

Annual Report

2014



Independent Authority
for Fiscal Responsibility

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1 . Introduction

The Independent Authority for Fiscal Responsibility (AIReF) has a single mandate: to ensure effective compliance by public administrations (PAs) with the principle of budgetary stability set out in article 135 of the Spanish Constitution. Its scope of responsibility encompasses all the entities that comprise the public sector in Spain. AIReF was created under Organic Law 6/2013 of 14th November, which granted it the legal prerogative of access to the information allowing it to monitor all the PAs individually in order to make a continual assessment of their budget cycle, debt and their economic forecasts.

The work carried out by AIReF is underpinned by three basic principles: independence, transparency and accountability. Every year, AIReF must draw up and publish an Action Plan to include both the reports and opinions envisaged in legislation and any studies it has been tasked to conduct by other administrations. This Annual Report is a fundamental component of the institution's transparency and accountability to society as a whole because it compares the actions implemented during the year against the pre-established Action Plan and analyses to what extent it has delivered on its commitments. The Action Plan and Annual Report fall within the ambit of the Strategic Plan that has been drawn up in parallel with this report as the institution's medium-term planning framework. From now on these three documents will form part of AIReF's internal monitoring system, providing information on its performance indicators.

AIReF started functioning as an institution in 2014. José Luis Escrivá was appointed President of AIReF in February 2014 for a six-year, non-renewable term of office after the Congress of Deputies Finance and Public Administrations Committee in Spain's parliament accepted the government's proposal for his designation. AIReF's Organic Statute was passed one month later and the rest of the Management Committee, integrated by the President and the Directors of the three divisions of AIReF, took office during the second quarter of the year. AIReF's president's chief of staff also attends the committee's meetings. The Management Committee met for the first time in early June, when the President approved the publication of the minutes of all committee meetings in the interests of transparency. That meeting marked the actual start of the institution's activities. The 2014 Action Plan was published in July, announcing the institution's first reports and opinions. Most of the AIReF staff currently working for the institution joined in September.

AIReF's Annual Report encompasses the work it has done in the closing months of 2014 in compliance with Law 6/2013 of 14th November, under which the AIReF was officially



created. Article 5.5 of the law establishes that AIReF “...shall issue an annual report on its activities that will be widely published and disseminated.” The report has been approved by the President through a Ruling issued on 2nd March and after the deliberations of the Management Committee, pursuant to the procedure set out in AIReF’s Organic Statute. It will be made publicly available on the institution’s website.

The report is divided into four sections following on from this introduction. The four sections deal with its essential lines of publications, the recommendations and best practice guidelines issued for the PAs, its institutional and communication activities and, lastly, its financial management and human resources.

2. Documents published by AIReF

AIReF fulfils its remit by preparing and issuing reports, opinions and studies. The reports and opinions are public and reasoned documents, whereas the publication of the studies it conducts requires authorisation from the administration that has commissioned them. The long-term sustainability analysis of government finances and the Social Security system also form part of its functions. AIReF is the competent authority in certain aspects of the application of the preventive, corrective and coercive mechanisms provided for in Organic Law 2/2012 of 27th April, on Budgetary Stability & Financial Sustainability (*LOEPySF, Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera*).

The reports published by AIReF are statutory reports relating to the institution's continual assessment of the budget cycle, government debt, and its analysis of macroeconomic forecasts. From AIReF's standpoint, the reports it prepares for each public administration on the four phases of the budget cycle (drafting, approval, implementation and control) form part of the four-year economic and budget strategy defined in the Stability Programme (that AIReF has to report on) and how this translates into a multiyear budget scenario and budget stability targets for the year. AIReF is also responsible for preparing reports on the application of the preventive, corrective and coercive mechanisms contained in the LOEPySF. These are not regular reports issued at specific times, but rather are only prepared if and when the developments envisaged in the legislation occur. Lastly, every year, AIReF must issue an Opinion on the determination of the annual Pension Revaluation Rate (PRR) and will have to do the same for the sustainability factor once it comes into effect.

AIReF published its first documents in July 2014. As this has been the first year of its existence, the institution has also had to draw up methodologies and in-house procedures to govern its own work whilst guaranteeing maximum transparency in the fulfilment of its remit. The following reports and opinions have been issued in 2014:

- Opinion on changes in budget cycle procedures, issued on 22nd July.
- Reports on the Economic and Financial Plans (EFPs) of the Autonomous Regions (article 19 of Organic Law 6/2013). These reports were issued on 28th July and 22nd December 2014.
- Opinion on compliance with the deficit and debt targets, issued on 30th July.
- Reports on macroeconomic forecasts (article 14, Organic Law 6/2013), published on 30th September and 18th December.

- Reports on the public administrations' draft budgets and main budgetary lines (article 20, Organic Law 6/2013), published on 15th October, 5th December and 16th December.
- Opinion on the determination of the annual Pension Revaluation Rate (PRR) for 2015. This is a mandatory opinion that must be issued by AIReF pursuant to Law 23/2013, of 23rd December, regulating the sustainability factor and the Social Security annual pension revaluation rate. This opinion was issued on 25th November.
- Reports on the application of the corrective mechanisms provided for in the LOEPySF (article 21, Organic Law 6/2013). The report was issued on 5th December.

AIReF has also published two working papers: "Understanding Financial Sustainability" and "Spanish Public Debt Sustainability Analysis".

2.1. Reports

A summary of the reports prepared by AIReF under each heading is given below.

2.1.A. Reports on the budget cycle

Reports on macroeconomic forecasts

AIReF must report on the macroeconomic forecasts incorporated in the draft budgets of all the PAs. Pursuant to Organic Law 6/2013, the budgets of these administrations shall indicate whether or not the Fiscal Authority has endorsed the forecasts included in them. In the interests of greater transparency, AIReF published two methodological documents specifying the assessment criteria to be used in these reports¹.

AIReF issued two reports on macroeconomic forecasts in 2014. The first of these concerned the macroeconomic scenario of the Draft State Budget (DSB) and the second appraised the forecasts used by Autonomous Regions that differed from those used for Spain as a whole.

The Report on the macroeconomic forecasts of the Draft State Budget endorsed these forecasts as likely. The government's macroeconomic scenario was considered plausible overall. However, AIReF advised that it would be prudent to take into consideration some of the downside risks identified, particularly the risks arising from an international environment of lower growth in the Eurozone. The report also pointed out that the assessment made should be taken with caution in light of the statistical uncertainty arising fundamentally from changes in national accounting terms, which limited and delayed the information available.

1. Ruling 4/2014, defining the methodological foundations of the Report on the macroeconomic forecasts contained in the 2015 Draft State Budget. Ruling 9/2014, on alternative methodology and simulations for appraising the macroeconomic forecasts of the 2015 Budgets for the Autonomous Regions.

BOX 1: Summary of the Report on the macroeconomic forecasts of the 2015 Draft State Budget

The report comprised two parts: one to assess a possible bias in the macroeconomic forecasts made in previous years (ex-post assessment) and another to assess the forecasts for 2015 (ex-ante assessment).

Firstly, the macroeconomic forecasts made in previous years were examined to assess whether the forecast errors contained significant biases. To this end, the government forecasts for the main macroeconomic variables were compared, on the one hand, with forecasts made by other independent private and public institutions, and, on the other, with the results observed. The bias or difference in the forecasts of the different macroeconomic variables against the average forecasts of the benchmark institutions was considered significant if it was systematic, i.e. if it was repeated in consecutive years and if, moreover, it was large and not justified by a better approach to the results observed.

- The analysis showed a larger mean absolute error in the government forecasts in the macroeconomic scenarios of 2011-2014 than the average of the consensus forecasts. This was especially significant in the case of final private and government consumption. Furthermore, the analysis pointed out that there were systematic biases in many of the variables forecast by the government against the forecasts of the consensus, although, in general, the size of the bias was not large. Biases were only considered significant in the case of the real growth rate of private consumption (2011-2013) and government consumption (2012-2014), as the government's initial forecasts were outside the respective interquartile ranges and these deviations were not justified ex-post by the data observed for three consecutive years.
- Secondly, the objective of the detailed analysis of the government forecasts for 2015 was to assess whether they were realistic and if they defined the most likely macroeconomic scenario or a more prudent one. To that end, AIReF first checked whether there was a bias in these forecasts by comparing them with the forecasts of other institutions, as was done for the previous years. Furthermore, methods, parameters and developments underpinning the forecasts were reviewed, whenever the available information allowed this, and the institution checked that they had used the most up-to-date information. The main conclusions to be drawn from the ex-ante analysis of the forecasts for 2014-2015 were:
 - The government forecasts for the 2014-2015 macroeconomic scenario were considered realistic on the whole, taking into account the methodological peculiarity of the normative character of government consumption forecasts and the uncertainty of the cyclical pattern of investment associated with the change in cycle in the construction sector and the slowdown in investment in capital goods. A large bias was observed in the forecasts for these two variables, as they were outside of the interquartile range of the private forecasts. In the case of government consumption, meeting the official forecast would require measures of moderation and greater efficiency of expenditure management, above all in the Autonomous Regions (ARs) and the Local Corporations (LCs).
 - The government forecasts for 2015 used the most up-to-date information available, taking into consideration the latest indicators of economic developments. They also included the new GDP and annual national account estimates, published just the same week by the National Statistics Institute (INE, as it is known in Spanish) because of the change in the basis for the government's national accounting system in 2010 and the implementation of the new European System of Accounts (ESA)

- There was very little publicly available information about the methods and parameters used for formulating the government forecasts. Moreover, the information and forecasts that had to be included in the accounts to make them uniform and consistent across sectors were not published with the forecasts. The lack of information made it extremely difficult to understand the connection between the key variables used in the macroeconomic scenario.

