.

Figure 7.9. **Level of disclosure of private interests and public availability of information**



Note: Data for 2012, aggregates disclosure of all three branches of government. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Acknowledging the importance of disseminating conflict of interest policies, 97% of OECD countries, including Spain, disseminate policies to public officials taking office and/or when they take a new post. In fact, Spain is above average regarding awarenessbuilding efforts amongst public officials on conflict of interest policy (Table 7.4).

Under the DRP, a future law will group in a single piece of legislation a number of provisions regulating the appointment of senior public officials in high positions of the general state administration by introducing new mechanisms to ensure the suitability of the candidate, allowing a preliminary analysis of the possible conflicts of interest and ensuring control of the body in charge of incompatibilities and conflicts of interest. This provides citizens and office holders with a transparent, clear and comprehensive legal framework. Moreover, the law will also seek to clarify concepts and expand on the regulation of key risk areas, including additional preventive measures against illicit enrichment, the strengthening of the Conflict of Interest Office and the definition of rights and obligations of public office (Box 7.5).

These provisions will complement and reinforce Title II on Good Government of the Law for Transparency, Access to Public Information and Good Governance, applicable to government officials, secretaries of state and other high-level officials within the public administration and public entities related thereof. Title II: *i)* outlines high standards of behaviour; *ii)* outlines infractions and corresponding sanctions in conflict of interest as well as disciplinary and economic management infractions; *iii)* indicates the responsible entity for enforcement, and the channels through which the process can be started, which includes citizen's complaints.

Table 7.4. **Awareness-building actions on disclosure of private interests**

	Initial dissemination of conflict of interest policy/ies to public officials upon taking office and/or a new post	Ensuring online availability of conflict of interest policies for access by public officials	Provision of training to public officials, including examples of real-life conflict of interest situations and how they were addressed	Provision of official advice when public officials have doubts or questions regarding conflict of interest policy/ies	Proactive updates regarding changes to conflict of interest policy/ies
Australia	●	●	●	●	●
Austria	●	●	●	○	●
Belgium	●	●	●	●	●
Canada	●	●	●	●	●
Chile	●	○	●	●	○
Denmark	○	●	●	●	●
Estonia	●	●	●	●	●
Finland	●	●	○	○	○
France	●	●	●	●	●
Germany	●	●	●	●	●
Hungary	●	●	○	○	●
Iceland	●	●	●	●	○
Ireland	●	●	○	●	○
Italy	●	●	●	○	○
Japan	●	●	●	○	●
Korea	●	●	●	●	●
Luxembourg	●	○	○	○	○
Mexico	●	●	●	●	●
Netherlands	●	●	●	●	○
New Zealand	●	●	●	●	●
Norway	●	●	●	○	○
Poland	●	○	○	○	○
Portugal	●	○	●	●	●
Slovak Republic	●	●	○	○	●
Slovenia	●	●	●	●	●
Spain	●	○	●	●	●
Sweden	●	○	○	○	●
Switzerland	●	●	●	●	○
Turkey	●	●	●	●	○
United Kingdom	●	●	●	●	●
United States	●	●	●	●	●
Egypt	○	○	○	●	○
Ukraine	●	●	●	●	●
Total OECD31					
● Yes	30	25	24	21	20
○ No	30	25	24	21	20

Note: Data for 2012.

Source: OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

Box 7.5. **Standards of behaviour and public office in the Democratic Regeneration Plan**

Scope

The law presents a list of individuals that are considered to hold a high position, including members of government and ministers; government delegates of the regional entities; the president and vice-president of public sector entities; the president, vice-president and members of the different councils, such as the Transparency Council; and the presidents and directors of the port authorities, among others.

Rights and obligations of public office

- Clear definition of rights and obligations of the exercise of public office. Expansion of the scope of application to public entities not currently included in the rules of conflict of interest, and newly created ones (e.g. Council on Transparency and Good Governance; Independent Fiscal Responsibility Authority).
- Senior public officials would not be able to hold any other public or private employment during their appointment.

Institutional strengthening

- Strengthening of the Office of Conflict of Interest, by: *i)* expanding its functions and means; and *ii)* promoting horizontal collaboration between relevant entities (e.g. Internal Revenue Office).
- A report stating the compliance on the reporting requirements by the senior public officials as well as the infringements committed and the sanctions that have been imposed is presented to the parliament every six months.

Key risk areas

- Public control of the aptitude of the person proposed to exercise public office.
- Prior analysis of possible conflicts of interests.
- An asset disclosure is required from all those engaged in higher positions in the public office and now includes a higher level of detail than what was previously required. This information will be submitted to the Congress and published in the official gazette.
- Post-public employment oversight of assets and patrimony by the Office of Conflict of Interest. For two years after leaving office, senior public officials will have to report to the Office of Conflict of Interest about their future activities to determine if there is a conflict of interest.
- A cooling off period of two years is imposed to senior public officials before taking duty in companies that have been affected by a decision in which the senior public official participated. Limitation and definition of the expenses that may be considered as "representation expenses", complemented by stronger monitoring, the prohibition of the use of credit cards and of increasing the limits set forth for these purposes in the annual Budget Law.Infringements and sanctions

Box 7.5. **Standards of behaviour and public office in the Democratic Regeneration Plan** *(cont.)*

	Infringements	Sanctions	
Very serious infringements (limitation period is five years)	Failure to comply with the incompatibility rules Filling declarations with false information or support documentation Misrepresentation or breach of the eligibility requirements to be appointed high office Failure to comply with the obligations referred to in Article 18 relating to the management of shares and equity interests	Declaration of the noncompliance of the law and publication in the official gazette, once the administrative decision is final Dismissal from public office held, unless the official has already ceased their functions The loss of the right to receive compensation following cessation The obligation to repay, as appropriate, the amounts unduly paid relating to compensation following cessation	Someone under very serious and serious infringements may not be appointed to a senior position for a period of between five and ten years
Serious infringements (limitation period is three years)	No declaration of activities, assets and property rights in the relevant records after the warning The deliberate omission of information and documents to be submitted Repeated breach of duty of abstention	Declaration of the noncompliance of the law and publication in the official gazette, once the administrative decision is final	
Minor infringements (limitation period is one year)	File the declaration in the relevant registers of activities, assets and property late	A written warning	

Source: Law regulating Senior Public Officials in High Positions of the State General Administration approved by the Council of Ministers, 21 February 2014.

Altogether, the provisions of Title II show a strong commitment to high standards of behaviour in public office, particularly at high levels of the administration, by giving them legal force. The principles outlined in Article 26 include transparency, dedication to public service, impartiality, responsibility, dedication, adequate management of public resources and avoidance of advantage seeking due to public employment. Sanctions for very grave infractions (which are the majority of those included in Articles 28 and 29) can include destitution and prohibition to occupy public office for a period of five to ten years, depending on the nature of the infraction, and the reintegration of economic benefits unduly gained to the public treasury. Furthermore, an effective system to identify and manage conflict of interest requires adequate resources, capacity and independence of the Office of Conflict of Interest as well as mechanisms allowing an early detection of breaches such as red flags. In addition, a functioning system to investigate and apply sanctions in a timely manner is a critical deterrent factor for managing conflict of interest.

In the context of the implementation of these reforms, Spain could take advantage of lessons learnt regarding common challenges to achieving a fully effective system of asset disclosure and conflict of interest prevention, particularly at the implementation stage. These include: *i)* how to use effectively the information disclosed (e.g. benefiting from the potential of technologies); *ii)* effective audit and monitoring; *iii)* public availability of the information; *iv)* implementation and impact analysis (e.g. data on compliance, including breaches, application of sanctions); and *v)* effective integration of privacy concerns into the disclosure system.

In addition, the increasing complexity associated with the delivery of public services to citizens might call for a definition of "public office holder" that goes beyond those appointed or elected to public office, as the UK Committee on Standards in Public Life recently understood (Box 7.6).

Box 7.6. **Committee on Standards in Public Life, United Kingdom**

- The Committee on Standards in Public Life was created in 1994 in response to a number of allegations of corrupt practices, with a mandate to look over issues including local government, the funding of political parties, lobbying (including public-private employment) and a focus on standards of conduct of public office.
- In 2013, its terms of reference were clarified to include in the definition of "holder of public office" all those involved in the delivery of public services, beyond those appointed or elected to public office, as a recognition of the increasing number of contracted or outsourced public service delivery.
- In its first report, the committee recommended seven principles to guide the behaviour of those who serve the public in any way: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. An assessment in 2013 revealed that these principles remain as important as ever. It also revealed that citizens expect "integrity-based" behaviour over "compliance-based" behaviour.
- The committee has also undertaken a review of best practice in promoting good behaviour in public life, concluding that the most effective ways of driving high ethical standards include:
  - education and training on ethical issues for public office-holders, the introduction of codes of conduct by public bodies, and setting up systems of independent scrutiny to oversee and regulate behaviour
  - incorporation of ethical standards into the culture of each organisation in the public sector, positively driven by leadership and example
  - address the risks of declining ethical standards that may result from outsourcing public services to organisations from outside the public sector, particularly addressing integrity and ethical issues in public procurement.

Source: www.public-standards.gov.uk; OECD (forthcoming), OECD Policy Forum "Restoring Trust in Government: Addressing Risks of Influence in Public Decision Making", Summary of Discussions, OECD, Paris, forthcoming.

In order to take full advantage of the draft Law regulating Senior Public Officials in High Positions of the General State Administration to help tackle corruption, the law should be extended to public officials in at-risk areas, such as tax and customs officials, procurement officers and financial authorities. In Spain, as shown in Table 7.5, these public officials only disclose information on outside paid and non-paid positions and this information is not publicly available. These disclosures are made publicly available in only a few countries, for example in Belgium, Mexico and New Zealand. The prevention of conflict of interest in at-risk areas focuses primarily on the disclosure and prohibition of outside positions and gifts.

Table 7.5. **Disclosure of selected private interest and public availability of disclosed information for at-risk positions**

	Tax and customs officials	Procurement agents	Financial authorities
Assets	○	○	○
Liabilities	○	○	○
Income source	○	○	○
Income amount	○	○	○
Outside position: paid	⊙	⊙	⊙
Outside position: non-paid	⊙	⊙	⊙
Gifts	○	○	○
Previous employment	○	○	○

● Information is disclosed and publicly available online or in print.
⊙ Information is disclosed but not publicly available.
◘ Information is disclosed and publicly available upon request.
○ Disclosure is not required.
P Prohibited.

Source: OECD (2012), OECD Survey on Conflict of Interest, OECD, Paris.

A meaningful disclosure system addresses concerns and defines risk areas. For senior public officials, more transparency in the disclosure is required. For instance, in Italy, the legislation mandates that the legislative and executive branches of government as well as sub-national government officials (such as members of regional and city councils) must disclose. Other officials that are required to disclose include those regulating financial institutions, working in tax and customs, appointed by the executive, and heads of entities with at least 50% of the budget coming from public funds, in order to prevent conflict of interest and track illicit enrichment. Family members are not obliged to disclose, rather this is at the discretion of the public official. Other countries, like Germany, have different declarations according to the position. For example, the type of information that is disclosed varies among the different categories of officials. Members of parliament (MPs) and ministers (who are MPs) are required to declare their interests in a company or partnership if they hold 25% of the voting rights. The amount of income from any activity needs to be declared if it exceeds EUR 1 000 within a one-month period or EUR 10 000 within a one-year period. Gifts received in connection with the mandate need to be declared and transferred to the parliament if the value exceeds EUR 200. In the case of civil servants, they disclose assets and interests in those cases where they find – within the context of a specific official task – that their obligations, private interests or interest of third parties might create a conflict of interest situation. In these cases, they inform the supervisor about the potential source of the conflict so that the supervisor can take adequate measures to manage the situation.

Complementary high-risk areas need to be addressed in order for the reform to be effective. Standards of behaviour in public life and the overall quality, integrity and fairness of public decision making, are affected by policies other than conflict of interest prevention. Issues of impropriety (i.e. the misuse of "insider information", position and contacts) have led more and more countries to review and modernise measures for effectively preventing and managing conflict of interest in pre- and post-public employment, a key area of concern for OECD countries according to the 2012 OECD Survey on Conflict of Interest.

Increased movement of employees between the public and private sectors, often called the "revolving door" phenomenon, has raised concerns over pre- and post-public employment and its negative effects on trust in the public sector. This practice has considerably increased in the last decade. Certain sectors are more exposed to the "revolving door"; for example, experience shows that the banking and financial sectors have close relationships with government and regulatory agencies. Findings have shown that a majority of banks and security firms have hired former members of government or regulatory agencies, or have had members of staff or executives move into government or regulatory posts (OECD, 2009e).

A "cooling-off" period exists in many OECD countries, where public officials must limit their interaction with their former organisation for a given length of time (on average between one and two years). Many countries have established a two-tiered system: there are general requirements for civil servants and a more stringent regime for top-level public officials, including decision makers such as ministers and legislators. This is the case, for example, in Canada where for public servants one year is the general time limit, while for ministers a two-year period is applied. A specific five-year ban on lobbying was also introduced for ministers, ministerial staffers and senior public servants. Similarly, Norway established two sets of post-employment guidelines for politicians and public servants, including temporary disqualification (a ban for up to six months after leaving office on employment by an organisation outside the public service that has or can have contact with the employee's sphere of responsibilities as a civil servant or politician) and abstinence (a ban for up to one year after leaving office, for an employee to become involved in cases or areas that involve the employee's spheres of responsibilities as a civil servant or politician).

Spain is addressing this issue by including in the draft law a cooling-off period of two years for top-level public officials, during which they are not allowed to work in any company that was affected by his/her decisions while in office and the communication to the office of conflict of interest of every new activity that will be carried out. However, Spain could also take advantage of the Post-Public Employment Good Practice Framework developed by the OECD (Box 7.7), which provides a range of measures that could be considered for comprehensive, effective and transparent implementation of the OECD Principles on Post-Public Employment. The principles address: *i)* problems arising primarily while officials are still working in government; *ii)* problems arising primarily after public officials have left government; *iii)* duties of current officials in dealing with former public officials; *iv)* responsibilities of organisations that employ former public officials (OECD, 2010a).

Box 7.7. **Managing post-employment conflict of interest: Good Practice Framework**

1. The post-public employment system contains the instrument(s) needed to deal effectively with its current and anticipated post-public employment problems and emerging concerns.
2. The post-public employment instrument(s) is/are linked, where feasible, with instrument(s) dealing with conflict of interest in the public sector and with the overall values and integrity framework.
3. The post-public employment system covers all of the entities for which post-public employment is a real or potential problem, and meets the distinctive needs of each entity.
4. The post-public employment system covers all of the important risk areas for postpublic employment conflict of interest.
5. The restrictions, in particular the length of time limits imposed on the activities of former public officials, are proportionate to the gravity of the post-public employment conflict of interest threat that the officials pose.

Box 7.7. **Managing post-employment conflict of interest: Good Practice Framework** *(cont)*

6. The restrictions and prohibitions contained in the post-public employment system are effectively communicated to all affected parties.
7. The authorities, procedures and criteria for making approval decisions in individual post-public employment cases, as well as for appeals against these decisions, are transparent and effective.
8. The enforcement sanctions for post-public employment offences are clear and proportional, and are timely, consistently and equitably applied.
9. The effectiveness of the policies and practices contained in each post-public employment system is assessed regularly and, where appropriate, is updated and adjusted to emerging concerns.

Source: OECD (2010), *Post-Public Employment: Good Practices for Preventing Conflict of Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264056701-en.

Finally, the increasing economic weight and presence of lobbying activities are increasingly leading OECD countries to address concerns of risks of undue influence in decision making posed by unregulated lobbying activities. Regulating these high-risk policy areas are a necessary complement to an effective conflict of interest system. Together with high standards of conduct in public service, they help leverage transparency, integrity and fairness in the decision-making process, and provide crucial safeguards to the public interest in policy making.

Criminal and procedural measures to combat corruption

The regulation of the criminal aspects of corruption is one of the key pillars of the existing international anti-corruption instruments, namely, the Council of Europe's Criminal Law Convention on Corruption; the 2004 United Nations Convention against Corruption (UNCAC) and the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The standards set forth by these instruments are linked to everything related to criminal prosecution and imposition of sanctions of this nature, including some issues to assist in detection and criminal investigation (e.g. witness protection systems and whistleblowers).

Box 7.8. **International Guidance on the Criminalisation of Corruption**

- Acts of Corruption: Inter American Convention against Corruption (IACAC), Art. VI, paragraph 1, sub-paragraphs a) and b); UNCAC, Articles 15 and 21
- Transnational Bribery: IACAC, Art. VIII; UNCAC, Art. 16; OECD, Art. 1
- Misappropriation, embezzlement and appropriation of property: IACAC, Art. VI, paragraphs c) and d) and Art. XI, paragraph 1, sub-paragraphs a), b) and d); UNCAC, Articles 17 and 22
- Trading in influence: IACAC, Art. XI, paragraph 1, sub-paragraph c); UNCAC, Art. 18
- Abuse of office: UNCAC, Art. 19
- Illicit enrichment: IACAC, Art. IX; UNCAC, Art. 20
- Cloaking: UNCAC, Art. 24

Box 7.8. **International Guidance on the Criminalisation of Corruption** *(cont.)*

- Obstruction of justice: UNCAC, Art. 25
- Witness protection, victims, experts and whistleblowers: IACAC, Art. III, paragraph 8; UNCAC, Art. 13, paragraphs 2, 32 and 33.

Source: United Nations Convention against Corruption (UNCAC), OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Inter American Convention against Corruption.

An effective anti-corruption framework recognises the necessary interaction between prevention, control and enforcement. Understanding and managing the incentives that motivate a public official to commit a corrupt act is critical to the success of any anticorruption policy. Criminal and procedural policies play a key role in this regard insofar as they render corrupt transactions more expensive and therefore less desirable.

Under the DRP, a new organic law on criminal and procedural measures to combat corruption will seek to revise the criminal treatment of existing corruption-related crimes (prevarication, bribery, influence peddling, and fraud and extortion), and incorporate new behaviours worthy of criminal sanction (e.g. illegal funding of political parties). In addition, it will aim to streamline procedures for the prosecution of corruption offenses.

Efforts to strengthen the criminalisation of corruption in Spain are timely. According to the Transparency International Global Corruption Barometer[6] (2013), 67% of Spaniards consider that over the past two years the level of corruption in Spain has increased. In addition, 65% think that corruption is a serious problem in the public sector and 71% think that the government's actions are ineffective/very ineffective in the fight against corruption. Furthermore, 83% of Spaniards consider political parties as corrupt/extremely corrupt and 67% feel that parliament/legislature is corrupt/extremely corrupt. This is in line with the *Global Competitiveness Report* from the World Economic Forum where Spain ranked 79th in 2012-13[7] on the level of public trust in the ethical standards of politicians. In contrast, Spain ranked 39th in 2008-09. The same pattern is observed for other indicators. For instance, it ranked 53rd in the 2012-13 report on how common is diversion of public funds to companies, individuals or groups, while in 200809[8] for the same indicator it ranked 32nd. Finally, from the list of most problematic factors for doing business, corruption went from being the 11th factor in 2008-09 to 7th in 2012-13.

Box 7.9. **Anti-corruption criminal and procedural measures in the Democratic Regeneration Plan**

Criminalisation

- New criminal regime associated with the financing of political parties, including illegal funding of political parties, false accounting and unfair administration of funds.
- Stronger sanctions for corruption, bribery, influence peddling and fraud and extortion.
- Importantly, a link back to public procurement and public administration benefits (e.g. grants, aid, tax benefits, etc.) based on incompatibility in relation to the conviction for corruption-related offenses.

Box 7.9. **Anti-corruption criminal and procedural measures in the Democratic Regeneration Plan** *(cont.)*

Streamlined procedures

- Streamlining procedures to speed up the process, regarding investigation and prosecution, and the system of appeals, to prevent its use as a dilatory tactic.
- Separation of responsibilities, by authorising courts to refer the civil dispute resolution outside the criminal process.

Complementary measures

Recovery of assets from corruption offenses. Increasing the guarantees in criminal proceedings to prevent convicts from profiting with the effects of crime.

Source: based on information from Government of Spain (2013), "Democratic Regeneration Plan", www.lamoncloa.gob.es/ConsejodeMinistros/Enlaces/200913Enlace_Regeneraci%C3%B3nDemocr%C3%A1tica (last accessed 7 May 2014).

As these procedural and criminal measures move forward towards implementation, it needs to be stressed that for these reforms to be effective, they need to be accompanied by: *i)* appropriate sanctions; *ii)* appropriate resources and capacity to pursue and investigate corruption; *iii)* the ability to conduct these and subsequent judgements in a timely fashion; *iv)* true and effective enforcement.

