# *Introduction*

For decades, the main debate concerning how government intervention in economic activity in countries influences the welfare of citizens has focused on what the ideal size of government is, identified from a budgetary viewpoint with the level of public spending attained in relation to GDP. In the mid-1980s concern began to grow, mainly in academic circles, in regard to how efficiently the public sector carried out its activities. This occurred at a time when public sectors in most developed countries had hit peak levels of public spending and, at the same time, of tax pressure and public sector deficits. However, it must be acknowledged that this interest in the efficiency of the public sector played a role that was secondary (not to say merely testimonial) in political agendas, which were largely dominated by the requirements of fiscal discipline.

In the 1990s problems of sustainability in public finance and the need to apply policies of tax consolidation in the European Union Member States that were about to embark on the final phase of Economic and Monetary Union directed the attention of researchers and analysts towards the introduction of improvements in the operation of public sectors, targeting the budgetary savings that could be achieved. Specifically, studies and proposals focused on selecting what measures should make up spending programmes, on identifying precise goals and on reviewing the eligibility criteria of recipients. At the same time, they looked at giving greater weight to the private sector in the supply of publicly-provided services and infrastructures. Another feature of the concern for public-sector efficiency at that time was the importance given to organisational and institutional aspects. Indeed, the widespread conviction grew up that an organisational and institutional architecture capable of responding effectively to the problems of coordination and incentives inherent in any complex economic organisation was an essential requirement for attaining satisfactory levels of efficiency in the management of public resources (Onrubia, 2005).

Since the turn of the 21st century, increasing credence has been given to a notion that introduces new perspectives in assessing public sector actions in economic terms, particularly (though not exclusively) those funded via budgetary resources: the quality of public finance.[1] This is an attractive concept due to its

[1] The concept of «quality of public finance» was initially associated with the design and application of fiscal policy, and was incorporated into the strategic goals of the European Union in the Lisbon Strate-

value-related connotations, though the different attributes that underlie the term «quality» make it hard to incorporate directly into applied economic analysis, at least from a single methodological perspective.

As pointed out by Thöne (2023), in its initial meaning linked to fiscal policy performance the concept of «quality of public finance» covers many qualitative and structural issues, but focuses mainly on the impact of the long-term make-up of public spending on goals such as economic growth, environmental sustainability, investment in infrastructures and human capital (with the main pillars of this last item being seen as education, health, family and gender policies). But two decades later, following the shake-up for fiscal policy entailed by the Great Recession that began in 2008 and the subsequent recovery, with tough processes of budgetary consolidation, Rodríguez-Vives (2019) highlights that there is renewed interest in the concept of «quality of public finance», which is acknowledged to be multidimensional in nature and can be addressed from different angles. However, from a practical viewpoint that interest should focus on finding a budget make-up that is capable of promoting long-term economic growth without increasing inequality.

The experience of the past 20 years reveals that quality of public finance goes beyond the volume of budgetary resources allocated to each policy, the qualitative make-up of public spending and the specific way in which it is funded. It also has far-reaching effects on the ability of governments, at their different jurisdictional levels, to respond effectively to the demands of society in regard to the provision of public services and goods, the struggle against inequality and poverty and, consequently, their ability to advance social welfare through economic and the redistribution of income and wealth. As pointed out by Afonso *et al.* (2005), for fiscal policies to be considered as high-quality they must foster economic growth and meet the following requirements: they must provide an institutional environment conducive to growth and healthy public finance; they must limit the commitment of governments in the provision of goods and services to their essential role; they must establish incentives that encourage growth in the private sector and efficient use of public resources; they must fund government activities and those of the private sector, as the case may be, via an efficient, stable tax system; and they must support macroeconomic stability through stable, sustainable public accounts.

I believe that the link between quality and performance by the public sector of its functions takes the notion of quality beyond the conventional, macroeconomic scope of fiscal policy to a point where it incorporates all elements (be they institutional, organisational, management-related or evaluative) which are essential for

gy, agreed at the meeting of the European Council in Lisbon on 23-24 March 2000, within the area of actions on coordinating macroeconomic policy (budgetary consolidation, quality and sustainability of public finance).

«good» public sector management.[2] It is hard to imagine an intervention scenario with high-quality public finance without proper identification of the goals to be covered by public sector policies in line with the preferences of society, without the systematic use of methods based on economic criteria in the selection of project options and the design of public-sector programmes, without regular analysis of the efficiency and effectiveness of those projects and programmes, without impact assessments for the measures adopted and without integrating the results of all these analyses and assessments into budgetary processes.