The risk analysis distinguished between external risks and those related to domestic demand. Overall, the external hypothesis presented downside risks, as a consequence of lower growth in the Eurozone, a less benign financial environment and greater geopolitical tensions. It also highlighted the upside risks, although these had a more limited impact in the short term, such as a greater depreciation of the euro and a greater reactivation of the credit market as a result of the monetary policy measures adopted. Regarding domestic demand, the risks to the growth of output and employment were considered balanced. The main downside risks concerned private consumption and gross fixed capital formation, while upside risks revolve around government consumption and exports and imports (with no pronounced effect on the external demand balance).

The Report on the macroeconomic forecasts in the Autonomous Regions' Budgets for 2015 endorsed these forecasts.

However, AIReF deemed the GDP and employment forecasts of Madrid and Murcia to be less likely, as they presented an upward bias according to the statistical model. The forecasts of the other ARs did not have any bias and AIReF endorsed them as likely, although some of them tended to be optimistic (Castilla La Mancha and Catalonia, Madrid and Murcia), others skewed to the downside (Galicia) and others seemed to be centred in at least one variable (Aragón, Balearic Islands, Canary Islands, Castilla-León, Valencia and Galicia). However, the report did highlight the fact that the macroeconomic forecasts used in the ARs' budgets have no direct influence on their budget planning, as neither the budget revenues nor expenditure seemed to be significantly linked to the latest regional economic developments. Hence, unlike the central administration, the fact that there are biases in the forecasts has no direct link to their budgetary forecasts.

BOX 2: Methodology of the Report on the macroeconomic forecasts in the 2015 Budgets for the Autonomous Regions

The report compared the ARs' 2015 macroeconomic forecasts for GDP, employment or both, with those of the State Budget (SB) 2015 for the national economy as a whole, and possible biases were analysed. The forecast for a variable was considered to contain a bias if it deviated by more than one standard deviation from the forecasts of the statistical models used to contrast it. Two models were used for this. One was based on a simple extrapolation of the differences observed between the growth in GDP and employment in each AR and the same growth in Spain as a whole since 2000. The other was derived from a statistical forecasting model that included all the pertinent information from economic indicators regionally, as well as expected growth for Spain. The following criteria were used for endorsing the GDP and employment forecasts of the ARs whose forecasts differed from those of the 2015 State Budget: forecasts would not be endorsed if they had an upward bias in both variables

and in both models; they would be endorsed as less likely if they had a bias in one of the two variables in one of the two models; they would be endorsed as likely if there were no biases; and they would be endorsed as prudent if there was no upward deviation in either of the two variables in either of the two models.

None of the ARs presented GDP and employment forecasts that were deemed biased by both of the models used in the comparison. Furthermore, the report pointed out that the ARs' forecasts used the most current data available, although not all of them offered comparisons with other forecasts or information about the methodology and parameters used.

Reports on the public administrations' main budgetary lines and draft budgets for 2015

AIRcF considered the 4.2% target set for the government sector for 2015 a demanding target. The main conclusion drawn by the report issued on 15th October 2014, was that meeting the target would require each government subsector to implement its budget strictly so that the margins for savings that some of them seemed to contain could materialise and offset the shortfalls observed in others. The report specifically set out a series of factors that were necessary in order to hit the overall target for the government sector:

- Budget implementation in 2014 must ensure that the government sector meets its stability target for the year, set at 5.5% of GDP. This would then constitute a good starting point for meeting the 2015 budget target.
- The macroeconomic scenario of the cyclical recovery of the economy must be confirmed without the main downside risks materialising. In this case, even though it is ambitious the revenues scenario could be attainable.
- The new system of direct settlement of Social Security contributions and the full inclusion of payments in kind in the contribution base must meet their budget expectations and expenditure on unemployment benefits must maintain its current downward trend.
- The leeway that seems to exist in the central government expenditure budget –basically in interest expenditure– must lead to actual savings in the budgeted expenditure and new expenditure growth control measures must limit the upward deviations that the AR subsector will probably experience against the stability target in 2015.

BOX 3: Adequacy of the PAs' main budgetary lines and draft budgets with the stability and debt targets and the expenditure rule

The reports issued by AIReF on the main budgetary lines and draft budgets for 2015² focus on an analysis of this adequacy. The targets set for 2015 by the Council of Ministers at its meeting of 27th June 2014 and following the report by the Fiscal and Financial Policy Council and the National Local Administration Committee, are for a deficit of 4.2% of GDP for the government sector as a whole. This breaks down into a target of 2.9% of GDP for the Central Government, 0.6% for the Social Security system, and 0.7% for the ARs and a balanced budget for the LCs.

On the one hand, this report analysed the target for the government sector as a whole, and on the other, the target for each of the subsectors it comprises: the Central Government, Social Security Funds, ARs and LCs. In order to analyse the adequacy of the main draft budgetary lines for these targets, consideration was given to the revenue and expenditure forecasts of each subsector, using the 2014 forecasts, the 2015 estimates and the measures and adjustments envisaged in national accounting terms for both years as the starting point.

The analysis was conditional on the content and the quality of the information available at the time, because, whereas both the central government and the social security funds system had already presented their draft 2015 budgets to Parliament, in the case of the ARs and LCs only the main lines of the aggregate budget for the overall subsector were available. That meant the report had to be completed at a later date (as stated in the report itself), once the necessary detailed information for these two subsectors became available.

With respect to the ARs, the report was completed in December, once enough information had been received to prepare it. In the case of the LCs, however, the analysis conducted on the subsector could not be completed because the individual information that AIReF had requested from the Ministry of Finance & Public Administrations (MINHAP, as it is known in Spanish) was not available, not even by population segments.

Meeting the deficit target for 2015 was deemed highly likely in the case of the Basque Country, Galicia and Navarra, likely in Asturias, the Canary Islands, Cantabria, Castilla-La Mancha and Castilla y León, less likely in Aragón, the Balearic Islands, La Rioja and Madrid, and highly unlikely in Andalusia, Catalonia, Extremadura, Murcia and Valencia.

The report revealed that year-end 2014 was very tight and required controls to be intensified and a strict implementation of the budget closure orders approved in the last quarter of the year, particularly in some ARs.

The analysis detected a fairly high risk of deviation from the deficit target set for 2014, which would mean that additional retrenchment not initially envisaged in the plans presented would be required in 2015. Thus, with respect to meeting the 2014 deficit target:

- a. It was deemed practically certain that Catalonia, Extremadura, Murcia and Valencia would not comply with their targets; there was a high risk of non-compliance in Andalusia and the Balearic Islands, and a risk of non-compliance in Castilla-La Mancha.

2. As in previous reports, with a view to guaranteeing maximum transparency when writing the report and in order to ensure that the administrations concerned are aware of the assessment criteria, AIReF first published two rulings issued by its President: Ruling 5/2014, of 2nd October, determining the information necessary for issuing the report, and Ruling 7/2014, of 13th October, establishing the methodology.

- b. A high risk of non-compliance was observed in Aragón, which, as it has an EFP, is subject to quarterly monitoring by the Ministry of Finance & Public Administrations.
- c. Tensions were identified in Asturias, the Canary Islands, Cantabria, Castilla y León, Madrid and La Rioja that made for a very tight year-end 2014.
- d. Compliance with the 2014 target was deemed likely in the Basque Country, Galicia and Navarra.

AIReF deemed it would be very difficult for the ARs to meet the 2015 deficit target of 0.7% of GDP. The report on the main budgetary lines for 2015 of the Autonomous Regions was published on 16th December. Once the individual information on the ARs³ for 2015 had been received, AIReF analysed their main budgetary lines from the standpoint of their adequacy with the stability and debt targets and the expenditure rule set for 2015. It published the analysis as supplements to the report issued on 15th October.

From the standpoint of adequacy with the budget stability target, the main conclusions drawn by the supplementary report on the ARs published on 16th December were as follows:

- The 2015 stability target set for the AR subsector as a whole at -0.7% of GDP was deemed very difficult to meet. In general, the 2015 forecasts overestimated revenues and expenditure curtailment measures remained unchanged and lacked concrete details.
- In general, the report pointed out that the highly likely deviation of the 2014 deficit from the target, along with the additional risks detected in the scenario forecast for 2015, required early application of the automatic preventive measures envisaged in article 18.1 of the LOEPySF.

AIReF was unable to issue a view on adequacy with the government debt target and the expenditure rule. A lack of the necessary information, uncertainty around the operations eligible for inclusion in the debt target and the ARs' lack of experience in calculating the expenditure rule were some of the factors that prevented AIReF from appraising the draft budgets and their main lines from this standpoint.

3. When drafting this report, consideration was given to the information submitted by the ARs to the Ministry of Finance & Public Administrations, in the framework of article 13 of Order HAP/2105/2012, as amended by Order HAP/20182/2014, as well as to the draft 2015 budgets presented, the information contained in the EFPs submitted to AIReF by the ARs and the supplementary information provided by the ARs in response to AIReF's request for clarification.

2.1.B. Reports on the application of preventive, corrective and coercive measures under the LOEPySF

Reports on the Economic and Financial Plans (EFPs) of the ARs

Non-compliance with the budget stability or government debt targets, or the expenditure rule, makes the submission of an Economic and Financial Plan (EFP) compulsory.

