



Independent Authority
for Fiscal Responsibility

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- The reports and opinions issued by AIReF in 2014 contain 64 recommendations and good practice guidelines for the different public administrations in Spain.
- AIReF identifies room for improvement, especially in the transparency of budgetary procedures.
- The president of AIReF urges the government to use the mechanisms already available and to continue to develop the new institutional framework for budgetary stability and financial sustainability arising out of article 135 of the Spanish Constitution.
- The president of AIReF recommends further investment in reinforcing the credibility of our public finances.



Madrid, 10th March 2015.- The president of the Independent Authority for Fiscal Responsibility (AIReF) in Spain, José Luis Escrivá, appeared before the Congress of Deputies Finance and Public Administration Committee in Spain's parliament today to report on the work carried out in 2014 by the institution and to explain the key short and medium-term challenges.

The president of AIReF appeared before the Congress of Deputies in compliance with article 24.8 of the Organic Law under which the Independent Authority for Fiscal Responsibility (AIReF) was established. The article stipulates the obligation for the president to report to Spain's lower house of parliament at least once a year. The president views this appearance before parliament as a pivotal element in the accountability of the institution.

Today's report to the parliamentary committee was underpinned by three documents that were sent to it beforehand: the Annual Report 2014; the Draft Strategic Plan for 2015–2020; and the Draft Action Plan for 2015.

2014 was a unique year for AIReF. It had to face the two-fold challenge of starting to function as a new institution and preparing its first reports, even though its current staff only joined in September. The priority goal governing its work has been clear: give tangible form to the commitment to create an institution underpinned by the principles of transparency, accountability and professionalism. The president highlighted the fact that independence established in law is not enough for AIReF to fulfil its remit properly. Everything it does must be perceived as objective and rigorous.

AIReF issued 22 reports and three opinions in 2014 on different phases in the budgetary cycle of all the public administrations in Spain: central government, social security system, autonomous regional governments and local corporations. The reports included 64 recommendations, proposals and good practice guidelines. These recommendations and guidelines addressed to the competent bodies are the essence of the work done by the institution because they foster compliance with budgetary stability and financial sustainability targets.

The president of AIReF reminded the committee that all the different public administrations in Spain have made a considerable effort to achieve fiscal consolidation over recent years. What is more, they have done so in a particularly adverse economic environment. The reality is, however, that despite all of the retrenchment the trend in Spain's public debt ratio will be around 100% of GDP



over the next few years. With such high levels of borrowing, consolidating the sustainability of public finances must be a priority for the country.

In these circumstances, where government debt accounts for the bulk of external debt, Spain needs to invest in credibility. In other words, it needs to maintain domestic and foreign confidence in the country. The use of the mechanisms available in the legislation in force today can play a primary role in achieving this purpose, as can further development of the new institutional framework for budgetary stability and financial sustainability since the inclusion in our Constitution of the new commitments taken on by Spain in this area within the European Union.

The president of AIReF told the committee that investing in the Independent Authority for Fiscal Responsibility is a very efficient way of investing in the credibility of our economy and it is especially profitable with a medium-term outlook. AIReF can contribute to this investment in credibility in different ways. The task of checking the consistency of the forecasts of the key macroeconomic variables used both nationally and by the autonomous regions can help the different levels of government to improve the content of the budgets they draw up by reducing unwanted biases—especially on the revenues side—that can hinder compliance with the targets set. AIReF’s appraisal of the content of government budgets and its monitoring of compliance can help the administrations to meet the targets set. Nonetheless, if and when a number of given circumstances arise, AIReF can issue a report making a request for the application of the corrective mechanisms envisaged in the Organic Law on budgetary stability and financial sustainability.

The combined actions taken by AIReF should help to limit the number and severity of the cases of non-compliance. At the same time, they can also act as an incentive to the different agents involved for them to take into account in their actions the objectives shared by all citizens in Spain. AIReF’s work also aims to reinforce the values of stability and sustainability of public finances in Spain’s culture because decisions taken on the basis of consensus have always been easier to implement and can produce better results.

The details of how AIReF is to undertake its obligations are contained in the Strategic Plan 2015-2020. The plan is structured in four key areas of action that summarise the goals of the institution: i) contribute to steering fiscal policy more in the direction of budgetary stability; ii) promote the financial sustainability of public



administrations; iii) improve transparency and budgetary practices in the management of public finances; iv) contribute to making Spanish society fully perceive the benefits of financial sustainability. They are accompanied by a fifth crosscutting line of action: make AIReF effective and transparent.

To achieve these goals, the institution has an adequate legislative framework that gives it the primary tools to do its work: access to information and the principle of comply-or-explain. These tools give it the capacity to interact with the public administrations in Spain. If the AIReF is to be successful in fulfilling its remit, a number of conditions must be met. Some are linked to the Authority's own endeavours but they are also dependent on the availability of sufficient information and the degree of collaboration of all the other institutions involved in defining and managing the phases in the budgetary cycle.

The president of AIReF highlighted the need to develop the novel mechanism of complying with the recommendations the institution makes or explaining the reasons why not. Experience has shown there is still not enough dialogue between AIReF and the competent administrations with regard to the recommendations it makes. This is undoubtedly the result of a certain amount of ignorance on how to proceed given the new formula for institutional relations and the absence of more explicit regulation on how to give substance to the “comply-or-explain” principle, rather than a hypothetical lack of collaboration on the part of the recipients of the recommendations. Consequently, AIReF plans to systematically follow up on its recommendations through a regulated procedure in order to help develop the process.

The president concluded his presentation to the committee by asserting that AIReF will endeavour to make its own contribution to the collective objective of investment in credibility to improve the stability of the Spanish economy and confidence in it. In doing so, AIReF will be able meet its own institutional challenge: to be useful to Spanish society.

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