

Spain

Independent Authority for Fiscal Responsibility (Autoridad Independiente de Responsabilidad Fiscal – AIReF)

Established: 2013

Enabling legislation: Organic Law 6/2013 of 14 November on the establishment of an Independent Authority for Fiscal Responsibility.

Mandate: Ensuring the effective compliance by public administrations with the budgetary stability principle as set forth in Article 135 of the Spanish constitution through continuous monitoring of the budgetary cycle, public indebtedness and assessment of economic forecasts.

Budget: EUR 4.48 million (2015).

Staff: 35 (2015).

1. Context

The establishment of the Autoridad Independiente de Responsabilidad Fiscal (AIReF) in November 2013 was the result of two closely related reform processes. The first was an internal reform process aimed at reinforcing the Spanish budgetary fiscal framework to ensure budgetary discipline at all levels of the public administration, restore sound public finances and set them on a sustainable path. The second reform process was externally driven by the new EU economic and fiscal policy governance framework in the aftermath of the economic and financial crisis.

The national reform process began with the modification of Article 135 of the Spanish constitution in September 2011, which obliges all levels of the public administration to respect the principle of budgetary stability. This constitutional reform had the support of the two major national political parties, the People's Party (PP) and the Spanish Socialist Workers' Party (PSOE). Spain's commitment to public budgetary stability is thus set at the highest normative level. According to Article 135, central and regional governments cannot exceed the thresholds for structural deficit set out by the European regulations. As the limit is established in structural terms, the countercyclical stance of fiscal policy is reinforced and the functioning of automatic stabilisers strengthened. In the case of local governments, their headline budgets should be balanced. As for the public debt of the general government, the article establishes that its ratio to GDP cannot exceed the threshold established in the Treaty on the Functioning of the European Union (EU). These limits on structural deficit and public debt can only be exceeded in exceptional circumstances, such as major natural disasters or severe economic recession, and cases of exceptional circumstances must be approved by the parliament. The new deficit and debt ceilings will be binding from 2020 onwards in order to allow a smooth transition. With this reform, Spain became the second country in Europe to introduce this type of rule in its constitution.

Article 135 is upheld by a new organic law, meaning that it applies to all layers of the Spanish public administration, something which is of particular relevance in a highly decentralised country such as Spain. The government that took office in December 2011 reformed the existing fiscal rules through the adoption in April 2012 of the Organic Law 2/2012 on Budgetary Stability and Financial Sustainability. This law amended the previous budgetary framework and introduced three types of numerical fiscal rules as well as the monitoring procedures and preventive and corrective measures to ensure compliance with the rules. The current numerical fiscal rules are:

- Budget balance rule – the public administration cannot run a structural deficit. Exceptionally, the central and regional governments may record a deficit in the event of natural disasters, severe economic recession, *force majeure* or other extraordinary situations beyond their control. Local governments must keep balanced budgets. The social security administration must record surpluses or be balanced. A structural deficit of up to 0.4% of GDP is allowed when structural reforms with short-term costs but positive medium-term impact on the budget are implemented.

- Public debt rule – general government debt is limited to 60% of GDP.¹ That figure is divided across the different levels of public administration as follows: 44% of GDP for central government, 13% of GDP for all the regions and 3% of GDP for local governments. Net debt issuance is banned for any administration exceeding those ceilings.
- Expenditure rule – changes in government spending cannot exceed a reference rate, namely the Spanish economy medium-term nominal GDP growth rate. This rule must be followed by the central, regional and local governments.

AIReF was established as part of this reform package to help ensure implementation of this new fiscal framework. Indeed, the Organic Law 6/2013, approved on 14 November 2013, established the new independent fiscal authority as the institution responsible for ensuring the effective compliance by the various public administrations with the budgetary stability principle as set forth in Article 135 of the constitution through a continuous monitoring of the budgetary cycle, public indebtedness and the analysis of economic forecasts. AIReF monitors all the stages of the budgetary process and provides independent analysis and assessment, including an assessment the macroeconomic forecasts. The establishment of AIReF was approved with the support of the governing political party (57% of the votes), with negative votes from all the remaining political parties who argued that the proposed institutional design could jeopardise independence. However, since the AIReF began working, it has seen an increase in cross-party support.

In parallel with the national reform process, the EU was conducting a reform of its economic and fiscal governance system by strengthening co-ordination, monitoring and surveillance mechanisms (implemented through the fiscal compact and the six-pack and two-pack). First, Directive 2011/85/EU on requirements for budgetary frameworks of the member states established that country-specific numerical fiscal rules shall contain the effective and timely monitoring of compliance with the rules based on reliable and independent analysis carried out by independent bodies. Second, Regulation 473/2013 on common provisions for monitoring and assessing draft budgetary plans established that member states shall have in place independent bodies for monitoring compliance with numerical fiscal rules.

The European Council also recommended in 2012 and again in 2013 the creation of an independent fiscal institution for Spain to provide independent analysis and advice, and to monitor compliance of fiscal policy with national and EU fiscal rules in the context of the EU economic policy surveillance procedure for two years. With the approval of the Organic Law 6/2013, Spain met the European requirements and completed the deep reform of its budgetary framework begun in 2011.

