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The exercise of independence at supervisory and control institutions*

High Level Meeting: “External Control and Independence”

Spanish Court of Auditors

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*English translation of the original in Spanish

Good morning,

Let me start by thanking the Spanish Court of Auditors for inviting me to participate in this conference and for giving me the opportunity to reflect upon an issue that is not incidental to our institutions, but bound up with their very legitimacy: how to combine functional autonomy, external control and democratic responsibility.

The title of this meeting, “External Control and Independence”, highlights **a tension that may, at first sight, seem uncomfortable**. However, far from being a problem, this tension **is part of the normal – and necessary – functioning of a mature democracy**. It combines two principles that are often seen as being opposed, but which, when properly understood, are not in fact contradictory, but mutually supportive.

Independence without control runs the risk of becoming opaque. By contrast, control without independence may leave the institution with an empty technical mandate. Managed properly, this tension is exactly what is needed in an advanced democracy.

These reflections, moreover, are underpinned by intellectual contributions that help to structure the debate. **Paul Tucker**, former Deputy Governor of the Bank of England, is in my opinion **among those who have best interpreted the limits of independent institutions’ mandates** from a central bank perspective. In a recent paper, Tucker recalled how, after the global financial crisis, the Bank of England asked Parliament **not to give it certain powers and to add extra safeguards to others, precisely for reasons of democratic legitimacy**. It did this, according to Tucker, due to an institutional culture resistant to the accumulation of too much power. There is a fundamental idea here: **independence is not strengthened by an indefinite expansion of power, but through clear limits on its exercise.**

That is because **the independence of institutions is not an end in itself**. The greater the functional autonomy of an institution the more the transparency, public accountability and submission to democratic scrutiny required.

Institutional independence is always the result of a democratic decision: to remove certain functions from short-term political considerations so that their exercise can be informed by stability, continuity, technical specialisation and the public interest. Precisely for this reason, independence must be understood as delegated power, not as a space free from control.

In advanced democracies, **a growing part of public power lies today with unelected authorities** (central banks, regulators, independent agencies) that take decisions with very important macroeconomic, distributive and social effects. The existence of such institutions is essential. However, the democratic system has not always been consciously and ethically redesigned to accommodate this power shift.

Of central importance here is the idea that **legitimacy is not a luxury, but an operating requirement**. Political systems only resist crises, errors and shocks if their institutions are perceived as legitimate, even when they make mistakes. In a representative democracy, this

legitimacy is based on a simple mechanism: the possibility of replacing leaders. In the case of independent authorities, this mechanism does not exist, so it is essential that other equally stringent instruments fill the gap.

Thus, **independent authority is only legitimate if it is understood and exercised as being delegated power**, rather than pure or sovereign power. **Three basic principles** follow from this: (i) **mandates should be clear and assessable** and set by elected representatives; (ii) **self-restraint** is needed when decisions go beyond technical issues and infringe on the political arena: and (iii) **accountability** must be robust and proportionate to the power exercised.

These principles impose a **very specific responsibility on the leaders of independent institutions**: we need to ask ourselves constantly whether our actions come within our legal mandate, whether we have explained our decisions sufficiently clearly and whether we can (and should) do more to enhance transparency and accountability. This constant reflection does not weaken independence; rather, it underpins it.

That said, this conceptual framework is facing growing challenges.

The debate has intensified in recent years because independent institutions operate today in a **much more complex environment than a few decades ago**. This transformation is especially visible, in the case of central banks, following the **expansion of their powers** as a consequence of the succession of crises (financial, sovereign, pandemic and geopolitical) and subsequent reforms.

Central banks no longer act solely in the area of monetary policy. They also assume supervisory functions in relation to credit institutions' solvency and conduct with customers, oversee the stability of the financial system as a whole (designing macroprudential policies to identify and mitigate systemic risks), manage cash, safeguard payment systems and participate in public debt management.

This **accumulation of functions** inevitably increases central banks' visibility and public exposure, increasing the need for accountability commensurate with the importance of the decisions they take.

This complex environment calls for **stronger transparency and accountability arrangements**, tailored to different mandates, that may create synergies, but may also introduce tensions. If mismanaged, this complexity may erode public trust and, with it, legitimacy.

Additionally, the **international dimension** is increasingly important. Multilateral institutions and authority cooperation networks reinforce legitimacy, foster mutual learning and help anchor technical decisions in shared standards.

In this setting, we observe **two simultaneous and seemingly conflicting tendencies**: first, growing political interference in central banks; and second, the temptation for central banks themselves to make pronouncements on areas outside their remit. Both erode legitimacy.

Independence comes at a cost: operating strictly within the statutory remit. An independent institution does not become stronger by indefinitely extending its remit, but by strictly adhering to its mandate and by clearly distinguishing its competences from those of other authorities with direct democratic legitimacy.

The Banco de España's independence is clearly anchored in law.

At European level, Article 130 of the Treaty on the Functioning of the European Union states in no uncertain terms that, when exercising its powers, the Eurosystem shall not seek or take instructions from governments or other institutions. The Treaty is what is known as primary law, and can only be amended by unanimous agreement among Member States. **When we talk about the Banco de España's independence, we are referring to an obligation to the European Union as a whole.**

In Spain, the **Law of Autonomy of the Banco de España stipulates that the Bank is independent in functional, organic and financial terms.** But, under that law, this independence is inextricably linked to accountability obligations. Lawmakers understood that independence and accountability are not alternatives but go hand in hand. There are two sides to the institutional contract: a clearly-defined remit and public accountability. If one fails, the contract collapses.

Well-established tools are used to strike this balance: parliamentary appearances, various public reports (e.g. Annual Report, Financial Stability Report) and public publication calendars. Beyond the legal framework, independence is also maintained through institutional customs consistent with the institution's logic: transparency, public accountability, acceptance of scrutiny and clarity in delimiting its remit. Accountability is not an additional burden on independence; it is one of the ways that independence is justified, regulated and protected.

The Law of Autonomy was adopted in 1994, in a very different setting to the present day. This change in environment is reason for us to reflect on governance and institutional legitimacy in 2026.

For this reason, independence, transparency and accountability are the instruments of change at the heart of the Banco de España's Strategic Plan 2030.

The **self-assessment conducted in 2024 and 2025**, to mark the 30th anniversary of the Law of Autonomy, is part of this bigger picture. An external report by three international experts confirmed the soundness of the Bank's legitimacy and the technical quality of its decisions, while also recommending improvements that the Governing Council has undertaken to analyse.

Workstreams focus on two areas: stronger governance – progressing towards more collegial models and reviewing the rules on decision-making body composition and appointments – and **bolstering transparency and accountability**, by adapting the mechanisms to the particular characteristics of each Banco de España function.

Some improvements can be implemented internally; others fall to lawmakers. Clearly distinguishing between the two is also part of fully understanding institutional boundaries.

I would like to conclude with one further thought: the **Banco de España and the Spanish Court of Auditors, in addition to many of the institutions here today, operate in different arenas but share the same institutional logic**: they discharge functions that require autonomy of judgement and, at the same time, a certain degree of public legitimacy.

The tension facing the Spanish Court of Auditors – how to exercise control without overstepping the bounds of legitimate discretionality – is structurally similar to that facing central banks when we interpret the limits of our remit. This tension is not a defect of the system; it is one of its guarantees.

Independence does not mean that democratic requirements are watered down; it intensifies them. The greater the functional autonomy, the clearer the mandate, the more precise the boundaries and the more normal scrutiny should be.

Independence is not protected by avoiding control, but rather by accepting it; it does not become stronger through silence, but by providing explanations; it is not justified by the lack of interference, but by the transparency with which the delegated power is exercised.

In an advanced democracy, independence and control are not conflicting principles, but rather mutually necessary conditions. And when that relationship functions, not only the institutions, but also democracy itself, are stronger.