

AIReF's ACTION PLAN

2021

(Strategic plan 2020-2026)



Independent Authority
for Fiscal Responsibility



The mission of the Independent Authority for Fiscal Responsibility (AIReF) is to ensure strict compliance with the principles of budgetary stability and financial sustainability enshrined in Article 135 of the Spanish Constitution.

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Published on February 2021

CONTENT

	<u>Page</u>
1. INTRODUCTION	4
2. AReF's ACTIONS IN 2021	6
2.1. Reports, opinions and studies planned for 2021	6
2.2. Other actions planned for 2021	9

1. INTRODUCTION

In the first quarter of each year, the Independent Authority for Fiscal Responsibility (AIReF) must prepare and publish an Action Plan in accordance with Article 5 of its Organic Statute. In addition to mandatory reports, the Plan includes opinions, any requested studies and other actions intended to improve its work. The Action Plan therefore represents the Authority's public commitment to society with respect to its activities during the year.

The 2021 Action Plan details the first full year of activity under the [2020-2026 Strategic Plan](#), published on September 25th. The fundamental objective of this six-year Plan is to consolidate this young institution as a useful tool for society. To this end, AIReF's actions will focus on four strategic aims: in-depth fiscal supervision of the General Government; ensuring the sustainability of public finances with a long-term vision; making public policy evaluation a core activity of AIReF; and strengthening the principles of independence, transparency, and accountability.

The 2021 Action Plan has been drawn up at a time characterised by a high degree of uncertainty resulting from the COVID-19 crisis and the suspension of fiscal rules as a result of the activation, in October 2020, of the escape clause provided for in the Law on Budgetary Stability and Financial Sustainability.

Although this Annual Plan has taken this uncertainty into account, its implementation will necessarily have to be adapted to the circumstances. This may mean that some actions now planned will not be performed or that other actions that are not included in the Plan will be added, as was the case last year.

Although activation of the escape clause, with effect in 2020 and 2021, does not imply the absence of fiscal supervision, it does directly affect AIReF's activity. In particular, with the suspension of the fiscal rules and the replacement of fiscal targets with reference rates, the possibility of activating the preventive, corrective and coercive mechanisms of the Organic Law on Budgetary Stability and Financial Stability and, consequently, the corresponding AIReF reports on this matter, is cancelled. Of course, deactivation of the escape clause or any

alterations that may occur in the fiscal framework over the course of the year will be taken into account and will be duly reflected in AIReF's actions.

The 2021 Action Plan was approved by AIReF's President on February 10th 2021, following deliberation and endorsement by AIReF's Steering Committee.

2. AIReF's ACTIONS IN 2021

AIReF will assess compliance with this Plan, in implementation of the Strategic Plan, and its results will be summarised in the 2021 Annual Report, which will be published in the first quarter of 2022.

This 2021 Action Plan will be monitored on an ongoing basis. Every six months, the Steering Committee will assess its level of implementation and revise those aspects that require updating. This evaluation will take into account the exceptional circumstances associated with the COVID-19 crisis.

2.1. Reports, opinions and studies planned for 2021

1. Reports planned for 2021 on the budget cycle that will be prepared, provided that the corresponding budgetary milestones triggering their issuance materialise and their production is viable and makes economic sense:

- Report on the initial budgets of the General Government 2021
- Report on the 2021-2024 Stability Programme Update.
- Report on expected compliance with the budgetary stability target, government debt target and expenditure rule.
- Report on the setting of individual targets for the Autonomous Regions.
- Report on the macroeconomic forecasts of the 2022 Draft General State Budget.
- Report on the macroeconomic forecasts of the 2022 Budgets of the Autonomous Regions
- Report on the draft budgets and main budgetary lines of the General Government for 2022.

- 2. AIReF is also responsible for drafting reports on the application of the preventive, corrective and coercive mechanisms of the Organic Law on Budgetary Stability and Financial Sustainability.** These will be drawn up in the event that the escape clause is deactivated or decisions in this regard are taken and conditions are in place for such reports to be prepared.
- 3. Start of the studies corresponding to the third phase of the Spending Review commissioned from AIReF by the General Government in compliance with the commitments undertaken with EU institutions.** AIReF will make the specific studies public and they will form part of this Plan, upon receipt of the response to the proposal that AIReF made last year.
- 4. Start and, as the case may be, preparation of other evaluation studies that the Government may order at the request of a ministerial department.**
- 5. Studies commissioned by Territorial Public Administrations:**
 - Performing the first phase of the studies commissioned by the Autonomous Region of Castile and Leon: study on institutionalisation of evaluation and two specific evaluations (institutional communication and active employment policies).
 - Performing the evaluations commissioned by the Autonomous Region of Aragon: study on out-of-hospital, hospital, and community healthcare pharmacy expenditure; study on the staff policy of the Regional Department of Education, Culture and Sport and study on the funding model of the University of Zaragoza.
 - Preparation and start of the work commissioned by the Autonomous Region of Extremadura in the field of health expenditure and active employment policies.
 - Preparation and start of the work commissioned by the Region of Valencia on healthcare expenditure.
 - Preparation and start of the work of the study requested by the City Council of Sant Feliu de Llobregat to assess the consequences of the early termination of an administrative concession.