Box 1. Role of the legislature in the budget process

Spain is a parliamentary monarchy with a bicameral parliament. The Congress of Deputies, or lower house, has 350 members, elected for four-year terms through a system of proportional representation. The Senate, or upper house, comprises 266 members with 208 elected by popular vote for four-year terms and 58 appointed by the regional legislatures.

The role of the parliament in the budget process is well-defined in the Spanish constitution. According to Article 134, the government is responsible for preparing the draft budget and the parliament is responsible for scrutinizing, amending and approving the draft budget. Parliamentary amendments are restricted in so far as they cannot change the total deficit or surplus proposed by the executive. While this power is used in practice, amendments tend to represent only a very small portion of proposed spending in the budget.

Box 1. **Role of the legislature in the budget process** (cont.)

The constitution also specifies the timing of legislative debate. The government's draft budget must be submitted to the parliament three months before the expiration of the budget law for the previous year. The "General Budgetary Law" acts in concert with the constitution, setting 1 October of each year as the deadline for submission of the draft budget to the parliament.

The draft budget submitted by the government must take into account the three-year budgetary stability targets previously agreed upon by the parliament. This medium-term budgetary planning is regulated by the Organic Law on Budgetary Stability and Financial Sustainability (amended in April 2012).

The debate and approval process for the draft budget is outlined in the Standing Orders of the Congress (1982) and the Senate (1994). Normally, the budget is debated for two months in the lower house and one month in the Senate. Debate is led by Budget Committees in both chambers.

During the first round of debate in the Congress, the draft budget can be rejected and returned to the government for revisions, although this happens exceedingly rarely in practice. This is not considered a vote of confidence. Once the draft budget is approved by the Congress, it is submitted to the Senate which may introduce partial amendments. Senate amendments must be approved by a simple majority in the Congress. While the Senate has the power to veto the draft budget received from the Congress, the Congress can override this veto with an absolute majority. If Congress fails to override the veto in a first vote, a second vote must be held within two months and a simple majority in the Congress serves to lift the veto. If the second vote fails to garner a simple majority, the draft budget is sent back to the government for revisions; but this is a rare occurrence.

Once approved, the budget enters into force on 1 January. If the Budget Bill is not passed before the first day of the corresponding financial year, the budget of the previous financial year is automatically extended until the new one is approved.

Although the Standing Orders of the lower house do not contain specific provisions on the powers of the Budget Committee, at the start of a new legislative term the Budget Committees typically adopt a decision to hold quarterly public hearings with the Secretary of State for Budget and Public Expenditure in order to monitor budget implementation and budget trends.

As a general rule, the public is not allowed to attend committee meetings; however they can follow committee meetings through live broadcasts on the Congress' official website. Information on committee hearings can also be found in the Official Gazette published on the Internet.

The technical support available to the legislature on the budget comes in several forms:

1. Secretariats of the Budget Committees comprised of two Clerks and two-to-three staff assistants who mainly play a procedural role in forwarding information from the government on the budget to members of both houses.
2. The Public Finances and Economic Research Section (PFERS), one of four units reporting to the Directorate of Research, Analysis and Publications, provides analysis of budget-related issues to the lower chamber. Specifically, PFERS supports the Budget Committee during the annual budget process by: providing technical verification of amendments presented that would modify appropriations; costing amendments approved on income and appropriations as compared with the estimates made by the government; and answering queries from deputies and staff of party groups. In addition, information on

Box 1. Role of the legislature in the budget process (cont.)

the implementation of the central government budget and the 17 regional government budgets (incomes, expenditures and balances) is subject to synthesis and analysis by PFERS on a monthly basis. This information is made available to members of the Congress through the internal network. Finally, since the early nineties, PFERS provides members with an overview of information related to the macroeconomic forecasts, covering information from government, private institutions in Spain and international bodies like the OECD, IMF, or European Commission.

3. The Cortes Generales Budget Office (see Box 2 below).

The autonomous regions have their own budgetary processes, but there are common features. They all have unicameral regional parliaments. The regional governments are responsible for the preparation of the draft budget and the regional parliaments can approve, reject or partially amend the drafts. If a regional budget is not approved by its regional parliament, the previous one is automatically extended until the new one is approved.

Box 2. The Cortes Generales Budget Office

The Spanish parliament has established a parliamentary budget office, although it has yet to become fully functional. The Cortes Generales Budget Office was created by law (Law 37/2010, November 15 on the creation of the Budget Office of the Spanish Parliament) as a bicameral unit. Its main duties are outlined in Section 4 of the law as:

1. follow-up and oversight of the implementation of the general state budget and its settlement, as well as providing technical advice to the chamber's official bodies and deputies, senators or party groups in response to any query they may submit regarding the budget, its implementation or settlement status, or regarding public revenues and spending;
2. compiling and tabling financial and budgetary information provided by other public and private institutions;
3. follow-up of law-making activities that may affect public revenues or spending; and
4. any other task entrusted by the bureaus of the chambers, on their own initiative or on the request of the Budget Committees.

