



Independent Authority
for Fiscal Responsibility

ECFIN CONFERENCE ON THE FUTURE ROLE OF IFIs

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What proved to be the strong points in the Spanish set-up?

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What is crucial to safeguard Independence?

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**What proved to be the
strong points in the
Spanish set-up?**

1. What proved to be the strong points in the Spanish set-up?

Necessary condition: broad and country-specific legal basis, including mandate

Continuous monitoring of budgetary cycle and public debt, at all levels of general government

Assessment of government's economic forecasts, at level S.1311 and S.1312

Subnational mandate - specificity of Spain's decentralized system

Possibility to perform studies at the request of any government – additional spending review task originally

Possibility to undertake analysis at own initiative, provided it is related to sustainability of public finances (opinions)

1. What proved to be the strong points in the Spanish set-up?

Good legal basis is a necessary but not sufficient condition

**Also needed:
reputation,
strong
institutional
credibility**

- **Rigorous, evidence-based analysis – enough resources and staff**
- **Independence and non-partisanship**
- **Transparency and self evaluation**
- **Accountability – appearances before Congress**
- **Support by EU Institutions**

Sound legal mandate + reputation = exercising soft power on a collaborative basis

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**What is crucial
to safeguard Independence?**

2. What is crucial to safeguard independence?

Adequate level of resources and management flexibility

Sufficient and stable level of resources, both financial and staff

Funding should also be sufficient to allow for production of own-initiative reports.

Budget protected from political interference and management flexibility -> multiyear budgetary appropriation

Adequate flexibility to manage resources is also important:

- Budget: even if financing and budgetary appropriations are available, authorizations from the MoF are required in certain circumstances. Instead, day-to-day management requires flexibility in the distribution of appropriations.
- HHRR: characteristics of both civil servants and temporary staff is not an autonomous decision of AIReF

2. What is crucial to safeguard independence?

Sufficient safeguards to political interferences

President/ Board members selected under a transparent procedure based on merit and competence

Terms of President/ Board members should be independent of an electoral cycle

The hiring process should be subject to strict rules on conflict of interest

Moreover, IFIs should be able to produce reports and analysis on their own initiative as long as the reports are consistent with their mandate

Break down the information asymmetry in fiscal matters

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Improvements to further strengthen AIReF's role

3.1. Some identified challenges

Two levels fiscal framework	<p>Current fiscal framework (and the interaction between the EU and the national one) complicates the tasks of IFIs</p> <ul style="list-style-type: none">▪ Rules on similar but not identical references, e.g. expenditure rule▪ Data availability issues (EU funds for instance) and timely access to interpretation agreements▪ Volatility of crucial data
Short term	<p>In practice, strong focus on the short term</p>
Comply or explain principle	<p>Limitations of the “comply or explain” principle - how to approach unfulfilled recommendations and make them more binding</p>
Access to information	<p>MoU</p>

3.2. Improvements to further strengthen AIReF's role

Improvements to the EU fiscal framework, with a stronger focus on the medium term (not only in theory, also in practice):

Most contributions demand a more influential role for IFIs in the future fiscal framework

AIReF supports evolving from a top-down fiscal framework to a more institutions-based, bottom-up fiscal guidance and surveillance

Legislature-binding, medium-term fiscal plans should be promoted by the framework

Medium-term fiscal plans should establish limits to macro-fiscal aggregates that are easily reconcilable with budgetary elements

3.2. Improvements to further strengthen AIReF's role

The revision of the EU fiscal framework provides a unique opportunity to further promote sound fiscal institutions:

By agreeing on minimum standards:

- IFIs should be able to directly address national authorities
- Full, stable and real-time access to information from national statistical offices, national governments and the Commission
- Effective “Comply or Explain” principle implementation
- Safeguarding independence

Which would allow IFIs to take on tasks such as:

- Providing key inputs to the budgetary process, such as medium-term no-policy-change projections, taking advantage of their technical expertise and experience
- Making an assessment at national level, on a regular basis, of fiscal sustainability, the overall fiscal stance and its contribution to the policy mix

3.2. Improvements to further strengthen AIReF's role

IFIs can play an important role in the debate about how to rebuild fiscal space during the recovery:

By helping to improve the quality of public finances - strong focus on evaluation is needed

By producing debt sustainability analysis at national level

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Conclusions

4. Conclusions

IFIs have become very relevant actors:

- **Technical expertise**
- **Deep, nuanced country-specific knowledge**
- **Singular position to develop extensive connections with national and international stakeholders**

The revision of the EU fiscal framework should use the opportunity to leverage upon these elements and further strengthen the role of IFIs



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