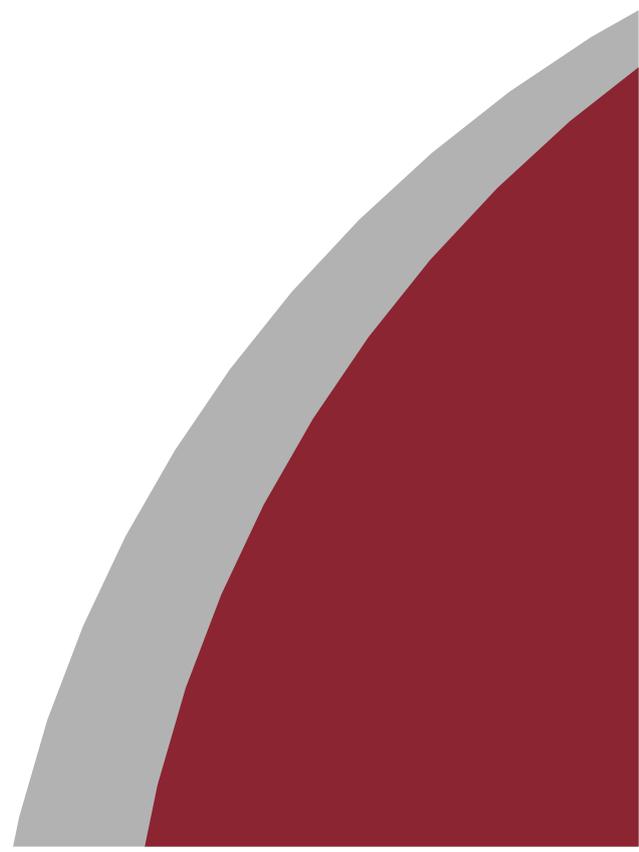


Annual report 2019



Autoridad Independiente
de Responsabilidad Fiscal





Independent Authority for Fiscal Responsibility



Contents

President's Letter.....	4
1. Documents published by AIReF	7
1.1 Reports on the budgetary cycle.....	7
1.1.A Reports on the 2019 budgetary cycle.....	8
1.1.B Reports on the 2019-2022 multi-year planning	11
1.1.C Reports on the 2020 budgetary cycle.....	12
1.2 Reports on the application of the preventive, corrective and coercive measures of the LOEPSF	13
1.3 Opinions	14
1.4 Studies	14
1.5 Working papers	16
1.6 Other publications.....	16
2. Recommendations and the "comply or explain" principle.....	19
3. Institutional activity	25
3.1 Institutional relations	25
3.2 Communication Activities.....	28
4. Access to information	33
5. Monitoring of the 2019 Action Plan	36
6. Economic management, human resources and transparency.....	39
6.1 Economic management	39
6.2 Human resources.....	42
6.3 Transparency	43
ANNEX 1.....	45
Documents published by AIReF in 2019.....	45
ANNEX 2.....	49
Monitoring of the 2019 Action Plan	49

President's Letter



2019 was a significant year for AIReF because it was the final year of José Luis Escrivá's six-year mandate as the head of the institution. In a transition period between the previous mandate and the new mandate entrusted to me for the next six years, we created this Report that includes a balance of all activities carried out in 2019 that have complied with the 2015-2020 Strategic Plan adopted by AIReF and that allow the starting point for defining the strategic axes that mark my six years at the head of the institution to be established.

2019 has been a year of intense activity and effort as, in addition to AIReF's functions linked to evaluating macroeconomic variables and monitoring the budgetary cycle, the organisation has carried out work following the Spending Review commissioned by the Government, the publication of the Opinion on the Sustainability of Social Security and the Study on minimum income programmes.

Despite the fact that the alterations in the budgetary cycle have affected yet another report preparation schedule, AIReF has implemented, as in previous years, a continuous assessment of the budgetary cycle, indebtedness and economic forecasts, through the monthly monitoring of the main macroeconomic variables and updating of the probability of complying with the fiscal objectives at year end. In addition, in January 2019 the Opinion on the Sustainability of the Social Security System was published, having determined an existing structural deficit, and, in June 2019, the Study on the minimum income programmes in Spain requested of the institution was published, following Parliament's consideration of the Popular Legislative Initiative to establish a minimum income, based on the proposal of the of the CCOO and UGT unions.

In terms of the Spending Review, in 2019 the results of the first stage of assessment of public spending structured into seven projects were delivered and work began on the second phase. On the completion of the first stage of the Spending Review, a comprehensive communications strategy was developed, which incorporated a strong communication component to make the general public aware of AIReF's pioneering work.

In addition, as a result of the knowledge obtained during the Spending Review, several Territorial Administrations (TAs) turned to AIReF to commission public spending reviews. In particular, assessment work began for the Regional Government of Andalusia and the Region of Castile and Leon, as well as other contact maintained with other regional and local administrations.

The lessons of the Spending Review and, in particular, those related to access to countless administrative data demanded by the studies, allowed us to see the problems inherent to access to information first-hand. For this reason, AIReF began work on the publication of an Opinion on access to administrative data for the administrations themselves and for researchers. In intense consultation with the administrations concerned, researchers and experts, AIReF confirmed the need to establish a system of access to administrative data for the evaluation of public policies and research, which guarantees the security and confidentiality of the data and allows the process of making decisions on public policies to be improved.

At the international level, 2019 saw José Luis Escrivá's final year as president of the EU Independent Fiscal Institutions Network, which required an important effort to consolidate the progress achieved and to transition to the new Presidency assumed by the president of the Irish Fiscal Council. In addition, in 2019 AIReF organised one of the Independent Fiscal Institutions (IFIs) Network's annual conferences and held a seminar on fiscal forecasts during this conference.

In this report on AIReF's activities in 2019, we reviewed all documents published by the institution and the actions taken to ensure the continuity and improvement of its activity. In honour of the transparency that has always characterised us, we cover the institution's accounts, information flows and monitoring of the recommendations made, as well as the intense institutional activity that marked our 2019 agenda.

2020 will mark the beginning of my six-year mandate as president of AIReF. During this period, my ultimate goal will be to consolidate the institution and defend the principles of independence, transparency and accountability as the main focus points of our activity, with the ultimate goal of making AIReF a useful institution for society as a whole. The beginning of this financial year poses an additional, unexpected challenge for AIReF, as well as for all other institutions and Spanish society, due to COVID-19. At the time of writing this report, we are going through a very difficult time. I must convey my solidarity with the people who are most directly affected by the virus and my sincere thanks to all those who are making special efforts to overcome this situation. And, of course, I want to express AIReF's readiness to collaborate in the best way possible. In 2020, AIReF will have to adapt its activity to this exceptional situation, by altering its regular pace of reports and incorporating new reports, analysis tools or participation in working groups that are useful and necessary under the present circumstances. I am confident that the 2020 Report will include a



report on how we overcame this crisis with the lowest social and economic cost possible.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

1. Documents published by AIReF

The preparation of different types of documents are a substantial part of AIReF's work and responsibility. The exercise of functions entrusted to AIReF is mostly carried out through the preparation and issuing of reports, opinions, studies and other types of documents. Amongst others, AIReF has powers in certain aspects of the application of the preventative, corrective and coercive measures provided for in Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability (LOEPSF for its acronym in Spanish), as well as for analysing the long term sustainability of public finances and the Social Security System. Generally, the reports and opinions prepared by AIReF are public in nature, whilst studies commissioned by different administrative bodies require the authorisation of the same in order to publish or disclose them. Furthermore, AIReF prepares and discloses work and technical documents within the scope of its powers.

The first type of reports prepared by AIReF are on the continuous monitoring of the budgetary cycle, government debt and macroeconomic forecasts. These reports are part of the medium-term economic and budgetary strategy defined in the Stability Programme Updates (on which AIReF must prepare a report) and are carried out for each Public Administration on the four phases of the budget cycle: preparation, approval, execution and audit.

The second type of reports refer to the application of the preventative, corrective and coercive measures of the LOEPSF. These non-periodical reports are produced according to when expected statutory circumstances materialise.

Annex 1 contains a table with the documents published by AIReF in 2019 and the links to these.

1.1 Reports on the budgetary cycle

Similarly to previous years, the 2019 budgetary cycle has been affected by circumstances that have modified the normal calendar of the draft budgets. In this sense, the presentation of the draft law on General State Budgets (GSB) for 2019 was delayed until January of this year and was not approved in the end, giving way to the call for general elections in April, before the regional elections held in May. This circumstance affected the development of a number of regional draft budgets. Subsequently, the fact that a new State Government did not form gave rise to a new call for general elections in November, also affecting the budgetary cycle. On the one hand, this resulted in a budgetary extension for the whole financial year, both at the state level as well as in some Regions. On the other hand, the lack of presentation of a stability path

for the 2020-2022 period meant that the objectives for the 2019-2020 period from July 2017 remained valid. Finally, the government situation prevented the presentation of the draft GSB for 2020. All this has also affected the schedule for preparing and presenting some territorial draft budgets.

These changes to the budgetary cycle meant that AIReF had to adjust its schedule for publishing reports on the draft budgets and main budgetary lines of the different sub-sectors.

AIReF published reports on macroeconomic forecasts and on the draft GSB for 2019 in January of this year, after this draft was approved by the Government, updating the preliminary statement made in October 2018 on the basis of the 2019 Budgetary Plan submitted by the Government to the European Commission. The reports corresponding to the main budgetary lines of the Local Governments (LGs) for 2019 and seven Regions were published in February 2019, instead of at the end of 2018. As a result, as well as no information being available on the regional draft budgets in 2018, the approval of some of these were pending. Parallel to the previous year, in 2019 AIReF was unable to issue the report on the draft GSB for 2020 as this document had not been prepared at the usual date due to the lack of Government following the general election. However, a preliminary statement on the 2020 main budgetary lines for the Public Administrations has already been made, fundamentally based on the 2020 Budgetary Plan, with an overall analysis by sub-sector. In addition, the detailed and up-to-date reports of the 2020 main budgetary lines of the local sub-sector and the LGs that are individually analysed, as well as those of the Regions as a whole and each one individually, were published in December. The other reports provided for in the regulations were issued on their corresponding dates, with the exception of the report on the establishment of individual objectives for the Regions, which could not be issued as, this year, there was a lack of Government proposal for vertical distribution of targets between sub-sectors and, consequently, horizontal distribution between the Regions.

Below is a short summary of the content of the reports related to the budgetary cycle.

1.1.A Reports on the 2019 budgetary cycle

In January, the 2019 Report on the Main Budgetary Lines and Draft Budgets of the Public Administrations (PAs) determined compliance with the stability target for the GG sector of -1.3% of GDP to be very unlikely and endorsed the macroeconomic scenario included in the Draft in advance. This report located AIReF's baseline scenario at a deficit of close to 2.2%, after updating the assessment conducted in October 2018 with the information from the 2019 draft GSB. Since new budgetary stability targets had not been approved, those approved in 2017 were used as a reference. According to AIReF, these objectives became obsolete and unrealistic due to the 2018 closing level of close to 2.5% and taking into account the measures contained in the draft GSB. By sub-sector, only the Regions and LGs were considered to have any possibility of compliance. However, the Regions would not comply in terms of the expenditure rule.

The feasibility of the Regions complying with the stability target was based on the scenario of revenue from the financing system, derived from the draft GSB which provided for the modification of the deadlines of the VAT Immediate Information System (SII). The legislative change would allow the negative impact on the 2017 settlement of the regional revenue to be neutralised. Under this assumption, the 2019 stability target is considered to be feasible for the sub-sector, although difficult to achieve. On the other hand, a moderate risk of non-compliance with the expenditure rule was detected in all Regions, with Andalusia being considered to be high-risk. Aragon, Castile and Leon, Castile- La Mancha, Extremadura and Murcia were also considered to be likely to have problems complying with the stability target. Finally, no information was available for issuing a report on Valencia.

AIReF considers it to be very likely that the LGsub-sector will comply with the stability target in 2019, with it being possible to replicate the surplus of 0.5% GDP, which would in turn allow compliance with the expenditure rule. At the individual level, AIReF included the Provincial Councils (PCs) in its analysis of the large LGs for the first time, due to its speciality of competences and funding. There was no risk of non-compliance with the stability target amongst this group of 24 large Local Corporations (LCs), with their debt-to-GDP ratio reaching below 75% of their revenue, except in the case of the city councils of Murcia and Zaragoza due to non-recurring operations. Monitoring the LGs with greater sustainability problems in the medium term led to the conclusion that, despite the forecasted surplus in most of these, their structural situation did not improve.

In April, the Report on the PAs' Initial Budgets for 2019 amended AIReF's estimate, assuming the extension of the previous year's GSB. The expected deficit stood at 2.1% GDP, with the deficit of 2% reported by the Government to European institutions being feasible. The lack of adoption of the draft GSB for 2019 automatically meant the extension of the 2018 GSB and also prevented the new measures planned, on both revenue and expenditure, from entering into force. The non-implementation of the forecasted measures to increase expenditure, coupled with a slight adjustment to the close of 2018, made it possible for the estimate for 2019 to be improved. By sub-sector, the forecast of the notification was considered likely for the Administración Central (Central Administration - AC) and Social Security Funds (FSS) and feasible for the Regions and LGs.

In the regional sub-sector, compliance with the stability target of -0.1% continues to be considered feasible, although difficult to achieve, under the baseline scenario, and improbable without the neutralisation of the negative impact of the IIS. Likewise, the risks of non-compliance with the expenditure rule remained for all Regions, although Andalusia's initial high risk was moderated. The individual conclusions on the stability target were also modified, except in Asturias, Extremadura, Navarre and the Basque Country, which have improved their rating; and in La Rioja, whose rating worsened. On the other hand, the first statement on compliance with the 2019 fiscal rules for Valencia was issued, in which the compliance with the stability target that year was considered very unlikely, with a high risk of non-compliance with the expenditure rule.

