2017 DRAFT BUDGETARY PLAN

EFFECTIVE ACTION REPORT

KINGDOM OF SPAIN

14-10-2016

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INTRODUCTION

The 2017 Draft Budgetary Plan for Spain is defined by the current government which, acting in a caretaker capacity, does not have full powers and only addresses ordinary matters, excepting emergencies or duly justified cases of general interest. The caretaker Government cannot pass the General State Budget Act for the oncoming financial year, approve budgetary stability targets or submit legislative initiatives to the Parliament, which has significant impact upon this Plan.

The 2017 Draft Budgetary Plan has been prepared based on a no-policy change scenario and applying the latest macroeconomic assumptions available, as prescribed by the EU regulations for countries where the Government lacks full budgetary powers.

The scenario taken into consideration to prepare the Draft Budgetary Plan includes all measures passed by the Government up to the date of submission of the Plan. As opposed to 2016, these measures include, among others, the reform of the Corporate Income Tax, enacted by virtue of Royal Decree-Act 2/2016, of 30 September, the management decisions to restrict budgetary provision, both with regard to the State Budget by means of non-availability agreements, in an amount of 2 billion euros, and through the early closing of the 2016 Budget period, as well as through the application of the enforcement measures set forth in the Organic Act 2/2012 on Budgetary Stability and Financial Sustainability for the first time to demand credit restriction measures for the same amount to Regional Administrations. Among these measures, we could include the application of additional budgetary control measures set forth in the aforementioned Organic Act 2/2012, such as withholding territorial funds in cases of serious delays in the payment to suppliers by the Administrations or the application of fiscal conditions and the new structural reforms for the transfer of liquidity by the Regional Liquidity Fund. Finally, significant steps have been taken toward the implementation of mechanisms to improve transparency and coordination capacity in public procurement to make it more efficient and competitive.

These measures are adopted as a result of the Decision adopted by the European Council on 8 August 2016 giving notice of measures to be taken to correct excessive deficit and to strengthen fiscal policy management and public procurement.

Notwithstanding the above, these measures that ensure effective action by the Spanish Government in 2016 must under all circumstances be completed by the new administration so as to ensure compliance with the Decision by the Council of the European Union from 2017 onwards.

As in previous occasions, the Plan includes an update of the macroeconomic scenario based on cautious assumptions on the development of the economic cycle of 2017 which substantiates the path toward the recovery of Spanish economy and job creation.

So as to extend of the State Budget, the replication of the initial revenue and credit forecasts for 2016 is required. Notwithstanding the above, for the preparation of the Draft Budgetary Plan in compliance with EU regulations, a forecast of revenue and expenditure for 2017 has been conducted with the details set forth below.

Revenue forecasts are updated according to the evolution of the economic cycle, issuing a new revenue forecast based on the evolution of tax bases, in line with the macroeconomic scenario. As for expenditure, a forecast is also issued on its main components based on the impact of the economic cycle. This fiscal planning is therefore not included in the common practice of preparation of the State General Budget, currently extended. So is established in Section 134.4 of the Spanish Constitution, setting forth that should the General State Budget Act fail to be passed before the first day of a financial year, the general state budget for the previous year would be extended until a new one is passed. The extension affects both the State Budget and the Social Security Budget.

In regard to territorial administrations, the Draft Budgetary Plan main budgetary lines set out the basic information submitted by them on their Budgets. Since the Central Government has not approved the non-financial expenditure limit and in the absence of a Draft Budgetary Plan for the oncoming year, some Administrations have chosen to act accordingly, while others have presented their Draft Budgetary Plan before the legislative chambers.

Finally, it must also be pointed out that this report also includes the additional information required for the compliance with the information requirements set out for Member States within the framework of the excessive deficit procedure, as provided by Regulation 473/2013, of 21 May, on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area. Therefore, detailed additional information on budgetary implementation is provided concerning national cash flows and accounting for the Spanish General Government as a whole and for each sub-sector, also including information on contingent liabilities.

1. MACROECONOMIC SCENARIO 2016-2017

The macroeconomic scenario herein described lays the foundations of the Draft Budgetary Plan for 2017 and has been endorsed by the Authority for Fiscal Responsibility (AIReF, for its Spanish acronym), in whose opinion this overall macroeconomic scenario for the Government is likely and realistic.

This macroeconomic scenario shows the consolidation of the recovery of Spanish economy, which started midyear in 2013 and has gradually increased up to 3.2% in 2015 and even 3.3% in the first quarter of 2016.

With an initial annual real GDP 3.6% drop in 2009, which brought serious trouble to the sustainability of external debt, difficulty in market access and even problems to fund public Administrations, as well as significant job destruction, we are now looking at a year-on-year GDP growth of over 3% (3.2% in 2015 and 3.3% in the first quarter of 2016), a stabilisation of external debt, a return to normality in financial market access and rapid job creation (2.9% in the second quarter of 2016, which brings about 484,000 full-time jobs per year).

This growth mostly stems from domestic demand, final household consumption expenditure and gross fixed capital formation which are the result of an improvement in credit access, the recovery of the job market, the increase in household financial wealth and the recent tax reform. The momentum generated by domestic demand has resulted in intense job creation in the labour market, avoiding, however, any tensions regarding the evolution of prices or salaries thanks to the structural reforms conducted. As a result, quarter-to-quarter data indicate that the GDP has been growing for the past twelve consecutive quarters with 0.8 rates in the past four quarters up to the second quarter of 2016, showing differential growth data much ahead of those in the euro area.

On the other hand, the contribution of the General Government to GDP growth through final consumption expenditure has been very moderate. The containment of public consumption is consistent with the reduction of funding needs by the General Government, which have seen a drop from 9.3% of the GDP in 2011 to 5.1% in 2015 without any financial support. The reduction of deficit in the General Government, alongside the alleviation of financial burden, has contributed to reduce the need for borrowings. However, the magnitude of changes in financial assets resulting from the reorganisation of the financial system and the funding operations of territorial Administrations to fund their deficit and meet maturities have brought a net increase in public debt that only started to stabilise when public debt peaked in 2015.

The increase in indebtedness by the General Government during this period came along an intense process of deleveraging of the private sector, stimulated by the tax reform. Both phenomena, the increase in public debt and the deleveraging of the private sector, have offset each other so the external debt of our economy has stabilised, avoiding further tensions that would have hindered market access.

The macroeconomic scenario set out alongside this Draft Budgetary Plan is based on external hypotheses regarding the exchange rate, oil prices and interest rates which have been prepared taking into account the recent evolution of these variables, as well as assumptions on the growth of Spanish export market and global GDP, in line with the estimates of major international bodies.