The LOEPySF establishes the obligation for public administrations to submit an EFP in the event of non-compliance. Pursuant to the budgetary stability and financial sustainability legislation in Spain, AIReF must issue a report on the EFPs of the ARs and central government prior to their approval.

The first action taken by AIReF under this heading was the preparation and publication of its report on the EFPs of the ARs,

pursuant to article 19 of Organic Law 6/2013. AIReF's report on the EFPs of the Autonomous Regions of Aragón, Castilla-La Mancha, Catalonia, Murcia and Valencia was published on 28th July 2014, before they were submitted to the Fiscal and Financial Policy Council (CPFF, *Consejo de Política Fiscal y Financiera*). It also reported on the 2014 budget scenario for the Autonomous Region of Navarra.

BOX 4: Reports on the EFPs of the ARs

The Ministry of Finance & Public Administrations determined, in the report submitted to the government in April 2014, that the Autonomous Regions of Aragón, Castilla-La Mancha, Catalonia, Murcia, Navarra and Valencia had failed to comply with the budget stability target. It also determined that Aragón, Castilla-La Mancha and Navarra had failed to comply with the debt target. Therefore, these regions had to submit an EFP that would enable them to meet the budget and government debt targets established for that year and the next. According to the LOEPySF, these plans have to be approved by the Fiscal and Financial Policy Council (CPFF), or in the case of Navarra, by the Coordination Committee under article 67 the Economic Covenant between the State and the Autonomous Region of Navarra. A mandatory report on the plans is required from AIReF before they can be submitted to the CPFF or the Coordination Committee⁴.

This report assessed the likelihood of compliance of the ARs that submitted EFPs with the target and the magnitude of any possible deviation from the stability target set. To do that AIReF analysed the draft EFPs and supplementary documentation submitted by the regions and gave its opinion on:

- The sufficiency and specificity of the measures adopted by these regions to correct the imbalances detected in 2013, with respect to both revenues and expenditure.
- The coherence of the budget scenario for 2014.

4. With a view to guaranteeing the transparency of its operations and, particularly, to promoting an awareness on the part of the administrations concerned of the assessment criteria, the methodology to be used was approved by a Ruling of the President, before the EFP report was drafted. The Ruling was published on 9th July 2014 and it determined the methodology to be used to assess the EFPs and a series of important aspects that affected the scope and content of the report.

Although the LOEPySF reform establishes a two-year EFP, AIReF was unable to form an opinion with respect to 2015 because on the date of publishing the report, the ARs participating in the common funding system had not been informed of the amounts to be paid out that year under the funding system (in the case of Navarra, the document submitted by the region contained no information about 2015). For this reason, AIReF recommended that in future, the Autonomous Region concerned be informed of the resources committed from the funding system for the two-year period before an EFP is submitted, thus making the EFP effective for the whole two-year period.

On the other hand, no opinion was issued regarding compliance with the government debt target due to constraints that impeded its assessment: uncertainty regarding the operations that would finally be eligible for verifying compliance with the target and, related to this, the fact that debt instrumented through extraordinary funding mechanisms amends the target initially set.

The prospects of meeting the budget stability target in 2014 varied for the ARs that had submitted an EFP. The report determined that they varied from *highly likely compliance* by Navarra, to *likely compliance* by Castilla-La Mancha, the *less likely compliance* in the case of Catalonia and Aragón, the *unlikely compliance* by Murcia and the *highly unlikely compliance* by Valencia. This assessment led AIReF to consider that the draft EFPs submitted by Valencia and Murcia should be revised in-depth, with the introduction of an ambitious package of measures that would enable them to hit the target set for them. Along the same lines, the EFP prepared by Catalonia should be expanded to introduce additional measures and the Aragón Plan should be more specific with respect to some of the measures that it contained. The AIReF also recommended that Aragón, Castilla-La Mancha, Catalonia, Murcia and Valencia bring their expected year-end scenario in line with the budget implementation data of the first six months. It pointed out that this adaptation could reveal the need to adopt additional measures.

Aragón followed the recommendations of the AIReF report. The EFP for this Autonomous Region, approved in the CPFF meeting of 31st July, included specific and detailed information on the plan's main expenditure reduction measure. For the other ARs, given that they had to include the effect of measures announced at the Committee meeting itself as they had joined the Autonomous Region Liquidity Fund (FLA, *Fondo de Liquidez Autonómico*), the approval of their EFPs was deferred to a later CPFF meeting that was eventually held on 23rd December.

The regions required to submit a new draft EFP to AIReF did so. In the new drafts, they updated the implementation data and the year-end 2014 scenario and included the new forecasts for 2015, once they knew the amounts to be paid out under the State's funding system, in line with the draft budgets published. However, the final report submitted to the government by the Ministry of Finance & Public Administrations in October deemed that Cantabria had failed to meet the 2013 budget stability target, along with the other ARs listed in the April report.

AIReF issued new reports on the EFPs on 22nd December 2014. The updated EFPs of the Autonomous Regions of Castilla-La Mancha, Catalonia, Murcia, Valencia and Cantabria were submitted to the CPFF at a meeting held on 23rd December. AIReF gave its view on the 2015 scenario that it had not been able to include in its report of 28th July. Given that the new EFPs included a scenario for 2015 that, at the time, had its origins in the draft budgets published, the view expressed in this report referred to the one issued in this respect in the supplementary report on the main budgetary lines for 2015 of the Autonomous Regions, published on 16th December. It pointed out that the measures announced by the government at the December CPFF meeting should be included in the EFPs and that they should be monitored quarterly in accordance with the LOEPySF. With respect to the Cantabria EFP, compliance with the budget stability target was deemed likely for 2014 and 2015, despite the tensions and uncertainties observed in the revenue forecasts for both these years. It also recommended that additional information be provided with regard to the decisions taken on expected non-availability and withholding of credit and the effect that this would have on account 409/413 "Creditors from items pending application to the budget".

Report on the application of corrective measures envisaged in the LOEPySF

AIReF's recommendation to the Ministry of Finance & Public Administrations was to apply the corrective mechanisms envisaged in the LOEPySF, by virtue of article 21 of Organic law 6/2013 and article 20 of AIReF's Organic Statute. As explained in box 3, AIReF identified risks of non-compliance with the 2014 budget stability target for some ARs in the supplementary report on the main budgetary lines of the Autonomous Regions. This report assessed the magnitude of the deviation and the likelihood of a deviation occurring. It deemed that there was *practical certainty of non-compliance* in Catalonia, Extremadura, Murcia and Valencia, a *high risk of non-compliance* in Andalusia and the Balearic Islands and a *risk of non-compliance* in Castilla-La Mancha. These circumstances, along with the fact that at that time no EFP had been approved for any of these ARs, led AIReF to suggest publishing a preliminary supplementary report containing a specific report as a separate section recommending that MINHAP apply the measures envisaged in article 19 of the LOEPySF to these ARs.

2.1.C. Opinion on the determination of the annual Pension Revaluation Rate (PRR) for 2015

AIReF concluded that the applicable rate for 2015 was 0.25%. This is the minimum rate or floor established by law for an increase in contribution-based pensions. The Opinion⁵ on the values calculated by the Ministry of Employment & Social Security for the determination of the Pension Revaluation Rate to be applied in 2015 concluded that the result of the formula applicable that year was below the minimum increase guaranteed by law.

The Government's expenditure forecasts were deemed adequate and consistent with the simulations run by AIReF based on processing the National Statistics Institute's Continual Sample of Working Lives and its demographic forecasts, which gave similar results to the figures for the numbers of pensioners and the replacement rate.

The revenues forecasts were deemed demanding. Meeting them would require additional revenues as the contribution base had been broadened by including payments in kind and the full rollout of the new system of direct settlement of social security contributions.

2.2. Opinions

Opinion⁶ on changes in budget cycle procedures

AIReF issued an opinion that analysed the budget cycle in the government sector as a whole. Essentially, it focused on formal aspects and transparency. The Opinion was published on 22nd July 2014, marking the start of the Authority's actions in this category. The key conclusions and recommendations arising from this Opinion were as follows:

- **Importance of multiyear budget scenarios.** They are essential for specifying the budgetary implementation of the Stability Programme and as a means of facilitating the monitoring process.

5. Law 23/2013, regulating the Social Security system sustainability factor and the annual Pension Revaluation Rate, establishes that AIReF shall issue an opinion regarding the values calculated by the Ministry of Employment & Social Security to determine the Pension Revaluation Rate and the sustainability factor. The implementation of the sustainability factor has been deferred by the law to 2019 (final provision 5 of Law 23/2013). In this Opinion, AIReF included an educational exercise concerning the function of the Pension Revaluation Rate and the content of the formula in its analysis of the consistency of the figures used by the Government. The report also explained the effect of the floor and the ceiling in applying the formula set out in the law (their effects should be offset in the long term). Before issuing it AIReF published the Ruling of the President on the Opinion's content and methodology.

6. The Organic Law under which AIReF was created establishes that it may issue opinions on the following matters on its own initiative:

a) monitoring of the budgetary economic information facilitated by the Ministry of Finance & Public Administrations concerning compliance with the principle of budgetary stability, public sector debt and the government sector expenditure rule.; b) the long-term sustainability of government finances; c) any other matter envisaged by the Law.

- **The need to harmonise budget structures** across all the PAs. Harmonisation is necessary to facilitate the consolidation and comparison of government sector budgets and their implementation.
- **Greater information and control of the non-budgetary account “Creditors from items pending application to the budget”**, limiting expenditure over and above the approved budget credit and/or strict enforcement of the management procedure established.
- **The budget settlement forecasts** for the year underway must accompany the draft budgets for the following year to facilitate their analysis.
- **Objective, automatic and transparent implementation of the provisions of the LOEPySF**, with no margin for discretionary action in their implementation in order to guarantee the efficiency of the EFPs.

