

# Annual report

2022



Independent Authority  
*for* Fiscal Responsibility



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for Fiscal Responsibility

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

AIReF Contact:

C/José Abascal, 2- 4, 2ª planta 28003

Madrid Tel. +34 910 100 599

Email: [info@airef.es](mailto:info@airef.es)

Web: [www.airef.es](http://www.airef.es)

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## President's Letter

2022 has once again been an atypical year marked by instability and uncertainty, this time stemming from the Russian invasion of Ukraine. The war has strained world economies, which were already weakened by the pandemic, slowing the recovery, bringing energy prices to historic highs and triggering double-digit inflation rates not seen in decades. The economic policy response has also been forceful. If 2021 was the year of the launch of the Recovery, Transformation and Resilience Plan (RTRP), in 2022 a broad set of measures has been deployed to moderate the impact of the energy shock both through market interventions to regulate prices and through transfers and tax modifications to compensate for the loss of income.

All these actions have been made possible by the national and EU decision to maintain the suspension of fiscal rules for the third consecutive year. However, independent fiscal institutions continue their fiscal supervision work, since it is up to us to ensure the sustainability of public finances in line with national and European fiscal guidance. This guidance provides fiscal space to support economic activity, while not losing sight of sustainability. In fact, supervisory work becomes more necessary in times of great uncertainty, proliferation of measures and absence of quantitative rules.

Thus, over the past year we have insisted on the need to incorporate a medium-term strategy that will allow a gradual reduction in public debt. This is required by national law as it is linked to activation of the escape clause itself. And ECOFIN has recommended it to us: first qualitatively for 2022 by demanding a prudent fiscal policy given the high level of public debt; and now for 2023 quantitatively, by introducing a ceiling on the growth of current primary expenditure. Our estimates show room for a reduction in public debt up to 2026, albeit basically supported by nominal growth. This will leave debt stabilised at very high levels, above 100% of GDP, and exposed to the expected upward pressures in the absence of measures.

In the same vein, we have highlighted the importance that, even in the absence of such a medium-term strategy, the annual reference rates to be set should be feasible but demanding and reflect the differentiated situation of each General Government authority. However, it has been found that in 2022 and also looking

ahead to 2023, the buoyancy of public revenue is not being fully incorporated into the Government's budget estimates. This generates fictitious fiscal margins that do not favour budgetary prudence. For this reason, we have also recommended that tax surprises be used to reduce the structural deficit and, in any event, avoid permanent measures of revenue reductions or expenditure increases that do not have structural funding.

Throughout 2022, we have also paid special attention to the measures that have been adopted. This is, of course, inherent to our supervisory activity, but also necessary for the sake of effective measures and transparency. All of our reports have clearly set out our quantifications and we have recommended that the Government assess their effectiveness, efficiency and impact on equity before taking new measures or extending existing ones. Looking ahead to 2023, this assessment will be all the more relevant as ECOFIN is demanding that measures be targeted at the most vulnerable groups and viable companies. In fact, our report on the Draft State Budget for 2023 has incorporated, for the first time, an approximation to quantify the degree of targeting. We have also pointed out the importance of incorporating the measures in the draft budgets, which, together with more up-to-date information on revenue forecasts, would improve the quality of the budgetary documents sent to Parliament.

Finally, with regard to fiscal supervision, I would like to highlight two important elements of our activity in 2022. Firstly, we have identified weaknesses in the procedure of endorsing the economic forecasts that support the budgets. This has led us to recommend that AIReF should be involved at an earlier stage of the budget cycle. In our view, AIReF should be consulted when the report on the cyclical situation is presented in July. This is particularly relevant in years of changing economic conditions. And secondly, like many other institutions, we are facing the challenge of being able to properly estimate the impact of the RTRP. At AIReF, we have developed our own methodology which, in any event, has limitations that we are very much aware of. Improving the information provided by the Government is a necessary condition for improving these estimates and the very quality of information in the budgets to which I referred.

If 2021 marked a milestone in terms of evaluation at AIReF, with the creation of the new Public Spending Evaluation Division and the Government's commitment to carry out Spending Reviews (SR) on a regular basis, in 2022 we have taken important steps to consolidate our evaluation work. The new Public Spending Evaluation Division has been provided with resources and internal tools are being developed to meet the commissions, especially to adequately follow up the proposals included in our evaluations. In fact, we expect to be able to share a complete database with AIReF's proposals in 2023.

With regard to the specific studies, the evaluation activity has been very intense. In the area of the Central Government, we have published the first Opinion on the Minimum Living Income, as we were commissioned to do in its regulatory framework. In this first Opinion, its design, results and implementation were analysed and a series of proposals were made in order to improve its effectiveness and efficiency. With regard to the SR, in 2022 we began work on the third and

final phase of the SR 2017-2020, whose results will be published in the second quarter of 2023. This stage covers public spending on financial instruments to support the productive sectors of the Spanish economy and public spending related to urban waste management. And we prepared the Action Plan for the first phase of the new SR 2022-2026 in compliance with the commitment made by the Government in the RTRP. Finally, we published several evaluation studies such as that of the Development Promotion Fund (FONPRODE), the main instrument for international cooperation, commissioned by the Central Government and several studies requested by autonomous regions (Aragon and Castile and Leon) in areas such as health, education and institutional publicity.

In parallel with the performance of our supervisory and evaluation activity, over the last year, we have launched several initiatives in compliance with the 2020-2026 Strategic Plan. In line with our concern about the medium term and with the recommendation we made to governments, we have published, for the first time, a medium-term scenario that accompanies our Report on the Draft 2023 General State Budget. We hope that this scenario will be used as an input for preparation of this strategy. In addition, given the foreseeable changes in the European governance framework, in October we published a technical paper illustrating how a new simpler system could be made operational based on a specific debt anchor for each country and on the commitment to a multi-year expenditure path.

In order to enhance transparency and improve our own forecasting, we have also published, for the first time, an evaluation of the errors made in the macroeconomic and fiscal forecasting that AIReF has made since 2015. And in order to make useful tools available to the public, we published the first Monitor Tool for the Autonomous Regions (ARs), and we have updated and improved the Local Government Monitor to include the latest available information.

In compliance with the principle of accountability, I appeared three times in 2022 before Parliament and we shared our activity with the Advisory Board. In addition, once again, we have been a meeting point for the General Government authorities and, for the second year, we have held a conference with all the authorities as well as a more targeted seminar with the autonomous regions focused on the impact of the RTRP.

Finally, with regard to transparency, 2022 has been particularly gratifying for the recognition given to the work carried out by our institution. AIReF was established as the most transparent public body according to the report of the Transparency and Good Governance Council. And in a personal capacity, I received the Tintero award from the Association of Economic Information Journalists for facilitating their informative work, as well as the Grand Cross award for Merit in the Service of the Economy 2022 awarded by the General Council of Economists. I understand that both these awards are for the institution and I therefore extend this recognition to AIReF as a whole. This is because the professionals who make up the institution have allowed us to establish ourselves as a benchmark in the economic debate and as an example of transparency and independence.

I would like to take advantage of these last few lines to convey my best wishes to all readers for 2023. A year that we hope does not surprise us with any new shocks and one that can be used to reflect and plan well the changes that are to be expected. In particular, the transition towards a new fiscal governance framework which, in accordance with the European Commission proposal at the end of the year, will require countries to introduce medium-term fiscal plans.

A handwritten signature in blue ink, appearing to be 'C. J.' with a large flourish.

# 1. DOCUMENTS PUBLISHED BY AIREF

**The exercise of functions entrusted to AIREF is carried out through the preparation and issuing of reports, opinions and studies.** The reports and some of the opinions issued by AIREF are provided for in the regulations and are mandatory whenever the circumstances for them to be issued arise. AIREF also has the power to issue opinions on its own initiative in the areas under its remit. The studies, however, must always be carried out at the request of a General Government authority. In addition to these three types of publications provided for in the regulations, AIREF prepares and disseminates working and technical papers necessary to discharge its duties.

**The first type of report prepared by AIREF corresponds to the continuous monitoring of the budgetary cycle, government debt and macroeconomic forecasts.** These reports are part of the economic and budgetary strategy defined in the Stability Programme Updates and are carried out for each General Government authority on the four phases of the budget cycle: preparation, approval, execution and supervision.

**The second type of report concerns the implementation of the preventive, corrective and enforcement mechanisms of the Organic Law on Budgetary Stability and Financial Sustainability and the existence of the exceptional circumstances referred to in Article 11.3 of that law.** These non-periodical reports are produced as and when the circumstances provided for in the regulations arise.

**Both types of reports are directly affected by the course of the budget cycle.** In 2022, the activation of the escape clause for the third consecutive year meant that some reports were not drawn up with respect to a regular cycle. And the Report on the Existence of Exceptional Circumstances had to be issued once again.

**Furthermore, AIREF may prepare, issue and publish technical judgements or assessments, which are referred to as opinions, on any issue among the matters regulated under Article 23 of the Organic Law on the Establishment of AIREF.** In 2022, the Opinion on the Minimum Living Income was published, in compliance with its regulatory legislation. This will be the first of a series of annual opinions, as set out in AIREF's work plan published in 2021.

**The studies always respond to a request from the General Government (GG).** In 2022, the studies corresponding to the requests of the Central Government (CG) and the Autonomous Regions (ARs) were carried out with the aim of evaluating public policies in different areas. In addition, work was carried out on the third and final phase of the Spending Review 2018-2021 and on the Action Plan of the first phase of the new Spending Review 2022-2026, which the CG commissioned



from AIReF as a result of the commitments contained in Component 29 of the Recovery, Transformation and Resilience Plan (RTRP).

**In addition, AIReF published three technical papers in 2022.** The first, published in January, contains AIReF's contribution to the public consultation launched by the European Commission on the reform of the European Union's fiscal framework. In February, an evaluation of the errors made by AIReF in its macroeconomic and fiscal forecasting since 2015 was published for the first time. Finally, in October AIReF published a new technical paper on the reform of fiscal governance, on this occasion, specifying a proposal for a fiscal framework for Spain based on a public debt anchor and an expenditure path.

Annex 1 contains a table with the documents published by AIReF in 2022 and the links to said documents.

## 1.1. Reports on the budget cycle

**The uncertainty associated with the crisis caused by COVID-19, the energy crisis and the invasion of Ukraine affected the content of AIReF's reports and conditioned the economic and budgetary forecasting exercises.** The aforementioned crises led, among other effects, to the suspension of the fiscal rules for 2021, 2022 and 2023 and the setting of only reference rates for the preparation and execution of the General Government (GG) accounts. Consequently, the corrective procedures for failures to comply with the fiscal rules of previous years (preparation of economic-financial plans) remained on hold and the usual target-setting procedure was not applied. In addition, the lack of detailed information on the specific nature, distribution and recording of the Next Generation EU (NGEU) funds and their significant impact on the public accounts for 2022 and subsequent years affected the preparation and monitoring of the accounts of the different GG authorities (see Box 1).

**On July 29<sup>th</sup>, AIReF issued the mandatory report on the activation of the escape clause provided for in the Organic Law on Budgetary Stability and Financial Sustainability, following a request from the Ministry of Finance and Civil Service.** The activation of this escape clause rendered without effect the fiscal rules for 2023, whose targets had been set in February 2020 and ratified by Parliament in March 2020. In their place, a reference deficit was set for the General Government and for each one of the sub-sectors for 2023.

**These exceptional circumstances conditioned the reporting cycle performed by AIReF in 2022 as well as the methodological approach for carrying it out.** Table 1 summarises the reports provided for by the regulations, those actually published in 2022, and the approach followed.

**Table 1. Reports provided for by the regulations and published in 2022**

AIREF STATUTE	REPORT	PUBLICATION DATE	REFERENCE YEAR	OBSERVATIONS
Art.12	Report on Macroeconomic Forecasts	May 3 <sup>th</sup>	2022-2025	Endorsement of the Macroeconomic Forecasts of the Stability Programme
		October 4 <sup>th</sup>	2023	Endorsement of the Macroeconomic Forecasts of the Draft Budgetary Plan
		September 20 <sup>th</sup> & 30 <sup>th</sup> ; October 4 <sup>th</sup> , 13 <sup>th</sup> , 24 <sup>th</sup> , 26 <sup>th</sup> & 27 <sup>th</sup> ; November 8 <sup>th</sup> , 18 <sup>th</sup> & 28 <sup>th</sup>	2023	Endorsements of the macroeconomic forecasts of the budgets of the ARs
Art.13	Report on the Methodology to Calculate Revenue and Expenditure Trends and the Reference Growth Rate	Not applicable		The Ministerial Order regulating the methodology was not modified
Art.14	Report on the Existence of the Exceptional Circumstances referred to in Article 11.3 of Organic Law 2/2012, of April 27 <sup>th</sup> , on Budgetary Stability and Financial Sustainability	July 29 <sup>th</sup>	2023	
Art.15	Report on the Draft Stability Programme	May 12 <sup>th</sup>	2022-2025	
Art. 16	Report on the Setting of Individual Targets for the Autonomous Regions	Not applicable		Suspension of rules
Art.17	Report on the Main Budgetary Lines and Draft Budgets of the General Government for 2023	October 18 <sup>th</sup>	2022-2023	Of the General Government (CG, SSFs)
		October 25 <sup>th</sup>	2022-2026	With AR and LG sub-sectors
		October 28 <sup>th</sup>	2022-2023	Individual Autonomous Regions (ARs) and Local Governments (LGs)
Art.18	Report on the Initial Budgets of the General Government, provided for in Article 17.2 of Organic Law 2/2012, of April 27 <sup>th</sup>	April 7 <sup>th</sup>	2022	
Art.19	Report on the Analysis of the Budgetary Execution, Public Debt and the Expenditure Rule	July 15 <sup>th</sup>	2022	Update of the macroeconomic outlook for 2022
				Supplementary Execution Report for LGs 2022
				Individual execution reports 2022 by AR
Art.20	Report on the Implementation of the Corrective Mechanisms provided for in Organic Law 2/2012, of April 27 <sup>th</sup> , on Budgetary Stability and Financial Sustainability	Not applicable		Suspension of rules
Art.21	Report on the Economic-Financial Plans and Rebalancing Plans of the CG and the ARs	Not applicable		Suspension of rules

Source: AIReF

### 1.1.A. Reports on multi-year planning

**On May 12<sup>th</sup>, AIReF issued the Report on the Stability Programme Update (SPU) with a multi-year perspective.** The report analysed the Government's macroeconomic scenario and the fiscal strategy for the period 2022-2025, concluding that the Stability Programme set out feasible scenarios in both the macroeconomic and the fiscal aspects. However, AIReF's analysis showed that the Stability Programme was still not the true medium-term fiscal strategy that AIReF has recommended on numerous occasions. On the one hand, the structural deficit was above the pre-pandemic level. At the end of the period, the margin for reducing the deficit without adopting additional measures was exhausted and the deficit was stabilised around the limit set by the Stability and Growth Pact. This puts a brake on the reduction in the public deficit, which would still be at very high levels in 2025. On the other hand, the RTRP was still not integrated into the SPU, as the RTRP did not offer a realistic path of execution of the investments in national accounting terms and did not quantify their potential impact on structural spending. In view of the SPU analysis, AIReF recommended designing a medium-term fiscal strategy with a sufficiently long time horizon and integrated with the RTRP, allocating the above-expected revenue improvement to accelerate the reduction of the structural deficit and steering the debt towards more sustainable paths that will reduce the vulnerability of the Spanish economy.