Conclusions and recommendations

- Transparency is an important component of the CORA reform. Transparency is particularly associated in the reform with the quality and accessibility of the underlying information required to ensure budget discipline. In addition, transparency is also contemplated in complementary reforms, is an important element of the DRP and a standalone objective of the Law for Transparency, Access to Public Information and Good Governance.
- The draft Law regulating Senior Public Officials in High Positions of the General State Administration and the organic Law for the Control of the Economic and Financial Activity of Political Parties, recently approved by the Council of Ministers, are in line with international good practices to promote transparency and the fight corruption. The government of Spain should advance decisively towards the approval by the parliament and the implementation of the laws.
- Regarding the future implementation of the Law regulating Senior Public Officials in High Positions of the State General Administration, it is important to ensure that the Office of Conflict of Interest will count the necessary resources, capacity and independence as well as mechanisms allowing an early detection of breaches, such as red flags and an effective system to investigate and apply sanctions in a timely manner.
- In order to take full advantage of the Law regulating Senior Public Officials in High Positions of the State General Administration and to tackle corruption, the law should be extended to public officials in at-risk areas, such as tax and customs officials, procurement officers and financial authorities.
- Regarding the organic Law for the Control of the Economic and Financial Activity of Political Parties, it is important to address some remaining concerns: *i*) effective

mechanisms for internal control within political parties, *ii*) transparency of party accounts at the local level; *iii*) timeliness and publicity of information on the level of parties' compliance with regulations by enforcing authorities; *iv*) weaknesses in the sanctioning regime of political finance.

- Taken together, these initiatives do represent a key step forward in the recognition of transparency as an important, necessary element of public administration reform. However, despite their complementarity, and capacity to leverage each other, up to now these reforms have not been treated as part of a single, comprehensive package. Moving forward, the government of Spain should ensure strategic co-ordination of these reforms, and the units and institutions responsible for their implementation, to maximise their reform potential and ensure consistency.
- In particular, the Law on Transparency, Access to Public Information and Good Governance has gathered great expectations, domestically and internationally. However, it could be improved to set a solid foundation for the institutionalisation of transparency as a core value of the future public administration in Spain. Further attention to providing the necessary supporting guiding elements for its full institutionalisation, building upon extensive comparative experience, will be imperative. Likewise, while the reforms, in principle, can be considered closer to first-generation access to public information reforms, implementation may provide additional opportunities to advance confidently towards an open government model, following the trend of OECD countries.
- As implementation of this law progresses, it is important to keep in mind that enhancing transparency in public administrations often requires an important cultural change, one that needs clear guidance, steady support and adequate incentives to become a reality. Regulating access to public information is a necessary step, albeit insufficient. Comparative experience shows the imperative of investing in the attributes of the information disclosed – providing informed guidance, capacity and criteria to ensure that complete, objective, reliable, relevant and easy to understand information is made available and usable by stakeholders for different purposes, from holding governments to account to proactively participating in the public policy discussion (Baena and Vieyra, 2011). Secondly, adequate supporting institutional arrangements are needed to provide legitimacy to government efforts, viability and sustainability of the reforms, to achieve the necessary cultural change that often is required in this policy arena.
- Of particular concern in this regard is the constitution and functions of the future Council for Transparency and Good Government, and its supporting capacity. The council statute should be designed and implemented as soon as possible and guarantee its budgetary and composition independence in order to provide greater legitimacy to its monitoring role.
- The sequenced implementation provided for in the law provides an opportunity to invest in capacity building, standard setting, adequate potential demand and capacity needs estimation, and trial and error testing before the full provisions of the law enter into force.
- The DRP as well as Title II on Good Government of the Law on Transparency, Access to Public Information and Good Governance merit particular recognition. The current context has raised the stakes for decisive government action to safeguard integrity. Embedding the policy-making process with mechanisms that safeguard the public interest and curve the undue influence of money and power is essential to restore a sense of fairness in policy making (OECD, 2013b). To reap its promise,

and its potential as a breakthrough reform package across OECD governments, the government of Spain should advance decisively towards implementation.

- However, it is important to note that other high-risk policy areas at the intersection of the public and private sectors' policy areas will need to be addressed in order to consolidate a comprehensive and effective integrity framework in Spain, in particular lobbying, whistleblower protection and pre-post public employment risks. A number of OECD instruments (e.g. the 2010 *Recommendation on Principles for Transparency and Integrity in Lobbying*; the 2010 OECD Guiding Principles on Post-Public Employment and its supporting Good Practice Framework; or the G20 Guiding Principles on Whistleblower Protection), can provide guidance to decision makers in Spain to address these critical issues.
- Finally, these measures could be further strengthened and complemented with a renewed mandate and capacity of external and internal control mechanisms to, in broad terms, promote integrity, enhance transparency and combat corruption, following the path of countries like Chile, Italy or the United States.

Notes

1. The report is based on an analysis of 567 information requests sent through the platform tuderechoasaber.es between 20 March and 31 December 2012, of which a total of 306 requests (54%) have not yet received any reply. In addition, 46% of the responses to information requests were insufficient, and 14% received an incomplete or inadequate answer or were rejected. In 12% of cases, the institutions claimed to not possess the requested information and 7% of responses were referred to a form, a clearly restrictive measure. For more information, see: http://blog.tuderechoasaber.es/informe.

2. The draft law received 269 amendment proposals in the Senate. The final text incorporated 32 amendements proposed by the governing party, and 9 proposed by other parlimentary groups. The law was approved with the support of six parliamentarian groups and the rejection of eight, including the main opposition party.

3. http://administracionpublica.com/silencio-administrativo

4. Moreover, when assessing the application of the OECD 2011 Guiding Principles for Information, Consultation and Active Participation in Policy Making, countries reported mixed progress. While more than half of the countries (58%) reported the most progress had been made in establishing the rights to access to information, consultation and public participation, the biggest challenges were related to resources, time and lack of evaluation (OECD, 2009). According to research carried out by in 2006 by the Open Society Institute, based on a sample of 14 representative countries from around the world, the demands for information made in European countries were satisfied in an estimated 42% of cases, whereas this figure fell to 28% in Latin America.

5. Other measures have been advanced already, including the reform of the Law on Financing of Political Parties, which reduces by 40% state contributions and increases transparency requirements or the recognition of incompatibility of former senior government officials to receive a state pension at the same time as other remunerations.

6 See more at: www.transparency.org/gcb2013/country//?country=spain#sthash.6PDksc8d.dpuf.

7. www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf.

8. www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2008-09.pdf.

Bibliography

Abramovich, V. and C. Courtis (2000), "El acceso a la información como derecho", *Anuario de derecho a la comunicación*, Vol. 1, No. 1.

Baena Olabe, P. and Theodore Kahn (2012), "From information to participation: The potential of the technologies on accountability initiatives", *Institutions for Development Sector Technical Notes*, May, Inter-American Development Bank, Washington DC.

Baena Olabe, P. and Juan Cruz Vieyra (2011), "Access to information and targeted transparency policies", IDB-TN-321, Inter-American Development Bank, Washington DC.

Centre for Law and Democracy and Access !nfo (2013), "RTI Rating Data Analysis Series: Overview of results and trends", September, www.rti-rating.org/files/docs/Report.13.09.Overview%20of%20RTI%20Rating.pdf (accessed on 21 November 2013).

Centre for Law and Democracy and Access Info (n.d.), "Global right to information rating", www.rti-rating.org/reports.php (accessed on 21 November 2013).

Commission for Reform of the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

European Commission (2014), "Annex: Spain to the EU Anti-Corruption Report", COM(2014) 38 final, European Union, Brussels, available at: http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_spain_chapter_en.pdf.

European Commission (2013), "Public opinion in the European Union: First results", Standard Eurobarometer 79, Spring 2013, European Union, Brussels, July, available at: http://ec.europa.eu/public_opinion/archives/eb/eb79/eb79_first_en.pdf (last accessed on 21 November 2013).

Fung, A., M. Graham and D. Weil (2007), *Full Disclosure: The Perils and Promise of Transparency*, Cambridge University Press, Cambridge, United Kingdom.

Government of Mexico (2012), Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental, *Diario Oficial de la Federación*, Mexico, available at: www.diputados.gob.mx/LeyesBiblio/pdf/244.pdf (accessed on 21 November 2013).

Government of Spain (2013), "Democratic Regeneration Plan", www.lamoncloa.gob.es/ConsejodeMinistros/Enlaces/200913Enlace_Regeneraci%C3%B3nDemocr%C3%A1tica (last accessed 7 May 2014).

Linders, D., S. Copeland Wilson and J. Carlo Bertot (2012), "Open government as a vehicle for government transformation", in: Weerakkody, V. and C. Reddick (eds.), *Public Sector Transformation through EGovernment: Experiences from Europe and North America*, Routledge, New York.

METROSCOPIA (2013), Barómetro de Confianza Institucional.

Ministry of Finance and Public Administrations (2012), Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera, Government of Spain, Madrid, www.minhap.gob.es/es-ES/Paginas/Ley_Estabilidad_Resumen.aspx.

OAS (2010), "Model Inter-American Law on Access to Public Information", Organization of American States, available at: www.oas.org/en/sla/dil/docs/access_to_information_Text_edited_DDI.pdf (accessed on 21 November 2013).

OECD (forthcoming), OECD Policy Forum "Restoring Trust in Government: Addressing Risks of Influence in Public Decision Making", Summary of Discussions, OECD, Paris, forthcoming.

OECD (2013), *Government at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2013-en.

OECD (2013b), "Investing in trust: Leveraging institutions for inclusive policy making", GOV/PGC(2013)2, OECD, Paris.

OECD (2013c), "Ministerial Council Statement", Meeting of the Council at Ministerial Level, 2930 May 2013, C/MIN(2013)16/FINAL, OECD, Paris.

OECD (2013d), "Trust in government: Evidence, policies and decision making: A forward looking agenda", C(2013)51, OECD, Paris.

OECD (2012e), Survey on Conflict of Interest, OECD, Paris.

OECD (2011), *Government at a Glance 2011*, OECD Publishing Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

OECD (2010a), *Post-Public Employment: Good Practices for Preventing Conflict of Interest*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264056701-en.

OECD (2010b), "The right to open public administrations in Europe: Emerging legal standards", *SIGMA Papers*, No. 46, OECD Publishing, Paris, http://dx.doi.org/10.1787/5km4g0zfqt27-en

OECD (2009a), *Focus on Citizens: Public Engagement for Better Policy and Services*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264048874-en.

OECD (2009b), "Indicators of regulatory management systems: 2009 report", OECD, Paris.

OECD (2009c), *Lobbyists, Government and Public Trust, Volume 1: Increasing Transparency through Legislation*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264073371-en.

OECD (2009d), "Revolving doors: Emerging regulatory concerns and policy solutions in the financial crisis", GOV/PGC/ETH(2009)2/REV1, OECD, Paris.

Stiglitz, J. (1999) "On liberty, the right to know, and public disclosure: The role of transparency in public life", Oxford Amnesty Conference, Oxford University, United Kingdom, 27 January.

Transparency International, Global Corruption Barometer 2013, available at: www.transparency.org/gcb2013/results (last accessed on 21 November 2013).

US Department of Justice (2013), "Summary of annual FOIA reports for fiscal year 2012", Office of Information Policy, Washington DC, available at: www.justice.gov.

World Economic Forum (2012), *The Global Competitiveness Report 2012-2013: Full Data Edition*, World Economic Forum, Geneva, available at: www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf (last accessed on 21 November 2013).

World Economic Forum (2008), *The Global Competitiveness Report 2008-2009*, World Economic Forum, Geneva, available at: www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2008-09.pdf (last accessed on 21 November 2013).

Chapter 8

Implementing governance reform in Spain: challenges and opportunities

This chapter assesses the different dimensions of the CORA reform in light of OECD good governance principles and values, as well as of the lessons learnt. It explains the accountability framework in the CORA reform package, ranging from auditing and evaluation to inspection. It also assesses internal and external control and policy performance by looking at the different control bodies. The chapter describes the different efforts and challenges for a whole-of-government approach during the implementation phase in order to assess the consistency and coherence of reforms. It also discusses the factors which impact efficiency and the delicate balance between costs and quality in service delivery. Institutional leadership, Centre of Government institutions and the mobilisation of stakeholders are also evaluated. Finally, the chapter analyses sustainability in light of planning, long-term vision, flexibility to an evolving environment and the strategic use of human resources.

The CORA reforms address different elements of governance to achieve an effective and dynamic public administration. Better Regulation, human resource management (HRM), information and communications technology (ICT), transparency and multi-level governance, for example, are all necessary elements for a public administration that delivers value for money. The whole of these elements can add up to much more than the sum of its parts, when synergies are identified and exploited and when the different elements are linked in a strategic governance approach. On the other hand, the process of administrative reform has to carefully consider the connection between the short-term changes (legal and institutional modifications included in the reform package), and the longterm mechanisms that will ensure sustainability and improved governance. Spain has a unique opportunity to move from *ad hoc* administrative reform to continuous improvement if there is a successful connection between short-term reform and long-term sustainability.

This assessment will cover the CORA process, as well as the different public governance frameworks in Spain that are subject to reforms beyond the CORA process. This chapter assesses the different dimensions of the CORA reform in light of OECD good governance principles and values, as well as the lessons learnt in recent international experiences of administrative reform.

The following dimensions of the process of reform will be analysed: accountability, consistency, efficiency, feasibility and sustainability. This chapter will address the strengths, weaknesses and risks, and conclude by providing recommendations for potential improvements. It will emphasise the horizontal connections between the different policy issues addressed by the CORA. For the sake of organising the work of the CORA with the structure of this report, reforms have been classified in specific areas (e.g. administrative simplification, institutional management, service delivery and shared services, and administrative duplicities). However, synergies need to be identified and exploited for the purpose of maximising impact, ensuring sustainability and advancing the principles of good governance described above.

In some cases, the links are clear, for example, concerning the synergies between ICT management and the use of such means for administrative simplification purposes. In others, the connection is not made explicit, for example, on how to use performance management to advance a strategic HRM policy. Reform only makes full sense when understood in the context of a governance system, where adjustments in one screw have an impact on the performance of the whole government machine. To do so, legal or theoretical synergies expressed in documents are not enough: they have to operate in practice, which speaks to sequencing, co-ordination and motivation of key actors. Therefore, the following analysis will pay particular attention to implementation challenges.

Reinforcing accountability and evaluation

Accountability can be defined as the government's ability and willingness to show the extent to which its actions and decisions are consistent with clearly defined and agreedupon objectives. In this sense, the CORA reform has very positive elements, as it sets a very specific number of well-documented objectives, including a calendar of implementation and quantified results (Commission to Reform the Public Administrations, 2013: 11). It also defines a mechanism of implementation, monitoring and reporting (the Office for the Execution of Administrative Reform, OPERA), and this is done at a very high level, as the head of OPERA sits and reports to the main coordination body of the Spanish administration (the General Commission of State Secretariats and Deputy Secretariats, CGSES).

The royal decree establishing the OPERA provides a mandate to monitor and follow up the implementation of the CORA reforms, but does not include an impact assessment approach. It might, therefore, seem that the OPERA is more an instrument of administrative control than a mechanism for substantive and periodic evaluation. However, the OPERA's leadership has advanced a much more comprehensive approach than that explicitly described in its mandate by, for example, engaging in a permanent dialogue with ministries, and most recently with autonomous communities to support their reform agendas and document their progress. Still, the OPERA's mandate could be amended to concentrate its activity on the impacts of reforms (outcomes), while assessing the fulfilment of the measures (outputs).

In addition, the *fiches* provided by the Spanish government describing the initiatives contained in the CORA report provide criteria to assess their degree of success, as well as timelines and an estimation of the economic impacts (see Box 8.5 for more details), which will be helpful to hold those responsible for implementation accountable.[1] In order to ensure the sustainability of the reform effort and to mobilise continuous support for the CORA, it is essential that evidence be provided on the impact of its measures, through the development of sound evaluation exercises in some critical areas of the CORA.

This is precisely one of the main challenges for the OPERA: evaluating progress systematically and periodically and assessing the outcomes of policies, determining whether the broader goals of the CORA reform package are being accomplished. In order to do so, the Spanish government will need a long-term vision-based strategy that goes beyond a reaction to the current crisis. In addition, performance assessment needs to be integrated, for example, into HRM and budget policies, so that the administration can identify deviations and correct them.

Embedding evaluation in the Spanish public administration

Beyond the CORA process, accountability is reinforced in the package of governance reforms. For example, the creation of an Information Centre on the financial and economic activity of the different public administrations, the establishment of an Independent Authority on Fiscal Responsibility (*Autoridad Independiente de Responsabilidad Fiscal*, AIRF), and the Law to Control the Commercial Debt of the Public Sector are all aimed at increasing the accountability of the public administrations. While these and other initiatives illustrate the willingness of the administration to provide elements to link financial inputs to public policy outcomes, there is an opportunity to further reinforce a culture of evaluation, improving the mechanisms of administrative control and empowering citizens in their relations with public administrations, which are all necessary components of accountable institutions.

While Spain's main performance monitoring capacity resides in its internal and external audit and control institutions and in the central government's policy evaluation agency (AEVAL), it engages in collecting and disseminating performance monitoring and evaluation information to a lesser degree than in other OECD countries. Its use of performance budgeting, for example, falls well below the OECD average (Figure 8.1).

Box 8.1. **Audit, evaluation and inspection in the context of the Spanish control framework**

Concepts such as audit, evaluation and inspection, among others, are commonly used by practitioners worldwide. However, these activities are not always well defined, and the borders between them are often blurry.

Audit

Internationally, the International Standards of Auditing (ISA), issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB) are widely accepted for financial audit.

In Spain, public audit is defined in the General Budget Law 47/2003 as a function consisting of the systematic and *ex post* verification of the economic and financial activity of the public sector, through the application of the selective review procedures described in the relevant standards and instructions.

The public audit presents the following typology:

- Financial audit, through the review of the accounting information and documentation, in order to verify its compliance with the accounting and budgeting regulations and rules.
- Regularity audit, as a legal control to confirm that the acts, operations and procedures in the financial management are performed in accordance with legislation in force.
- Performance audit, by systematically reviewing the operations and procedures of an organisation, programme, function or public activity, to provide an independent judgement of its economic rationale and its adherence to the principles of effectiveness, efficiency and economy in the management of public resources, detecting deficiencies and proposing recommendations and corrective actions.

Evaluation

Public policy evaluation provides feedback on the efficiency, effectiveness and performance of public policies. It also contributes to the accountability of governments which are increasingly held responsible for public policies by citizens and parliament.

In the Spanish context, and leaving aside the performance audits defined above, the AEVAL statute defines the following objectives:

- evaluate and analyse public programmes and policies
- promote a culture of evaluation and quality in the public service delivery, fostering its application in public management
- provide methodologies and collaborate in the implementation of information systems and performance indicators useful for evaluation and quality management.

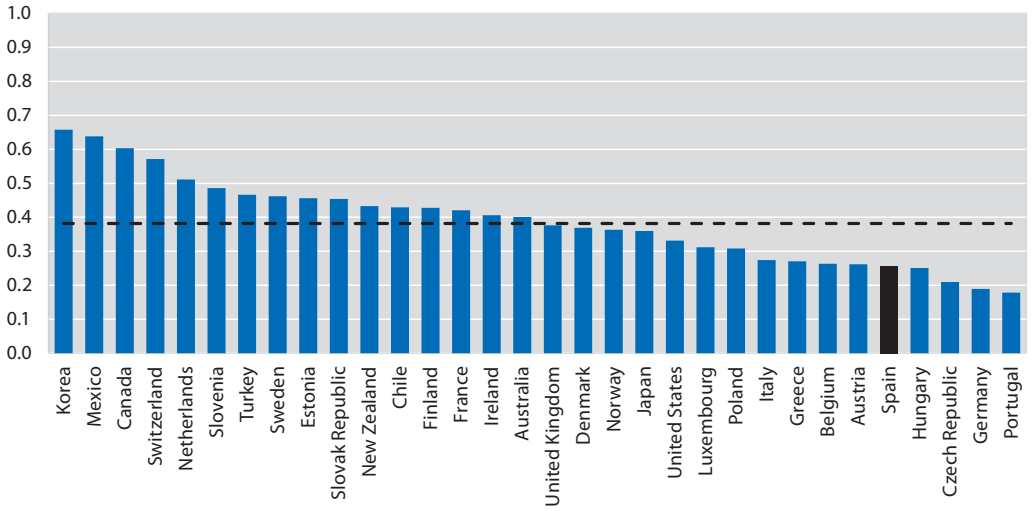
General inspection

In addition to the various internal and external audit institutions, general inspection also exists in Spain, similarly to other countries such as France, organised by the ministries.