Opinion on compliance with the deficit and debt targets

The key conclusions and recommendations of this Opinion were as follows:

1. **There is a very high risk of non-compliance with the 60% limit for the debt ratio in 2020.** AIReF recommended using the appropriate legal mechanisms to extend the transition period for complying with the debt limit established in article 13 of the LOEPySF.
2. **A transparent and verifiable system of debt targets must be established**, ring-fencing the room for discretionary action as much as possible.
3. **In light of the absence of the State EFP, the Stability Programme should be extended, at the very least to include the minimum details of scope and content set out in the LOEPySF.** Quarterly follow-up reports should be drafted in this respect. Monitoring would allow AIReF to appraise the effectiveness of the measures adopted to meet fiscal targets.

2.3. Working papers

AIReF has published two working papers⁷, that were used as supporting documentation for the Spanish public debt sustainability analysis: DT/01/2014: “Understanding Financial Sustainability” and DT/02/2014: “Spanish Public Debt Sustainability Analysis”.

7. The collection of Working Papers provides technical support for the analysis conducted in the Reports and Opinions. They were published as part of AIReF's endeavours to attain a high degree of transparency in the development of its models and methodologies, allowing the results to be reproduced.

3. Follow-up on reports and opinions

AIRcF can make recommendations to the public administrations or government entities that are the intended recipients of its reports in the exercise of its statutory functions. The recipients of the recommendations are subject to the principle of comply-or-explain. This means they are obliged to comply with the recommendations or, if they do not, they have to give a reasoned explanation for why they do not.

In the reports issued so far AIRcF has also indicated any limitations to the scope of the object they cover arising from deficiencies in the relevant and necessary information it requires to formulate a view on the subject matter they deal with. These limitations in turn give rise to recommendations to which the principle of comply-or-explain is also applicable. Such constraints may also contravene the duty of collaboration set out in article 4.3 of Organic Law 6/2013 and article 6 of AIRcF's Organic Statute.

REPORTS	Recommendations limitations to scope	Recommendations object of report	Best practice guidelines	TOTAL
EFP reports of the ARs	3	8	5	16
DSB macroeconomic forecasts report	-	-	4	4
Report on the PAs' main budgetary lines and draft budgets	3	5	11	19
Report on the application of the corrective measures in the LOEPySF	-	2	-	2
Supplementary report on the main budgetary lines for 2015 of the ARs	4	1	3	8
Report on the macroeconomic forecasts in the 2015 Budgets for the ARs	-	-	2	2
Opinion on the determination of the 2015 Pension Revaluation Rate	-	-	3	3
TOTAL	10	16	28	54

Likewise, AIReF can issue proposals within its opinions. But in this case, the administration or entity concerned is not obliged to follow AIReF criteria or explain the reasons for not doing so.

OPINIONS	Proposals in opinions	Best practice guidelines	TOTAL
Budget cycle procedures opinion	2	7	9
Deficit and debt targets opinion	1	0	1
TOTAL	3	7	10

Furthermore, certain best practice guidelines on fiscal policy have been included which it would be desirable for the PAs to take into consideration. In this area, special attention is paid to the guidelines that entail correcting deficiencies detected in the application of a law, other than the law in effect on matters of budgetary stability and financial sustainability, mainly with regard to enhancing transparency. The sections below furnish a summary of each one of these cases although greater detail on them is also available in the appendices.

Classification of recommendations, proposals and guidelines by issues

Issues	Recommendations limitations to scope	Recommendations object of the report	Opinion proposals	Best practice guidelines	TOTAL
Budgetary stability	—	11	1	2	14
Financial sustainability	1	1	1	1	4
Expenditure rule	1	—	—	1	2
Budget procedures	4	—	1	10	15
Transparency	4	4	—	21	29
Total	10	16	3	35	64

With regard to the above, AIReF is under the obligation to perform the important task of following up in 2015 the recommendations and proposals made through a number of different channels. First of all, AIReF must establish collaboration mechanisms with the administrations concerned, in order to facilitate and verify to what extent they have complied with these recommendations and proposals and, if not, the reasons why they have not followed AIReF criteria.

Moreover, in accordance with the principles governing the way AIRcF operates, recommendations, proposals and best practice guidelines, together with the results of their implementation, should be readily accessible to the general public. The first step in this direction is the Annual Report itself. In addition, there are plans to compile the recommendations made in a specific section of the web site that will be constantly updated. In that way, the general public will be able to see at any time whether the administrations have followed the recommendations made or not.

Classification by the competent body to apply the measure proposed

Entity concerned	Recommendations limitations to the scope	Recommendations object of the report	Opinion proposals	Best practice guidelines	Total
Aragón	—	1	—	—	1
Cantabria	—	1	—	—	1
Castilla-LaMancha	—	2	—	—	2
Catalonia	—	1	—	-	1
AR subsector	—	2	—	2	4
CPFF working group	—	—	—	2	2
INE, IGAE, Bank of Spain	—	—	—	1	1
Ministry of Economy & Competiveness	—	—	—	3	3
Ministry of Finance & Public Administrations	8	3	1	16	28
Ministry of Finance & PAs/MINECO	—	1	—	—	1
Ministry of Finance & PAs/Competent bodies of the ARs	—	—	—	1	1

Classification by the competent body for applying the proposed measure

Entity concerned	Recommendations limitations to the scope	Recommendations object of the report	Opinion proposals	Best practice guidelines	Total
Ministry of Education /Ministry of Health	—	—	—	1	1
Murcia	—	1	—	—	1
Competent bodies for drafting the EFP	—	—	1	—	1
Accounting and control bodies of each administration	—	1	—	—	1
Budgetary bodies	1	—	—	3	4
Budgetary and auditing bodies	—	—	—	2	2
Budgetary bodies/ MINHAP	1	—	1	—	2
Social Security	—	2	—	4	6
Valencia	—	1	—	—	1
Total	10	16	3	35	64

3.1. Recommendations on limitations to scope

In the course of its work, AIReF has come across some deficiencies in the availability of the relevant and necessary information required to be able to issue a report. These deficiencies have entailed limitations to the scope of the object of the report because sufficient information has not been made available for AIReF to conduct its analysis. This has made it difficult or impossible for the institution to appraise certain aspects required by the legislation in force. In these cases, AIReF has indicated how to overcome the information shortcomings encountered in the form of recommendations to which the principle of comply-or-explain is applicable.

In general, this lack of information is due to the fact that the administrations do not submit the information requested in good time and/or in the appropriate form. This can be because the information has not been made available to AIReF to prepare its report because the administration has not submitted it or because the information does not exist at the time it is requested. The reason for that may be because the information has not yet been collected and so

will be made available to AIReF with a certain time delay, or because it is information that is not usually collected or prepared. If there has been a delay in providing the information, AIReF has recommended that it be compiled sooner, while in the cases in which it does not exist, a request has been made to compile the information in question.

For example, the individual information on the main budgetary lines of the ARs was not available before it prepared the corresponding report on 15th October. Given the importance of the missing information to overcome the constraint on the scope of its work, AIReF issued a supplementary report once the necessary information was received and it recommended the coordination of budget calendars in order to have the necessary information available in time to issue the reports required by law within the established deadlines. In the case of the 2015 stability targets for Navarra and the Basque Country however, these were approved after the reports were issued. The constraint was, therefore, considered overcome, without the need to issue a supplementary report because the conclusions drawn in the report were ratified once the Agreement was approved and after analysing its content.

Another example of major limitations to scope were those arising from the lack of the necessary data to calculate the expenditure rule and to check adequacy with the debt target in the reports on the main budgetary lines and draft budgets. In the case of the expenditure rule in the draft State Budget report, alternative methods were used to estimate its components and AIReF was able to issue a conditional opinion as a result. For the central administration as a whole, the ARs and the LCs, AIReF was unable to formulate a view on this matter.

This is the reason why the Authority has made the fundamental recommendation that all administrations include this information in their draft budgets and in the main budgetary lines questionnaires. This information will enable AIReF to express a view on the debt target and the expenditure rule.

The need to establish a transparent and verifiable debt targets system has also been reiterated. It should be a system that reduces the margin for discretionary action as much as possible. The fact that the Council of Ministers' decisions that set the individual debt targets of the ARs have not been published in full and that there is no information on the operations that will eventually be included in their measurement have prevented the institution from appraising the debt target.

Likewise, the ARs should also have information on their individual stability targets and the estimates of the amount to be paid to them from the common funding system for the following year, so that these could be drawn up properly and coherently and meet the multiyear condition laid down in the LOEPySF, as was highlighted in the EFP reports. The lack of information in this respect meant that the EFPs of 28th July included a conditional opinion on meeting the 2014 target. This was ratified when it was approved for the ARs in the common regime. AIReF was unable to formulate a view regarding the proposed 2015 scenario.

With respect to the LCs, AIReF made a recommendation for a more explicit quantification and monitoring of savings arising from local government reform, given the weight that these have in the subsector's margin for compliance and the delays to date in implementing them. Furthermore, this margin makes an important contribution to the target of the government sector as a whole.

Generally speaking no response has been received yet to these questions from the competent administrations, although in many cases they are recommendations that can be implemented in practice in 2015.