AIReF ratified its forecasts of the previous report in terms of the LGs AIReF considers it very likely that the local sub-sector will comply with the 2019 stability target, being able to reach a surplus of 0.5% GDP, although this is slightly lower than in 2018. This small revision arises from the estimate of a fall in financing system resources and the elevation of investment expenditure by extension of the types and terms of financially sustainable investments. At the individual level, the conclusions covered in the Report on the Main Budgetary Lines for 2019 were generally maintained.

The Report on Expected Compliance with the fiscal rules in 2019, published in July, remained relevant for all the PAs, but reflected a redistribution of the deficit by sub-sector. The expected deficit reduced slightly for all PAs, due to positive data from the 2018 income tax campaign and social security contributions, as well as a downward revision of interest expenditure. By sub-sector, following confirmation of the non-modification of the deadlines for the VAT Immediate Information System, the Regions saw their deficit estimate significantly increase as no additional revenue was noted due to the neutralisation of this effect on settlement, which worsened the closing estimate of this sub-sector.

It came to be considered unlikely for the Regions to comply with the stability target, increasing the risk of non-compliance with the expenditure rule. As a result of the non-neutralisation of the impact of the VAT-IIS, the closing forecasts for the sub-sector worsened by 0.2%, and by between 0.2% and 0.4% for each Region. There was also a greater increase in expenditure observed with the execution data. Compliance with the target came to be considered unlikely for the sub-sector. By Region, it was only considered possible in Galicia, the Canary Islands, Navarre and the Basque Country, with it being feasible in the first and very likely in the others. At the same time, the risks of non-compliance with the expenditure rule became more pronounced, due to the execution data and increased information on isolated 2018 revenue from EU funds that cannot be replicated in 2019 and 2019 rulings. The risk came to be considered high in the sub-sector and in ten Regions, as well as in Valencia: Asturias, the Balearic Islands, the Canary Islands, Castile - La Mancha, Catalonia, Extremadura, Madrid, Murcia, Navarre and the Basque Country.

AIReF's evaluation of the local surplus also worsened. This stood at around 0.4% GDP, as the revenue forecasts were revised downwards due to the negative effect of returns on capital gains tax and the non-neutralisation of the impact of the VAT-IIS, and, in addition, the upward revision of current expenditure, whose growth estimate would exceed the reference rate of the expenditure rule. At the individual level, AIReF did not detect risks of non-compliance with the stability target for any of the 24 large LGs, although this was detected in terms of the expenditure rule in the city councils of Madrid, Las Palmas de Gran Canaria, Córdoba, Valencia and the Island Council of Tenerife. The risk rating of all 24 LGs with sustainability problems was maintained, although there was a more detailed analysis of the city councils of Parla, Jaén, Navalcarnero, Almonte and Los Barrios, to which AIReF had made recommendations in the previous report on the implementation of the preventive measures covered in Article 18 of the LOEPSF.

BOX 1: IMPACT OF THE MODIFICATION OF THE VAT IMMEDIATE INFORMATION SYSTEM (IIS)

Impact on sub-sector accounts

In December 2016, Royal Decree 596/2016 on the VAT Immediate Information System (IIS), was approved, in force since 1-7-2017. From a financial point of view, this essentially means that VAT taxpayers enter their information to the *Agencia Estatal de Administración Tributaria* (AEAT - Spanish Tax Agency) 10 days later each month, which resulted in the collection for the month of December 2017 taking place in January 2018.

For this reason, in 2017 the State collected 11 months of VAT (4,150 million less). However, in National Accounting terms this had no effect because a positive adjustment was made to the collection for the missing month. For their part, the Territorial Administrations (TAs), as well as the Regions and the LCs were not affected, as 2017 instalment payments of the Financing System (FS) were fixed at 12 months of collection.

In 2019, the FS of the TAs of 2017 was settled. This settlement resulted in a VAT in favour of the State of over 2,000 million, as the real collection of 2017 (11 months) was lower than that envisaged in the calculation of the TAs' instalment payments for that year (12 months).

Impact on AIReF's forecasts by sub-sector for 2019

Initially, the draft GSB for 2019 expected the collection periods to be advanced once again, by returning to the situation prior to the Royal Decree 596/2016, which would increase the VAT revenue to 13 monthly instalments. Based on this expected collection, the increase in instalment payments to the TAs would offset the negative settlement of 2017. AIReF's forecasts on the draft budgets and budgets were developed under this baseline scenario, although an alternative scenario without regulatory changes was also considered.

Subsequently, with the announcement of new elections and the delay in forming a government, the possibility of changing the VAT regulation seemed to be ruled out. Thus, AIReF's subsequent estimates on the closure of 2019 no longer considered the neutralisation of the impact of IIS in the 2017 settlement as part of its baseline scenario. This resulted in an improvement of 0.2% in the estimates for the AC and a parallel deterioration for the TAs as a whole.

1.1.B Reports on the 2019-2022 multi-year planning

In May, AIReF assessed the public deficit reduction path envisaged by the Government of 2.5% GDP in four years, in the Report on the 2019 - 2022 Stability Programme Update (SPU). This was considered to be feasible until 2021 and unlikely in 2022 and the macroeconomic scenario included in the SPU was endorsed. This reduction was explained by both the expected evolution of revenue and expenditure. In terms of revenue, the entry into force of several measures was discounted. AIReF considered the revenue forecasted in the majority of the period to be feasible, although with a distinct composition, finding some inconsistency between these optimistic revenue forecasts and a cautious macroeconomic outlook. For the expenditure, the growing

reduction of expenditure derived from the spending review carried out by AIReF was taken into account. In the report, AIReF classified achieving the reduction in expenditure envisaged by the Government throughout the period analysed as feasible, although with uncertainties in 2021 and 2022. By sub-sector, there were no individual assessments, noting that the sharing of objectives established in the SPU did not reflect the actual situation of each sub-sector.

1.1.C Reports on the 2020 budgetary cycle

The report on the Main Budgetary Lines for 2020, analysed by the Budgetary Plan, was marked by the statistical review of the National Accounts and the incorporation of new information.

In the Government's Second Notification to European institutions, the sub-sectors' deficit forecasts for 2019 were modified, improving for the AC and getting worse for the Regions and the LGs, and maintaining the forecast of 2% GDP for the PAs. For 2020, however, the Budgetary Plan did not specify the stability targets for the sub-sectors, and the estimated deficit for all PAs reduced to 1.7%. On the other hand, the *Instituto Nacional de Estadística* (National Statistics Institute- INE) and the *Intervención General de la Administración del Estado* (General Intervention Board of the State Administration - IGAE) undertook a statistical review of the National Accounts within the framework of the European Statistical Programme. This review resulted in significant changes, both in the macroeconomic variables as well as the public administrations' accounts, which affected the analysis of the Budgetary Plan. Finally, more information was available; both macroeconomic information, with a change in the scenario that assumed an economic slowdown compared to the Report on the 2019-2022 Stability Programme Update, as well as budgetary information, with new execution data and data on the close of 2018. AIReF endorsed the forecasts contained in the macroeconomic scenario.

In this report, AIReF considered the deficit forecasts of the 2020 Budgetary Plan to be feasible.

Compared to the July report, AIReF slightly increased the estimate of the 2019 deficit for the GG by 0.1% GDP, still considering it feasible to achieve the 2% notified. For 2020, a deficit of 1.7% was estimated, in line with the Budgetary Plan. This would imply an adjustment of 0.8% GDP in the 2019-2020 biennium and could be achieved in 2020, according to AIReF, with a level of revenue and expenditure 0.1% higher than the Government's forecasts in both cases. By sub-sector, it was estimated that, in 2019, both the AC and LGs would slightly worsen their balance (the first case would experience a deficit and the second a surplus) compared to the last forecast. For 2020, the LGs and the FSS are expected to maintain a result similar to that of 2019 and the rest of the sub-sectors are expected to reduce their deficit, by 0.1% in the case of the AC and 0.3% for the Regions.

For the Regions, compliance with the 2020 stability target was considered feasible in the sub-sector, although difficult to achieve, with a moderate risk of non-compliance with the expenditure rule. The preliminary pronouncement for the sub-sector made in October was updated in December, once the individual information on the 2020 draft budgets and budgetary lines was collected for all the Regions. The sub-sector's compliance with the stability target was

considered feasible, although difficult to achieve, with difficulties in compliance being observed in Valencia, Murcia, Extremadura, Castile - La Mancha and Aragon. In terms of the expenditure rule, a moderate risk of non-compliance was observed at the sub-sector level and for the majority of the Regions, which was considered to be high in Andalusia, Madrid and Valencia.

AIReF estimated that the LG sub-sector could close 2020 with a surplus of around 0.4% GDP, in line with 2019, with it being unlikely that this balance would comply with the expenditure rule. AIReF's forecast considered, amongst other things, the state measures taken regarding staff and investments that affect the LGs and the estimate of the 2020 effect on expenditure and revenue of the Royal Decree Law 11/2019¹. At the individual level, it was estimated that all the large LGs analysed would record a surplus in 2020, although of a lower amount than forecasted by them. In the medium-term sustainability analysis, all selected municipalities maintained their rating, with the exception of Algeciras, Aranjuez, Isla Cristina and Sanlúcar De Barrameda, which improved their positions.

1.2 Reports on the application of the preventive, corrective and coercive measures of the LOEPSF

In July, AIReF issued reports to the *Ministerio de Hacienda* (Ministry of Finance - MINHAC) to request activation of the preventive measures provided for in article 19 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability, both at the regional and local levels, after analysing the report on expected compliance with the fiscal rules in 2019:

- In the regional sphere, AIReF considered it necessary to request the MINHAC to apply correction mechanisms (paragraph 1.2) when the problems assessed did not stem from one-off operations. This was the case of the Canary Islands, Madrid, Navarre, the Balearic Islands, Murcia and Valencia. As a result, in July the corresponding independent report addressed to the MINHAC was created.
- At the local level, AIReF detected high risks of non-compliance with the expenditure rule in the city councils of Madrid, Las Palmas de Gran Canaria, Córdoba and the Island Council of Tenerife, and high risk of non-compliance with one or more fiscal rules in Jerez de la Frontera and the city councils to which it had given recommendations in April: Parla, Jaén, Navalcarnero and Almonte. AIReF included all of these in the independent report that recommended that MINHAC activate the measures contained in article 19 of the LOEPSF.

¹ Royal Decree-Law 11/2019, of 20 September, which adopted urgent measures to alleviate the damage caused by storms and other catastrophic situations

1.3 Opinions

In January 2019, AIReF published an Opinion on the Sustainability of the Social Security System, resulting from work carried out during 2018. As pointed out by the regulations, once AIReF determined the existence of a structural deficit in Social Security, of between 1.3% and 1.5% GDP, it prepared an Opinion in which a short- and long-term analysis of the Social Security System situation was carried out and in which it raised possible solutions to this imbalance. In its Opinion, AIReF considered that, in the short term, it was feasible and desirable that this imbalance was assumed by the State, and that the gap was closed, as considering it to be a problem of the PAs would reduce the existing uncertainty on the sustainability of the Social Security System. In the long term, it indicated the existence of risks for Social Security for reasons based on the ageing population, which are expected to be more visible from the middle of the next decade. To address this situation, AIReF suggested solutions of deepening the System's parametric reforms, as this is a credible route to improving the sustainability of Social Security, minimising its impact on sufficiency. It should be noted that, in order to prepare this Opinion, AIReF prepared its own demographic forecasts, developed interactive tools on its website and included all this in its Debt Monitor.

In addition, in 2019 AIReF carried out work for the possible preparation of an Opinion on long-term fiscal and macroeconomic forecasts, identifying fiscal and other risks on the re-use of administrative microdata for research. AIReF has worked in the different areas of study, although it has not published the Opinions as it is awaiting the study priorities to be reconsidered in the following financial year. More specifically, it has decided to publish in 2020, if the situation allows, the Opinion on the re-use of administrative microdata for the PAs and research. All work on preparing this Opinion was carried out in 2019, including consultations with the academics and key players involved. It proposes the creation of a system of access to administrative data to facilitate the evaluation of public policies.

1.4 Studies

The work started in 2018 was completed in 2019, with the Study on Minimum Income Programmes in Spain published in June. This study was requested from the institution as a consequence of the Parliament taking the Popular Legislative Initiative into consideration in order to establish a minimum income support on the proposal of the CCOO and UGT unions. In its Study, AIReF estimates that this minimum income support would improve the distribution of income by 4% and reduce extreme poverty by 28%, with a tax cost of between 7,200 and 9,800 million euros. AIReF also made specific proposals to tackle the problems detected in the proposed law and in the current configuration of the programmes. In particular, to improve the effectiveness of the benefit, it proposes establishing household income as a primary requirement for access to the benefit, establishing income brackets per household for poorer households, but focusing support on extreme poverty. In addition, it suggests eliminating the

requirements relating to the labour situation of potential beneficiaries, making the provision compatible with employment and avoiding discontinuities in the benefit amount, achieving a balance between equity and design simplicity. To improve the institutional design of the provision, AIReF proposes simplifying the minimum income systems, avoiding the overlap between the activities of different administrations. In addition, it proposes, amongst other things, to ensure complementarity with other active employment policies and the provision of complementary social services. Finally, to ensure efficiency and consistency with Spain's fiscal situation, AIReF proposes framing the implementation of this initiative in a medium-term budgetary plan to offset the structural increase in expenditure and carrying out continuous monitoring and evaluation of the programme to ensure its effectiveness and efficiency.

s2019 was a particularly intense year for the Spending Review because, on the one hand, the results of the first phase of the comprehensive review of public expenditure requested from AIReF by the Government was presented and, on the other hand, the second stage of the review began. This evaluation exercise intends to improve the quality of public expenditure, in addition to representing a commitment before the European Union, as included in the specific recommendations for Spain from the EU Council in July 2017 to "conduct a comprehensive review of expenditure in order to identify possible areas in which it is possible to improve the efficiency of expenditure."

