



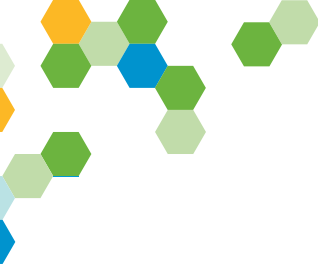
SPECIAL REPORT

# The 2017 Spanish State General Budget Law

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## I. INTRODUCTION

The state general budget law is the legislative initiative the government uses to set its annual priorities. Its negotiation and approval determine executive policies, which impact both the population and the various economic and social sectors that have begun to make their own contributions.

This report analyzes the procedure and anticipated implementation schedule for the state general budget law in 2017 in case that eventually the political parties agree the investiture and third elections are avoid.

### CONTEXT

The Spanish Congress that emerged from the June 26 elections is extremely fragmented. No political force holds a majority big enough to form a government or approve initiatives on its own.

Thus, negotiations and pacts between different parliamentary forces will be a constant in the coming months, providing an **opportunity for civil society to participate in the elaboration of laws.**

“The European Commission will push for the formation of a government in Spain”

## 2. WHEN WILL THERE BE A NEW GOVERNMENT?

This question is reflected in the intense debate between political parties seeking to form a government. Following this week's investiture debates, in which Mariano Rajoy will probably not be able to obtain the support necessary to form a government, the negotiating period, which could last until **Oct. 31, 2016**, begins.

In the event the parties are not able to reach a majority agreement by then, elections will be convened **Dec. 25**. Most experts agree the parties will do everything they can to avoid a third election, reaching some sort of agreement in the last days or hours before the deadline to form a government. However, PSOE is considering introducing an initiative to reform the electoral law so, in case there is a third election, it will be held **Dec. 18** instead of Christmas Day.

Most analysts also agree that, regardless of the new government's configuration, it will rule in minority, having to negotiate all of its initiatives with the parliament. The first challenge for the elected government will be the approval of the state general budget law for 2017.

The government should submit its draft budget to the European Commission before Oct. 15 in order to confirm the initiative complies with the European Union's stability and growth pact.

Experts do not envision a new Spanish government being able to submit a budget before this date. The campaigns for the **Basque and Galician elections**, which will take place **Sept. 25**, will further delay negotiations between the political parties.

Facing the impossibility of budget submission by the required date, the European Commission will push for the formation of a government in Spain. The need to present the expenditure ceiling and budgets is one of the main arguments that will be used in the investiture sessions, which may take place in coming weeks.

## 3. WHAT IS THE EXPENDITURE CEILING?

Before negotiating the general budget law, the government should approve the upper limit of non-financial expenditures for the public administration. The government's presidential economic office and ministry of finance will lead the proposal.

The so-called expenditure ceiling is defined by organic law 2/2012 of budget stability and financial sustainability, dating from April 27, and its goal is to prevent one-off revenues from jeopardizing the public sector's budget stability and financial sustainability.

The expenditure ceiling can be approved by the incumbent government with a simple majority vote in Congress, as long as its urgency is justified. However, this scenario is not expected due to the wear the incumbent government may suffer if it does not court the parliamentary majorities needed for its approval.

#### 4. WHEN WILL THE BUDGETS BE APPROVED?

Processing the state general budget law usually takes about three months after the government has submitted it.

Once the expenditure ceiling is set, the ministry of finance, along with the deputy state secretaries for the different ministries, develops the budget proposal presented in Congress.

As with all legislative initiatives, after the initiative's presentation in Congress comes a process in which hearings are requested and held, amendments introduced and debated, a report put together and a ruling reached, all based on the text previously approved by the Parliament's budget committee.

This ruling is later debated at the Congress' and Senate's plenary sessions before it is officially approved in Congress.

The Spanish Constitution establishes that the government has to submit the state general budget to the Congress of Deputies at least three months before the one from the previous years expires. This would be on October 1 2016. However, the law also prohibits that an incumbent government presents a legislative proposal.