The main objectives of general inspection are:

- review the services, entities and other bodies of the ministry
- develop information systems and indicators for the permanent evaluation of the effectiveness and value for money in the related public services
- make proposals and recommendations to improve organisation and management, co-ordinating actions and unifying criteria, e.g. simplification of administrative procedures and reduction of burdens and costs
- promote, co-ordinate and follow-up on the quality of the public services, controlling the catalogues of services and co-ordinating actions to facilitate the electronic access to public services.

Figure 8.1. **Use of performance budgeting by central governments, 2011**



Notes: Data are not available for Iceland and Israel. For Austria, performance information is not yet used for budgeting negotiations but during the budget implementation and to improve efficiency. For OECD EU member countries, results exclude any EU funding.

Source: OECD (2011), 2011 OECD Survey on Performance Budgeting, OECD, Paris.

Spain's internal control (IC) bodies exist at all three levels of government:

- The General Comptroller of the State Administration (*Intervención General de la Administración del Estado*, IGAE) exercises internal control over the economic and financial management of the Spanish state. This includes the central government, dependent autonomous bodies in the central administration, state entities under public law and public business entities. Its internal control agents are embedded within the structures of the ministry or agency being controlled, as in most countries. Its mandate includes ensuring compliance, verifying the proper recording and accounting of transactions and their reflection in the entity's accounts, evaluating activity and monitoring procedures to ensure that these are performed in accordance with the principles of sound financial management as laid down *inter alia* in the Organic Law of Budgetary Stability and Financial Sustainability, the General Law of Grants and EU legislation.
- In the 17 autonomous communities and autonomous cities of Ceuta and Melilla, the comptroller of the autonomous community exercises internal control over financial management and public sector financial activity; it is the superior organ of internal controls and public accounting of the management of the regional public sector. Such control is exercised through permanent financial controls and public audits. The comptroller exercises financial control over European funded grants and subsidies and activity financed by self-generated tax revenues.
- Local comptrollers exercise the functions of internal control over the economic and financial management of municipalities, their autonomous bodies and corporations. They exercise financial control to verify the economic and financial operation of the local public sector. Financial control and audits are performed in accordance with the auditing standards of the public sector. Reports, together with the arguments made by the audited body, are sent to the local city council for consideration.

Internal control is exercised independently from the entity whose management is being controlled. IC officials embedded in the entities being controlled follow instructions from the IGAE. IC is exercised in a decentralised manner; it is exerted through the IGAE and its delegates (within the Ministry of Defense and Social Security, control is exercised respectively by the General Comptroller of the Ministry of Defense, and the General Comptroller of Social Security – who depend functionally on the IGAE). IC is exercised centrally and sub-nationally:

- *Ex ante*, by controlling, before they are approved, activities in the performance of expenditures, revenues, payments and investments, or the general application of public funds, to ensure that management complies with all applicable laws. *Ex ante* control is therefore preventive, taking place prior to the adoption of various economic activities such as contracts, grants, agreements, charges and payroll, among others. It can be exercised in a limited fashion, by examining certain key aspects of economic and financial activities, or it can be exercised in full, by examining all documentation linked to a financial act.
- *Ex post*, by verifying on an ongoing basis the status and operation of public sector entities to verify compliance with applicable regulations and that management conforms to the principles of sound financial management, in particular the achievement of the objective of budgetary and financial stability.

The IGAE performs public audits, which can take various forms, including annual accounting regularity audits (reviewing accounting information to verify its relevance to accounting standards), compliance audits (verifying the legality of budget management, procurement, personnel, revenue and grant management) and performance audits (examining operations and procedures to assess financial and economic rationality and relevance to the principles of good governance as a means to detect deficiencies and make recommendations to correct them).

The main results of the audits are summarised in an annual report. When infractions are detected that could result in corruption or fraud, a special report is sent to the Minister of Finance and Public Administrations in addition to the controlled entity. This reporting promotes improvements over time in the techniques and procedures of economic and financial management as recommendations are acted upon. There are collaboration mechanisms between the IGAE, comptrollers of the autonomous communities and local comptrollers. It should be highlighted that the IGAE promotes the conclusion of agreements and other instruments for co-ordination and co-operation in the exercise of accounting and control functions, as well as methodological guidelines for monitoring and control and IT systems. This co-ordination might be further expanded and reinforced.

In addition, the General Inspection of Services (*Inspección General de Servicios,* IGS) is responsible for the inspection and co-ordination of all entities attached to a ministry, both central and territorial; generating and maintaining information systems and indicators for service delivery evaluation; proposing improvements in service delivery, economy of management, decision making on the proper implementation of programmes and generally to simplify administrative procedures, reduce administrative burden and management costs; and maintaining information contained in the Management Information System. The IGS promotes policy co-ordination to improve the quality of public services, along with systems for quality evaluation, monitoring compliance of service charters, co-ordination of actions aimed at improving information for citizens and conducting specific actions aimed at checking compliance with the rights of citizens using e-government services. The IGS issues annual reports on these matters.

The main strengths of Spain's IC process include risk-mapping that frames planning, and following up on recommendations presented in previous financial controls. This enables tracking recommendations to verify that they have been acted upon and that suggestions for improvement or deficiency or obsolescence have been addressed. Its annual plan's financial control and audits are based on a risk-map that identifies areas that are at the greatest risk for ineffectiveness, inefficiency and potential fraud, as well as monitoring the recommendations highlighted in previously issued reports. This process enables the provision of information for decision making, along with feedback, by incorporating proposed improvements in techniques and procedures of economic and financial management and resolving deficiencies or obsolescence detected in an entity through the audit process. IC institutions increase their transparency *vis-à-vis* stakeholders and citizens by disseminating their reports. The International Organization of Supreme Audit Institutions (INTOSAI) recommends a proper communication and divulgation policy, for instance, through the publication of the annual reports on the institution's website, and Spain's IC institutions do this.

Spain's external control body is the Court of Auditors. There are also external control bodies at the autonomous community level (OCEX):

- The Court of Auditors is the supreme auditor of the accounts and the economic and financial management of the entire Spanish public sector. It has jurisdiction over the entire country. The Court of Auditors exercises its functions with complete independence. It is recognised for its strengths in advertising and in disseminating its reports in a transparent manner, both electronically through its website and on paper. Its mandate is derived from parliament and the Constitution, including:
  - A permanent supervisory function that ensures that the economic and financial activities of the public sector meet the principles and procedures of legality, efficiency and economy in relation to the implementation of the national budget. The results of this function are reflected in the reports, motions and letters addressed to parliament through the Joint Commission for Relations with the Court of Auditors, and published in the Official Journal. When auditing activity refers to an autonomous community, the report is additionally sent to the legislative assembly of that community. Reports codify violations, abuses or irregular practices, indicating the liability incurred and actions to remedy, while proposing measures to improve economic and financial management in the public sector.
  - A judicial function consisting of the prosecution of fraud or corruption incurred by those who are responsible for managing assets, public funds or effects. Its decisions may be appealed to the Supreme Court.
- Regarding the external audit bodies, independence, as a basic principle to fight against corruption, might be reinforced, as pointed out by INTOSAI. For instance, the nine-year mandate of its members should be not renewable, following the example of the AIRF, and their specialisation in the accounting field should be enhanced. Furthermore, the delays and time lags for the publication of the reports could be reduced, streamlining the processes and fixing new deadlines.
- The OCEXs exercise, in their respective territories, external control of the economic and financial management of regional and local public sector entities in compliance with the provisions of the respective Statute of Autonomy of the Autonomous Community. Currently, 13 of the 17 regions have an external control authority.

The relationship between external control bodies is based on collaboration agreements guaranteeing the exchange of information between the Court of Auditors and the OCEX and

the co-ordination of activity to ensure greater efficiency in results and avoid duplication in audit proceedings. Notwithstanding these efforts, however, the CORA noted that the existence of numerous OCEXs leads to poor performance of the resources allocated to them, a lack of uniformity in administrative structures and in the composition and results of external audit functions. In addition, four autonomous communities do not have an OCEX, which has not had an adverse impact on the proper control of public accounts of these communities by the Court of Auditors. The CORA thus noted that administrative duplication and inefficiency exist – undoubtedly leading to waste in public resources since the Court of Auditors may also audit the accounts of the autonomous communities that have OCEXs. The CORA thus recommended the suppression of the OCEXs at the discretion of the autonomous regions. It also recommended strengthening the central Court of Auditors to carry out the OCEXs' functions at the local level through the creation of regional sections of the court.

The institution in the Spanish administration that focuses on assessing policy performance is the Agency to Evaluate Public Policies and the Quality of Services (*Agencia Estatal de Evaluación de las Políticas Públicas y la Calidad de los Servicios*, AEVAL). In operation since January 2007, its function is to promote and conduct evaluations and impact analyses of the Spanish government's public policies and programmes, as well as of its management of service quality, while promoting the rational use of resources and accountability to citizens. The agency's main competencies are:

- promoting a culture of evaluation and improving the quality of services and promoting their practice in public management, as defined in its Cabinetapproved mandate
- developing and proposing methodologies, conducting accreditation and certification, and promoting the implementation of information systems and indicators for evaluation and quality management
- undertaking demand-driven evaluation and analysis of public policies and programmes at the request of a public administration entity (this has occurred exactly once since 2007 – from the Immigration Secretary of State)
- analysing the purpose of carrying out the provisions of the Law Report on State Agencies, the actions taken by state agencies and their commitment to improving the quality of services to citizens.

Its mandate is guided by its independence of judgment, transparency, its autonomy of responsibility, its participation in inter-institutional arrangements through active cooperation, its focus on quality and continuous improvement, its professional ethics and public accountability. It systematically engages in advertising, dissemination and transparency of reporting through the AEVAL's website.

The agency's Work Plan for 2013 included the development of a manual on the rationalisation and elimination of redundancies with the aim of identifying major administrative inefficiencies and overlaps, in line with the objectives of the CORA.

This agency faces significant challenges, however, which could reflect what several officials identified as a lack of a whole-of-government, outcomes-based performance assessment culture across the public administration.[2] The agency's challenges relate to limited resources and a level of institutional clout that appears constrained despite its ability to "punch above its weight": the quality of its output appears to be highly valued by key CoG players, including the Presidency and more recently the CORA itself – the AEVAL produced key documents that were used by the CORA to ground parts of its report and the CORA mandated the agency with one of its most important evaluation tasks.

Interestingly, Royal Decree 1418/2006, which approved the statute of the AEVAL, gave the agency a competence in "reporting on regulatory impact assessments, when stipulated in the regulations that may be applicable", but the agency was never granted the general competence to report on the regulatory impact of draft legislation per se. It then lost this mandate to assess specific regulatory impacts, which was assigned to the Presidency's General Directorate for Administrative Modernisation in 2009. The CORA analysed the possibility of appointing the AEVAL to address new and more important responsibilities, but any mandate expansion would have had to be accompanied by new resources that were not available in the short term. Instead, the CORA found that the General Inspection of Services had the resources and the experience required to assume these expanded competencies.

One could reasonably debate whether independent, whole-of-government performance assessment could be better carried out by the IGS (focused by definition on assessing the quality of sector-specific ministry-delivered programming) or by the AEVAL (an arm's-length agency with a whole-of-government focus). That said, given its sterling reputation, confirmed by the CORA's expressed confidence in the agency's utility, the AEVAL could, at a minimum, be mandated to ensure that key entities across the Spanish administration collaborate with it and produce meaningful, quantitative and qualitative performance information linked to the pursuit of strategic, integrated wholeof-government results on a sustainable basis.

While evaluating short-term administrative and financial performance against proper accounting rules is not only accepted but imposed through various laws and regulations, the notion of evaluating policy performance against long-term, whole-of-government strategic objectives does not appear to frame performance assessment practice in the Spanish public administration. This agency's isolation and limited clout seem to illustrate this issue, which was also highlighted in Chapter 3 in the discussion on institutional rationalisation.

Spain's institutional setting for whole-of-government performance assessment thus appears to be limited essentially to the audit and control function and to evaluating policy performance as a function of service delivery results. It is fragmented and siloed, moreover. The audit institutions, while functioning well, might promote further collaboration through a single audit model. As the European Court of Auditors pointed out (Opinion No. 2/2004 of the Court of Auditors of the European Communities on the Single Audit Model), insufficient co-ordination increases the possibility that different control functions undertake the same job, resulting in wasted effort, undue burden on the auditee and poor image. The single audit model aims to avoid the overlap of unconnected controls leading to situations such as a case management of EU agricultural subsidies, where it was found that irregularities had been partially observed by various supervisory bodies, but none had all the information needed to report on it.

In addition, these control institutions adopt a mainly reactive approach to fraud detection and prevention based on traditional accounting methods embedded in legislation and regulation. Audit and control processes could move more deliberately toward value-for-money methods linked to performance-informed budgeting nationally and regionally. Furthermore, the contribution of the audit institutions to achieving such good governance principles as participation, quality, sustainability or accountability, has been highlighted by the European Organisation of Supreme Audit Institutions (EUROSAI). Audit institutions can promote the accountability culture through their audits, reports, recommendations and dissemination of best practices.

As underscored in Chapter 3, this type of integrated evaluation needs to be further embedded in the policy-making process in Spain, in terms of assessing both wholeofgovernment performance and individual civil servants' contribution to it. The development and application of an integrated whole-of-government financial, HR and policy performance evaluation

framework that measures impact against results within a short-, medium- and long-term planning horizon needs to be co-ordinated more effectively government-wide through Centre of Government (CoG)-led institutional leadership. This approach could strengthen the accountability principle underpinning good governance, as it would highlight in both qualitative and quantitative terms the relationship between inputs and outcomes, and allow for this information to be disseminated widely both within and outside government. Citizen and stakeholder reaction to this performance information can then inform future strategic policy development. In this sense, it is key to ensuring that the impact of reforms can be assessed *vis-à-vis* their stated objectives. While there is no "one size fits all", integrated performance assessment frameworks could consider the following criteria:

- Relevance: Is the policy the best way to deal with the issues and problems of the subject it covers?
- Effectiveness: To what extent have the aims stated at the outset been met?
- Efficiency: How can the relationship between inputs (financial, administrative) and outputs be examined?
- Impact: What are the impacts, who are winners and losers, including social, sectorial or regional analyses?
- Sustainability: Does the policy still stand up to its original aims and is it likely to be suitable for the long term?
- Ongoing evaluation: when monitoring and evaluation is required over a continuous period of time rather than at one fixed point on which evidence is based.

As discussed previously in this review, there is a need to develop an evaluation culture in the Spanish administration. On the one hand, according to the majority of interlocutors in this review, the AEVAL's reports, while useful, are not feeding the policy-making process, despite their good quality and strategic orientation, which is aligned with international standards. The Law on Transparency, Freedom of Information and Good Government confirms this situation. The law correctly links the proactive disclosure of institutional and planning information to the definition of objectives and goals to be regularly evaluated (art. 6). However, it only assigns the General Inspection of Services the responsibility to evaluate the implementation of these plans and programmes, but there are no provisions regarding the evaluation of the programme itself. It would be useful to define common methodologies and clear standards of quality in the development of this legal provision, in which the AEVAL could play a significant role in line with its mandate. Alternatively, over the longer term, the government of Spain could strengthen the AEVAL's mandate and resources to ensure that the agency can effectively and efficiently play the whole-of-government evaluation role it was initially assigned in its enabling legislation (and which continues to be symbolised through the agency's title).

The internal and external control bodies do currently carry out performance audits on a regular basis. However, these audits are not outcome-oriented, but rather output-oriented, looking for efficiency and cost savings. Its feedback is not entirely embedded in the policy-making process, which remains disconnected from the results of performance audits. Therefore, the performance audit framework should be updated with an increased focus on outcome indicators and be better integrated in the policymaking process. For these reasons, the performance evaluation and audit arrangements should be revised and improved, in order to increase the volume, relevance and timeliness of them. The IGAE, Court of Auditors, General Inspection of Services and AEVAL may be able to perform this function, as long as it adjusts its operational methods, increases its capacity and better adjusts its institutional structure in the future, as also pointed out in Chapter 3. The fact that the Sub-Commission

of Institutional Administration of the CORA used the IGAE's reports to feed its proposals represents evidence on how its work and that of other control bodies could be incorporated into the policy-making process.

Furthermore, the questionnaire distributed by the OECD to autonomous communities shows the existence of different efforts to incorporate evaluation methods and practices to policy making at the autonomous level. This is a positive trend that should be encouraged and incentivised. In 2012, the government of the Canary Islands approved a strategy to modernise and improve public service delivery (*Estrategia para la Modernización y Mejora de los Servicios Públicos de la Administración Pública de la Comunidad Autónoma de Canarias 2012-2014*, PEMAC). Among others, the PEMAC aims to improve the assessment of public policies and programmes within the progressive implementation of the assessment, learning and improvement model (*Modelo de Evaluación, Aprendizaje y Mejora*, EVAM) developed by the AEVAL. In Galicia, a bill on continuous performance assessment of public employees is under revision. This bill forms an integral part of Galicia's effort to develop and implement a productivity and efficiency assessment system of public institutions. The Catalonian 2013-16 Plan of Government has developed indicators to measure the performance and fulfilment of the 355 actions to be implemented by the Catalonian government. The indicators are publicly available.

An important measure of the CORA addresses the reinforcement of the sectorial conferences, which should engage in common planning at a larger scale. Sectorial conferences are an ideal platform for autonomous governments and the central administration to share their practices and make progress in evaluation methods. The conferences can facilitate the transfer of good practices and promote peer pressure and constructive competition between public administrations (see Chapter 3).

In recognising the importance of overall performance management and assessment, the CORA called for renewed emphasis on this matter. It recommended the implementation of a performance measurement system as well as measures aimed at improving the efficiency and effectiveness of Spain's internal and external control capacity. The CORA's basic assumptions in this area are:

- The use of standardised methods of evaluation, tailored to the characteristics of the different activities of the public sector, is crucial to the sound management of available resources, since it facilitates the achievement of effectiveness, efficiency, economy and quality.
- The use of these evaluation methods is currently distributed unevenly across the Spanish public sector. Many areas of government already use them, especially in large departments such as the Tax Authority, the Ministry of Finance and Public Administrations, and the Ministry of Employment. This is also the case in some central services that prepare annual activity plans with goals and indicators for assessing compliance.
- However, to ascertain the overall situation, it is first necessary to map out government structures and identify those areas lacking these systems. Where they already exist, their suitability for purpose must be checked and, when necessary, adapted.
- The requirement established by the Law on Transparency, Freedom of Information and Good Government to set targets and indicators will allow a permanent follow up of the performance of the public administration and facilitate continuous assessment.

The CORA's general intent is, in its own words, "to advance toward greater homogeneity of the evaluation systems and indicators used across the public sector, while maintaining

their suitability for the specific purposes of each unit. The design of a control system for organisational management must be consistent with its strategy and structure, in order to ensure that the actions and outcomes of decisions are relevant to and consistent with the organisation's goals". The CORA argues that:

- For public bodies, such control and monitoring mechanisms could incorporate management indicators. In order to establish a management indicator system with information on the degree of achievement of targets, it is essential to know whether the organisation is acting correctly or whether action should be taken to correct discrepancies.
- Without performance indicators providing systematic information of the outcomes achieved, it is not feasible to determine or evaluate, with any degree of confidence, the organisation's levels of effectiveness, efficiency and quality. The introduction of such indicators forms part of the changing values being applied within government systems, and contributes to greater transparency in the public administration.
- Management indicators provide both quantitative and qualitative information on an organisation's performance, identify any deviation from required patterns of operation and enable timely corrective measures to be taken. Good use of these indicators is crucial for the optimal management of organisational resources.
- These systems are focused on the analysis and use of information regarding management and service performance so that the organisation can make the procedural or substantive modifications necessary to improve management quality and effectiveness, thus facilitating decision making and enabling effective compliance with the programmes set out for each department.

Indeed, the CORA's measure can constitute an important opportunity for the government to build on its existing practices and adopt a more transversal, wholeofgovernment outcomes-based approach to evaluate public sector performance against the achievement of strategic results for the country and its citizens and businesses over time. This section provides two country examples of such an approach: Canada and Colombia.

An interesting example of a comprehensive, integrated, government-wide policy and budget performance management tool is the government of Colombia's SINERGIA (Box 8.2).