In practice, the connection between quality of public finance and the efficient management of public revenues and spending depends largely on there being an institutional system of assessment that works properly. In public affairs, assessment is seen as a process for generating information which can then be used via a range of economic analysis tools to link resources to the short-, medium- and long-term results of public services and programmes and determine via quantitative techniques whether those services are efficient in terms of social returns (Onrubia & Santín, 2017). Thus, assessment (in the broad sense reflected in the selection of topics covered by the articles in this monographic issue) is an essential instrument for generating the information needed to select preferential goals for public-sector interventions, allocating the necessary budgetary resources to each one on the basis of efficiency criteria and determining the most neutral, equitable way of obtaining those resources. The information provided is essential in ensuring that the public-sector management decisions made are consistent with the efficient use of public resources and, as indicated above, lead to efficient organisation. Finally, it must be taken into account that policy assessments also serve to promote transparency and accountability in the management of public finances: objective scrutiny based on empirical evidence is conducive to the opening up of public-sector actions to society, and thus reduces the risk of squandering of resources, corruption and misappropriation of funds.

This monographic issue of *Ekonomiaz* comprises 10 articles addressing the core theme of quality of public finance from an assessment perspective. The original articles selected cover various aspects which I believe enshrine the key elements of this relationship: issues arising from the institutionalisation of assessment, the use of assessments (based on economic efficiency criteria) as instruments for selecting the projects and programmes that embody public-sector policies and integrating their results into budgeting processes as an essential element for analysing, monitoring and assessing the effectiveness of spending programmes and, from a macroeconomic perspective, as instruments for confirming the quality of fiscal policy.

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[2] In regard to the principles of good public-sector management and how to attain them, see Albi & Onrubia (2018).

The article by **Ángel de la Fuente** and **Alfonso Novales** with which the issue begins covers a highly significant issue in terms of efforts to assure the quality of public finance: the institutional framework in which public-sector policies are assessed. The study reported focuses on Spain. It begins by reviewing the general principles required of any rigorous public policy assessment system, with particular focus on the need for the assessing body to be independent of the political establishment. The authors go on to look critically at past attempts to set up a culture of assessment in Spain and then analyse in detail Act 27/2022 of 20 December on the Institutionalisation of the Assessment of Public-Sector Policies. After a critical assessment of its main contents, they conclude by making a number of proposals that they consider would improve the assessment of public-sector policies in Spain.

In the second article, **Ginés de Rus** looks at the importance, in terms of social value, of the role of ex-ante assessment of public-sector policies. He concentrates on cost-benefit analysis (CBA) as the most widely used and consolidated tool for socio-economic assessment. The goal of CBA is to estimate the net effect of public-sector projects and policies on social welfare. He stresses the «consequentialist» nature of the overall consideration of BCA, which makes it an inseparable part of the reasoning process used by economists in resource allocation processes. The author highlights the fact that the practical assessment criteria used by BCA are based on general equilibrium theory. He also notes the undoubted social value of the information provided by BCA when it comes to selecting public-sector investment projects, performance-related spending programmes and regulatory alternatives and designing other public-sector actions. Taking a subsidy policy in Spain as an illustrative example of how BCA is currently applied, he makes some critical points in regard to its use in supporting public policy recommendations.

**Ignacio Moral Arce** provides a comprehensive review of impact assessments as a form of assessment intended to measure the effects of introducing spending programmes and regulatory measures in all areas of action by the public sector. The article begins by addressing the importance of impact assessment in improving the quality of public-sector interventions by procuring quantitative evidence of their effects on the variables that decision-makers seek to influence. The author sets out the main characteristics of impact assessments, focusing especially on two basic problems in applying them: the absence of counterfactuals (the impossibility of observing what would have happened had the measure assessed not been taken) and selection bias (due to the lack of randomness in delimiting the treated and non-treated groups in regard to the measure assessed). He goes on to look at the main methodologies used, listing them according to their use in experimental assessment designs, including mean-difference techniques, quasi-experimental techniques such as matching methods and propensity score matching, difference-in-differences methods (which are suitable for correcting selection bias arising from unobserved variables), instrumental variables (suitable when causal relationships entail problems of endogeneity linked to participation in programmes) and regression discontinuity (applicable when the eligibility of the beneficiary depends on observable characteristics with continuous values). In all cases, particular attention is paid to the assumptions required for application and the information requirements involved, and a balanced analysis of the main potential and limitations of each method is included.

