

RECOMMENDATIONS ISSUED BY AIReF IN Q2 2015: **SUMMARY**

The comply or explain principle is the key tool available to AIReF to fulfil its remit. Under this principle public administrations must follow the recommendations made by AIReF or explain the reasons why they depart from them. Implementation of the recommendations made by AIReF should give rise to a constructive, transparent dialogue between the independent fiscal institution and the competent levels of government.

In the second quarter (Q2) of 2015 AIReF issued 7 recommendations to the public administrations in Spain in its Reports on the Stability Programme Update 2015-2018. The recommendations were addressed to the Ministry of Finance & Public Administrations (MINHAP) (6), the Ministry of Employment & Social Security (1) and the Ministry of Economy & Competitiveness (1)¹. Following Resolution 14/15 on the Calendar for requesting and receiving information to issue reports and follow-up on recommendations for 2015², the administrations were sent a letter requesting information on their intention to comply or depart from the recommendations made.

The letter triggered a subsequent dialogue between AIReF and the public administrations concerned, which AIReF regards as a positive development given that all the administrations have responded.

The recommendation on the need to analyse the financial situation of the Social Security system was addressed to both the Ministry of Finance and the Ministry of Employment. The initial response from both ministries highlighted the major reforms to the Social Security system that have been passed and the continuous monitoring of its situation which would be reflected in the Stability Programme itself. Nevertheless, in line with the AIReF's recommendation, Additional Provision 65 of the Draft State General Budget bill for 2016 states that: *the Government will endeavour to achieve the compatibility of the budget stability and financial sustainability targets with the targets of full funding of non-contributory and universal benefits paid for through the General Government sector budgets for which it will assess the conditions of the benefits included in this system that may be classified as such.* Development of this provision could be a way of complying with AIReF's recommendation.

¹ Each recommendation can be addressed to more than one administration.

² [Resolución 14 sobre el Calendario de solicitud y recepción de información para la emisión de informes y el seguimiento de las recomendaciones para 2015](#)



Most of the recommendations addressed to the Ministry of Finance & Public Administrations are a restatement of recommendations made in earlier reports. That is the case of AIReF's recommendation on the need to analyse the financial capacity of each subsector taking into account the services provided under the current distribution of competences in Spain. In its response, the Ministry of Finance reiterated that it believes this analysis is being conducted and has taken concrete form in the local government reform. In any event, the Ministry believes that the Government is the competent body to decide on the right moment for that analysis to be made.

Concerning the recommendation on the revision of the public debt reduction path, the Ministry of Finance is of the view that the first transitional provision of the Organic Law on Budgetary Stability and Financial Sustainability (LOEPSF) already envisages a revision of the public debt reduction path and so when the recommendation is implemented it will be in compliance with that provision and with the limits set by EU governance.

AIReF has also restated the importance of having available all the necessary information on the expenditure rule. In this regard the Ministry of Finance considers that there is no obligation for it to include in the Economic & Financial Report accompanying the State General Budget the figure for non-financial uses with the necessary detailed breakdown for the calculation of the expenditure rule, as well as information on the methodology used. Nevertheless, the Ministry has informed AIReF of its commitment to include information on the degree of compliance in its monthly national accounting reports.

AIReF also issued a recommendation on what the Stability Programme Update should contain. In response, the Ministry of Finance said they believe the current content is in line with Spanish and EU legislation although they took note of the recommendation with regard to the expenditure rule reference rate for its inclusion in forthcoming years.

The Ministry of Economy & Competitiveness, for its part, has committed to studying the way to comply with the recommendation on the publication of the methodologies, assumptions and parameters that underpin the macroeconomic forecasts.