- 6. Opinion on the long-term sustainability of the General Government.** To further advance in its strategic objective of ensuring the sustainability of public finances, AIReF will prepare long-term macroeconomic and fiscal forecasts that will complement the work already carried out in pensions and public-debt analysis to identify long-term fiscal policy challenges.
- 7. Opinion on the Minimum Living Income.** Article 28.3 of Royal Decree-Law 20/2020, of 29 May, establishing the Minimum Living Income determines that “the result of the Minimum Living Income and the various inclusion strategies and policies will be evaluated annually by the Independent Authority for Fiscal Responsibility, through the issuance of the corresponding opinion”. In 2021, the first opinion will be issued focused on the implementation and complementarity with other regional incomes. It will necessarily be conditioned by the scope and depth of the information available given the still short time that has elapsed since its approval.
- 8. Opinion on Fiscal Transparency.** Improving the quality and transparency of public finances is a strategic objective for AIReF. Accordingly, this opinion will include an evaluation exercise, in accordance with the International Monetary Fund (IMF) methodology, on fiscal transparency in the General Government and the Autonomous Regions.
- 9. Opinion on the cessation of activity of self-employed workers.** The contribution rate for the benefit for cessation of activity for self-employed workers has been substantially modified over recent years and has become mandatory. Therefore, AIReF will analyse the implications for the financial sustainability of the protection system for cessation of activity in accordance with the provisions of current legislation.

Depending on the development of the rest of the work and the needs identified throughout the exercise, the Steering Committee may consider issuing additional opinions on any relevant topic during the year. In this regard, Organic Law 6/2013, of 14 November, on the Establishment of an Independent Authority for Fiscal Responsibility, empowers the institution to issue opinions at its own initiative on matters related to budgetary stability and the financial sustainability of the General Government.

In addition, the implementation of this Action Plan **should also be adapted to the exceptional situation of 2021.**

2.2. Other actions planned for 2021

2020-2026 STRATEGIC PLAN	2021 ACTIONS
1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT	
I. Monitoring the economic and budgetary situation	
a. Development of short and medium-term forecasting and projection models of macroeconomic and budgetary variables	<ol style="list-style-type: none"> 1. Continuous review of the modelling of the main macroeconomic variables: <ol style="list-style-type: none"> a. Integrated very short-term forecast model (q+1 and q+2), dynamic factor model (MIPred) b. Short-term GDP forecasting model and Bayesian vector autoregressive models with exogenous variables (BVARX) c. Quarterly regional GDP flash estimate model (MetCap) d. Medium-term forecasting model based on error correction equations (MTA) 2. Development of alternative econometric models based on high-frequency data for estimating GDP in the very short term 3. Development of a model for estimating the compensation per employee 4. Introduction, maintenance and update of a synthetic approach to estimate the output gap. Publication of the tool and preparation of working papers 5. Maintenance and continuous review of an integrated system for forecasting the main tax categories that include error correction models of the main tax bases with macroeconomic anchor, their translation to amounts in accrual and cash through their breakdown of the collection mechanisms. ESA adjustments are also incorporated into the system for the transfer of the cash amount to national accounts 6. Maintenance and review of the models for forecasting the main revenues of the Autonomous Regions: revenue from financing system for regions under the ordinary regime, as well as revenue from the financing system for regions under the foral (provincial) regime and revenue from the Tax on Asset Transfers and Documented Legal Acts (TATDLA) 7. Maintenance and review of the models for forecasting the main revenue of Local Governments, mainly the local financing system and revenue of the Provincial Councils 8. Maintenance and review of the short-term forecasting models for social contributions and unemployment benefits: <ol style="list-style-type: none"> a. Quarterly social contribution models in national accounting terms b. Monthly social contribution models in cash terms according to type of regime c. Quarterly unemployment benefit models, distinguishing between contributory and non-contributory regimes 9. Maintenance and review of the short and medium-term health and education expenditure forecasting models: extension of the contrast variables (social security affiliations and other monthly statistics, health expenditure questionnaires sent by the Autonomous Regions) and of the review frequency based on the previous variables 10. Review and improvement of the regional expenditure models, including preparing a correlation between budgetary and national accounting data by headings for the State 11. Review and improvement of the separate estimate for the headings of revenue and expenditure of the State and the Central Administration organisations, including forecasts of transfers between the State and Central Administration organisations. 12. Review and improvement of the estimate of the headings of revenue and expenditure of each one of the Autonomous Regions and of the Local Government sub-sector, integrating the results of the specific models and other projection methods 13. Integration of the projections for each of the sub-sectors in a fiscal sheet for the whole General Government, by aggregating the individual data and consolidating the estimated transfers between the different agents

