

OPINION ON THE BUDGETARY PROCEDURE

OPINION 3/23





Independent Authority
for Fiscal Responsibility

The mission of the Independent Authority for Fiscal Responsibility, AAI (AIReF) is to ensure strict compliance with the principles of budgetary stability and financial sustainability enshrined in Article 135 of the Spanish Constitution.

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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.

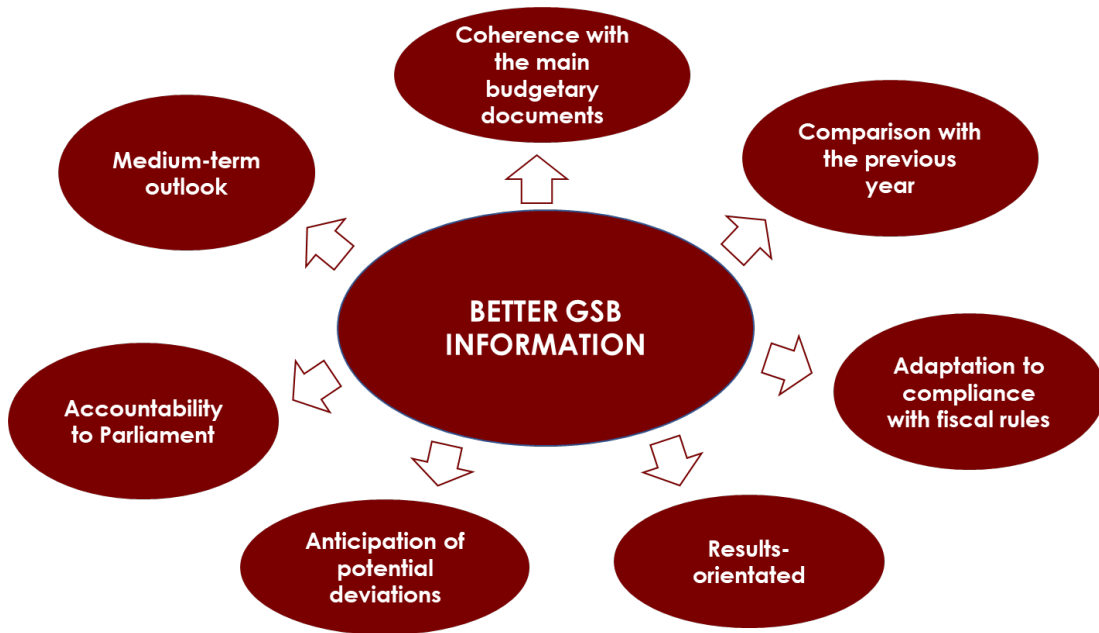
These proposals are aimed, on the one hand, at expanding the information to be submitted to Parliament, which would involve amending Article 37.2 of the GBL. On the other hand, they are geared towards increasing or better defining the content of the GSB through the amendment of Articles 28, 29, and 31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



1. INTRODUCTION

Since its establishment, AIReF has issued statements warning about certain deficiencies in the General State Budget (GSB). AIReF, since the start of its activity in 2014, has made numerous recommendations and proposals aimed at improving the weaknesses of the GSB, both in terms of the information that underpins it and of the budgetary procedure. In fact, the first statement issued by AIReF on July 22nd, 2014, was precisely an "Opinion on Changes in the Budgetary Cycle Procedures"¹, mainly referring to formal and transparency aspects. Subsequently, AIReF has issued recommendations in its reports on various aspects of the GSB and has issued proposals for improvements in some opinions and studies, among which the "Opinion on Fiscal Transparency in General Government Sub-sectors in Spain"², and the "Study on the Evaluation of Strategy and Procedure for Subsidies" stand out"³.