Canada's Management Accountability Framework (MAF) demonstrates the importance of applying common measures across departments and agencies to develop a whole-of-government perspective in a decentralised federal context:

- In the context of increased emphasis on results and performance management and increased delegation of management functions to departments, the Canadian government has developed the MAF to ensure departmental accountability for management results, including human resources. The MAF is structured around ten key elements that collectively define "management" and establish the expectations for good management of a department or agency. It sets clear indicators and measures that can be used to gauge performance over time to help managers, deputy ministers and central agencies assess progress and strengthen accountability for management results.
- The MAF is part of the government's efforts to move away from prescriptive rules and heavy central regulation to focus on risk-based monitoring and accountability for results. The government uses the annual MAF assessments to identify management strengths and weaknesses in individual departments and agencies and ultimately government-wide. The assessment process leads to a joint agreement on specific

management improvement action plans and, ultimately, public reporting on the state of management. The MAF assessment now also factors into deputy ministers' performance appraisals.

- The people component of the MAF provides a common structure for assessing HRM in departments and agencies. It sets out a vision, expectations and key performance indicators linked to the achievement of a department's strategic results (themselves part of the government's integrated strategic objectives for the country) and associated measures for sound HRM. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The key "people management" performance indicators provide a solid foundation on which managers at all levels, including deputy ministers and human resource professionals, can build their accountability regimes for quality HRM and assess their organisation's business and human resources performance against department and government-wide strategic outcomes.

In Spain, as was recommended in Chapter 3, this suggests that OPERA could be mandated to work on an ongoing basis with the Ministry of the Presidency, the Ministry of Finance and Public Administrations, the audit and control agencies, the AEVAL and the Civil Service General Directorate to "join 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, and communicate it transparently through regular reporting of how government activity is achieving strategic results for Spain and its citizens.

Box 8.2. **Colombia's SINERGIA**

Colombia has developed and refined a comprehensive system of information to monitor and evaluate that the country is reaching its main goals. This system, inspired by international experiences such as the Delivery Unit in the United Kingdom and the US government's White House Dashboards, has allowed the country to discuss its priorities as well as identify its biggest challenges. Through it, Colombia has integrated all of the information from the different entities and sectors, with diverse indicators, clear guidelines and targets. Through a complete set of indicators, the government has developed user-friendly dashboards and traffic lights to display the information.

The Colombian Constitution requires that all public policies be monitored and evaluated, and SINERGIA is the national system responsible for these tasks. SINERGIA is led by the Directorate of Public Policy Evaluation within the National Planning Department and the presidency of the republic. SINERGIA must be implemented by all sub-national governments, with the aim of aligning municipal and departmental policy interventions and investment agendas with those of the National Development Plan (this monitoring component is called SINERGIA TERRITORIAL). SINERGIA measures the progress and goals of the projects included in the National Development Plan through three main tools:

1. SISMEG (monitoring): A set of performance indicators which measures policy outputs and outcomes as identified by the National Development Plan. The system is built following a pyramidal structure with three main levels: strategic, sector and management. Strategic indicators are at the top and are related to the main government pillars as stated in the National Development Plan. These are followed up by the President and the Council of Ministers. Sector indicators describe sector-specific goals and are monitored by the President and each minister in bilateral meetings and within each ministry. Finally, management indicators are standard indicators that are measured for all of the entities to track institutional efficiency.

Box 8.2. **Colombia's SINERGIA** *(cont.)*

2. SISDEVAL (*Sistema Nacional de Evaluaciones*): A system to evaluate the outcomes of the main public policies and programmes implemented within the framework of the National Development Plan. Every year, the policies that will be evaluated are elected by a committee of the DNP and approved by the CONPES. Policies are evaluated by a recognised, experienced third party (consultancy) so as to guarantee objectivity and transparency in the process. Since the creation of SISDEVAL, the number of evaluations has increased significantly, from 1 evaluation in 2003 to 32 in 2011.
3. Polls: Nation-wide polls are carried out periodically so as to compare public perception and government results. The results of the polls are public and can be found on the SISDEVAL website. Surveys measure perception of the way the government is achieving the goals it has set.

In the beginning, SINERGIA focused on central government management only; in 2004, its scope was broadened to include the monitoring of territorial management and decentralised entities. It now provides information on the overall performance of public policies across all levels of government in Colombia. However, at the territorial level, performance management implementation remains relatively underdeveloped. In 2009, methodological guidelines were approved focusing on performance management at the sub-national level; a network of regional officials was created to encourage the exchange of best practices in the field of performance management.

Through SINERGIA, follow-up is readily available. The presidency, the government and citizens can follow up on the government's performance. It is an essential tool for building trust in government.

Source: OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

Ensuring the consistency of the reform package

In the context of multi-dimensional policy reforms, consistency can be defined as the coherence between individual dimensions, avoiding contradictory measures and conflicting objectives. The 217 reform proposals contained in the CORA report are indeed comprehensive in addressing the different necessary elements for a dynamic and effective public administration: HRM, transparency, public finance, Better Regulation, ICT management and multi-level governance, among others. However, achieving coherence and consistency in the whole-of-government implementation of these reforms is a challenge.

An important strength of the CORA is its strong evidence-based component and the analysis from which it started. A diagnosis of the public administrations and the extent of their imbalances was imperative to devise solutions that are up to the challenge. In addition, the analysis seems to be multi-disciplinary, incorporating mainly economic and legal approaches. This is related to the technical expertise mobilised for the elaboration of the CORA report, based on the experience of high-level practitioners – professional administrators – with long years of service inspiring their vision of the administration.

An additional strength is a consistent focus on fiscal discipline. The lack of such discipline is at the source of the current economic crisis. Beyond establishing measures to execute the mandate of the Law on Budget Stability and Financial Sustainability, the different sub-commissions of the CORA devised initiatives that will lead to a more balanced public sector via, for example, streamlined procedures (Sub-Commission on Administrative Simplification), eliminating overlaps (Sub-Commission on Administrative Duplicities), a new system for

procurement procedures (Sub-Commission on Service Delivery and Shared Services) and a new governance model for the central administration (Sub-Commission on Institutional Administration). In this sense, the consistency of proposals is remarkable.

In terms of weaknesses, there seem to be opportunities to improve policy coordination and the integration of specific tools throughout the public administrations. Chapter 3, for example, describes the existence of ministries and agencies such as the AEAT and the Social Security Agency, where the use of ICT has significantly improved their operations and interactions with citizens. However, their experiences have not been leveraged to their full potential to facilitate and foster the integration of ICT in other institutions. In this sense, the CORA is headed in the right direction by establishing the CIO as a mechanism to take advantage of lessons learnt and embed a systematic use of ICT in the public administrations.

Dispersion has also been perceived concerning HRM during the preparation of this review. Prior to the launching of the CORA implementation phase, there were several initiatives in this area focusing on improving mobility and performance assessment, developed at the MINHAP. Interlocutors reported a risk of fragmentation, lack of visibility and insufficient participation which could jeopardise implementation by divergent views and competing interest of a bureaucratic nature across ministries and professional groups. However, the implementation strategy of the CORA seems to be effective in this regard, as by early 2014, determined whole-of-government action is being developed to ensure appropriate implementation of the MINHAP's initiatives in this domain. Chapter 3 highlighted the existence of significant sources of sound administrative knowledge and policy experience in the Spanish administration (such as the AEVAL or INAP). The multiple interviews during the process of elaboration of this review, and the questionnaires collected from the autonomous communities, clearly show that the Spanish administration, both at central and autonomous levels, benefits from very advanced expertise and good practice. The capacities of public employees are undoubtedly high, and numerous initiatives of administrative modernisation are innovative and reach high OECD standards. There is, however, a problem of connection between different initiatives, transfer of practices and communication, not only between levels of government, but also within the central administration. The legacy of bureaucratic tradition and the impact of the civil service system based on administrative *corps* are probably behind this tendency of fragmentation. The implementation of the CORA must certainly address this challenge and enlarge the number and profile of stakeholders. Reinforcing the strategic role of OPERA as a key tool of the Spanish Centre of Government could very significantly contribute to reinforce strategic leadership in Spanish public governance system.

Even though, in principle, there are no fixed impediments to move simultaneously on every CORA measure,[3] according to its own implementation schedule, international experiences suggest that political support weakens with time, calling for a concentration of resources and political leadership. Prioritisation in implementation and communication can help to support the coherence of the reform agenda and the fulfilment of the key objectives. There is no clear prioritisation, despite the evident different scope of the impacts of the initiatives (i.e. Law for Market Unity *vis-à-vis* fishing licenses). Signalling priorities is important so that public administrations mobilise towards those reforms with the biggest impacts, but that may also require more resources (financial, political, etc.). Despite the existence of a single unit in charge of monitoring the whole CORA process (OPERA), there are different entities responsible for the implementation of the measures and every one of them has its own list of duties.

The CORA reform package is very ambitious in its scope, and therefore it faces competing objectives; it is unclear how these will be resolved. As has been mentioned previously, there is a delicate balance between short-term and medium- to long-term objectives. Striking such

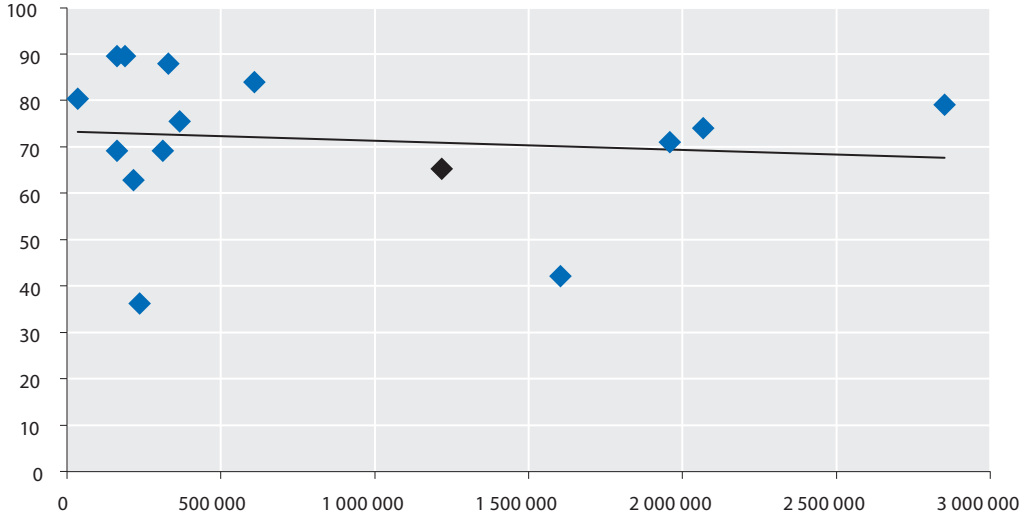
a balance will not be easy as the pressures and priorities in the short term (i.e. eliminating duplicities and cutting government spending to improve the fiscal balance) might conflict with more structural objectives.

A few examples might illustrate this conflict. Addressing duplicities among levels of government might be justified in terms of avoiding confusion, co-ordination failures and regulatory inflation, but it is also true that local governments have the "proximity advantage", being closer to citizens and the problems they face according to the characteristics of their territories and preferences. Long-term objectives should be in the motivations of the central government when considering some of the CORA proposals.

For example, the CORA proposes eliminating the external control bodies (órganos de control externo, OCEX) and having the state's Court of Audit (*Tribunal de Cuentas*, TCU) perform the fiscal control function on the ACs. The CORA argues that the duplicity lies in the fact that the TCU can audit the ACs' administrations, sometimes following a legislative mandate. Hence, the CORA's conclusion is that there is no need for the OCEX and that four ACs do not even have one, without it necessarily hurting public interests. Spain ranks 12th among the EU15 countries (40th out of 177 countries in total) in terms of corruption perception. In Transparency International's Corruption Perceptions Index 2013, Spain scored 59 (65 in 2012) on a scale from 0 (highly corrupt) to 100 (very clean), while Denmark was ranked 1st with 90 points (Transparency International, 2012). Eliminating the OCEX may nurture this negative perception, even when the control function remains in the TCU. However, there is no evidence to claim that corruption perceptions are higher in those ACs that lack an OCEX or that corruption has been prevented more effectively in the ACs that have their own OCEX. This is something to consider carefully and study in depth since corruption perception in Spain is high for its level of GDP (as its position below the trend line in Figure 8.2 illustrates). Nevertheless, one AC, Castilla-La Mancha, has announced that its OCEX is going to be eliminated.

Despite the magnitude of this potential conflict, it is only fair to recognise that the Spanish administration has provided a rationale that goes beyond cost considerations. The CORA's main criterion to move ahead with the suppression of institutions is that citizen services can be provided with the same or superior levels of quality. If cost reductions were accompanied by diminished quality in service provision, the measure in question was not advanced. This was the case, for example, of the advisory councils of the autonomous communities, where suppression would have implied hurting their functions and, therefore, the initiative was not developed. In the case of the OCEX, there are even arguments against the "proximity advantage", since distance of the fiscal authority from the administration being audited might lead to greater independence and effectiveness in its function. Hence, the CORA justifies the proposal to suppress the OCEX on the optimisation in the use of available resources, the harmonisation of the control standards and the simplification of procedures, which ultimately lead to savings of approximately EUR 45.6 million per year, as documented in the *fiche* of this initiative.

Figure 8.2. **Corruption Perceptions Index vs. GDP, 2012**
Constant prices, PPP, USD millions



Source: Transparency International (2012), Corruption Perceptions Index 2012, Transparency International, Berlin, http://cpi.transparency.org/cpi2012/results (consulted on 3 December 2013); OECD.StatExtracts, http://stats.oecd.org (consulted on 29 November 2013).

A similar conflict might be present in the case of the ombudsperson (*Defensores del Pueblo*). The CORA proposes that the state's ombudswoman takes over the powers exercised by the ACs' ombudsperson. Currently, 11 ACs[4] have their own ombudsperson office (Castilla-La Mancha and Murcia recently abolished it, and Asturias planned to eliminate this institution from 1 January 2014, as explained in the questionnaires collected from the autonomous communities). In addition, the CORA explains that the number of complaints and the size of the local offices lead to inefficiencies. While the state ombudswoman is supported by a staff of 165 officials handling 33 849 complaints, the local ombudsmen have a staff of 346 officials processing 38 407 complaints (Commission to Reform the Public Administrations, 2013: 100). One can argue that the number of complaints says very little about the effectiveness to respond to them and the contribution of the institutions to the accountability of the autonomous public administrations. While there seems to be a case for economic efficiency, there might be some disadvantages. On the one hand, the ACs' ombudspersons have the proximity advantage and people may not always be willing to file their complaints to Madrid. Again, the opposite argument favouring independence as a consequence of distance could be argued, as in the case of the OCEX. On the other hand, given the level of confidence in the national government (increasing since 2010, but low relative to 2008, see Figure 1.18), the abolishment of the local ombudsperson may weaken trust even more.

Just like in the case of the OCEX, the Spanish administration justifies the initiative by claiming that service and protection of public interests will not be hurt by suppressing the ACs' ombudsmen. In fact, as illustrated in Table 8.1, which contains information provided by the Spanish central government, the percentage of complaints resolved and the ratio of complaints solved over staff indicate a much higher degree of effectiveness by the state's ombudswoman. Nevertheless, in the course of data collection from the ACs, the OECD received information that seemed contradictory to the CORA indicators. The latter underscores the need for a rigourous evaluation, based on indicators and methodologies that are validated by the different actors.

Table 8.1. **Effectiveness of the state ombudswoman *vis-à-vis* the autonomous communities' ombudsmen**

	Resolution (%)	Ratio complaints solved/staff
Andalucia	65.9	.
Aragon	74.3	90
Asturias	45.9	20.1
Basque Country	41.5	23.4
Canary Islands	89.4	.
Castile and León	79	102.1
Catalonia	47.5	86.8
Galicia	82.1	.
Navarre	86.1	108.3
Valencia	55.5	212.5
Average autonomous communities	66.7	96.7
State ombudswoman	97.6	1 640.1

Note:.: Not available.

Source: Information provided by the government of Spain.

The ongoing public debate and the current conversations between the different Spanish authorities for the implementation of the CORA measures could be an opportunity (regardless of the outcome of the measure in itself in terms of elimination or not of institutions) to address the fundamental question, which is how to ensure that autonomous governments are accountable and citizens benefit from effective mechanisms to enforce their administrative rights. The guide to identify and avoid duplicities proposed by the CORA (pp. 93-94) should be useful to deal with this kind of conflict by providing criteria and methodologies to weigh different interests. The CORA is not explicit on such criteria and only describes mechanisms to prevent the emergence of duplicities, such as strengthening co-ordination platforms, joint planning and shared information systems. Careful analysis is a must, not only to justify reform but also to avoid wasting political capital and resources in initiatives that in the long run will not deliver real savings or that will hurt important public interests.

These cases do not necessarily argue against avoiding the overlap, but they do illustrate that economic efficiency is not the only valid argument to support a decision, as rightly identified by the CORA. While in the short term, economic efficiency might seem a strong justification, other interests might be hurt in the long run and the Spanish administration should continue its evidence-based approach to consider the different implications of public policy decisions.

Balancing efficiency and effectiveness

A key component of successful reform is efficiency: producing results at the lowest cost, using the minimum necessary resources from society, and particularly, from taxpayers. In the case of the CORA, this motivation is particularly prominent, as one of the main goals of the reform is to consolidate a culture of efficiency and careful management of public resources, which is in line with citizen's priorities, and responds directly to some general concerns about the reasons bringing Spain to a financial crisis with, by far, more severe effects than its neighbouring countries. The priority given to efficiency is not only inspiring the strategic goals of the reform, but also affecting the CORA process itself, as the government is committed to implement the package of reforms at zero cost, which in view of comparable experiences, remains a challenging goal.

As stated previously, while the CORA aims at reducing costs, it explicitly states that this should not undermine the quality of public services. This is a difficult objective that will require clear strategies to be achieved, including obviously the mobilisation of evaluation tools. It is worth mentioning that this is precisely a significant disagreement among the different stakeholders of the CORA reforms. Autonomous communities, for example, do not always agree with surrendering some functions that are also performed by institutions of the AGE. In a decentralised country, where regions have different needs, there might be scope for some "legitimate" overlap. Consultation, citizen participation and the use of tools for evidence-based decision making can help identify the disadvantages involved in the process of tackling duplicities in a multi-level governance context. Co-ordination will also be critical to ensure that the right balance between efficiency and effectiveness is achieved. A good example of this can be found in the section on multi-level regulatory governance that stresses the importance of strengthening sectorial conferences and the other existing platforms for multi-level dialogue and co-ordination.

The CORA reform package is being presented as having both objectives: reducing expenditures and improving effectiveness and public services. However, particularly in the short term, these two objectives could at times be in conflict (i.e. the upfront investment required to put in place a robust ICT infrastructure) and it is unclear what mechanisms the public administration will rely on to achieve this balance and communicate the need for a dominant short-term objective of reducing expenditures. This case illustrates the delicate balance between efficiency and effectiveness, as well as the governance implications of such a balance. In the current situation, the administration is under pressure to minimise costs. Administrative reform may aim at achieving it, but will be insufficient if the governance arrangements are not in place. The co-operation of the ACs in this process is also critical. For example, Andalucía and Valencia made available their ICT developments to the other ACs, allowing the adoption of these tools without incurring the costs of developing them.

Reform takes time to materialise and is full of uncertainties. A slow return may hinder public support. Indeed, the success of the reforms proposed by the CORA depends on much more than willingness from the central administration. Experience in OECD countries can be quite illustrative of the need to be conservative when estimating quantitative results.

Box 8.3. **The regulatory review exercise** *Base Cero* **in Mexico**

In January 2010, Mexico's President announced a regulatory review process to update the entire stock of federal regulations. The first stage of this exercise, to make regulation more user-centered, required the identification of formalities and regulations by each ministry. The instruction from the executive was to report back on which regulations were absolutely necessary and repeal all the other rules within three months. In the second stage, regulations were to be assessed according to specific criteria to identify their costs, benefits and impacts regarding issues such as competition, consumer and environmental protection, and burdens on small and medium-sized enterprises.

Despite the initial instruction from the top level of government, line ministries reported that almost all regulations were necessary and very little was cut within the three-month deadline. As a result, the exercise went from a generalised scope to a more focused one, concentrating on regulations and formalities dealing with processes such as exporting, starting up a business and paying taxes. This change in the scope led to the simplification of some business formalities, but clearly implied limited results relative to the original goal.

Source: OECD (2011), *OECD Economic Surveys: Mexico 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-mex-2011-en.