**AIReF endorsed the macroeconomic forecasts incorporated in the Government's macroeconomic scenario, considering them feasible in an environment of significant uncertainty in which the risks surrounding the forecast of the Government and of AIReF itself were higher than usual.** It was considered that the development of the pandemic and the war in Ukraine and, in particular, the threat of disruption in energy supplies may lead to an energy emergency with consequences that are difficult to predict. This will be compounded by the problem of the breakdown of value chains linked, among other causes, to the "zero-coronavirus" policy of the People's Republic of China. For 2022, AIReF concluded that the real and nominal growth scenario was in line with the most recent estimates of AIReF and other public and private institutions. In the medium term, AIReF considered that the growth forecast by the Government for 2023, 2024 and 2025 was feasible, as it was in the central range of AIReF's probability bands.

**AIReF estimated a reduction in the GG deficit over the period to 3% of Gross Domestic Product (GDP) in 2025, only 0.1 points higher than the figure included in the SPU.** However, the deficit reduction path forecast by AIReF has a different profile from that of the SPU. While AIReF expected a greater reduction in the deficit in 2022 (4.2% of GDP compared with the Government's 5% of GDP), for the other years, it forecast a smaller reduction than the SPU, reaching a deficit of 3% of GDP in 2024 and 2025.

**The evolution of revenue, but above all of expenditure, was behind this gradual reduction in the deficit.** Although revenue growth moderated from 2022 following the boost in collection observed in 2021, expenditure would fall up to 2025 to a

greater extent due to the lower impact of spending associated with COVID-19, the lower expected amount of non-recurring operations, and the progressive withdrawal of the measures adopted to mitigate the rise in energy prices.

**By sub-sector, the CG has assumed most of the increase in the deficit during the crisis. It would therefore concentrate much of the gradual reduction in the deficit, which would fall from 3.2% of GDP in 2022 to 2.9% in 2025.** In the case of the Autonomous Regions (ARs) and Local Governments (LGs), the profile of the budget balance is conditioned by the impact of the settlements of the financing system, negative in 2022 and positive in 2023 and 2024, to normalise at the end of the time horizon, 2025. Thus, the ARs would end the period with a deficit of 0.1% of GDP and the LGs would maintain the structural surplus at 0.3% of GDP. The Social Security Funds (SSFs), thanks to the transfers received from the CG, would stabilise their deficit at around 0.3% of GDP as from 2024.

**As a new aspect this year, AIReF updated its medium-term forecasts in the last half of the year.** The Report on the Main Budgetary Lines and Draft Budget of the General Government for 2023 included a revision of the forecasts made for the report on the SPU and extended the horizon to 2026, as indicated in Section 1.1.C. Thus, from 2022 AIReF will publish its medium-term estimates twice a year.

### 1.1.B. Reports on the 2022 budget cycle

**On April 7<sup>th</sup>, 2022, AIReF published the Report on the Initial Budgets of the General Government for 2022.** In that report, AIReF updated its macroeconomic and fiscal forecasts in line with the new geopolitical situation arising from Russia's invasion of Ukraine, which increased the uncertainty already existing as a result of the pandemic and the impact of the RTRP. The economic impact of the conflict in Ukraine on energy markets was reflected in the macroeconomic scenario, and reduced the forecast of real GDP growth to 4.3%, while nominal GDP growth, which is relevant to fiscal forecasts, stood at 8%.

**AIReF revised its central scenario to a GG deficit of 4.2% of GDP in 2022, 0.6 points lower than estimated in the previous report.** Several factors led to this revision of the budget forecast. On the one hand, the performance of revenue at the end of 2021 was significantly more positive than expected and what might be inferred from the expected evolution of the macroeconomic variables. This revenue improvement was carried forward to 2022, resulting in a lower deficit forecast. Conversely, the deterioration of the macroeconomic scenario resulted in a slight increase in the deficit. On the revenue side, the rise in inflation automatically increased VAT receipts, partially offset by lower real growth. On the expenditure side, inflation has a direct impact in the short term on the interest rates of inflation-indexed bonds, and, in the longer term, it also affects the goods and services purchased by the GG. In addition, inflation is passed on to other expenditure that is index-linked, such as pensions following the adoption of the pension reform, albeit in the following year. Finally, the new geopolitical situation and its impact on the economy led to new measures aimed at mitigating its effects. At the publication date of the report, these measures result in an extra 0.6-point deficit in 2022. The update of the forecasts placed the 2022 deficit forecast by AIReF at

4.2% of GDP, 2.7 points of GDP below the level forecast for the end of 2021. This reduction was explained by the phasing out of the measures implemented to mitigate the effects of the COVID-19 crisis, the evolution of revenue associated with the cycle and non-pandemic-related spending, and the measures put in place to mitigate the effects of the war.

**By sub-sector, the deficit of the CG was revised downwards by 0.5 points to 3.3% of GDP in 2022, mainly due to the incorporation of new information, which managed to offset the weight of the new measures taken and higher interest expenditure.** For the SSFs, the deficit forecast for 2022 was also reduced, to stand at 0.4% of GDP, from the year-end 2021 figure of 1%. This figure was better than expected in the previous report thanks to a higher transfer from the State and the favourable evolution of social contributions. The forecast deficit of the ARs, for their part, grew to 0.7% of GDP after ending 2021 almost at equilibrium, due to the lower State transfers compared with last year, both extraordinary transfers and those related to the financing system. Finally, the LGs would maintain the surplus of 0.3% of GDP in 2022.

**Lastly, in April AIReF warned about the risks and challenges for the medium- and long-term sustainability of the public accounts.** Even though the Spanish debt-to-GDP ratio stood at 118.4% at the end of 2021, an improvement of 1.6 points compared with the forecast, it was still almost 23 points higher than the pre-pandemic level. For 2022, AIReF's macro-fiscal forecasts pointed to a reduction in the debt-to-GDP ratio of 4.5 points compared with 2021, that is, to 113.9% of GDP. However, the challenges and risks for sustainability in the medium and long term were marked by the uncertainty arising from the war in Ukraine. This would not allow monetary conditions to be normalised over the year, thus deteriorating borrowing conditions, and generated new investment needs associated with defence spending and renewable energy production, all accompanied by the challenge of an ageing population and the resulting higher spending on pensions.

**On July 15<sup>th</sup>, in its Report on Budgetary Execution, Public Debt and the Expenditure Rule for 2022, AIReF updated its fiscal forecasts and its macroeconomic scenario.** On that same day, it also published the Supplementary Report on the Local Governments and the individual reports on each autonomous region.

**AIReF revised downwards the growth forecasts of the Spanish economy for 2022 by 0.1 points to 4.2%, while increasing the expected growth in prices to 7.8%.** In the case of inflation, the upward revision mainly reflected the upward trend observed in the Consumer Price Index and, in particular, in the price of gas, intensified by the depreciation of the euro. The revision of the growth scenario reflected conflicting factors: the deterioration in global growth prospects and the intensity of inflation, together with the deterioration in consumer confidence and less dynamism in exports of goods, contrasting with the positive evolution of services and, in particular, of tourism.

**In this report, AIReF revised upwards the forecast deficit for the GG for 2022 to 4.5% of GDP.** This upward revision still brought the deficit below the 5% of GDP forecast by the Government in the SPU. This increase was the result of the adoption

of new measures in response to the crisis, the revision of the macroeconomic scenario and the new information available, both on execution published to date and that provided directly by the various GG sub-sectors.

**Compared with the previous report, the deficit forecast was revised for every sub-sector.** The CG bore the cost of the extension of the measures, but its forecast revenue was also higher and therefore the deficit forecast only rose by 0.1 points to stand at 3.3% of GDP. In addition, to the extent that this additional revenue was higher than that forecast in the General State Budget (GSB), a portion must be passed onto the ARs and the LGs in 2024 as part of the settlement of the financing systems. In the SSFs, both revenue and expenditure forecasts rose slightly and the deficit remained at 0.5% of GDP. For their part, the forecast balance of the ARs worsened to 0.9% of GDP. This deterioration was the result of the higher than expected execution of expenditure, especially COVID-related spending, together with lower forecast revenue from European funds. Finally, the forecast surplus of the LGs was reduced slightly to 0.2% of GDP.

### Box 1. Monitoring of RTRP investments by AIReF

AIReF monitors the investments of the RTRP to assess their impact on economic and fiscal developments, which essentially requires information in national accounting terms. In the absence of sufficient and constantly updated public information in national accounting terms, AIReF has developed its own methodology which, despite its limitations, makes it possible to project a timeline for investments that is explained transparently in each report.

To this end, AIReF's work is structured along two lines. On the one hand, it monitors the different sources available with the aim of approximating the pace of execution of the plan. On the other hand, a future projection is made of the distribution over time of the associated investments, which will allow for an evaluation of their impact.

The monitoring of the pace of execution primarily uses three sources:

- Budgetary execution by the State. This makes it possible to know both the expenditure directly executed by the State and the amount of funds distributed to the different tiers and entities of the GG.
- Information on tenders contained in the State Public Sector Procurement Platform. Information relating to the volume of tenders financed by the RTRP by status (on time, awarded and formalised), date and issuing authority.
- Exploitation of the data available in the National Subsidies Database. It provides information on the volume of subsidies awarded, fully or partially financed with the plan, the amount of the financing, as well as information on the existence of beneficiaries and payments.

For the time distribution, each one of the investment lines contained in the different components of the plan is analysed individually. 15 components are currently being analysed, covering 85.7% of total expenditure.

The time projection of the investment lines is made by setting a start date, an end date and an execution rate that is defined by four different models (linear constant, linear decreasing, linear increasing and concentrated quadratic). Two sources of information are used to determine each one of these three components:

- The Council Implementing Decision (CID). This reports on the dates on which investments must meet certain milestones and targets. It marks the end date.
- The weekly bulletins of the Recovery Plan, published by the Government. Information is available on the different phases of execution of the investment lines. Depending on the existence or not and the volume of progress reflected, the start date and the pace of execution are determined.

### 1.1.C. Reports on the 2023 budget cycle

**On October 4<sup>th</sup>, AIReF endorsed the Government's macroeconomic scenario that accompanied the Draft General State Budget (GSB) for 2023 as it considered that both the GDP growth path and the inflation forecasts were feasible, although it noted significant downside risks in the case of the former.** The Government's real growth estimates were in a high range of the probability intervals estimated by AIReF on the basis of its own forecast scenarios, while the GDP deflator estimates were in the central range. It was therefore considered that the nominal GDP growth that served as the basis for drawing up the draft budget was likely, although there were downside risks to real growth. AIReF's full macroeconomic forecasts were published through the Report on the Main Budgetary Lines and Draft Budget of the General Government: 2023 General State Budget.

**On October 18<sup>th</sup>, AIReF published the Report on the Main Budgetary Lines and Draft Budget of the General Government for 2023.** This report focused on the CG and SSFs, including a first approximation of the fiscal situation of the GG.

**In this report, AIReF estimated a deficit of 3.3% of GDP for the GG in 2023, without including the possible extension of the measures to mitigate the energy crisis and without incorporating the information contained in the Budgetary Plan.** The forecast for the end of 2022 stood at a deficit of around 4.4% of GDP, lower in both years than the reference rate set by the Government. The Government expected 2022 to end with a deficit of 5% of GDP, which would narrow to 3.9% of GDP in 2023. For its part, AIReF estimated that the deficit for both 2022 and 2023 would be 0.6 points lower than the Government's reference rate for those years, on the assumption that the measures approved for the energy crisis were not extended. In the event of an extension, the 2023 deficit would be increased to incorporate their impact. The trend that started with the suspension of the fiscal rules of presenting tax reference rates that do not realistically and transparently reflect the situation of public finances and that do not favour the reduction of the structural deficit thus continued.

**In relation to the CG, AIReF forecast a deficit for 2023 of 3% of GDP without including the extension of the measures, after reaching 3.2% of GDP in 2022.** This meant a smaller deficit reduction in 2023 than the Government, 0.2 points of GDP compared with the 0.6 points of the latter. In relation to revenue, AIReF estimated 0.6 points of GDP higher revenue for 2022, mainly as a result of the greater dynamism expected from Personal Income Tax (PIT), VAT and Corporate Income Tax (CIT). For 2023, the difference in forecasts lowered to 0.5 points of GDP as AIReF forecast growth in revenue of 7.2% compared with the 7.7% in the SPU. The factors behind the favourable evolution in revenue included the increase in pensions and the increase in public and private wages for PIT, the upturn in inflation for VAT, and the growth in refund requests in the annual 2022 tax return for CIT. Expenditure, for its part, without taking into account the RTRP, would reduce its weight over GDP to 22.2% due to the fact that the GSB did not include measures to mitigate the effects of the energy crisis. This meant that all headings grew except intermediate consumption and subsidies and other expenditure.



**AIReF estimated that the SSFs would reach a deficit of 0.5% of GDP in 2022, which would rise to 0.7% in 2023.** The increase in the deficit was mainly explained by the increase in pensions in line with the 2022 CPI, which, according to AIReF's macroeconomic scenario, stood at 8.9%. As a result, pension expenditure would grow by 11.2% in 2023. Overall, SSF expenditure would reach almost 17% of GDP, 0.4 points more than in 2022. Revenue in 2023 would stand at 16.2% of GDP, with growth of 6.8% compared with 2022. This increase is due to the expected evolution of social contributions, which would grow by 8% as a result of the evolution of the job market and wages, implementation of the Intergenerational Equity Mechanisms, and the increase in the maximum contribution bases.

**Subsequently, on October 25<sup>th</sup>, an update of the Report on the Main Budgetary Lines and Draft Budget of the GG for 2023 was published. This analysis was completed on October 28<sup>th</sup> with the report on each AR and on the LGs subject to individual monitoring.** This second report on the 2023 GSB took into account the Budgetary Plan for 2023 submitted to the European Commission on October 15<sup>th</sup>. This Plan started from the same macroeconomic scenario as the GSB although it presented two budgetary scenarios with the same deficit reference rate, 5% of GDP for 2022 and 3.9% for 2023.

**AIReF included a medium-term forecast up to 2026, which pointed to a stabilisation of the public deficit in the medium term.** Assuming the temporary nature of the measures adopted and after overcoming the energy crisis, the margin for reducing the deficit without adopting additional measures was exhausted, resulting in a deficit level in the medium term above the 3% of GDP limit set in the Stability and Growth Pact.

**AIReF observed significant inconsistencies in the construction of the two scenarios included in the Budgetary Plan submitted to the European Commission.** Despite the different assumptions, both scenarios share the same deficit forecast for both years. The first scenario would be aligned with the forecasts contained in the 2023 GSB and would not contain the extension of the measures adopted since 2021 to mitigate the effects of the energy crisis and the war in Ukraine. Scenario 2 would include a more realistic revenue forecast in 2022, new measures for 2022 and the extension of part of the existing measures for 2023, but without giving any specific details. AIReF's fiscal forecasts in its report of October 25<sup>th</sup> do not include any extension of the measures due to the lack of information on the matter, but they do include the new measures approved by means of RDL 18/2022. All of this meant that the comparability between the two scenarios, the budget figures and AIReF's forecasts is limited by the lack of homogeneity in their starting assumptions.

**AIReF estimated in this second report on the Draft GG Budget a total deficit of 3.3% of GDP in 2023, without including the extension of the measures.** The forecast for year-end 2022 was raised by 0.2 points compared with the first published report to stand at 4.6% of GDP as it included the measures approved by RDL 18/2022. The reduction in the deficit in 2023 would only materialise if the measures adopted to mitigate the effects of the energy crisis were not extended. The reduction would be the result not only of the phasing out of the measures

associated with COVID-19, but also of the revenue measures included in the GSB and the evolution of revenue offset by the baseline evolution of expenditure. These factors would be partially offset by the rise in pension expenditure due to the increase in line with the 2022 CPI.