Recently, AIReF highlighted the weaknesses of the draft GSB 2023 as an instrument of fiscal and economic policy, as well as for accountability and control. The usual deficiencies detected in the GSB have been particularly exacerbated in the draft GSB 2023⁴. On the one hand, the revenue forecasts for year-end 2022 were not realistic, which did not constitute a suitable starting point for planning the fiscal policy of 2023. On the other hand, the draft GSB did not include information on the conditions that should be met for the partial

¹ [Opinion on Changes in the Budgetary Cycle Procedure](#)

² [Opinion on Fiscal Transparency in General Government Sub-sectors in Spain](#)

³ [Evaluation Study of the Strategy and Procedure for Subsidies](#)

⁴ [Report from AIReF on the draft General State Budget 2023](#)

or total extension of the temporary measures approved by the Government for 2022 or, failing that, for their reversal, which was very relevant given the high estimated impact of these potential measures. Both circumstances have significantly reduced the usefulness of the draft GSB presented as a true instrument of fiscal policy and, subsequently, of accountability.

The existence of a robust budgetary process leads to an improvement in the quality of public finances and debt sustainability. Within the budgetary process, the GSB is the main instrument of economic policy, as well as for the control and supervision of the performance of the public sector. The GSB constitutes a fundamental decision-making tool and allows Government programmes to be implemented. Accordingly, a robust budgetary system contributes to ensuring high-quality forecasts for decision-making, the suitable allocation of revenue and expenditure, while also providing a transparent resource for accountability.

The importance of quality budgets, a key element in the trust relationship between governments and citizens, has been endorsed by such international organisations as the OECD. After years of studying best practices in budgeting at an international level, the OECD issued several recommendations on the matter: in 2002⁵ regarding budgetary transparency, and in 2015 it published ten principles that should guide good budgetary governance⁶. Specifically, the OECD advocates, *inter alia*, the consistency of budgets with medium-term plans, results-based budgeting, and attention to long-term sustainability, specifically identifying and managing fiscal risks. Throughout the Opinion, cases of euro zone countries whose budgetary practices have been recognised as a benchmark to consider are set out by way of example. Among others, the cases of Austria and France stand out as examples of accountability to Parliament and a strong medium-term orientation, the Netherlands in monitoring fiscal risks, and Estonia in results-based budgeting.

This Opinion refers to the General State Budget (GSB), without prejudice to the fact that its conclusions and proposals may be extrapolated to other General Government sub-sectors. AIR^eF has focused its analysis on identifying and compiling the weaknesses detected over its nine years of existence in relation to the GSB. By issuing this Opinion, AIR^eF completes the first one issued in 2014, and although it solely focuses on the analysis of the GSB, many of the findings could equally apply to other General Government sub-sectors.

Furthermore, this Opinion focuses its proposals on specific modifications to the General Budgetary Law (GBL), without affecting the Organic Law on Budget

⁵ [OECD. Best Practices in Budgetary Transparency](#)

⁶ [OECD. Principles of Budgetary Governance](#)

Stability and Financial Sustainability (LOEPSF). The proposed improvements are exclusively limited to the scope of the GBL. No proposal entails the modification of the LOEPSF, insofar as this law will need to be reformed soon in order to implement the new European and national fiscal framework.

2. FINDINGS

In this section, the main weaknesses identified by AIReF regarding the General State Budget (GSB) are outlined. First, the key weaknesses currently present in the GSB are addressed concerning its content and available information. Second, it lists the deficiencies related to the procedure. Some of these shortcomings had already been identified in AIReF's Opinion on the Budgetary Cycle Procedure in 2014. This analysis is not intended to be exhaustive, however, it does aim to capture the main weaknesses identified by AIReF throughout the course of its functions, which have repeatedly led to the issuing of recommendations to the Ministry of Finance and Civil Service for their rectification.

2.1. Regarding the content of the General State Budget

2.1.1. Absence of public multi-year scenarios

There are no multi-year scenarios that should frame the General State Budget (GSB). The General Budgetary Law (GBL) establishes that the GSB will be annually framed within multi-year budgetary scenarios for both revenue and expenditure. These scenarios determine the limits on the Government's action in decisions with a budgetary impact. However, these multi-year scenarios, which are not public, do not exist, as the GBL does not establish the obligation to publish them or include them as part of the content that must be included in the draft GSB submitted to Parliament.