1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT (*continuation*)

I. Monitoring the economic and budgetary situation (*continuation*)

b. Development of databases and macroeconomic forecasting systems. Monitoring budgetary implementation data for all the General Government	<ol style="list-style-type: none"> 1. Working on the creation of an internal database of the main fiscal variables from different sources, periodicity and accounting criteria 2. Extension and maintenance of the internal database of macroeconomic variables 3. Maintenance and improvement of the existing Local Governments database
c. Preparation of reports, studies and opinions, as well as technical documents on macroeconomic and fiscal matters	<ol style="list-style-type: none"> 1. Preparation of the reports provided for in AIReF's regulations 2. Opinion on the assessment of fiscal transparency in the General Government 3. Opinion on the long-term sustainability of the General Government 4. Opinion on the cessation of activity of self-employed workers 5. Opinion on the Minimum Living Income 6. Public policy evaluation studies under Aim 3 7. Technical papers on output gap; self-assessment of forecasts, and long-term sustainability analysis
d. Monitoring and assessing of the macroeconomic and fiscal impact of economic policy measures	<ol style="list-style-type: none"> 1. Maintenance and update of the database of tax measures with the impact on tax collection 2. Review and improvement of the impact assessment of the SSF measures, both in terms of contributions and benefits 3. Monitor the materialisation and execution of the Next Generation EU Funds 4. Assessment of the macroeconomic impact of the measures and reforms included in the Recovery, Transformation and Resilience Plan and assessment of the macro and fiscal impact of the medium-term consolidation strategy that might be included in the Stability Programme Update. 5. Development and maintenance of the AIReF macroeconomic impact assessment tool (Integrated AIReF Model) 6. Incorporation of the macroeconomic impact assessment and simulation tools of the EC QUEST and OXFORD models for quantifying the impact of fiscal measures and the European Recovery Plan 7. Extension of the analysis on the impact of the rise in the national minimum wage
e. Self-assessment of macroeconomic and fiscal forecasts	<ol style="list-style-type: none"> 1. Technical paper on forecast errors in AIReF's macroeconomic and fiscal estimates 2. Development of a methodology for self-assessment of internal macroeconomic and fiscal forecasts, including a real-time database 3. Development of systems for evaluating the macroeconomic forecast models of the Autonomous Regions
f. Formulation and follow-up of recommendations subject to the 'comply or explain' principle	<ol style="list-style-type: none"> 1. Publication of the quarterly recommendations follow-up 2. Implementation of an internal database with recommendations issued by AIReF together with their follow-up

1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT (continuation)	
II. Compliance with the national and European fiscal framework	
a. Analysis of the application of EU and national fiscal rules	<ol style="list-style-type: none"> 1. Monitoring the implementation of national and EU fiscal rules, bearing in mind activation of the respective escape clauses and the guidance of EU institutions 2. Monitoring changes in EU and national fiscal guidance and rules that might be decided over the year. 3. Contribution to the requests for information on the implementation of the fiscal framework applicable to Spain
b. Follow-up to the reform of European fiscal rules and analysis of their functioning	<ol style="list-style-type: none"> 1. Participation in discussion forums on the reform of EU fiscal rules, both in the area of review initiatives promoted at an EU level, and within the network of IFIs. 2. Document with AIReF's view on the reform of EU fiscal governance and possible areas for improvement 3. Participation in the Working Papers of the IFI Network on medium-term fiscal frameworks; the role of IFIs; and fiscal policy in a high debt environment.
III. Early warning of risks	
a. Monthly follow-up of compliance with fiscal targets	Monthly publication of the monitoring of execution in national accounting terms of General Government and each one of the sub-sectors with the revision of the previous forecasts
b. Definition of leading indicators and macro-fiscal risk indicators for all tiers of the General Government	<ol style="list-style-type: none"> 1. Start of work on the definition and qualification of the risk alerts for sustainability of Local Governments 2. Monitoring and evaluation of the synthetic models for the assessment of macro-fiscal risks for all levels of the General Government
c. Analysis other risks and their budgetary implications	Work on long-term health, education and social protection expenditure forecasts for their integration in to the long-term sustainability opinion of the General Government