Human resources management is a good example of an area requiring the integration of several dimensions. Realising short-term savings can conflict with longer term HRM strategic objectives. While in the short term there are strong pressures to downsize, this should be done carefully, based on an assessment of where overstaffing is a problem and minding the impact on the morale of public officials. In the long run, increasing the productivity of the public sector requires upfront investments (i.e. training and ICT tools) that the government may not be willing to incur at the time being. Furthermore, reforms in OECD countries have failed because staff were inadequately managed and supported through the reform process, and were not treated as strategic partners in reform. Conversations with public sector unions in Spain indicate that there is a risk of further reforms contributing to lower employee morale and productivity, especially in the context of recent austerity measures.

Furthermore, the hiring freeze adopted in July 2012 has the potential to result in a mismatch of employee capacity, work levels and strategic priorities if not managed carefully, which can further reduce efficiency. Spain has allowed some exceptions to the hiring freeze where the provision of public services have been put at risk. And while there are CORA measures that may imply a reduction of staff, the CORA proposes a range of measures in its report to evaluate processes, performance management, the need of personnel and increase civil servants mobility. The challenge may be to ensure adequate investment in these areas in order to prioritise their implementation so that they are able to effectively maintain the quality of services.

The key question in this regard is to ask what can go wrong. Several factors must be considered in the case of the CORA reforms:

- Out of the 217 reform proposals contained in the CORA report, 139 require the participation of the autonomous communities, over which the central administration has significantly less control. In fact, 46.6% of public spending is managed at the sub-national level (autonomous communities and local entities), concentrating 77% of public employment. While some autonomous communities have fully committed to the CORA package (over 80% of the CORA measures have been accepted by the ACs, according to their own formal commitments); others have already expressed reservations.
- Many of the tools and levers proposed to drive reform will require a significant amount of time, resources, efforts and political capital to be introduced (i.e. the passage of legislation, changing employment conditions in the public administrations and upfront investments in ICT infrastructure). These resources might not be available at the time needed. A particular emphasis could be placed on those tools over which the central administration has the most control and where progress is likely to be made more quickly.
- Pressures within public administrations may potentially rise as the restraint measures take hold (i.e. restraints on salaries and benefits).
- The risk of reform fatigue will need to be closely monitored.

The Spanish administration should actively address these uncertainties. The package of CORA reforms, while comprehensive, could introduce some level of prioritisation and an idea of the best sequence for implementation. This is important as the impact of the different initiatives can be prioritised and it would be extremely difficult, if not impossible, to move forward on all 217 proposals at the same time and pace, as illustrated by international experience. The fact that different entities are responsible for the implementation of the CORA measures may help in this regard, as long as co-ordination is maintained.

There are well-established mechanisms for reporting on progress, mainly OPERA. Adding capacity to its oversight and monitoring functions, for example, by ensuring the right staff and organisational structure, could support the effectiveness of implementation efforts. In addition, periodic review of milestones and achievements by outsiders (i.e. the OECD, think tanks or independent experts) could provide objective advice and enable the government and its leadership to justify and advance corrective measures.

Furthermore, the Spanish administration should develop alternative scenarios in the event that the co-operation of different stakeholders is not optimal (i.e. failures by sectorial conferences), as well as bottom-line positions and negotiation trade-offs in the form of incentives for autonomous communities and unions, among others.

Promoting collective commitment for reform

Feasibility implies a realistic articulation of relevant objectives with available means in view of succeeding in the implementation process, which is, by definition, complex and determined by uncertainties. In 2007, the OECD launched an initiative called Making Reform Happen (MRH) to better understand the obstacles governments face when undertaking reforms in different areas and identify common features in successful instances. Even though the experience of OECD countries does not suggest a unique formula for success, the analysis found eight common features that maximise the potential for success.

Box 8.4. **Common features in processes of administrative reform**

- Political mandate: Major reforms for which governments have not previously sought public approval tend to succeed only when they generate visible benefits very rapidly, which structural reforms generally do not. It is therefore important that governments undertaking reforms in the wake of the global financial crisis avoid the temptation to treat the crisis as a situation that obviates the need to do the hard work of persuading stakeholders and voters of the need for change.
- Effective communication: Successful reforms have usually been accompanied by consistent coordinated efforts to persuade voters and stakeholders of the need for reform and, in particular, to communicate the costs of non-reform. Clear communication of the long-term objectives of reform is particularly important in a crisis.
- Leadership: Whether by an individual policy maker or an institution charged with carrying out the reform, leadership is important as it builds government cohesion. If the government is not united around a reform proposal, it sends out mixed messages and opponents are able to exploit its divisions; defeat is usually the result. The call for strong leadership should not be read as endorsing a top-down approach to reform or suggesting a preference for unilateral action by the executive. Successful leadership is often about winning consent rather than securing compliance.
- Managing the opposition: Reform experiences in OECD countries suggest that it pays in most circumstances to engage those who will be the most directly affected by reform. Inclusive, consultative policy processes are certainly no guarantee against conflict when sensitive reforms are under consideration, but over time, such an approach seems to pay dividends, not least by creating greater trust among the parties involved, which may make the expected losers from the reform more willing to rely on commitments to steps that will mitigate the cost of reform for them. Nevertheless, it is important to recognise that concessions to potential losers need not compromise the essentials of reform.
- Robust analyses: Policy design should be underpinned by solid research and analysis. The *Making Reform Happen* (MRH) review of OECD members' experiences suggests that an evidence-based and analytically sound case for reform serves both to improve the quality of policy and to enhance prospects for reform adoption.

Box 8.4. **Common features in processes of administrative reform** *(con.)*

- Institutions: Reform challenges are more likely to be met where appropriate institutions exist, capable of supporting reform from decision to implementation. Building institutions can take time, as their effectiveness depends on their reputation, but where they exist, their prior analysis appears to have enhanced the prospects for reform in particular areas. Effective institutions are required to guide and monitor implementation. There is a need for institutional coherence and coordination at all levels of government and for a well-articulated and well-designed policy process.
- Time: Successful structural reforms take time. The more successful reforms examined in the MRH analyses generally took several years to prepare and adopt, and they often took far longer to implement. By contrast, many of the least successful reform attempts were undertaken in haste, often in response to immediate pressures. Reforms of the public administration often have relatively long gestation times, involving a considerable amount of careful study and consultation, as well as very long implementation periods.
- Attempts: Successful reform often takes several attempts. Many of the biggest reform successes analysed in the MRH followed earlier setbacks, and less successful reform attempts can often be seen in hindsight to have helped set the stage for subsequent, sometimes far-reaching, reform initiatives, often by deepening policy makers' understanding of the problems involved.

Source: OECD (2010), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en.

The feasibility of the CORA and related governance reforms will be very much determined by the following dimensions: institutional leadership, mobilisation of stakeholders and implementation tools.

Institutional leadership

Among the strengths of the CORA, the political leadership and commitment at the highest level has to be underlined. The reform is high on the agenda of the President, and the Vice President of the government has personally been leading the process since its inception. Strong leadership is indeed a must for successful reform. The key issue in public sector leadership is the capacity to promote adaptations in order to advance the public interest in situations in which there is a large gap between how things are and how they should be. Leaders must help diffuse and maintain the new values that are necessary for successful public sector reforms and have the capacity to persuade people to focus their efforts in a common cause. The support of political and institutional leadership is therefore essential, not least because, to the extent that agents come to believe that reform is likely or inevitable, they will focus on adapting to change, rather than resisting it. Leadership is required to unite the government behind the reform, to convince civil servants to back it and illustrate to the population the need for change.

On the plus side, strong leadership from the top level of government will likely help break bureaucratic inertia. Any far-reaching structural reform requires robust political back up to mobilise the administration towards the achievement of a common goal. A key role of leadership is to articulate and communicate a vision of the reform which makes it easier to understand and motivate key actors and the external audience, including business chambers, think tanks, universities and other groups. OPERA and the reporting mechanism to the Council of Ministers should be highlighted as a means to keep the CORA reform package at the top of the political agenda.

Nonetheless, long-term support for reform cannot rely only on the personal involvement of a political leader, since the time horizons involved are far longer than the tenure in office of most officials. To be sustained, political leadership needs to be backed up by institutions. Placing the reform in the hands of a leading and permanent organisation is often the only way to avoid capture of the reform process by pre-existing organisations and lobbies, which are often keen to embrace the reform rhetorically, without implementing it. The primary role of this leading organisation is therefore to permanently remind the various components of the civil service that they should comply with the spirit of the reform and implement it. It can also provide technical assistance to the various line ministries. OPERA could very well be the first step for such an organisation, leading the process of reform from the Presidency.

The institution driving reform should be organised around flexible teams with vague responsibilities in order to maximise organisational flexibility. Bureaucratic organisations are obviously poorly adapted to the management of change. This is why, in some cases, new task-specific organisations can be quite successful in implementing reforms. While they may initially be weak due to their youth, they can be successful in designing and implementing reform if they succeed in organising quickly, since they are designed for the reform and are not diverted by alternative goals, duties and organisational constraints (OECD, 2010c).

The setting up of OPERA is a positive note of the process of governance reform in Spain. During the implementation process, it will be of essence that OPERA be properly mandated to co-ordinate and collaborate effectively with two new actors of the process of reform: the CIO and the Council of Transparency.

OPERA

OPERA is the general supervisor of progress with the reform programme. Royal Decree 479/2013 of 21 June created this unit under the shared co-ordination by the Ministry of the Presidency and the MINHAP. The Director of the unit, whose rank corresponds to that of a deputy secretary, is appointed by the government, following a proposal by the Vice-President and Minister of the Presidency, and the head of the MINHAP. OPERA's director has the right to participate in the meetings of the General Commission of State Secretariats and Deputy Secretariats. According to the royal decree, OPERA has the following responsibilities:

- producing a progress report every three months on the initiatives contained in the CORA
- overseeing compliance with the implementation schedule of the initiatives contained in the CORA
- compiling all the necessary information from ministries and agencies
- calling upon and presiding over the necessary meetings to fulfil its functions
- receiving initiatives concerning the execution if its functions prepared by public and private institutions
- developing new reform proposals for the public administrations, which can be presented to the Council of Ministers by the Vice-President and Minister of the Presidency, or by the head of the MINHAP.

OPERA will also present progress reports every three months to the Council of Ministers, which will be sorted by ministry and each of its subsidiary bodies, and will include a timeline, responsibilities, actions taken and efficiencies achieved. Likewise, a yearly report will be presented by the Vice-President and Minister of the Presidency, as well as the head of the MINHAP.

Box 8.5. **Project files ("*fiches*") prepared by OPERA**

OPERA has prepared project files (also called "*fiches*") to systematise all the information of each individual initiative contained in the CORA report. A standard format, containing the following elements, is used in the *fiches*:

- Analysis of the scope of the initiative: description of the initiative, how it will be achieved and its main features.
- Analysis of existing inefficiencies and improvements expected from the initiative.
- Ministries and/or units affected by the initiative: a list of units (i.e. ministries, public bodies, entities and businesses) from both the state public sector and the territorial administrations, which will be affected by the initiative.
- Legislation affected by the initiative: a list of regulations that may be affected by the initiative.
- Estimated savings from the initiative: the quantified impact of each initiative on the central administration, the ACs and other public administrations, as well as on citizens and businesses (aggregated for three years). An annex to each set of *fiches* explains the costing methodology.
- Tools: methodologies to decide on the proposed initiatives (i.e. working groups, meetings with ministerial departments, analysis of the elements of each sub-commission).
- Implementation schedule: indicating the deadline for full implementation (in months).
- Memory: complementary information and details on the contents of the *fiches*, if any.

Source: Information provided by the government of Spain.

The level of the leadership of OPERA shows the political commitment to the reform programme. The process of review has undoubtedly shown a strongly committed team, with strong leadership and a very systematic supervision of projects. However, as mentioned previously, adding capacity to its oversight and monitoring functions, for example by ensuring the right number of staff and organisational structure and by linking its work to a more systematic approach to impact evaluation and performance assessment frameworks, would support the fulfilment of its mission. Close follow up of ambitious reform programmes is a good practice observed in other OECD countries and is necessary to overcome bureaucratic resistance and reform fatigue (see Box 8.6 on the case of France's General Review of Public Policies). The main challenge for OPERA is to motivate change in the administrative culture of government so that the spirit of the reforms is adopted in a sustained way, avoiding simulation with formal but lack of substantive compliance.

Box 8.6. **Governance of the General Review of Public Policies in France**

The Public Policy Modernisation Council (CMPP)

The CMPP validates and monitors the General Review of Public Policies in France *(Révision Générale des Politiques Publiques*, RGPP). Chaired by the President of the republic, the CMPP embraces the entire government and the permanent members of the Monitoring Committee. It constitutes the body for validating decisions examined in advance by the Monitoring Committee. It sets the broad guidelines and defines the stages of the reform. The Minister of Budget, Public Accounts and Reform of the State serves as its general rapporteur.

Box 8.6. **Governance of the General Review of Public Policies in France** *(cont.)*

From the launch of the RGPP in July 2007 until 2012, the CMPP met five times. The first CMPP produced close to 100 decisions, on measures concerning the reorganisation of central government services, simplification and modernisation of procedures, and improving government management.

The second CMPP undertook a new series of reforms covering subjects not yet addressed in the Monitoring Committee. In total, nearly 150 new decisions were taken in April 2008. In June 2008, the third CMPP rounded out the series of measures previously adopted, bringing the total to 374, which then came to constitute the basis for the 2009-11 multi-year budget. The fourth CMPP, of 30 June 2010, heralded a new phase for the RGPP, with a first report on measures completed and adoption of a new series of measures for 2011-13. The fifth CMPP, held on 9 March 2011, took stock of all the areas of work and adopted some 50 new measures, with 2 priorities: simplifying life for users and ensuring the observance of the planned fiscal path by expanding the scope of the RGPP. The Minister of Budget, Public Accounts and Reform of the State, the general rapporteur for the RGPP, reports regularly to the Council of Ministers on progress with each of the measures contained in the reform.

The Monitoring Committee

The RGPP Monitoring Committee, which proposed the decisions to the President of the republic and to the government in the first phase of the reform, continues to meet regularly with each minister to examine the state of progress, measure by measure, in implementing the RGPP. Co-chaired by the Secretary-General to the President (Presidential Chief of Staff) and the Director of the Prime Minister's Office, the Monitoring Committee is composed of the ministries concerned by the agenda, the RGPP general rapporteur and representatives of the inter-ministerial support team.

During the committee meetings, the main emphasis is on measures that are not moving forward as quickly as hoped. Decisions are taken as necessary to speed their implementation or to draw lessons from the problems encountered.

The various services

To ensure progress with the measures undertaken and to support ministries in their transformation efforts (planning, implementation and evaluation), the teams of the General Directorate for State Modernisation (DGME), the Budget Directorate (BD) and the General Directorate of Administration and Civil Service (DGAFP) are mobilised:

- DGME: helps the line ministries prepare their modernisation strategies and implement their transformation projects, methodological support, tools and good practices, operational steering of the process and overall coherence
- BD: reform proposals, economic impact of reforms, annual and multi-year budgeting, link with budget process
- DGAFP: issues that relate to the management of human resources.

Ministers are at the centre of the initiative and are responsible for guidance, implementation and the success of reforms under their jurisdiction. There are also RGPP steering committees in each ministry. Reporting to the Secretary-General, they co-ordinate the implementation of decisions, oversee the team of project leaders in charge of implementing the RGPP decisions and examine progress with each measure, on the basis of precise monitoring indicators. The real change involves monitoring by the ministries' management, each of which is fully involved in implementing these decisions.

Source: OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167612-en.

At the level of individual initiatives, responsibilities for leadership and follow up are also distributed. These complement the role of OPERA. The cases of the chief information officer (CIO) and the Council on Transparency and Good Government illustrate that institutional leadership has been an important consideration of the current governance reform programme in Spain.

Chief information officer

Strong CIOs to lead ICT policy within a central government are a common feature in several OECD countries (i.e. Australia, Austria, Denmark, New Zealand and the United States). For the case of Spain, a position close to the Centre of Government is a plus in illustrating the political support of this policy and its horizontal character. Furthermore, such a strategic location would make sense to link ICT policy with some of the other reforms contained in the CORA, such as those dealing with Better Regulation, performance management and HRM.

In the beginning, the leadership role of the CIO will likely concentrate on articulating the different initiatives and institutions to give consistency to the policy. However, in the medium to long term, it should also play a "social leadership" role by devoting attention and resources to the issue of user take up and mobilising citizens to use ICTs. International experience is illustrative about the need for active encouragement of the use of ICT tools. The Netherlands, for example, faced this problem and made use of surveys to adjust strategies, planning, design and implementation of e-services according to users' needs (user-focused services). To this end, the Netherlands established an e-Citizen Charter to ensure that e-government develops with a citizen focus. Likewise, Norway's policy establishes the use of systematic user surveys for public agencies in order to understand users' needs and stress the importance of adjusting services to individual needs (OECD, 2005).

A "stick and carrot" strategy (i.e. based on positive and negative incentives) could also be considered to move towards mandatory electronic communication with public authorities. It is important to be very clear and open about what citizens stand to gain if they deal with government electronically rather than traditionally (Is the service better? Do they save money and/or time? Do they potentially get more or better services? What do they miss if they do not use electronic tools?). Furthermore, it is important to remember that if people do not learn about innovations in services and their benefits, in a form and language they can understand, they cannot take advantage of them. Offering a large number of e-services for businesses is not equal to improving the level of take-up.

Council on Transparency and Good Government

Out of the scope of the CORA, the Law on Transparency, Access to Information and Good Government establishes the Council on Transparency and Good Government, which is called to have an important impact on the transparency of public administrations, and therefore in the ultimate goals of the CORA. The council will be organised under the umbrella of the MINHAP, but granted autonomy and full independence in the fulfilment of its functions, which include, among others:

- Adopting recommendations to facilitate the implementation of the mandate of the Law on Transparency, Access to Information and Good Government.
- Providing advice concerning transparency, access to information and good government.
- Capacity-building, training and promoting the compilation and exchange of good practices.

- Evaluating the implementation of the law. For this purpose, the council will prepare a yearly report to be presented to the general courts.

The council is composed of a president and a commission. The president is appointed for a non-renewable term of five years, proposed by the MINHAP, and ratified by absolute majority in the Chamber of Deputies. The commission is integrated by the president, a deputy, a senator and representatives from the Accounts Tribunal, the Ombudsman Office, the Spanish Agency for Data Protection, the State Secretariat of Public Administrations (*Secretaría de Estado de Administraciones Públicas*, SEAP) and the Independent Authority of Fiscal Responsibility.

The fact that citizens and/or non-governmental organisations (NGOs) do not formally participate in the council or the commission raises concerns. It could be argued that the ombudswoman represents the interests of citizens but, given that all the members of the commission are public officials, the formal inclusion of citizens or citizen groups would likely provide greater legitimacy to the monitoring role of the council.

Chapter 3 discussed in depth the normative review exercise, its virtues and weaknesses. So, here it is only worth reiterating that the leadership of the initiative was granted to the *Secretaría de Estado de Relaciones con las Cortes*, in the Ministry of the Presidency, which is located in the Centre of Government. While this seems to be a plus, it is important to take advantage of this position to define the details of the exercise (i.e. organisation, steps, criteria, timeline), so that it is advanced following a wholeofgovernment approach.

Centre of Government and leadership in the Spanish administrative reform

The setting up of new specialised structures is a natural feature in a process of reform as ambitious as the CORA and the parallel governance reforms. However, it is important not to underestimate the key role of the permanent ministerial structures to provide political backing, technical capacity and sustainability to the process of reform. The CORA process relies on the action of few central institutions in the Spanish administration: the Ministry of the Presidency and the Ministry of Finance and Public Administrations, which is, in fact, composed of two main components, finance and public administration. Indeed, the SEAP is, in the current government structure, integrated in the Ministry of Finance and Public Administrations, but is in fact a single institutional actor, in view of its institutional background and strong identity. This perception was unanimously confirmed during the interviews conducted by the OECD for this review. The preparatory phase of the CORA was very much in the hands of these three portfolios. The successful implementation of the CORA will require an appropriate articulation of their respective roles and contributions.

The Ministry of the Presidency and the Ministry of Finance and Public Administrations are the key players, not only in the implementation of the CORA reform, but also in the general coherence of governmental action. The Ministry of the Presidency, headed by the Vice-President of the government, plays a co-ordination role of the government action, and specifically: preparation, development and monitoring of the legislative programme of the government; immediate support to the President of the government; co-ordination of policies, mainly through the Commission of State Secretariats and Deputy Secretariats, which is chaired by the Vice-President; and the communication policy of the government.

