Spain was particularly hard hit by the global economic and financial crisis and this drove national reforms that gave life to Spain’s new independent fiscal institution (IFI), the Independent Authority for Fiscal Responsibility (AIReF). AIReF was legally established in 2013 and is responsible for overseeing the sustainability of public finances through ongoing monitoring of the budget cycle and public debt across all levels of government. AIReF’s subnational mandate is unparalleled in terms of its scope among peer IFIs. It also fulfils Spain’s EU obligations for an independent body to monitor compliance with national fiscal policy rules and to assess or produce forecasts.

In line with internationally agreed best practice, the President of AIReF committed to undertaking an independent external evaluation to promote efficiency in AIReF’s functioning and improve its organisation, transparency, and outreach.

The review was undertaken by the OECD with the support of international peers from the US Congressional Budget Office (CBO) and the Netherlands CPB Bureau for Economic Policy Analysis as well as a Spanish academic peer. OECD IFI reviews provide IFIs with a detailed assessment of how they perform against OECD Principles for IFIs and assess the context, inputs, outputs and the impact of their work. The methodology for OECD IFI reviews is anchored in an evaluation framework developed within the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions. It leverages conventional evaluation tools such as stakeholder interviews, benchmarking and peer review. Each review offers a set of interconnected and mutually supporting recommendations aiming to strengthen the IFI’s potential to undertake fiscal oversight in a sustainable and impactful way.

### AIReF in 2017

<table>
<thead>
<tr>
<th>Context for establishment:</th>
<th>Number of reports required to produce each year:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU and national budget management reforms</td>
<td>10</td>
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</table>

<table>
<thead>
<tr>
<th>Enabling legislation:</th>
<th>Budget:</th>
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<tbody>
<tr>
<td>Organic Law 6/2013 of 14 November</td>
<td>EUR 5.1 million</td>
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<table>
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<tr>
<th>Legal basis:</th>
<th>Number of permanent staff:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Legislation</td>
<td>35</td>
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</table>
OVERVIEW OF REVIEW FINDINGS

Although AIReF is still a young organisation, it has established a reputation for independence and high quality analysis with Spanish stakeholders. Internationally, AIReF has also built a strong reputation among its peers in the EU, the OECD, and more globally. AIReF’s work was found to be in line with good practice in terms of approach, rigour and transparency, as well as in comparison to peer IFIs. AIReF’s work has contributed to better fiscal management in Spain and AIReF is viewed as an honest broker in national and subnational fiscal co-ordination.

KEY CHALLENGES

While it is off to an excellent start, AIReF faces several challenges. The most prominent among them are as follows:

- AIReF has struggled in terms of access to information. While it is natural for there to be some growing pains around access to information early on, at this stage AIReF’s information needs from government, particularly around its legally mandated reports, should be clear.
- AIReF must balance its ambitions and stakeholder demands for new work against existing budgetary and staff constraints. On a related note, the process for the elaboration of AIReF’s budget created real and perceived limits on AIReF’s independence.
- The impact of the comply-or-explain principle has been limited in practice. Only around half of AIReF’s recommendations have been complied with by public administrations and not all administrations are diligent about responding to AIReF’s recommendations.

KEY RECOMMENDATIONS

- Experience from across the OECD suggests Memoranda of Understanding (MoU) between AIReF and government stakeholders could provide the basis for a more collaborative and predictable access to information relationship.
- AIReF should avoid taking on additional tasks unless they are given commensurate resources and staff. A multiannual funding commitment covering the period of the medium term expenditure framework provides additional protections.
- AIReF may benefit from using comply-or-explain more selectively with the aim of emphasising and focusing on its most important messages in subsequent dialogue with relevant administrations and in its public follow-up.

SUBSEQUENT DEVELOPMENTS

Since the OECD Review, several positive steps have been taken. The Government of Spain approved modifications to AIReF’s legislation in the following three areas:

1. Some limitations on AIReF’s access to information have been removed. The law also clarifies the information that the government will provide to AIReF so that it can issue an opinion on the Pension Revaluation Index.
2. AIReF’s budgetary independence has been reinforced. The draft budget developed by AIReF will now be directly integrated into the government budget without modification.
3. The requirement for public administrations to notify AIReF of how they plan to comply-or-explain with recommendations has been legally reinforced.

AIReF has also undertaken a comply-or-explain exercise of its own in relation to the 20 OECD review recommendations. AIReF proposes a number of measures in response, including:

- increasing selectivity in its comply-or-explain recommendations, taking into consideration factors such as the nature of different administrations as well as the complexity of the recommendation when setting deadlines for responses
- systematically including medium term-fiscal projections and the provision of more medium-term analysis
- publishing regular self-evaluations of economic forecasts and budget projections
- improving the accessibility of AIReF’s reports and analysis, for example, through more data visualisations

A more detailed description of the review findings is available in the full report, available at: