

Multi-level fiscal frameworks: overlapping or self-reinforcing rules? The case of Spain

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Spain's political and economic system

The State of the Autonomies

Spain is a decentralized country with three levels of government:
central, regional and local

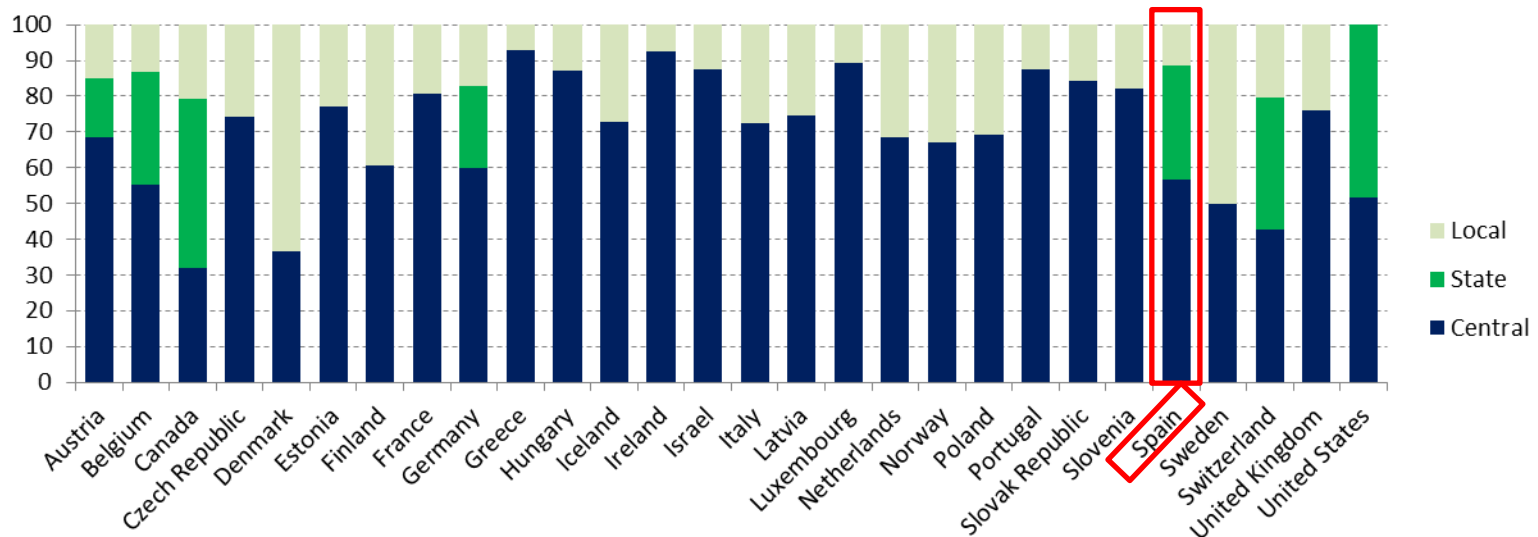


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The State of the Autonomies

Autonomous communities execute a significant share of expenditure at the regional level in key areas such as healthcare and education