The Ministry of Finance and Public Administrations is charged with the planning and implementation of the fiscal policy, including the general budget, the revenue and expenditure policy and the state-owned enterprises. Furthermore, through the SEAP, the ministry is responsible for autonomic and local policy (including the financing system and policy co-ordination), the civil service, e-government management, Better Regulation policy and the

simplification of administrative procedures. It is important to note that the current SEAP has been, for most of the last two decades, a stand-alone ministry.

The implementation unit of the CORA reform, OPERA, although formally in the organisational chart of the Ministry of the Presidency, is functionally dependent on both the Ministries of Finance and Public Administrations and that of the Presidency. The continuation of the current strong collaboration and team spirit between the leading actors of the CORA will be a condition for its successful implementation in view of the complexity of the process. Strengthening the strategic capacities of this cluster of institutions is in line with current OECD trends to reinforce the role of the Centre of Government (CoG) institutions.

An OECD vision of Centre of Government institutions

Strategic-state capacity means the extent to which the central government can set and steer a national long-term vision-based strategy for the country, identify and address internal and external challenges to implementing this strategy correctly through enhanced evidence-based decision making and strategic foresight, strengthen efficiencies in policy design and service delivery to meet these challenges, and mobilise actors and leverage resources across governments and society to achieve integrated, coherent policy outcomes that address these challenges effectively. The strategic-state concept emphasises leadership and stewardship from the centre, integrity and transparency, the importance of networks and institutions both inside and outside government, the need to draw inspiration from sub-national initiatives and from citizens, and the importance of effective implementation and performance monitoring of strategy in support of positive outcomes for a country's economy and society.

CoG institutions act as a central leadership hub: their role is to lead and monitor the implementation of the national vision-based strategy and its policy and programming initiatives effectively, efficiently and coherently, not only by the central administration, but with sub-national authorities and by mobilising non-governmental actors from across society in support of the government's vision. A key component of the CoG's mandate is to assess the performance of the government's strategy against the objectives and results it seeks to achieve. Monitoring performance against outcomes-based results becomes more important in a tight fiscal environment.

Distilled to its essence, an effective whole-of-government performance assessment toolkit knits together decision making related to setting and implementing strategy and rule-making, public spending and HRM into a coherent framework that allows the government to measure and report regularly to citizens on, how efficiently and effectively it spends their taxes to achieve the outcomes-based growth and job-creation results identified in its national strategy. It is about measuring the impact of short-term reform decisions on the achievement of medium- and long-term results. If results are not being achieved properly, this toolkit guides the government on how to correct course so that it can do better. This performance assessment framework is as much a policy toolkit for governments as it is an accountability toolkit for citizens.

Few, if any, OECD countries have fully integrated all aspects of wholeofgovernment performance assessment into CoG institutional mandates. Yet, many central governments, and an increasing proportion of sub-national institutions, are adopting key performance assessment tools, if only to ensure that in a tight fiscal environment they have the wherewithal to identify fiscal room to address emerging spending priorities.

A key element to achieving strategic agility is governments' capacity for strategic foresight. In the public sector, foresight requires the capacity and the will to conduct dynamic and inter-related long- and short-term strategic planning, based on a wholeofgovernment

vision, understanding and knowledge. Using foresight therefore depends on the government's ability to actively seek and consolidate the experience and expertise of multiple stakeholders in developing a long-term strategic vision and operationalising it through multi-year strategic planning frameworks.

Table 8.2. **Analysis horizons: Strategic decision-making needs by planning timeframes**

Analytical needs	Characteristics	Requirements	Examples
Foresight (long-term: beyond 10 years)	Anticipation of, and preparation for, both foreseeable and disruptive/discontinuous trends and capacity needs; including future costs in today's decisions	Continuous scanning and consultation; pattern recognition; analysis of "weak signals"; future studies; consensual views	Futures reporting; horizon scanning; long-term budget estimates; scenario planning
Strategic planning (medium-term: 310 years)	Anticipation of, and preparation for, foreseeable changes and capacity needs; prioritisation; including future costs in today's decisions; risk management	Analysis of historical and trend data; comparable information and analysis across government; consultation on values and choices	Government programme; medium-term budget frameworks; workforce planning; spatial and capital investment planning; innovation strategies
Decision making (short-term: 1-2 years)	Responsiveness; rapidity; accountability; ability to determine at what level decisions need to be taken	Quick access to relevant information and analysis; capacity for reallocation; overview of stakeholder preferences	Executive action; annual and mid-term budgets; crisis response

Source: OECD (2010), *Finland: Working Together to Sustain Success*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086081-en.

The policy environment faced by governments is no longer dominated by predictability. It has become ever more complex, unpredictable and immediate, with multiple actors taking concurrent action both domestically and internationally. Such an environment requires governments to be proactive in scanning, gathering and analysing information, including robust information on whole-of-government performance, to guide decision making and priority setting. Strategic foresight helps governments look ahead to identify future risks and opportunities as a means of prioritising and focusing government policies.

The use of evidence-based decision making and medium- and long-term planning and foresight provides governments with the information, including performance information, needed to achieve strategic insight, incorporating both present and future concerns and priorities. From these efforts, governments can be in a better position to articulate a strategic vision for the country and for the government's plans to implement it – based on available information and input from citizens, businesses and civil society, and mindful of future opportunities and risks – and measure their performance in achieving the policy objectives defined in the vision.

- A strategic vision thus works on two levels at once: a shared whole-of-society vision for the future of the country, and the government's agenda for its term in office on how to move the country along the path to achieving it. At the same time, it articulates the overarching long-term goals against which its short-, medium- and long-term performance can be measured and evaluated.
- A strategic vision is the expression of a government's desired or intended future for the country. Where do political leaders see their country going? What do they want their country to look like in 10, 20 or 30 years' time? What are the top two or three meta-outcomes political leaders wish to pursue for their country and their fellow

citizens on their behalf? If communicated effectively, the answers to this type of question, articulated as a national vision, can be a powerful tool for providing clear strategic direction for the government, assuming it receives buy-in from key public, private and civil society stakeholders. Indeed ideally, a strategic vision is developed in consultation with appropriate stakeholders and takes account of foresight reporting and domestic and international horizon-scanning.

To a degree, Spain, along with other EU member countries, uses strategic foresight to transpose the elements of the Europe 2020 strategy into its own context by contributing to the content of strategic objectives for the period to 2020 in its National Reform Programme,[5] which is updated annually.

In addition to strategic foresight, building operational risk assessment and management into decision making, especially in relation to spending, whether for investments or service delivery, and in relation to rule-making, not only enhances public sector integrity per se, especially in relation to fighting corruption and embezzlement of public funds, but contributes to a better understanding on the part of both governments and citizens of how well a government performs as its spends taxpayers' money or makes rules to regulate their behaviour.

- Risk management frameworks can be understood as a performance monitoring tool to enhance public sector integrity in the management of public funds. Integrity risk management can be defined as a structure and a co-ordinated set of activities and methods to identify, analyse, evaluate, treat and monitor potential fraud and corruption-related risks in order to acquire reasonable assurance that the integrity of public institutions has been preserved.
- Operational risk refers to the degree of uncertainty in achieving public service delivery with potentially adverse effects on economic, social and environmental policy objectives and the public budget. Such negative effects include the possibility of waste, fraud and corruption. Operational risk is distinct from market, technological and social risks or those that relate to natural disasters.
- Operational risk management may be understood as a combination of systems, processes, procedures and culture that facilitate the identification, assessment, evaluation and treatment of risk in order to help public sector organisations successfully pursue their strategies and performance objectives. It is commonly recognised as a core element of internal control and sound integrity frameworks. Internal control is conceptualised as an integral process affected by an organisation's management and personnel. It is designed to address risks and provide reasonable assurance that an entity can pursue its mission and ensure that public sector organisations execute orderly, ethical, economical, efficient and effective operations; fulfil accountability obligations; comply with applicable laws and regulations; safeguard resources against loss, misuse and damage.

Risk management is viewed as central to a public entity's management processes with risks considered in terms of the effect of uncertainty on operational objectives. All decision making within public organisations involves the explicit consideration of risks and the application of risk management to an appropriate degree. Risk management entails a comprehensive, fully defined and accepted accountability for risks, controls and risk treatment tasks. Emphasis is placed on continual improvement in risk management through the setting of organisational performance goals and measurement.

Experience from OECD countries suggests that it can take many years to create a positive risk management culture. And as risk assessment is a new policy area, a number of actions

could be taken in order to support its successful implementation. Such actions imply ongoing systematic performance monitoring and assessment and include: *i)* building leadership understanding and support for risk management; *ii)* phasing in the scope of implementation within individual public organisations; *iii)* ensuring adequate practical tools and training; *iv)* allocating resources to determine risk thresholds; *v)* supporting lesson learning across public organisations.

Meaningful performance monitoring and assessment enhances the capacity of governments to act on lessons learnt. Identifying and taking action to implement lessons from good practice – such as risk management techniques that have been shown to work – as well as from bad practice – can enable public sector entities to apply a more consistent, efficient and effective approach to risk management. Take the example of a department in a public sector organisation that encounters a new risk and devises an effective internal control to mitigate the risk. If it communicates its lesson learnt to other departments or other public organisations that may encounter the same risk, they will be able to test the mitigating action and use it to develop their own solutions. In Slovenia, the government has developed a network among practitioners that is co-ordinated by a central authority. Practitioners share their experiences and give each other incentives to develop risk management practices.

Mobilisation of stakeholders

An important determinant of which issues remain on the political agenda is the set of participants in the policymaking process, both inside and outside government. A policy mapping, in which these actors are identified, along with their interests and relationships, can be useful to target those with the capability and resources to sustain reform. Table 8.3 provides an overview of the CORA's main stakeholders.

One of the tasks facing those trying to implement almost any reform is to overcome resistance to change on the part of those whom will lose out as a result of the reform. However, because public administration reforms must often be implemented by those they most directly affect, there is a further challenge: for a reform to be truly successful and long lasting, a sense of ownership must be created among the affected stakeholders, so that the reform actually changes the culture and behaviours of public servants, and not just the text of the law. While the senior leadership of the Spanish government is well informed and involved in the CORA reforms, their approach needs to go the "extra mile" to gain the hearts and minds of the different stakeholders who have to implement the reforms.

Since such reforms are lengthy processes, they need a strong and long-lasting political commitment. Indeed, if stakeholders sense that political commitment is weak, their best strategy is to passively resist reform, waiting for political commitment to vanish and the reform to be abandoned. There are a number of possible ways to address these challenges, such as (OECD, 2010c):

- Mitigating the impact of reform on the losers, either via compensation mechanisms (financial and non-financial) and/or by packaging several reforms together, so that those who lose out from some measures may gain from others: compensation for public servants might be important to impact their perceptions of risks and costs. Beyond economic bonuses, governments may resort to "participative management", which implies a redesign of the public sector jobs, involving team work, the reduction of routines, better visibility of final outputs and the corresponding individual contributions, and greater freedom and empowerment. Chapter 3 explained how HRM can be used to create better working environments for public officials.

Table 8.3. **The CORA's main stakeholders in the policy-making processes**

Inside government	Outside government
President of the Government/Vice-President and Minister of the Presidency: his/her role will be key in keeping the CORA on the public agenda and that of the administration. For example, he will have to lead the political negotiation with the parliament to get the approval of legislative reforms (i.e. market unity, transparency, entrepreneurship). It will also be important that he personally follows up on general progress, with the support of the OPERA, and keeps the CORA as an outstanding element in Cabinet meetings and public messages. Presidential staff: while the OPERA will directly create pressure to sustain the reform pace, key staff in Moncloa will also need to get involved to ratify political commitment with the CORA. The Economic Office of the President, for example, can advocate the CORA initiatives by illustrating their potential to improve economic performance. Ministers and political appointees: they can help keep the CORA agenda in the priorities of important people and groups (i.e. parliamentarians, business leaders, public opinion) and elevate issues within the institutions they lead. Civil servants: as one of the most important stakeholders for implementation, their interest will have to be embedded in the reform agenda. Their relevance increases as it is a group that may potentially oppose reform and paralyse it. The commitment and support of the public employees' unions and corps of senior civil servants (e.g. FEDECA) is in this sense a critical element to reinforce the CORA. Parliament: its role is critical to approve structural reforms requiring legislation. For the purpose of sustainability, it has the capacity to influence public opinion and grant resources to the public administrations for the purpose of facilitating implementation. Autonomous communities: their necessary contribution to the implementation of the measures obliges setting up explicit and ambitious strategies to federate efforts and commitment. The mobilisation of permanent structures such as sectorial conferences can be combined with *ad hoc* mechanisms, depending on the sequencing of reforms.	Interest groups: these stakeholders cannot only advocate for sustaining reform, but also grant it with credibility. However, their advocacy roles may also raise suspicion on whether reform is really supporting public interests or private ones. Academics and think tanks: despite the fact that in some cases their impact may be small, it would be pertinent to identify key academics and/or think tanks that could raise the visibility of particular problems the CORA is intended to address. They can have an impact on ideas and perceptions which, in turn, affect policy makers' thinking. Media: this participant is very important to manage perceptions and expectations, and to create public opinion. It is particularly relevant for outsiders with little access to government but it may also indirectly affect the perceptions of other participants themselves. Likewise, it can magnify problems, events or movements (either in favour of or against reform). Public opinion: it can have positive and negative effects for reform. On the positive side, it may unleash pressures for government action given the magnitude of a problem. On the negative side, it may impose constraints on necessary adjustments as reform unfolds. Given the low level of trust in government, it will be important for the CORA's sustainability to provide elements to improve public opinion.

Source: Adapted to the Spanish context from Kingdon, John W. (1984), *Agendas, Alternatives, and Public Policies*, Longman Classics in Political Science, Boston.

- Creating new actors in the form of independent organisations charged with driving the reform, to ensure that it does not lose momentum during the long implementation phase: independent and permanent authorities are useful to sustain reform despite shifts of political priorities and to apply periodic evaluations to assess progress.
- Increasing civil servants' capacity and leadership skills: reforms often call for upgrading the skills of public officials. On the one hand, front-line civil servants require training to complete such upgrading and enhance the value of their human capital, enriching their jobs, gaining flexibility and broadening career perspectives. On the other hand, senior executives also need training to understand and appropriate the principles advanced by reforms, manage change in their respective departments or

units, and integrate interpersonal networks and adhere to common values to support compliance with the spirit of reforms.

- Using contracts in order to allow experimentation, pilot schemes and partial implementation of reforms in given areas, thus eventually creating benchmarks and good practices that can then be generalised to the rest of the public administration: lack of trust in government may be at the source of opposition forces. Citizens, public officials and specific groups may not want to rely on bureaucrats' and politicians' promises for a better future. In such cases, establishing transitional schemes helps. On the one hand, contracts may be used to apply reforms partially or gradually, allowing for adjustment for those who will suffer the effects of reform. On the other hand, pilots can help to illustrate the benefits of reform and improve its implementation mechanisms. Despite these advantages, it must also be considered that transitional schemes also imply costs, and there is always a possibility that experiments or pilots are unsuccessful, having the opposite effect than the one intended. Given the important role of autonomous communities in the implementation of most of the CORA initiatives, some in-depth work with an autonomous community or a selection of them to fully implement the measures could be a useful pilot case to test the feasibility and impact of reforms, as well as the obstacles of the approach.

The CORA is not very explicit as to how implementation will be facilitated and none of the mechanisms described above are fully developed, with the exception of setting up new units. This is understandable given pressures to show quick results and avoid a resource-consuming process of negotiation and accommodation. However, it is also true that any process of reform implies winners and losers. The Spanish government should give more thought to mitigation strategies in order to guarantee the long-term sustainability of the CORA's proposals. Passing a law or modifying a specific regulation might be difficult, but ensuring implementation in a context of low trust in government will be even more difficult if the process is not facilitated.

The case for engaging autonomous communities

One of the main challenges for the CORA reforms to move forward is to achieve buyin from the sub-national governments, mainly by the autonomous communities. Although this review does not address the political dynamics of the autonomous state in Spain, the current political context can certainly have an impact on the implementation of the CORA reforms, at least in some autonomous communities, and requires careful attention by the institutional leadership. On the more structural side, Chapter 3 identified some of the weaknesses in the multi-level co-ordination platforms existing in Spain. As this chapter states, out of the 39 sectorial conferences, only 21 have met regularly over the last 3 years. The CORA itself recognises that "inadequacies stemming from cooperation between different administrative levels are frequently caused, not so much because of the lack of instruments fostering co-operation but because of the improper or limited use of them. Actors do not meet periodically, they lack the powers needed to take decisions, they lack oversight instruments to oversee compliance with measures adopted or they are more concerned with bilateral rather than multilateral relations. Furthermore, there are new fields where no instrument of co-operative nature has yet been created" (Commission to Reform the Public Administrations, 2013: 94).

There is also the feeling among some ACs, as noted by the OECD team during factfinding missions and in the media, that *ex ante* consultation was insufficient and that the comments or issues raised were not reflected in the final text of the CORA report. Independently of whether this is true or not, the perception exists and may represent an obstacle for a broad consensus.

Indeed, the central government has advanced an effort to consult the ACs both during the preparation of the CORA report and afterwards. Even though the CORA team did not negotiate the more than 130 measures affecting the ACs (something that would have been time-consuming and extremely difficult), it did make use of studies and reports produced by the ACs (i.e. on duplicities and on administrative burden reduction) to prepare the CORA proposals. These reports provided information on how the ACs exercise their attributions, how they are structured and what inefficiencies they had identified. Furthermore, the OPERA is engaging the ACs in the follow-up process by sending them all the *fiches* to be discussed in an *ad hoc* group of the Council on Fiscal and Financial Policy. The OPERA is also organising field visits to follow up implementation of specific measures and, for example, the 17 ACs have had visits to analyse their procurement practices. Likewise, the OPERA has prepared a dossier for each of the ACs, collecting information on the CORA measures they are adopting, other reforms being pursued and their progress. As a result, some of the ACs have developed their own reform agendas, consistently with the spirit of the CORA. This dialogue has also been helpful to find alternative solutions to current duplicities, for example, instead of suppressing the Competition Tribunal, Galicia will merge it with the consumer watchdog agency, which ultimately will lead to savings.

Considering the Spanish constitutional system, and the rich experience of the last decades, it seems clear that no strategic reform in the area of public governance in Spain can be successfully achieved without the strong participation and leadership of the autonomous communities. Evidence shows, as already mentioned in Chapter 3, that there is no hierarchy of good practice in the Spanish territorial system, which would imply that the central level performs necessarily better than the autonomous governments or that the ACs perform better than municipalities and provinces. On the contrary, evidence collected by the OECD shows that autonomous administrations have developed, in the framework of their competencies and organisational capacities, a number of valuable initiatives and practices, some of which have emerged in response to the economic crisis. These initiatives and practices are entirely in line with the spirit and provisions of the CORA, and in several cases they have even preceded actions at the central level. In 2002, the autonomous community of Castile and León introduced an internal quality management system to monitor the budgeting and expenditure of EU funds. Digital government efforts have also been implemented since 2011 by Asturias, Aragon and the Canary Islands. Catalonia and Valencia carried out efforts to improve regulatory quality and transparency in public procurement, respectively. Hence, much can be done to strengthen the participation by the ACs in the process of administrative reform. In addition to the formal mechanisms, such as the Conference of Presidents or the sectorial conferences, and in particular the one on public administration, some good practices of collaboration could be integrated in the CORA strategy, as, for example, the system developed by the INAP, in which some autonomous and local governments lead nationwide activities.

Box 8.7. **The "Compartir" Project: Streamlining training and recruitment processes in the public sector**

In late April 2012 the Spanish National Institute of Public Administration (*Instituto Nacional de Administración Pública*, INAP) conducted a study on the possibility of sharing and collaboration between the various public administrations – the general administration (AGE) and the regional governments and town councils – to streamline the programmes of the various training and recruitment centres. This started the "Compartir" ("Sharing") project.

However, the "Compartir" project has gradually given rise to an Administration 2.0 culture which has made it possible for the work carried out by the central government to be agreed with the other government bodies so that everyone can benefit from their results.

Among others, the project has obtained the following outputs:

Box 8.7. **The "Compartir" Project: Streamlining training and recruitment processes in the public sector** *(cont.)*

Education and training

INAP has developed a project to create a repository of online courses, under which the various government bodies make their own resources available to the other government bodies. The repository contains over 270 courses, reducing the cost of having to prepare them independently. Over 70 loans have been formalised, avoiding the need to enter into contracts for a similar number of actions.

In addition, a single central self-teaching platform will be developed using the MOOC (Massive Open Online Course) concept for all state primary and secondary schools, which will allow any government employee or citizen wishing to do so to take part in freely available courses. The concept is: "public money at the service of society as a whole".

