

## **AIReF PUBLISHES ITS 2023 ANNUAL REPORT**

- **In the field of supervision, the Independent Authority for Fiscal Responsibility (AIReF) made recommendations to manage institutional uncertainty and prepare public finances for the return to fiscal rules**
- **Medium-term fiscal scenarios were developed for the General Government as a whole and each Autonomous Region and further in-depth analysis of sustainability was carried out**
- **The first Opinion on the long-term sustainability of the General Government was published, which concluded that action is required now to reverse the increase in public debt caused by an ageing population**
- **An Opinion on the budgetary procedure was published with proposals for reform of the General Budgetary Law**
- **In the field of evaluation, progress was made in the formation of the Public Spending Evaluation Division with the incorporation of new profiles**
- **The third and final phase of the Spending Review 2018-2021 was completed, as well as several regional commissions, and work began on the first phase of the Spending Review 2022-2026**
- **The second Opinion on the Minimum Income Scheme was published. This Opinion found little progress in implementation of the benefit and proposed a more automatic model**
- **AIReF developed new tools such as the Monitor Tool of Recommendations and the Monitor Tool of Findings and Proposals and made increased efforts with regard to accountability**

**The Independent Authority for Fiscal Responsibility (AIReF) published the 2023 Annual Report on its website today, which details the fourth year of the institution's activity performed under the [Strategic Plan 2020-2026](#) and complies with the commitments set out in the 2023 Action Plan. This Plan prioritised a medium-term vision and the strengthening of AIReF's three guiding principles – independence, transparency and accountability. 2023 was a unique year in terms of supervision due to the high level of institutional uncertainty, which led to recommendations being made to manage this uncertainty. In the field of evaluation, AIReF made progress in the formation of the Evaluation Division and completed various commissions, including the third and final phase of the Spending Review 2018-2021.**

In the exercise of fiscal supervision, AIReF issued several recommendations in 2023 to mitigate the effects of the uncertainty associated with electoral processes and the lack of a national government. It recommended that the Ministry of Finance publish the reference rates and convene the coordination bodies and the territorial authorities for them to contain their expenditure in response to the temporary increase in revenue. Finally, in December, the Government convened the Fiscal and Financial Policy Council

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with a proposal for targets, an expenditure ceiling for the State, information on the resources of the financing system and a reference rate of expenditure included in the report on the situation of the Spanish economy.

In addition, AIReF insisted numerous times on the need to prepare Spanish public finances for the return to fiscal rules and to pay attention to debt sustainability. Specifically, it repeatedly recommended that work be started on the preparation of a multi-year fiscal strategy and that sustainability analyses be made available to the General Government. Other recommendations were made, such as providing the Stability Programme Update with sufficient content and scope to effectively lay down a medium-term fiscal strategy, as well as convening the Fiscal and Financial Policy Council and the National Commission for Local Administrations to start work on preparing this strategy, among other issues. In fact, in the report on the Rebalancing Plan, published for the first time in 2023, AIReF stressed the need to include the participation of all the tiers of the General Government and the social and political agents involved in the design of said strategy.

In addition, the institution carried out a sustainability analysis of government debt and estimated the order of magnitude of the medium-term adjustment that might be required of Spanish public finances to comply with the new European fiscal framework. To analyse how this European framework can be applied at the national level, AIReF drew up medium-term budgetary scenarios not only for the Central Government and the Social Security Funds, but also for all the Autonomous Regions. “I am convinced that Independent Fiscal Institutions, due to their knowledge of specific national features, constitute the appropriate link between the European and national fiscal frameworks, especially in countries that are highly decentralised”, indicated the President in her letter accompanying the Annual Report, in which she states that fiscal institutions such as AIReF can provide very useful input for setting fiscal strategies based on independence and objectivity.

In 2023, AIReF published the [Opinion on the long-term sustainability of the General Government](#) on its own initiative, with 50-year projections of demographics and public accounts. As a new feature, a comprehensive long-term analysis of public finances was carried out, both on the public expenditure and the revenue sides. In addition, the particular impact of demography on fiscal sustainability was studied using AIReF’s own demographic projections and an [interactive tool](#) was published to make it easy to consult the different scenarios. AIReF concluded that it is necessary to act now to reverse the increase in public debt generated by an ageing population. Furthermore, it also prepared, on its own initiative, an [Opinion on the budgetary procedure](#), with proposals to reform the General Budgetary Law. In particular, it proposed strengthening the General State Budget as an instrument of fiscal policy and accountability by improving the information on the budget in several aspects such as its medium-term approach, its consistency with the other budgetary documents and its comparability with the previous year, among other proposals.

### **Progress in evaluation**

In the field of evaluation, in 2023 the [third and final phase of the Spending Review 2018-2021](#) was completed, in which municipal waste management and public sector financial instruments for supporting productive sectors of the Spanish economy were analysed. In addition, work began on the first phase of the Spending Review 2022-2026, in which a new evaluation will be carried out on financial instruments that follows on from the

previous one and the expenditure resulting from the healthcare of the Social Security system for civil servants.

AIReF also published the [second Opinion on the Minimum Income Scheme](#), which found little progress in the rollout of the benefit and proposed moving towards a more automatic management model based on bringing together administrative information into one single database that will allow benefits to be granted *ex officio* or through a negative tax.

As the President points out, it is necessary to move forward with the consolidation of evaluation in AIReF through legislative changes so that the evaluation function has the same legal coverage and guarantees as the supervision function.

At the regional level, AIReF completed and delivered Extremadura's evaluations on [active employment policies](#) and [spending on pharmaceuticals](#) and high-tech equipment. It also continued to make progress on other commissions, such as the review study of spending on human resources in healthcare in Extremadura and the Balearic Islands, the review of public spending on non-university education in the Balearic Islands, human resources in healthcare in Navarre and the studies on universities and industrial policy commissioned by Castile and Leon.

### **New tools**

AIReF developed new analytical and informative tools both in supervision and evaluation and improved and expanded those that already existed. A new [Monitor Tool of Recommendations](#) was published to monitor the recommendations contained in AIReF's reports and the response of the General Government. AIReF presented the [Monitor Tool of Evaluation Findings and Proposals](#), which makes essential information from the evaluations available to the general public. A [Tool on Experiences and Best Practices in Municipal Waste Management](#) was published and the [Monitor Tools of the Autonomous Regions](#) and [Local Governments](#) were improved, among others.

Although the institution's communication and accountability were also affected in 2023, AIReF made a greater effort to report on its work on its own initiative by taking on a greater presence at forums, promoting initiatives to encourage dialogue with key players in the political debate, such as the third workshop with General Government representatives, performing self-evaluation exercises, launching a second external evaluation and improving the dissemination capacity of its publications.

The President indicates that 2023 was therefore a unique year, marked by economic and institutional uncertainty, a period of transition towards a new framework of fiscal rules that will require a real medium-term planning exercise by all General Government authorities and a necessary adaptation of the national budgetary framework. She also states that 2024 looks set to be a critical year for fiscal policy and, as far as AIReF is concerned, a critical year for consolidating its evaluation activities and for contributing to the sustainability of public finances.