**Although both in 2022 and in 2023, AIReF's estimates were below the two scenarios of the Budgetary Plan, the two scenarios were not fully comparable with each other or with AIReF's scenario as they are based on different assumptions in relation to the measures. In the absence of more detailed information, the comparison with Scenario 2 would require assumptions about the amount of the cost of the extension of the measures.** Assuming an increase in expenditure of 0.7 points in Scenario 2 compared with Scenario 1, Scenario 2 would imply a cost of the extension of measures of 1.1 points of GDP, and AIReF's forecast for 2023, in the event of the extension forecast in the Government's Scenario 2, would rise to 4.4% of GDP, 0.5 points above the forecast included in said scenario.

**According to AIReF's forecasts, the balance of the ARs will improve substantially in 2023, reaching a deficit of 0.1% of GDP, after closing 2022 at 1% of GDP.** This improvement was mainly the result of the evolution in the revenue of the financing system and the settlement, which would be positive once again after the negative value of 2022. In the medium term, the irregular evolution of the financing system's revenue linked to the settlement of previous years would provide extra revenue. In addition, in 2024 a surplus of 0.4% of GDP was expected for the ARs, which would deteriorate until reaching equilibrium in 2026.

**The report of October 25<sup>th</sup> also showed the fiscal forecast for the LGs, which after reaching 0.2% of GDP in 2022 would reach a surplus of 0.5% in 2023.** This evolution was also explained by the settlements of the financing system. In addition to the financing system, there are the compensations between 2022 and 2024 as a result of the negative 2020 settlement. Therefore, the surplus of the LGs would grow again in 2024 to 0.6% of GDP and subsequently fall to 0.3% in 2026.

**Finally, AIReF's Report on the Main Budgetary Lines and Draft Budget for 2023 warned about the risk of non-compliance with the Specific Recommendation of the European Council for Spain in fiscal matters.** The Specific Recommendations for Spain this year highlighted the need to limit the increase in nationally financed current primary expenditure below medium-term potential growth. However, although AIReF forecast 3.5% growth in current primary expenditure net of revenue measures in 2023, which would be within the range defined for the evaluation of the recommendation, if all the measures were extended for the whole year, the evolution of current primary expenditure of the total GG would be clearly above the range of compliance with the recommendation. AIReF estimated that this extension of measures would lead to a growth in net current primary expenditure of 6.5% in 2023.

## 1.2. Existence of the Exceptional Circumstances referred to in Article 11.3 of Organic Law 2/2012, of April 27th, on Budgetary Stability and Financial Sustainability

The law requires AIReF to issue a report on the existence of the exceptional circumstances referred to in Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability. Article 22 of the Organic Law on the Establishment of AIReF gives this institution the obligation to report on the existence of the exceptional circumstances referred to in Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability, prior to the parliamentary procedure provided for in that article. This preliminary procedure is necessary in order to comply with the legally established procedure and, in the event that it is subsequently approved by Parliament, to be able to activate the escape clause. The Council of Ministers requested Parliament to declare one of the cases provided for in Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability. In accordance with the procedure established in the Constitution and in Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability, Parliament must approve, by an absolute majority of its members, that Spain is subject to one of the situations enabling activation of the escape clause.

**In its report published on July 29<sup>th</sup>, 2022, AIReF considered that in 2023 the exceptional circumstances for maintaining the escape clause under Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability still existed.** In its report of July 29th, AIReF considered that the energy crisis and uncertainty over the war in Ukraine are exceptional circumstances that justify maintaining the escape clause active. Inflation was leading to a tightening of financing conditions and the coronavirus remained a conditioning factor for the economy. AIReF's estimates for GDP growth stood at around 2% for 2023, in line with other organisations such as the EC and the IMF. However, it already warned in July that if the threat of a total cut-off of Russian gas supplies materialised, there would be a drastic change in growth prospects for next year. In the purely fiscal area, medium-term estimates pointed to a more vulnerable position in terms of structural deficit and debt. All of these factors together led AIReF to advise keeping the escape clause active, in line with the decisions adopted within the framework of European fiscal supervision. AIReF also highlighted in that report the legal obligation to carry out a rebalancing plan and establish a national medium-term strategy that will act as fiscal guidance and will realistically and credibly guarantee the financial sustainability of the GG (see Box 2).

### Box 2. Fiscal supervision in a context of suspended rules

For the third consecutive year, fiscal rules were suspended at a national and European level in 2022, although the suspension of rules does not imply a lack of oversight. In fact, in a context without quantitative fiscal restrictions, AIR<sup>e</sup>F's supervisory role takes on even greater importance as a guarantor of the sustainability of public finances. Both the national and European guidance in force in 2022 and 2023 require that the measures adopted pay due attention to sustainability.

- National guidance: the rebalancing plan required by law in a context of suspension aims to ensure sustainability. Thus, in 2022, the medium-term debt dynamics have been analysed not only in the report on the 2022-2025 SPU, but also in the reports on the execution of the 2022 budget and the Draft Budget for 2023. Special attention has also been paid to the evolution of public expenditure. Consequently, several recommendations aimed at guaranteeing sustainability have been issued. These include those issued both to the CG and to the ARs to allocate unexpected increases in revenue to reduce the structural deficit; to assess the impact of the measures in response to the energy crisis before deciding on their extension or adopting new ones; to frame the State Budget for 2023 in a medium-term strategy; and the need to set reference rates that are demanding in view of the considerations on the underlying position and sustainability of public finances.
- European guidance: since the first activation of the European escape clause, ECOFIN has never lost sight of sustainability. In 2020 and 2021, it required measures to be temporary, timely and targeted. In 2022, it recommended that countries with high debt, such as Spain, adopt a prudent policy. Looking ahead to 2023, quantitative guidance has already been formulated that limits the increase in primary expenditure for that year below medium-term potential growth and requires a focus on support measures to mitigate the energy crisis. In addition, ECOFIN anticipates that after 2023 it will require a credible and gradual debt reduction path. In the report on the Draft 2023 GSB, AIR<sup>e</sup>F identified the risks for complying with the European recommendation on expenditure depending on the measures that may be adopted or extended in 2023 and analysed the degree of targeting of those adopted to date.

In addition, AIR<sup>e</sup>F maintains the obligation to report on and, as the case may be, endorse the economic forecasts that support the draft budgets of both the State and the ARs in the event that the latter differ from the former. In both cases, only the economic forecasts are endorsed; neither the draft budget as such nor the budget forecasts are endorsed.

AIR<sup>e</sup>F endorsed both the medium-term macroeconomic scenario that accompanied the 2022-2025 SPU and that of the Draft 2023 GSB. In both cases, the growth in nominal GDP expected by the Government, which is the most relevant variable for these purposes, was within AIR<sup>e</sup>F's confidence band. However, risks and differences in composition were pointed out and recommendations were made to improve the endorsement procedure: to improve the information on the execution of the RTRP and on the measures, to sign an agreement regulating this procedure and, very importantly, to consult AIR<sup>e</sup>F when formulating the scenario that serves as the basis for setting the reference rates of the GG sub-sectors and the CG expenditure ceiling.

### 1.3. Opinions

**Opinion on the Minimum Living Income (MLI).** In July 2022, AIReF published its first Opinion on the Minimum Living Income. The analysis was conducted on the basis of the exploitation of the income and wealth data of Spanish households provided by the State Tax Administration Agency and the register of applications for the MLI from the National Social Security Institute. In line with the planned multi-year plan (see Table 2), the first Opinion addressed the first three modules, focusing on its potential capacity to reduce poverty and on the actual deployment achieved at December 31<sup>st</sup>, 2021. Based on the findings obtained, AIReF issued a series of recommendations to improve the effectiveness and efficiency of the benefit (see Box 3).

In order to prepare this Opinion, it was essential to have access to regulated information by means of the signing, on March 26<sup>th</sup>, of an agreement between AIReF, the Tax Agency (AEAT) and the National Social Security Institute (INSS). Thanks to this Agreement, AIReF accessed data derived from management by the INSS and income and wealth data from the Tax Agency.

**Table 2. Schedule of modules to be included in AIReF's opinions on the MLI up to 2026**

2021/2022	2022/2023	2022/2023	2024/2025	2025/2026
<b>Module 1</b> Potential design	<b>Module 4</b> People with severe material needs and single-parent families	<b>Module 6</b> Coverage and scope in situations of unexpected poverty	<b>Module 7</b> The inclusion capacity of the MLI and its effects on the labour market	<b>Module 8</b> Complementarity and overlaps with other non-contributory benefits
<b>Module 2</b> Results	<b>Module 5</b> Children and young people (Child supplement)			<b>Module 9</b> International comparison (effectiveness and efficiency)
<b>Module 3</b> Implementation and management				

**Opinion on long-term sustainability.** Over the course of 2022, AIReF has worked on the Opinion on the long-term sustainability of the GG, the results of which it plans to publish in the first quarter of 2023. This Opinion will include a comprehensive analysis of the public accounts over the very long term, in addition to pension expenditure, projections for spending on healthcare, dependency and education and revenue projections.

### Box 3. Opinion on the Minimum Living Income

On July 19<sup>th</sup>, 2022, AIReF published the first Opinion on the Minimum Living Income (MLI) under Article 31.3 of Law 19/2021, of December 20<sup>th</sup>, establishing the MLI. This first Opinion analysed the first three modules in accordance with the work plan published on December 16<sup>th</sup>, 2021.

If fully implemented, the MLI would entail an annual cost of €2.8bn and would cover 700,000 households in the common fiscal territory, 250,000 of them not beneficiaries of the regional income programmes. In addition, the MLI would raise the income that could be received by over half of the households that were already entitled to the regional minimal income. In total, if the potential coverage of the MLI and the regional income programmes were reached, 60% of households at risk of poverty would be beneficiaries of one of these benefits.

However, as of December 31<sup>st</sup>, 2021, the MLI had reached 284,000 households (40% of its potential beneficiaries) and executed 56% of its budget. Of the 1.5 million applications received, 73% were rejected. In addition, 400,000 households that could receive the MLI had not requested it (57% of the potential beneficiaries). This phenomenon, known as non-take-up, is more present in households that have some type of income (for example, unemployment benefit) and among those who would obtain a more limited income increase if they were to become beneficiaries of the MLI.

Taking into account these findings and with the aim of improving the effectiveness and efficiency of the benefit, AIReF proposes: 1) specifying quantifiable and measurable targets and setting specific deadlines for achieving them; 2) analysing the nature of the wealth of households living in poverty, and, where necessary, reconsidering the definition of wealth established to be a beneficiary of the MLI; 3) studying in detail the applications rejected for reasons related to income and cohabitation unit; 4) further analysing the causes of non-take-up and 5) continuing to work on the fit between the MLI and the minimum income of each autonomous region. In addition, AIReF proposes that, whilst there is a register that aggregates the information on income, wealth and benefits from the CG and all the ARs, an assessment should be made on progressing towards a benefit that is initiated ex officio by the Government and that integrates other benefits and taxes (tax benefits) that pursue the same aim as the MLI.

AIReF will publish the second Opinion on the MLI in 2023. It will study the level of progress of the benefit in achieving its objectives. Two new modules will also be explored. The first of these will refer to the design and deployment of the child support supplement. The second module will investigate the impact of the MLI on people with severe material needs and on single-parent families. It will also include boxes on some topical issues that may be affecting the effectiveness or efficiency of the MLI in reducing poverty and the possibilities of inclusion.

## 1.4. Studies

**In 2022, AIReF began the work on the studies of the third and final phase of the comprehensive review of public spending that the Government commissioned from AIReF (known as the Spending Review 2018-2021).** Performance of the third phase is one of the commitments acquired by the Government in the RTRP and will focus on two themes: the strategic evaluation of the financial instruments to support the productive sectors, with a special focus on the effectiveness of those aimed at promoting the internationalisation of Spanish companies, and the evaluation of urban waste management. Its aim will be to help strengthen instruments supporting the productive sector and to provide public authorities with a set of proposals enabling them to achieve the waste targets set by the EU and national legislation. The results of the studies will be published in the second quarter of 2023.

**In addition, the Action Plan of the first phase of the next Spending Review 2022-2026 was prepared.** Component 29 of the RTRP sets a commitment to conduct regular evaluations in five-year cycles. On December 5<sup>th</sup>, the Council of Ministers approved the Action Plan of the first phase of the SR 2022–2026, which will cover two areas: financial instruments to support the productive sectors and expenditure on the healthcare of the Social Security system for civil servants. AIReF has undertaken to carry out the analysis within one year of incorporating the required resources.

**The study on the Development Promotion Fund (FONPRODE), commissioned by the Council of Ministers upon a proposal from the Ministry of Foreign Affairs, European Union and Cooperation, was published in November.** AIReF's evaluation found multiple inefficiencies in the strategic planning mechanisms of financial cooperation and in the design and management of FONPRODE, which limit the operational and implementation capacity of this instrument. The study makes specific proposals for developing a new regulatory framework, improving procedures, strengthening evaluation and moving towards an institutional design that brings together the capacities of the three agents currently involved in financial cooperation.

**Completion and publication of several studies commissioned by autonomous regions:**

- **Evaluation studies commissioned by the Regional Government of Aragón.** Three studies were published: a study of public pharmaceutical expenditure in Aragon: out-of-hospital, hospital and community healthcare pharmacy; a study on budgetary and personnel policy in non-university education in Aragon; and a study on the funding model of the University of Zaragoza: current situation and proposal.
- **Evaluation study commissioned by the Regional Government of Castile and Leon on institutional Publicity.** On December 20<sup>th</sup>, the evaluation on the management of institutional publicity of the Regional Government of Castile and Leon between 2014 and 2019 was published. This study identified,

among other aspects, room for improvements in efficiency in allocating the campaign funds across different formats and media, taking into account the necessary territorial, sociodemographic and thematic similarity aspects according to the target population of each campaign.

**In addition, work has continued on the commissions made by several autonomous regions:**

- Study to review public spending on health and active employment policies in Extremadura. Action Plan approved and published on AIReF's website.
- Study to review public spending on healthcare and education in the Balearic Islands. Action Plan approved and published on AIReF's website.
- Study to review public spending on healthcare in Navarre. Action Plan approved and published on AIReF's website.
- Study on universities and industrial policy commissioned by the Regional Government of Castile and Leon.

## 1.5. Technical papers

**In January 2022, AIReF published its contribution to the European Commission's public consultation on the reform of the European fiscal framework.** In the paper, AIReF puts forward a series of considerations so that the system of fiscal rules might facilitate the design of a budgetary policy that contributes to the sustainability of public finances and to sustainable growth. AIReF proposes a fiscal framework adapted to the specific conditions of each country and built around a debt anchor, an expenditure rule, an escape clause, and an enhanced role for national Independent Fiscal Institutions (IFIs) (see Box 4).

**In February, AIReF published an evaluation of the errors made in its macroeconomic and fiscal forecasting for the first time.** This evaluation responds to one of the main recommendations of the OECD<sup>1</sup> and the content of the 2020-2026 Strategic Plan itself. This is a transparency exercise that places AIReF on a par with other independent fiscal institutions that already perform this type of exercise. The error analysis will be conducted on an ongoing basis annually and will make it possible to identify any biases and weaknesses. During this first edition, the quality and accuracy of AIReF's macroeconomic forecasting between 2015 and 2020 and its fiscal forecasting from 2016 to 2020 were evaluated.

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<sup>1</sup> See the 10th Recommendation made by the OECD relating to forecast evaluation in the document: [OECD Review of the Independent Authority for Fiscal Responsibility \(AIReF\).](#)



**In October, AIReF published the technical document “Reform of the fiscal governance framework: a debt anchor and expenditure rule proposal for Spain”.**

In this paper, AIReF presents a concrete proposal for reforming the fiscal framework, with country-specific elements, that allows the stabilising role of fiscal policy to be preserved in adverse situations while ensuring the sustainability of public finances. The technical paper addresses three elements that should be included in the reform: the timing, material and institutional aspects applied to the specific context of the Spanish economy. It proposes a methodology for setting a specific debt anchor for Spain that will generate a feasible path of reduction. In addition, the need for the new fiscal framework to better reflect the specific features of each country can be enhanced by the work of national IFIs.