Table 1.1 Basic assumptions of the Macroeconomic Scenario

year-on-year % change, unless otherwise specified

	2015	2016	2017
Short term interest rate (3-month Euribor)	0,0	-0,3	-0,3
Long term interest rate (10-year debt, Spain)	1,8	1,7	1,9
Exchange rate $/€ (annual average)	1,1	1,1	1,1
World GDP (excluding Eurozone)	3,2	3,1	3,5
Eurozone GDP	1,9	1,6	1,5
Oil prices (Brent, USD/barrel)	52,2	43,4	49,1
Sources: International Monetary Fund, European Central Bank, European Commission, Bank of Spain and Ministry of Economy and Competitiveness.			

As for the international context, the estimates of major international bodies indicate a moderate growth in global economy for this year and the next one, slightly higher in 2017. Growth in global GDP, excepting the euro area, is estimated at 3.1% in 2016, one tenth lower than that recorded in 2015, and 3.5% in 2017. In the euro area, a GDP deceleration of 0.3% is expected in 2016, down to 1.6% in respect of the previous year, along with an additional 0.1% drop in 2017 up to 1.5%, mainly due to the negative impact of Brexit that partially offsets the boost provided by external markets. With regard to exchange rate hypotheses, it is expected to stay at 1.1 dollars per euro during the period under this report. As for the price of raw materials, considering the evolution of oil prices and forward markets, an average price of 43.4 dollars per Brent crude barrel is expected, 17% lower than 2015, and a slight increase reaching 49.1 dollars per barrel is expected for 2017. With regard to interest rates, forecasts point to a moderate stability in line with the monetary policy of the European Central Bank. Short-term interest rates are expected to remain in slightly negative levels, whilst long-term rates are expected to be in slight descent in 2016 up to 1.7%, and climb back up in 2017 up to 1.9%.

According to these hypotheses, considering recently published data, the macroeconomic scenario included alongside the Draft Budgetary Plan constitutes an upward revision of Spanish economy in 2016, 0.2% higher than the latest Update of the Stability Programme, reaching 2.9% owing to activity in the second quarter being more favourable than expected, as well as to the improvement in the outlook for the second semester. Moderate growth in 2017 is expected for Spanish economy, with a real GDP growth of 2.3%.

Job creation will remain at a significant pace, mostly as a result of greater flexibility set forth by the labour market reform undertaken in 2012 as well as adopted tax, Social Security and labour taxation measures that have reduced the tax wedge. In 2016 and 2017, estimations point to a net accumulated creation of 900,000 jobs and a decline in unemployment by one million people, the working population reaching 19 million and the unemployment rate being under 17% of the labour force by the end of 2017.

Table 1.2 Macroeconomic Prospects

Chain-linked volume indexes
2010=100, unless otherwise specified

	ESA Code	2015	2015	2016	2017
		Level	year-on-year % change		
1. Real GDP	B1*g	98,8	3,2	2,9	2,3
2. Potential GDP			0,2	0,5	0,8
contributions:					
Labour			-0,1	0,0	0,2
Capital			0,2	0,3	0,4
Total Factor Productivity			0,1	0,1	0,1
3. Nominal GDP (billions of euros)	B1*g	1.075,6	3,7	3,6	3,8
Components del real GDP					
4. Private final consumption expenditure	P.3	95,4	2,9	3,3	2,6
5. Government final consumption expenditure	P.3	94,5	2,0	1,0	0,9
6. Gross fixed capital formation	P.51	90,4	6,0	5,4	4,2
7. Change in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	65,7	0,1	0,0	0,0
8. Exports of goods and services	P.6	123,7	4,9	5,4	5,7
9. Imports of goods and services	P.7	103,9	5,6	7,0	6,7
Contributions to real GDP growth					
10. Final domestic demand			3,3	3,2	2,5
11. Change in inventories	P.52 + P.53		0,1	0,0	0,0
12. External balance of good and services	B.11		-0,1	-0,3	-0,2
Sources: National Institute of Statistics and Ministry of Economy and Competitiveness.					

Table 1.3 Price developments

	ESA Code	2015	2015	2016	2017
		Level	year-on-year % change		
1. GDP deflator		100,7	0,5	0,7	1,4
2. Private consumption deflator (*)		105,9	-0,2	-0,2	1,3
3. Public consumption Deflator		99,5	1,2	0,3	0,4
4. Gross fixed capital formation deflator		94,3	0,8	1,0	1,1
5. Export price deflator deflator (good and services)		104,6	0,5	0,4	0,7
6. Import prices deflator (good and services)		109,7	-0,3	-1,3	-0,5

(*) It includes househols and non-profit institutions serving households.
Sources: National Institute of Statistics and Ministry of Economy and Competitiveness.

Table 1.4 Labour Market developments (*)

	ESA Code	2015	2015	2016	2017
		Level	% Change		
1. Total employed people (full-time equivalent, thousand)		16.885,0	3,0	2,7	2,2
2. Unemployment rate (% of active population)			22,1	19,7	17,8
3. Labour productivity per employee (thousand euro)		63,3	0,2	0,2	0,1
4. Employees compensation (billion euro)	D.1	510,3	3,8	3,6	3,6
5. Compensation per employee (thousand euro) (**)		35,1	0,4	0,8	1,2

(*) National Account data, except for unemployment rate.
(**) Compensation per employee, full-time equivalent.
Sources: National Institute of Statistics and Ministry of Economy and Competitiveness.

2. ORIENTATION OF THE FISCAL POLICY

2.1 Review of stability targets

By virtue of Resolution by the Council of Ministers dated 10 July 2015, budgetary stability targets for financial years 2016, 2017 and 2018 were established for the whole of the General Government and each of its sub-sectors. These targets, in line with the path toward fiscal consolidation established by the Council of the European Union in 2013, are detailed in Table 2.1.

Table 2.1 Deficit targets set by the Council of Ministers Agreement of July 10, 2015

% GDP	2016	2017	2018
Central Administration	-2,2	-1,1	-0,2
Autonomous Communities	-0,3	-0,1	0,0
Local Authorities	0,0	0,0	0,0
Social Security	-0,3	-0,2	-0,1
General Government	**-2,8**	**-1,4**	**-0,3**

Later on, the Ministry of Finance and Public Administrations submitted a target amendment proposal for financial year 2016 and for the period 2017-2019 to the Council of Fiscal and Financial Policy of the autonomous regions, which was the subject of approval during the meeting of said Council on 28 April 2016. For these purposes, the proposal had also been submitted to the National Committee of Local Administration on 26 April 2016. These targets were included in the update of the Stability Programme for the period 2016-2019 submitted to the EU.

