

AIReF PUBLISHES MONITORING OF FOURTH QUARTER 2023 RECOMMENDATIONS

- **The Independent Authority for Fiscal Responsibility (AIReF) issued 7 recommendations aimed at strengthening medium-term orientation and budgetary stability, and at improving transparency and the exchange of information**
- **AIReF's recommendations are governed by the principle of 'comply or explain', the institution's main tool for fulfilling its mandate**
- **All recommendations were addressed to the Ministry of Finance or the Ministry of Economy, Trade and Business, which stated their intention to 'comply or explain' and complied, in full or in part, with three of the new recommendations**
- **AIReF updates the interactive tool that facilitates the monitoring of the recommendations with the information for the fourth quarter.**

The Independent Authority for Fiscal Responsibility (AIReF) today published the monitoring of the recommendations issued by the institution to the General Government in the fourth quarter of 2023 on its website. In that period, AIReF issued 7 recommendations aimed at strengthening medium-term orientation and budgetary stability, and at improving transparency and the exchange of information. AIReF has also updated the [interactive tool](#) to facilitate the monitoring of the recommendations, along with the General Government's response, with the information for the fourth quarter.

AIReF issues recommendations in the reports it prepares throughout the year. These recommendations are governed by the principle of 'comply or explain', the institution's main tool for fulfilling its mandate. This principle states that public authorities are obliged to follow AIReF's recommendations or explain the reasons for deviating from them. Through the application of this principle, the recommendations issued by AIReF lead to constructive and transparent dialogue between AIReF and the competent authorities.

In the fourth quarter of 2023, AIReF issued the Report on the Macroeconomic Forecasts of the 2024 Budgetary Plan, followed by the Report on the Draft Budgets and Main Lines of the General Government Sector for 2024. This was supplemented by the Individual Reports on the Autonomous Regions (ARs) and the Complementary Report on the Local Governments (LGs). AIReF also reported on the macroeconomic forecasts of the draft budgets for 2024 of the Basque Country, Aragon, Galicia, Extremadura, Andalusia, Madrid, Valencia, Catalonia, the Canary Islands, the Balearic Islands, Murcia, Asturias and Navarre. Lastly, AIReF reported on the Rebalancing Plan presented by the Government for the Central Government.

As a result of this evaluation, AIReF issued 7 recommendations in the fourth quarter: four new, one reiterated and two live recommendations. These recommendations were addressed to the Ministry of Finance or the Ministry of Economy, Trade and Business with the aim of strengthening medium-term orientation and budgetary stability, and improving transparency and the exchange of information.

Taking into account that one of the recommendations was issued simultaneously to both ministerial departments, from the point of view of the recipient authority, 8

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recommendations were issued: 4 to the Ministry of Finance (MINHAC) and 4 to the Ministry of Economy, Trade and Business. The ministerial departments replied to AIReF's request to state their intention to 'comply or explain' and they complied, in full or in part, with three of the new recommendations made (two by MINHAC and one by the Ministry of Economy, Trade and Business).

Medium-term orientation

When reporting on the main lines of the General Government Budgets, AIReF recommended convening the Fiscal and Financial Policy Council and the National Commission of the Local Administrations to reach a consensus on deficit or surplus reference rates and for growth in primary spending net of revenue measures to comply with the recommendation from Brussels and with the national expenditure rule, which must be compatible with the deficit reference rates, and to start work as soon as possible on drawing up a medium-term fiscal strategy and to reform the national fiscal framework. MINHAC replied that it had started the process of drawing up the General State Budget for 2024, including the involvement of the Fiscal and Financial Policy Council and the National Commission of the Local Administrations. Furthermore, it indicated that Brussels had concluded that the net primary spending contained in the 2023-2026 Stability Programme and the 2024 Budgetary Plan complied with the recommendation for Spain and that it was already following a medium-term fiscal strategy that complied with sustainability requirements. It also stated that the new EU legislative framework should not be transposed until it is finally approved.

AIReF points out that MINHAC convened the Fiscal and Financial Policy Council and the National Commission of the Local Administrations on December 11th, 2023, where it presented the proposal for the stability and debt targets by sub-sector, along with the reference rate for the expenditure rule. However, work did not begin to adapt the reform of the national fiscal framework in line with the Member States' agreement on the reform of the European fiscal framework. Nor was work initiated to adapt the fiscal strategy to the new requirements of the European fiscal framework. Accordingly, MINHAC partially complied with this recommendation.

Subsequently, when reporting on the Rebalancing Plan, AIReF specified the previous recommendations to MINHAC on the fiscal strategy and the reform of the national fiscal framework, stating, on the one hand, that the strategy should be drawn up regardless of whether it has to be adapted subsequently to the final content of the European reform and, on the other hand, that in both cases all the General Government sub-sectors and agents should be involved. In its reply, MINHAC stated that the fiscal strategy contained in the 2023-2026 Stability Programme follows the European Commission's fiscal policy guidance for 2024. It also stressed that it did not consider it appropriate to start reforming the national fiscal framework until there was certainty and a final agreement on the new European fiscal governance. AIReF, however, stressed the advantages of starting this work as soon as possible and believes that there is sufficient certainty to be able to move forward.

As regards budgetary stability, AIReF made two recommendations, one new and one reiterated. As a new recommendation, it urged MINHAC to publish its forecasts on instalment payments and the settlement of the financing systems for 2024. MINHAC replied that it had already started the necessary actions to comply with this recommendation. It notified the ARs of the instalment payments on December 11th, 2023, the same day that the Fiscal and Financial Policy Council was convened. As a reiterated

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recommendation, AIReF once again recommended to the Ministry of Economy, Trade and Business that it should consult AIReF beforehand on the Report on the Situation of the Spanish Economy. The ministerial department rejected this recommendation on the grounds that the Law makes no provision for this consultation. However, AIReF considers that, although it is not specifically provided for, it is not prohibited either. AIReF also points out that the possibility exists for AIReF to express its view on the Report on the Situation of the Spanish Economy by means of an Opinion, in accordance with the Law creating AIReF.

Transparency

To improve transparency, in the Report on the Endorsement of the Budgetary Plan, AIReF recommended that the Ministry of the Economy should publish the Report on the Situation of the Spanish Economy with the reference rate for the expenditure rule for 2024. The ministerial department departed from the recommendation, citing the limitations of operating under an acting government. However, following the formation of the new government, the presentation of the proposed stability targets to the Fiscal and Financial Policy Council and the National Commission of the Local Administrations was accompanied by the aforesaid report, thereby complying with this recommendation.

Lastly, AIReF issued two live recommendations referring to the need to improve transparency and to regulate the exchange of information: to provide more information on the budgetary and fiscal measures incorporated in the macroeconomic scenario in order to make the endorsement process more robust and to establish the flow and timing of information by means of an agreement or a "memorandum of understanding". The main explanation for not following these recommendations is that they are deemed unnecessary. However, AIReF considers that more information is required and that the MoU would enhance the exchange of information and improve constructive dialogue with the General Government, providing a stable and foreseeable framework for relations with AIReF.