The annual perspective provided by the GSB is insufficient and needs to be complemented with a medium-term orientation. The GSB delineates the

Government's action by outlining the legislative mandate of how much, when, and on what to spend in the year, along with the forecast of revenue for financing. However, given that most fiscal measures have budgetary implications that go beyond the annual budgetary cycle, the annual perspective is inadequate for analysing the effects of measures adopted and for sound fiscal planning. Conversely, these multi-year scenarios would allow for a medium-term fiscal strategy by the Government, where revenue available would be allocated for subsequent years according to the priorities established for the implementation of the different spending policies and fiscal policy requirements. Furthermore, the multi-year perspective would enable the introduction of an analysis of those fiscal risks into the budgetary process, which, in the event they materialised, would exceed the annual timeframe, and could require anticipated fiscal measures in order to be addressed.

At any event, the financial sustainability of public accounts in the medium and long term requires framing the budgetary process in that time dimension. The annual roadmap contained in the GSB should fit within a multi-year framework that indicates the projected evolution of revenue and expenditure in the medium term, and identify the trends of the economy, the economic effects that can be estimated, and those derived from changes in the regulations governing them. In addition, budgetary scenarios should ensure budgetary planning consistent with compliance with fiscal rules and include an evaluation of how the planned measures may affect the sustainability of public finances.

Framing annual budgets within a medium-term timeframe is an increasingly widespread characteristic among euro area countries, driven by the impetus of the European Union's fiscal framework. The OECD recommends introducing this timeframe in budgets so that public finances are consistent and sustainable in the medium and long term, and so that the main fiscal risks are suitably identified and addressed. To date, countries have primarily considered this time perspective on the side of public expenditure, and countries like Austria⁷, France⁸ and Italy⁹ incorporate this medium-term approach in their budgets.

⁷ [Austria](#)

⁸ [France](#)

⁹ [Italy](#)

2.1.2. Lack of information in national accounting

Despite being mandatory, the General State Budget (GSB) does not include information that allows for the adjustment of the budget balance to national accounting. Article 26 of the GBL establishes that budgetary programming must be governed by the principles of the Organic Law on Budgetary Stability and Financial Sustainability (LOEPSF), including the principle of transparency. This principle requires that budgets be accompanied by accurate information to relate the budget balance to national accounting. Despite this legal obligation, for the past seven years¹⁰, the GSB has not included information on national accounting adjustments that allow for this reconciliation.

This lack of information cannot be remedied by means of the national accounting adjustments published in the Excessive Deficit Procedure (EDP) notifications. The Ministry of Finance and Civil Service publishes information on national accounting adjustments in accordance with EU regulations in the EDP notification sent each half-year to the European Union. However, this information cannot replace what should be included in the GSB, since the information contained in the notifications refers to national accounting adjustments that occur in the execution of the budgets, but not to the adjustments that are anticipated in the initial budget, i.e., when the GSB is drafted and approved. Accordingly, the execution adjustments published in the notifications do not allow for the reconciliation of the approved budget balance with national accounting.

The impact of national accounting adjustments as a factor of deviation from the stability target has increased since they stopped being published. National accounting adjustments represent a potential factor for deviation from the deficit target. Since the GSB no longer publishes the national accounting adjustments that allow for the reconciliation of the budget balance with the deficit in national accounting terms, the execution of these adjustments at year-end has gone from having little significant impact to having a major impact, up to one point of GDP, on the deviation from the deficit target¹¹.

Currently, this lack of information is exacerbated by the absence of national accounting data on the execution of the Recovery, Transformation and Resilience Plan (RTRP). The GSB contains very detailed information on RTRP spending, and subsequently, the monthly publications on its degree of

¹⁰ AIReF warned, for the first time, in the Report on the Draft GSB 2017, that no information had been included on the national accounting adjustments. Neither has this information been included since then.