Recruitment

A roadmap has been developed for the validation of recruitment processes in the public administrations through an INAP/regional government taskforce led by the Basque Institute of Public Administration (*Instituto Vasco de Administración Pública*).

Knowledge management

A social and knowledge ecosystem has been created, with a bank of learning resources and a non-exclusive social network that can benefit all the public administrations without the need to create their own banks and networks.

Contracting

This culture also permeates the terms and conditions for contracting. Where possible, their clauses stipulate that bids for one government body must be maintained for all other government bodies requesting bids.

Management by responsibility

INAP has produced a dictionary of responsibilities of the senior posts in the general administration, to create, from 2014, a taskforce that includes the autonomous regions that have made the most progress in this area in order to create an integrated dictionary of responsibilities. In addition, the MINHAP's Institute for Fiscal Studies (IEF) has created an online training platform for ACs' public officials. The platform has been providing training courses since 2006. In 2013, 34 courses were carried out focusing on 18 different subjects relevant to the AGE and the ACs. These online courses are a parallel effort to IEF's continuous training and knowledge-building activities on international subjects provided to public managers and new upcoming and current public officials.

Public training follows a horizontal and vertical co-operative approach as observed in subjects related to public finance and training provided to officials from town and provincial councils, extending capacity-building efforts to other levels of territorial state administration.

Source: Based on information provided by INAP and IEF.

The case for citizen's engagement

The CORA exercise is in itself a critical examination of the role and performance of the state and the different levels of government in Spain. As mentioned in Chapter 2, this connects with a social demand and a window of opportunity provided by the economic crisis, which has moved Spain to re-think the way its government is organised and opened up an opportunity for structural reforms. One of the stronger arguments used by the members of

the CORA concerning the prospects for successful implementation was the state of public opinion: citizens demand high-quality public services, are exasperated about unjustified administrative burdens and concerned about mismanagement of public resources. The consultation mechanism set up by the CORA responds to this approach. It is very positive that most of the suggestions and proposals received from users and civil servants have been incorporated, thus reinforcing the citizencentred approach of the reform. Again, moving from an individual process of consultation to governance arrangements embedded in daily practice and ensuring the responsiveness of the administration will require sustained and consistent actions and strategies.

Here again, administrative reforms can help the public administrations increase their strategic agility and fulfil citizen expectations. The incorporation of ICTs into routine government activities and services is certainly a powerful tool, but ICTs will not perform without the right governance arrangements and the CORA has, in principle, done the right thing in addressing this side of the problem. Indeed, since e-government is a horizontal policy area that cuts across the entire public administration, it is necessary to establish a governance framework that facilitates in-depth consultations among major stakeholders of e-government policies to ensure synergies, avoid wasting resources and ensure that the various initiatives respond to different needs and common objectives. This is critical to ensure that new reform proposals are not only headed in the right direction, but successful in the long run.

The Spanish government needs to go "the extra mile" to regain trust from its citizens, which is clearly in a downward trend, as discussed in Chapter 2. This is an issue that may have consequences in the future. Low levels of trust in government may hinder state revenues, the rule of law and social fairness. Efforts should be made to explicitly increase social trust and to reinforce the confidence in the ability of public administrations to drive and sustain change. Administrative reform is necessary to address such lack of trust, but it is clearly insufficient. A comprehensive governance approach would anticipate the need to engage citizens in governmental functions, consult them on critical policy matters and effectively communicate its decisions. Such an approach would help government identify social trends and potential future issues, so that the policies of today anticipate and provide remedies to the problems of the future. As mentioned throughout this review, the strategic link between the CORA reforms, the implementation of the Law on Transparency, Access to Information and Good Government, and the package of democratic regeneration is a unique opportunity to improve governance frameworks in Spain.

In addition, the efforts to engage citizens in the reform process should be supported by a sound communications strategy that informs not only about the achievements of reform, but also about the specific roles that different stakeholders could fulfil to accelerate cultural change in the public administrations. Such a communications strategy should be based on plain language, so that the average citizen understands the government's messages and does not get trapped in technicalities. This is on top of developing mechanisms for citizens to provide feedback, from the early stages of policy making and throughout the implementation phase.

Box 8.8. **How can governments strengthen their relations with citizens?**

In practical terms, this means:

- Information: Government disseminates information on policy making on its own initiative – or citizens access information upon their demand. In both cases, information flows essentially in one direction, from the government to citizens in a one-way relationship. Examples are access to public records, official gazettes and government websites.

Box 8.8. **How can governments strengthen their relations with citizens?** *(cont.)*

- Consultation: Government asks for and receives citizens' feedback on policy making. In order to receive feedback, government defines whose views are sought on what issue during policy making. Receiving citizens' feedback also requires government to provide information to citizens beforehand. Consultation thus creates a limited two-way relationship between government and citizens. Examples include comments on draft legislation and public opinion surveys.
- Active participation: Citizens actively engage in decision making and policy making. Active participation means that citizens themselves take a role in the exchange on policy making, for instance by proposing policy options. At the same time, the responsibility for policy formulation and final decision rests with the government. Engaging citizens in policy making is an advanced two-way relation between government and citizens based on the principle of partnership. Examples are open working groups, laymen's panels and dialogue processes.

Why strengthen government-citizen relations?

Using information, consultation and active participation, governments strengthen their relations with citizens. There are three main reasons that mutually support each other:

- Better public policy: Stronger government-citizen relations encourage citizens to spend time and effort on public issues. It uses and values citizens' input as a resource. Information, consultation and active participation provide government with a better basis for policy making, enabling it to become a learning organisation. At the same time, it ensures more effective implementation, as citizens become well informed about the policies and have taken part in their development.
- Greater trust in government: Information, consultation and active participation give citizens the chance to learn about government's policy plans, to make their opinions heard and to provide input into decision making. This involvement creates greater acceptance for political outcomes. Government shows openness, which makes it more trustworthy for the citizen – the sovereign in any democracy. By building trust in government and better public policies, strengthening government-citizen relations enhances the legitimacy of government.
- Stronger democracy: Information, consultation and active participation makes government more transparent and more accountable. Strengthening government-citizen relations enhances the basis for and encourages more active citizenship in society. It also supports citizen engagement in the public sphere, such as participating in political debates, voting, associations, etc. All this leads to a stronger democracy.

Source: OECD (2001), *Citizens as Partners: OECD Handbook on Information, Consultation and Public Participation in Policy Making*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264195578-en.

Here again, it is fair to recognise the efforts made by the Spanish administration to reach out to citizens and consult on the contents of the CORA. An electronic box helped to collect more than 2 239 proposals relevant for the sub-commissions on administrative simplification and duplicities. The subject matter of these proposals gave an indication of citizens' main concerns regarding simplification. Likewise, an Advisory Council, with the participation of trade unions, business and consumer representatives, actively participated in the presentation and discussion of reform proposals. The CORA leadership has also kept an open door for stakeholders to suggest adjustments to specific reforms during the implementation phase. For example, both the trade unions and the INAEM have been able to express their concerns about the proposal to integrate the RTVE Choir and the measure has been adapted in a

satisfactory manner, while still meeting its objective. This approach will be helpful to balance the advantages and disadvantages of each proposal and take corrective or mitigating measures along the way.

Implementation tools

As mentioned previously, one of the main levers on which the central administration is relying to advance the CORA reforms is legislation. This has advantages and disadvantages. On the one hand, legislation institutionalises reform, creates anchors to avoid a backlash and sets the basic governance structures for a reform to be executed. On the other hand, passing legislation can be time-consuming and may create an artificial sense of action that may not be validated by actual practice.

Hence, despite advantages, legislation is clearly not enough to achieve reform successfully. Aligning the interests of different stakeholders and managing opposition by those who may be directly affected are as important as the mandate to carry out reforms. There may sometimes be consensus in the general principles set out in legislation, but the outcome and implementation might be limited in practice (i.e. blocking secondary regulation, limiting resources, etc.). Recent experiences of legislative reforms approved with a high level of consensus but insufficiently implemented (e.g. the Basic Statute of the Public Employee) are illustrative about the limits of legislative instruments in policy processes. This limitation is even more important in cases where consensus is missing and therefore a shift in majority in parliament could imply new legislative reforms in different directions. In the context of the implementation of the CORA, the use of managerial instruments, and the process of dialogue to persuade and generate consensus are complementary (and may be more rewarding) to the use of legislative reforms.

An essential tool to address many key challenges is communication and the building of information loops. Communication helps to build credibility for the reforming government, to increase the sense of ownership of reforms by keeping civil servants and citizens informed, and to reduce information asymmetries by making the information available to each stakeholder. Where the economic or political situation is particularly difficult, communication can also be used to create a sense of crisis and thus citizen demand for reform (OECD, 2010c).

In a context of low trust in government, as the one prevailing in Spain, communication is critical to overcome resistance to reform. Besides measuring the benefits of reform, it is important to communicate them to the wider public and, particularly, to the main stakeholders. A well-articulated communications strategy keeps stakeholders informed about progress, raising support to sustain the effort over time and avoid reform fatigue. It is also important to establish the mechanisms to communicate the results of reform within government. This helps raise awareness among public officials about the importance of reform and to see the results of their efforts.

In Italy, for example, a communication campaign was set to communicate the results of the normative review undertaken in 2005-07. The campaign included TV spots and a website. In terms of communicating results within the government structure, Cabinet meetings were particularly relevant. Likewise, in British Columbia, Canada, the provincial government re-confirmed its commitment to regulatory reform by becoming the first jurisdiction in Canada to enact a law requiring to report annually on progress. Each June, in accordance with the Regulatory Reporting Act, it publishes an annual report, including the status of the number of regulatory requirements in the normative framework.

On an *ex post* basis, communication is critical to ensure the potential beneficiaries of reform are informed about it. Low levels of ICT uptake illustrate this point, which will be important as new measures are introduced (i.e. entrepreneurs will not take advantage of one-stop shops if they do not know about them and their benefits). Finally, communication helps advance two of the pillars of good governance: transparency and accountability. When the government communicates with citizens, it is in a much better position to assess the results of its initiatives and the relation between inputs and outputs. Eventually, this creates an informed public opinion that acts as a preventive factor on corruption.

Making the reform sustainable in the long term

Ensuring the sustainability of the public administration reforms beyond the economic crisis is undoubtedly one of the main, if not the biggest, challenge of the CORA. Once the fiscal constraint becomes less acute, it will be important to have tackled during the reform process the structure of negative incentives that facilitated the situation against which the reform was launched. Would the simplification of structures or elimination of duplications remain in a scenario of economic growth? Several strategic actions can reinforce the sustainability of the reform effort in the long term. This section will focus on the need of putting the CORA reforms on a path of continuity with previous reforms; the setting up of a longterm vision for the Spanish public sector; the introduction of mechanisms for adjusting the reform during implementation; and the role of the civil service in ensuring continuous improvement. It is important to note that several measures included in the CORA are in themselves a change in processes, which will be applied on a permanent basis, as indicated in Box 8.9.

New mechanisms for continuous improvement

Consistency and continuity

The CORA initiatives do not start from zero. As discussed in Chapter 3, Spain has already moved on several fronts addressed by the CORA and it will be important to build on previous achievements to take advantage of economies of scale, while also addressing the shortcomings of past reforms. This is a major strength of the CORA, which is in line with previous efforts and takes over some important precedents:

- On ICT management, for example, the CORA should build on the achievements of *Plan Avanza*. Under the auspices of this plan, Spain's information society approached an important turning point wherein progress made in ICT diffusion reached a threshold of critical mass (OECD, 2010b). This and other efforts have led to the emergence of ICT platforms to manage social security and taxes, for instance. However, more co-ordination and horizontality are needed to generate economies of scale and increase user uptake, which tends to be relatively low.

Box 8.9. **Examples of the CORA's proposals that change processes on a permanent basis**

While some of the CORA initiatives have a relatively short time span impact (i.e. supressing a specific agency and transferring its functions to another one), others represent more structural changes in the way public administrations conduct their day-to-day activities and provide mechanisms for continuous improvement. Such reforms should take precedence over more limited ones and will require significant political back up. Their structural nature implies that a mandate

Box 8.9. **Examples of the CORA's proposals that change processes on a permanent basis** *(cont.)*

is not sufficient to change the culture of the public administrations, but will require continuous, top-level political support and facilitation. Some of these structural reforms, extensively described in Chapter 3, are:

- Law for Market Unity
- Law for Transparency, Access to Information and Good Government
- Organic Law on Budget Stability and Financial Sustainability
- reform of administrative rules (legal regime of the public administrations and administrative procedures)
- system to measure productivity and efficiency in the public administration
- normative review and codification of laws
- centralised management of procurement activities
- zero-based budgeting
- development of consistent performance assessment mechanisms for public officials
- follow up and evaluation of public sector entities, including procedures to create new public bodies
- establishment of the Chief Information Officer office
- upgrade of the General Access Point for Public Administrations (PAG)
- strengthening sectorial conferences and other multi-level co-ordination platforms.
- Manual for rationalisation and the elimination of overlaps.

Source: Commission to Reform the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

- On Better Regulation, there is also already progress to adopt RIA and align it with best international standards. This is clearly an example where progress has been built incrementally and the resources devoted to it should not be undermined. However, there is still room to extend the scope of RIA by incorporating tools such as cost-benefit analysis, risk assessment and compliance strategies.
- Despite shortcomings, the central administration already has mechanisms to engage in multi-level dialogue and co-ordination. Clearly, sectorial conferences can be upgraded and their functionality maximised, but building on successful experiences of conferences delivering results on an agreed agenda is the way to go.

These three examples illustrate that reform is a continuous process, not a one-off undertaking. This is indeed one of the challenges of the CORA: moving the administration to think critically and periodically about its performance, so that reform becomes the new "normal", getting away from an approach in which reform is reactive. Consequently, it will be important to think about anchors to ensure the continuity of the CORA initiatives that will go beyond the term of the current government. Building political consensus about the CORA by stressing its evidence-based features and technical nature would be highly beneficial.

Furthermore, it will be critical in the near future to break the "silos approach" and make connections among the different reform areas. Indeed, they nurtured each other in a way that synergies maximise impact. A public administration needs capable and motivated public officials, a normative framework in which its activities take place, ICT platforms to become more efficient and effective, tools to assess its own performance, and mechanisms for dialogue with citizens and the different layers of government. Lacking one of these elements hurts the overall governance system, but also hinders the impact of each individual measure.

As has been mentioned before, consistency will require the OPERA to "think big" and to assess reforms based on their final outcomes by actually measuring and analysing their impacts, the degree to which they build on each other, and the way to strengthen synergies to advance good governance. It is very easy for reforms to lose momentum and get stuck in the bureaucratic machinery.

Long-term vision

Good governance requires forward-looking governments with a clear strategic vision. Such a vision should go beyond immediate actions and the current context. This is probably one of the main opportunities of the CORA. Reforms seem to be adapted to respond to the financial crisis, but additional vision and action are needed to create conditions for continuous improvement.

The production of knowledge and the mechanisms to anticipate policy challenges of a social, economic or demographic nature is an important feature of strategic states. The economic crisis in Spain has shown clear shortcomings in the capacities to anticipate and to react with agility to unexpected circumstances. In this context, it is important to engage in a reflection about how to incorporate sound evidence and analysis into the decisionmaking mechanisms. The CORA is in itself a formidable effort of data collection and evidence-based policy making. During several months, an unprecedented process of analysis and administrative research took place and inspired the different measures included in the report. Although the focus of this analytical effort was limited to the administrative functions addressed by the CORA, it is a good precedent to build sustainable approaches and systematically incorporate policy analysis in the Spanish public administration.

Successful public administration reforms require not only the capacity to launch a process of change, but also to monitor implementation and undertake periodic evaluation. As opposition organises, there is a risk of reversal of reforms. This may be due to two strong forces: a decrease in political commitment to reform, allowing the resurgence of previous practices and culture; or a decision by a newly elected government to stop or even reverse reform processes (OECD, 2010c).

Box 8.10. **Awareness of emerging issues: Finland's strategic foresight**

Finland has put strategic foresight at the core of its policymaking process, facilitating the emergence of a vision of future developments shared across national institutions and the political spectrum. This vision has contributed to shaping a Nordic type of social contract, combining openness to globalisation and collective risk sharing. In an increasingly complex economic environment, the bar is getting higher, highlighting the need to leverage knowledge and expertise across a broader set of stakeholders.

The hurdle…

Finland experienced a deep economic crisis in the early 1990s. The country seemed to have hit the perfect storm. An overheated economy spinning into a recession was aggravated by a

Box 8.10. **Awareness of emerging issues: Finland's strategic foresight** *(cont.)*

banking crisis and the collapse of the Soviet Union, at that time a major commercial partner of Finland. The crisis raised awareness among policy makers of the need to build resilience and facilitate innovation and competiveness through greater strategic foresight and a clear vision of future developments and possible policy directions.

…and how it was addressed

In 1993, the government sent to parliament the first Government Foresight Report. This initial report presented views on major future developments and optional scenarios for Finland. It provided a plan for the kind of future society that the government was seeking to create through its actions. Since then, a Government Foresight Report has been submitted to parliament during every electoral period. The scope of reporting has progressively shifted from a wholeofsociety approach to a more narrow focus on a single, albeit still cross-cutting, issue such as global climate change and energy policy.

Responsibility for the horizontal Government Foresight Report rests with the Prime Minister's Office, which prepares the report in co-operation with individual ministries. The Prime Minister's Office also commissions overviews, statistics, surveys and studies directly from individual researchers and research institutes to serve as a basis for the project. Throughout the report's development, the Prime Minister's Office discusses its progress with the Prime Minister and other Cabinet members. This occurs through an initial seminar, chaired by the Prime Minister, to define the subject matter in more detail and discuss different perspectives, and the government's evening plenary session, where initial findings and positions are reviewed. A Parliamentary Committee for the Future evaluates and responds to the policies outlined in the Government Foresight Report. The committee's responsibilities also include assessing activities related to the development of new technologies.

Regional Future Fora provide an opportunity for dialogue on national and regional challenges and opportunities. The Future Fora are one-day events involving two Cabinet members and representatives of the Committee of the Future. Approximately 150 to 200 people are invited, including municipal decision makers, regional and local authorities, entrepreneurs, and representatives of non-government and labour organisations.

What worked well…

The subject of foresight reports is selected by the Prime Minister in consultation with Cabinet members. Finland's coalition government system ensures that the Cabinet reaches consensus on the selected foresight issue, which can help secure commitment across the coalition parties to the issue and help ensure commitment through the electoral cycle.

The strong involvement of parliament in evaluating the foresight reports provides an environment for open debate about the report's findings and future outcomes and objectives. This is important for open and responsive government, and also provides a layer of scrutiny which supports public trust in government.

…and some open challenges

In a rapidly changing environment, it becomes paramount to leverage a broader spectrum of knowledge and expertise at all levels of government. While external consultation on the reports does occur, and appropriate research organisations are included, the process could capitalise on a wider breadth of input from citizens and other interested parties as well as sub-national governments.

While issue-specific foresight reporting is important to progressing and achieving sectoral outcomes, this narrower focus reduces the ability of the government and the public administration to scan and report on the wider policy challenges and opportunities on the horizon and impacts the government's capacity for strategic insight.

Source: OECD (2010), *Finland: Working Together to Sustain Success*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086081-en.

In order to better link short-term actions with long-term strategic objectives, the CORA will need to address two important determinants: incentives for co-ordination and evaluation mechanisms. The CORA does not provide enough incentives for co-ordination, neither within the central administration nor between levels of government. As discussed in Chapter 3, some of the CORA initiatives seem to be missing a strong rationale that could build on previous achievements (i.e. one in-one out policy) or do not provide clear indications on how the different entities of the central government will co-ordinate (i.e. normative review). As for multi-level co-ordination, some regional actors do not feel consultation was adequate and that they had little time to identify potential synergies. However, current efforts by the OPERA to reach out to regional and local actors as the reform rolls out will be helpful to challenge this perception and create ownership.

Developing and applying evaluation mechanisms is not easy, starting with the issue of defining relevant criteria. Simple assessments of progress do not reveal much, about either the actual impact of the reform in terms of quality of service or its results in terms of decreasing costs. The quality of the process of change, its actual costs and its sustainability in the long run must also be considered.