2020-2026 STRATEGIC PLAN	2021 ACTIONS
2. ENSURING THE SUSTAINABILITY OF PUBLIC FINANCES WITH A LONG-TERM VISION	
I. In-depth analysis of long-term sustainability	
a. Development of long-term macroeconomic, demographic and budgetary forecasts	<ol style="list-style-type: none"> 1. Maintain and update of tools for analysing the long-term debt sustainability 2. Development of a long-term macroeconomic forecast framework 3. Maintain and update the methodology and tools for preparing AIReF's long-term demographic projections 4. Incorporation, estimation and evaluation of the long-term effects linked to COVID-19 on macroeconomic and demographic projections 5. Long-term debt projections, identification of the most significant risks and monitoring by quarterly updates of the Debt Monitor Tool 6. Development of long-term macro and fiscal forecasts for integration into the General Government's long-term sustainability opinion
b. Monitoring and analysing of the sustainability of the General Government, in particular the Social Security System	<ol style="list-style-type: none"> 1. Update and improvement of demographic and pension expenditure forecasts 2. Discussion paper on implications for sustainability analysis resulting from the new macro-economic context characterised by low growth, low interest rates and greater uncertainty and frequency of extreme shocks
c. Monitoring and analysing contingent liabilities and other measures with an impact on sustainability	Periodic monitoring of the contingent liabilities identified and preparation of public debt projection scenarios linked to different assumptions of the materialisation of those liabilities
II. Contribution to the definition of a sustainable fiscal strategy	
a. Analysis of strategies for reaching a sustainable level of public debt	Analysis of alternative medium-term fiscal consolidation strategies
b. Preparation of empirical studies on the impact of the various fiscal measures	Technical paper on macroeconomic impact of Spain's Recovery, Transformation and Resilience Plan

2020-2026 STRATEGIC PLAN	2021 ACTIONS
3. MAKE PUBLIC POLICY EVALUATION A CORE ACTIVITY OF AIReF	
I. Promote the necessary policy changes to enable evaluation to be a permanent function of AIReF	
a. Promotion of regulatory change	Amendment of the Organic Statute of AIReF (Royal Decree 215/2014) to incorporate the evaluation of public policies as a permanent function of the institution and to create a Division of Public Policy Evaluation
II. Public policy evaluations	
a. Development of public policy evaluations studies at the request of the General Government	<ol style="list-style-type: none"> 1. Preparation, definition and start work on the third phase of the Spending Review 2. Perform evaluations of the first phase of the commission of the Autonomous Region of Castile and Leon on the institutionalisation of evaluation, institutional communication and active employment policies 3. Perform evaluations commissioned by the Autonomous Region of Aragon on out-of-hospital, hospital and community healthcare and pharmacy expenditure, the staff policy of the Regional Department of Education, Culture and Sport and the funding model of the University of Zaragoza 4. Preparation and start the evaluation work of the commission of the Autonomous Region of Extremadura in the field of health expenditure and active employment policies 5. Preparation and start the evaluation work of the commission of the Autonomous Region of Valencia on healthcare expenditure
b. Make available the information used in the evaluations	<ol style="list-style-type: none"> 1. Publication of interactive tools and micro-simulators on the AIReF website that allow the information from the studies to be displayed by different categories, classifications or codifications so that they may be useful to decision-making bodies, for future studies or for the general public 2. Provide data, tables and graphs that form part of the evaluation reports in informes de evaluación
III. Evaluation monitoring system	
a. Establish a system for monitoring proposals and publishing the progress made	<ol style="list-style-type: none"> 1. Build a database with the proposals made in the studies carried out 2. Design mechanisms for systematic and ongoing monitoring of implementation of the proposals made in the completed programme evaluations in order to promote and support their implementation. Monitor conclusions and proposals made as a result of evaluations from other institutions or in academic papers of those expenditure programmes evaluated by AIReF
b. Promote the implementation of AIReF's proposals through systems of collaboration with the General Government	Agree with the programme managers, or with a single partner of the evaluated public authority, on a regular follow-up to the recommendations made by AIReF