¹¹ Please consult the "National Accounting Adjustments" section in the [AIReF Report on the Draft Budgets and Main Lines of the Budgets of the GG: the Draft GSB 2023](#).

execution maintain the same level of detail, except for the Central Government (CG) bodies, for which the RTRP details are not published in the monthly budgetary execution. In contrast, in national accounting terms, the only information published on the execution of the RTRP refers to the amount executed by the GG at year-end, without a breakdown of the GG sub-sectors that participated in its execution. This lack of information becomes more relevant for the RTRP, where the budgetary information differs significantly from that recorded in national accounting, mainly because the RTRP funds that the State distributes to the rest of the sub-sectors are not recorded in national accounting until they reach the final recipient.

The lack of transparency on RTRP execution in national accounting has implications for the analysis of the public accounts, both from a fiscal and a macroeconomic perspective. Although the RTRP has a neutral effect on the deficit in national accounting terms, the lack of information amounts to a serious limitation when analysing and monitoring public accounts. From a fiscal perspective, it limits the analysis of the evolution of expenditure and revenue that are unrelated to the RTRP, and which constitute the ordinary activity of the General Government. From a macroeconomic perspective, this poses a limitation on seeing the amount of funds reaching the final recipient and when they do so, and therefore on estimating their possible effects on growth, investment, and job creation.

In addition, the GSB does not provide information regarding entities which, while not part of the public sector in budgetary terms, are included in the scope of national accounting. In this regard, Article 26 of the General Budgetary Law, as in the case of national accounting adjustments, refers to the principles of the Organic Law on Budgetary Stability and Financial Sustainability. In particular, the principle of transparency requires that, to verify compliance with budgetary stability and financial sustainability targets, the GSB and the general account of the CG must include information regarding all subjects and entities within the scope of national accounting. Providing this information is essential for reconciling the budget balance with the national accounting balance.

The information mentioned in this section is necessary until such time as the budget is prepared in national accounting terms. The existence of fiscal rules defined in national accounting terms requires the necessary reconciliation between budgetary and national accounting. It would be desirable, at a more advanced stage, for accounts prepared in national accounting terms to coexist with the GSB, which would provide a response to all the information needs identified and represent a clear step towards transparency and an improvement in monitoring compliance with fiscal rules. In the meantime, it

remains necessary to publish information that allows for reconciliation between both accounting methods.

2.1.3. Insufficient comparison of the GSB with the previous year

The Ministry of Finance and Civil Service publishes budgetary information monthly, both on a cash and a national accounting basis, according to a predefined schedule available on each institution's website. Generally, the Ministry of Finance publishes monthly fiscal information in both budgetary and cash terms, as well as in national accounting terms. Within one (1) month, the information published by the General State Comptroller (IGAE) relates to the State in cash and national accounting terms. The IGAE also publishes information on the budgetary execution of the Central State Administration (CSA) before the end of the month, which is complemented a few days later in greater detail and broken down by budget items, as well as the budgetary execution of the Autonomous Bodies. AIReF has already classified this practice as advanced in its Opinion on Fiscal Transparency in General Government¹².

However, the comparison included in the GSB regarding the revenue and expenditure of the previous year is limited. In the case of revenue, the comparison is made, on the one hand, with the initial revenue forecast of the previous year, and on the other hand, with an advance estimate of the tax settlement. In the case of expenditure, the comparison with the previous year is not in relation to the execution forecast (the draft GSB offers some information in this regard, however, it is limited as it is only at the level of budgetary chapter and section of expenditure¹³) and not to the initial credits, even though, on occasions, the execution forecast may differ significantly from the initially approved credits.

Although a revenue settlement forecast is included, it does not always correspond to the most updated data. The year-end 2022 forecasts in the draft GSB for 2023 were not realistic regarding revenue. This implies that there was no adequate starting point for shaping the fiscal policy for 2023. In fact, the Budgetary Plan presented days after the draft explicitly acknowledged that

¹² [Opinion on Fiscal Transparency in General Government in Spain](#)

¹³ Both the settlement of the last budget closed (n-2) relating to the State, the Autonomous Bodies and other State Administration Public Sector entities with a restricted expenditure budget and operating and capital budgets are included in the grey series of the draft GSB each year, along with the advance estimate of the immediately preceding budgetary settlement corresponding to the State, the Autonomous Bodies and other State Administration Public Sectors entities with a restricted expenditure budget.

the Government had a higher and more realistic year-end revenue forecast, which was reflected in a second budgetary scenario.

