

EXECUTIVE SUMMARY

The Independent Authority for Fiscal Responsibility (AIReF), since the start of its activity in 2014, has identified certain weaknesses in the General State Budget (GSB), both in terms of published information and procedure.

These deficiencies have been exacerbated in the draft GSB for 2023, where the absence of information on potential measures to combat the crisis, with a very high estimated impact, significantly undermines its usefulness as a true instrument of fiscal policy and, subsequently, for accountability and control.

Repeatedly, these weaknesses in the budgetary procedure have led to the issuing of recommendations and proposals to the Ministry of Finance and Civil Service for their rectification, under the premise that a robust budgetary process helps improve the quality of public finances and debt sustainability.

This analysis systematically compiles the main weaknesses identified by AIReF throughout the development of its functions. In terms of content, the GSB is not accompanied by multi-year scenarios that allow it to be framed with a medium-term orientation that fiscal policy geared towards sustainability should have. Furthermore, it does not include information that allows for the reconciliation of the budget balance with the national accounts, which makes it difficult to assess its compatibility with stability targets. Neither does the GSB show the real evolution of revenue and expenditure compared with the previous year, nor has a complete and updated list of fiscal risks been included that, may affect the balance for the year. In this regard, neither does the GSB provide sufficient detailed information regarding the planned, announced, and temporary economic policy measures to absorb fiscal risks. Finally, the quality of the targets and indicators of the expenditure programmes is inadequate, resulting in a more formal than real application of results-based budgeting.

As regards the procedure, it is not possible to ensure coherence between the main elements of the budgetary cycle: the Stability Programme Update (SPU),

the General State Budget (GSB), and the Budgetary Plan (BP), so the budgetary process is fragmented in practice.

To address these weaknesses, AIR^eF proposes amendments to the General Budgetary Law (GBL), which are specific and limited in scope, and would be in addition to the successive modifications of the GBL since its approval in 2003. Furthermore, they align with international best practices identified by such organisations as the OECD.

These proposals are aimed, on the one hand, at expanding the information to be submitted to Parliament, which would involve amending Article 37.2 of the GBL. On the other hand, they are geared towards increasing or better defining the content of the GSB through the amendment of Articles 28, 29, and 31 of the GBL.

The proposed measures would strengthen the GSB as an instrument for fiscal and economic policy, as well as for accountability and control, by improving GSB information in multiple aspects:

- Medium-term outlook, providing multi-year budgetary scenarios in which to frame the GSB.
- Coherence with the main budgetary documents, promoting the coherence and integration of the SPU, GSB, and the Budgetary Plan, thereby addressing the fragmentation of the budgetary process.
- Comparability with the previous year, explaining the differences with the previous year and incorporating a comparison with the most updated forecasts at the end of the current year.
- Adaptation to compliance with the fiscal rules, including information that allows for the reconciliation of data from budgetary accounting and national accounting, which is how fiscal rules are defined.
- Results-driven, improving the definition of targets and indicators, and creating an *ex-post* evaluation control system that is public and revolves around the definition of the targets and indicators, and considers compliance with the budgetary allocation.
- Anticipation of possible deviations, including comprehensive, updated, and quantified information on the main fiscal risks that could have a significant impact on the annual balance.
- Utility as an instrument of economic and fiscal policy, encompassing potential measures, whether simply planned, announced or temporarily in force, to absorb risks if they materialise.

- Accountability before Parliament, expanding the information submitted for its debate and approval, ensuring the accounts are more comprehensive and transparent.

TABLE 1. PROPOSED IMPROVEMENTS TO THE INFORMATION IN THE GSB