Recommendations on limitations to scope

	Entity concerned	Competent Admin.
Ministry of Finance & PAs	—	8
Rest of Central Admin.	1	-
AR subsector	6	1
One or several ARs	1	—
LC subsector	1	—
The whole government sector	1	1

Limitations to scope have affected all subsectors of the government sector, although ARs lead the ranking with 6 limitations identified in the reports. This number is biased in part because of the subject matter of the reports issued to date by AIReF. This is because there are more reports dealing with the ARs than other entities, which does not imply that this subsector cooperates to any lesser extent. The administration concerned or affected by the report, on the other hand, and the competent administration or body for resolving the limitation to the scope or for implementing the recommendations is not necessarily the same. For example, the Ministry of Finance & Public Administrations would have the authority for resolving 8 of the 10 limitations to the scope or for implementing procedures to eliminate the limitations to the scope identified by AIReF in 2014.

3.2. Recommendations on the object of the report and regarding non-compliance with budgetary stability legislation

In the reports issued in 2014, AIReF has made a total of 16 recommendations. Most of the recommendations – 11 in all – concerned compliance with the principle of budgetary stability. Recommendations have also been made concerning the principle of financial sustainability, enhancing transparency and improving budget procedures.

Recommendations on the object of the report

	Entity concerned	Competent Administration
Ministry of Finance & PAs	—	4
Social Security	2	2
Soc. Security and AR subsector	1	1
AR subsector	1	2
One or several ARs	11	7
The whole government sector	1	—

As for the administrations concerned, most of them (11 out of 16) were individual ARs. In its reports on the EFPs there were 7 recommendations for the ARs, aimed at them completing their respective EFPs with more information with a view to guaranteeing compliance with their 2014 stability targets. In this case, Aragón complied with AIReF recommendation and the CPFF approved its EFP in July. In the case of the other EFPs AIReF reported on in July, the recommendations are no longer currently valid, as they were issued with respect to draft EFPs that were substantially updated and they were not the EFPs that were finally approved on 23rd December 2014. Lastly, Cantabria complied partially with the recommendation by reporting the list of budget appropriations affected by decisions on withholdings and non-availability of funds, but it did not identify the effect that these instruments could have on the accounts that record obligations pending application to the budget.

Moreover, in December, AIReF recommended activating the measures envisaged in article 19 of the LOEPySF for 7 ARs in its reports on the main budgetary lines for 2015 of the ARs because it identified a clear risk of non-compliance with the stability targets for 2014. Consequently, AIReF wrote to the Secretary of State for Public Administrations requesting the activation of these preventive measures, although this request has not been answered, nor has there been a formal reaction up to the time that this publication went to press. This recommendation was reiterated in the supplementary report of 16th December. The ARs of Castilla-La Mancha, Catalonia, Murcia and Valencia, however, can be considered as having complied with this recommendation, insofar as their respective EFPs were approved at the CPFF meeting of 23rd December and the application of this corrective measure established in article 21 of the LOEPySF supersedes the preventive mechanisms of article 10 of this law.

AIReF also recommended that the Ministry of Finance & Public Administrations publish the Aragón EFP quarterly monitoring report, in accordance with article 24 of the LOEPySF. This was duly done on 12th February 2015.

The AR subsector as a whole, has also received another recommendation of this kind in the EFP reports and in the reports on the main budgetary lines for 2015 aimed at guaranteeing that they meet the financial sustainability target. The recommendation was to count the total amount of extraordinary funding mechanisms within the debt limit initially set. Compliance with this recommendation, or an explanation for non-compliance, remains pending.

The Social Security system also received two individual recommendations of this kind, regarding transparency and in compliance with the budgetary legislation that is the foundation of stability legislation. The recommendations were for it to accompany its draft budget with a preliminary report on the settlements of the previous year, and with the adjustments necessary to establish the relationship between the balance resulting from the budget revenues and expenditure with its net lending or borrowing. Compliance with these recommendations should be verified with the draft budget for 2016.

AIReF recommended monitoring the Social Security revenue budget implementation data due to the risks and uncertainties around the estimation of its revenues, and in order to adopt measures in 2015, if necessary, to guarantee meeting the stability target. This recommendation was reiterated for the ARs in the supplementary report on the main budgetary lines for 2015 of the ARs.

AIReF also reiterated the need for the AR subsector as a whole to draw up and publish multiyear budget scenarios in the budget process, providing information in the Stability Programme, broken down by subsectors, if any, and with enough detail to provide the context of yearly budgets. As far as the institution is aware, nothing has been done in this respect to date.

3.3. Proposals in opinions

In 2014, AIReF issued two opinions containing a total of three proposals concerning budgetary stability, financial sustainability and improving budget procedures. These are summarised in the previous section.

Insofar as the administrations can deviate from these proposals without having to provide an explanation, monitoring their implementation is more complicated than it is for the recommendations made in the reports.

Proposals in opinions

	Entity concerned	Competent Administration
Ministry of Finance & PAs	—	1
The whole government sector	3	2

Some of these proposals have been reiterated as a recommendation in the reports, such as the proposal to present multiyear scenarios. On the other hand, other proposals from the Opinion on changes in budget procedures and those made in the Opinion on meeting the deficit and debt targets have not been taken up by the competent administrations to date.

3.4. Best practice guidelines in reports and opinions

In its publications, AIRcF has provided a total of 35 best practice guidelines for the government sector, along with the recommendations made in the reports and the proposals in the opinions. AIRcF offers these guidelines to propose that good practices be used in fiscal policy; it does not intend the administrations concerned to respond to them according to the principle of comply-or-explain. Nonetheless, special attention is paid to the guidelines that entail correcting deficiencies identified in the application of a regulation other than the legislation in effect in matters of budgetary stability and financial sustainability, mainly in the area of enhancing transparency.

Most of these guidelines concern enhancing transparency in the management of public resources (21) and budget procedures (10). Some best practice guidelines have also been included with respect to the principle of budgetary stability and financial sustainability and the expenditure rule. These guidelines are presented in detail in the appendix.

Best practice guidelines

	Entity concerned	Competent Administration
Ministry of Finance & PAs	—	16
Rest of the Central Admin.	7	5
Soc. Security	4	4
CPFF working group	-	2
AR subsector	10	2
One or several ARs	1	—
LC subsector	3	—
The whole government sector	9	6
AIRcF	1	—

3.5. Appraisal of the implementation of the recommendations, proposals and best practice guidelines

In conclusion, pursuant to its mandate, AIReF fosters compliance with the budgetary stability and financial sustainability targets through the recommendations made in its reports, the proposals made in its opinions and the guidelines it gives. These are the primary instruments conferred on AIReF by current legislation to deliver on its mandate. However, the evidence shows that the impact that these have had on the government sector varies widely.

In the case of a large number of recommendations, AIReF has received no answer, in breach of the statutory principle of comply-or-explain. This is undoubtedly the result of a certain degree of ignorance with respect to how to react to a new institution and the absence of more concise regulations on complying with the principle of comply-or-explain, rather than a hypothetical lack of collaboration by the entities concerned.

In order to clarify the implementation of the principle of comply-or-explain, AIReF approved a ruling at the beginning of March 2015. To enhance the impact of the recommendations, in turn, channels of dialogue will be established with the units of each competent administration.

4. Institutional activity

4.1. Institutional relations

AIReF has embarked on a programme of national and international institutional activity in its first year of operations. Nationally, the key objective was to raise awareness about the institution, its strategy and action plans by offering its services to all the agents of the government sector with whom it must cooperate in order to accomplish its mission efficiently and effectively. Internationally, efforts have focused on establishing relations with other independent fiscal institutions (IFIs) and with the European and international bodies with whom the IFIs cooperate.

The president and other members of AIReF have engaged with a range of heads of the economic and budget areas of the central administration and of some ARs. AIReF has also taken part in the meetings and working groups of the Fiscal and Financial Policy Council and the National Local Administration Committee in Spain.

One important international milestone was that AIReF joined the international networks of European independent fiscal institutions. Specifically, AIReF took part in two European IFI forums, one sponsored by the European Commission and another one more informal. In the case of the former, AIReF attended the annual meeting of the European Union Network of Independent Fiscal Institutions - EUNIFI. This network was set up in 2013 with the aim of establishing lines of communication between IFIs, exchanging best practices and identifying common challenges. The European IFIs met informally twice in 2014, accompanied by representatives of the OECD and the ECB. The objective of these meetings was to discuss institutional matters and methodologies relating to the assessment of stability programmes and the Fiscal Compact and the role of IFIs. The second meeting took the decision to approach the EU Economy Commissioner and the President of the Economic Policy Committee directly to convey their interest in improving communication and cooperation between the IFIs and the Commission.

AIReF has also joined the OECD working group networks within its area of competence and it has made contributions to its publications on IFIs.

Specifically, it participates in:

- **The network of parliamentary budget offices and IFIs.** The members are professionals from both kinds of institutions, but they also include academics and representatives of other international bodies. Its main function is to improve monitoring and assessment of budgetary

policy and the role of IFIs. AIReF took part in the first session devoted to the new IFIs. The session also discussed the frameworks or principles that were going to be used to assess the activities of the IFIs. In fact, in February, the OECD Council approved a set of principles to be taken into consideration in the design of IFIs, currently focusing on how to assess their activities.

- **The performance-based budgeting network.** Its objective is to enhance efficiency and efficacy in assigning budget resources and government-sector management, helping OECD member countries in the design and implementation of these budget techniques and in reforming management systems.
- **AIReF has worked closely with the OECD in preparing a detailed fact sheet on the institution,** which will appear in the *OECD Journal on Budgeting*.