#### **Box 4. Technical paper: “Reform of the fiscal governance framework: a debt anchor and expenditure rule proposal for Spain”**

From the outset, AIR<sup>e</sup>F has actively participated in the debate on the need to reform the national and European fiscal governance framework, noting the weaknesses of the current framework and proposing reform alternatives. Following the interruption caused by the pandemic, the European Commission (EC) resumed the review process of the European fiscal framework in 2021 and requested opinions from the main agents, including IFIs. AIR<sup>e</sup>F took part in this consultation, publishing its contribution in January 2022. In November, AIR<sup>e</sup>F presented the technical paper in which it specifies its proposals for making its contribution operational and illustrates with a numerical example how it could be applied in the case of Spain.

This technical paper addresses the three elements that, in AIR<sup>e</sup>F’s opinion, should be included in the reform - timing, material and institutional – applied to the specific context of the Spanish economy:

- **Timing aspects:** the framework must combine, on the one hand, the flexibility needed to respond to economic shocks and, on the other hand, a medium-term orientation of fiscal policy that makes it possible to internalise the implications that current decisions have for future debt sustainability. It raises the possibility that, at the start of each legislature, the incoming government will propose a binding fiscal path for the next four years.
- **Material aspects:** AIR<sup>e</sup>F proposes setting a long-term debt anchor and an operational expenditure rule in the short and medium term. It proposes a methodology for setting a specific debt anchor for Spain that is ambitious and will generate a feasible path of reduction. Once the debt anchor has been derived, its implications for fiscal policy in the short and medium term are reflected through a path of primary spending in levels, net of new revenue measures.
- **Institutional aspects:** AIR<sup>e</sup>F proposes the strengthening of IFIs, which are particularly well positioned to provide useful information to the national debate in aspects such as debt sustainability analysis and medium- and long-term fiscal projections under a no-policy change scenario that are required in the proposed approach. They can also oversee compliance with the rules and the realism of the macroeconomic and budgetary projections. The European Commission would maintain its central role in providing country-specific fiscal policy guidance and guidance for the euro area as a whole and in monitoring possible non-compliance by governments.

## 1.6. Other publications

In accordance with the principle of transparency that guides the actions of AIReF, not only can the aforementioned reports, studies, opinions and technical papers be found on the website, but sections are also included for the dissemination of other information of interest to both public finance specialists and the general public:

- **Monitoring of the 2022 budget stability target.** In its effort to achieve the maximum dissemination of its analyses, within the principle of transparency that governs the institution, AIReF publishes its forecasts for the main fiscal variables on a monthly basis: revenue, expenditure and deficit for the General Government and by sub-sector in national accounting terms, in addition to a cash breakdown of the main tax and social contribution categories. In the case of local governments, the factsheet is produced on a quarterly basis, as this is the frequency at which the data are published.
- **LG Monitor Tool.** A tool that compiles relevant economic and financial data from local governments. In March 2022, a new functionality was introduced to incorporate information on the cost of the services provided.
- **AR Monitor Tool.** This offers an integrated view of the past, present and expected economic and financial situation of each autonomous region and a compilation of the documents published by AIReF on each of them. The tool was added to the website in March 2022 and was completed at the end of the year to incorporate descriptive indicators of the relative position of the autonomous regions in both revenue and expenditure terms.
- **Government debt monitor.** This focuses on a series of key indicators for analysing the sustainability of public finances for the General Government and its different sub-sectors. In 2022, it focused on analysing the evolution of the cost of financing and the debt burden in a context of a sharp upturn in inflation, as well as projecting the debt paths associated with different scenarios of financial burden and adjustment policies.
- **Real-time GDP forecasts (MIPRED).** Forecast of quarterly GDP growth for both the current quarter and the following quarter. It is based on a combination of short-term information issued at different frequencies, using a dynamic factor model. In addition to the changes introduced in 2021 after the outbreak of COVID-19, in 2022 the need to offer a greater degree of detail on the estimates and to incorporate new indicators of the current situation was added.
- **Quarterly GDP estimate of the autonomous regions.** This reflects the quarterly estimate of the GDP of the autonomous regions using the METCAP methodology (Methodology for Quarterly Estimation of GDP by autonomous region), which combines different types of statistical information.

- **Monitor of short-term indicators.** With the aim of supplementing the short-term GDP estimates, since 2021 AIReF has published a summary table of short-term economic indicators for monitoring various economic and financial aspects of the Spanish economy.
- **Historical archive of AIReF's macroeconomic forecasts.** AIReF continued with the publication of its own historical archive of macroeconomic forecasts for the various demand-side aggregates in terms of volume and for employment.

### Box 5. LG and AR Monitor Tools

The LG Monitor is an interactive tool that since 2018 has compiled and offered a graphic view of over 20 million pieces of economic and financial data from almost 8,200 LGs. It makes it possible to visualise what revenue they obtain and how they use it, together with the main variables that define their economic situation and to make comparisons between homogenous authorities, as well as to obtain information on the effective cost of the services provided.

The Monitor Tool is periodically updated when the Ministry of Finance and Civil Service, which is the main source of a great deal of the data presented, publishes new data. For example, an update was made in August, which included data on budget settlements for 2021, outstanding debt at the end of 2021, initial budgets for 2022, and the average period of payment to suppliers corresponding to the month of May of the current year. In addition, it is constantly being improved and extended, and in March 2022 a new module was created with the cost of services provided by local governments, which was updated in December with the information from 2021. In future extensions, it is planned to incorporate, among other aspects, information from AIR<sup>e</sup>F's forecasts for the local governments that it analyses on an individual basis, and to include a new module with risk warnings for the medium-term sustainability of local governments and other indicators for their financial analysis.

As a new development, in March 2022, the first AR Monitor Tool was published. This provides information on the performance of each region in relation to variables such as the deficit, debt and expenditure rule and compliance with the corresponding targets set prior to suspension of the fiscal rules. It also provides details of revenue and expenditure, macroeconomic variables such as GDP and employment, forecasts of the future evolution of these variables and the outlook and indicators for the sustainability of public finances. In addition, it allows the situation of two or more regions or of the entire subgroup to be compared.

This new tool provides a different perspective with respect to other websites and data sources as it presents the economic and financial information on ARs jointly and graphically and re-classifies revenue and expenditure for a clearer and more descriptive view of their origin and nature, always in national accounting terms.

This Monitor Tool is also continuously updated and improved. Thus, an update was published in December that included indicators of the revenue and expenditure position of each region in relation to other regions with the same powers.

## 2. RECOMMENDATIONS AND THE “COMPLY OR EXPLAIN” PRINCIPLE

**AIReF's recommendations are subject to the “comply or explain” principle.** AIReF may make recommendations to the General Government authorities in the reports it issues in the exercise of its functions. The competent authorities have the obligation either to comply with them or to explain their reasons for deviating from them. The “comply or explain” principle is therefore the key tool available for AIReF to fulfil its remit.

**All the authorities receiving the recommendations applied this principle in 2022, giving rise to a constructive dialogue with AIReF.** All the public authorities responded in 2022 to AIReF's request to state their intention to comply or explain in relation to the recommendations made, which highlights their strong commitment to this principle.

**Over the course of 2022, AIReF made 96 recommendations, of which 81 were new, 4 were repeated and 11 were live. In addition, it issued 12 good practice guidelines.** New recommendations are those issued for the first time. These may be repeated when the reasons for non-compliance are not sufficiently explained or do not appear to respond to the purpose of the recommendation. Where appropriate, these recommendations may become live when, having already been repeated and the public authority, having sufficiently explained the reasons for departing from their compliance, AIReF continues to make them because it considers that compliance with such recommendations is important for ensuring the effectiveness of the fiscal framework. In addition, AIReF may give good practice guidelines, which are proposals or suggestions that are not subject to the comply or explain principle.

**The recommendations were addressed to the CG and the ARs.** The CG received 30 recommendations (24 to the Ministry of Finance and Civil Service and 6 to the Ministry of Economic Affairs and Digital Transformation). The remaining recommendations went to the ARs, which received 66. Finally, the ARs also received 12 good practice guidelines.

**Table 3. AIReF's recommendations and good practice guidelines, according to the issue report (2022)**

REPORTS	NEW	REPEATED	LIVE	GOOD PRACTICE GUIDELINES	TOTAL
Initial Budgets of the General Government 2022	2		1		3
Macroeconomic Forecasts of the 2022 Stability Programme Update	2	2	2		6
2022 Stability Programme Update	3		2		5
Analysis of Budgetary Execution, Debt and the Expenditure Rule 2022	57		1		58
Existence of the exceptional circumstances of Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability 2023			1		1
Macroeconomic forecasts of the individual draft budgets of the ARs 2023	13			12	25
Macroeconomic forecasts of the Draft 2023 GSB	1	2	1		4
Draft budget and main budgetary lines of the General Government: 2023 GSB	2		3		5
Draft budget and main budgetary lines of the General Government: Autonomous Regions (ARs) and Local Governments (LGs) 2023	1				1
<b>Total</b>	<b>81</b>	<b>4</b>	<b>10</b>	<b>36</b>	<b>77</b>

Source: AIReF

**Table 4. AIReF's recommendations and good practice guidelines, according to content area (2022)**

TOPICS	NEW	REPEATED	LIVE	GOOD PRACTICE GUIDELINES	TOTAL
Transparency	5	4	8	12	29
Budgetary stability	5				5
Medium-term orientation	50		3		53
Financial sustainability	21				21
<b>Total</b>	<b>81</b>	<b>4</b>	<b>11</b>	<b>12</b>	<b>108</b>

Source: AIReF

**Table 5. AIReF's recommendations and good practice guidelines, according to body responsible for their application (2022)**

BODY RESPONSIBLE	NEW	REPEATED	LIVE	GOOD PRACTICE GUIDELINES	TOTAL
Ministry of Finance and Civil Service	13	2	9		24
Ministry of Economic Affairs and Digital Transformation	2	2	2		6
One or several ARs	66			12	78
<b>Total</b>	<b>81</b>	<b>4</b>	<b>11</b>	<b>12</b>	<b>108</b>

Source: AIReF

**In 2022, recommendations were made to restore the Draft GSB to its central role as a fiscal and economic policy instrument and to frame the 2023 Budget in a medium-term strategy.** In the report on the Draft 2023 GSB, AIReF urged the Government to restore the Draft GSB to its central role as a fiscal and economic policy instrument and an element of design, planning, execution, control and supervision of the activity of the public sector. In addition, it recommended both to the Ministry of Finance and Civil Service and to the 17 ARs that the preparation of the 2023 Budget should be framed within a medium-term fiscal strategy that considers the structural or cyclical nature of expenditure and revenue.

**AIReF also issued other recommendations aimed at giving fiscal policy a medium-term orientation.** AIReF recommended assessing the effectiveness and efficiency of the anti-crisis measures and specifying the conditions that trigger their extension or withdrawal, so that they can be integrated into a medium-term national fiscal strategy. It also recommended that the Ministry of Finance and Civil Service and the ARs should avoid increases in expenditure or reductions in revenue of a structural nature whose permanent funding is not guaranteed. In addition, it proposed to those ARs that had not done so to specify the assumptions about the macroeconomic impact associated with the RTP.

**It also made a number of recommendations aimed at preserving the sustainability of regional debt.** AIReF recommended that the Ministry of Finance and Civil Service should take into account the excess financing generated at year-end 2021 in the debt authorisations given to the ARs and consider the possibility of excess borrowing being generated when setting the references or targets for the ARs. In the same vein, in order to adjust debt to real financing needs, firstly, it proposed that the Ministry of Finance and Civil Service should periodically and thoroughly monitor the year-end forecasts for each region, updated at all times. Secondly, it proposed that the ARs should take into account the updated year-end forecasts for the current year and subsequent



years. Finally, it recommended that the ARs with excess financing at year-end 2021 should apply said excess, together with any surplus generated in said year yet to be applied.

**Finally, AIReF made other recommendations, mainly to improve transparency.**

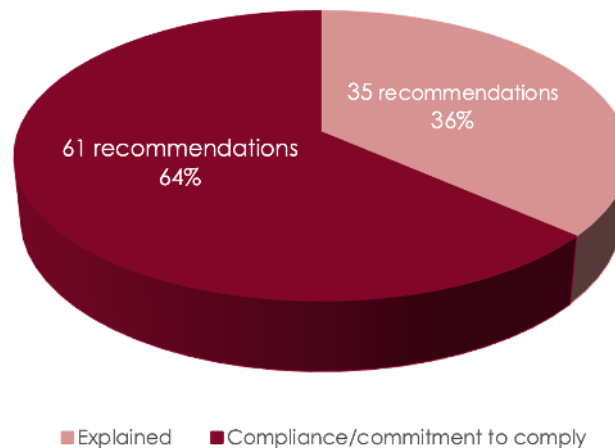
Several were aimed at increasing the transparency of information on the execution of the RTRP in national accounting terms. In addition, AIReF repeated to the Ministry of Finance and Civil Service and the Ministry of Economic Affairs and Digital Transformation the recommendation to provide more information on the budgetary and fiscal measures incorporated into the macroeconomic scenario in order to increase the rigour of the endorsement process. And with the aim of improving the endorsement procedure, AIReF recommended that the Ministry of Economic Affairs and Digital Transformation should consult AIReF on the Report on the Situation of the Spanish Economy.

**Furthermore, in 2022 AIReF made 11 recommendations that are considered to be live.** These recommendations were aimed at having in place a medium-term fiscal strategy, as well as strengthening transparency and the exchange of information:

- (i) Preparation of a medium-term fiscal strategy: to act as fiscal guidance and realistically and credibly guarantee the financial sustainability of the General Government.
- (ii) Extension of the content of the SPU and the Budgetary Plan: in the former, to include information by sub-sector and increase information on fiscal risks. In the latter, to incorporate all the measures planned by the Government and the impact of the REACT-EU and RTRP funds on revenue and expenditure and the breakdown by sub-sector.
- (iii) Publication of information in national accounting terms: of the adjustments of the Draft GSB and of those entities not of a public nature that are included for the purposes of ESA 2010, as well as preparing budgets in national accounting terms.
- (iv) Regulation of the exchange of information: by means of an agreement or “memorandum of understanding”.

**With regard to the level of compliance, the authorities complied or undertook to comply with 64% of the 2022 recommendations.** However, the degree of compliance was very uneven between the CG and the ARs. While the former only complied or undertook to comply with 7% of the recommendations made to it, the figure for the ARs stood at 89%. However, in the case of the CG, the percentage of compliance would rise slightly to 11% if only the new or repeated recommendations that were made in 2022 were considered. In this case, the live recommendations, which generally come from previous years and remain specifically in this category as long as they remain unfulfilled, would not be counted.