Table 2.2 Deficit targets included in the Stability Programme 2016-2019

% GDP	2016	2017	2018	2019
Central Administration	-1,8	-1,5	-1,1	-0,9
Autonomous Communities	-0,7	-0,5	-0,3	0,0
Local Authorities	0,0	0,0	0,0	0,0
Social Security	-1,1	-0,9	-0,8	-0,7
General Government	**-3,6**	**-2,9**	**-2,2**	**-1,6**

This target proposal failed to be passed by the Council of Ministers and was not submitted to the Spanish Parliament pending the enactment of the expenditure ceiling under the new Draft Budgetary Plan, which as per Organic Act 2/2012 must accompany stability targets.

In addition, on 8 August 2016, the Council of the European Union revised the path toward consolidation established for Spain in the framework of the excessive deficit procedure, establishing overall deficit targets for the General Government of 4.6%, 3.1% and 2.2% of GDP for years 2016, 2017 and 2018 respectively, therefore putting off the obligation to reduce deficit under 3%, as required by the Stability and Growth Pact, until 2018.

Table 2.3 Deficit targets. Consolidation path approved by the EU Council (8 August 2016)

% GDP	2016	2017	2018
General Government	**-4,6**	**-3,1**	**-2,2**

With a caretaker Government, it was not possible to pass the Resolution by the Council of Ministers set forth in section 15.1 of Organic Act 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability (LOEPSF, for its Spanish acronym). The review of budgetary stability targets for the whole of the General Government, as per said act, requires the proposal to include a non-financial expenditure limit for the State Budget. There being a caretaker Government, the Draft Budgetary Plan could not be prepared, nor was it possible to decide on a non-financial expenditure limit, which means that the review of stability targets is not possible either.

So as to conduct the review of stability targets to adapt it to the decisions adopted by the Council of the European Union in the event of there being a caretaker Government, a Draft Organic Act to reform the LOEPSF has been recently submitted to the Congress of Deputies. This regulatory amendment would allow a caretaker Government, when so required by the Council of the European Union, to amend the distribution of stability targets under review among the Administrations as well as the public debt targets of each sub-sector[1].

[1]The proposal for the Reform Draft of the Budgetary Stability and Financial Sustainability Act is available at the Congress website (http://www.congreso.es/portal/page/portal/Congreso/PopUpCGI?CMD=VERLST&BASE=pu12&FMT=PUWTXDTS.fmt&DOCS=1-1&DOCORDER=LIFO&QUERY=%28BOCG-12-B-47-1.CODI.%29 (Page 1))

2.2 Orientation of the fiscal policy

For the purpose of analysing the orientation of the fiscal policy, Table 2.a sets forth the real GDP growth rates expected for the 2016-2017 period, as well as GDP potential growth and output gap forecasts, according to the production function methodology used by the European Commission (EC) and adopted by the Output Gaps Working Group (OGWG).

Potential GDP growth in 2016 and 2017 is expected to sustain the momentum built up during 2015 with gradually increasing growth rates of approximately 1%. Potential GDP accumulated acceleration these past two years, of 0.6%, can be explained by a greater contribution to the growth of the labour input (0.4%) and, to a lesser extent, by an increasing positive capital contribution (0.2%). On the other hand, the contribution of the Total Factor Productivity (TFP) remains mostly stable in 2016 and 2017 in respect of 2015. As a result, the absolute output gap value (also known as GDP gap) will continue its decreasing trend this year and the next one, although at a slower pace than in 2015.

Based on the output gap calculations, the path of the public-sector deficit has been split into both its cyclical and its cyclically-adjusted components. When it comes to the cyclical component, the reduction of the output gap is expected to generate a cyclical deficit correction of 1.2 and 0.8 GDP points in 2016 and 2017 respectively. As a result of the evolution of cyclical balance and expected trend in nominal public balance, cyclically-adjusted deficit will drop by 0.1% in the oncoming year, reaching 2.8% of the GDP, therefore resulting in no structural effort.

The fiscal adjustment measurement based on structural effort is complemented with the discretionary effort indicator. In 2017, as detailed in Table 2.b, the expected discretionary effort is virtually non-existent (0.2 percentage points without one-off measures), just as the structural effort worked out by the common methodology of the EU.

Table 2.a. General Government Budgetary Targets and subsectors

	ESA Code	2016	2017
Net lending (+)/ borrowing (-) by subsector in % of GDP			
1. General Government	S.13	**-4,6**	**-3,6**
2. Central Administration	S.1311		
3. Autonomous Communities	S.1312		
4. Local Authorities	S.1313		
5. Social Security	S.1314		
General Government (S.13) (% GDP)			
6. Interests	D.41	2,8	2,7
7. Primary balance		-1,8	-1,0
8. One-off and other temporary measures (*)		-0,2	0,0
of which financial assistance		-0,2	0,0
9. Real GDP (% change)		2,9	2,3
10. Potential GDP (% change)		0,5	0,8
Contributions:			
Labour		0,0	0,2
Capital		0,3	0,4
Total factor productivity		0,1	0,1
11. Output gap		-3,1	-1,6
12. Cyclical balance		-1,7	-0,9
13. Cyclically-adjusted balance (1-12)		-2,9	-2,8
14. Cyclically-adjusted primary balance (13+6)		-0,1	-0,1
15. Structural balance (13-8)		-2,7	-2,7

(*) A positive sign corresponds to a deficit reduction measure. Measures corresponding to a single exercise.
Sources: Ministry of Economy and Competitiveness and Ministry of Finance and Public Administrations.

Table 2.5 Discretionary Fiscal Effort Indicator

billion € (unless otherwise indicated)

	2016	2017
Nominal GDP	1.114,7	1.157,2
Discretionary revenues	-0,6	-1,4
Total expenditure	473,0	477,8
Interest expenditure	30,9	30,7
Unemployment expenditure	18,8	16,6
Expenditure excluding interest and unemployment E	423,4	430,5
Change in E	6,5	7,1
Reference rate (%)	1,2	2,0
Financial assistance one-offs	-2,2	-0,4
Change in € without financial assistance one-offs	8,0	5,3
Discretionary fiscal effort indicator (% GDP)	**-0,2**	**0,0**
Discretionary fiscal effort indicator (1) (% GDP)	**-0,3**	**0,2**

(1) Excluding financial assistance.

Sources: Ministry of Economy and Competitiveness and Ministry of Finance and Public Administrations.

Table 2.6 Public debt dynamics (S.13) and perspectives

% of GDP, unless otherwise specified

	ESA Code	2016	2017
1. Gross debt[a]		99,8	99,7
2. Change in gross debt		0,0	0,0
Contribution to change of gross debt			
3. Primary balance		-1,8	-1,0
4. Interests	D.41	2,8	2,7
5. Stock-flow adjustment		-1,1	0,0
p.m.: Implicit exchange rate on debt		2,9	2,8

[a] As defined in EU Regulation 479/2009.