The president and other members of AIReF have held bilateral meetings with international organisations and other IFIs to determine the exact design of AIReF. The president's first international initiatives have been to get a first-hand and in-depth idea of the characteristics of a small number of IFIs to help determine the exact institutional design of AIReF and of its statute in particular. These informal contacts included meetings with the heads of the IMF and the IFIs of the United Kingdom, USA and Austria.

AIReF organised an international seminar on the functions, best practices and challenges faced by IFIs in its head offices⁸. The Authority invited all the national departments and institutions with responsibilities on fiscal policy matters to the seminar. The speakers were experts from the IMF fiscal affairs department, the OECD and members of the IFIs of Belgium, Ireland, Slovakia and Canada.

AIReF has received visits from representatives from international bodies interested in the economic and budgetary situation of the Spanish economy. These included meetings with the European Commission, the ECB, the IMF and the OECD.

4.2. Communication activities

AIReF's communication activity has focused mainly on disseminating its reports and opinions. Each time one of these was published on the website, it was always accompanied by a press release⁹. With a view to enhancing both dissemination and transparency, the agency has also published the spreadsheets so that the base-line results used in the reports and opinions can be reproduced.

8. All the presentations and the conclusions from the seminar can be found on the AIReF website.

9. Press releases were also issued prior to the first Management Committee meeting and a press conference was held to present the 2014 Action Plan.

Moreover, an informal meeting was held with the media on the same day that certain reports were published, in order to explain their contents and conclusions properly. It is worth highlighting that everything that AIReF has published is also available in English.

AIReF is under the obligation to provide the greatest possible publicity and dissemination of its activities. Both the Organic Law under which AIReF was created and the Statute approved as the implementation of that legislation on repeated occasions set out the institution's obligation to disseminate its activities as fully as possible. In that way AIReF's mandate not only refers to performance of the functions inherent to the competences attributed to it but also covers the application of the principle of transparency and publicity as a hallmark feature of AIReF. By way of examples of the publicity obligations expressly envisaged (although they are by no means the only ones), AIReF has to publish its reports and opinions on its website immediately; it must publish its action plan and it has to provide the widest possible dissemination for the Annual Report.

The website has been a key pillar in AIReF's communication strategy. In quantitative terms, the web site has recorded 8,333 individual users in the second half of 2014 alone, with over 15,000 sessions and 55,000 pages visited. A more detailed analysis suggests a clear relationship between the publication of Reports and Opinions and web traffic generated. As time has gone by and there have been more publications posted on the website, an improvement has been observed in both the quantity and the quality of the web traffic.

AIReF activities have also been covered in the media. There have been over 5,150 impacts in printed and on-line press and its activities have generated significant repercussion in the regional media. Most of the impacts coincide with the publication of its reports and opinions, although this is not always the case, as the institution itself is mentioned in several articles dealing with budget issues that were published at times that did not coincide with the publication of a report.

5. Financial management and human resources

5.1. Financial management

The financial management of the budget for 2014 has been very much determined by the process of creation of the institution and its acquisition of the human and material resources necessary for its start-up. The budget was drawn up before the president and the management committee were appointed given that it was included in the Draft State Budget prepared for 2014.

Although the budget was for the whole year it has only been partially implemented. The bulk of the expenditure only started to be incurred from September 2014, when most of the staff joined the agency.

The implemented expenditure mainly falls under the heading of personnel expenditure, which accounts for 60% of total spending. As regards the remaining percentage, investments have been made to provide the material means necessary for AIReF to carry out its functions properly. These include IT equipment, furniture and fittings and the essential supplies and services for its day-to-day work.

Lastly, the premises that AIReF currently occupies were allocated to it by an Order of the Ministry of Finance & Public Administrations of 6th October 2014 so that the institution would have suitable office space to perform its functions.

Implementation of expenditure budget 2014 (€000)

Item	Initial budget	Year-to-date implementation (31/12/2014)
Personnel expenses	2,672.28	1,108.08
- President and private office staff		270.31
- Budgetary analysis division		407.60
- Economic analysis division		230.65
- Institutional legal analysis division		199.53
Operating expenses	1,812.14	345.34
- Office material		18.62
- Telephone and Internet		5.34
- Cleaning		4.06
- IT		67.43
- Website and communication		85.51
- External work		44.67
- Research studies		55.66
- Travel		11.88
- Protocol		4.00
- Other expenses		48.16
Investments	119.00*	101.03
- IT		85.32
- Furniture and fittings		15.71
Total	4,603.42	1,554.46

* Appropriation amendments

As for revenues, AIReF is financed primarily from the supervision fee paid by the public administrations that are the recipients of its reports.

This fee is provided for in the additional provision number 2 of the Law that created AIReF. Basically, it is calculated like a tax as a percentage of each administration's budget.

This funding system is a novelty in the world of Independent Fiscal Institutions and serves a two-fold purpose. It gives all the administrations in the government sector co-responsibility in maintaining AIReF and it guarantees the Authority's financial independence, in itself a key element in the independence that is the cornerstone of the way it fulfils its statutory remit.

In 2014, revenues from the duty amounted to €3.79m, slightly below the projection for revenues in AIReF's budget. The State, the Social Security system and all the ARs paid the fees. There was only a number of LCs¹⁰ that failed to pay it during 2014.

AIReF revenues 2014 (€000s)

	Implementation
Current transfers	249.99
Supervision fee	3,797.60
- Central Administration	1,401.21
- Social Security	1,132.20
- ARs	1,131.53
- LCs	132.66
Asset income	1.2
TOTAL	4,145.72

5.2. Human resources

AIReF is organised internally in three divisions, plus a private office supporting the president. The functions of the Economic Analysis Division include monitoring economic developments and assessing the macroeconomic forecasts included in the government sector budgets. The responsibilities of the Budgetary Analysis Division include monitoring the budget cycle as a whole. Finally, the Institutional & Legal Division carries out the daily task of managing the institution and advising on legal issues. It is a highly horizontal structure that functions on the basis of continuous cooperation and communication between the different units.

AIReF has conducted a study on the most appropriate staffing structure for the institution, taking into consideration the functions it has been granted by law and the international experience of similar agencies with analogous functions. The IMF cooperated closely with AIReF in

10. The *Diputaciones Forales* of Álava, Guipúzcoa and Vizcaya and the city councils of Alicante, Palma de Mallorca and Vitoria failed to pay the 2014 supervision fee.



the study. The study concluded that AIReF needed approximately 65 employees. An initial list of 31 job descriptions was approved in July 2014, for the start-up, apart from the 4 members of the Management Committee. AIReF hopes to be able to complete its staff in the near future and in order to reach the right size to be able to fully accomplish its mission.

AIReF built up its human resources throughout 2014. The members of the Management Committee were appointed by the Council of Ministers on the proposal of the President during the second quarter of 2014. Most of the current AIReF staff joined the agency in September. The staff are highly specialised in the areas the institution is responsible for with extensive experience in the public sector. Most of them are career civil servants from the government sector. They have all come to work for AIReF after responding to the relevant calls for candidates published in the Official State Gazette (BOE, *Boletín Oficial del Estado*). The Bank of Spain has provided 5 experts on secondment to make an active contribution to the setup of the institution. The curricula of all AIReF staff are available for consultation on its website.



APPENDICES: Follow-up on reports and opinions

Recommendations on limitations to scope

	Type of recommendation	Date	Report		Implementation date	Entity	Competent body	Vehicle of Compliance	Status	Date of Compliance	Entity
Set individual budgetary stability and public-sector debt targets before presenting the EFPs	Procedure	28/07/2014	Report on EFPs of ARs		2015	AR subsector	MINHAP	Decision Council	Pending		
Establish a transparent and verifiable debt target system, reducing the margin for discretionary action as much as possible.	Transparency	28/07/2014	Report on EFPs of ARs		2015	AR subsector	MINHAP	Decision Council	Pending		
Inform the ARs of the amount to be paid out by the funding system prior to presenting the EFPs for the years included therein	Procedure	28/07/2014	Report on EFPs of ARs		2015	AR subsector	MINHAP	Practical Application	Pending		
Coordinate the budget preparation and presentation calendars for the different public administrations so that the necessary information is available to draft the reports stipulated in the LOEPySF within the established deadlines.	Procedure	15/10/2014	Report on PAs' main budgetary lines and draft budgets			General Government	MINHAP/ Budget bodies	Corresponding legislation	Pending		
Specify the methodology and calculations made for quantifying and booking the expected economic impact of the expenditure and revenue measures arising from the local reform to each year of the timeline established.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	LE subsector	MINHAP	Practical Application	Pending		
Publication of non-financial uses data in the central administration's initial budget, including the necessary breakdowns to calculate the expenditure rule, providing information in the Economic and Financial Report of the DSB about the methodology used for calculating the expenditure rule, along with details about compliance with it.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/ budget 2016)	Central Administration	MINHAP	IEF DSB 2015	Pending		
Government approval, before the start of 2015, of the budgetary stability and debt targets for that year for the Autonomous Region of the Basque Country and the Autonomous Region of Navarra.	Procedure	17/12/2014	Supplementary report on the main lines of the ARs' Budgets for 2015		2014	Navarra and Basque Country	MINHAP	Decision Council	Done	Approval of targets agreed upon beforehand in bilateral committees by Decision of Council of Ministers	31/01/2015
Publication in full of the Decisions of the Council of Ministers that set the individual debt targets for the ARs, so that all the information that affects the definition of the targets is available.	Transparency	16/12/2014	Supplementary Report on the main lines of the ARs' budgets for 2015		2015	AR subsector	MINHAP	Practical Application	Pending		
Include sufficient and appropriate information in the budgets of the ARs to allow financial sustainability targets to be verified (article 6 of the LOEPySF) and the eligible expenditure to be calculated (in the terms set out in article 12 of the LOEPySF) in enough detail to verify how this calculation has been made.	Transparency	16/12/2014	Supplementary report on the main lines of the ARs' budgets for 2015		2015 (draft/ budget 2016)	AR subsector	PAs' Budget bodies	Law (draft and budget laws)	Pending		
Expand the questionnaires on the main lines of the draft budgets to include information that makes it possible to assess their adequacy with the debt targets and the expenditure rule.	Transparency	16/12/2014	Supplementary report on the main lines of the ARs' budgets for 2015		2015	AR subsector	MINHAP	Main lines questionnaires 2016	Pending		