In July 2011, a joint resolution adopted by the bureaus of the two chambers defined the structure of the office as having two units: one economic and one budgetary. This has yet to be fully implemented.

The first Director of the Budget Office was appointed on 30 April 2013. According to Decision 19/07/2011, staff of the Budget Office will be drawn mainly from among civil servants in the Spanish parliament and the Director of the office shall be appointed by the bureaus of both chambers from among persons of recognised standing and professional experience in budgetary, economic and/or financial fields.

The first Director launched a project to facilitate access to the general state administration's accounting information and budgetary databases in order to be able to provide detailed and updated information on the execution of the state budget. The first Director resigned in September 2014 and a successor was appointed.

In December 2014, a convention between the parliament and the government was signed on the completion of section four (3) of the Law 37/2010 which states that "the necessary

Box 2. The Cortes Generales Budget Office (cont.)

co-operation arrangements and procedures shall be put in place with the general state administration, in such a way that the office may avail of the information required to carry out its duties. The Cortes Generales Budget Office shall have access to the general state administration's accounting information and budgetary databases, including the state public sector and social security joint services and management agencies, directly or via queries to the bodies directly in charge of their administration. *Ad hoc* arrangements may be made for the establishment of specific and direct information flows between the Cortes Generales Budget Office and the Ministry of Economy and Finance budgetary information, co-ordination and programming services." As of February 2015, access to the general state administration's accounting information and budgetary databases had still not been implemented.

2. Relationship with the executive and the legislature

AIReF is a public law institution with its own legal personality and full public and private capacity to act. Although it is attached to the Ministry of Finance and Public Administrations, it has been conceived as an entity with functional autonomy and fully independent from the budgetary authorities. According to the organic law, the AIReF President and staff cannot seek or take any instructions whatsoever from any institution, whether public or private.

The appointment of the President of AIReF must be approved by the appropriate commissions committees of the Congress and the Senate, in practice the Committee for Public Finances and Public Administrations. The President's non-renewable mandate lasts six years which makes it independent from the political cycles of four-year general elections. The President of AIReF cannot be dismissed without a hearing of the relevant Commission of the Congress and the Senate.

In addition, the AIReF President is supposed to appear, at least once a year, before the appropriate committees of the Congress of Deputies and the Senate. Additional hearings can be asked for by the parliament or by AIReF's President. In AIReF's first year, however, the parliament did not take advantage of this provision.

The main source of funding for AIReF is a fee for the supervision, analysis, advice and monitoring of fiscal policy charged to all public administrations under its surveillance. In addition, AIReF can charge for specific studies and assignments carried out, as specified annually in the central government budget, and the products and income derived from the property and rights that constitute their assets.

The authority's influence is reinforced by the principle of "comply or explain" contained in the organic law. This principle applies to all the reports which are mandatory for AIReF by law (i.e., on macroeconomic forecasts, on the draft budget or on the stability programme). If the public administration or an institution receiving such a report decides to ignore AIReF recommendations, detailed reasons must be provided and the report must be included in the corresponding file. However, there is no time limit to respond to these recommendations beyond the need to include them in the proper file. So far, the practical implementation of this principle has had different results. Some administrations have answered that they will apply the recommendations while others have failed to answer altogether; but none have provided an explanation on why they are not planning to apply a recommendation.² To reinforce the effectiveness of this principle, in March 2015 AIReF

has issued a regulation³ clarifying the different nature of the recommendations (on limitations to scope, on the object of the report and best-practice guidelines), how to overcome them and specific deadlines.

The Spanish legislation does not foresee a formal relationship with other national public institutions involved in the surveillance of fiscal policy (mainly the State Audit Office). It is, however, explicitly recognized by the law that AIReF can, in co-ordination with the Ministry of Finance, collaborate with other institutions and organisms of the EU, in particular the European Commission, for the performance of the duties attached to monitoring public finances. AIReF can co-operate as well with other independent fiscal institutions from other member states. AIReF must report quarterly to the Ministry of Finance and Public Administrations on the communications and information exchanges carried out with EU institutions and organisations, particularly those with the European Commission.

There is no other national institution providing such a wide range of analysis on fiscal policy issues, although some institutions can conduct a partial analysis. For instance, some private or public institutions produce macroeconomic forecasts. In fact, AIReF uses as a benchmark the macroeconomic forecasts produced by a panel of forecasters (FUNCAS or Consensus), the Banco de España or the European Commission in its assessment of government forecasts. Private research departments and think tanks also analyse several aspects of budgetary policy such as the fiscal policy stance, the sustainability of the public finances and long-term projections of public expenditure. Nonetheless, none of these institutions have any active role in monitoring whether fiscal policy adheres to the Spanish budgetary framework, a task which is the sole responsibility of AIReF.

3. Legal basis for establishment

The legal basis for the establishment of AIReF is:

- Organic Law 6/2013 of 14 November on the establishment of an Independent Authority for Fiscal Responsibility. The whole of the organic law refers to the fiscal authority.
- Royal Decree 215/2014 of 28 March approving the organic statute of the Independent Fiscal Responsibility Authority. The statute was informed by the views of AIReF's President as well as those of the Banco de España, the European Commission, the IMF, the regional governments and the Spanish federation of municipalities.

