

AIReF PUBLISHES MONITORING OF SECOND QUARTER RECOMMENDATIONS

- **The Independent Authority for Fiscal Responsibility (AIReF) issued four recommendations in the second quarter of 2024, two of them new and aimed at strengthening medium-term orientation and monitoring the expenditure rule**
- **AIReF's recommendations are governed by the 'comply or explain' principle, the primary tool it employs to fulfil its mandate**
- **AIReF updates the interactive tool that facilitates the monitoring of the recommendations with the second-quarter information**

The Independent Authority for Fiscal Responsibility (AIReF) published the monitoring of the recommendations issued to the General Government in the second quarter on its website today. In the second quarter of 2024, AIReF issued four new recommendations, two of which were considered live recommendations. The new recommendations in the second quarter focused on strengthening medium-term orientation and monitoring the expenditure rule. AIReF has updated the [interactive tool](#) that facilitates the monitoring of the recommendations with the information from the second quarter.

AIReF issues recommendations in the reports it draws up throughout the year. These recommendations are governed by the 'comply or explain' principle, the primary tool it employs to fulfil its mandate. This principle establishes that public authorities are obliged to follow AIReF's recommendations or explain the reasons for deviating from them.

In the second quarter, AIReF issued the Report on the Initial Budgets of the General Government (GG) for 2024, supplemented at a territorial level with the individual reports for the Autonomous Regions (ARs) and the supplementary Report on the Local Governments (LGs) that are the subject of individual evaluation. It also reported the macroeconomic forecasts of the Stability Programme Update (SPU) 2024-2025 and the macroeconomic forecasts of the budget for 2024 for Castile and Leon.

In those reports, AIReF made four recommendations, two of which were new and two of which were considered live recommendations. Bearing in mind that the same recommendation can be addressed to more than one public authority, from the point of view of the authority to which it is addressed, 32 recommendations were issued: three to the Ministry of Finance (MINHAC), two to the Ministry of Economy, Trade and Enterprise, 17 to each of the ARs and 10 to the local authorities (City Councils of Valencia, Las Palmas de Gran Canaria, Gijón, Madrid, Palma and Alicante; the Island Council of Tenerife; the Provincial Councils of Seville and Barcelona, and the Chartered Council of Alava).

All the GG authorities, except the City Council of Gijón, replied to AIReF's request, stating their intention to comply or explain. Specifically, the MINHAC undertook to comply with one of the new recommendations and declined to comply with another, while almost all the ARs and LGs undertook to comply with them. Furthermore, both the MINHAC and

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the Ministry of Economic Affairs and Digital Transformation failed to comply with the live recommendations.

Medium-term orientation and expenditure rule

AIReF recommended initiating dialogue and work with all the GG authorities to draw up the medium-term fiscal-structural plan, both bilaterally with the ARs and through multilateral mechanisms such as the National Commission of the Local Administrations and the Fiscal and Financial Policy Council or, where appropriate, the Conference of Presidents. The MINHAC declined to follow the recommendation as it considered that essential aspects for shaping this fiscal-structural plan were missing, such as the spring forecasts, the country-specific recommendations and the reference trajectory. AIReF, in contrast, considers that drawing up the structural-fiscal plan requires dialogue and the collaboration of all the GG authorities and that it is advisable to lay the foundations for this dialogue as soon as possible in order to start work on drawing up the plan and to clarify the fiscal rules applicable in 2024.

AIReF also recommended that all the GG authorities monitor their budgetary execution and adopt the measures they deem appropriate to correct the growth in eligible expenditure for the purposes of the expenditure rule and thus avoid the structural deterioration of their accounts in the medium and long term. At the CG level, the MINHAC affirmed its commitment to controlled budgetary execution and stressed the Government's firm commitment to budgetary stability. At a regional level, the ARs responded to the recommendation by undertaking to comply with it, except for the Canary Islands and Navarre. AIReF, however, continues to see a risk of non-compliance by the Central Government and all the ARs and it will therefore continue to monitor their compliance and will verify this at year-end.

At a local level, only the Provincial Council of Barcelona and the Island Council of Tenerife did not explicitly undertake to comply with this recommendation. AIReF will monitor compliance with this recommendation by the LGs that undertook to comply with it, as well as these two LGs where it continues to see high growth in expenditure.

Live recommendations

To improve transparency, AIReF recommended providing more information on the budgetary and fiscal measures included in the macroeconomic scenario of the Stability Programme Update (SPU) in order to enhance the rigour of the endorsement process. To improve the exchange of information, it recommended setting the flow and timing of information by means of an agreement or "memorandum of understanding". The ministerial departments concerned did not respond specifically to the recommendations. They maintained the same arguments as in previous responses, which can mainly be summarised by the fact that these recommendations are unnecessary. However, AIReF considers the information provided by the SPU to be incomplete as it does not include the impact of the measures or the investments and reforms of the Recovery, Transformation and Resilience Plan (RTRP). It also considers that the existence of a "memorandum of understanding" would improve the exchange of information and constructive dialogue with the General Government authorities, providing a stable and predictable framework for their relationship with AIReF.