Between May and June 2019, the final studies of the first phase of the Spending Review were submitted, presentations made about these, along with briefings, informative videos and press conferences. Seven projects were completed:

- Evaluation of strategy and procedure.
- Medication dispensed through prescription;
- Active employment policies;
- University education scholarships;
- Promotion of talent and employability in R&D+i;
- Strengthening business competitiveness;
- Sociedad Estatal Correos y Telégrafos, S.A.

In the second half of the year, work began on projects of the second evaluative stage, which was concentrated into four major projects

- Tax Benefits:
 - Income tax:
 - Reduction for earnings from work
 - Reduction for housing rental
 - Reduction for contributions to social welfare systems
 - Reduction for joint taxation
 - Deduction for donations
 - Social deductions (maternity, disability, large family)

- Corporate Income Tax
 - R&D+i incentives
 - Reduced rates: SICAV and SOCIMI
 - Donations
 - VAT:
 - Reduced rates: 4% and 10%
 - Exemption: health and education
 - Exemption of financial services
 - Special Taxes: Reduced rates of hydrocarbons
- The National Health System's expenditure on hospital pharmacy and investment in high-tech equipment;
 - Hiring incentives
 - Transport infrastructure

Furthermore there have been increasing numbers of evaluation studies conducted by several TAs. Some of these contacts were concluded in the implementation of an Action Plan and the beginnings of work in 2019, and others consisted of meetings and working groups for defining the object of the evaluation to be carried out by AIReF. In particular, in 2019 the Regional Government of Andalusia requested that its universities be assessed, a project that began that same year and that is in progress. Contact was also initiated in order to assess different public policies in the Regions of Castile and Leon, Aragon and Valencia and the City Council of Madrid.

1.5 Working papers

During 2019, AIReF worked to prepare several working papers that are expected to be completed in 2020. In particular, a self-evaluation exercise of the macroeconomic forecasts prepared by AIReF was implemented, and the various models of Independent Fiscal Institutions that have been created were studied. All this work is expected to culminate in the preparation of the relevant documents throughout 2020, if this is considered to be appropriate in the planning of the year.

1.6 Other publications

AIReF regularly publishes information relating to the sustainability of public expenditure, as shown in this chapter. AIReF's general approach is to offer the widest dissemination of the methods and principles used in the framework of its mandate. In this way, AIReF's website is an essential tool within the transparency and information disclosure policy. The website is not only a channel for publishing reports, but also has various sections for disseminating other information of interest for both experts in public finances as well as the general public:

- **AIReF DataLab.** Set of interactive platforms that allow data on the main economic and sustainability indicators to be viewed and downloaded.
- **Local Government (LG) Monitor** Tool that collects relevant economic and financial data of the LGs of the analysis of their sustainability situations, which are updated periodically.
- **Government Debt Monitor.** Published on a quarterly basis, this focuses on a series of key indicators for analysing the sustainability of public finances, for the different sub-sectors of the Public Administrations.
- **Real-time GDP forecasts.** Forecast of quarterly GDP growth for both the current quarter and the following quarter. This forecast is based on a combination of short-term information, issued at different frequencies (quarterly and monthly), using a dynamic factor model.
- **Integrated forecasts of the macroeconomic outlook.** Both for the current quarter and for the next quarter, it reflects the estimated GDP growth at the same time as the growth of its components from the demand side: private consumption, public consumption, investment in equipment, investment in construction, exports and imports of goods and services. The scenario is completed with expenditure forecasts.
- **Economy Thermometer.** Synthetic assessment of the cumulative direction of the surprises recorded by the GDP forecast model in real time.
- **Regional Quarterly GDP Estimate** Reflects the quarterly estimate of regional. GDP through METCAP methodology (Methodology for Quarterly Evaluation of Regional GDP), which combines three types of statistical information available for regional analysis: monthly data for disaggregated short-term indicators of territorial scope; the annual data compiled in national accounting terms by Regional Accounts; and, finally, the estimates for the nation as a whole published by the Quarterly National Accounts.
- **Quarterly budgetary stability target monitoring.** AIReF began publishing its monthly assessment of the probability of the PAs complying with their stability targets in March 2017. In the monitoring files, the probability of compliance with the deficit targets and the revenue and expenditure trends is assessed and seasonality and volatility are considered, once the National Accounts data of each of the sub-sectors is known. The assessment includes the monitoring of the main tax figures in cash terms that reflects the evolution of Personal Income Tax before transfer to the TAs, Corporate Income Tax, VAT before transfer, Special Taxes before transfer and contributions to the Social Security System. In the regional sector a roadmap is presented with the individual assessment of the probability of compliance with the stability target by Region An assessment of the risk of non-compliance with the expenditure rule for the sub-sector and by Region has been carried out since 2018. At the local level, the stability target is



monitored on a quarterly basis, consistently with the publication of its financial and non-financial information, although incorporating the monthly forecasts to the GG sector.

- **Simulators.** This section provides the public with a series of simulation instruments and tools that have been developed as a complement to the reports, opinions and technical documents published regularly by AIReF. In this section, engaging with the user is encouraged through the analysis of practical cases, allowing them to design scenarios with personalised assumptions and dynamics.

2. Recommendations and the "comply or explain" principle.

The Administrations that receive recommendations are subject to the "comply or explain" principle. In the performance of its functions, AIReF may make recommendations to the PAs that receive its reports, which are obliged to follow the recommendations or explain the reasons for deviation from these. The "comply or explain" principle is the key tool available for AIReF to fulfil its remit.

This principle has been consolidated and, in 2019 we can see its full implementation by the PAs. As has been being demonstrated, in recent years the number of Administrations that do not comply with this principle has been decreasing. All Public Administrations, with the sole exceptions of the city councils of Parla and Caravaca de la Cruz, responded to the recommendations made by AIReF in 2019, which highlights the PAs' strong commitment to this principle.

Throughout 2019, AIReF made 97 recommendations, of which 67 were new, 8 were repeated and 22 were live. The new recommendations constitute the largest category (67) and are recommendations made for the first time in 2018. There are much fewer repeated recommendations (8) as, since the creation of the category of live recommendations in 2018, these have declined as they are limited to those that are repeated when the reasons for their non-compliance are not sufficiently explained or are unclear. Once the explanations are sufficient, they can be formulated as live recommendations, if AIReF considers them relevant to ensuring the effectiveness of the fiscal framework, which means that they are maintained and the Administrations that deviate from them are reminded of their importance.

From the point of view of the recipient and taking into account that the same recommendation may be directed at more than one Administration, 150 recommendations were issued. 70% of the recommendations were directed at TAs (36% to Regions and 33% to LGs) while the remaining 30% corresponded to the Central Government. More specifically, 46 recommendations were made to the Central Government; 56 to the Regions and 50 to the LGs

Table 1. AIReF's recommendations and guidelines, according to report issued (2019)

REPORTS	New recs.	Repeated recs.	Live recs.	Guidelines for good practice	TOTAL
Report on the macroeconomic forecasts of the 2019 budgets of the Regions	-	-	-	1	1
Report on the Macroeconomic Forecasts of the Draft GSB for 2019	1	-	-	2	3
Report on the draft budgets of the PAs: Draft GSB for 2019	5	3	-	-	8
Report on the draft budgets of the LGs 2019	6	-	-	-	6
Report on the draft budgets of some Regions 2019	3	-	1	-	4
Report on the Public Administrations' initial budgets for 2019	9	-	2	-	11
Complementary report on the initial budgets of the LGs: 2019	4	3	3	-	10
Report on the Stability Programme Update of the Kingdom of Spain 2019-2022	3	1	5	-	9
Report on the 2019-2020 economic-financial plans of the Regions	1	-	-	-	1
Report on expected compliance with the budgetary stability target, government debt target and expenditure rule of the PAs 2019	9	-	2	-	11
Complementary report on expected compliance with the budgetary stability target, government debt target and expenditure rule of the PAs 2019	5	-	4	-	9
Report on the implementation of the correction mechanisms provided for in the LOEPSF for the Regions	1	-	-	-	1
Report on the implementation of the correction mechanisms provided for in the LOEPSF for the LGs	1	-	-	-	1
Report on the main budgetary lines of the PAs 2020	2	-	2	-	4
Supplementary report on the main budgetary lines of the Regions 2020	8	1	-	-	9
Supplementary Report on the main budgetary lines of the LGs 2020	9	-	3	-	12
Report on the macroeconomic forecasts of the Regions' 2020 budgets	-	-	-	7	7
Total	67	8	22	10	107

Table 2. AIReF's recommendations and guidelines, according to content (2019)

Topics	New recs.	Repeated recs.	Live recs.	TOTAL
Budgetary stability	23	2	6	31
Financial sustainability	4	1	2	7
Expenditure rule	10	-	-	10
Medium-term focus	7	-	4	11
Application of the LOEPSF	14	2	2	18
Transparency	9	3	8	20

Table 3. Recommendations by body responsible for its application (2019) ²

Responsible administration	New recs.	Repeated recs.	TOTAL
MINHAC	37	3	40
Ministry of Economy and Business and Ministry of Employment and Social Security	4	1	5
INE	1	-	1
To one or several Regions	51	4	55
To one or several LGs	47	2	49
Total	140	10	150

The Administrations have committed to complying or have complied with around 60% of the 2019 recommendations, with this figure rising to 85% for the TAs. The administrations responsible for implementing the recommendations have favoured compliance in around 60% of the cases. Within this compliance percentage, 85% of positive responses came from the Regions and the LGs. Although the Central Government deviates from complying with the recommendations in 75% of cases, during 2019 it complied with a number of recommendations relating to the implementation of the fiscal framework, as evidenced below.

² Each recommendation and suggestion for best practice may be aimed at more than one Administration

Figure 1 2019 recommendations: commitment to comply or compliance/explained

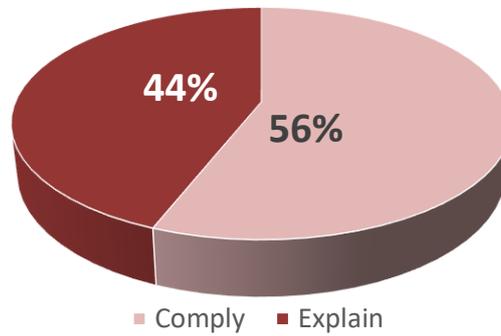


Figure 2 2019 recommendations: commitment to comply/complied

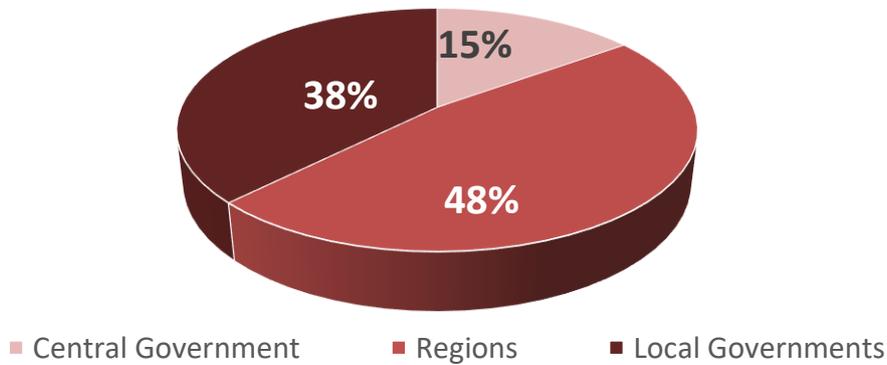
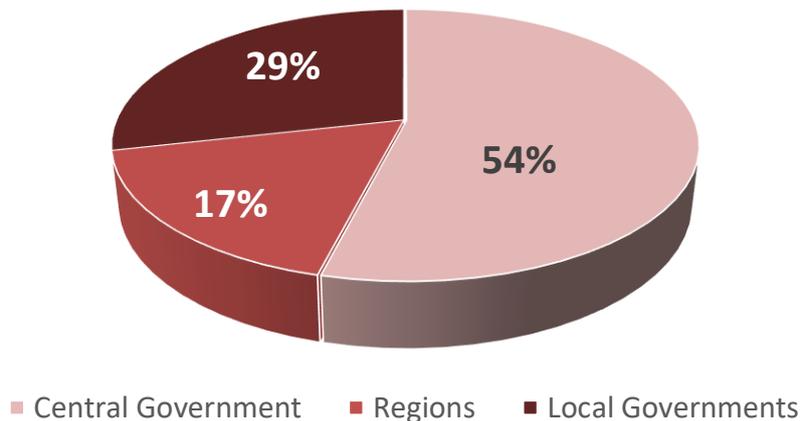


Figure 3 2019 recommendations: explained



During 2019, most recommendations were aimed at encouraging the adoption of measures in order to comply with the fiscal rules at year end. These recommendations were aimed at all levels of the Administration. At first, it was requested that the AC accelerate the implementation of the measures envisaged in the draft GSB for 2019 and, when this was not approved, that it allocate any revenue earned over the forecast and the savings resulting from the absence of modifications to the VAT Immediate Information System (IIS) to reducing deviation from its

budgetary stability target. Territorial Administrations, in the various reports on the budget cycle, were given concrete recommendations, depending on the intensity of the risks identified and the estimated expenditure variation rates. In addition, in July, the MINHAC was requested to activate the preventive measures provided for in article 19 of the LOEPSF for 6 Regions and 9 LGs.

Another group of recommendations was aimed at introducing improvements in the implementation of the LOEPSF. Recommendations were mainly focused on the regional and local spheres, proposing: (i) to improve the setting of the Regions' stability and debt targets; (ii) to safeguard the Regions' application of the surplus to debt reduction; (iii) to clarify the binding nature of the fiscal rules when they are agreed to in the Economic-Financial Plans (EFPs) of local corporations and (iv) to ensure the implementation of the consequences arising from non-compliance and, where appropriate, the graduality of the corrective measures provided for in the LOEPSF.

AIReF has also emphasised the medium-term stance that, in its view, should frame fiscal policy. In this sense, it was recommended that the processing of the 2019 GSB assess the existence of fiscal margin to establish the foundations of a medium-term convergence process, which will anchor the Stability Programme Update (2019-2022), and that fiscal targets should be configured as the annual realisation of revised multi-year planning in the light of the results obtained.

Finally, a number of recommendations related to the improvement of transparency were made. A convention or "memorandum of understanding" was recommended to regulate the flow and timing of information exchange with the MINHAC for the endorsement of the macroeconomic scenario and valuation of the Draft Budgets. The need to include information in national accounting terms in the Draft GSB and incorporate an initial budget in the National Accounting terms of the AC and FSS was reiterated. The *Ministerio de Trabajo* (Ministry of Labour) was requested to make the information that underpins its pension expenditure forecasts public and accessible, in order to be able to replicate its estimates. The MINHAC was requested to publish the analysis and information that serves as a basis for determining stability and public debt target paths. The INE and the IGAE were requested to explain and disseminate the methodology of the changes to the set of statistical revisions made in 2019.

In addition, AIReF made 22 live recommendations in 2019, directed almost entirely at MINHAC. They can be classified, depending on the subject, in four groups: those aimed at strengthening the medium-term fiscal strategy; those that are intended to improve the prevention of non-compliance risks; those that seek to promote transparency; and those that suggest the creation of a commission of experts to analyse the causes of the critical level of risk in the sustainability of the City Councils of Jerez de la Frontera, Parla and Jaén.

The response of the TAs has generally been in favour of implementing the recommendations. The majority of the Regions and the LGs pledged to follow the recommendations. Mainly, they identified measures to ensure compliance by year end or they showed their intention to approve

an EFP, in the case of failing to comply with the rules. When they deviated from compliance with the recommendations, the main reasons given were that they either expected to comply with the fiscal rules at year end or that they were unable to adopt the measures.

For its part, the Central Government has committed itself to complying with some recommendations or, at least, to studying their compliance. These include those aimed at ensuring the AC's compliance with fiscal rules at year end, assessing the possibility of establishing differentiated objectives for the Regions and analysing possible formulas to minimise distortion caused by the calculation of European funds in compliance with the expenditure rule.

It must also be added that the Central Government has complied with a number of recommendations. The recommendations relating to setting the debt target for the Regions stand out. These include: for the debt targets to consider the surplus obtained in the previous year, to be adjusted to the net borrowing actually registered at year end and, when it is set, for the MINHAC set the criteria to be used to measure compliance. At the same time, the MINHAC complied with the recommendation to activate preventive measures for the Regions, but more extensively than suggested by AIReF, as it was solely based on a literal interpretation of the LOEPSF. Finally, it complied with the recommendation of making the review of national accounts carried out by the IGAE more transparent.

Despite these compliances, the most common response of the Central Government was to deviate from its monitoring. It mainly deviated from recommendations referring to the fiscal framework or its application, with the main reasons for not following these recommendations either being that they are not necessary because they are already being implemented, or that they are difficult to comply with due to the interim government situation or due to requiring policy changes of qualified majorities.

Finally, in addition to the recommendations, AIReF made ten suggestions for best practice that are not subject to the “comply or explain” principle. They were primarily aimed at the Regional sector, proposing that some Regions detail the models and parameters used in the macroeconomic forecasts that should be published, following the provisions of Directive 2011/85/EU on the requirements applicable to the budgetary frameworks of the Member States. Many of the Regions already followed this advice, meaning that they satisfactorily complied with this requirement.

On AIReF's website, you can find the quarterly monitoring of the recommendations made in 2019, as well as a summary of the total number of recommendations made in the year³.

³ [Link to the recommendations on AIReF's website](#)

3. Institutional activity

3.1 Institutional relations

In 2019, the decreased parliamentary activity due to the general election processes impacted AIReF's institutional activity, with it having a smaller presence in Parliament than in previous years.

AIReF's President only appeared before the Congressional Committee on Budgets once, on 29 January, to present the Report on the draft GSB for 2019. In his speech, AIReF's president analysed the macroeconomic and fiscal scenario of the various sub-sectors, covered in the draft GSB.

However, AIReF held numerous meetings with representatives of all the PAs, including meetings with the Regions associated with the development of the Spending Review. Both AIReF's President and its staff held numerous meetings on a technical and management level with different departments of the *Administración General del Estado* (Central State Administration - AGE). Bilaterally, contact was maintained with all the Regions, and meetings were held with executives of the Regions of Castile and Leon, Murcia, Andalusia, Balearic Islands, Navarre and Asturias. Throughout the year, meetings were held and continuous contact maintained with all the Regions following the development of the Spending Review and the requests made by some Regions to AIReF for the evaluation of certain public policies, as in the case of Castile and Leon and Andalusia.

AIReF's President was a speaker at several regional forums, including the *Foro Económico* (Economic Forum) in Galicia, the *Asociación para el Progreso de la Dirección* (Association for Management Progress) in Barcelona and Madrid, the Chamber of Commerce of Spain and Oviedo, the *Colegio de Economistas de Alicante* (Alicante College of Economists) and the *Círculo de Actualidad Empresarial* in Burgos. In his speeches, AIReF's president analysed the macroeconomic and fiscal situation and challenges facing the Spanish economy, and especially analysed the situation of the Regions in which he spoke. In addition, AIReF's president was the guest of honour at the commemoration of the Day of the Economist at the *Colegio de Economistas de Valencia* (Valencia College of Economists) and the graduation ceremony of the Graduate School of Business, Economics and Political Science of the University Carlos III of Madrid.

AIReF continued to attend meetings with academics, participating in specialised courses and forums for researchers and journalists at the national level. On the occasion of the 130th

anniversary of the UGT, in Palencia, AIReF's president analysed the demographic challenge facing the Spanish economy and the Social Security situation, challenges that he also analysed at the *Consejo Económico y Social de Aragón* (Economic and Social Council of Aragón). Following the development of the Spending Review, AIReF's president reviewed the institution's experience in the evaluation of public policies at the *Instituto Valenciano de Investigaciones Económicas* (Valencian Institute of Economic Research - IVIE) and, focusing on health, at the *Hospital Clínico de Madrid*. The President also analysed other subjects in-depth, such as: sustainable finance in the conference series organised by the *Asociación de Periodistas de Información Económica* (Association of Economic Journalists - APIE) at the Menéndez Pelayo International University of Santander; taxation in Spain at a series organised by the PwC consultancy firm; public investment in Spain at a speech in the *Consejo Económico y Social* (Economic and Social Council); and institutional quality at a conference organised by Caixa Forum. The President also attended breakfasts at the Nueva Economía Forum and Navarra Capital to analyse the situation of the Spanish economy. In addition, he participated in various round tables, including those held by the *Fundación Olof Palme en S'Agaró* on the economic situation in Spain; by the *Fundación Ramón Areces* on the future of Europe and another on big data and the economy, in which the publication of an Opinion on access to administrative data was announced; and by the *Cercle d'Economia* in Barcelona on the efficiency of active employment policies.

At the international level, AIReF's president participated in several forums and conferences in the macroeconomic and fiscal spheres. He was once again a panellist at the Annual International Conference of Economic Policy Councils, held in Paris this year by the French Council of Economic Analysis, in which he discussed the role of fiscal policy in an environment of economic slowdown, how to deal with the threat to multilateralism and the role of economic experts in the era of populism. AIReF's president participated in a Workshop organised by the European Commission on Spending Reviews, which analysed how to carry out the evaluation of public policies in a decentralised country. The president addressed the risk of debt sustainability in several forums, such as the seminar on sustainability organised by the European Commission's Directorate-General for Economic and Financial Affairs and the panel organised in Stockholm by the National Association for Business Economics (NABE). Also, in relation to debt sustainability, AIReF's president analysed the risks facing the economies of the euro zone at the European Central Bank, paying special attention to the risks of the relationship between sovereign and banking debt, and lessons learned from the international financial crisis. Finally, the president participated in several seminars on the role of independent fiscal institutions: in February, the role of IFIs in the European fiscal framework was organised by the European Fiscal Council for the first time; in March, the President was a panellist in a seminar organised by the World Bank in Vienna on independent fiscal rules and institutions. The President was also interviewed by the European Fiscal Council in light of the report on European fiscal rules published in August. In 2019, many technical collaborations with other independent fiscal institutions took place. These included both groups within the EU, such as the Conselho das Finanças Públicas of Portugal and the Belgian and Latvian Fiscal Council, as well as groups outside the EU, such as the

Parliamentary Budget Office of Argentina or South Korea.

At the level of the EU IFI network (EU IFIs), José Luis Escrivá completed his final year as President of the network following the end of his mandate in November. From the end of the year, the presidency and vice-presidency of the Network will pass, respectively, to the IFIs of Ireland (IFAC) and of the Netherlands (CPB). In addition, in order to provide more stable support to the new presidency, a collaboration agreement was negotiated with the European Centre for Social and Political Studies that will also allow the sharing of knowledge, research and activities in the area of public finances and fiscal monitoring. As in previous years, the Network has met twice. The second meeting took place in Madrid, where the Network's role within the European fiscal governance framework, its internal organisation, the work programme over the next months and the results of its analytical work in progress were discussed. In addition, two technical seminars were organised. One took place in Madrid and was on fiscal forecasts, in which representatives of the IFIs of Italy, Slovakia and the United Kingdom participated, among others, along with the Dean of the *Escuela de Asuntos Globales y Públicos del IE* (School of Global and Public Affairs of IE University) and principal partner of the Harvard University Belfer Centre for Science and International Affairs that addressed the geopolitics of technology and its implications for governance. A second seminar was organised by the leading European institution on the evaluation of political programmes and coalition agreements, the CPB. This seminar was attended by the main institutions that have entered this field, such as those from Australia, Canada or Latvia, in addition to experts from other IFIs and institutions such as the European Commission or OECD, along with the CPB. The network of IFIs was also present at the meetings with the alternate members of the Financial Stability Council, where the network's recent activities and the impact of the IFIs' communication was discussed.

The Network's activities include the adoption of a statement on the need to strengthen and protect the IFIs. Its objective is to propose regulatory standards, either through changes in legislation or voluntary codes of conduct, that ensure that IFIs can carry out their monitoring and control roles in an efficient and independent way. For this purpose, it is proposed that the European Commission carry out regular assessments of performance, which could be complemented by a system of mutual evaluation by members of the network. In addition, two further editions of the European Fiscal Monitor (January and July) were published, which includes the IFIs' summarised vision on the fiscal situation and compliance with rules in their respective countries. The permanent Secretariat, in cooperation with the Centre for Applied Macro-Finance at York University, produced an overview of the IFIs' views. In 2019, the likely non-compliance of several countries with national and European fiscal rules was noted, despite the favourable economic cycle. Also, a call was made to carry out structural reforms in the fiscal sphere and to establish medium-term budgetary planning.

3.2 Communication Activities

Communication continues to be a key element of AIReF's strategy in its six years of existence, as it is one of the main channels through which its reports, recommendations and assessments make a real impact in its central function of defending the financial sustainability of the PAs. In addition, the need to define and develop a balanced strategy has become more important due to its consolidation in the public sphere as a key institution and necessary point of reference when dealing with issues of financial sustainability and the stability of the country's public finances.

The main aim of this strategy is the dissemination of the reports that the institution must prepare in accordance with its regulations, as well as the recommendations issued with these reports, which are governed by the “comply or explain” principle. Likewise, it seeks wider dissemination for the opinions given by the Institution and the studies requested by the Government, the *Consejo de Política Fiscal y Financiera* (Fiscal and Financial Policy Council), the *Comisión Nacional de la Administración Local* (National Commission of the Local Administrations) and the *Comisión Financiera de la Seguridad Social* (Financial Commission for Social Security).

In 2019, for example, the Opinion on the Sustainability of Social Security and the seven studies that are part of the first stage of the Spending Review were published. In addition, the Study on minimum income programmes in Spain was also published. For the publication of these 8 studies, an ad hoc communication strategy was designed with the aim of making citizens aware of this public spending review exercise as a new way to analyse the effectiveness, efficiency and procedures of public management in Spain. In addition, there was a wish to convey the need to assess public spending to improve the way money is spent and assist in decision-making, reinforcing the relevance of empirical evidence, benchmarking and documentary support, extending the dissemination of this work beyond the specialists and trying to increase the scope and dissemination amongst the general public and reinforce AIReF's reputation as an independent, transparent and professional organisation.

To achieve these objectives, a 360-degree strategy that exploited all channels of the institution was designed (media, web page, social networks and special content). This strategy included differentiated calls to the media for the dissemination of each study, the opening of the Spending Review presentation by the president on TV and radio, the creation of informative content such as videos or Twitter threads aimed at citizens, streaming sessions for some projects, advance preparation of content with those responsible for the studies, and crisis communication through the management of specific situations, such as leaks or attacks by different groups, with continuous monitoring and targeted responses to focus the messages.

As a result of this strategy, AIReF achieved a record number of publications in newspapers over the weeks that the studies were published, increased its presence on radio and TV, an increase of 20% in the number of Twitter followers in just over a month, nearly 40,000 views of

the training videos produced to disseminate this content and a very remarkable growth in our website’s traffic.

Table 4. Impact of the Spending Review communication strategy

Press record, with over 5,000 articles published in a single month	Almost 40,000 views of informative videos
19% increase in the number of Twitter followers	Posted tweets had nearly 100,000 hits in that month.
7% growth in traffic to the website	AIReF became the fourth biggest IFI by number of followers

As well as the Reports, Studies and Opinions, AIReF has its own macroeconomic measurement and monitoring tools to analyse financial sustainability and budgetary stability. By disclosing the use of these types of tools, AIReF has become a point of reference and consultation for both academia and the media.