Recommendations on the object of the report

	Type of recommendation	Date	Report		Date of implementation	Entity	Competent body	Vehicle of Compliance	Status	Compliance	Date of Compliance
Calculation of all extraordinary funding mechanisms within the initial debt limit set	Sustainability	28/07/2014	Report on EFPs of ARs		2015	AR subsector	MINHAP	Decision Council of Ministers	Pending		
Specification of expenditure measures and adequacy with 2014 year-end scenario in the Aragón 2014-2015 EPF	Budgetary stability	28/07/2014	Report on EFPs of ARs		Presentation to CPFF (31/07/2014)	Aragón	Aragón	EFP	Report details	Compliance by of expenditure affected withholding of appropriations	31/07/2014
Revision of the 2014 year-end scenario in the Castilla-La Mancha 2014-2015 EFP, based on the implementation of the first half year and reinforcement of measures if necessary	Budgetary stability	28/07/2014	Report on EFPs of ARs		Presentation to CPFF (23/12/2014)	Castilla - La Mancha	Castilla - La Mancha	EFP	Without effect		
Identify the budget lines affected by not hitting the expected 2014 year-end implementation and their instrumentation in the budget-management process in the Castilla-La Mancha 2014-2015 EFP	Budgetary stability	28/07/2014	Report on EFPs of ARs		Presentation to CPFF (23/12/2014)	Castilla - La Mancha	Castilla - La Mancha	PEF	Without effect		
Expansion of the Catalonia 2014-2015 EFP to introduce additional measures and bring it in line with the scenario forecast for year-end 2014, in accordance with the budget implementation data of the first six months	Budgetary stability	28/07/2014	Report on EFPs of ARs		Presentation to CPFF (23/12/2014)	Catalonia	Catalonia	EFP	Without effect		
Expansion of the Murcia 2014-2015 EFP to introduce an ambitious package of additional measures and bring it in line with the scenario forecast for year-end 2014 in accordance with the budget implementation data of the first six months	Budgetary stability	28/07/2014	Report on EFPs of ARs			Murcia	Murcia	EFP	Without effect		
Expansion of the Valencia 2014-2015 EFP to introduce an ambitious raft of additional measures and bring it in line with the scenario forecast for year-end 2014 in accordance with the budget implementation data of the first six months	Budgetary stability	28/07/2014	Report on EFPs of ARs			Valencia	Valencia	EFP	Without effect		
Provide information on the update of the Stability Programme, broken down by subsectors and with enough detail set the annual budgets in the SB	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	All PAs	MINHAP/ MINECO	EFP	Pending		
Monitor budget implementation data in accordance with article 18.1 of the LOEPySF, once 2015 has started, in order to make the necessary adjustments to expenditure if revenues do not perform in line with estimates	Budgetary stability	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	Soc. Security and ARs	Accounting and control bodies of each administration	Practical application			
Enclose a preliminary budget settlement for the previous year in the Draft Budget of the Social Security system	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	Soc. Security	Soc. Security	Law (draft and Budget law)	Pending		
Include the necessary adjustments to the draft Social Security system Budget to be able to relate the balance resulting from the budget revenues and expenditure, with funding capacity and needs	Transparency	16/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/ Budget 2016)	Soc. Security	Soc. Security	Law (draft and Budget law)	Pending		
Submit the EFPs arising from non-compliance with the deficit and/or debt targets in 2013 that are pending approval to the next CPFF meeting	Budgetary stability	15/10/2014	Report on PAs' main budgetary lines and draft budgets		CPFF (23/12/2014)	AR Subsector	AR Subsector	EFP	Compliance in CPFF	Submit EFP to CPFF	23/12/2014

Recommendations on the object of the report

	Type of recommendation	Date	Report		Date of implementation	Entity	Competent body	Vehicle of Compliance	Status	Compliance	Date of Compliance
Activate article 19 measures of Organic Law 2/2012, 27th April, on Budgetary Stability and Financial Sustainability for the ARs in which a clear risk of non-compliance with the budget stability target for 2014 has been identified	Budgetary stability	05/12/2014	Report on applying the corrective measures set out in Organic Law 2/2012 on Budgetary Stability and Financial Sustainability		2014/early 2015	Andalusia, Balearic Islands, Castilla-La Mancha, Catalonia, Extremadura, Murcia and Valencia	MINHAP	Practical application	Partial compliance (the EFPs of several ARs were approved; measures have not been activated for Andalusia, Balearics and Extremadura)	Approve EFP for Castilla-La Mancha, Catalonia, Murcia and Valencia	23/12/2014
The ARs for which a clear risk of non-compliance with the 2014 stability target has been identified and which have an EFP for not hitting the 2013 target pending approval, must include the measures that can have an impact on the 2014 and 2015 budget scenarios, as part of monitoring the EFP, until such time as one is approved for non-compliance with the 2014 stability target	Budgetary stability	05/12/2014	Report on applying the corrective measures set out in Organic Law 2/2012 on Budgetary Stability and Financial Sustainability		First follow-up report EFP 2014-2015	Castilla-La Mancha, Catalonia, Murcia and Valencia	AR subsector	EFP follow-up report	Without effect		
Publish the Aragón EFP quarterly monitoring report as soon as possible, in accordance with article 24 of the LOEPySF.	Transparency	16/12/2014	Supplementary report on the main lines of the ARs' budgets for 2015		2014/early 2015	Aragón	MINHAP	EFP monitoring report	Compliance	Publish on website (Information centre) Aragón EFP monitoring report	12/02/2015
The Autonomous Region of Cantabria must provide additional information on the budget appropriations affected by withholding and non-availability decisions impacting year-end 2014 and their effect on account 413/409.	Budgetary stability	22/12/2014	Report on EFPs of ARs		Presentation to CPFF (23/12/2014)	Cantabria	Cantabria	EFP	Partial compliance	Submit list of appropriations affected by withholdings and NAD	23/12/2014

Proposals in opinions

	Type of proposal	Date	Opinion		Date of implementation	Entity concerned	Competent body	Vehicle of compliance	Status	Compliance	Date of Compliance
Draw up multiyear budget scenarios. Have updated information of the 2014-2017 Stability Programme available, broken down by subsectors, in order to set the annual budget in a medium-term framework	Procedure	22/07/2014	Opinion budget cycle procedures		2015 (draft/ Budget 2016)	All PAs	Budget bodies/ MINHAP	Law (Budget law/ bill)	Pending		
Any public administration that fails to comply with the budget stability and debt targets or the expenditure rule must present an economic and financial plan, in compliance with article 21 of the LOEPySF.	Budgetary stability	22/07/2014	Opinion budget cycle procedures		2014 (EFP 2013)	All PAs	Competent bodies for drafting the EFP	EFP	Partial compliance (the ARs and most LCs have complied)	Submit EFP	31/7/2014 and 23/12/14 and 21/01/2015
Extend transition period for compliance with the debt limit set in article 13 of the LOEPySF.	Sustainability	30/07/2014	Opinion deficit and debt targets		2015	All PAs	MINHAP	LOEPySF	Pending		