Source: Ministry of Economy and Competitiveness.

2.3 Public revenue and expenditure forecasts

Table 2.7 details the main revenue and public expenditure headings for 2016 and 2017. These forecasts, as mentioned before, have been produced considering a no-policy change scenario. The measures passed by the Government in 2016 have been taken into consideration, including the credit non-availability agreement for an amount of 2 billion euros in the General Government and 1.5 billion in autonomous regions, the early closing of the General State Budgets in July, expecting savings of approximately 1 billion euros, and the recent reform of instalment payments of the Corporate Income Tax which will increase tax revenue by 8.3 billion euros in 2016 with respect to a scenario where the minimum instalment payment had not been extended.

According to fiscal forecasts, deficit will drop to 4.6% of the GDP in 2016, in line with the goal established in the ECOFIN decision dated 8 August of this year. For 2017, revenue and expenditure forecasts in a no-policy change scenario point to an estimated deficit of 3.6% of the GDP, above the deficit target established in the framework of the Excessive Deficit Procedure. This is due to the fact that 2017 forecasts did not contemplate measures that would allow the fulfilment of deficit targets established by the Excessive Deficit Procedure, which are to be decided by the new Government.

The revenue ratio will reach 37.8% of the GDP in 2016, with an estimation of 37.7% for 2017. In spite of the impact of the reduction of direct taxes, resulting from the tax reform (mainly the Personal Income Tax and the Corporate Income Tax), the revenue-GDP ratio trend remains stable in 2015 and 2016 as a result of the growth in indirect tax collection, slightly above the GDP growth, and of the growth of taxable incomes both of direct and indirect taxes. On the other hand, the estimated Social Security contributions are in line with the macroeconomic scenario that forecasts an employment growth of 2.7% in 2016 and slight moderation in 2017 with a 2.2% growth. As a result, Social Security contributions will amount to 12.2% of the GDP in 2016 and 12.1% in 2017. In this regard, Social Security contributions remain on an upward trend, with a growth of approximately 3% in 2016 and 2.5% in 2017, driven by the recovery of the labour market and the stabilisation of compensation of employees, which is partially offset by the impact of the reforms undertaken that involve lower social contributions to encourage job creation. As detailed in the next section, the reduction of Social Security contributions, with a €500 exemption of the company's contributions, has an impact on job creation, since it reduces labour costs for employers. As a whole, the tax reform and the measures taken with regard to contributions bring about a significant and differential reduction in the tax wedge for Spain, resulting from one of the Specific Recommendations made to Spain in previous years.

With regard to expenditure, the ratio is reduced to 42.4% of the GDP in 2016 and to 41.3% in 2017. This restraint is the result of the growth of nominal expenditure these past two years being below the GDP growth.

As for compensation of employees, it is estimated that the impact of the reimbursement of the extra pay withheld in 2012 that has been undertaken in 2016 is similar to that in 2015 and therefore does not result in increased expenditure with respect to the previous year. For the oncoming year, compensation of employees is expected to include, to the relevant extent, an increase arising out of new hires resulting from previous public employment offers. As a result of the above, the compensation of employees is expected to drop from 11% in 2016 to 10.6% in 2017 with respect to the GDP.

As for intermediate consumptions, a year-to-year 1% drop is expected for 2016, since these data are compared to those in 2015 as an extraordinary expenditure of over 1.2 billion was recorded to fund Hepatitis C treatment, which is expected to be remarkably lower in 2016. This budget item is expected to remain stable in nominal terms in 2017, therefore expecting a rate of change of 0% and a relative decline from 5.1% to 4.9% of the GDP in 2017.

Interest expenditure will be one of the items that show the greatest decline in 2016, by over 7%, in a framework of deficit reduction and economic recovery consolidation, ahead of other European countries, contributing to good confidence and therefore to lower interest rates. For 2017, a conservative forecast has been made considering that funding rates are already at a minimum and therefore the reduction of interest expenditure in the oncoming year will not be as dramatic as that expected for 2016. In terms of GDP, the interest expenditure of the General Government will keep decreasing in the oncoming year from 2.8% to 2.7% of the GDP. The expenditure in social transfers is mainly determined by the pension expenditure, which shows an upturn of approximately 3%, thanks to the expenditure restraint resulting from the reforms undertaken since 2011, including the raise in the effective retirement age and the pension revaluation index that ensure its sustainability in the future, as well as the sustainability factor. To make the forecasts for this budget item, consideration has been given to the fact that pensions will be updated next year as per its applicable regulations. The second component of this heading is the expenditure in unemployment subsidies, which will be gradually reduced as employment increases and the unemployment rate drops, down from 1.7% of the GDP in 2016 to 1.5% in 2017. As a consequence of the above, social transfers will grow below the nominal GDP rate by 1.8% in 2016 and 2% in 2017, showing decreasing values until below 18% of the GDP next year.

Finally, with regard to the evolution of investment spending (gross capital formation) the comparison to 2015 will be influenced by the reclassifications of Public Administrations that increased the expense under this heading by over 2 billion euros and were registered as one off expenses. From that year onward, investment is estimated to grow again. This is why the expenditure on gross capital formation is expected to remain stable at 2.1% of the GDP in 2016 and 2017.

Table 2.7 General Government Expenditure and Revenue Targets (% GDP)

	ESA Code	2016	2017
1. Total revenue target	TR	**37,84**	**37,65**
Of which			
1.1. Taxes on production and imports	D.2	11,82	11,81
1.2. Current taxes on income, wealth, etc.	D.5	9,57	9,61
1.3. Capital taxes	D.91	0,59	0,62
1.4. Social contributions	D.61	12,22	12,07
1.5. Property income	D.4	0,77	0,73
1.6. Other		2,87	2,82
p.m.: Tax bruden (D.2+D.5+D.61+D.91-D.995)		34,0	33,9
2. Total expenditure target	TE	**42,43**	**41,29**
Of which			
2.1. Compensation of employees	D.1	10,97	10,63
2.2. Intermediate consumption	P.2	5,07	4,89
2.3. Social transfers	D.62, D.63	18,34	17,96
Of which Unemployments benefits		*1,69*	*1,51*
2.4. Interests expenditure	D.41	2,77	2,66
2.5. Subsidies	D.3	1,10	1,07
2.6. Gross fixed capital formation	P.5	2,10	2,09
2.7. Capital transfers	D.9	0,63	0,53
2.8. Others		1,44	1,47
3. General Government net borrowing	B9	**-4,6**	**-3,6**
GDP used		1.114.716	1.157.156

Taking the scenario in chart 2.7 above as reference, the scenario of possible budgetary balances for 2017 for all territorial Administrations would be at a -0.1% deficit. Furthermore, the need for State funding is estimated at a -2.1% deficit and at -1.4% for the Social Security.