Other relevant legislation includes:

- Reform of article 135 of the Spanish Constitution, 27 September 2011.
- Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability.
- Law 23/2013 of 23 December regulating the Sustainability Factor and the Index for Revaluation of the Social Security Pension Scheme.

4. Mandate

According to the organic law and the royal decree, AIReF enjoys a rather broad mandate to ensure effective compliance by all public administrations with the budgetary stability principle as set forth in Article 135 of the Spanish constitution. This includes the continuous monitoring of the budgetary cycle and public indebtedness, as well as the analysis of economic forecasts. Therefore, AIReF provides independent assessment and monitoring for all the stages of the budgetary process.

The mandate is also clear. AIREF is in charge of the budgetary stability principle and several mandatory competences are established. The mandate takes into account the provisions of the Treaty on Stability, the Co-ordination and Governance in the Economic and Monetary Union and the so called six-pack and two-pack rules reforming EU economic governance. The mandate is also flexible as it allows AIREF to issue other technical judgements on its own initiative.

One of the distinguishing features of AIREF is that it performs its duties for every level of the public sector, something which is of particular relevance in a highly decentralized country like Spain. The general government sector⁴ includes the following subsectors: central government, which encompasses the state and central administration bodies; autonomous regions; local governments; and the social security administration.⁵ Given the very relevant role of sub-national entities in Spanish expenditure and their political autonomy, this approach is an important feature to the mandate.

The law and royal decree establish an exhaustive list of topics that AIREF should examine through its reports. These include:

1. macroeconomic forecasts report;
2. draft stability programme;
3. draft budgets and main budgetary lines of general government;
4. budgets of public administrations;
5. budget implementation, public debt and the debt ceiling rule;
6. methodology to calculate trend patterns of revenues and expenditure and the growth reference rate;
7. determination of individual objectives (budget balance and public debt) for autonomous regions;
8. economic-financial and rebalancing plans for the central administration and the autonomous regions;
9. application of correction mechanisms; and
10. occurrence of exceptional circumstances affecting budgetary stability and financial sustainability.

These reports are mandatory and have to be issued within specific deadlines. For some reports the deadline is set in law, while others should be issued within ten days of the submission of the information and documentation needed for their preparation.

Issuing and publishing opinions is the main discretionary instrument that the legislation gives to AIREF. Opinions are technical value judgements or appraisals on any matter under its mandate made at AIREF's own initiative. Before issuing an opinion, a draft is sent to any of the relevant administrations or entities to verify that there are no factual mistakes, ambiguities or inaccuracies. Administrations have ten days to respond, although a response is not required.

AIREF must issue a compulsory opinion on the Sustainability Factor and the Index for Revaluation of the Social Security Pension Scheme as set forth in Law 23/2013 reforming the pensions system.

AIREF must perform studies at the request of the government or the co-ordination bodies in the government, sub-national entities and the social security system.⁶ AIREF may also perform studies at the request of autonomous regions and local governments provided

they refer to matters under each administration's competence and that they do not affect any other administration. Before the preparation of such a study, a budget and progress schedule must be established and submitted to the interested party for approval. According to Article 23.1 of the statute, these requested studies are compulsory. Although AIReF has some freedom to set its fees and the ability to hire external consultants, this creates a potential risk in terms of workload.

5. Functions

AIReF evaluates compliance with the principles of budgetary stability and financial sustainability through continuous assessment of the budgetary cycle and public indebtedness and through analysis of economic forecasts. The analysis is broad and multidimensional, covering the subsectors of the general government individually and as a whole.

On the macroeconomic front, the focus is on *ex ante* analysis: AIReF endorses and assesses the macroeconomic forecasts considered for draft budgets, evaluates the mid-term to long-term sustainability of public finances and assesses the methodology to calculate the growth reference rate and the income and expenditure trend forecasts. Additionally, there is also *ex-post* evaluation of past government macroeconomic forecasts.

On the budgetary front, it analyses, *ex ante* the budgets of the different subsectors of the general government and the consolidated budget and, *ex post*, their budget implementation and execution. It also assesses *ex ante* the revaluation index of the social security pension scheme, the individual objectives of the autonomous regions and the economic-financial and rebalancing plans for the central administration and the autonomous regions.⁷

All of them are aimed at ensuring an early detection of any risk of deviations from the objectives being pursued.

AIReF is still exploring the best way to communicate its appraisals. The intended approach is based to a maximum extent on robust quantitative analysis that helps to determine the underlying uncertainty about fiscal and macroeconomic variables (in contraposition with point estimates). This approach is sometimes complemented by "balance of risks" and/or scenario analysis. Given the nature of AIReF's mandate, it is unavoidable that the appraisals also reflect judgements, although AIReF tries as much as possible to use positive analysis.