3. MAKE PUBLIC POLICY EVALUATION A CORE ACTIVITY OF AIReF *(continuation)*

IV. Foster the culture of evaluation within the budget process

a. Promote the implementation of evaluation in the budget cycle	Organise a seminar on Public Policy Evaluation
b. Budget and public policy assessments in the reports published by AIReF	Work on defining indicators for the policies evaluated by AIReF that can be added into AIReF's fiscal supervision and budget stability reports
c. Dissemination of knowledge on evaluation methodologies	<ol style="list-style-type: none"> 1. Publish methodological annexes of the completed evaluations 2. Disseminate AIReF's evaluation experience in the different administrations, evaluation forums or sectoral meetings
d. Collaboration and exchange of knowledge with institutions and agencies with evaluation functions and in the academic field	Share, as a basis for discussion, the findings of the evaluations, the methodological approaches and the possible institutional framework for improving the institutionalisation of evaluation in the General Government

2020-2026 STRATEGIC PLAN	2021 ACTIONS
4. STRENGTHEN THE PRINCIPLES OF INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY	
I. Strengthen the principle of independence	
a. Consolidate an efficient administrative structure and multidisciplinary staff	<ol style="list-style-type: none"> 1. Development of the selection process for AIReF's own permanent workforce 2. Processing of the targeted processes for the coverage of vacant positions and extension of the institution's job list 3. Strengthen the Institution's remote working of organisation 4. Provide courses for staff in various subjects related to their jobs 5. Implementation of the Digital Rights Policy for AIReF's staff 6. Complete the external audit on computer security and planning for the adoption of corrective and improvement measures 7. Implementation of corrective and improvement measures arising from the 2021 external data protection audit 8. Incorporate the revenue model to the Tas@AIReF application
b. Development of tools for sharing information and of institutional relations with the General Government	<ol style="list-style-type: none"> 1. Create legal instruments to encourage the exchange of information and the processing of large databases of other public authorities by AIReF 2. Implementation of a document management system 3. Implementation of a new information structure for performing evaluation studies commissioned by other public authorities
c. Ensure a financing and budgeting system for AIReF's activity that is consistent with its necessary functional autonomy	<ol style="list-style-type: none"> 1. Implementation of the precise arrangements for the collection in the executive period of the amount of the fee not paid by the General Administration in the voluntary period 2. Invoicing and carrying out arrangements for the collection of public fees accruing for the conduct of studies 3. Preparation, as the case may be, of the preliminary draft budgets 2022, including the precise expenditure and investment items to ensure the proper discharge of its tasks by the institution
II. Strengthen the principle of transparency	
a. Publication of documents and recommendations. Make all of AIReF's analysis tools available on the website.	<ol style="list-style-type: none"> 1. Promote transparency in other public authorities: identify improvements in the provision of information and promote access to data 2. Publication of recommendations through a simple and visual tool to transmit information 3. Start of work for publication of Observatory of fiscal and Macro Data of Autonomous Regions 4. Improvement of the Local Government Fiscal Data Monitor tool by adding the possibility of making comparisons between similar entities 5. Multi-channel dissemination of publications. Renovation of the website's homepage and inner pages
b. Increase the predictability of actions and publications	Creation of a web space with an agenda for publications

4. STRENGTHEN THE PRINCIPLES OF INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY *(continuation)*

II. Strengthen the principle of transparency *(continuation)*

c. Collaboration and participation in forums with universities, experts and agencies in matters under AIReF's remit	<ol style="list-style-type: none"> 1. Modification of the annual scholarships programme to include remote training programmes 2. Participation in seminars and conferences in areas under AIReF's remit. Organisation of technical seminars or sessions
d. Presentation of AIReF's work to the non-specialised public	Generate multimedia content, factsheets and other material to facilitate dissemination. Presence in the media and forums of the different Autonomous Regions

III. Strengthen the principle of accountability

a. Appearances before Parliament	Publication on the website of the President's appearances and information to the media
b. Establishment of an Advisory Council	Formalisation of the new Advisory Council: selection of members and start-up
c. Monitoring recommendations of external evaluations on AIReF and promotion of new ones	Publication of the follow-up to the external evaluations to which AIReF's activity may be subjected
d. Collaboration with European institutions, international organisations and other Independent Fiscal Institutions	<ol style="list-style-type: none"> 1. Participation in the IFI networks of the EU and the OECD 2. Continued collaboration with EU, IMF, ECB, OECD institutions 3. Provide information to the European Commission, the EFB (European Fiscal Board) and other institutions on economic and budgetary analysis 4. Participation in the EU's IFI network activities and bi-annual publication of the European Fiscal Monitor



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