Table 2.7.bis Progress scenario, national accounting settlement

Subsector	2016 (communicated to Eurostat)	2017 (prospect)
Central administration	-2,6%	-2,1%
Social Security	-1,7%	-1,4%
Territorial administrations	-0,3%	-0,1%
Consolidated general goverment	-4,6%	-3,6%

3. GENERAL GOVERNMENT AND SOCIAL SECURITY DRAFT BUDGETARY PLAN

As of the date of expected submission of the Draft Budgetary Plan for 2017, the current Government is acting in a caretaker capacity and has been for the past months since the elections held on 20 December 2015. As a result, the Government cannot pass a Draft Budgetary Plan. As per section 134.4 of the Spanish Constitution, should the General State Budget Draft Act not be passed before the first day of a financial year, the general state budget for the previous year would be extended until new ones are passed.

3.1 GENERAL GOVERNMENT BUDGET EXTENSION

Revenue forecasts

The General State Budget for 2016 will be extended to 2017. Considering the no-policy change scenario, three measures with a positive impact on tax collection have been passed by the Government and are to be developed. The first one is the result of the passing, on 30 September, by virtue of Royal Decree-Act 2/2016, of the measure already announced in the Stability Programme for 2016 on the increase of instalment payments of the Corporate Income Tax. This measure will be first applied to the second instalment of 2016 financial year and the subsequent ones. A minimum value is set for instalment payments calculated on the accounting results and with an increased tax rate for the settlement of the second and third periods of instalment payments for the Corporate Income Tax. This shall mean that the settlement scheme adopts a similar procedure to those applicable in 2015, in which more instalment payments and less quota settlements are carried out. The regulations established for instalment payments are:

- A minimum instalment payment of 23% on accounting profit for companies whose turnover exceeds 10 million euros. This rate is increased to 25% for credit institutions.
- Increased rate of 19/20 of the nominal rate for calculation of tax payments as per the tax base.

Through this measure, it is expected that tax collection through instalment payments in 2016 grows by 8.3 billion euros, as opposed to the scenario that would apply if this measure had not been adopted. It is important to point out that this measure does not have an expiration date and that it does not imply a greater tax burden for companies, since the measure only turns tax quotas into instalment payments.

The second measure is to not apply the automatic tax relief on the tax on wealth, which from 2017 shall have an impact on national accounting terms of 1.3 billion euros. This measure is applied every year upon approval of the General State Budget Act, which cancels the 100% relief enacted in 2011. However, in the absence of approved General State Budgets, said cancellation would disappear, even though legal mechanisms have already been put in place to avoid this.

The third measure involves the possibility of applying increased coefficients upon the tax on ownership of real property. Said coefficients are also established on a yearly basis for one-year periods as part of the General State Budget Act. Since there are no General State Budgets, coefficients would no longer apply, even though the mechanisms put in place allow the application thereof and an increase in tax collection by 24 million euros.

State expenditure budget extension

As for the extension of the expenditure draft budget, according to Section 38 of the General Budgetary Act, the initial budgets for the previous financial year are extended, excepting those provisions for expenses allocated to programmes or actions that expire in the financial year whose budget is extended. The extension does not only affect the State Budget, but also its institutional framework, including all companies, funds and state-owned public foundations.

Having extended the budget under the above terms, there are no restrictions for ordinary budget management actions to be conducted, including budget amendments or the adoption of non-availability agreements required to adapt extended credit to the undertaken stability targets. In this regard, it is worth bearing in mind that during the budgetary implementation of 2016, so as to respond to the independent recommendation by the Commission and to meet the established deficit target, the Government adopted a credit non-availability agreement for an amount of 2 billion euros and agreed on the early closing in July of the budget period, which will imply the saving of approximately 1,000 million euros. Through these measures, the budget credit implemented by the end of the year will be dramatically lower than the initial credit in 2016.

As a result, in a no-policy change scenario, the State expenditure will drop by approximately 3 billion euros in 2016 as a consequence of the non-availability agreement executed and the early closing of the budget period. The items most severely affected by these measures are intermediate consumption and capital expenditure. For 2017, the expenditure will be below the initial credit in 2016, which would cause an automatic extension of the Budget since, for the purpose of meeting the public deficit reduction targets set out by the new ECOFIN path, it has been estimated that the Council of Ministers shall adopt the necessary measures for expenditure policies in 2017 to remain unchanged in respect of the budget implementation in 2016.

3.2 SOCIAL SECURITY BUDGET EXTENSION

During 2016, the recovery of Spanish economy and the multiple measures adopted with regard to the labour market have continued to have a positive impact upon the evolution of the Spanish labour market, more dynamic at present, showing significant job creation and progressing toward normal conditions as opposed to its imbalances in the past.

GDP continues to grow, which in 2016 brought about job creation at a rapid pace. For the past year until the second quarter of 2016, 434,500 jobs have been created (according to the Labour Force Survey, or EPA for its Spanish acronym), which alongside the 513,500 jobs created in the four previous quarters amount to 938,000 employed people. These results bear witness of a solid growth, already observed last year, which according to the described macroeconomic scenario will continue in 2017, although at a slower pace.

The recovery of the labour market has a positive impact on fiscal variables in the Social Security sub-sector, increasing the revenue from social contributions and reducing expenditure on unemployment. As a result, between early 2013 and September 2016 over one and a half million people liable to Social Security payments have been back into the Social Security system, reaching a total of 17.7 million which brings about a year-to-year growth of 3% in September. On the other hand, the amount of recipients of unemployment benefits is gradually dropping from almost 3 million in 2012 to just over 2 million in August 2016.

Forecasts indicate that in 2017 this employment recovery context will continue, having a positive impact both on revenue and on the expenditure of this sub-sector.

As previously described, the Social Security Budget for 2016 will be extended to 2017 as the current Government is acting in a caretaker capacity and cannot submit General State Budget Drafts.

With regard to the Social Security revenues budget, this Draft Budgetary Plan comprises an updated forecast of the evolution of social contributions for 2017, which is the main source of income of the Social Security, in line with the new macroeconomic scenario presented and the regulation governing this revenue. As a result, as set forth in chart 2.6 on budgetary forecasts, a year-to-year growth of social contributions by 2.9% and 2.5% in 2016 and 2017 respectively is expected.

The budgetary forecasts for 2017 still apply the effects of the employment promotion measures adopted in the past financial years (social flat rate and the exemption from contribution for the first €500 of employer's contribution).