**Figure 1. 2022 recommendations for the General Government: commitment to comply/complied or explained (number of recommendations and % of total)**

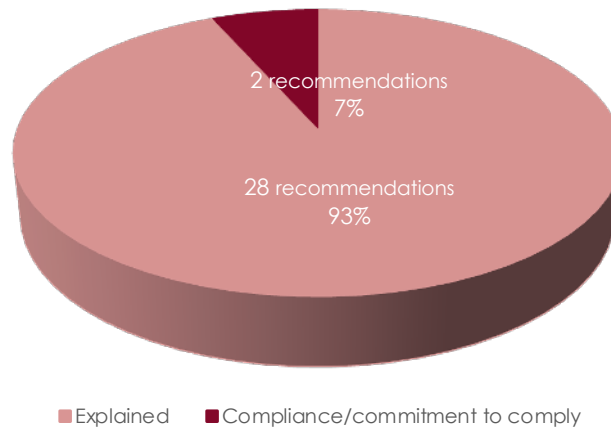


Source: AIR<sup>e</sup>F

**The CG limited itself to complying with the recommendations regarding the sustainability of the regional debt.** In its response, the Ministry of Finance and Civil Service noted, firstly, that it already considered the excess financing of the previous year in the debt authorisations to finance the deficit reference of the ARs. It also requested that those participating in the AR Financing Fund should review their financing needs over the year in order to adjust the Fund's allocations. Secondly, the Ministry of Finance and Civil Service noted that it has already been requesting from the ARs since 2019 information on the forecast of the EDP debt at year-end and strictly monitors this information in order to ensure that the excess debt of previous years is largely offset.

**In contrast, it departed from the other recommendations, which include those aimed at restoring the Draft GSB to its role as the main fiscal and economic policy instrument and providing the public accounts with a multi-year perspective.** It did not undertake to restore the budget as a fiscal and economic policy instrument or to avoid structural increases in expenditure or reductions in revenue whose permanent funding is not guaranteed. It also failed to follow the recommendations related to a medium-term fiscal strategy, whether one that it prepares itself or one that acts as the framework for the 2023 budgets, or the recommendation of integrating into the strategy the anti-crisis measures by specifying the conditions that trigger their extension or withdrawal. It also failed to comply with the recommendations of increasing transparency and execution of the RTRP in national accounting terms and of providing more information on the budgetary and fiscal measures incorporated into the macroeconomic scenario. The main reason for not following these recommendations was that they were not necessary because, in the ministerial department's view, they were already being implemented.

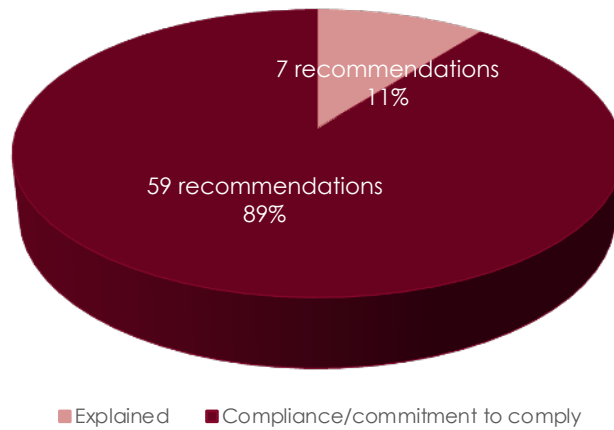
**Figure 2. 2022 recommendations for the CG: commitment to comply/ complied or explained (number of recommendations and % of the total)**



Source: AIReF

**In the case of the ARs, the vast majority were in favour of following the recommendations made.** All the ARs, except Aragon, the Canary Islands, Extremadura, the Basque Country and Valencia, undertook to comply with the recommendation to frame their budgets for 2023 in a medium-term fiscal strategy, although in the end Andalusia did not fulfil its commitment to include it in the economic and financial report of its budget. With regard to regional debt, all the recipient ARs were in favour of complying with the recommendations for their sustainability, with the exception of the Basque Country. Moreover, with the exception of Valencia, all the regions undertook to avoid increases in structural deficit without permanent funding. Finally, with the exception of Castile and Leon, the other ARs which received the recommendation to specify the assumptions about the macroeconomic impact associated with the RTRP complied with it or undertook to do so. The ARs that departed from compliance with the recommendations generally did so by simply not showing a specific commitment to the recommendation issued.

**Figure 3. 2022 recommendations for the ARs: commitment to comply/ complied or explained (number of recommendations and % of the total)**



Source: AIReF

**Lastly, in addition to the recommendations, AIReF set out 12 good practice guidelines, which are not subject to the “comply or explain” principle.** All were addressed to the ARs and were aimed at improving transparency. In this regard, ten ARs were advised to include the expenditure forecasts in regional accounting terms in their budgets, and two ARs were advised to publish detailed information on the models and parameters used in the macroeconomic forecasts of their budgets.

### **Box 6. A reflection on the recommendations made to the Central Government**

AIR<sup>e</sup>F makes recommendations in its reports which, by legal mandate, are subject to the comply or explain principle. That is, the public authority to which the recommendation is addressed must indicate whether it intends to comply with it or, in the case of departing from it, explain its reasons. If the response received is not satisfactory, AIR<sup>e</sup>F may keep the recommendation as live or even repeat it.

There are several recommendations addressed to the Central Government whose answers are, in AIR<sup>e</sup>F's opinion, unsatisfactory so it has been decided to keep them as live. Two of these can be illustrated because of their relevance for financial sustainability and transparency. International experience shows that such recommendations are in line with good practice in other countries.

Firstly, since activation of the escape clause in 2020, AIR<sup>e</sup>F has recommended that the CG, as established by the Organic Law on Budgetary Stability and Financial Sustainability, should draw up a medium-term fiscal strategy that guarantees the sustainability of public accounts and serves as fiscal guidance in a context of high uncertainty. In its responses, the Ministry of Finance and Civil Service insists that the three-year Stability Programme mirrors this medium-term strategy. However, AIR<sup>e</sup>F considers it insufficient as a medium-term planning instrument. In fact, other IFIs have recommended medium- or long-term planning to their governments beyond their respective SPUs. Of note is the case of the Dutch IFI, the Raad Van State, which in its analysis of the 2023 Budget Memorandum published in September 2022 recommended that the government adopt a long-term approach, at least up to 2030, since the biggest challenges facing Dutch society are not limited to the four-year political cycle. The Irish IFI also recommended that its government return to a five-year horizon after being reduced to one year following activation of the escape clause. Other countries such as France, Portugal and Germany present scenarios beyond three years (5, 4 and 4 respectively).

Secondly, AIR<sup>e</sup>F has also repeated in numerous reports its willingness to sign a Memorandum of Understanding (MoU) with the Ministry of Economic Affairs and Digital Transformation and with the Ministry of Finance and Civil Service to regulate the flow of information and the interaction of the process of endorsing the Government's economic forecasts. The response has always been to decline such a request as unnecessary. However, international experience again shows that such an initiative is a common practice and very useful in many countries, regulating the flow of information between the Government and their IFIs with MoUs to favour transparency and adequate access to data. Examples are Ireland, the United Kingdom, Portugal and Italy.

# 3. INSTITUTIONAL ACTIVITY

## 3.1. Institutional relations

**In 2022, the President of AIReF appeared three times before Parliament.** On June 27<sup>th</sup>, she appeared before the Finance Committee of the Congress to inform about the Report on the 2022-2025 Stability Programme Update. On October 18<sup>th</sup> and November 29<sup>th</sup>, she appeared before the Budget Committees of the Congress and Senate, respectively, to report on the Draft General State Budget and the 2023 Budgetary Plan. In her various speeches, the President assessed, given the information available at each moment, the macroeconomic and fiscal perspectives of the official budgetary documents. In addition, in the appearances relating to the Draft General State Budget, she focused on deficiencies as an instrument of economic planning, control and accountability. In particular, the failure to incorporate all available information on the evolution of 2022 revenue, the failure to incorporate policy measures, the lack of information on the execution of the RTRP and the lack of integration into a medium-term fiscal strategy. In addition, the medium-term scenario in which AIReF framed its analysis of the Draft Budget for 2023 was explained. On its own initiative, AIReF again invited the spokespersons of the Finance and Budget Committees of the Congress to its headquarters to give a closer insight into its activity, economic and fiscal outlook and short- and medium-term plans in relation to evaluation.

**AIReF held meetings with representatives of the entire General Government and participated in the Council of Fiscal and Financial Policy (Spanish acronym: CPFF) and in the National Commission for Local Administration (Spanish acronym: CNAL).** In particular, meetings were held with the State Secretary for Finance, the State Secretary for Budget and Expenditure, the State Secretary for Economic Affairs, the Minister for Inclusion, Social Security and Migration, the Secretary-General for Transport and Mobility, the Secretary-General for the Treasury and the State Secretary for Trade. In relation to AIReF's evaluations and its role as fiscal supervisor, meetings were held with several ARs such as Asturias, Galicia, Castile and Leon, and the Balearic Islands. In addition, AIReF's President participated in the CPFF held in July and held meetings with different public authorities such as the President of the Court of Auditors, the President of Segispsa, the President of the INE, and IGAE.

**With the aim of strengthening the dialogue and exchange of views with the General Government, in 2022 a technical seminar was held with the ARs as well as a workshop that, for the second time, brought together representatives from all tiers of government.** The technical seminar with the ARs, held in June, focused on RTRP investments, in particular analysing their economic impact, management challenges and budgetary implications. In November, the "Second workshop

with the General Government” was held, which, for the second time, brought together representatives from all tiers of the General Government, as well as the European Commission. The meeting was of a technical nature and reviewed the fiscal situation and outlook, the reform of the fiscal governance framework and the status of the execution of the RTRP.

**In February, with the creation of the Public Spending Evaluation Division, the President and the director of the new division presented AIReF’s roadmap on evaluation matters.** The progress made so far to make evaluation a permanent function of the institution, the evaluations commissioned by the different authorities and future challenges were presented.

**AIReF participated throughout the year in numerous forums on fiscal, economic and public policy evaluation.** The sustainability of public finances, the evaluation of public policies, the management of NGEU funds and the future reform of the European and national fiscal framework have been key issues throughout 2022. Particularly noteworthy is the participation in speeches at the Elcano Royal Institute, the I+E Foundation, the Economic and Social Council (Spanish acronym: CES) and the Association of Economists, in which she participated in the “Live Leaders” event, as well as at the 9th Iberian Seminar of Economists. The President also participated in forums organised by EY, PwC, APD, Nueva Economía Forum, the Department of Economy and Finance of the Regional Government of Cantabria and the “La Caixa” Foundation Chair in Economics and Society. She also participated as a speaker in the public management programme of the Institute for Fiscal Studies, as well as at the 10<sup>th</sup> National Congress on Auditing in the Public Sector. Finally, her contributions to the Association of Economic Information Journalists (Spanish acronym: APIE) and in the “Norte de Castilla” newspaper are particularly noteworthy. In addition, two interviews with the President of AIReF were published in the journal CUNAL, Revista de Estudios Locales, and in the podcast “The future of Ideas” organised by ESADE, as well as an op-ed in the El País newspaper about IFIs as a key piece of European fiscal coordination.

**The Advisory Board, renewed in 2021, met twice, in June and December.** At both meetings, the main actions and developments of the institution in 2022 were shared with the members in order to obtain their opinion and comments, highlighting the status of the evaluation projects and the current macro-fiscal issues, particularly the first Opinion on the Minimum Living Income and the Opinion on long-term sustainability of the General Government.

**In 2022, AIReF received two important recognitions for the transparency with which it carries out its work (see Box 7).** In April, the Transparency and Good Governance Council published its evaluation report in which AIReF achieved 100% compliance in terms of transparency. In November, the President of AIReF, Cristina Herrero, received the “Tintero” award granted by the APIE for her informative work at the head of the institution. In addition, the President of AIReF received the Grand Cross Award for Merit in the Service of the Economy 2022 awarded by the Consejo General de Economistas [General Council of Economists].

**At an international level, AIReF played an active part in the Network of Independent Fiscal Institutions of the EU Member States. AIReF participated in all the meetings of the Network of IFIs which, for the first time since 2020, have combined face-to-face meetings (Paris and Brussels) and meetings in a virtual format.** AIReF has contributed to two position papers published by the Network of IFIs: one on strengthening the role of IFIs at a European Union level and another on minimum standards and strengthening the mandate of IFIs. It continued to be part of the EU IFIs' Effectiveness working group in the areas of economic forecasting and media impact and the output gap group. It also actively participated in the preparation of two editions of the European Fiscal Monitor published by the network of IFIs in the course of 2022. Finally, at the September meeting organised by DG ECFIN with the Network of IFIs (EUNIFI), AIReF participated as a presenter in one of the sessions where work on the reform of the fiscal governance framework was presented. In addition, two projects presented by AIReF to the financing of the "Technical Support Instrument" offered by the European Commission have been shortlisted. One of them is part of a multi-country proposal put forward by several IFIs that seeks to strengthen the institutional capacity of IFIs. The other shortlisted project seeks to carry out an external evaluation to coincide with the mid-term of Cristina Herrero's presidency.

**Close contact was maintained with EU institutions and international bodies**, such as the IMF and the OECD. Specifically, bilateral meetings were held with the European Commission, the IMF and the OECD following their missions to Spain in order to gather AIReF's vision of the country's economic and fiscal situation. AIReF also held meetings with counterpart independent fiscal institutions in France, Argentina, Colombia and Mexico.

**AIReF also participated in meetings and activities organised by the networks of the European Commission and by the OECD.** It attended the Annual Conference of the European Fiscal Board, organised in Brussels in February, which focused on public finances and climate change in the post-pandemic era. AIReF participated as a presenter at a meeting of the OECD working group on IFIs and climate in May, "Institutional IFIs' Communication: experience reaching the public".

The articles published by AIReF and the presentations made can be found in Annex 2.

### 3.2. Communication Activities

**2022 has set itself as one of the institution's best years, after almost completely overcoming the COVID-19 crisis and despite the suspension of fiscal rules, which continues to affect the institution's activity.** AIReF has achieved an overall improvement in all communication KPIs and has consolidated itself as the benchmark institution in budgetary analysis, financial sustainability and budgetary stability. The award granted by the APIE shows that journalists value the transparency and the manner in which AIReF communicates.



Once again this year, AIReF's website, social media and the media have been the main channels for publicising the institution's activities.

**Table 6. Communication figures in 2022**

Press	Website	Social Media
29,502 articles published in 2022 in which the word AIReF appears, 39.4% up on 2021	Almost 50,000 users in 2022, 28% more than in 2021	10,038 followers on Twitter, 10% up on 2021
20,888 articles in the digital press, up 37%	Over 114,600 sessions, 51% more than in 2021	2,449 followers on LinkedIn, 49% up on 2021
8,612 articles in written press, up 45.4%	Nearly 320,000 page views, 40% up	Over 1,000 newsletter subscribers, up 11%

Source: AIReF

**The 2022 press results are very positive. Publications on AIReF rose significantly and returned to almost pre-pandemic highs.** The media attended AIReF's press invitations en masse and responded with extensive coverage of AIReF's publications. In 2022, almost 30,000 articles were published containing the word AIReF, 39.4% more than in 2021. The total number of publications is very close to that achieved in 2019, a year before the pandemic and the year in which the first results of the Spending Review were published.

**The coverage that audio-visual media devoted to the institution grew significantly in 2022.** Press conferences were held in person at the institution's headquarters, open to all types of press, with specific invitations for audio-visual media. AIReF was the subject of radio debates on the main radio stations and opened the news programmes of major channels such as TVE and Antena 3, following the publication of its reports.

**The new website, which has been in operation since March 2022, offers a renewed and more accessible space for the public. In 2022, sessions rose by 51%, pages viewed by 40% and users by 28%.** Google Analytics data show a significant increase in activity on the website over the year, with improvements in all parameters. In addition, sessions per user rose to 2.3, pages per session rose to 2.78 and the average duration of each session exceeded 3 minutes, a significant figure.

**The institution's social media also recorded significant improvements.** AIReF's Twitter account exceeded 10,000 followers, after increasing by 10% compared with 2021. AIReF also consolidated its position as the fourth largest independent

fiscal institution in terms of absolute number of followers worldwide, behind only the US, the UK and the Netherlands, and close to the UK and even ahead of the US if corrected for population size.