AIReF monitors *ex ante* and *ex post* compliance with fiscal rules. To implement the constitutional budgetary stability principle, the Organic Law on Budgetary Stability and Financial Sustainability introduced three types of fiscal rules to be fulfilled by all public administrations: a budget balance rule, a public debt rule and an expenditure rule. AIReF provides independent assessments on compliance with fiscal targets and assesses the risk of deviation. As such AIReF plays a role in the preventive, corrective and coercive procedures to achieve compliance with the targets.⁸ AIReF may report on the appropriateness of implementing any of the preventive, corrective and coercive measures as well as on the monitoring of those already adopted. It may report in its quarterly publication of non-financial operations of the public administrations in national accounts terms, or at the time it issues monitoring reports on economic and financial plans. Reports are submitted to the administration or authority in charge of activating the relevant mechanisms and measures as well as to the Ministry of Finance and Public Administrations. In addition, under the

corrective procedure and prior to their approval, all economic-financial and rebalancing plans for the central government and the autonomous regions are reported by AIREF before submitting the plan to the parliament or for the approval of the Fiscal and Financial Policy Council⁹ respectively.

Despite its broad mandate, AIREF is not tasked with costing analysis or estimating effects of legislation. As a general rule, AIREF does not provide normative recommendations on policy measures since the nature of its mandate and analysis is positive. Nonetheless, based on this positive analysis, AIREF is allowed by law to include certain recommendations in its mandatory reports that are subject to the “comply or explain” principle which in turn has been recently clarified by AIREF. Examples of the current AIREF approach and the analysis conducted can be found below.

Box 3. Recent AIREF publications

Although AIREF has only been operating for several months, it has already published an impressive number of reports, opinions and working papers, whose contents are summarised below.

Report on Macroeconomic Forecasts. The report states whether the macroeconomic forecasts underpinning draft budget plans are endorsed by AIREF or not. This report is supplemented by a **report on Macroeconomic Forecasts for Autonomous Regions’ Draft Budgets** in which AIREF endorses (or not) the macroeconomic forecasts of the autonomous regions that did not use central government macroeconomic forecasts.

❖ **Report on draft budgets and main budgetary lines of General Government.** This report contains a global assessment of the general government consolidated perspective, and a detailed analysis on stability and debt objectives, and on the expenditure rule, for each subsector. The report includes an analysis of the revenue and expenditure forecasts for the current and the forthcoming year for each subsector and identifies items for which risks of non-compliance exist. This report is **supplemented by subsequent reports** in which individual autonomous regions are studied in more depth once they present their draft budgets.

❖ **Report on the Economic and Financial Plans of the Autonomous Regions.** In these reports AIREF evaluated compliance of the autonomous regions with the objectives set in the economic and financial plans and the magnitude of possible deviations.

❖ **Report on the methodology to calculate revenue and expenditure trends and the reference growth rate.** The report assesses the revision of the cyclical sensitivity of the budget of the general government sector as a whole and all of its subsectors as a consequence of the revisions made at EU level.

❖ **Mandatory opinion on the determination of the Revaluation Pension Index.** In November, AIREF verified that results of the formula applied to calculate the pension revaluation for 2015 implied an increase below the legal minimum of 0.25%.

❖ **Opinion on Compliance with Deficit and Debt Targets.** This opinion states the risks of non-compliance with the public debt threshold established for 2020 of 60% of GDP.

❖ **Opinion on changes in budget cycle procedures.** This opinion calls for multi-year budget scenarios, harmonization of budget structures of all public administrations and enhancement of transparency.

In addition to the above AIREF published two **working papers**: one on the long-term sustainability of Government finances and the other on the understanding financial sustainability.

6. Work programme

During the first quarter of each year, AIReF prepares and publishes an Action Plan including all mandatory reports and opinions and requested studies. This Action Plan is approved by the President, following deliberation by the Management Committee. In addition, AIReF publishes a calendar on its website indicating the deadline for submission by public administrations of all the information available and necessary to issue the authority's reports. AIReF develops the methodology, objective criteria and specific aspects to be considered in the different reports and studies, and they must be duly accounted for.

The organic law and the royal decree specify the mandatory reports to be completed and their deadlines. These are summarized in the table below.¹⁰

Figure 1. **Timing of mandatory reports**

Regular Report /Opinion	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Action Plan			■									
Endorsement of macroeconomic forecasts				■					■			
Draft Stability Programme				■								
Individual Objectives for Autonomous Regions							■	■				
Reports on the Analysis of Budget Implementation, Public Debt and Debt-Ceiling Rule							■					
Draft budgets and main budgetary lines of General Government										■		
Opinion on the Sustainability Factor and the Index for Revaluation of the Social Security Pension Scheme												
Budgets of Public Administrations			■									
Budgetary mile stones	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Government macroeconomic forecasts				SP								
Draft Budgetary Plan (BP)										■		
Budgetary Plan												■
Draft Stability Programme (SP)				■								
Deadlines	■	■	■									

AIReF also publishes working papers on its website to disseminate knowledge on fiscal sustainability issues and is developing agreements with universities and think tanks to foster research and staff exchange opportunities. Finally, AIReF publishes an annual report on its activities that is widely disseminated.