In 2015, the €500 minimum exemption from contribution to the Social Security entered into force, which means a temporal reduction of employers' Social Security contributions for common contingencies for open-ended hiring to benefit those companies which increased the number of indefinite term contracts, as well as the overall number of hirings within the company and which are able to maintain such numbers for at least 36 months. It is applicable to all open-ended contracts executed between 1 March 2015 and 31 August 2016 that meet the relevant requirements, and shall apply for 24 months from the time of hiring. Once the 24-month period has elapsed, those companies with fewer than 10 employees at the time of the contract will be eligible for an additional 12 months at a reduced rate equal to 50 per cent of the benefit in the contribution.

This measure has led to an increase in open-ended hiring which in turn has meant greater revenue in contributions on account of new hires that have been stimulated by it. This measure, as well as improving open-ended hiring, complies with the target of reducing the fiscal gap of taxation on labour by means of the reduction of social contributions, together with the tax reform which has been reducing the Personal Income Tax (PIT) rate from 2015.

With regard to expenditure, the Social Security Budget for 2016 will be extended to 2017. However, in the Social Security sub-sector, some budget items are particularly relevant owing to their volume, such as pension expenditure or jobseeker's allowances, which are directly governed by substantive regulations. As a result, expenditure in 2017 under these headings has been calculated bearing in mind the provisions in its specific regulations and the evolution of the amount of recipients of said allowances expected for the oncoming year.

So as to estimate pension expenditure, the increase in the amount of pensioners, the changes in the average pension and the 0.25% uprating of pensions, as set forth in Act 23/2013 governing the Sustainability Factor and the Uprating Index of the Social Security Pension System, have been taken into consideration.

As for the amount of recipients of Social Security contributory pensions, forecasts have been made bearing in mind the evolution of the amount of pensioners, which increased by 1.2% in September compared to the recipients in September 2015.

As for jobseeker's allowances, expenditure in 2017 has been foreseen bearing in mind the estimated evolution in the amount of recipients, in line with the submitted macroeconomic scenario. In light of the recovery of the labour market expected for the oncoming year and the increase in the amount of recipients, it is estimated that expenditure in unemployment benefits will drop by 7% in 2017. As a result, the expenditure in unemployment benefits keeps a downward trend, which in August showed a 10.5% drop in year-to-year terms.

4. AUTONOMOUS REGIONS DRAFT BUDGETARY PLAN

In a budget extension scenario, the payments on account of the funding system resources to be collected by Autonomous Regions are the result of considering the revenue scenario foreseen in the General State Budgets for 2016, applying the provisions under Act 22/2009 of the funding system in Autonomous Regions. In the absence of an enacted General State Budget Draft, the revenue to be collected by Autonomous Regions shall be that arising out of the enforcement of Act 22/2009 of the Autonomous Region funding system, calculated based on the revenue forecasts in a period of budget extension. So as to make the preparation process of Autonomous Region Budgets easier, the estimation of said amounts, both with regard to payments on account in 2017 and the planned settlement of 2015 payable in 2017, has been reported to Autonomous Regions by means of a letter from the Ministry of Finance and Public Administrations on 7 October.

The amounts to be paid during the validity of the budget extension as per the description in the above paragraph shall be considered payments on account of the amounts that are eventually payable to the Autonomous Regions.

The temporary character of territorial funding, as well as the need to undertake a reform of the Budget Stability and Financial Sustainability Act for the caretaker government to revise budgetary stability targets, hinders the preparation of Budgets by Territorial Administrations. In this regard, as in previous financial years, the Ministry of Finance and Public Administrations will monitor the general state budget drafts presented and check their compatibility with budgetary stability goals and any difference that could arise with regard to the budget estimation for the funding system to be paid on account and settled.

As in the attached Table for period 2010-2015, the evolution of the funding system resources to be paid on account and subsequently settled influence in a significant manner the response of public deficit of the relevant financial year, without prejudice to the concurrence of other effects as in financial years 2012 and 2013 as a result of the fiscal consolidation measures applied or in 2015 resulting from the impact of one-off, non-recurring operations.

Millions euro

Influence of the system resources variation in the net borrowing year on year change							
CONCEPTS	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
System resources without negative settlements 2008 and 2009	86.943,06	85.247,13	86.599,50	87.093,46	84.316,93	86.256,08	94.408,27
Chnage in system resources without negative settlements 2008 and 2009	-	-1.695,93	1.352,37	493,96	-2.776,52	1.939,15	8.152,19
Net borrowing	-34.287,00	-35.891,44	-19.447,00	-16.182,00	18.518,00	-18.722,00	-
Change in Net borrowing year on year	-	-1.604,44	16.444,44	3.265,00	2.336,00	-204,00	

**Amount of system resources included in the budgetary implementation statistics for the Autonomous Regions, including the contribution of provinces to the resources of the systems in the regions of Asturias and Murcia.*

We must not fail to mention the role played by liquidity provided through additional funding mechanisms. Indeed, between 2012 and 2016, the funding channelled through the instruments provided in the first additional provision of the Organic Act on Budgetary Stability and Financial Sustainability for Autonomous Regions amounted to 157,990 million euros[2]. Between 2012 and 2015, out of the total of 131,072 million euros provided, 52,855 million were used to fund the repayment of public debt maturities and interest, 74,128 million to pay suppliers and 4,088 million for other purposes. However, 26,917 million have been allocated so far in 2016. Out of said amount, 19,536 are used to fund the repayment of public debt maturities; 768 million to fund the reimbursement of negative settlements in the funding system for years 2008 and 2009, and 6,612 million to fund both the deficit target for 2016 (0.3% of the regional GDP) and to fund deviations from the deficit target for 2015 pending funding.

Savings in interest by Autonomous Regions in 2016 arising out of their accession to additional funding mechanisms is estimated to reach 3,066 million euros. Along the validity term of said mechanisms, estimated savings amount to 47,915 million euros.

[2] It includes the amounts paid to suppliers of the Autonomous Regions' creditor Local Entities that were settled by means of tranches I and II of the third phase of the Fund to Finance Payments to Suppliers for a total amount of 298.94 million euros.

5. LOCAL ENTITIES DRAFT BUDGETARY PLAN

As in Autonomous Regions, the General State Budget extension also applies to Local Entities and has an impact on the transfers to these Administrations. With regard to payments on account, the same credit recorded in the statement of expenditure in the General State Budget for 2016 and the same amounts paid from the statement of revenue in the General State Budget for 2016 arising out of the allocation of state taxation will be taken into consideration. When the General State Budget Act for 2017 is passed, the amounts collected by local entities will be settled.