Accordingly, this comparison does not reflect the real change in revenue and expenditure of the GSB. The comparison does not use an updated forecast of the previous year's execution as a reference; hence it does not show the true evolution of the revenue and expenditure contained in the GSB. This circumstance is more pronounced in the case of expenditure, given that limiting the comparison to the initial credits of each year makes it impossible to see the actual change in expenditure, i.e., it does not inform whether a specific item of expenditure increases or decreases compared with the level that, based on the execution up to that point, is projected to be reached at year-end.

Furthermore, the GSB does not provide detailed information on the budgetary modifications that occurred in the previous year. During the execution of the GSB, modifications affecting expenditure credits take place. However, beyond the reflection of budgetary modifications in the numerical statements, no detailed information is provided on the reasons justifying the changes that occurred in the previous year between the initial budget and the executed budget.

The OECD, among its best practices, recommends considering that the budget is a living document that needs to incorporate changes in the estimates made so that expenditure and revenue forecasts are as realistic as possible. Countries like France¹⁴ and Italy¹⁵ include explicit references in their budget laws to the need for updates and consideration of cumulative differences between forecasts and the real evolution of expenditure and revenue.

2.1.4. Inadequate information on fiscal risks and, if applicable, economic policy measures to absorb them.

The General State Budget does not contain a comprehensive and up-to-date list of fiscal risks that could affect the balance for the year. The GSB lacks a section with complete, updated, and quantified information on the main contingent liabilities, such as court rulings, information regarding public-private partnerships, execution of guarantees and or non-performing loans that could have a significant impact on the year in question. There are cases that, despite being based on court rulings and having considerable quantitative importance, are not listed as contingent liabilities in the GSB

¹⁴ France: *Loi organique 2001-692 relative aux lois de finances*. [Article 50](#)

¹⁵ Italy: *Legge di contabilita e finanza pubblica*. [Article 21.3.a\)](#)

where they could materialise¹⁶. At present, this information deficiency becomes more important due to the risks arising from the Government's ordinary activities, combined with those generated by the extraordinary circumstances of recent years (initially the pandemic, and subsequently, the energy crisis and the war in Ukraine).

The GSB also lacks sufficient detailed information regarding the planned, announced and temporarily introduced economic policy measures to absorb fiscal risks. In addition to inadequate information on fiscal risks, the GSB does not provide information about measures introduced or potential measures if the risks identified finally materialise. Particularly significant in the GSB for 2023 is the lack of information regarding the potential extension of measures that had already been announced to mitigate the effects of the energy crisis and the war in Ukraine. No information was included regarding the extension in terms of scope, duration or conditions for the continuation or removal of the measures. Given the substantial impact of these measures on public finances, this lack of information undermines the GSB as an instrument of economic policy and oversight and control.

The identification, analysis and management of fiscal risks is a budgetary best practice identified by the OECD and is already being implemented in countries like the Netherlands. In its 2020 report on Best Practices in Fiscal Risk Management¹⁷, the OECD stresses the need for correct identification, management and monitoring of fiscal risks, which became particularly important after the COVID-19 crisis when many public support mechanisms were put in place in the form of government guarantees. The Netherlands is highlighted as an example of fiscal risk management, explicitly enshrined in its legislation. The Sustainable Public Finance Act requires the Central Planning Bureau to produce a biannual report on public finances, including fiscal risks, and requires the Government to explain the management of guarantees.

2.1.5. Inadequate preparation of results-based budgeting

The General State Budget includes a detailed breakdown of the inputs needed for each budget programme, however, there is no list of targets in terms of results or impact. The GSB incorporates annual reports on programmes prepared for each ministerial department, which provide a brief description of the programme and its activities, along with a series of targets and

¹⁶ For example, in recent years, very high court rulings have been issued in relation to disputes regarding the CASTOR gas storage facility, the hydraulic fee and the offsetting of negative taxable bases.