Figure 1. State General Budget schedule

<b>PRESENTATION</b>	November 15
<b>REQUESTS FOR HEARINGS</b>	by November 15
<b>PUBLICATION</b>	November 17
<b>DEADLINE FOR AMENDMENTS</b>	December 2
<b>HEARINGS</b>	November 28 to December 2
<b>DEBATES</b>	December 14 and 15
<b>DEADLINE TO SUBMIT AMENDMENTS</b>	December 16
<b>PRESENTATION REPORT</b>	December 20
<b>COMMISSION'S RULING</b>	December 27
<b>COMMISSION'S RULING APPROVAL IN CONGRESS</b>	January 10 to 12
<b>DATE ANTICIPATED BY THE SENATE FOR ITS APPROVAL</b>	February 14 to 16
<b>BUDGET'S FINAL APPROVAL</b>	week starting February 20

If a government has been formed in the days leading up to the deadline to avoid new elections, the budget's submission is expected by **mid-November**.

The main political parties have already elaborated their proposed budgets, so it would be one of the first measures a government resulting from the past few weeks of negotiations would be presenting. The process could conclude by **March 2017**.

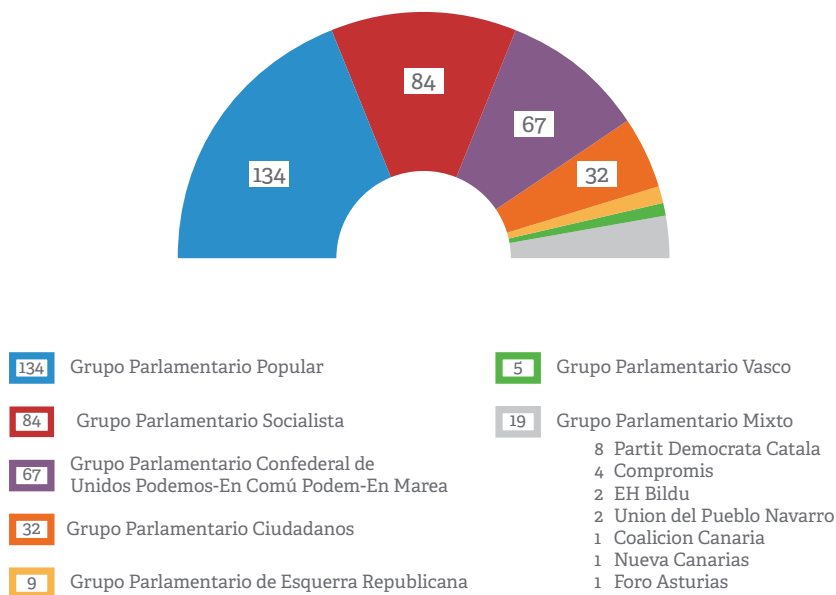
In the event that a government is not formed and new elections are called, on January 1 2017 the budgets from the previous year will be automatically extended, as provided by the law.

### 5. WHAT WILL THE NEGOTIATION BE LIKE?

The Spanish Congress is composed of 350 deputies, organized as follows:

- Grupo Parlamentario Popular: 134
- Grupo Parlamentario Socialista: 84
- Grupo Parlamentario Confederal de Unidos Podemos-En Comú Podem-En Marea: 67
- Grupo Parlamentario Ciudadanos: 32
- Grupo Parlamentario de Esquerra Republicana: 9
- Grupo Parlamentario Vasco: 5
- Grupo Parlamentario Mixto: 19
  - » Partit Demòcrata Català: 8
  - » Compromís: 4
  - » EH Bildu: 2
  - » Unión del Pueblo Navarro: 2
  - » Coalición Canaria: 1

Figure 2. The Spanish Congress of Deputies distribution



**“The Parliament’s fragmentation is an opportunity for different political groups and civil society to contribute to the final configuration of the general budget law”**

- » Nueva Canarias: 1
- » Foro Asturias: 1

The general budget law can be approved by a simple majority, which means having more votes in favor than against would be enough for the government to have it approved, as long as a parliamentary group abstains.

Therefore, the government—probably in minority—that may emerge after the negotiations of the past few weeks must agree on the general budget law with various political parties.

Only an agreement on the budgets between PP and PSOE, which has been ruled out by the latter, would avoid

the implication of at least three parliamentary forces in the negotiation.

The Parliament’s fragmentation is an opportunity for different political groups and civil society to contribute to the final configuration of the general budget law.

During the process, the Parliament becomes the epicenter of the Spanish political debate, involving negotiations between parties, participation of civil society representatives who will share their opinions before parliamentary groups and involvement of public affairs experts, who will help stakeholders understand how to handle a negotiation of this nature.

## Authors



**Joan Navarro** is Partner and Vice-Chairman of Public Affairs at LLORENTE & CUENCA. Sociologist and PDG from IESE, Joan is an expert in communication, electoral strategy and public affairs. From 2004 to 2007 he was director of the Office of the Minister of Public Administration and in 2010 was recognized as one of the 100 most influential magazine El País Semanal. He is a member of the Spanish chapter of Strategic and Competitive Intelligence Professional (SCIP) and the newspaper El País.

[jnavarro@llorenteycuenca.com](mailto:jnavarro@llorenteycuenca.com)



**Cristóbal Herrera** is Manager of Public Affairs Area at LLORENTE & CUENCA Spain. He is a graduate in Political Studies in the Universidad Complutense of Madrid, specialization in Public Affairs in the University of Hull and Master's Degree in International Trade in CESMA-Business School. In LLORENTE & CUENCA, his main task is to coordinate intelligence and political analysis activities. He has over 5 years' experience working for parliamentary groups in the Spanish Parliament.

[herrera@llorenteycuenca.com](mailto:herrera@llorenteycuenca.com)



**Nacho Corredor** is consultant of Public Affairs Area at LLORENTE & CUENCA Spain. Political scientist from the University Pompeu Fabra of Barcelona and specialist in business ethics and transparency. He collaborates with media such as El Periódico de Catalunya, RAC1, Cadena SER, Catalunya Ràdio and Televisión Española. He is coordinator of the Foro Más Democracia, an organization that seeks to influence the parties to improve their democratic functioning. He has founded several organizations as deba-t.org and bridgingbcn dedicated to fostering relations between politics and civil society.

[icorredor@llorenteycuenca.com](mailto:icorredor@llorenteycuenca.com)

# LLORENTE & CUENCA

## CORPORATE MANAGEMENT

José Antonio Llorente  
Founding Partner and Chairman  
jalloriente@llorenteycuenca.com

Enrique González  
Partner and CFO  
egonzalez@llorenteycuenca.com

Adolfo Corujo  
Partner and Chief Talent and  
Innovation Officer  
acorujo@llorenteycuenca.com

Tomás Matesanz  
Chief Corporate & Brand Officer  
tmatesanz@llorenteycuenca.com

## MANAGEMENT - SPAIN AND PORTUGAL

Arturo Pinedo  
Partner and Managing Director  
apinedo@llorenteycuenca.com

Goyo Panadero  
Partner and Managing Director  
gpanadero@llorenteycuenca.com

## MANAGEMENT - LATIN AMERICA

Alejandro Romero  
Partner and CEO Latin America  
aromero@llorenteycuenca.com

Luisa García  
Partner and CEO Andes' Region  
lgarcia@llorenteycuenca.com

José Luis Di Girolamo  
Partner and CFO Latin America  
jldgirolamo@llorenteycuenca.com

## TALENT MANAGEMENT

Daniel Moreno  
Chief Talent  
dmoreno@llorenteycuenca.com

Marjorie Barrientos  
Talent Manager for Andes' Region  
mbarrientos@llorenteycuenca.com

Eva Perez  
Talent Manager for North America,  
Central America and Caribbean  
eperez@llorenteycuenca.com

Karina Sanches  
Talent Manager for the  
Southern Cone  
ksanches@llorenteycuenca.com

## SPAIN AND PORTUGAL

### Barcelona

María Cura  
Partner and Managing Director  
mcura@llorenteycuenca.com

Muntaner, 240-242, 1º-1ª  
08021 Barcelona  
Tel. +34 93 217 22 17

### Madrid

Joan Navarro  
Partner and Vice-president  
of Public Affairs  
jnavarro@llorenteycuenca.com

Amalio Moratalla  
Partner and Senior Director  
amoratalla@llorenteycuenca.com

Luis Miguel Peña  
Partner and Senior Director  
lmpena@llorenteycuenca.com

Latam Desk  
Claudio Vallejo  
Senior Director  
cvallejo@llorenteycuenca.com

Lagasca, 88 - planta 3  
28001 Madrid  
Tel. +34 91 563 77 22

Ana Folgueira  
Managing Director of  
Impossible Tellers  
ana@impossibletellers.com

Impossible Tellers  
Diego de León, 22, 3º izq  
28006 Madrid  
Tel. +34 91 438 42 95

### Lisbon

Madalena Martins  
Partner  
mmartins@llorenteycuenca.com

Tiago Vidal  
Managing Director  
tvidal@llorenteycuenca.com

Avenida da Liberdade nº225, 5º Esq.  
1250-142 Lisbon  
Tel. + 351 21 923 97 00

## Cink.

Sergio Cortés  
Partner, Founder and Chairman  
scortes@cink.es

Calle Girona, 52 Bajos  
08009 Barcelona  
Tel. +34 93 348 84 28

## UNITED STATES

### Miami

Erich de la Fuente  
Partner and Managing Director  
edela Fuente@llorenteycuenca.com

600 Brickell Ave.  
Suite 2020  
Miami, FL 33131  
Tel. +1 786 590 1000

### New York City

Latam Desk  
Adriana Aristizábal  
Senior consultant  
aaristizabal@llorenteycuenca.com

277 Park Avenue, 39th Floor  
New York, NY 10172  
Tel. +1 917 833 0103

### Washington, DC

Ana Gamonal  
Director  
agamonal@llorenteycuenca.com

10705 Rosehaven Street  
Fairfax, VA 22030  
Washington, DC  
Tel. +1 703 505 4211

## MEXICO, CENTRAL AMERICA AND CARIBBEAN

### Mexico City

Juan Rivera  
Partner and Managing Director  
jrivera@llorenteycuenca.com

Av. Paseo de la Reforma 412, Piso 14,  
Col. Juárez, Del. Cuauhtémoc  
CP 06600, Mexico City  
Tel. +52 55 5257 1084

### Havana

Pau Solanilla  
Managing Director for Cuba  
psolanilla@llorenteycuenca.com

Lagasca, 88 - planta 3  
28001 Madrid  
Tel. +34 91 563 77 22

### Panama City

Javier Rosado  
Partner and Managing Director  
jrosado@llorenteycuenca.com

Av. Samuel Lewis  
Edificio Omega - piso 6  
Tel. +507 206 5200

### Santo Domingo

Iban Campo  
Managing Director  
icampo@llorenteycuenca.com

Av. Abraham Lincoln 1069  
Torre Ejecutiva Sonora, planta 7  
Tel. +1 809 6161975

## ANDES' REGION

### Bogota

María Esteve  
Managing Director  
mesteve@llorenteycuenca.com

Carrera 14, # 94-44. Torre B - of. 501  
Tel. +57 1 7438000

### Lima

Luisa García  
Partner and CEO Andes' Region  
lgarcia@llorenteycuenca.com

Humberto Zogbi  
Chairman  
hzogbi@llorenteycuenca.com

Av. Andrés Reyes 420, piso 7  
San Isidro  
Tel. +51 1 2229491

### Quito

Alejandra Rivas  
Managing Director  
arivas@llorenteycuenca.com

Avda. 12 de Octubre N24-528 y  
Cordero - Edificio World Trade  
Center - Torre B - piso 11  
Tel. +593 2 2565820

### Santiago de Chile

Claudio Ramírez  
Partner and General Manager  
cramirez@llorenteycuenca.com

Magdalena 140, Oficina 1801.  
Las Condes.  
Tel. +56 22 207 32 00

## SOUTH AMERICA

### Buenos Aires

Pablo Abiad  
Partner and Managing Director  
pabiad@llorenteycuenca.com

Daniel Valli  
Senior Director of New Business  
Development for the Southern  
Cone  
dvalli@llorenteycuenca.com

Av. Corrientes 222, piso 8. C1043AAP  
Tel. +54 11 5556 0700

### Rio de Janeiro

Yeray Carretero  
Director  
ycarretero@llorenteycuenca.com

Rua da Assembleia, 10 - Sala 1801  
RJ - 20011-000  
Tel. +55 21 3797 6400

### Sao Paulo

Marco Antonio Sabino  
Partner and Brazil Chairman  
masabino@llorenteycuenca.com

Juan Carlos Gozzer  
Managing Director  
jcozzer@llorenteycuenca.com

Rua Oscar Freire, 379, Cj 111,  
Cerqueira César SP - 01426-001  
Tel. +55 11 3060 3390





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