In 2019, the institution also made a concerted effort to promote the EU’s Independent Fiscal Institutions Network and the international seminars and conferences in which AIReF has participated over these last few months, thus increasing its influence on an international level. In addition, an effort has been made to increase awareness of AIReF’s work outside of Spain, by translating the website’s news into English.

For optimal dissemination of all this content, in 2019 AIReF used different channels such as meetings or briefings with the media and the issuance of press releases and briefing notes, individual meetings with journalists and opinion leaders, publication of all news on the website, sending news by email to different institutions and interest groups and using social networks.

Overall, in 2019 94 news articles were published on its website, an increase of 2.17% compared to 2018. Apart from news items, other content directly related to AIReF’s activity was published, such as Reports, Opinions, Working Papers or documents that reflect the operation of the institution and fulfil AIReF’s interest in providing maximum transparency to its activity.

AIReF’s presence in the Media also continued to increase in 2019. The data, analyses and opinions disseminated by AIReF were a key reference when addressing the issues of budgetary stability and sustainability of public finances in the media and in academia. The qualitative analysis shows that, in 2019, a very smooth relationship with the media was consolidated, based on bi-directional communication. The media responded with wide coverage of the institution’s publications, whilst also requesting more information. In quantitative terms, this is reflected in 10,623 hits in 2019 in the written press and 20,269 in digital press. The figures represent a significant increase compared to 2018, which is explained, as mentioned above, by the strong

impact that the publication of the studies of the first stage of the Spending Review had on the media.

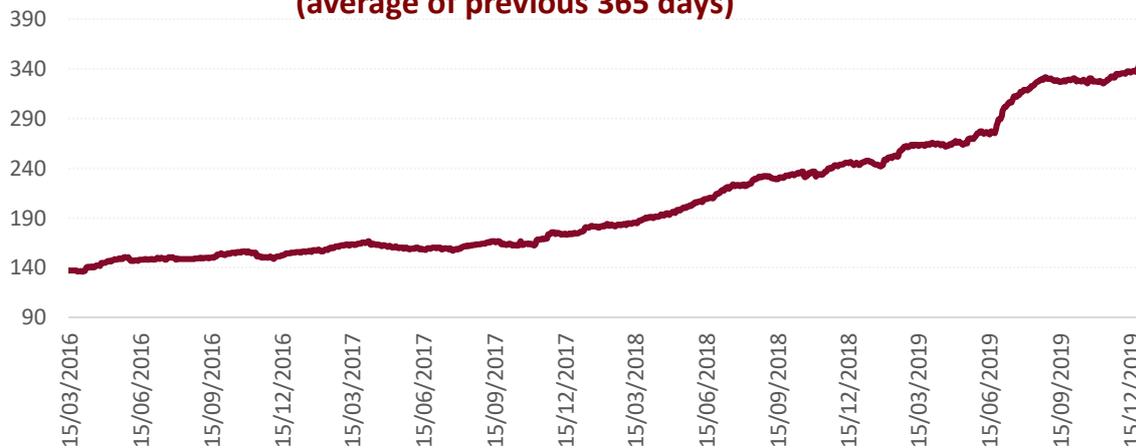
During 2019, the coverage of the Institution provided by the audiovisual media continued to expand. Many audiovisual media attended the press conference for the Spending Review and it is becoming more and more frequent that Spanish television channels such as RTVE, Antena 3, La Sexta, Cuatro, Tele Cinco, and Spanish radio stations such as Cadena Ser, Onda Cero, Cope and others include coverage of AIReF's reports and publications.

AIReF's website continues to be the main reference in the communication strategy. Data from Google Analytics shows an outstanding growth in the main Key Performance Indicators (KPI) of the dissemination activity, as can be seen in the table below. Activity data for the AIReF website showed a strong increasing trend in some of the parameters measured. The number of users increased by 64.61% in 2019 and the total number of sessions by 32.36%. The continuous increases in the number of website users and website sessions confirm users' growing interest in the content published. Conversely, the pages visited by each user showed a decline of 37% compared to 2018 and the number of pages visited during each session also fell by 52.72%.

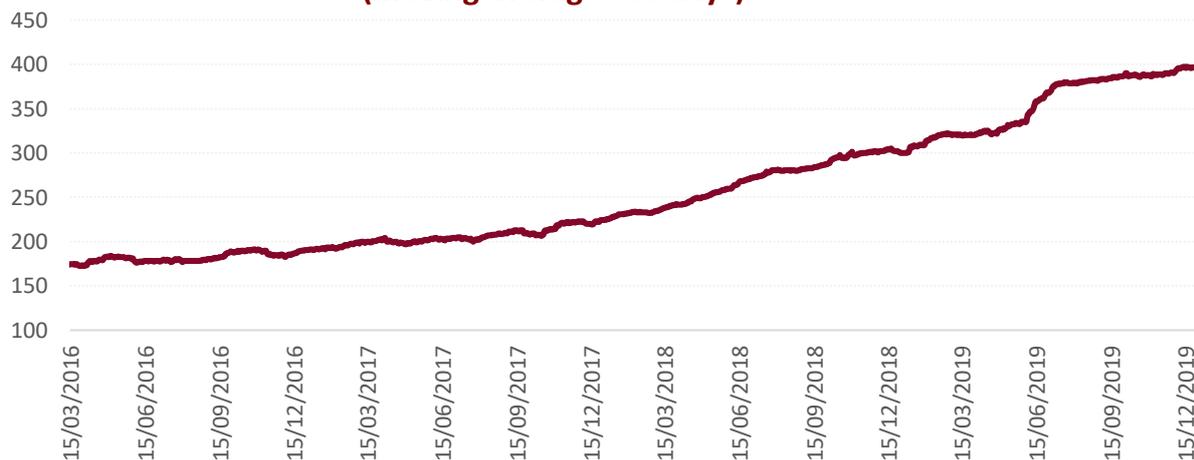
Table 5. Key Performance Indicators of AIReF's training activity

	2018	2019	Year-on-year increase 2018 -2019
Website users	49,321	81,190	+65%
Website sessions	109,614	145,091	+32%
Pages viewed	718,533	452,804	-37%
Pages/session	6.6	3.12	-53%

**Figure 4 AIReF website users
(average of previous 365 days)**



**Figure 5 AIReF website sessions
(moving average 365 days)**



In 2019, social networks increased in importance as one of AIReF's dissemination channels. Website activity also intensified as a reaction to the dissemination of content published through social networks. The most interactive channel was Twitter, which had 4,442 followers by the end of the year, practically doubling those of last year (2,424 followers). On LinkedIn, followers increased by 68.5%, to 652 followers.

This increase places AIReF as one of the IFIs with the largest number of followers on social networks. In addition, it is worth noting the high quality of AIReF's followers on social networks, including the main experts in matters of sustainability of public finances, politicians in charge of economic issues, qualified professionals in macroeconomic analysis and statisticians, as well as journalists who cover this type of content in the Spanish media.

Lastly, in 2019 the institution continued to send information through monthly newsletters aimed at subscribers interested in their activities, which began in July 2017. The number of

subscribers grew by 37.2% until the end of 2019 (627 subscribers) compared to 2018 (457 subscribers). The publication of regular tweets with links to the page to subscribe to the newsletter and the page banner are some of the actions that have influenced the increased number of new subscribers in 2019.

Table 6. Communication figures in 2019 compared to 2018

NEWS	94 news articles published on the website, a 2.17% increase	10,702 mentions in written press, a 77.4% increase	20,816 mentions in digital press, a 39.3% increase
WEBSITE	Over 81,190 users, a 64% increase	Over 145,000 sessions, a 32.36% increase	Over 450,000 views
SOCIAL NETWORKS	4,442 followers on Twitter, a 83% increase	652 followers on LinkedIn, a 68.5% increase	627 subscribers to the Newsletter, a 37.2% increase

4. Access to information

One of the basic requirements for the performance of AIReF's functions is timely access to economic-financial information on the PAs, something that has been gradually improving. The right of access to this information is legally established in art. 4 of Organic Law 6/2013, on the creation of the Independent Authority for Fiscal Responsibility, although to achieve its optimum application, it is necessary to establish useful mechanisms of information exchange between Administrations, as stated in AIReF's 2015-2020 Strategic Plan. AIReF's capacity to prepare useful, rigorous and objective reports may be influenced by possible obstacles in accessing the necessary information. This risk is particularly high when there is a limited period for preparing and presenting said reports. During 2019, both the level of responses to information requests issued as well as the quality of the information provided have improved, still pending the signing of a Memorandum with the MINHAC, which articulates the mechanisms and obligations of regular and non-regular sending of information to AIReF.

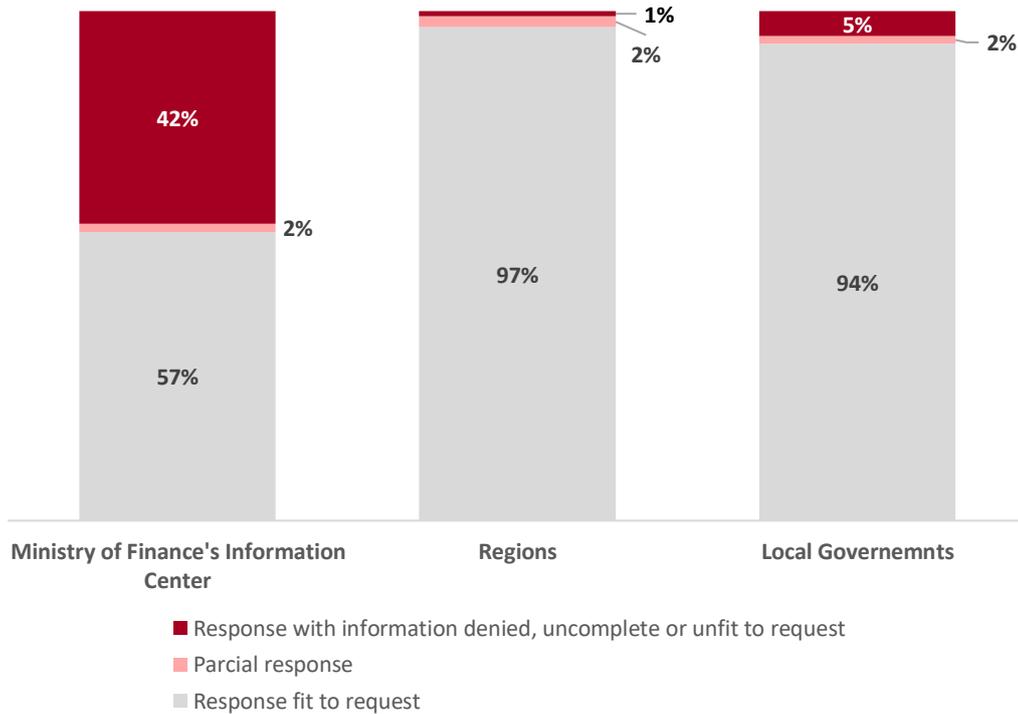
In 2019, AIReF signed a collaboration agreement with the AEAT for statistical information exchange. This agreement regulates the real application of the duty of collaboration with AIReF, establishing a stable framework for exchange and sending economic-financial information between both institutions. Under this, both institutions exchange information on macroeconomic and fiscal variables at the aggregate level and their short- and medium-term projections.

Since 2016, AIReF has had a system for monitoring collaboration with the various PAs in the field of information provision, a system which has been refined year after year. This system was completed in 2017 when it incorporated the requests made to all TAs, and not just the MINHAC Information Centre. In general, each request for information is linked to the preparation of any of the reports that AIReF must issue under current regulations. For reasons of procedural economy and administrative efficiency, each request is grouped into various information requests, requests that may be subject to a separate response and/or individual monitoring, either due to reference to different fiscal rules, different financial periods or due to being provided by different bodies. In 2019, monitoring of the requests made to the MINHAC Information Centre, the Regions and the Local Corporations continued to improve.

Requests to the TAs with an adequate response exceed 95% of requests made, with complete and adequate requests received by the MINHAC Information Centre increasing by 16%. Responses to AIReF's requests are broken down by Administration type and type of response, as shown in Figure 6. In this sense, over 95% of requests made to the TAs and 57% of those made to the Information Centre have obtained an adequate response in a timely manner. However,

42% of those requests made to the MINHAC have not been answered, have been answered outside the deadline required to be taken into account in the prescriptive report or only obtained a partial response.

Figure 6 Breakdown of responses to AIReF's requests, by administration and type of response (2019)



Of the requests that were not properly addressed (denied, incomplete or not responded) by the MINHAC Information Centre, 97% did not receive any response, as they referred mainly to information relating to the stability target or debt limit. As shown in Figure 7, nearly all of the requests not properly addressed by the Information Centre received no response. Most of these, as represented in Figure 8, referred to elements necessary for the calculation of the debt target, 47%, or a combination of elements with effect on several fiscal rules.