¹⁷ [OECD. Best Practices for Fiscal Risk Management](#)

indicators for each of them. However, these objectives are generally not defined in terms of the final programme results or impact. Additionally, the indicators usually focus on being inputs necessary to carry out the programme.

In this regard, the annual reports do not always include quantifiable targets or indicators, and their quality is not always adequate. Although the reports on programmes are updated annually, the low quality of the indicators in terms of relevance, clarity, specificity, and quantification, coupled with the lack of *ex post* evaluation or monitoring, diminishes their usefulness for decision-making. Furthermore, information on indicators is not published in an editable and reusable format.

The spending review processes carried out by AIReF since 2018 highlight the need for a greater focus on results. Since 2018, AIReF has conducted these spending review processes in various areas (which could serve as a starting point for the *ex-post* evaluation of public policies). A common conclusion in almost all these projects is the need for a greater focus on results in both policy design and procedures to enable their subsequent monitoring and evaluation. In this context, the analysis, and proposals regarding budgetary procedures¹⁸ outlined in the cross-cutting project on the Evaluation of Strategy and Procedure for Subsidies are particularly relevant.

The GBL does not provide for an ex-post control system for the practical application of results-based budgeting. The GBL does not establish an *ex-post* control system to verify compliance with the provisions of the law regarding results-based budgeting, the practice of which is deficient. The control should primarily focus on the proper definition of targets and their respective indicators to measure their attainment, as well as ensuring that budget allocations to spending management centres consider, among other factors, the level of attainment of the targets in previous years. The results of this evaluation should be made public.

The OECD recommends that countries carry out processes to control the quality, quantity, and impact of public spending. Results-based budgeting is one option for identifying areas of potential savings, as well as for improving the alignment of public spending with strategic priorities and policies. Estonia¹⁹ is a paradigmatic case where results-based budgeting has been implemented since 2020, leading to increased transparency, resource efficiency, greater cooperation between ministerial departments and a reduced administrative burden.

¹⁸ [Study on the Evaluation of Strategy and Procedure for Subsidies](#)

¹⁹ [Estonia](#)

However, the OECD also acknowledges the challenges of implementing results-based budgeting. The OECD states that "there is no one-size-fits-all design for results-based budgeting", however, based on its analysis and international experience, several factors can facilitate the introduction of results-based budgeting, such as clear and transparent targets and incentives for key stakeholders, and a practical approach in the design process. Spain, like many OECD countries, theoretically adopts a performance-based budgeting model based on a programme budgeting structure, which, as noted in the OECD context, is not without difficulties in implementation.

2.2. Weaknesses in relation to the procedure

2.2.1. Fragmentation of the budgetary process

The budgetary process is fragmented in practice, as it is not possible to ensure coherence between the Stability Programme Update (SPU), the General State Budget and the Budgetary Plan. Both the Stability Programme Update (SPU) and the Budgetary Plan are prepared in national accounting terms and in an aggregated form for the General Government sector. They do not have a direct link to budgetary information and nor do they provide detailed information by sub-sector. This makes it difficult to reconcile them with the GSB, which, in turn, does not present information in national accounting terms, not even the necessary adjustments to reconcile the budget balance with national accounting.

The development of multi-year scenarios in national accounting terms would improve the integration and monitoring of the main elements of the budgetary cycle. The preparation of multi-year scenarios, not only in budgetary terms but also in national accounting, would enhance the degree of comparability and coherence between the main elements of the fiscal and budgetary planning process: on the one hand, the figures in the GSB, and, on the other, the Stability Programme Update and Budgetary Plans. To achieve this, the GBL should require the development of multi-year scenarios in national accounting, broken down by heading with the same level of detail as the SPU, which would also serve as a framework for budgets in national accounting terms when they are prepared. These scenarios should also incorporate information that allows for the separate identification of the inertial forecast and the measures.

3. PROPOSALS

AIReF presents a series of specific proposals for amending the GBL to address the weaknesses described in the findings. AIReF has developed a series of proposals to amend the GBL, which are specific and limited in scope. These proposals aim to refine its content or add new information. First, some proposals aim to expand the supplementary documentation submitted to Parliament. Second, other proposals affect the content of the GSB. All these modifications would be in addition to the successive changes that have been made to the GBL each year, except in 2016 and 2019, since its approval in 2003.