Spending shares of central, regional and local governments



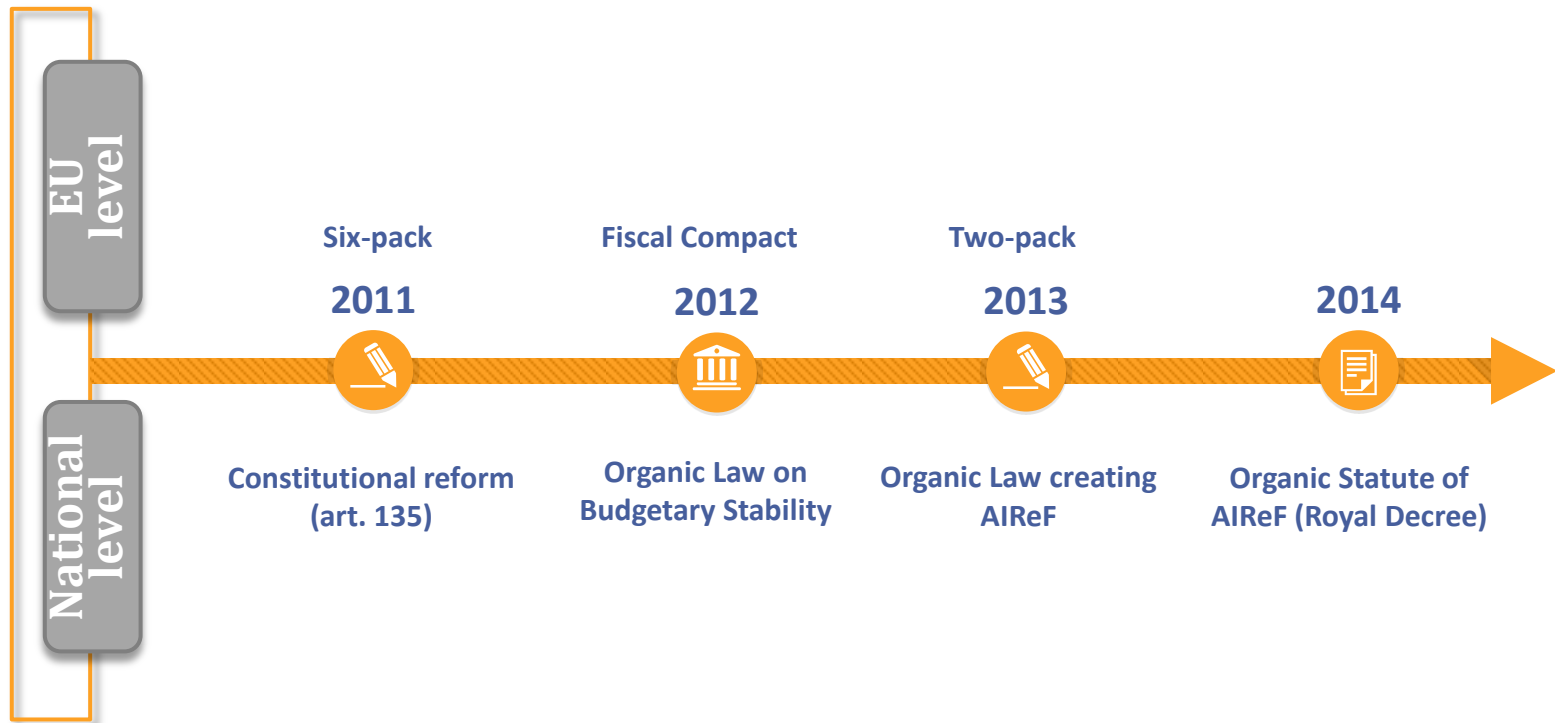
Source: [OECD Fiscal Decentralisation Database](#) (data for 2016)

Strong national fiscal frameworks are particularly relevant in decentralized countries, where fragmented budgetary processes can result in deficit bias because of the common pool problem

Spanish fiscal framework

Recent evolution

Legislative developments since 2011 at the EU or supranational level provided a decisive impetus for national reforms



Spanish fiscal framework

Numerical fiscal rules

National fiscal rules are broadly in line with EU rules but with some differences at the technical and implementation levels

Guaranteed by supra-legislative rules (Spanish Constitution and Organic Law)

1 **Balanced budget rule**
0% MTO

2 **Expenditure rule**
Exp. growth \leq m/t eco. growth

3 **Debt rule**
60%-of-GDP

EU targets are broken down into national and sub-national targets



Interaction of national and EU frameworks

Potential inconsistencies and complementarities

Complementarities can be fostered to enhance the adaptability and credibility of a two tier system

Definition of the targets

- Following a **top-down approach**, aggregate targets are translated into national and sub-national targets which are operationally meaningful for budgetary units.
- The overall credibility of the national framework is at the same time reinforced by its link to the EU framework.

Accountability and political ownership

- **Preventive and corrective mechanisms** need to be enforceable and addressed to the decision-making units in charge of the budget. E.g. principle of responsibility of the Organic Law on Budgetary Stability

Institutional issues

- **Multiple actors directly or indirectly involved**: Commission, EFB, IMF, Ministry of Finance, AIReF, Bank of Spain, national and regional parliaments...
- **Communication process**: risk of cacophony should be mitigated with messages adapted to different audiences and different goals
- **Differences in technical appreciation**: macro-fiscal projections, assessment of DRMs, exceptional circumstances, etc. Spanish regulations contain cross-references to common methodologies.
- **Better understanding of sub-national specificities** and circumstances by national institutions.