Figure 7 Breakdown of invalid responses from the MINHAC Information Centre (2019)

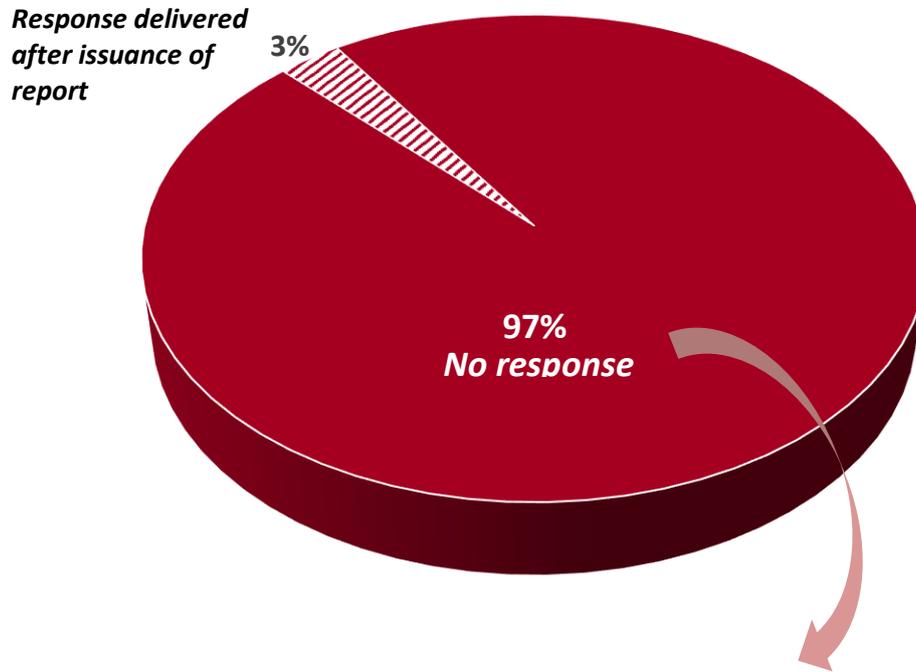
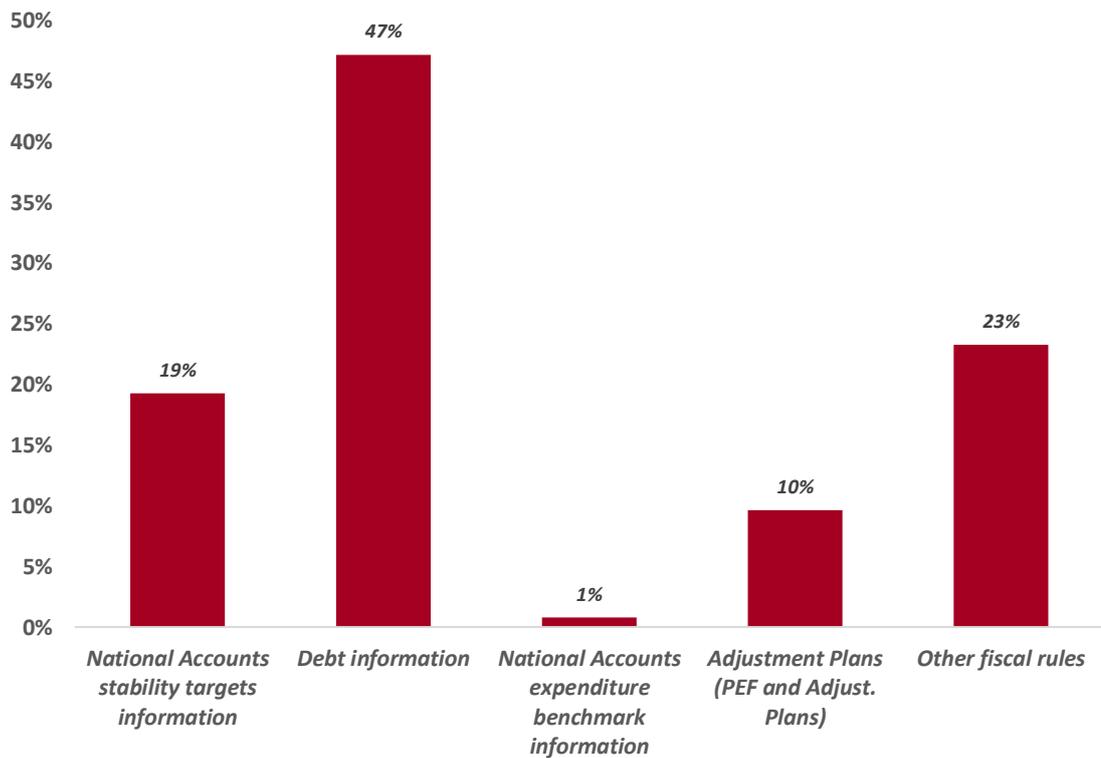


Figure 8 Breakdown of requests to the MINHAC's Information Centre without a response by type of requested information (2019)



5. Monitoring of the 2019 Action Plan

This chapter is dedicated to the monitoring of the execution of 2019 Action Plan and the progress made in the targets established in the 2015-2020 Strategic Plan. In this way, the Activity Report becomes an essential element of the institution's accountability to society. To facilitate the monitoring of the Plan, a table with the proposed actions has been included as an annex, classified according to the aims and lines of action of the 2015-2020 Strategic Plan and according to their situation at the end of the year.

The 2015-2020 Strategic Plan⁴ is a tool that guides the definition, execution, monitoring and assessment of AIReF's activity. This Plan was designed at the start of the institution's activity to reflect the main objectives of the organisation during the term of office of its President. In 2018, the Plan was reviewed to reflect the institution's new targets, simplify the planned actions and include, where possible, the independent recommendations made by the OECD in 2017. This review of the Plan was presented by AIReF's President in the Budget Commission of the Congress of Deputies in May this year.

The 2019 Action Plan is the tool that facilitates the transfer of strategic lines of action included in the 2015-2020 Strategic Plan to AIReF's day-to-day operations. This Plan is prepared according to the provisions of Article 5 of AIReF's Organic Statute⁵, establishing that in the first quarter of the year the institution shall prepare and publish an Action Plan that includes, in addition to mandatory reports, the studies that have been requested. This Plan must be approved by the President, after being submitted for the consideration of the Steering Committee.

Despite having staffing limitations, AIReF continues to make substantial progress in each pillar of the 2015-2020 Strategic Plan. Inevitably not all activities planned in the 2019 Action Plan were able to be completed, in some cases due to circumstances beyond AIReF's control, and in others due to the need to reassign available resources in a framework of flexibility and adaptive capacity. In this way, some of the activities have not been completed in 2019 and have been reprogrammed for the following year or have been postponed pending the definition of the new action lines established in 2020.

⁴ See AIReF: [2015-2020 Strategic Plan](#).

See [Royal Decree 215/2014, of 28 March, approving the Organic Statute of the Independent Authority for Fiscal Responsibility](#), and its subsequent amendments.

Within the scope of its first strategic pillar (“Contribute to budgetary stability”), AIReF continued developing, improving and making use of its analytical tools for monitoring the economic and budgetary situation. Work was continued on short-, medium- and long-term macroeconomic forecasting models; on estimating and integrating the equations of the MTA quarterly model; on the development of revenue forecast models; and on the incorporation of a benchmarking analysis, amongst other areas. The self-evaluation exercise conducted on the macroeconomic forecasts should be noted, which will be in a document to be published in 2020.

AIReF has actively contributed to the use and improvement of the European and Spanish fiscal rules, undertaking several actions in this field. Special mention should be made of AIReF's collaboration with the main independent fiscal institutions, as well as their participation in meetings and activities organised by the EU IFI network and the OECD. AIReF organised one of the annual IFI network meetings.

Substantial progress has been registered in AIReF's second strategic pillar, “Promote the financial sustainability of the Public Administrations”. Work on studying fiscal risks continued. Work was done to integrate the accounting aggregates and microsimulation models and some of the actions initially envisaged were postponed to the following year, such as the development of a pension microsimulation model, incorporating the behaviour in decision-making on retirement and updating the demographic forecast model.

Amongst the actions detailed in AIReF's third strategic pillar (“Contribute to improving the efficiency of public expenditure and budgetary practices”), it is worth noting the Spending Review. In 2019, the results of the first stage of the Spending Review were presented, with intense dissemination work taking place. In addition, the second stage of the Spending Review began and additional requests were received from the Regions. More specifically, a study on Universities commissioned by the Reguibak Government of Andalusia began.

AIReF undertook numerous actions for promoting the transparency of the PAs and for improving budgetary procedures. The set of actions carried out includes the work carried out on access to administrative data by researchers that is expected to be covered in an Opinion to be issued in 2020 as reflected in the publications section of this Report.

The institution continues to perfect its global communication strategy to fulfil the fourth strategic pillar, “Help Spanish society perceive the benefits of budgetary stability and financial sustainability”. In 2019, it is worth noting the dissemination effort made, especially following the publication of the results of the first phase of Spending Review for which educational videos were made that were a key tool for communication.

Likewise, AIReF continued working on different tools to promote fiscal awareness in society as a whole and research in the field of fiscal policy. In this regard, mention should be made of AIReF's organisation of a seminar on fiscal forecasts following the meeting of the IFI Network organised by AIReF. It also convened, for the fifth year running, the procedure for awarding grants by competitive process to universities and other academic centres in Spain for promoting



training and research in the field of economic and budgetary analysis for fiscal stability and sustainability.

AIReF's fifth strategic pillar, "Create an efficient and transparent AIReF", registered substantial progress. In particular, the IT infrastructure was redesigned, an external audit on data protection and computer security was carried out and a plan was developed for the prevention of occupational hazards.

The Advisory Board continued to be an essential element in AIReF's accountability. This Board is an advisory body to the President, made up of nationally and internationally renowned professionals with at least ten years' experience in budgetary, economic and financial analysis. During 2019, the Board held four meetings; the Minutes of the same are public and are available on AIReF's website.

The monitoring of the progress made with regard to the 2019 Action Plan included in this Activity Report serves as a basis for the design of the 2020 Action Plan. In the first quarter of each year the Action Plan is approved for the year in progress, which takes note of the progress made in each of the strategic pillars and of the commitments included in the 2015-2020 Strategic Plan.

6 Economic management, human resources and transparency

6.1 Economic management

AIReF continues with its policy of transparency in economic management. The transparency section of the website (www.airef.es) contains information on the compensation of the members of the Steering Committee; the monthly execution of the expenditure budget, as well as the detail of expenses above 1,000 euros and the collection of income from its fee. In addition, it also includes, amongst other things, the contractor's profile and the list of contracts, management assignments and collaboration agreements signed by AIReF and the subsidies granted, etc.

Law 6/2018, of 3 July, on the General State Budgets for 2018, extended for 2019, approved a budget of 7.04 million euros for AIReF, although budget modifications approved over the year increased the budgetary appropriations to 8.48 million euros (Table 7). Of this amount, 1.56 million euros are destined for the study commissioned by the Government relating to a spending review of the GG sector (Spending Review - *Phase II*). The expenditure finally executed during 2019 amounted to 7.63 million euros. The percentage of execution of AIReF's expenditure budget has risen to 89.91% in 2019. The detailed execution of the expenditure can be seen in table 7. The execution of different budget chapters reflects that the institution's performance in 2019 is in accordance with the provisions of its Action Plan.

In terms of revenue, the supervision fee is AIReF's main source of funding (see table 8). This fee (provided for in the second additional provision of the Law establishing AIReF) is paid by the PAs that receive reports and opinions, depending on their budgets. This financing system, which is innovative in the field of independent financial institutions, allows AIReF's financial independence to be guaranteed. Independence is a key element that should serve as a basis for the exercise of its legally entrusted powers. In addition, a current transfer of 1.56 million euros from the MINHAC to finance the Spending Review is reflected as revenue in the General State Budget Law of 2018 extended for 2019, which was transformed during the budgetary execution into a public price.

The amount collected from the fee paid in 2019 was 6.58 million euros, 100 % of the budget once the appropriations destined to finance the Spending Review are deducted. The State, Social Security and all the Regions paid the rate. There were only three institutions that did not

pay. Under article 89 of the General Budget Law of 2018, extended for 2019, the fee tax rate is fixed at 0.00128%, with 2019 being the first year in which the new rate applies.

In 2019, AIReF began and resolved material and data verification procedures of the self-assessments carried out by the PAs obliged to pay the fee that, in 2018, did not self-assess and paid the corresponding amount or did so outside of the period established for this purpose. Also, revenue was generated from the studies commissioned by the PAs. In addition, in collaboration with the AEAT, in November 2019 the executive collection of settlements corresponding to the years 2014-2017 that had not been totally or partially satisfied was implemented, with an amount of €35,213.81 being reclaimed through 44 court orders, of which 10 had been paid in part or in full by 31/12/2019, with €35,072.58 still pending.

Table 7. Execution of the 2019 expenditure budget (thousands of euros)

Item	2019 Budget *	Execution
Staff costs	5,051.61	4,651.26
- Steering Committee Members		557.86
- Officials		2,206.50
- Workers		214.67
- Performance incentives		1,304.33
- Quotas and social expenditure		188.85
- Training		67.73
- Social action and others		111.32
Operating costs	3,060.00	2,226.21
- Leases, repairs and maintenance		120.34
- Office supplies		38.35
- Supplies		20.11
- Telephony and internet		89.79
- Cleaning		46.78
- Studies and technical work		1,099.37
- External services		601.93
- Travel		54.77
- Publication costs		59.02

- Hospitality	4.68	4.38
- Other expenses		91.37
Paid internships	160.00	137.25
Investments	200.00	611.05
Advances to staff	12.00	1.83
Total	8,483.61	7,627.60

Table 8. AIReF's revenue 2019 (thousands of euros)

Item	Accumulated as of 31 December
AIReF fee 2019	6,583.90
- State	2,019.86
- Social Security	1,952.70
- Regions	2,159.47
- Local Corporations	451.87
Regularisation of previous years' fee	-0.91
Regularisation of previous years' fee	18.09
Public Prices Studied	1,342.99
Other revenue (litigation, refunds, etc.)	32.99
TOTAL REVENUE	7,977.06

AIReF's provisional Balance Sheet prepared pending definitive approval of the annual accounts for 2019 is shown below, which will not be produced until May, after a favourable Audit Report by the Delegated Intervention Board.