6. EFFECTIVE ACTION

The Decision of the Council adopted on 8 August 2016, warning Spain to adopt measures aimed to reduce deficit as required to correct the current excessive deficit situation, sets forth that the effective action report shall include the adopted measures, both with regard to revenue and expenditure, to meet the established budgetary targets, as well as the measures adopted to strengthen the fiscal framework and the measures adopted to improve the public procurement framework. Since the measures adopted to meet budgetary targets have been explained in previous sections, this one will focus on the other two kinds of measures.

6.1 MEASURES TO STRENGTHEN THE FISCAL FRAMEWORK

6.1.1 Measures within the scope of Autonomous Regions

This section elaborates on the different measures adopted to comply with the Autonomous European Commission Recommendation, issued on 9 March 2016, which encouraged full application of the measures set forth in the Spanish Stability Act to control deviations from deficit, debt or expenditure rule targets. These measures have been passed by the caretaker Government and have been implemented as a result of these being matters of urgency and of general interest.

In this regard, the main actions undertaken during the 2016 financial year and the current situation are those detailed in the following sections, alongside the chart below:

SITUATION STATE MEASURES LOEPSF											
CC.AA.	COMPLIANCE OF STABILITY TARGET (17.3 LOEPSF)	COMPLIANCE RULE OF SPENDING (17.3 LOEPSF)	COMPLIANCE OF DEBT TARGET (17.3 LOEPSF)	ACTIVATION MEASURES LOEPSF							ADDITIONAL COMPLIANCE CDGAE (April 2016)
				ART. 25.1 ADJUSTMENT PLAN FOR BREACH	ADJUSTMENT PLAN 2016	PEF 2016-2017	PMP				
							COMMUNICATION ART. 13.6	PREVENTIVE MEASURES ART.	CORRECTIVE MEASURES ART.	CORRECTIVE MEASURES ART. 20.6	
Andalucía			✓	✓	✓	✓	✓				✓
Aragón			✓	✓	✓	✓	✓	✓	✓	✓	✓
P. de Asturias				✓		✓					
Illes Balears			✓	✓	✓	✓		✓	✓		✓
Canarias	✓	✓	✓								
Cantabria				✓	✓	✓	✓				✓
Castilla y León			✓			✓	✓	✓			
Castilla-La Mancha			✓	✓	✓	✓					✓
Cataluña				✓	✓	✓	✓				✓
Extremadura			✓	✓	✓	✓	✓	✓	✓	✓	✓
Galicia	✓	✓	✓				✓				
Madrid			✓	✓		✓	✓				
Región de Murcia			✓	✓	✓	✓	✓	✓			✓
C.F. de Navarra			✓			✓					
País Vasco	✓	✓	✓								
La Rioja			✓			✓					
C. Valenciana			✓	✓	✓	✓	✓	✓	✓		✓

6.1.1.1 Measures regarding deficit and public debt targets and the expenditure rule

6.1.1.1.1 Adjustment plans

Organic Act 6/2015, of 12 June, amended the text under the First Additional Provision of the LOEPSF, establishing that those Autonomous Regions that request access to extraordinary measures or additional mechanisms to support liquidity in the central government must agree on an adjustment plan, when so provided, with the Ministry of Finance and Public Administrations. This adjustment plan must be consistent with compliance of the budget stability and public debt targets, and shall state that said Ministry may also disclose information about them. The goal of adjustment plans is for the State to be able to monitor, on a permanent basis, the capacity of Autonomous Regions, acting as borrowers, to fulfil their financial obligations during the span of the operation[3].

These instruments allow detailed monitoring of the economic and financial behaviour of Autonomous Regions and of the measures aimed to achieve deficit targets. In addition, their content is more detailed than that of Economic-Financial Plans (PEF, for its Spanish acronym), since it includes essential

[3]Detailed reference to the goal and the contents of the adjustment plan is made in the justification of the Agreement of the Delegated Governmental Commission for Economic Matters, of 31 March 2016, published for general knowledge in the BOE (Spanish State Gazette) on 13 May (http://www.boe.es/boe/dias/2016/05/13/pdfs/BOE-A-2016-4559.pdf). However, the Autonomous Region of Catalonia has some specific conditions, enacted by virtue of the Agreement by the Delegated Governmental Commission for Economic Matters, on 20 November 2015, published in the BOE (Spanish State Gazette) on 21 November (http://www.boe.es/boe/dias/2015/11/21/pdfs/BOE-A-2015-12575.pdf).

information such as the committed reduction of the average payment periods to suppliers (PMP, for its Spanish acronym), the commitment to suppress certain public institutions or to undertake some structural reforms or to meet specific conditions.

As a result, using data from the last financial year, the funding granted to the Autonomous Regions through a range of funding mechanisms put in place in the period between 2012 and 2015 amounts to over 130 billion euros, as per the attached chart, which shows the importance, both from a quantitative and qualitative point of view, of said mechanisms during the period under analysis.

Millions euro

Autonomous Communities	Financing mechanism to AACC								Extraordinary provider payment mechanism	TOTAL Financing mechanism 2012-2015
	Debt amortizations	Financing system negative liquidations 2008 and 2009 *	Deficit financing and withholding negative settlements				Payments to LLEE through the Social Fund	TOTAL		
			Interests	Rest						
				Direct payments to AACC	Suppliers and other	Total				
Andalucía	5.766,19	805,08	336,69	1.002,04	7.101,59	8.103,63	82,72	15.094,31	4.955,07	20.049,38
Aragón	517,60	35,38	33,17	207,14	675,84	882,98	14,25	1.483,37	512,75	1.996,12
P. de Asturias	417,05	102,35	31,46	134,55	658,18	792,73	0,00	1.343,60	243,31	1.586,90
C. Valenciana	11.241,12	193,68	714,11	0,00	9.496,93	9.496,93	120,34	21.766,19	7.519,23	29.285,42
Canarias	1.186,04	432,72	54,52	275,38	1.620,58	1.895,96	0,00	3.569,24	315,02	3.884,26
Cantabria	292,84	99,22	23,78	0,00	828,58	828,58	0,00	1.244,42	326,62	1.571,04
Castilla y León	756,39	73,87	55,10	335,86	832,03	1.167,89	0,00	2.053,25	1.052,41	3.105,66
Castilla-La Mancha	2.158,76	62,29	295,74	0,00	2.294,73	2.294,73	22,90	4.834,42	3.956,52	8.790,94
Cataluña	23.152,02	151,53	951,46	0,00	12.429,31	12.429,31	397,28	37.081,60	6.465,62	43.547,23
Extremadura	296,42	39,79	17,72	100,58	480,60	581,18	9,75	944,86	391,62	1.336,48
Galicia	1.140,66	84,81	0,00	279,33	62,61	341,94	0,00	1.567,40	0,00	1.567,40
Illes Ballears	1.624,12	28,08	129,02	163,14	1.822,10	1.985,23	34,64	3.801,09	1.273,92	5.075,01
La Rioja	127,51	9,88	2,40	53,99	79,09	133,08	0,00	272,88	70,81	343,69
Madrid	0,00	0,00	0,00	0,00	1.846,07	1.846,07	0,00	1.846,07	1.346,80	3.192,87
Región de Murcia	1.394,73	67,81	139,01	0,00	2.049,11	2.049,11	1,35	3.652,01	1.789,47	5.441,48
Total	**50.071,43**	**2.186,51**	**2.784,20**	**2.552,02**	**42.277,33**	**44.829,36**	**683,23**	**100.554,72**	**30.219,15**	**130.773,88**