Best practice guidelines

	Nature of guideline	Date	Report/Opinion		Date of implementation	Entity concerned	Competent body	Vehicle of compliance	Status	Compliance	Date of Compliance
Harmonise budget structures of all public administrations.	Procedure	22/07/2014	Opinion budget cycle procedures		2015 (draft/budget 2016)	All PAs	Budget bodies	Law	Pending		
Give instructions on the correct use of the account "Creditors from items pending application to budget"	Procedure	22/07/2014	Opinion budget cycle procedures		2015	All PAs	MINHAP	Practical application	Pending		
Expand information on the account "Creditors from items pending application to budget"	Transparency	22/07/2014	Opinion budget cycle procedures		2015	All PAs	MINHAP/ Competent bodies of the ARs	Practical application/ publication on website	Pending		
Include a budget settlement forecast for the previous year in the budgets for the current year, with details of the adjustments to national accounting procedures to allow budget balances and deficits to be related.	Procedure	22/07/2014	Opinion budget cycle procedures		2015 (draft/budget 2016)	All PAs	Budget bodies	Law (Budget bill)	Pending		
Define clearly and publish the deadline for being considered in non-compliance of targets	Procedure	22/07/2014	Opinion budget cycle procedures		2015	All PAs	MINHAP	Prac/application & publication	Pending		
Publish the list of Local Corporations considered in non-compliance with the budget stability and debt targets or the expenditure rule and therefore have to draw up an EFP pursuant to article 21 of the LOEPySF	Transparency	22/07/2014	Opinion budget cycle procedures		2014	LC subsector	MINHAP	Publication on web site	Partial compliance (no data Navarra or Basque C.)	Publication on website	30/09/2014
In the event of non-compliance by a public administration with an EFP, it must justify the new EFP in detail, presenting the causes for not complying with the forecasts of the previous one	Transparency	22/07/2014	Opinion budget cycle procedures		EFP 2014	All PAs	MINHAP	EFP	Partial compliance	Submit EFPs of ARs	31/7/2014 and 23/12/14 and 21/01/2015
Specify the methodology used to assess the impact of all economic variables with an influence on the public accounts, in the framework of the quarterly monitoring of EFPs	Transparency	28/07/2014	Report on EFPs of ARs		EFP 2014-2015 monitoring	AR subsector	Budget and auditing bodies	EFP monitoring	Pending verification		
Include the calculations and the developments on which the quantification of the economic impact of each measure is based, and the causes for their revision within the framework of the quarterly monitoring of EFPs.	Transparency	28/07/2014	Report on EFPs of ARs		EFP 2014-2015 monitoring	AR subsector	Budget and auditing bodies	EFP monitoring	Pending verification		
In-depth working group study on rationalisation and efficiency of public expenditure in the current situation and possibilities of reform in areas of special relevance due to their impact on the budgetary stability of the ARs and on financial sustainability	Sustainability	28/07/2014	Report on EFPs of ARs		2015	AR subsector	CPFF working group	CPFF decision	Pending		
Facilitate a comparative study of the normative capacity exercised by each Autonomous Region in tax matters and their margin	Transparency	28/07/2014	Report on EFPs of ARs			AR subsector	MINHAP	Practical application	Pending		
Full implementation of Royal Decrees on urgent measures for the rationalisation of public expenditure in the area of education (RD Law 14/2012) on non-urgent measures to guarantee the sustainability of the National Health System and improve the quality and security of its benefits (RD Law 16/2012), by means of the State developing the necessary basic legislation to do so	Budgetary stability	28/07/2014	Report on EFPs of ARs			All PAs	Ministry of Education / Ministry of Health	Law	Pending		

Best practice guidelines

	Nature of guideline	Date	Report/Opinion		Date of implementation	Entity concerned	Competent body	Vehicle of compliance	Status	Compliance	Date of Compliance
Regarding procedure and timeline. It would be advisable for the government's initial forecasts for presenting the draft budget at the end of September to be made on the assumption that the policies in effect will remain unaltered. They should be accompanied by a separate quantification of the impact of the new measures planned and their reflection in the macroeconomic aggregates. When the budgets are finally approved, before the end of the calendar year, revised forecasts should be published to act as a reference for monitoring and appraising budget implementation.	Procedure	26/09/2014	Report on the macroeconomic forecasts of the DSB			MNECO	MNECO	DSB2015	Pending		
Regarding the statistical base underlying macroeconomic forecasts. Substantial methodological changes should be avoided while they are being drawn up. Ensure that the bodies responsible for the statistics (INE, IGAE and the Bank of Spain) programme their work so as not to interfere in the process of drawing up and validation of the forecasts.	Procedure	26/09/2014	Report on the macroeconomic forecasts of the DSB			INE, IGAE, BofS	INE, IGAE, BofS	Practical application	Pending		
Regarding the minimum information to be provided in forecasts. AIReF recommends including the key elements of the forecasts in a simplified framework of national accounts, so that it is possible to understand the connections between economic activity, demand and employment on the one hand, and income flows and funding needs on the other. They should identify the impact of the political measures adopted by the government.	Transparency	26/09/2014	Report on the macroeconomic forecasts of the DSB			MINECO	MINECO	Practical application	Pending		
Regarding forecasting methods. Although there is no commonly accepted method for generating good forecasts, best practices advise specifying in detail the technical instruments (like the models), the data and the assumptions used in the forecasts. It seems particularly advisable to separate the hypotheses on variables that are beyond the control of the government (e.g. the interest rate on public debt) from policies for which it is responsible. All this information should be placed in the public domain.	Transparency	26/09/2014	Report on the macroeconomic forecasts of the DSB			MINECO	MINECO	Practical application	Pending		
Include in the draft budget a presentation of the figures in national accounts terms, with details of the correspondence between revenue and expenditure items in the budget and resources and uses in national accounts.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/ budget 2016)	All PAs	Budget bodies	Law (Budget bill and law)	Pending		
Revise the calendar for issuing AIReF reports so that the report on the main budgetary lines could also cover an analysis of the Draft Budget.	Procedure	15/10/2014	Report on PAs' main budgetary lines and draft budgets			AIReF	MINHAP	AIReF Law/ LOEPySF	Pending		
Expand the information on adjustments to national accounting in the preliminary settlement information that accompanies the DSB.	Transparency	16/10/2014	Report on PAs' main budgetary lines and draft budgets		2016 (draft/ budget 2016)	Central administration	MINHAP	Law (DSB bill or DSB Law)	Pending		
Include the list of all entities that form part of the central administration subsector, in accordance with ESA 2010, in the draft DSB.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/ Budget 2016)	Central administration	MINHAP	Law (DSB bill or DSB Law)	Partial compliance (not included in SGB)	Publication on website	
Include information on the guarantees granted by the administration and anything else that can be considered a contingent liability that affects the state or any of the entities in which it participates, in the draft DSB.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/ budget 2016)	Central administration	MINHAP	Law (DSB bill or DSB law)	In processing (published soon)		

Best practice guidelines

	Nature of guideline	Date	Report/Opinion		Date of implementation	Entity concerned	Competent body	Vehicle of compliance	Status	Compliance	Date of Compliance
Identify the obligations carried over from previous years in the SEPE expenditure budget, in specific appropriations.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015 (draft/budget 2016)	Soc. Security	Soc. Security	Law (Budget bill and law)	Pending		
Accelerate the actions of the working group on the rationalisation and efficiency of public expenditure, set up at the Fiscal and Financial Council (CFPP) meeting so that its conclusions are presented at the next Council meeting.	Budgetary stability	15/10/2014	Report on PAs' main budgetary lines and draft budgets		CPFF (23/12/2014)	AR subsector	CPFF working group	CPFF Decision	Non-compliance		
Update and improve the information published on regional tax revenues.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	AR subsector	MINHAP	Publication on website	Pending		
Conduct a full analysis of the local reform insofar as this affects the funding received by transfers from the State and the ARs to LCs.	Procedure	15/10/2014	Report on PAs' main budgetary lines and draft budgets			All PAs	MINHAP	Law	Pending		
Monitor the degree to which the economic forecasts of the local reform are met quarterly, with information on deviations and the causes for revisions, if any, made to the initial forecasts for each measure.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	LCs	MINHAP	Practical application	Pending		
Expand the information published on individual compliance/non-compliance with the stability target by <i>Ayuntamientos, Diputaciones Provinciales, Consejos</i> and <i>Cabildos Insulares</i> forming part of the common regime, including other local government entities not included and provide data on the changes to national accounting and a quantified individual target for each one of them.	Transparency	15/10/2014	Report on PAs' main budgetary lines and draft budgets		2015	LCs	MINHAP	Practical application/publication on website	Pending		
Publication of the data sets for calculating the PRR including the different revenue and expenditure components and the underlying macroeconomic assumptions, along with the result obtained from the calculation for the PRR preferably in the documentation that comprises the Draft State Budget each year (Social Security Economic and Financial Report).	Transparency	25/11/2014	Opinion Determining the 2015 PRR		2015 (draft/budget 2016)	Soc. Security	Soc. Security	Practical application/Law (IEF draft budget)	Pending		
Publicly specify the method used to solve the circularity of the mathematical formula for calculating the PRR.	Transparency	25/11/2014	Opinion Determining the 2015 PRR		2015	Soc. Security	Soc. Security	Prac.application	Pending		
Use the consolidated, rather than the aggregate, revenue and expenditure values from the Social Security System to calculate the PRR.	Procedure	25/11/2014	Opinion Determining the 2015 PRR			Soc. Security	Soc. Security	Law	Pending		
Make public the list of entities included in the AR subsector, in accordance with the System of National and Regional Accounts in effect (ESA 2010).	Transparency	16/12/2014	Supplementary Report on the main lines of 2015 budgets for ARs			AR subsector	MINHAP	Publish on website	Compliance	Publish on website	
Publish the decisions of the joint committees between the State and each of the ARs of Navarra and the Basque Country that are of financial relevance.	Transparency	16/12/2014	Supplementary Report on the main lines of 2015 budgets for ARs		2015	Basque Country, Navarra	MINHAP	Practical application	Pending		
MINHAP should publish the methodology the ARs must use for calculating the expenditure rule.	Expenditure rule	16/12/2014	Supplementary Report on the main lines of 2015 budgets for ARs		2015	AR subsector	MINHAP	Practical application	Pending		

Best practice guidelines

	Nature of guideline	Date	Report/Opinion		Date of implementation	Entity concerned	Competent body	Vehicle of compliance	Status	Compliance	Date of Compliance
Include a comparison with other independent forecasts and specify the methodology, assumptions and parameters used for all the ARs that do not yet meet these requisites.	Transparency	18/12/2014	Report on the Macroeconomic forecasts in the 2015 Budgets for the ARs		2015	AR subsector	AR subsector	Practical application	Pending		
Standardise the GDP and employment variables. All the ARs that do not adopt identical forecasts to those of the Draft State Budget in their future forecasts should provide forecasts, at least on GDP, in the same terms as the Regional Accounting of Spain, and on employment, in the same terms as either the Regional Accounting of Spain or the Labour Force Survey.	Procedure	18/12/2014	Report on the Macroeconomic forecasts of the 2015 Budgets for the ARs		2015	AR subsector	AR subsector	Practical application	Pending		

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