Table 9. Condensed 2019 Balance Sheet ⁶ (thousands of euros) (provisional)

ASSETS	2019	2018	NET EQUITY AND LIABILITIES	2019	2018
A) Non-current assets	8,266.27	5,827.56	A) Net assets	10,048.74	7,107.44
I. Intangible fixed assets	112.27	100.56	I. Contributed equity	6,615.79	4,624.86
II. Tangible fixed assets	8,154.00	5,727.00	II. Equity generated	3,432.95	2,482.58
B) Current assets	2,308.16	2,842.32	B) Non-current liabilities	0.00	0.00
III. Debtors and other receivables	181.35	158.36	C) Current Liabilities	525.69	1,562.44
V. Short-term financial investments	1.57	-	II. Short term debts	-	16.45
VI. Accrual accounts	105.99	95.11	IV. Creditors and other accounts payable	525.69	1,545.99
VII. Cash and other cash equivalents	2,019.25	2,588.85			
TOTAL ASSETS (A + B)	10,574.43	8,669.88	TOTAL NET EQUITY AND LIABILITIES (A+B+C)	10,574.43	8,669.88

6.2 Human resources

AIReF comprises three divisions and the President's cabinet of advisors. The structure is largely horizontal and is underpinned by continuing collaboration and communication among the different units. The Economic Analysis Division performs functions, among others, relating to monitoring the economic reality and assessing the macroeconomic forecasts included in the budgets. For its part, the Budget Analysis Division is responsible, among other functions, for the analysis and monitoring of the budget cycle as a whole. Lastly, the Legal Affairs Division sees to the institution's daily management tasks and provides a legal advisory service. On the other hand, as long as there is no change in the AIReF's structure, the functions of evaluating public policies must be carried out with human resources of the various divisions and the President's cabinet. One of the objectives of AIReF's new President is to propose a change to the institution's regulations that will allow evaluation as an ongoing function, with adequate structure, during her mandate.

⁶The **complete Balance Sheet** is available on AIReF's website in the Transparency/Statistical, Budgetary and Economic Information/Activity Report and Annual Accounts, distributed by years <http://www.airef.es/es/transparencia/gestion-economica/>

AIReF's workforce is below the optimal size required to develop the functions assigned by Spanish regulations. It is considered that similar resources to other international agencies with comparable functions would be around 65 employees. In contrast, AIReF's current Staff Establishment Plan (SEP) has 49 positions, to which 4 temporary employment positions outside the agreement, 2 of which are not full-time, must be added.

In 2019, AIReF's staff establishment plan was expanded twice. Three temporary staff positions were also added. There were two expansions of the institution's SEP: the first, adopted in May by the Comisión Ejecutiva de la Comisión Interministerial de Retribuciones (Executive Committee of the Interministerial Committee for Remuneration - CECIR), which created a new level 30 job, to amortise; and the second, adopted in November by CECIR, which created a level 28 analyst job and a level 26 head of service job. In addition, in December another level 28 job was created. On the other hand, in March, CECIR created three temporary staff positions: an expert in hospital management and two project managers. These are three highly specialised profiles, which joined the Spending Review in May. Notwithstanding the foregoing, it is still necessary to hire more staff in 2020.

6.3 Transparency

AIReF was created with the vocation to fulfil its mission based on 3 key principles: independence, transparency and accountability. In the development of its functions, the institution is fully committed to transparency through the two great pillars of Law 19/2013, of 9 December, on transparency, access to public information and good governance: active publication and the right to access information. Likewise, through its website, AIReF provides citizens with all the information about its reports, opinions and studies, as well as on the methodology and criteria used in their preparation, in an open and accessible way.

In the context of active publication, apart from complying with all obligations imposed by Law 19/2013, AIReF voluntarily publishes additional information on its website not required by applicable regulation, such as for example expenditure for amounts greater €1,000 or the acts of the Steering Committee. AIReF's good practices in terms of transparency, both mandatory and voluntary, have been highlighted by the Council of Transparency and Good Governance in its 2018 report (pages 46, 114 and 115).

Furthermore, in compliance with the regulation on transparency, all natural and legal persons have the right to access public information in AIReF's possession, public information being understood to mean the content or documents, in whatever format or medium, that have been prepared or acquired in the exercise of the institution's activities. In 2019, twenty-two information requests were received, all of which were responded to in a timely manner, with 12 days being the average response time. Lastly, AIReF is supported by a representative from the Transparency and Good Governance Commission (Director of the Legal Affairs Division).

On the other hand, in its commitment to transparency and accountability, AIReF conducted continuous monitoring of the recommendations made in the external evaluations to which it was subjected by the OECD, the Court of Auditors and Fundación Hay Derecho, in compliance with the “comply or explain” principle. As a result of the continuous monitoring carried out in 2018, in January 2019, a follow-up table of the recommendations made by the OECD was published. In addition, many of the recommendations were included in the 2019 Action Plan, and continued to be monitored throughout 2019 for the three external evaluations to which AIReF was subjected, which culminated in the publication in January 2020 of the corresponding three tables for updating the monitoring of recommendations⁷.

In addition, in 2019, DYNTRA (Dynamic Transparency Index), a collaborative platform that measures public information of Governments, Public Administrations, political parties, etc., evaluated AIReF. Our institution was evaluated within the “ORGANISMOS PÚBLICOS DE LA AGE” (Public Bodies of the General Administration of Spain) index, being ranked fourth out of 89 evaluated organisations, with a score of 64%. AIReF, following a clear vocation and commitment to transparency, has provided much of the data required of it, although it has also expressed its disagreement with the applied methodology, which considers all questions relating to the “dependent bodies” as “unanswered”, even though AIReF has no “dependent bodies”. This adversely affected the institution’s score.

⁷ The external evaluations and follow-up can be found on the transparency section of AIReF’s website <https://www.airef.es/es/transparencia-evaluaciones-externas/>



ANNEX 1

Documents published by AIReF in 2019

Publication date	Report
<i>Reports on the budget cycle</i>	
11 JANUARY	Executive Summary of the Report on the Macroeconomic Forecasts in the Draft General State Budget for 2019
29 JANUARY	Report on the Macroeconomic Forecasts in the Draft General State Budget 2019
29 JANUARY	Report on the main budgetary lines and draft budgets of the Public Administrations: 2019 Draft General State Budgets
7 FEBRUARY	Supplementary Report for the Individual Evaluation of the Main Budgetary Lines of 2019 of the Local Governments
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of Aragon
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of Catalonia
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of Castile-La Mancha
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of Castile and León
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of the Basque Country
8 FEBRUARY	Report on the Main Budgetary Lines for 2019 of the Region of La Rioja
5 APRIL	Report on the Initial Budgets of Public Administrations 2019
11 APRIL	Supplementary Report of Individual Evaluation of the Initial Budgets of the Local Governments for 2019
11 APRIL	Reports on the initial 2019 Budgets of the Regions. Individualised Sheets
8 MAY	Report on the Macroeconomic Forecasts of the 2019 Budget of the Region of Andalusia
9 MAY	Report on the Stability Programme Update (SPU) 2019-2022
18 JULY	Supplementary report on expected compliance with the 2019 budgetary stability target, government debt target and expenditure rule
18 JULY	Supplementary Report of individual evaluation of expected compliance with the stability target, expenditure rule and debt limit in 2019 of the Local Governments
18 JULY	Individual reports on expected Regional compliance with the 2018 budgetary stability target, government debt target and expenditure rule
6 SEPTEMBER	Report on the Macroeconomic Forecasts of the 2020 Budget of the Provincial Council of Navarre
19 SEPTEMBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Castile-La Mancha
11 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Andalusia
15 OCTOBER	Executive Summary on the Report on the Macroeconomic Forecasts of the 2020 Draft Budgetary Plan.

Publication date	Report
15 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of the Basque Country
22 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Extremadura
23 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Galicia
23 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of the Canary Islands
25 OCTOBER	Report on the Main Budgetary Lines of the Public Administrations 2020
30 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Murcia
31 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of the Balearic Islands
31 OCTOBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Valencia
15 NOVEMBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Aragon
15 NOVEMBER	Report on the Macroeconomic Forecasts of the 2020 Budget of Asturias
5 DECEMBER	Report on the Main Budgetary Lines of the 2020 Budgets of the Local Governments
5 DECEMBER	Individual Reports on the Main Budgetary Lines of the Regions 2020
5 DECEMBER	Report on the Main Budgetary Lines of the Regions 2020
<i>Reports on the application of the preventive, corrective and coercive measures of the LOEPSF</i>	
18 JULY	Report on the implementation of the corrective mechanisms provided for in Organic Law 2/2012, of 27 April, on budgetary stability and financial sustainability in the Regions
18 JULY	Report on the implementation of the corrective mechanisms provided for in Organic Law 2/2012, of 27 April, on budgetary stability and financial sustainability in the Local Governments
7 AUGUST	Report on the 2019-2020 Economic-Financial Plan of Andalusia
<i>Studies</i>	
3 JUNE	Study 1 Spending Review Strategy and procedures for granting subsidies
6 JUNE	Study 2 Spending Review Medication dispensed through prescription;
12 JUNE	Study 3 Spending Review Active Employment Policies Programme
19 JUNE	Study 4 Spending Review University education scholarships



Publication date	Report
19 JUNE	Study 5 Spending Review Programme for promoting talent and its employability in R&D+i
26 JUNE	Study on minimum income programmes in Spain
3 JULY	Study 6 Spending Review Strengthening business competitiveness
3 JULY	Study 7 Spending Review Assessment of Sociedad Estatal de Correos y Telégrafos and the provision of the universal postal service
<i>Opinions</i>	
9 JANUARY	Opinion on the Sustainability of the Social Security System



ANNEX 2

Monitoring of the 2019 Action Plan

REVIEWED 2015-2020 STRATEGIC PLAN	PROPOSALS FOR 2019 PLANNED ACTIONS	WORK CARRIED OUT AT 31/12/2019	
1	CONTRIBUTE TO BUDGETARY STABILITY		
a	Monitoring and analysing the economic and budgetary situation		
i	Develop models to forecast and project macroeconomic and budgetary variables	1. Continue with the work of modelling the main macro variables: a. Integrated short-term forecast model (MiPred) dynamic factor model (q+1 and q+2) b. Short-term GDP forecasting model and Bayesian vector autoregressive models with exogenous variables (BVARX, q+3 to q+4) c. MetCap Model: early estimates of quarterly regional GDP d. Medium-term forecasting model based on error correction equations e. Development of a tool to analyse the effects of transmission of external shocks towards and within Spain	Implemented. It is an ongoing task.
		2. Use of AIREF's quarterly model (AQM): demand, prices, expenditure, income and wealth and credit and interest rates	Implemented. It is an ongoing task.
		3. Updating of cadastral data (continuous process) and continued modelling of the income tax on real estate at the regional level	Implemented. It is an ongoing task.
		4. Development of models for revenues forecasts based on macroeconomic indicators	Implemented. It is an ongoing task.
		5. Expansion of an internal database	Implemented. It is an ongoing task.
		6. Incorporation of microdata with updating until 2018	Implemented
		Expanding the analysis models to include benchmarking related to the fiscal pressure on real estate tax among urban units of similar local corporations.	Pending
		8. Maintenance and improvement of forecasting models for health and educational expenditure in the Regions	Implemented
		9. Start work on a model to characterise the estimated impact of measures taken by the Regions on a specific tax	Implemented
		10. Revision of the forecast models of short-term social contributions and unemployment benefits	Implemented
		11. Review and improvement of AC expenditure: compensation of employees, intermediate consumption and contributions to the EU in national accounting terms for the AC	Implemented

		12. Complete expenditure disaggregation and make progress in the separate estimation of the deficit of the State and AC bodies.	Implemented
		13. Start work for the publication of a monitor on the labour market	Pending
ii	Develop data bases and establish and maintain budgetary execution data monitoring and early-warning systems for possible imbalances in each of the PAs.	1. Integration between the different institutional sectors: a. Reconciliation of macroeconomic and fiscal variables b. Reconciliation of financial and non-financial variables c. Application of shocks through elasticities d. Improvement of sectoral allocation methods	Implemented
		2. Simulation tools: components of GDP on the demand side, pension expenditure, public consumption	Implemented
		3. Revise the methodology used to assess uncertainty	Implemented
		4. In the context of the work carried out for the monthly publication of the monitoring of budgetary execution, extend the individual analysis of the monthly execution of the Regions to the various expenditure and revenue items	Implemented
		5. Update and improve the Local Corporation database with variables that are not strictly economic	Implemented
		6. Analysis of the fiscal rules determining the aggregate of the sub-sector from individual data communicated by all LCs.	In progress
		7. Update the databases on the Regions with the information available for the analysis of computable expenditure for the purposes of the expenditure rule	In progress
		8. Use the database of Regional budgetary rules	Pending
		9. Determine and design the main sustainability indicators that enable the risk situation of each of the Local Governments to be assessed.	Implemented
		10. Design a database on the EFPs of the LCs	In progress
		11. Begin work on the design of a database on the number of staff at the service of the Territorial Administrations.	Pending

		12. Expansion of the databases on the Regions with additional elements relevant for analysis	In progress
iii	Identify relevant budgetary stability issues to be specifically analysed in reports, or a more in-depth analysis in the form of working papers (WP)	1. Completion of works and publication of reports, opinions or working papers on the following topics: - Healthcare and education expenditure forecasts - Expenditure rule (update of the WP already published)	Not executed due to redefinition of priorities
		2. Continue with the assessment of the in-depth analysis of the sustainability of certain LCs with structural problems, identifying risks and promoting lines of action. Continue to expand the subjective scope and the indicators for the individual assessment of sustainability risks	Implemented. It is an ongoing task.
iv	Self-assessment of the quality of the macro-fiscal forecasts made in the short and medium term	1. Continuation and improvement of the system for evaluation and analysis of the deviations and difficulties in the fiscal forecasts made throughout the year: analysis and redefinition, if appropriate, of the criteria and variables applied, by analysing the deviations, expanding this analysis to a monthly frequency	Implemented
		2. Development of tools to breakdown certain factors in AIREF forecast trends (update macro outlook, economic policy measures, data reviews, etc.) identification of biases and their monitoring	Implemented
		3. Develop a methodology for self-assessment of internal macroeconomic forecasts including a real-time database	Implemented. Publication planned in 2020
		4. Develop systems to assess macro forecasting models for the Regions	Implemented
v	Incorporation of benchmarking techniques into the analysis of the PAs' economic and budgetary situation.	1. Improve the presentation and selection of new non-financial variables for the LC database for use in benchmarking analyses	Implemented. It is an ongoing task.
		2. Continue and publish the benchmarking analysis on the effective cost of the LC services. Improvement and extension to other services	Implemented. It is an ongoing task.
		3. Comparative analysis of Regions based on benchmarking techniques	Pending