The article by **Jordi Baños Rovira** makes an innovative contribution compared to the topics usually covered by the literature on public-sector policy assessment: it looks at the integration of public-sector budgeting and policy assessment. As the author himself indicates, many public administrations have sought to implement results-based budgeting to enhance the efficiency with which public-sector resources are allocated and increase the operability of their management actions. He argues that for such budgetary reforms to be reasonably successful they must make effective use of the evidence provided by policy assessment in the making of budgetary decisions. In other words, they must attempt effectively to integrate budgeting and assessment, a feat that is not without its difficulties. The article included here gives an overview of the state of the art in regard to this integration and of the use of assessment for budgeting, outlining the main difficulties in effectively making the connection, as described in the relevant literature and found in comparative experience. Finally, the author lists a number of recommendations on how to strengthen integration between budgeting and assessment at public administrations, affecting both the institutional framework of assessments and the budgetary system itself.

**Borja Gambau Suelves** and **Carmen López Herrera** provide a cutting-edge article in which they reflect on the role of spending reviews in the institutionalisation of assessment in Spain, and what may be expected of them. Their study fits into the context of the legal framework recently approved for the institutionalisation of the assessment of public-sector policies in Spain, which is seen as a landmark in improving the quality of public finance. Accordingly, they argue that the new legislation takes up a thread of years of experience (sometimes satisfactory and sometimes not) without ignoring the fact that substantial challenges remain to be faced if it is to be successful. Public spending reviews are seen as a useful tool for learning lessons concerning the quality of public spending, in terms of various economic criteria and the ability to attain the goals pursued by the policies and programmes assessed. The authors look at the origin of spending reviews in a comparative context, at how their goals have changed over time and at their ability to bring to light the best spending practices. They provide a balanced analysis of landmarks and goals achieved in the actions taken by the AIReF (Spain's Independent Authority for Fiscal Responsibility). Finally, they list the institutional challenges that need to be addressed by the new regulations on public-sector policy assessment, highlighting the need to strike the right balance between spending reviews and the areas of authority entrusted to the AIReF.

The article by **Aurelia Valiño Castro** takes an extensive look at the foremost cases of economic assessment of public-sector policies in Spain. The state of the art of assessment thus presented seeks to establish the value of assessment as an essential tool for the proper functioning of public-sector management and for public accountability, two elements which are essential in raising the quality of public finance. From the viewpoint of applied, sectoral experience, this study provides a relevant examination of the importance and scope of assessment in public-sector decision-making, in helping to improve the allocation of public resources and, in short, in increasing the welfare of citizens. The author also looks at the extent to which assessment is institutionalised at the levels of Spain as a whole and its devolved regions, and lists the steps forward found in front-line public-sector policies. Finally, the article also makes a number of points concerning the role of specialist formal education in consolidating assessment operations and helping to establish a culture of assessment.

The importance of distributive aspects in economic assessment is addressed in the article by **Jorge Onrubia Fernández** and **María del Carmen Rodado Ruiz**. Conventionally, the economic assessment of public-sector programmes has entailed measuring how efficiently public services are provided or resources are used in such programmes and projects. When efficiency has proved hard to measure, assessments have turned instead to measuring the effectiveness of the measures taken in terms of covering the goals pursued. Accordingly, the authors argue that most assessment studies have attributed only a residual role to the redistribution goals of public-sector policies, or have ignored them completely, even when their implications on fairness are quite evident. However, for decades the literature on inequality and redistribution has had a powerful body of methodological and empirical knowledge available to it that can be used to accurately quantify the distributive impacts of all kinds of public-sector policies. The widespread availability of micro-databases drawn from surveys and administrative records has given rise to an increasing number of studies analysing the distributive impact of public revenue and spending programmes, covering both specific instances and overall analyses (e.g. of tax-benefit models), without neglecting ever-more frequent analyses of regulatory methods. The article highlights the important role played in this area by micro-simulation techniques as a powerful tool for conducting assessments of public-sector programmes that can incorporate an analysis of their distributive effects, either independently of or in combination with their assignative effects. This provides assessments of changes in welfare with distributive implications. In conclusion, the authors reflect on the importance (in terms of fostering quality of public finance) of creating micro-simulation units that can produce ex-ante assessments of the effects of proposed measures or programmes.