Given its commitment to transparency and accountability, AIReF disseminates information on the methodologies, assumptions and data that underpin any of its analyses, as well as research underpinning most of its technical work¹¹ which are published on the web page for public information. This ensures that results can be replicated and the analysis is subject to external review.

7. Budget

The AIReF budget is included into the central government budget following negotiations with the Ministry of Finance and Public Administrations. It is approved by the parliament. Article 11 of Law 6/2013 states that AIReF will be provided with sufficient financial resources to fulfil its mandate. AIReF's total budget for 2015 is EUR 4.48 million and staff costs accounted for the 71% of the budget.

Main AIReF revenues are the supervision fees established in Law 6/2013, subject to regulations on fees and public prices. These fees are collected from the different public administrations and the rate can only be amended in the Central Government Budget Law. For

2015, the supervision fees represent around 80% of the AIREF budget. Furthermore, AIREF can obtain revenues from additional studies requested by public administrations.¹² Finally, funds from the general state budget¹³ could be allocated to AIREF if the revenues obtained through fees and from studies are below the amount in total budget approved by the parliament. AIREF has also its own assets, independent from the general state administration.

The government maintains general control over staff costs, mainly the number of positions and overall salary costs, as it does with most independent bodies in the public sector following a standard procedure.

8. Staffing

8.1. Leadership

The head of AIREF is the President. The President is responsible for AIREF management and represents AIREF publicly. The President is assisted by a Management Committee composed of the three division Directors and, at the request of the President, the Chief of Staff. The President may delegate some management functions to the division Directors.

The AIREF President is appointed by the Council of Ministers on the proposal of the Minister of Finance and Public Administrations for a non-renewable six-year term which is delinked from the four-year electoral cycle. Prior to the appointment, the nominated candidate must appear before the Congress of Deputies Finance and Public Administrations Committee which assesses the candidate's experience, training and skills.

Candidates must be professionals of recognised standing and with a minimum experience of ten years in the fields of budgetary, economic and financial analysis of the public sector.¹⁴ The position of President is full-time, remunerated and subject to the same incompatibility scheme as other senior members of the administration.

The President can only be removed for the reasons provided in the organic law: incompatibility, incapacity to perform his/her functions, conviction for an intentional offence or a gross breach of his/her obligations. The removal must be authorised by the government (Council of Ministers) after investigation by the Minister of Finance and Public Administrations. During such an investigation, the President and other members of the AIREF Management Committee should be heard. The relevant committees of the Congress and the Senate should be also consulted.

8.2. Staff

AIREF's staff is generally made up of civil servants; but professionals coming from relevant national or international institutions who meet the requirements for specific positions can also be hired on a temporary basis. Furthermore, staff members from other institutions, such as the central bank, can be assigned on temporary secondments. AIREF's regulations also allow for an internship programme for students who wish to complete their training at the AIREF.

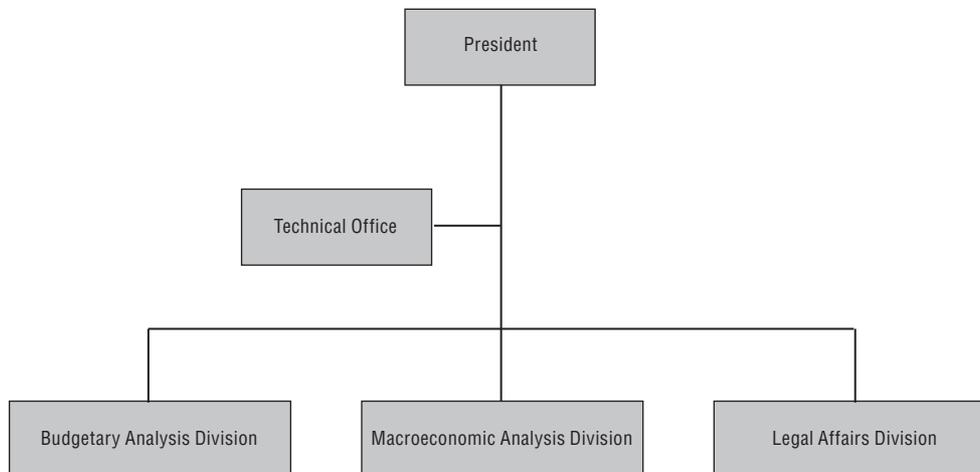
The President is responsible for hiring all staff according to legally established procedures for public sector recruitment and in full compliance with the principles of equality, merit and skills. Transparency is ensured by law and, in the case of the AIREF, is enhanced by publishing all staff backgrounds online. Because AIREF must follow regulations covering public sector employees, including on grades and wages, the Ministry of Finance and Public Administrations maintains some control over staff matters, such as number and type of positions and overall staff costs, as in other public institutions. The

hiring process is slightly different for senior management: division Directors are appointed and removed by the Council of Ministers on the proposal of the AIReF's President. A minimum of ten years of experience is required to become a division Director.