These modifications could be approved and implemented immediately, without prejudice to the possibility of subsequently addressing a broader budgetary reform proposal. The limited scope of the proposed changes, insofar as they are specific and targeted modifications, allows for the rapid achievement of substantial improvements in the budgetary process, such as achieving greater transparency, internal consistency, and medium-term orientation. These modifications are independent of the possibility of proposing a more ambitious budgetary reform process in the future, in line with the proposals on this subject included in AIReF's Study on the Evaluation of the Strategy and Procedure for Subsidies²⁰: a new framework for strategic and budgetary planning linked to public policies, the creation of an integrated system of information and indicators enabling the evaluation of results, the active promotion of a culture of public policy evaluation, and increased transparency to enhance accountability.

²⁰ [Study on the Evaluation of Strategy and Procedure for Subsidies](#)

3.1. Proposal for expansion of supplementary documentation for Parliament

Proposal 1. Amendments to Article 37.2 of the GBL to expand the supplementary documentation submitted to Parliament:

- i. **Amendment of Section "j".** In this section it should be added that, for expenditure, the comparison of initial budget credits should be completed not only with the initial credits from the previous year (t-1), but also with the year-end forecast (t-1). As for revenue, the comparison should be made with the latest information available at the time of approving the draft GSB. Also provide detailed information on budgetary modifications from the previous budget, so that the GSB includes an explanation of the deviations between the initial budgets and the executed data at the time of the publication of the draft GSB.
- ii. **New Section "l" on multi-year budget scenarios.** This section should include multi-year budget scenarios with the level of detail specified in the law.
- iii. **New Section "m" on national accounting information.** This section should incorporate the following information:
 - Details of national accounting adjustments, broken down by revenue and expenditure, and within each its main items, to reconcile the budget balance with the national accounting balance.
 - Identify and aggregate entities that form part of the public sector for national accounting purposes.
 - Include information on the execution of the RTRP at the end of the year, broken down by national accounting headings and with expenditure separated between the State and Central Government bodies.
 - Include multi-year scenarios in national accounting terms with the same level of detail by heading as the Stability Programme Update (SPU) and the Budgetary Plan. These scenarios should incorporate information that allows for the identification of the inertial forecast and the planned measures.
- iv. **New Section "n" on the main fiscal risks and, if applicable, measures to absorb them.** This section should include:
 - Comprehensive, up-to-date, and quantified information on the main fiscal risks that could have a significant impact on the year's balance.

- Contain potential measures to absorb the risks if they materialise. If these are announced measures, prepare alternative scenarios that reflect the expected impact. If these are temporarily in effect, analyse their effectiveness and conditions to extend or withdraw them. This information should also be complemented with a reference to risks that have already materialised, their time allocation and their final impact on the deficit.

3.2. Proposals on the content of the GSB

Proposal 2. Amendments to Article 28 of the GBL "Multi-year budgetary scenarios and stability target"

- i. **Amendment of Section "3"**. Modify so that multi-year budgetary scenarios are approved by Resolution of the Council of Ministers and ensure its publication in the Official State Gazette (OSG). Add that it will include an explanation of deviations from the multi-year budgetary scenarios approved in the previous year.
- ii. **New Section "5"**. Develop multi-year budgetary scenarios in national accounting, broken down by heading with the same level of detail as the Stability Programme Update (SPU) and the Budgetary Plan. These scenarios should include information that allows for the identification of the inertial forecast and planned measures.

Proposal 3. Amendments to Article 29 of the GBL "Ministerial multi-year programmes":

- i. **Amendment of Section 6 a)**. Specify that the definition of targets must be in terms of results or impact of the final programmes.
- ii. **Amendment of Section 6 e)**. Add that information on indicators will be published in an editable and reusable format.