Publicising analyses and progress reports can be a good way to guarantee the quality of the evaluation, given that they are more likely to attract external scrutiny if publicised. Good scrutiny supports good government. Moreover, the incentive effects of reputation mean that publicity can increase the impact of the evaluation on the course of reform: individuals and groups wish to be held up as models of good performance rather than being shamed for bad performance. The practice of an annual public report by an indisputable, visible and recognised authority can be of great value. For example, in British Columbia, Canada, following a successful reduction of regulatory requirements for businesses that started in 2001, the provincial government is now required to publish annual reports on its regulatory reform progress, according to the Regulatory Reporting Act, enacted on November 2011. These reports are actively scrutinised by business groups, such as the Canadian Federation of Independent Business (CFIB), which provides further incentives to look beyond short-term goals (Garcia Villarreal, 2010).

Box 8.11. **Effective mechanisms for *ex post* evaluation of reforms: France**

One of the main tools used by OECD countries to avoid incomplete reforms is the application of evaluation mechanisms and periodic progress reports, for instance giving "red, yellow and green" scorecards for departmental implementation. This was the case, for instance, in the French General Review of Public Policies (RGPP) (2007-09), where public reporting of progress was an essential part of the sustaining strategy.

The guidelines establishing the measurements were intended to enable long-term tracking of the results of the reform against implementation performance indicators. In February 2010, the Minister of the Budget Eric Woerth issued the third progress report on the 374 measures, with "traffic light" marks indicating the state of each: red for measures that had stalled (3% of measures); yellow for those that were being implemented but had encountered delays or technical difficulties (21%); and green for measures meeting all conditions for achieving the goals set in the time allowed (76%).

Source: OECD (2010), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en.

Adjusting the reform to an evolving environment

According to their scope, public administration reforms may take a long time to be implemented and actually deliver the expected results. During this time, even the conditions that brought about the need for reform may change, as well as other political, economic and social factors. Concerning the politics, for example, reform periods usually exceed the average term of office of most administrations. In consequence, reform may cease to be a political priority, even for the administration that originally pushed for it. In the case of newcomers, they may prefer to prioritise alternative agendas that are associated with their ideologies or political parties. This may lead to a lack of continuity, inconsistencies and slow implementation.

Reformers must show sufficient determination to discourage opponents from seeking to delay or renegotiate implementation. Such strategies not only postpone the benefits of reform, they can also reduce its credibility and jeopardise its long-term sustainability. Yet the process of reform itself usually leads to unexpected issues, so lack of flexibility can translate into avoidable policy errors. Moreover, since reforms are typically implemented over long periods, the conditions in which they are to be implemented evolve and may require adaptation. For example, the political climate can evolve, leading either to increased resistance to some elements of the reform or, on the contrary, to pressure for faster, more radical change.

Conditions become defined as problems when society comes to believe that something should be done about them (Kingdon, 1984). In addition to politics, other evolving factors that may lead to changes in such beliefs and call for adjustments in the CORA reform package include the following:

- Indicators: Changes in indicators reported through routine monitoring activities undertaken by public or private institutions or released studies about a particular problem may indicate, or at least create, perceptions that the CORA is or is not having the expected impacts. In particular, the second case would call for adjustments.
- Focusing events: Problems sometimes need a little push to get on or off of the political agenda. A focusing event, such as a crisis, a scandal or a disaster may become a powerful symbol and alter public perception of a problem. The economic crisis has indeed been a factor pushing for reform of the public administration.
- Feedback: As the CORA reforms roll out, their impact may change the perceptions of policy makers and citizens. Paying attention to this factor may be important to keeping the ability to mobilise support for reform.
- Budgets: Spain is, and will likely continue to be, under pressure to cut public expenditure to meet fiscal balance targets. Tighter budgetary conditions may lead the administration to underinvest in some reform initiatives or plainly disregard them. The CORA reform agenda is rich and extended, but will likely require prioritisation in a scenario of limited resources.

It is important for the CORA to show "quick wins" and avoid perceptions that it is not going anywhere. This is critical to keep the reform window open and justify the pain that some groups will have to sustain. Given an evolving policy environment, mechanisms for feedback and adaptation of reform are essential. One way to avoid too much direct pressure and engage stakeholders in sustaining reform is to rely on third-party assessment and mediation. High-level committees and ombudsperson are of particular relevance (OECD, 2010c).

High-level committees can provide a voice to major stakeholder groups while controlling for the legitimacy of their claims and avoiding the simple expression of requests. Members of such bodies should be independent and regarded as individuals with a high level of expertise if

they are to have the legitimacy to aggregate, screen and prioritise claims, and then to evaluate their relevance and legitimacy, as well as possible discrepancies among them. Moreover, they can balance claims and proposals for change against the objectives and expected benefits of the reform. Finally, their expertise and independence can allow them to embody the general interest and potentially to propose solutions.

The purpose of ombudsperson differs from that of committees. While committees may structurally amend the reform if need be, ombudsmen usually serve to allow customised adaptation of the reform, if necessary. The institution of an ombudsperson allows individuals to highlight potential inequalities and possible ways to deal with local specificities, among other complaints. Ombudspersons are particularly useful when some stakeholders (i.e. public officials) are likely to be individually impacted by measures that have been designed to address general issues. It is important to point out that ombudspersons are key components of wider policies aimed at increasing the transparency and accountability of government by making available a low-cost and lowtech option for citizens seeking redress, rather than requiring them to go through complex and possibly expensive judicial or bureaucratic processes. In turn, ombudsperson offices should be seen as providers of information that can be relied upon by the public sector to detect problems. Ombudsperson have proven to be a strong source of pressure on governments for remedial action, both in specific cases and, in many countries, via the regular publication of reports on the performance of various agencies and other public bodies.

Box 8.12. **Committees and citizen bodies monitoring reform in Canada**

Public service reform in Canada is performed under the supervision of several committees. The Deputy Ministers' Committee is a senior forum for overseeing the process of renewal. The Prime Minister's Advisory Committee on the Public Service brings together senior leaders with a wide range of experience outside and inside government. As compared to the previous committee, its task is to bring new insights and perspectives in the process of reforms. The Committee of Senior Officials is responsible for the management of the deputy minister community. It aims at addressing issues such as performance management, succession planning and profiling of needed competences.

Sub-national governments can also make use of these collegial bodies to support reform. When the government of British Columbia committed to reduce red tape by one third in 2001, it created the Red Tape Task Force, largely made up of industry representatives. This group was tasked with reviewing and prioritising 150 different submissions with 600 proposals for reform from the business community. The Minister for Deregulation gave the priorities and recommendations reached by the task force to other ministers so that they would consider them in the preparation of their threeyear deregulation plans.

Besides the Red Tape Task Force, the government established other mechanisms, permanent and *ad hoc*, to request advice and specific suggestions for improving economic competitiveness. For example, the Small Business Roundtable was set up in 2005 to consult with small business owners and provide advice to the government on strategies to enhance small business growth. It included small business owners and representatives from small business organisations and it was chaired by the Minister for Small Business, Technology and Economic Development. Likewise, the British Columbia Competition Council was set up in 2005 with a mandate to review the province's competitiveness, identify barriers to economic growth, and solutions to overcome them. The council established industry advisory committees for 12 sectors. Each one drafted a report with specific recommendations.

Source: OECD (2010), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en; Garcia Villarreal, Jacobo Pastor (2010), "Successful practices and policies to promote regulatory reform and entrepreneurship at the sub-national level", *OECD Working Papers on Public Governance*, No. 18, OECD Publishing, Paris, http://dx.doi.org/10.1787/5kmh2r7qpstj-en.

The OECD team confirmed that Spain's ombudswoman was engaged in consultations for the elaboration of the CORA report. This fact raises the potential of the ombudswoman to act as a moderator of the costs implied by reform for some specific groups and to lead to a more balanced and fair set of impacts. As a consequence, the Spanish government should seek her continuous engagement to adjust and improve the initiatives contemplated in the CORA.

Making strategic use of human resources management

It is important to underline the critical role that civil servants should play in the setting up of wellperforming public administrations in Spain during the next decades. As discussed in Chapters 2 and 3, Spanish civil servants are facing the need to maintain appropriate levels of service delivery while managing important reductions to their overall numbers. Furthermore, important changes in Spanish society, such as population ageing, present additional long-term challenges which underscore the need for a more strategically agile public service in Spain, capable of adjusting HR capacity to concentrate on services and benefits for an older population.

Chapter 3, in its section on HRM, already highlighted that Spain does not yet have a global competency management framework. The issue of integrating workforce planning considerations into the CORA's implementation process is particularly pressing, given the scope of the proposed reforms. As the public service itself continues to age, Spain needs to ensure that the competencies and capacities of those who leave the public service are recognised, measured and transferred to the next generation of public servants that will be taking their place. The current hiring freeze threatens to make this transition even more challenging and the new HRM system (i.e. mobility mechanism, professional training) must assure that it does not constitute a pitfall to continue delivering highquality public services to citizens.

The potential obstacles mentioned in this section become even more difficult when considered alongside the multi-level governance challenges highlighted above. Given that approximately 80% of Spain's public sector employees work at the regional or local level, changes made at the central level will only have a limited impact.

In order to overcome these potential obstacles, workforce planning considerations should be streamlined into the implementation of the CORA initiatives. This needs to involve a careful assessment of current workforce capacity issues in order to identify areas that appear to be feeling particular pressures, and then identifying strategies to reallocate resources in order to alleviate those pressures where possible. Furthermore, employees and/or their representatives (e.g. unions) should be engaged in a meaningful way to help guide reform implementation and develop buy-in. In this sense, the open door kept by the CORA leadership to receive input during the implementation phase is a good practice. Furthermore, regions need to be willing partners in the design and development of HRM reform strategies to ensure that they have sufficient reach to make an impact beyond the central government.

Looking further ahead, a key issue is to find ways to measure the experience and competencies required for the public service of the future. As discussed in Chapter 3, developing competency management can help build skills and change behaviours, achieve a better fit between human resource allocation and the needs of government organisations, contribute to inculcating a culture of performance, and increase mobility. Competency management has the potential to facilitate quick adaptation of the public service to changing conditions and for more strategic management of the public workforce. Thinking in terms of competencies should become a way of life in public administration organisations, from planning to selecting employees, and guiding and rewarding their performance.

Table 8.4. **Overall assessment of the CORA reforms**

Dimension	Key questions	Strengths	Weaknesses and risks	Potential improvements
Accountability	Clear objectives	Quantified objectives	Limited objectives in terms of outcomes/impact	Develop vision of the public administration after reforms
	Monitoring	OPERA		Follow up
	Evaluation			Design evaluation framework
	Reporting	Quarterly reports		Impact assessment
Consistency	Evidence based	Use of professional expertise	Information gaps	Identify gaps to fill
	Consistency of proposals	OPERA establishing the relationship between the CORA and the reform agendas of autonomous communities	Potential synergies intra-CORA	Actions to exploit synergies In-depth analysis of the autonomous communities
Efficiency	Cost	Reduced cost	Availability of funds	Secure funding (special fund under the Ministry of the Presidency)
	Benefit	Savings, services to citizens and businesses	Quantification	Identify benefits that can be quantified
Feasibility	Political support	Political priority by government	Divisive politics, lack of multi-partisan support	Seek broader alliances
	Leadership	VP leadership		Sustain top-level political support
	Inclusiveness	Consultative groups	Perceptions of limited *ex ante* consultation by some specific stakeholders	Establish consultation arrangements for implementation (regional conferences)
	Co-ordination	Deputy secretariat, presidency and finance	Limited capacities of the Ministry of the Presidency, priority by finance unclear	Transfer competencies, resources to the Ministry of the Presidency
	Implementation capacity	Bottom-up process	Many entities involved Excessive reliance on legislation Insufficient co-operation by some autonomous communities	Create semi-contractual co-ordination mechanisms
Sustainability	Medium-term perspective	Some proposals introduce permanent processes (Box 8.9)	Many one-off measures	Prioritise continuous improvement measures, add new ones
	Ownership	Role of state lawyers	Important actors see reforms as exogenous	Build more flexibility, adaptability to local realities Build incentives
	Institutional arrangements	Legal reforms, chief information officer	Mandate and authority of new institutions	Cover institutional gaps (specify)

Notes

1. For the elaboration of this report, the OECD had only received the *fiches* of the measures of transversal character and those of the Sub-Commission on Administrative Duplicities.
2. This point was made by several officials and academics during the OECD's third mission to Madrid, 15-18 October 2013.
3. As reported by the OPERA, by 20 January 2014, 51 CORA initiatives had been implemented meeting their savings objectives.
4. Andalucia, Aragon, Asturias, Basque Country, the Canary Islands, Castile and León, Catalonia, Galicia, La Rioja, Navarre and Valencia.
5. http://ec.europa.eu/europe2020/pdf/nd/nrp2013_spain_en.pdf.

Bibliography

Commission to Reform the Public Administrations (CORA) (2013), "Reforma de las administraciones públicas", report delivered to the Spanish Council of Ministers on 21 June 2013, Ministry of Finance and Public Administrations and Ministry of the Presidency, Government of Spain, Madrid, www.seap.minhap.gob.es/dms/es/areas/reforma_aapp/INFORME-LIBRO/INFORME%20LIBRO.PDF.

Garcia Villarreal, Jacobo Pastor (2010), "Successful practices and policies to promote regulatory reform and entrepreneurship at the sub-national level", *OECD Working Papers on Public Governance*, No. 18, OECD Publishing, Paris, http://dx.doi.org/10.1787/5kmh2r7qpstj-en.

Kingdon, John W. (1984), *Agendas, Alternatives, and Public Policies*, Longman Classics in Political Science, Boston.

OECD.StatExtracts, http://stats.oecd.org (consulted on 29 November 2013).

OECD (2013), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264202177-en.

OECD (2012), *OECD Public Governance Reviews: France: An International Perspective on the General Review of Public Policies*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167612-en.

OECD (2011a), 2011 OECD Survey on Performance Budgeting, OECD, Paris.

OECD (2011b), *OECD Economic Surveys: Mexico 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-mex-2011-en

OECD (2010a), *Finland: Working Together to Sustain Success*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086081-en.

OECD (2010b), *Good Governance for Digital Policies: How to Get the Most Out of ICT: The Case of Spain's Plan Avanza*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264031104-en.

OECD (2010c), *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086296-en.

OECD (2007), *OECD E-Government Studies: Netherlands 2007*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264030299-en.

OECD (2005), *OECD E-Government Studies: Norway 2005*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264010680-en.

OECD (2001), *Citizens as Partners: OECD Handbook on Information, Consultation and Public Participation in Policy Making*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264195578-en.

Transparency International (2012), *Corruption Perceptions Index 2012*, Transparency International, Berlin, http://cpi.transparency.org/cpi2012/results (consulted on 3 December 2013).

Annex A

Cross-reference table: OECD and CORA reports

The OECD Report does not follow the same structure as the CORA report. There are several reasons for this. First, OECD public governance reviews assess the wholeofgovernment implications of reform, going beyond the silos approach frequently found in governments. The OECD analyses policies, not isolated measures. The whole of these elements can add up to much more than the sum of its parts, when synergies are identified and exploited and when the elements are linked in a strategic governance approach. The scope of this review did not allow for a comprehensive treatment of individual measures, although some sections highlight particularly relevant initiatives.

Second, the CORA is a very substantive reform and its impacts can be better understood when linked to other reforms that are already being advanced in Spain (i.e. fiscal and transparency reforms). The structure of the OECD Report helps underline the cross-cutting nature of the CORA and its relevance in light of the wider reform agenda advocated by the Spanish government. In fact, this wider agenda suggests that not many OECD countries are advancing as comprehensive a public administration reform as Spain is.

Table below links the structure of the CORA report to the OECD Report and subsequent tables link specific CORA measures with these chapters. Given the high number of CORA initiatives, these tables concentrate only on those deemed to have the greatest impacts.

Chapter	CORA report				
	General measures	Administrative duplicities	Administrative simplification	Service delivery and shared services	Institutional administration
Chapter 2. Administrative rationalisation and multi-level governance	-	●	-	-	●
Chapter 3. Raising Spain's productivity through better regulation	-	-	●	-	-
Chapter 4. Spain, ICT and digital government	-	●	●	●	-
Chapter 5. Public financial management and public procurement	●	●	-	●	-
Chapter 6. Developing a sustainable and flexible human resources management system	●	-	-	●	-
Chapter 7. Strengthening transparency and building trust in government in Spain	●	-	●	-	-

General measures

CORA initiative	Chapter
System to measure productivity and efficiency	**Chapter 2.** Administrative rationalisation and multi-level governance
Reorganisation of state-owned enterprises and public foundations	**Chapter 2.** Administrative rationalisation and multi-level governance
Zero-based budgeting for intermediate consumption and investment	**Chapter 5.** Public financial management and public procurement
New Law on Public Grants	**Chapter 5.** Public financial management and public procurement
Law on the Control of Public Commercial Debt	**Chapter 5.** Public financial management and public procurement
Law to Promote Electronic Invoicing	**Chapter 5.** Public financial management and public procurement
Information Centre	**Chapter 5.** Public financial management and public procurement
Strategic measures on public employment	**Chapter 6.** Developing a sustainable and flexible human resources management system
Strategic measures for public employment	**Chapter 6.** Developing a sustainable and flexible human resources management system
Setting up of implementation office	**Chapter 8.** Implementing governance reform in Spain: challenges and opportunities

Sub-Commission on Administrative Duplicities

CORA initiative	Chapter
Manual to avoid duplications of functions	**Chapter 2.** Administrative rationalisation and multi-level governance
Strengthening of sectorial conferences	**Chapter 2.** Administrative rationalisation and multi-level governance
Suppression of administrative units	**Chapter 2.** Administrative rationalisation and multi-level governance
Law for Market Unity	**Chapter 3.** Raising Spain's productivity through better regulation
Registers and databases	**Chapter 4.** Spain, ICT and digital government
Centralised procurement	**Chapter 5.** Public financial management and public procurement
Audit institutions and ombudspersons	**Chapter 8.** Implementing governance reform in Spain: challenges and opportunities

Sub-Commission on Administrative Simplification

CORA initiative	Chapter
Plan for normative rationalisation	**Chapter 3.** Raising Spain's productivity through better regulation
Simplification of formalities for start ups	**Chapter 3.** Raising Spain's productivity through better regulation
Burden reduction manual	**Chapter 3.** Raising Spain's productivity through better regulation
Simplification of procedures (in general)	**Chapter 3.** Raising Spain's productivity through better regulation
One-stop shop for foreign trade operations	**Chapter 3.** Raising Spain's productivity through better regulation
Review of the threshold of 300 m^2 for commercial shops to be subject to responsible declarations	**Chapter 3.** Raising Spain's productivity through better regulation
Measures of electronic administration	**Chapter 4.** Spain, ICT and digital government
General Access Point for Public Administrations (PAG)	**Chapter 4.** Spain, ICT and digital government
Centralisation of the payroll payments	**Chapter 5.** Public financial management and public procurement
Centralisation of the Treasury bank accounts	**Chapter 5.** Public financial management and public procurement
Improvement in the mechanisms of revenue collection	**Chapter 5.** Public financial management and public procurement
Synchronization of the calendar of payments with the calendar of revenues	**Chapter 5.** Public financial management and public procurement

Sub-Commission on Service Delivery and Shared Services

CORA initiative	Chapter
Electronic administration and Information and communication technologies	**Chapter 4.** Spain, ICT and digital government
Treasury management	**Chapter 5.** Public financial management and public procurement
Central procurement system	**Chapter 5.** Public financial management and public procurement
Human resources training	**Chapter 6.** Developing a sustainable and flexible human resources management system

Sub-Commission on Institutional Administration

CORA initiative	Chapter
General measures on administrative rationalisation (CORA III and IV)	**Chapter 2.** Administrative rationalisation and multi-level governance

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(42 2014 11 1 P) ISBN 978-92-64-21054-7 – 2014-02

OECD Public Governance Reviews

SPAIN

FROM ADMINISTRATIVE REFORM TO CONTINUOUS IMPROVEMENT

Contents

Executive summary
Chapter 1. The context of state development in Spain
Chapter 2. Administrative rationalisation and multi-level governance
Chapter 3. Raising Spain's productivity through better regulation
Chapter 4. Strengthening digital government for a more strategic public administration in Spain
Chapter 5. Mobilising and using resources: Public financial management and public procurement in Spain
Chapter 6. Developing a sustainable and flexible human resources management system
Chapter 7. Strengthening transparency and building trust in government in Spain
Chapter 8. Implementing governance reform in Spain: Challenges and opportunities

Consult this publication on line at ***http://dx.doi.org/10.1787/9789264210592-en.***

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit ***www.oecd-ilibrary.org*** for more information.

OECD*publishing*
www.oecd.org/publishing

FIIAPP
COOPERACIÓN ESPAÑOLA

ISBN 978-92-64-21054-7
42 2014 11 1 P