1 CONTRIBUTE TO BUDGETARY STABILITY			
b Help to enforce and improve the design of national and EU fiscal rules.			
i	Internally develop the necessary capacities to estimate the variables used in determining fiscal rules, especially the structural balance and the output gap	1. Maintain and update the output gap model	Implemented. It is an ongoing task.
		2. Participation in the Output Gap Working Group of the European IFIs network and publication of a working paper	Implemented
ii	Analyse the application of fiscal rules, the consistency and compatibility between EU and national rules, and, if appropriate, propose methodological improvements	1. Opinion on the Spanish stability framework as a result of the analysis of the weaknesses and strengths of the current framework of fiscal rules	Not implemented. Analysis carried out, but without publication of document due to redefinition of priorities
		2. Continue and improve the analysis of changes in the EU fiscal rules	Implemented. It is an ongoing task.
		3. Continue to monitor the average payment period of the Territorial Administrations	Implemented. It is an ongoing task.
iii	Collaborate with the major international economic institutions and with the network of IFIs to improve the evaluation of the fiscal rules	1. Chairmanship of the EU IFIs network and possible holding of a Network meeting in Spain	Implemented
		2. Participation in meetings and activities of the EU IFIs Network, the OECD and the EC - Strengthen relations with EFB and collaboration in seminar on IFIs - Provision of standardised information to DGECEFIN, ECA, EFB	Implemented
		3. Formulation of the positions of the EU IFI network in terms of EU fiscal governance	Implemented

2	FOSTER THE FINANCIAL SUSTAINABILITY OF THE PUBLIC ADMINISTRATIONS		
a	Analyse the long-term stability of public finances and relevant impacts of certain public policies		
i	Monitor and analyse the debt sustainability of each of the PAs	1. Preparation of an opinion on fiscal risks	Not implemented. Analysis carried out, but without publication of document due to redefinition of priorities
		2. System for periodic updating of detected liabilities and development of a methodology for the identification and quantification of contingent liabilities of the PAs	No progress due to reorganisation of priorities
ii	Systematise medium-term fiscal forecasts and their connection with economic trends	1. Incorporate medium-term forecasts in the analysis	Implemented. It is an ongoing task.
iii	Construct and publish synthetic and easy-to-understand indicators to raise awareness of the importance of long term sustainability	1. Expansion of the sustainability risk indicators and estimation of the type-S2 synthetic indicators for all the PAs	Implemented
iv	Analyse the Social Security system from the standpoint of long-term sustainability	1. Continuous improvement of the estimation processes for the variables relevant to the Pension revaluation Index (PRI) estimate Incorporate civil servants' pensions into the model	Implemented
		2. Develop a projection model for civil servants' pensions.	Implemented

		3. Make progress in micro-simulation techniques for calculating the entry pension	Work in progress
		4. Development of the pension microsimulation model by incorporating retirement decision-making behavior into the model	Postponed
		5. Integration of accounting aggregate and microsimulation models	Work in progress
		6. Updating of the demographic projection model	Postponed
v	Analysing trends and long-term dynamics of the main expenditure components: pensions, healthcare, education and social services, among others	1. Continuous improvement of the estimation processes for the variables relevant to the sustainability of the pensions system	Implemented. It is an ongoing task.
		2. Updating of own population projections	Postponed to 2020 to include new information on the population from the INE
		3. Analyse the impact of changes in the variables that define healthcare and education expenditure	Implemented
		4. Continue to improve the regional healthcare and education forecast model based on information exchanges that are established, where appropriate, with the Regions or other administrations, institutions and agencies involved	Implemented

3	ENHANCE THE EFFICIENCY OF PUBLIC EXPENDITURE AND BUDGETARY PRACTICES IN THE MANAGEMENT OF PUBLIC ACCOUNTS		
a	Provide objective elements, figures and recommendations to support the budgeting process, decision-making and the design of legislative initiatives		
i	General Government Spending Review based on strategy, procedure, efficiency and effectiveness evaluations	1. Completion of work on the first phase of the Spending Review launched in 2018 corresponding to the evaluation of expenditure on subsidies	Implemented
		2. Start to design tools for monitoring the implementation of the recommendations made in the Spending Review	Not implemented. Postponed to 2020
		3. Execution of the Action Plan for the GG spending review corresponding to the second phase of the spending review: - Fiscal benefits - NHS hospital expenditure: pharmacy and investment in capital goods - Recruitment incentives - Transport infrastructure	Work in progress. Expected results in 2020
		4. Study on Universities commissioned to AIREF by the Regional Government of Andalusia	Work in progress. Scheduled delivery of the study in 2020
ii	Analyse and provide technical support to the PAs in macro budgetary matters within its competence	1. Continue the analysis with the Working Group with the Regions on macroeconomic forecasts	Working group has had no activity recently.
		2. Final conclusions and publication of the study on minimum income benefits	Implemented

3	ENHANCE THE EFFICIENCY OF PUBLIC EXPENDITURE AND BUDGETARY PRACTICES IN THE MANAGEMENT OF PUBLIC ACCOUNTS		
b	Promote the transparency of the Public Administrations in the management of their resources		
i	Identify gaps in the existing economic and budgetary information and help to standardise, simplify and disseminate said information	1. Continue the analysis and proposals for improvements in the economic and budgetary information published and provided	Implemented. It is an ongoing task.
		2. Develop a methodology for the preparation of a specific document assessing transparency in the PAs	Implemented. Publication of an Opinion expected in 2020
		3. Promote access to data and administrative records for research purposes and specifically, with respect to the cross-checking of data from different registers, possibly publish an Opinion in this regard	Implemented. Publication of an Opinion expected in 2020
ii	Publish the data from the PAs that contribute to better knowledge	1. Improve the presentation on the website of the evolution of the economic and financial information of the LCs as well as their service costs	Implemented. It is an ongoing task.
		2. Design of a published economic-financial database of the Regions and display and analysis with Tableau	In progress
c	Help improve budgetary processes and foster the application of the principle of the multi-year framework in budgetary planning		
i	Analyse and diagnose improvements for results-based budgeting and other performance indicator systems	1. Publish the Working Paper analysing the budget structure through spending programmes related to Evaluation project 1 of the Spending Review	Work carried out, but without publication of document due to redefinition of priorities

ii	Analyse and make proposals for applying a multi-year budgetary planning framework.	1. Continue studies on medium-term budgetary frameworks	Implemented
iii	Promote and help estimate and publish the short, medium and long-term economic and budgetary effects of the reforms undertaken by the PAs	1. Maintain and update the Debt Monitor (interactive through Tableau) (quarterly updating)	Implemented. It is an ongoing task.
		2. Expand the Debt Monitor by including the pension expenditure forecasts made in the Opinion on the sustainability of the Social Security system in the analyses	Implemented
		3. Monthly publication of monitoring in terms of national accounts of the PAs and each of the sub-sectors with risk assessment of non-compliance with the stability target and, at the Regional level, with the expenditure rule. This analysis is completed with the main tax figures and social security contributions in terms of cash on hand. This monitoring and publication is in addition to the assessment made in the reports.	Implemented
		4. Publication of macro-fiscal historical series for Spain in AIReF DataLab	Implemented
		5. Continue to review and improve the impact of the FSS measures in terms of contributions	Implemented. It is an ongoing task.
		6. Keep an up-to-date database of measures with regulatory impact	Implemented. It is an ongoing task.

4	HELP SPANISH SOCIETY TO PERCEIVE THE BENEFITS OF BUDGETARY STABILITY AND FINANCIAL SUSTAINABILITY		
a	Define and implement a communication strategy		
i	Define and roll out a global communication strategy including the website, media and social networks	1. Progress the strategy defined in the 2017-2019 Strategic Communication Plan in the following areas: <ul style="list-style-type: none"> - Strengthen relationships with journalists and opinion leaders - Reinforce our image in the media with the furthest social reach, such as TV and radio - Strengthen our activity on social networks 	Implemented. It is an ongoing task.
ii	Easy access for society to the work done by AIReF (website)	1. Improvements in the design of the web page	Implemented. It is an ongoing task.
iii	Appearances before Parliament	1. Publication on the website of the President's appearances and informing the media	Implemented. It is an ongoing task.
iv	Participate in discussion forums to explain AIReF's work, promoting its work at the sub-national and international level	1. Meetings with the Territorial Administrations, international agencies and other institutions	Implemented. It is an ongoing task.
		2. Support the organisation of forums and debates and publicise AIReF's participation where appropriate	Implemented. It is an ongoing task.
b	Promote fiscal awareness in society as a whole		
i	Strengthen the informative nature of AIReF's documents to make them more accessible to the general public	1. Continue to develop more dynamic informative tools (infographics and videos) Preparation of an infographic on health expenditure methodology	Implemented. Publication of informative videos. No infographics have been published.
		2. Development of different news capsules, where appropriate, with the most relevant parts of the reports and publications, expanding the tools used	Implemented. For example, publication of threads in Twitter
ii	Organise seminars and conferences on budgetary stability and financial sustainability	1. Seminar on Spain's historic debt sustainability	Not implemented. Replaced by a seminar on fiscal forecasts.

4	HELP SPANISH SOCIETY TO PERCEIVE THE BENEFITS OF BUDGETARY STABILITY AND FINANCIAL SUSTAINABILITY		
c	Promote economic research in the field of fiscal policy		
i	Publish working papers on matters within AIReF's scope of action	<p>1. Continue the analysis and possible publication of working papers on the following subjects:</p> <ul style="list-style-type: none"> a. Historical debt series b. Healthcare and education expenditure forecasts c. Expenditure rule (update of the WP already published) d. Analysis of the budgetary structure by expenditure programme linked to Evaluation Project 1 of the spending review e. Updating of the effect that the pension reform has had on the entry pension to 2018 	Development of work in all areas without publication of documents due to redefinition of priorities
		<p>2. Identify areas of interest for research that, if deemed appropriate, will become working papers:</p> <ul style="list-style-type: none"> a. Assessment of transparency in the PAs b. Estimation of fiscal multipliers c. Forecasting efficiency d. Proposal for optimal IFI model 	Expected development of opinion on the evaluation of fiscal transparency and working papers on forecasting efficiency and the various models of IFIs.
ii	Establish mechanisms for collaboration with universities and research centres, international institutions and other independent fiscal institutions to undertake research	1. Participation in the technical working groups of the EU IFIs network	Implemented
		2. AIReF presentations at universities	Not carried out, although several universities have been contacted to bring their attention to AIReF's scholarship programme
iii	Programme of research fellowships and scholarships in AIReF	1. New announcement	Implemented

5	CREATE AN EFFICIENT AND TRANSPARENT AIReF		
a	Design and draw up reports, opinions and studies		
i	Provide more in-depth information with the greater use of graphic tools and connections to AIReF's web platform	1. Publish and update the main macro-economic outlook equations: demand, prices, expenditure, income and wealth and credit and interest rates	Implemented. It is an ongoing task.
		2. Develop interactive graphics to include in reports	Implemented. It is an ongoing task.
ii	Prepare and publish the methodologies used in reports and opinions	1. Evaluate and adapt or upgrade, if necessary, the existing methodologies	Implemented. It is an ongoing task.
		2. Publish the new methodologies as they are developed	Implemented
iii	Advisory Board on economic, budgetary and institutional matters	1. Four meetings in 2019	Implemented
b	Substantiate the comply-or-explain principle and the duty of collaboration for information referral		
i	Adapt recommendations to each of the PAs and monitor in accordance with the comply-or-explain principle	1. Quarterly publication of recommendation monitoring	Implemented
		2. Continue to develop and use the recommendations database	Work in progress
ii	Define, gather and monitor requests for information needed to prepare reports	1. Continue to publish the monitoring of requests for information made by AIReF	Implemented. It is an ongoing task.
iii	Develop memoranda of understanding, agreements or procedures for the exchange of information and the development of institutional relationships between AIReF and the main agencies of the PAs.	1. Continue with attempts to sign an MoU with the MINHAC on the referral of information and/or direct access to the databases necessary for the performance of AIReF's work	No progress
		2. Promote the signing of an MoU with the <i>Ministerio de Economía y Empresa</i> (Ministry of Economy and Finance)	Signing of a MOU recommended in AIReF reports
5	CREATE AN EFFICIENT AND TRANSPARENT AIReF		
c	Efficient and transparent management of human and financial resources		

i	Consolidate and maintain a competent team. Continuous staff training	1. Expand the staff establishment plan in order to obtain the appropriate staff to achieve AIREF's targets	Implemented
ii	Creating an independent administrative and management structure	1. Redesign of the IT infrastructure	Implemented
		2. New feature of the fee management application: resources module	Implemented
		3. Implementation proposals on the evaluation of virtual desktop solutions	Implemented
		4. External audit on data protection	Implemented
		5. External audit on digital security	Implemented
		6. Creation and coordination of the AIREF Working Group on Objectives-based Management of Human Resources	Implemented
		7. Development of the prevention plan and training in occupational risk prevention and first aid	Implemented
iii	Establish an assessment and monitoring system for AIREF's activity, including the mid-term external evaluation	1. Continuous monitoring of the Action Plan	Implemented
		2. Continuous monitoring of the implementation of recommendations made in external evaluations	Implemented

Independent Authority
Fiscal Responsibility (AIReF)

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