Since mid-September 2014, AIReF has filled the majority of staff positions. Some recruitment procedures are still pending, but the 35 positions initially foreseen¹⁵ were filled by the end of 2014. Additionally, five officials from the Banco de España have been seconded to AIReF for one year and staff numbers may increase in 2015. The typical professional background for AIReF staff is a civil servant with a significant experience in fields related to AIReF's mandate, such as fiscal policy, economic analysis, economic modelling, budget management, public accounting or public auditing.

The staff is currently organised in 3 divisions: macroeconomic analysis (6 senior analysts), budgetary analysis (13 senior analysts) and institutional and legal affairs (4 officials). Furthermore, the President is assisted by a technical office (2 senior advisors) and a communications officer. AIReF is supported by 6 administrative assistants.

Figure 2. **AIReF organisational chart**



AIReF is also interested in collaborating with other institutions such as universities, think tanks and other public agencies in order to improve and enhance its analytical capacity. AIReF can use outside consultants for specific tasks such as developing a communications strategy or initiating an external evaluation.

9. Access to information

Access to information for AIReF is enshrined in article 4 of the Organic Law 6/2013 on the creation of AIReF and further developed by its organic statute. In order to ensure a timely and relevant information flow, it is intended to further develop information-sharing procedures and other details by an order of the Minister of Finance and Public Administrations. AIReF issued a report on the draft order in October 2014. So far, the approval of this order is still pending, although this has not prevented access to information as foreseen under the Organic Law 6/2013.

AIReF has three main channels to request information:

- Information is received on an on-going basis according to an order of the Minister of Finance (e.g. government macroeconomic forecasts). The draft order makes the General

Government Economic-Financial Information Agency¹⁶ the main channel for AIReF's information and most information needs must be requested through this Agency.

- Specific information for each report is to be determined by a resolution of the AIReF President, notwithstanding any other complementary information that might be later requested.
- Additional information is to be requested by the AIReF President through the Ministry of Finance or directly to any public administration, which according to Article 6.5 of AIReF's statute must be provided between 5 to 15 days.

The only limitation on these obligations is ancillary information such as drafts, internal memorandums or communications. Information should be provided electronically, unless otherwise authorised by AIReF in extraordinary and justified cases.

One of the main challenges is to implement simplified procedures that allow for the availability of the information in a flexible, fast and comprehensive manner, reducing as much as possible the administrative burden for the AIReF itself and for the public administrations.

In cases of non-compliance, AIReF may release a public warning on its website. In the event of serious or repeated non-compliance, the President of AIReF informs the government as well as the Spanish parliament in order to apply the sanctioning mechanism provided in law.

AIReF has already issued some recommendations in its reports requesting, in general terms, for improvements in the information available not only to AIReF but also to the general public.¹⁷ For instance, it has recommended that methods, assumptions and data used in the preparation of the forecasts be made public. It has also recommended that the list of entities included in the general government sector and within each one of the subsectors, in accordance with the current System of National and Regional Accounts (ESA, 2012), be made public.

10. Transparency

Transparency is among core AIReF values. AIReF understands transparency as a commitment to provide the public with all relevant information on its reports, opinions and studies, as well as on the fundamentals thereof in an open, clear and timely manner. All these documents are published online in Spanish and English. Only the additional studies made at the request of another public administration need its authorisation to be published.

AIReF disseminates the methodology, assumptions and data that underpin any analyses and research underpinning its reports, opinions and studies in collaboration with the various public administrations and international organisations. In the case of the use of quantitative methodologies, the relevant files are also published in order to ensure results can be replicated. All of the President's resolutions and the Management Committee's minutes are also available on AIReF website.

Three publications are also critical to this transparency goal: the *2015-2020 Strategic Guidelines* which set the mid-term strategy; the *Action Plan* detailing the specific goals, tools and reports to be developed in the current year; and the *Annual Report* summarising previous year activities.

In March 2015, AIReF set up a transparency portal to broaden and reinforce transparency in public affairs as a mechanism to facilitate control of public conduct and enhance institutional governance.

AIReF is working to implement a comprehensive and modern communications strategy through the web, social networks and more traditional media. Although AIReF has only just begun its activities, it is already well known in the media. Its reports have received substantial media coverage and it has become a reference for economic journalists dealing with fiscal sustainability issues. AIReF monitors media coverage of its work. AIReF is not yet well known in the general public, but is working to remedy this in the longer term. AIReF's website had 7 504 single users from July 2014 to December 2014. During this same period, AIReF was cited in print newspapers 1 355 times and in online newspapers 2 624 times.

11. Governance, advisory support, monitoring and evaluation

As noted earlier, the President is assisted by the Management Committee composed of the three division Directors and, currently and at his request, by the Chief of Staff. Moreover, should the President wish, the Management Committee may be attended by experts of recognised standing nationally or internationally based on the subjects to be covered. The attendance of experts at meetings of the Management Committee does not entail the right to receive any remuneration. So far, no outside experts have attended the Management Committee meetings.

In March 2015, AIReF established a nine-member¹⁸ Advisory Board of professionals drawn from the world of academia and the public administration. Members of the Advisory Board must be acknowledged experts in their fields in Spain or internationally with at least ten years of experience in budgetary, economic and financial analysis. The Advisory Board is divided into two panels focusing on the two key areas covered by AIReF's remit: economic analysis and budgetary and institutional analysis. Each panel will meet twice a year, although additional meetings can be called. Advisory Board members serve a three-year term.