**AIReF's improvement in the case of LinkedIn - the social media with a more professional and specialised audience - was very significant in 2022.** 800 followers were gained between January and December, which allowed AIReF to end the year with 2,449 followers, 49% more than in 2021. AIReF is also one of the IFIs with the most followers in absolute terms.

**AIReF also continued to gain subscribers to the newsletter over 2022, to end the year with over 1,000 subscribers, who received AIReF news on a monthly basis in their email.** The website acts as a permanent invitation to the newsletter and regular publications have been made on the institution's social media to promote this product.

**In addition to traditional media and social media, AIReF maintained a high level of web publications and the macroeconomic analysis tools (MIPred and METCAP), which helped calibrate the impact of the Ukraine war and the energy crisis, gained particular importance.** The publication of all news on the website and the sending of e-mails to different institutions and stakeholders was encouraged. In total, 81 news items were published on the website in 2022, 30.6% more than in 2021 (62 news items).

### Box 7. Transparency and Communication

2022 marked a new milestone in the commitment to strengthen the principle of transparency included in the 2020-2026 Strategic Plan. Several awards were received in this regard.

In April, the Transparency and Good Governance Council identified AIReF as the most transparent public body as it achieved 100% compliance in the index included in its 2022 evaluation report on compliance with active disclosure obligations and management of requests for access to public information corresponding to regulatory and supervisory bodies and independent administrative authorities. In its commitment to transparency, AIReF implemented the five recommendations it had received from the Council in the previous year's analysis. This allowed it to improve its compliance by 11.2 percentage points and thus achieve the maximum score.

In November, the Association of Economic Information Journalists (Spanish acronym: APIE) also recognised the informative work of the President, Cristina Herrero, at the head of AIReF and honoured her with the "Tintero" award, the highest-level recognition of the APIE awards. Transparency is part of AIReF's DNA. It helps the institution to perform its supervisory work better, enhances its independence and facilitates the objective of being useful to society as a whole, one of the commitments made by the President when she was proposed to head up the institution.

As part of its communication and transparency strategy, AIReF has renewed its website to make it more intuitive and easier to browse.

In addition, new products have been published that strengthen the commitment to transparency, including:

- Publication of a medium-term scenario in the Report on the 2023 Draft General State Budget
- Self-assessment of errors made in macroeconomic and fiscal forecasting
- Interactive AR monitor tool with fiscal and macroeconomic data and forecasting
- Excels attached to the reports and studies with all the data, graphs and tables contained therein

# 4. ACCESS TO INFORMATION

**One of the basic requirements for the performance of AIReF's functions is timely access to economic and financial information on the General Government. This aspect has been gradually improving.** The right of access to this information is legally established in Article 4 of Organic Law 6/2013, on the Establishment of the Independent Authority for Fiscal Responsibility. However, in order to achieve its optimal application, it has been necessary to establish useful mechanisms of information exchange between public authorities

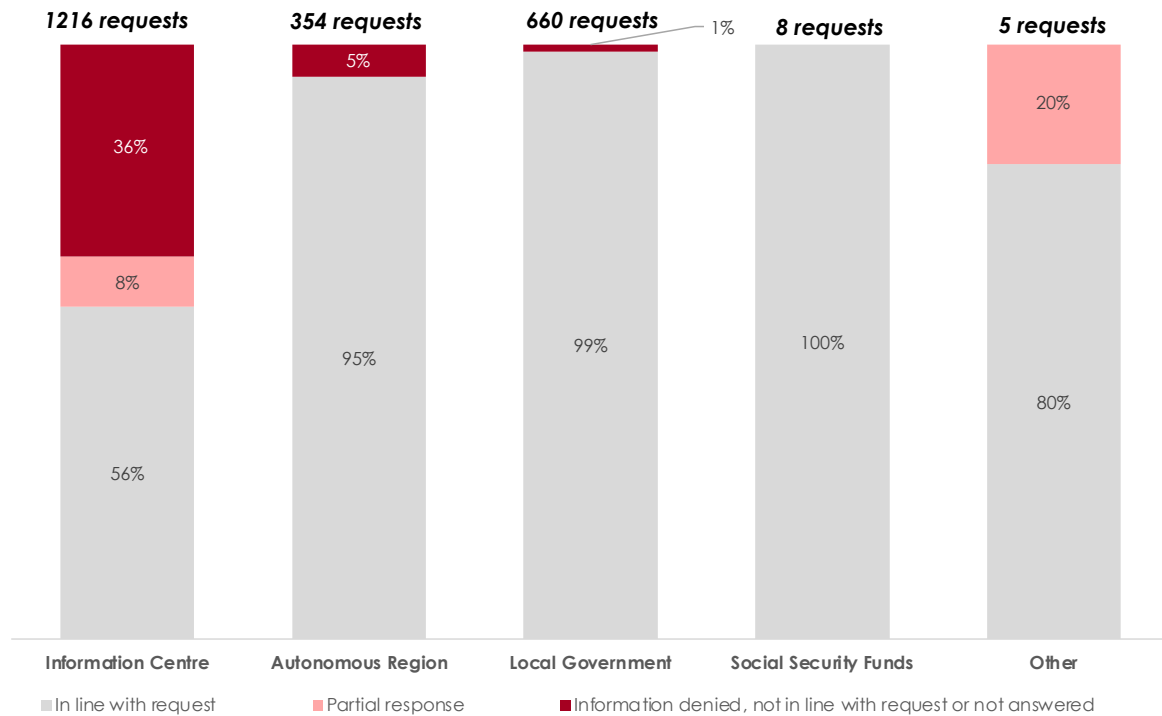
**AIReF's capacity to prepare useful, rigorous and objective reports may be influenced by possible obstacles in accessing the necessary information.** This risk is particularly high when there is a limited period for preparing and presenting said reports. In 2022, in general terms, the levels of response to requests for information issued have improved, both in quantity and quality, in all institutional sub-sectors. They stood at, or close to, 100% in the case of the territorial authorities and the Social Security.

**As already highlighted in the 2021 Report, in 2022 AIReF is still awaiting the signing of memoranda** with the Ministry of Finance and Civil Service, as well as with the Ministry of Economic Affairs and Digital Transformation, setting out the mechanisms and obligations for the submission of periodic and non-periodic information to AIReF.

**Since 2016, AIReF has had a system for monitoring collaboration with the various authorities of the General Government in the field of information provision.** In general, each request for information is linked to the preparation of one 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, which may be subject to a separate response and/or individual monitoring, either as a result of reference to different fiscal rules or different financial periods, or that must be provided by different bodies.

**The requests to the territorial authorities with an appropriate response exceeded 95% of those made. Those received in a complete and appropriate manner from the Information Centre of the Ministry of Finance and Civil Service stood at 56%, while the figure for those in the field of Social Security stood at 100%.** The requests made to the Ministry of Finance and Civil Service that went unanswered were received past the deadline required to be taken into account in the mandatory report or which only yielded a partial response stood at 44% of the total requests. The breakdown of responses to AIReF's requests by type of General Government authority and type of response is shown in Figure 4.

**Figure 4. Breakdown of responses to AIReF's requests, by authority and type of response (2022)**

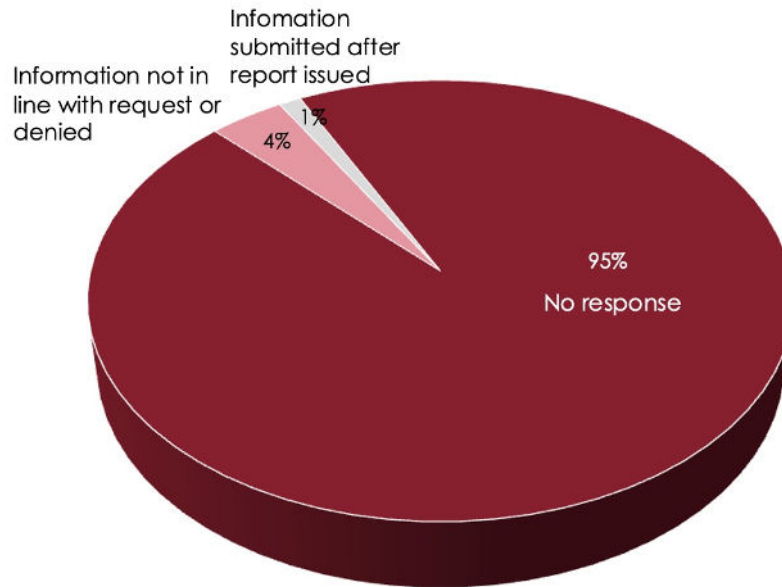


Source: AIReF

**Of the requests that were not properly addressed (denied, not in line with the request or not responded to) by the Ministry of Finance and Civil Service Information Centre, 95% did not receive any response (Figure 5) and mainly referred to information relating to stability or debt.** As shown in Figure 6, most of these referred to elements necessary for calculating stability (over 40%) or debt (over 27%).

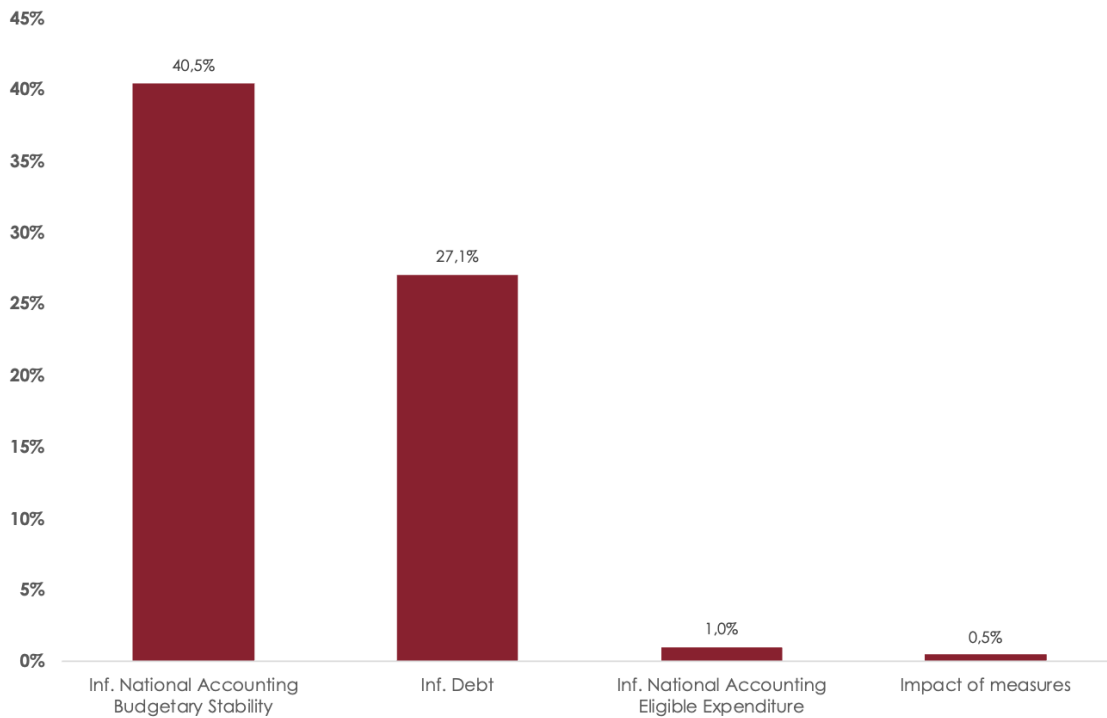
**Finally, in 2022 AIReF issued one resolution due to failure to comply with the duty of cooperation of one local government.** AIReF had to issue one public warning to one local government due to repeated and serious non-compliance, as it failed to respond to requests for information for the preparation of various reports.

**Figure 5. Breakdown of invalid responses from the Ministry of Finance and Civil Service Information Centre (2022)**



Source: AIReF

**Figure 6 Breakdown of requests to the Ministry of Finance and Civil Service Information Centre without a response by type of information requested (2022)**



Source: AIReF

## 5. MONITORING OF THE 2022 ACTION PLAN

**Action Plans are provided for in AIReF's regulations.** Article 5 of AIReF's Organic Statute establishes 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.

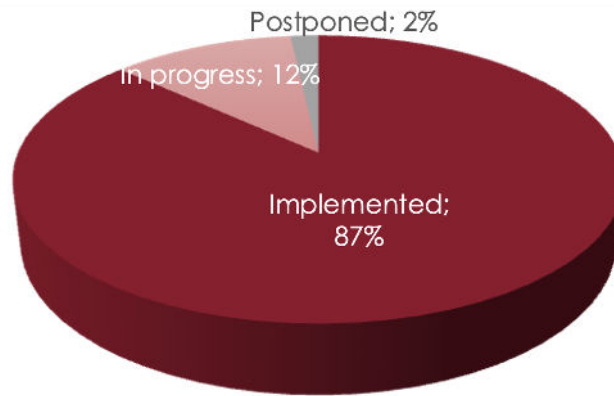
**However, at its own initiative, AIReF has framed these annual plans within a multi-year strategy that is reflected in the strategic plans.** In these plans, AIReF sets out the objectives for each mandate, the strategic pillars for achieving them and the main lines of work planned. This planning exercise allows a better understanding of AIReF's activity, gives predictability to its actions and is, above all, an essential tool for the institution's accountability to society. AIReF does not restrict itself to mere planning of its activity, but goes beyond the regulations and performs *ex post* monitoring of each annual plan.

**The 2022 Action Plan is the second plan to be prepared under the umbrella of the [2020-2026 Strategic Plan](#).** A detailed follow-up of the 2022 Action Plan can be found in Annex 3. This plan had to be carried out in a context characterised by the extension of the suspension of national and European fiscal rules.

**In quantitative terms, an execution level of around 87% was reached.** Specifically, of the 113 planned actions, 98 were fully executed, 13 actions are in progress, while 2 could not be carried out. Specifically, the preparation of a technical paper on the macroeconomic impact of the RTRP is postponed for the time being due to the lack of required information. Secondly, contacts with the Monitoring Unit of the recommendations of the Spending Review set up in the Ministry of Finance and Civil Service are postponed to 2023 given that the Unit has recently updated the classification of the status of the proposals set out in the evaluation studies.

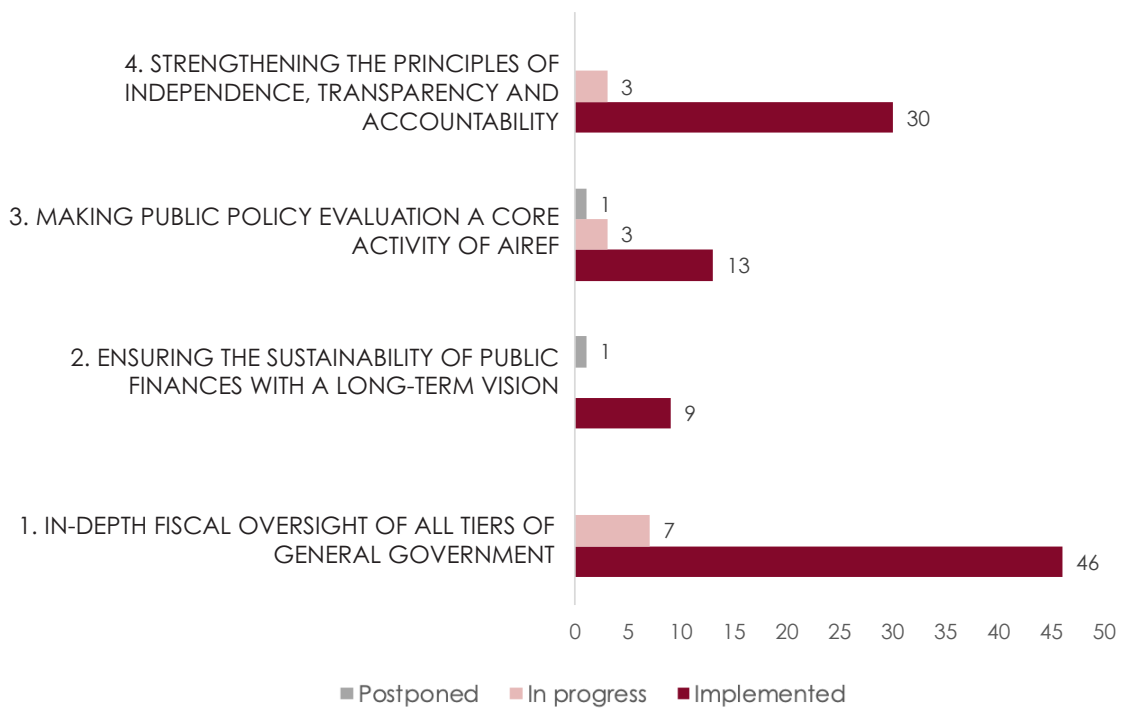
In addition, work was performed on their preparation, but publication of the Opinion on the long-term sustainability of the General Government, the Opinion on the cessation of activity of self-employed workers and the Technical paper on the analysis of the impact of regulatory changes on tax revenues is put back to 2023.