The article by **José María Durán Cabré** and **Alejandro Esteller Moré** takes a new approach that incorporates the perspective of the knowledge held by citizens concerning the quality of the taxes used to find public-sector activities, considering this as a key aspect in public-sector policy assessment. The authors present the results of two surveys which reveal that the level of knowledge in Spanish society concerning basic tax issues and decentralisation of taxes is low. A breakdown into groups based on socioeconomic status and gender reveals considerable heterogeneity. These findings lead them to warn that public-sector policies may well be configured on the basis of social preferences which are biased due to the low level of basic tax information held by citizens, which may also affect their subsequent development. The authors also see this limited information as a serious obstacle to fully materialising the potential advantages of tax decentralisation in terms of better resource allocation through greater accountability on the part of the different governments. As an example of this lack of knowledge, they look at capital gains tax, a form of taxation which is hardly found at all in the tax systems of our neighbours but which has drawn considerable media attention in Spain. Their analysis reveals information paradoxes, such as the contradiction between public support for increasing the revenues from this tax (which are currently very low) and for its use as a tool for redistribution on the one hand and widespread tax avoidance and evasion on the other.



**Antonio Jesús Sánchez Fuentes** focuses in his article on the interesting debate sparked by the need to assess how efficiently Spain's autonomous regional governments spend the resources available to them for financing the devolved public services that they are responsible for providing. This unusual case of sub-central governments (which, apart from some regions with devolved tax systems, are financially dependent on resources provided by the autonomous region financing system), introduces a different perspective when it comes to considering how efficiently governments spend resources. This is particularly significant in the case of those regional governments that do not obtain the resources needed to fund their areas of authority mainly from their own taxes but from vertical and horizontal transfers under the tax equalisation system in place. The author sets out the basic issues involved, then goes on to present an analysis illustrating the situation in Spain's various autonomous regional communities focussing on the two main spending policies devolved to regional level: health and education. His findings show that failing to take into account that the utilisation of every Euro allocated may differ from one policy, period and region to another not only prevents full use being made of resources but breaches the principle of horizontal equity in the funding of public services regardless of where citizens live, pay their taxes and receive services funded by public spending. The article concludes with a number of recommendations concerning the need to incorporate the results of regional spending efficiency assessments into the funding criteria of autonomous regional governments.

The final monographic article is by **Julia del Amo Valor**, **Marcos Martin Mateos** and **Javier José Pérez García**, who look at public-sector policy assessment from a macroeconomic viewpoint, in the setting of Europe. The authors focus on the assessment of structural reforms and the consistency of the budgeting plans of the European Union, and find that there have been significant improvements since the introduction of the European Semester fiscal governance mechanism. The article first analyses the financial framework of the Next Generation EU (NGEU) funds, highlighting that a new model of governance has been introduced which is based on ex-ante and ex-post assessment and validation. However, there is as yet insufficient experience to assess these changes properly. In their initial analysis, the authors coincide with the literature to date in continuing to observe regular deviations («biases») when the budgetary plans as defined ex-ante are compared with the results observed ex-post. The differences cannot be explained solely by the macro-financial assumptions underlying the initial plans. Secondly, the review presented in the article suggests that the ex-ante assessments conducted under National Reform Plans and Stability Programmes would benefit from greater transparency, from the publication of more details of the estimations drawn up by tax authorities and from the publication of datasets that would enable independent assessments to be drawn up on a regular basis. The authors conclude that, from a macroeconomic perspective, the financial framework of the NGEU may entail a structural change from the current situation of practically no ex-post assessments of reforms, but it is still too early to assess the effective extent of that change.

Completing this monographic issue of the journal are three further contributions: on the one hand, two *policy letters*, the first by **Martin Weber** and **Chrysoula Latopoulou** and the second by **Alberto Ansuategi** and **Iñaki Barredo**, which address the future framework of EU cohesion policy. In the first *policy letter* **Martin Weber** and **Chrysoula Latopoulou** wonder to what extent the additional funding provided by the EU for economic, social and territorial cohesion through the Recovery and Resilience Facility will translate into new investments in the face of obstacles that could be, among others, administrative capacity constraints and long-lasting permitting procedures. In the second *policy letter*, **Alberto Ansuategi** and **Iñaki Barredo** look at the post-27 framework of EU cohesion policy from the viewpoint of payment for performance and structural reform.

On the other hand, in our *Other Contributions* section, **Iñigo Saizabal** and **José Ignacio Jaca** outline the main measures taken in the Basque Country to palliate the economic and social effects of the war in Ukraine. Basque public administrations have introduced various «crash plans», including a financial rescue fund and a social rescue fund aimed particularly at the sectors hardest hit by the conflict. These measures have reduced inflationary effects on the purchasing power of households and businesses, and the vulnerability of households.

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