



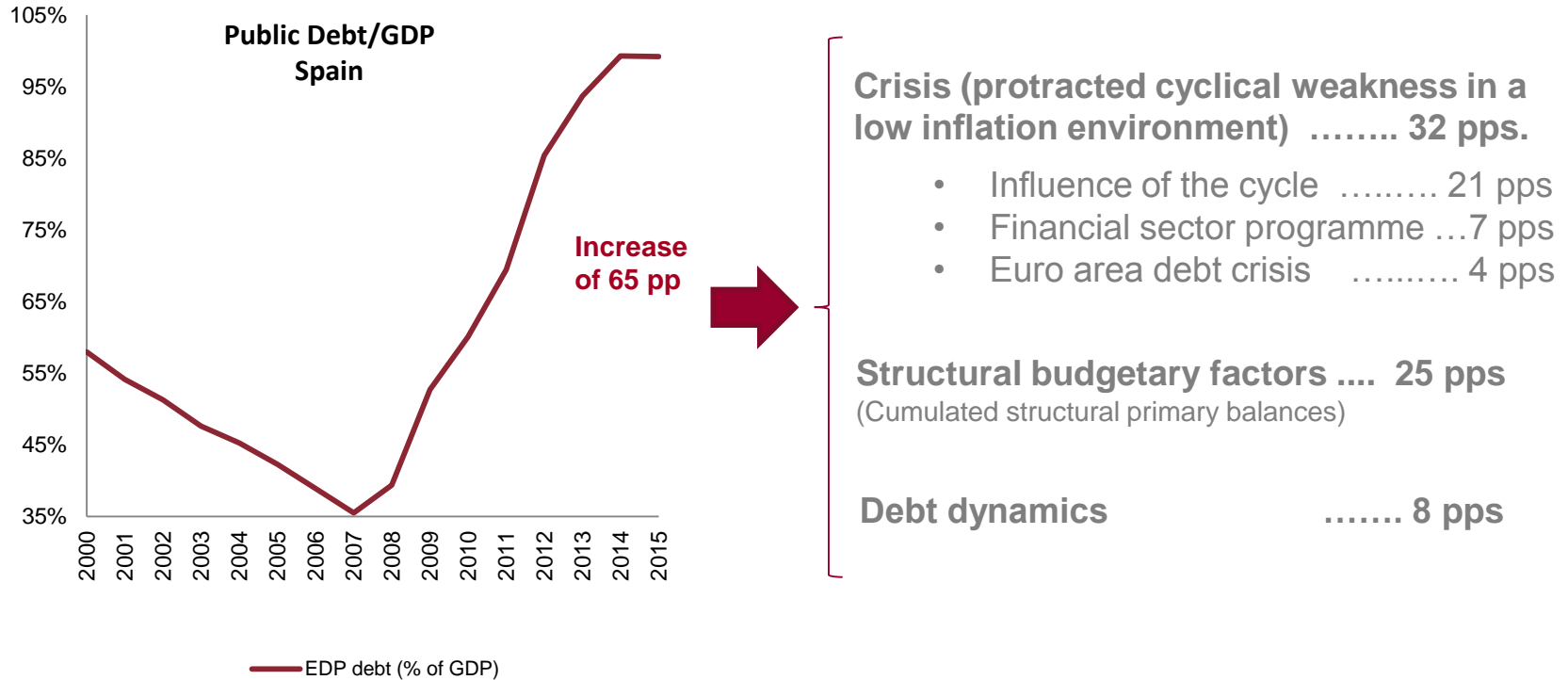
Independent Authority
for Fiscal Responsibility

The institutional framework and the implementation of fiscal-structural reforms

José Luis Escrivá, AIReF's Chair
Public Finance Workshop on Fiscal-Structural Reforms
3 July 2017, Lisbon

Fiscal- structural reforms: key for sound and sustainable public finances

- 38% of Public Debt/GDP increase since 2007 explained by budgetary structural factors



Source: AIReF

What are the most important fiscal-structural reforms?

Reforms	Diagnosis at EU level	Spanish situation/AIReF's view
EU semester	<ul style="list-style-type: none"> • Lack of medium-term view • SCPs not good substitute of medium-term plans • Weak linkage between medium-term targets and annual budgets • Moving targets a common practice • No clear political commitment 	<p>Need for a comprehensive medium-term approach all along the budgetary cycle and encompassing the GG and its subsectors. Spanish SP does not meet these requirements. Top down approach. Poor consistency across subsectors</p>
EU fiscal rules	<ul style="list-style-type: none"> • Too complex and not fully consistent • Weak enforcement. Discretionary implementation • Unpredictable, non transparent, credibility hindered • Towards a simpler model and with a clear hierarchy among fiscal rules. Public debt should be the main anchor 	<p>National fiscal rules suffer from the same EU problems. 4 years experience prove serious deficiencies: consistency, deficient target setting, enforcement, lack of automatism, redundant rules.</p> <p>Time to reconsider the Budgetary Stability and Financial Stability Law</p>
Strong IFIs	<ul style="list-style-type: none"> • Promising avenue of latest reforms but too many obstacles for their effectiveness • Information and CoE principle main obstacles. • MS not convinced of their usefulness; IFIs role and potential not fully understood 	<p>Working on new information arrangements Room to amend the legal setting in order to improve AIReF's functional autonomy</p>