**Figure 7 Percentages of implementation of the 2022 Action Plan**



Source: AIREF

**Figure 8. Implementation by strategic pillar of the 2022 Action Plan**



Source: AIREF



# 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](#) 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 fees. 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.

**Law 22/2021, of December 28th, on the General State Budget for 2022, approved a budget of €10.41m for AIReF in 2022 (€10.71m following credit modifications over the year).** The expenditure finally executed during 2022 amounted to €7.75m (72.41% of the total budget). 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 2022 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 Organic Law 6/2013 on the Establishment of AIReF) is paid by the General Government authorities 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.

**The amount collected from the fees accrued in 2022 was €9.6m.** The State, the Social Security and all the autonomous regions paid the fee. Under the Ninety-eighth Additional Provision of the Law on the General State Budget for 2022, the rate of the fee was set at 0.00144%. In addition to the funding from the fee, there is a second significant source of income: the prices for carrying out studies commissioned by different General Government authorities, which in 2022 generated receivables for the institution in an amount of €1,195,337, of which €891,815.05 was paid in the same year. There were six studies that generated revenue for AIReF in 2022, three commissioned by the National Government and another three by autonomous regions: (i) the third phase of the evaluation study of the Spending Review commissioned at the end of 2021; (ii) the study of the General Government Spending Review 2022-2026 Phase I commissioned at the end of 2022; (iii) a study commissioned in 2021 relating to FONPRODE, coordinated by the Ministry of Foreign Affairs, European Union and Cooperation; (iv) a two-

phase evaluation study commissioned at the end of 2020 by the Autonomous Region of Castile and Leon; (v) and (vi) two evaluation studies commissioned in 2022 by the Autonomous Regions of Balears and Navarre.

**In 2022, AIReF initiated and ruled on material and data verification procedures of the self-assessments carried out by the different General Government authorities obliged to pay the fees that did not self-assess and pay the corresponding amount or did so outside the set period in 2021.** Within these procedures, 32 settlement decisions were issued. Almost all of these were paid and the institution thus received revenue of €41,557.25.

**Table 7. Execution of the 2022 expenditure budget (thousands of euros)**

ITEM	2022 BUDGET	EXECUTION
<b>Staff costs</b>	<b>6.592,61</b>	<b>5.548,35</b>
Steering Committee Members		742,29
Officials		2.770,95
Workers		87,41
Performance incentives		1.535,86
Contributions and social expenditure		250,5
Training		43,95
Social action and others		117,36
<b>Operating costs</b>	<b>3.745,69</b>	<b>1.922,96</b>
Leases, repairs and maintenance		113,49
Office supplies		97,99
Utilities		20,91
Telephony and Internet		93,16
Cleaning		50,21
Studies and technical work		515,68
External services		855,36
Travel		11,22
Publication costs		72,98
Hospitality	4,68	0,05
Other expenses		91,36
<b>Paid internships</b>	<b>160</b>	<b>150,6</b>
<b>Investments</b>	<b>200</b>	<b>133,11</b>
<b>Advances to staff</b>	<b>12</b>	<b>0</b>
<b>TOTAL</b>	<b>9.718,88</b>	<b>7.755,02</b>

Source: AIReF

**Table 8. AIReF's Revenue 2022 (thousands of euros)**

ITEM	ACCUMULATED AS AT 31 DECEMBER
<b>AIReF fee 2020</b>	<b>9.690,41</b>
State	3.480,72
Social Security	2.647,85
Autonomous Regions	2.928,06
Local Governments	633,77
<b>Regularisation of previous years' fee</b>	<b>-0,8</b>
<b>Settlements made by AIReF</b>	<b>41,55</b>
<b>Public prices for studies</b>	<b>891,81</b>
<b>Other revenue (litigation, refunds, etc.)</b>	<b>30,31</b>
<b>TOTAL REVENUE</b>	<b>10.653,29</b>

Source: AIReF

**The final approval of AIReF's 2022 annual accounts will be given in May 2023, subject to an audit report by the Audit Office.** The final balance sheet can be consulted in the transparency section of [AIReF's website](#).

## 6.2. Human resources

**AIReF comprises four divisions and a support unit to assist the President.** 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 of each and every one of the General Government authorities. The newly created Public Spending Evaluation Division is responsible for reviewing public spending and evaluating public policies and their results. Lastly, the Legal Affairs Division sees to the institution's daily management tasks and provides a legal advisory service.

**In 2022, AIReF's List of Positions was extended as a result of the modification of the organic statute in 2021 and a position was created for reinstatement from special services.** The expansion of the institution's List of Positions, approved in October by the Executive Board of the Inter-ministerial Remuneration Committee (CECIR), involve the creation of ten new positions.

### 6.3. Transparency

**AIReF was created with the vocation to fulfil its mission based on three principles: independence, transparency and accountability.** In the performance of its functions, the institution is fully committed to transparency through the two great pillars of Law 19/2013, of December 9<sup>th</sup>, on transparency, access to public information and good governance: active publication and the right to access information. Furthermore, 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 regulations,** such as expenditure for amounts greater than €1,000 and the minutes of the Steering Committee.

**In addition, in compliance with transparency regulations, all natural and legal persons have the right to access public information held by AIReF.** Public information means the contents or documents, in whatever format or medium, that have been prepared or acquired in the exercise of the institution's activities. In 2022, 13 information requests were received, all of which were responded to in a timely manner, with 4.23 calendar 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).

# ANNEX 1 DOCUMENTS PUBLISHED BY AIReF IN 2022

REPORTS ON THE BUDGET CYCLE	
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budgets of the General Government for 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Andalusia 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Aragon 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Asturias 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of the Balearic Islands 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of the Canary Islands 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Catalonia 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Castile-La Mancha 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Cantabria 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Valencia 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Castile and Leon 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Extremadura 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Galicia 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Madrid 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Murcia 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Navarre 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of the Basque Country 2022</a>
April 7 <sup>th</sup>	<a href="#">Report on the Initial Budget of Rioja 2022</a>
April 7 <sup>th</sup>	<a href="#">Supplementary Report on the Individual Evaluation of the 2022 Initial Budgets of the Local Governments</a>
May 3 <sup>rd</sup>	<a href="#">Endorsement of macroeconomic outlook of 2022-2025 Stability Plan</a>
May 12 <sup>th</sup>	<a href="#">Report on the of 2022-2025 Stability Programme Update.</a>
July 15 <sup>th</sup>	<a href="#">Report on General Government Budgetary Execution, Public Debt and Expenditure Rule 2022</a>

REPORTS ON THE BUDGET CYCLE	
July 15 <sup>th</sup>	<a href="#">Supplementary Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 Local Governments</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Andalusia</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Aragon</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 Asturias</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Balearic Islands</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Canary Islands</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Catalonia</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Castile-La Mancha</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Cantabria</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Valencia</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Castile and Leon</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Extremadura</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Galicia</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Madrid</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Murcia</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Navarre</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of the Basque Country</a>
July 15 <sup>th</sup>	<a href="#">Report on Budgetary Execution, Public Debt and Expenditure Rule 2022 of Rioja</a>
July 29 <sup>th</sup>	<a href="#">Report on the Existence of the Exceptional Circumstances referred to in Article 11.3 of Organic Law 2/2012, of April 27th, on Budgetary Stability and Financial Sustainability</a>
September 20 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Navarre</a>
September 30 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Extremadura</a>
September 30 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Castile-La Mancha</a>
October 4 <sup>th</sup>	<a href="#">Endorsement of the macroeconomic forecasts of the Draft General State Budget for 2023</a>
October 13 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of the Basque Country</a>

REPORTS ON THE BUDGET CYCLE	
October 13 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Galicia</a>
October 13 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Aragon</a>
October 18 <sup>th</sup>	<a href="#">Report on the Draft Budget and Main Budgetary Lines of the General Government: 2023 General State Budget</a>
October 24 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Andalusia</a>
October 24 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Castile and Leon</a>
October 25 <sup>th</sup>	<a href="#">Report on the Draft Budget and Main Budgetary Lines of the General Government for 2023, including the Autonomous Regions and Local Governments</a>
October 26 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Madrid</a>
October 26 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Valencia</a>
October 26 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of the Canary Islands</a>
October 27 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of the Balearic Islands</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Andalusia</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Aragon</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Asturias</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of the Balearic Islands</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of the Canary Islands</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Catalonia</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Castile-La Mancha</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Cantabria</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Valencia</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Castile and Leon</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Extremadura</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Galicia</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Madrid</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Murcia</a>

REPORTS ON THE BUDGET CYCLE	
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Navarre</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of the Basque Country</a>
October 28 <sup>th</sup>	<a href="#">Report on the Main Lines of the 2023 Budget of Rioja</a>
October 28 <sup>th</sup>	<a href="#">Report on the Draft Budget and Main Budgetary Lines of the General Government 2023: Supplementary Report on the Individual Evaluation of the Local Governments</a>
November 8 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Murcia</a>
November 18 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Catalonia</a>
November 28 <sup>th</sup>	<a href="#">Report on the Macroeconomic Forecasts of the 2023 Budget of Asturias</a>
STUDIES	
July 15 <sup>th</sup>	<a href="#">Assessment study of the financial consequences of early termination of the concession contract for the operation of the municipal swimming pool complex of Sant Feliu de Llobregat</a>
November 22 <sup>th</sup>	<a href="#">Study of public pharmaceutical expenditure in Aragon: out-of-hospital, hospital and community healthcare pharmacy</a>
November 22 <sup>nd</sup>	<a href="#">Study on budgetary and personnel policy in non-university education in Aragon</a>
November 22 <sup>nd</sup>	<a href="#">Study on the funding model of the University of Zaragoza: current situation and proposal</a>
December 14 <sup>th</sup>	<a href="#">Study of financial cooperation, FONPRODE</a>
December 20 <sup>th</sup>	<a href="#">Study of the management of institutional publicity in the Regional Government of Castile and Leon</a>
OPINIONS	
July 19 <sup>th</sup>	<a href="#">Opinion on the Minimum Living Income</a>
TECHNICAL PAPERS	
January 14 <sup>th</sup>	<a href="#">Contribution of AIReF to the European Commission's Public Consultation on the Reform of the European Fiscal Framework</a>
February 18 <sup>th</sup>	<a href="#">Evaluation of AIReF's macroeconomic and fiscal forecasting</a>
October 21 <sup>st</sup>	<a href="#">Reform of the fiscal governance framework: a debt anchor and expenditure rule proposal for Spain</a>



## ANNEX 2 OTHER AIREF PUBLICATIONS IN THE INSTITUTIONAL FIELD IN 2022

DOCUMENTS AND CONTRIBUTIONS AT AN INTERNATIONAL LEVEL	
February 17 <sup>th</sup>	<a href="#">EUIFIs - European Independent Fiscal Institutions. The capacity of national IFIs to play an enhanced role in the EU's fiscal governance</a>
February 21 <sup>st</sup>	<a href="#">EUIFIs - European Independent Fiscal Institutions. Strengthening the role of national IFIs at an EU level</a>
February 21 <sup>st</sup>	<a href="#">EUIFIs - European Independent Fiscal Institutions. Minimum Standards and Strengthening the Mandates of national IFIs</a>
ARTICLES AND INTERVIEWS	
March 17 <sup>th</sup>	<a href="#">El País. Op-ed. A key element in European fiscal coordination</a>
November 1 <sup>st</sup>	<a href="#">Revista CUNAL (Local Studies Journal). Interview with Cristina Herrero</a>
November 11 <sup>th</sup>	<a href="#">Revista Auditoría Pública. Number 80. Interview with Cristina Herrero</a>
December 23 <sup>rd</sup>	<a href="#">ESADE Podcast - Interview with Cristina Herrero</a>
PRESENTATIONS BY AIREF'S PRESIDENT	
February 3 <sup>rd</sup>	<a href="#">Appearance before the Commission of the Report on the socioeconomic and employment situation in Spain of the Economic and Social Council (CES). The RTPP</a>
February 23 <sup>rd</sup>	<a href="#">Evaluation of public spending in AIREF: current situation and preview of results</a>
March 15 <sup>th</sup>	<a href="#">Presentation at the General Council of Economists: Live Leaders. Challenges at national and European level</a>
April 27 <sup>th</sup>	<a href="#">Presentation at the El Norte de Castilla Economic Forum. Towards quality public finances</a>
May 27 <sup>th</sup>	<a href="#">Presentation at EY Insights Economics. The reform of the national fiscal framework: an inescapable reform in view of the economic and fiscal outlook</a>
June 21 <sup>st</sup>	<a href="#">Seminar organised by the Association of Economic Information Journalists (APIE). The country's financial and budgetary sustainability</a>
June 27 <sup>th</sup>	<a href="#">Appearance before the Finance Committee in Congress. Report on the 2022-2025 Stability Programme Update.</a>
October 3 <sup>rd</sup>	<a href="#">Speech after receiving the Grand Cross Award for Merit in the Service of the Economy 2022 awarded by the General Council of Economists</a>

**PRESENTATIONS BY AIREF'S PRESIDENT**

October 18th	<a href="#">Appearance before the Finance Committee of the Congress of Deputies. Report on the Main Lines of the Budget of the General Government: 2023 Draft General State Budget</a>
November 11th	<a href="#">Presentation at the 10th National Congress on Auditing in the Public Sector. The role of AIReF in the sustainability of public finances</a>
November 17th	<a href="#">Speech after receiving the Tintero award from the APIE</a>
November 28th	<a href="#">Presentation at the "La Caixa" Foundation Chair in Economics and Society. IFIs: a crucial component of democracy</a>
November 29th	<a href="#">Appearance before the Senate Budget Committee. Reports on the Main Lines of the Budget of the General Government</a>

