

PRESS RELEASE
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AIReF PUBLISHES THE FOLLOW-UP OF THE RECOMMENDATIONS MADE IN THE SECOND QUARTER

- **AIReF made 11 recommendations, 6 new, 1 repeated and 4 live recommendations aimed at budgetary stability and strengthening the transparency of public accounts**

The Independent Authority for Fiscal Responsibility (AIReF) today published on its website the follow-up to the recommendations made in the second quarter of the year, in which it issued the Report on the Initial Budgets of the General Government for 2022, completed at the territorial level with the issuance of the Individual Reports for the Autonomous Regions (ARs) and the Individual Evaluation Report on the Initial Budgets of the Local Government (LGs). In addition, the macroeconomic outlook of the 2022-2025 Stability Programme was endorsed and the full report on the 2022-2025 Stability Programme Update (SPU) was subsequently published.

As a result of this evaluation, AIReF made 11 recommendations, of which 6 were new, 1 was repeated and 4 were considered live. The new and repeated recommendations were aimed at budgetary stability and strengthening the transparency of public accounts.

Regarding the recipients, all recommendations were addressed to the Ministry of Finance and Civil Service as the competent body for their implementation, although those relating to the macroeconomic endorsement of the Stability Programme were also addressed to the Ministry of Economic Affairs and Digital Transformation. In total, taking into account that one single recommendation may be addressed to more than one administration, 14 recommendations were issued, 11 to the Ministry of Finance and Civil Service and 3 to the Ministry of Economic Affairs and Digital Transformation. Both Ministries responded to AIReF's request to state their intention to comply or explain. Both the Ministry of Finance and Civil Service and the Ministry of Economic Affairs and Digital Transformation declined to comply with the recommendations, claiming that they were already complying with them and, in the case of live recommendations, that they were unnecessary.

AIReF made 3 new recommendations related to budgetary stability. On the one hand, AIReF recommended allocating the revenue that materialises above the forecast and temporary revenue towards reducing the structural deficit and avoiding increases in expenditure or reductions in revenue of a structural nature that do not have funding that is also structural. The Ministry of Finance and Civil Service considers that it already complies with this recommendation with the consolidation effort included in the SPU. However, in the opinion of AIReF, this effort is not sufficient to ensure compliance with the recommendation.

On the other hand, with regard to the measures that the Government is taking to combat the energy crisis and the war in Ukraine, AIReF recommended evaluating their impact in terms of efficiency, effectiveness and redistributive impact. It also recommended that, should new measures be necessary, their design should take into account these criteria and should set out in an explicit and quantified manner the objectives pursued, the circumstances in which they should be extended, the procedure for their evaluation and, in the event of an increase in the structural deficit, their source of financing. In its

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response, the Ministry of Finance and Civil Service indicated that it always takes into account criteria of effectiveness, efficiency and redistributive impact and timing in any extension of measures. In contrast, AIReF does not consider these recommendations to have been complied with, since the evaluation requires having defined in advance the objectives pursued and the indicators to measure their compliance.

In regard to transparency, AIReF made 3 new recommendations aimed at increasing the transparency of the execution of the Recovery, Transformation and Resilience Plan (RTRP) in national accounting terms: identifying RTRP revenue and expenditure in national accounting headings of the monthly, quarterly and year-end execution published by the IGAE; publishing details of transfers between different GG sub-sectors in national accounting corresponding to the RTRP and making an effort to ensure transparency and coordination between all areas of the GG in order to make information available on execution of the RTRP in national accounting terms over the SPU horizon. The Ministry of Finance and Civil Service considers that these recommendations have been amply complied with. However, AIReF notes that, regardless of the information published for 2021, no information is currently being published on the execution of the RTRP in national accounting for 2022.

Furthermore, AIReF repeated to the Ministry of Finance and Civil Service and the Ministry of Economic Affairs and Digital Transformation the recommendation to provide more information on the budgetary and fiscal measures incorporated into the macroeconomic scenario in order to increase the rigour of the endorsement process. Both Ministries declined compliance therewith, arguing that the 2022-2025 SPU specifies the fiscal and budgetary strategy used for its preparation. However, AIReF considers that this information is insufficient since it does not include the impact of the RTRP measures and reforms.

For their part, the live recommendations made referred to the need for a medium-term fiscal strategy, as well as to strengthening transparency and the exchange of information. The main reason given for continuing to fail to comply with these recommendations is that they are not necessary either because there are already sufficient mechanisms that serve the same purpose, because they are adapted to the requirements of the regulations or because there are already sufficient regulations in this regard. For its part, AIReF does not consider that the SPU, as presented, is a valid document to be considered a comprehensive medium-term fiscal strategy and sees a need to expand its content and that in a decentralised State such as Spain, the SPU should also include information broken down by sub-sector that is consistent with aggregate information for the GG as a whole.