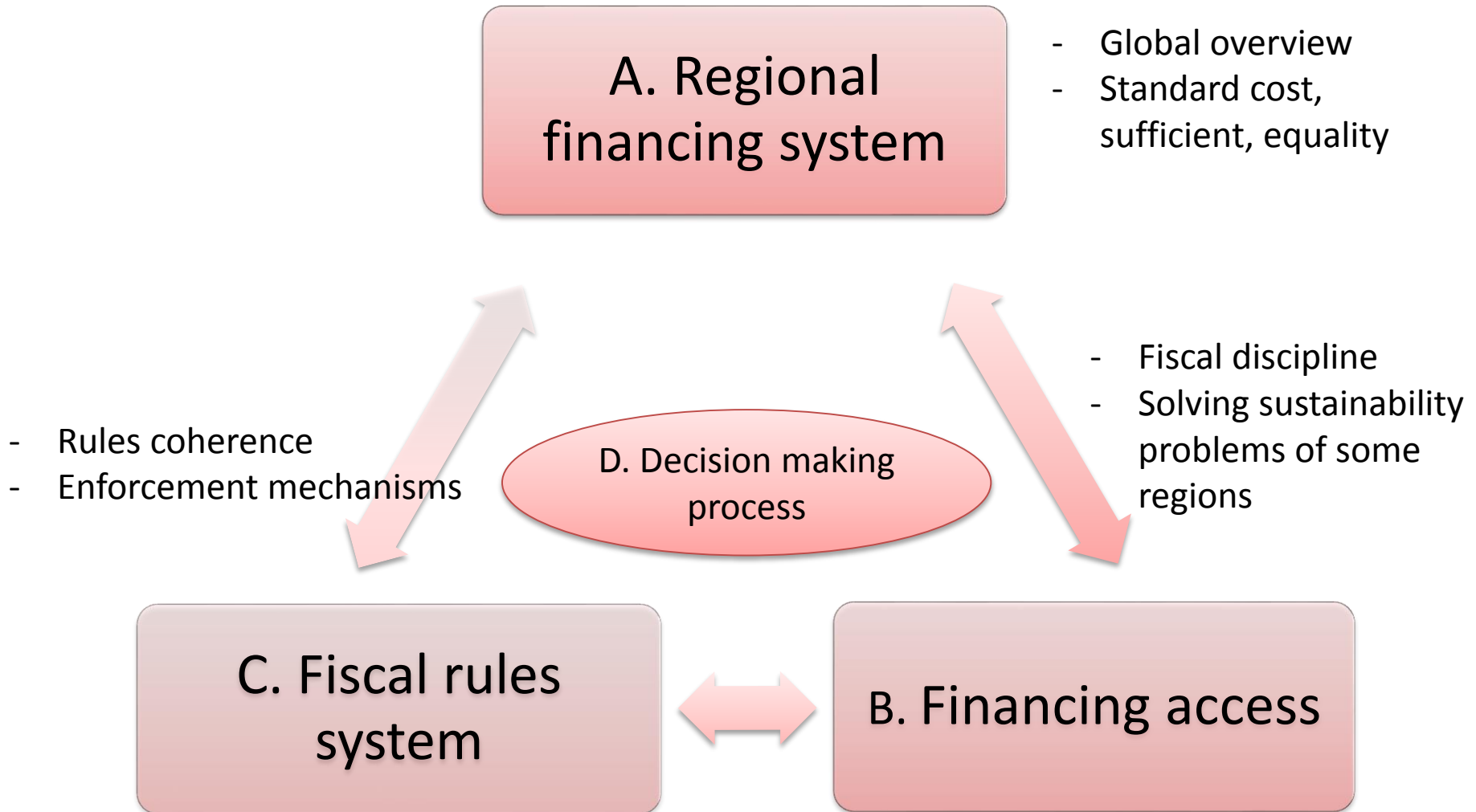
December 2018 review of Directive on requirements for budgetary frameworks of the Member States an opportunity to strengthen national ownership



What are the most important fiscal-structural reforms?

Reforms	Diagnosis at EU level	Spanish situation/AIReF's view
Spending pressures from ageing	<ul style="list-style-type: none"> • Pension reforms adopted in many countries but slow impact and uncertainty on future developments (population? institutional factors?). Moreover, social security revenues also deserve attention (can pre-crisis levels be recovered? Impact of labour market changes on social contributions?) • Health-care reforms lagging behind (+ technological progress) while increasing demand for long-term care 	<p>Need to assess impact of past pension reforms before making new decisions.</p> <p>Need to address immediate financing needs. SSRF almost depleted</p> <p>Reform proposals by the Toledo Pact Commission</p>
Quality of public spending	<ul style="list-style-type: none"> • Spending dynamics dominated by the crisis and demographic factors. More attention to the composition of public spending: growth friendly • Efficiency dimension needs to be incorporated as a common budgetary practice 	<p>Public investment: bulk of the adjustment</p> <p>First time an SR to be conducted by an IFI</p>
Taxation	<ul style="list-style-type: none"> • Towards a less tax rich economic growth? Need to assess economic factors behind downward pressures on revenues • Revenue sufficiency, economic efficiency and equality axis to inform the tax system while taking into account impact of globalization (mobile tax bases) 	<p>Lack of a clear view on the taxation system desired: consumption and labor biased?</p> <p>Underestimation of the impact of some tax reforms</p>

Spanish singularity- need for a comprehensive review of the regional institutional setting





Independent Authority
for Fiscal Responsibility

www.airef.es

 [@AIReF_es](https://twitter.com/AIReF_es)