# ANNEX 3 MONITORING OF THE 2022 ACTION PLAN

2020-2026 STRATEGIC PLAN	2022 ACTIONS	STATUS AS AT 31/12/2022 WORK OF CARRIED OUT
<b>1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT</b>		
<b>I Monitoring the economic and budgetary situation</b>		
a. Development of short and medium-term forecasting and projection models of macroeconomic and budgetary variables	1. Continuous review of the modelling of the main macroeconomic variables:	Implemented. This is an ongoing task
	a. Integrated very short-term forecast model (q+1 and q+2), dynamic factor model (MIPred)	Implemented. This is an ongoing task
	b. Short-term GDP forecasting model and Bayesian vector autoregressive models with exogenous variables (BVARX)	Implemented. This is an ongoing task
	c. Quarterly regional GDP flash estimate model (MetCap)	Implemented. This is an ongoing task
	d. Medium-term forecasting model based on error correction equations (MTA)	Implemented. This is an ongoing task
	e. Model for estimating the compensation per employee	Implemented. This is an ongoing task
	f. Incorporation of the input-output framework for macroeconomic impact analysis	Implemented. This is an ongoing task
	2. Development of alternative econometric models based on high-frequency data for estimating GDP in the very short term or mixed frequency models	Implemented. This is an ongoing task
	3. Comprehensive review of the methodology for estimating regional GDP, following the breaks in the time series caused by the COVID-19 shock	Implemented. This is an ongoing task
	4. Maintenance of a synthetic approach to estimate the output gap	Implemented. This is an ongoing task
	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 a 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	Implemented. This is an ongoing task
	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)	Implemented. This is an ongoing task
	7. Automation of the procedures for inputting the financial and fiscal information of ARs and other entities for their exploitation and analysis	Implemented. This is an ongoing task
8. 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	Implemented. This is an ongoing task	

2020-2026 STRATEGIC PLAN	2022 ACTIONS	STATUS AS AT 31/12/2022 WORK OF CARRIED OUT
<b>1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT</b>		
<b>I Monitoring the economic and budgetary situation</b>		
a. Development of short and medium-term forecasting and projection models of macroeconomic and budgetary variables	9. Maintenance and review of the short-term forecasting models for social contributions and unemployment benefits:	In progress
	a. Quarterly social contribution models in national accounting terms	In progress
	b. Monthly social contribution models in cash terms according to type of regime	In progress
	c. Quarterly unemployment benefit models, distinguishing between contributory and non-contributory regimes	In progress
	10. 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	Implemented. This is an ongoing task
	11. Maintenance, review and improvement of the CG expenditure models, including preparing a correlation between budgetary and national accounting data by headings for the State	Implemented. This is an ongoing task
	12. Maintenance, review and improvement of the separate estimate for the headings of revenue and expenditure of the State and Central Government organisations, including forecasts of transfers between the State and Central Government bodies	Implemented. This is an ongoing task
b. Development of databases and macroeconomic forecasting systems. Monitoring budgetary implementation data for all the General Government	1. Extension and maintenance of the internal database of macroeconomic variables	Implemented. This is an ongoing task
	2. Maintenance and improvement of the existing local government database	Implemented. This is an ongoing task
c. Preparing reports, studies and opinions, as well as technical papers on macroeconomic and fiscal matters	1. Preparation of the reports provided for in AIReF's regulations	Implemented
	2. Autumn update of the medium-term scenario of the macroeconomic and fiscal forecasts	Implemented
	3. Opinion on the long-term sustainability of the General Government	Implemented. This is an ongoing task
	4. Opinion on the cessation of activity of self-employed workers	In progress
	5. Opinion on the Minimum Living Income	Implemented
	6. Public policy evaluation studies under Aim 3	Implemented

2020-2026 STRATEGIC PLAN	2022 ACTIONS	STATUS AS AT 31/12/2022 WORK OF CARRIED OUT
<b>1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT</b>		
<b>I Monitoring the economic and budgetary situation</b>		
d. Monitoring and assessment of the macroeconomic and fiscal impact of economic policy measures	1. Maintenance and update of the database of tax measures with the impact on tax collection	Implemented. This is an ongoing task
	2. Review and improvement of the impact assessment of the SSF measures, both in terms of contributions and benefits	Implemented. This is an ongoing task
	3. Monitoring of the materialisation and execution of the Next Generation EU Funds	Implemented. This is an ongoing task
	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.	Implemented. This is an ongoing task
	5. Development and maintenance of the AIReF macroeconomic impact assessment tool (Integrated AIReF Model)	Implemented. This is an ongoing task
	6. Maintenance of the macroeconomic impact assessment and simulation tools of the EC QUEST and OXFORD models	Implemented. This is an ongoing task
	7. Preparation of technical paper on the analysis of the impact of the regulatory changes on tax revenues	In progress
e. Self-assessment of macroeconomic and fiscal forecasts	1. Preparation of technical paper on forecast errors in AIReF's macroeconomic and fiscal estimates. Update with the incorporation of results for 2021. Maintenance of the real-time database	Implemented
	2. Evaluation of the macroeconomic forecast models of the autonomous regions.	Implemented
f. Formulation and follow-up of recommendations subject to the comply or explain principle	1. Publication of the quarterly follow-up of the recommendations	Implemented. This is an ongoing task
	2. Maintenance and improvement of an internal database with recommendations issued by AIReF together with their follow-up	Implemented. This is an ongoing task
<b>II Compliance with the national and European fiscal framework</b>		
a. Analysis of the application of EU and national fiscal rules	1. Monitoring implementation of national and EU fiscal rules, bearing in mind activation of the respective escape clauses and the guidance of EU institutions	Implemented
	2. Monitoring changes in EU and national fiscal guidance and rules that might be decided over the year.	Implemented
	3. Contribution to the requests for information on the implementation of the fiscal framework applicable to Spain	Implemented
b. Monitoring of the reform of European tax rules and analysis of how they operate	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.	Implemented
	2. Preparation of a document with AIReF's view on the reform of EU fiscal governance, its application to the case of Spain and possible areas for improvement	Implemented
	3. Participation in the position papers of the IFI Network on minimum standards for independent fiscal institutions in the EU and on integration of the analysis of the IFIs in the European Semester	Implemented

2020-2026 STRATEGIC PLAN	2022 ACTIONS	STATUS AS AT 31/12/2022 WORK OF CARRIED OUT
<b>1. IN-DEPTH FISCAL OVERSIGHT OF ALL TIERS OF GENERAL GOVERNMENT</b>		
<b>III Early warning of risks</b>		
a. Monthly follow-up of compliance with fiscal targets	Monthly publication of the monitoring of execution in national accounting terms of the General Government and each of the sub-sectors with the revision of the previous forecasts	Implemented. This is an ongoing task
b. Definition of leading indicators and macro-fiscal risk indicators for all tiers of the General Government	1. Selection of risk alerts for sustainability of local governments as well as other financial analysis indicators of local governments based on these variables for incorporation into the Monitor Tool available on the website  2. Monitoring and evaluation of the synthetic models for the assessment of macro-fiscal risks for all tiers of the General Government.	In progress
c. Analysis of other risks and their budgetary implications	1. Work on long-term health, education and social protection expenditure forecasts for their integration into the long-term sustainability opinion of the General Government	Implemented
	2. Fiscal risk analysis	Implemented. This is an ongoing task
<b>2. ENSURING THE SUSTAINABILITY OF PUBLIC FINANCES WITH A LONG-TERM VISION</b>		
<b>I. In-depth analysis of long-term sustainability</b>		
a. Development of long-term macroeconomic, demographic and budgetary forecasts	1. Maintain and update tools for analysing the long-term debt sustainability	Implemented. This is an ongoing task
	2. Development of a long-term macroeconomic forecast framework	Implemented. This is an ongoing task
	3. Maintain and update the methodology and tools for preparing AIReF's long-term demographic projections	Implemented
	4. Incorporation, estimation and evaluation of the long-term effects linked to COVID-19 on macroeconomic and demographic projections	Implemented
	5. Long-term debt projections, identification of the most significant risks and monitoring by means of quarterly updates of the Debt Monitor	Implemented
	6. Development of long-term macro and fiscal forecasts for integration into the General Government's long-term sustainability opinion	Implemented
b. Monitoring and analysing the sustainability of the General Government, in particular the Social Security system	Update and improvement of demographic and pension expenditure forecasts, including the impact of the pension reform approved in 2021 and, as far as possible, any reforms approved in 2022	Implemented
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	Implemented
<b>II Contribution to the definition of a sustainable fiscal strategy</b>		
a. Analysis of strategies for reaching a sustainable level of public debt	Analysis of alternative medium-term fiscal consolidation strategies	Implemented

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<b>2. ENSURING THE SUSTAINABILITY OF PUBLIC FINANCES WITH A LONG-TERM VISION</b>		
<b>II Contribution to the definition of a sustainable fiscal strategy</b>		
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	Postponed
<b>3. MAKE PUBLIC POLICY EVALUATION A CORE ACTIVITY OF AIReF</b>		
<b>I Promote the necessary policy changes to enable evaluation to be a permanent function of AIReF</b>		
a. Promotion of regulatory change	Design of the staffing structure of the Evaluation Division, definition of profiles and functions, filling of positions	In progress
<b>II Evaluación de políticas públicas</b>		
a. Public policy evaluations at the request of the General Government	1. Performance of work of the third phase of the Spending Review	Implemented. This is an ongoing task
	2. Preparation of the Action Plan of the first phase of the Spending Review 2022-2026 on financial instruments to support the productive sectors and healthcare of the social security system for civil servants	Implemented
	3. Preparation and publication of the study on international financial cooperation - FONPRODE, commissioned by the Council of Ministers at the proposal of the Ministry of Foreign Affairs, European Union and Cooperation	Implemented
	4. Continuation, completion and publication of the study on institutional communication commissioned by the Regional Government of Castile and Leon	Implemented
	5. Publication of evaluations commissioned by the Regional Government of Aragon on out-of-hospital, hospital and community healthcare pharmacy expenditure, the staff policy of the Regional Department of Education, Culture and Sport and the funding model of the University of Zaragoza. Support in implementation	Implemented
	6. Preparation of the evaluation work for the commission of the Regional Government of Valencia	In progress
	7. Performance of the evaluation work of the commission of the Regional Government of Extremadura in the field of health expenditure and active employment policies	Implemented. This is an ongoing task
	8. Preparation and performance of the work commissioned by the Regional Government of Navarre	Implemented. This is an ongoing task
	9. Preparation and performance of the work commissioned by the Regional Government of the Balearic Islands	Implemented. This is an ongoing task
	10. Completion and publication of the study of Sant Feliu de Llobregat	Implemented
b. Make available the information used in the evaluations	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	In progress
	2. Provide data, tables and graphs that are part of the evaluation reports in editable format	Implemented. This is an ongoing task
<b>III Evaluation monitoring system</b>		
a. Establish a system for monitoring proposals and publishing the progress made	Build a database with the proposals made in the studies carried out that will contribute towards the systematic follow-up of the proposals made in the evaluations.	Implemented. This is an ongoing task

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<b>3. MAKE PUBLIC POLICY EVALUATION A CORE ACTIVITY OF AIREF</b>		
<b>III Evaluation monitoring system</b>		
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. Dialogue with the Monitoring Unit set up in the Ministry of Finance and Civil Service	Postponed
<b>IV Foster the culture of evaluation within the budget process</b>		
a. Dissemination of knowledge on evaluation methodologies	Publish methodological annexes of the completed evaluations	Implemented. This is an ongoing task
b. Collaboration and exchange of knowledge with institutions and agencies with evaluation functions and in the academic field	Disseminate AIReF's evaluation experience, studies carried out and the methodological approaches in the different public authorities, evaluation forums, sectoral meetings or related publications	Implemented. This is an ongoing task
<b>4. STRENGTHEN THE PRINCIPLES OF INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY</b>		
<b>I Strengthen the principle of independence</b>		
a. Consolidate an efficient administrative structure and multidisciplinary staff	1. Development of the selection process for AIReF's own permanent workforce	Implemented
	2. Start of the process of adapting the organisation of jobs to the current legislation on teleworking	Implemented
	3. Development of the management manual and procedures in the field of occupational risk prevention	Implemented
	4. Provide courses for staff in various subjects related to their jobs. Start of implementation of a participatory training tool for AIReF staff	Implemented. This is an ongoing task
	5. Update and maintenance of the Digital Rights Policy for AIReF staff	Implemented. This is an ongoing task
	6. Implementation of corrective and improvement measures arising from the 2022 data protection audit	Implemented. This is an ongoing task
	7. Adaptation of 75% of AIReF's information systems to the National Security Scheme	Implemented
	8. Integration of Docelweb with Tas@AIReF application	In progress
	9. Security incidents: zero security incidents in the assets of the Public Spending Evaluation Division	Implemented
	10. ICT training/awareness: organisation of at least one training and awareness-raising session for AIReF ICT users	Implemented
	11. Design and implementation of a continuity and contingency plan to ensure the availability of information systems (DRS)	In progress
	12. Enabling the use of AIReF's Virtual office for the electronic self-assessment of the fee.	Implemented



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<b>4. STRENGTHEN THE PRINCIPLES OF INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY</b>		
<b>I Strengthen the principle of independence</b>		
b. Development of tools for sharing information and of institutional relations with the General Government	1. Create legal instruments to encourage the exchange of information and the processing of large databases of other public authorities by AIReF	Implemented
	2. Promotion of the use of the document management system	Implemented. This is an on-going task
	3. Promotion of the use of the new information structure for performing evaluation studies commissioned by other public authorities.	Implemented. This is an on-going task
c. Ensure a financing a budgeting system for AIReF's activity that is consistent with its necessary functional autonomy	1. Carrying out the necessary procedures for collection of the amount of the fee not paid by the General Government.	Implemented. This is an ongoing task
	2. Invoicing and carrying out procedures for collecting the public fees accruing from the performance of studies	Implemented. This is an on-going task
	3. Preparation, as the case may be, of the preliminary draft budgets 2023, including the precise expenditure and investment items to ensure the proper discharge of its tasks by the institution	Implemented
<b>II Strengthen the principle of transparency</b>		
a. Publication of documents and recommendations. Make all of AIReF's analysis tools available on the website.	1. Promote transparency in other public authorities: identify improvements in the provision of information and promote access to data	Implemented
	2. Publication of recommendations through a simple and visual tool to transmit the information	In progress
	3. Publication of the website of the first phase of the Monitor Tool of fiscal and macro data of autonomous regions	Implemented
	4. Maintenance of the Local Government Fiscal Data Monitor Tool and extension with the development of new phases	Implemented. This is an on-going task
	5. Multi-channel dissemination of publications, adapting messages to the medium. Completion of the renovation of the website's homepage and inner pages started in 2021	Implemented
b. Provide information about upcoming AIReF events and publications	Maintain and update the agenda for publications on the website	Implemented
c. Collaboration and participation in forums with universities, experts and agencies in matters under AIReF's remit	Participation in seminars and conferences in areas under AIReF's remit. Organisation of technical seminars or sessions	Implemented
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	Implemented
<b>III Strengthen the principle of accountability</b>		
a. Appearances before Parliament	Publication on the website of the President's appearances and information to the media. Invitation to the spokespersons of the Congressional Budget and Finance Committees to an information meeting at AIReF	Implemented

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<b>4. STRENGTHEN THE PRINCIPLES OF INDEPENDENCE, TRANSPARENCY AND ACCOUNTABILITY</b>		
<b>III Strengthen the principle of accountability</b>		
b. Advisory Board	Seek technical advice from the Advisory Board in those areas, matters or strategic decisions where it is deemed appropriate, and hold at least two plenary meetings	Implemented
c. External evaluations carried out on AIReF. Monitoring recommendations and promoting a new evaluation	Publication of the follow-up to the external evaluations to which AIReF's activity may be subjected	Implemented
d. Collaboration with European institutions, international organisations and other Independent Fiscal Institutions	1. Participation in the IFI networks of the EU and the OECD	Implemented
	2. Continuation of collaboration with EU, IMF, ECB and OECD institutions	Implemented
	3. Providing information to the European Commission, the EFB (European Fiscal Board) and other institutions with responsibility for economic and budgetary analysis	Implemented
	4. Participation in the activities of the EU's IFI network and bi-annual publication of the European Fiscal Monitor	Implemented



José Abascal, 2-4, 2.ª planta  
28003 Madrid  
+34 910 100 599  
info@airef.es  
[www.airef.es](http://www.airef.es)