Proposal 4. Amendment to Article 31 of the GBL "Budgetary allocation and targets":

New section "3". Establish an *ex-post* control system on the implementation of results-based budgeting, with the following characteristics:

- Focus on the correct definition of targets and their corresponding indicators to measure their degree of attainment. In this regard, Programme Analysis Committees (CAP) should assess the setting of indicators, which will be determined in the Order on the preparation of the GSB.

- Oversee those budgetary allocations to spending management centres consider, among other factors, the level of attainment of targets in previous years.
- The result of this evaluation will be made public.

President of AIReF



Cristina Herrero Sánchez

ANNEX: FINDINGS - PROPOSALS

FINDINGS	PROPOSALS
Absence of multiyear public budgetary scenarios	<p>Article 28.3 of the General Budget Act (LGP): modify so that, prior to approval of the Draft General State Budget (GSB), they are approved by the Council of Ministers and published in the Official State Gazette (OSG). In addition, include an explanation of deviations compared with the budgetary scenarios approved the previous year.</p> <p>Article 37.2 LGP: New Section "l": include the level of detail specified by law in the multiyear budgetary scenarios. New Section "m": include the multiyear scenarios in national accounting terms with the same level of detail by heading as the Stability Programme Update (SPU) and the Budgetary Plan (BP). In these scenarios, include information that allows the inertial forecast and the measures to be identified.</p>
Lack of information in national accounting	<p>Article 37.2 LGP. New Section "m": include the following information:</p> <ul style="list-style-type: none"> - Details of the national accounting adjustments, broken down by revenue and expenditure and, within each one, the following items so that the budgetary balance can be reconciled with the national accounting balance. - Identify and aggregate those entities that form part of the public sector for national accounting purposes. - Include information on the execution of the Recovery, Transformation and Resilience Plan (RTRP) at year-end, broken down by national accounting heading and separated from expenditure by the State and the Central Government bodies. Include the multiyear scenarios in national accounting terms with the same level of detail by heading as the SPU and the BP. Include information in these scenarios that allows the inertial forecast and the measures to be identified.
Insufficient budgetary comparisons with the previous year	<p>Article 37.2 LGP. Modification of Section "j": It is added that, under expenditure, the comparison of the initial credits of the budget should be conducted, not just with the initial credits of the previous year (t-1), but with the year-end forecast (t-1). As regards revenue, the comparison is made with the information available at the time the Draft GSB is approved. Information should be included on the development of the budgetary</p>

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<p>Deficient information on the fiscal risks and on the economic policy measures forecast, announced and temporarily in effect to absorb them</p>	<p>Article 37.2 LGP. New Section “n” which includes: -Complete, updated and quantified information on the main fiscal risks that could have a significant impact on the balance for the year. -The potential measures to absorb the risks in the event of their materialisation. If they are announced measures, preparation of alternative scenarios that contain the expected impact. If they are measures temporarily in effect, analysis of their efficacy and conditions to extend or remove them. This information must also be completed with a reference to risks that have already materialised, their temporary imputation and their final impact on the deficit.</p>
<p>Deficient preparation of the budget by result</p>	<p>Article 29.6 LGP: Modification of Section a): Specify that the definition of the objectives must be in terms of the results or the impact of the finalist programmes. Modification of Section e): Add that the information on indicators is to be published in an editable and reusable format. Article 31 LGP. New Section 3. An ex post oversight system is to be established on the implementation of the budget by result, with the following characteristics: -It shall entail the correct definition of the objectives and their corresponding indicators to measures compliance therewith. In this regard, the Programme Analysis Committees shall assess the indicators set, which shall be determined in the Order on the preparation of the GSB. -Oversee that the budgetary allocations to expenditure management centres take into account, among other circumstances, the level of compliance with the objectives from previous years. -The result of this evaluation shall be made public.</p>
<p>Fragmentation of budgetary process</p>	<p>Article 28 LGP. New Section 5: Multiyear scenarios shall be prepared in national accounting broken down by heading with the same detail as in the SPU and the BP. Information shall be included in these scenarios that allow the inertial forecast and the measures to be identified. Article 37.2 LGP. New Section “m”: include the following information:</p>