AIReF's President has committed to conduct a mid-term independent assessment of AIReF activity.

12. Concluding remarks

Although AIReF is a young institution, it has already produced a significant body of work in comparison to many of its equally young peers, and has garnered significant media attention. Its website is a model of transparency.

Its major short-term challenge is to establish its independence and credibility. Only then can AIReF hope to successfully promote fiscal sustainability through its various roles designed to influence and persuade policy makers, including public assessments *ex ante* and *ex post* of budgetary plans, evaluation of macroeconomic forecasts and provision of mid-term to long-term budgetary projections. Other shorter-term challenges include: developing and publishing its own analytical toolkit, developing a medium-term independent assessment, and integrating the national and European dimension in its monitoring of fiscal rules.

To build its reputation for independent and high-quality advice and analysis, AIReF seeks to act as transparently as possible. Advice and analysis are made publicly available. By promoting transparency, AIReF contributes to raising the reputational and electoral costs of undesirable policies, and to increasing public awareness on fiscal stability. Transparency is also critical when dealing with local and regional administrations.

Building credibility takes time and skill. AIREF will also need to continue to develop internal know-how by hiring and retaining highly qualified staff.

Royal Decree 215/2014 of 28 March approving the Organic Statute of the Independent Fiscal Responsibility Authority.

Notes

1. Article 135 of the Spanish constitution establishes that public debt cannot exceed the European reference value. However, its distribution across levels of government will need to be updated by amending the current Organic Law on Budgetary Stability and Financial Sustainability.
2. The 2014 AIREF Annual Report contains all recommendations issued to different public administrations.
3. www.airef.es/es/contenidos/resoluciones/116-calendario-de-solicitud-y-recepcion-de-informacion-para-la-emision-de-informes-y-el-seguimiento-de-las-recomendaciones-para-2015. This is to be translated into English.
4. This sector is defined in the European System of National and Regional Accounts.
5. In principle, all other public entities not included above will likewise be deemed to belong to the public sector and will be subject to AIREF monitoring and assessment.
6. These are: the Fiscal and Financial Policy Council, the National Local Administration Commission and the Financial Commission of Social Security.
7. Within AIREF, these duties are assigned to the economic and budget analysis divisions. The division of economic analysis deals with the macroeconomic forecasts and with the sustainability of public finances. The division of budget analysis is divided into two main different areas: state and social security, and autonomous regions and local governments.
8. The preventive, corrective and coercive procedures are set by the Organic Law on Budgetary Stability and Financial Sustainability. Briefly, the preventive procedure starts with the identification of the risk of non-compliance with stability, debt and spending rule targets. In the case of autonomous regions or local governments, the central government presents a public and reasoned non-compliance risk warning to the administration responsible, which has a month to take the necessary risk prevention measures. For a corrective procedure, if any administration is not compliant, the automatic correction measures are activated implying an ex ante authorisation of debt operations. Then, the administration concerned draws up an economic and financial plan to achieve compliance with the targets or the spending rule over the course of the current year and the subsequent year. Lastly, the coercive procedure is activated if the economic and financial plan is not presented, not approved or not fulfilled. It consists of freezing credits and carrying out the corresponding withholding of credits to guarantee compliance with the target set, and lodging an interest-bearing deposit in the central bank equivalent to 0.2% of its nominal GDP when requested by the Ministry of Finance and Public Administrations. If any of these actions are not taken, the central government may decide to send a commission of experts whose proposals could be binding. If this order is not heeded, the central government, subject in some cases to the approval of an absolute majority of the Senate, takes the measures necessary to compel implementation by the autonomous community or local government.
9. The Fiscal and Financial Policy Council's goal is to ensure adequate fiscal and financial policy coordination between the autonomous regions and the government. It consists of the Ministry of Finance and Public Administrations and the Finance Council Members of each autonomous region.
10. Note that the opinion on the Sustainability Factor and the Index for Revaluation of the Social Security Pension Scheme is also compulsory.
11. Only the studies made at the request of another public administration need authorisation to be published.
12. As of 31 March 2015, no public administration has requested a study.
13. The amount is decided in a yearly basis (article 44 of AIREF's statute).
14. AIREF's first President brought more than 30 years of professional experience in the field of budget, economic and financial analysis in the public and private sector in Spain (such as the Banco de España and Spain's Banco Bilbao Vizcaya Argentaria) and abroad (European Central Bank).

15. Including the President and the division Directors.
16. www.minhap.gob.es/es-ES/CDI/Paginas/centraldeinformacion.aspx.
17. For further information on the recommendations issued, see the 2014 AIREF Annual Report.
18. The Advisory Board has a minimum of 8 and a maximum of 12 members. The first Advisory Board is comprised of Spanish nationals, although non-nationals may also be appointed.

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Legislation

Organic Law 6/2013 of 14 November on the establishment of an Independent Authority for Fiscal Responsibility.