* The amount allocated to finance the return of negative liquidations 2008-2009, which was paid directly to CCAA is included in this column., Not having to allocate this amount to EELL or suppliers. The remaining amount financed by the return of negative liquidations figure in payments to suppliers and others.

The need to agree with the Ministry of Finance and Public Administrations on the adequate adjustment plan has become even more significant this financial year, in light of the existing difficulties to pass the economic-financial plans for the 2015-2016 period and the deadlines to draft those for 2016-2017. As a result, it was necessary to agree with the Ministry on the measures and actions in said plans to be conducted during the financial year 2016 aimed to fulfil stability targets.

In this regard, it is worth mentioning that some of said measures were encouraged in the framework of the Agreement entered into by the Delegated Governmental Commission on Economic Affairs on 31 March 2016 establishing additional conditions to be fulfilled by Autonomous Regions bound by the Regional Financing Fund, under the 2016 Regional Liquidity Fund division. Said agreement set forth a number of conditions to be fulfilled beforehand with regard to matters of relevance such as the accession to the instrument to support sustainability in pharmaceutical and healthcare expenditure, the signing of the partnership protocol between the General State Administration and Farmaindustria (National Trade Association of the Spanish based Pharmaceutical Industry), the connection of accounting records with FACe (the Spanish electronic invoicing platform), special conditions with regard to the non-availability agreement pursuant to section 25 of the LOEPSF, as well as the signing of the agreement for the mutual supply of basic electronic administration solutions. At present, all the above conditions have been fulfilled by bound Autonomous Regions, and in some specific cases by other Regions that have adopted them voluntarily. These conditions are enabling progress in a number of actions to improve efficiency of public expenditure at an Autonomous Region level, which brings about positive impact upon sustainability of public finance and an effective response to the issued Recommendation. The impact has been positive in terms of expenditure restraint of final consumption by Public Administrations, as well as with regard to the improvement of services provided to citizens. As a result, for example, progress has been made in joining efforts between Administrations and in the information available to citizens online through tools such as the electronic invoicing platform, FACe, working together for the Mutual Provision of Basic Electronic Administration Services or the use of the Record Exchange System. Including the Intermediation Platform in the Regional Liquidity Fund conditions, for example, has made Autonomous Regions include the Large Family Certificates and Disability Certificates in the platform, making them available through said Platform. Below is a chart showing the estimated total savings.

SISTEM	TOTAL SAVINGS 2016	INDIVIDUAL POTENTIAL SAVING
SIR-ORVE- GEISER	67.989.654 €	€ 4.06 digitized registration entry
REA	uncalculated	200,000 and 50,000 a year agency by agency. It is calculated savings of about 50 euros per power.
INSIDE-ARCHIVE	6.025.000 € EN FLA2016	45€ por remisión
PAG -CARPETA CIUDADANA	Not available	€ 200,000 per agency and 50,000 per year per agency
BROKERAGE PLATFORM DATA	CITIZEN-COMPANY: € 186,184,375 until September 2016.	data query cost € 0.1 to AA.PP, citizens 5 € each communication and change of address save 33 €
	€ 237,838,943 estimated for December 2016	
FACE	2016 citizen savings: 16.619.090,27 €.	It is saved € 4.95 per invoice. To date in 2016 have been received through bills 5914267 Face
	Savings AA.PP 2016: 29,275,621.65 € more savings generated by avoiding the development, maintenance or hiring an own point: 2,212,000,000 € in 2015 (280,000 € per entry point by 7,900 AAPP)	

On the other hand, the aforementioned agreement did also establish a set of temporary conditions, applicable until compliance by the concerned Autonomous Regions with the budgetary stability, expenditure rule and public debt targets, which especially affected the conditions for budgetary amendments applicable to each Autonomous Region, as well as to the issuing of reports for compliance assessment of said targets[4].

In any case, we must point out that, as a result of the conditions set forth for adjustment plans, during the financial year of 2016 the enforcement measures set forth in section 25.1 of the LOEPSF regarding the compliance of adjustment plans in force have been implemented for the first time. As a result, on 6 April 2016, the Ministry of Finance and Public Administrations informed the Autonomous Regions (all of them except for the Canary Islands, Castilla y León, Galicia, Navarra, the Basque Country and La Rioja) that they had contravened the adjustment plan owing to their failure to fulfil the budgetary stability target for 2015 and therefore enforcement measures set forth under section 25.1 of the LOEPSF would be applied. In this regard, we take the opportunity to remind the relevant Autonomous Regions that the non-availability of credit must be approved within the term established by law and the relevant credit withholding to ensure the compliance of targets for 2016 must be performed[5].

On 21 April of this year, the Autonomous Regions affected were informed that, in light of the new scenario expected as a result of the fiscal consolidation strategy, it was necessary that the adjustment plan to be submitted when subscribing to the Regional Liquidity Fund for 2016 included, when applicable, a review of the economic-financial scenario considering the new deficit target for 2016 set forth for Autonomous Regions in the Stability Programme communication submitted to them. Said communications also indicated that said update required, when necessary, the inclusion of non-availability agreements that ensured compliance with the new target, thus meeting the requirements set forth in the communication conducted on 6 April.

Since the funding system resources subject to payment on account and subsequent settlement have shown positive progress, and bearing in mind the new fiscal consolidation strategy, the Autonomous Regions passed the relevant credit non-availability and withholding agreements, which were included in the adjustment plans set out for adherence to the Regional Liquidity Fund for financial year 2016 that

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[4]The reports issued by the financial comptrollers of the Autonomous Regions are available at the website of the Information Portal of the Ministry of Finance and Public Administrations and are updated on a monthly basis (http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCAAs/CondicionalidadInformes.aspx).

[5]The activation of enforcement measures in the Budgetary Stability and Financial Sustainability Act is available at the website of the Information Portal of the Ministry of Finance and Public Administrations (http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCAAs/ComunicacionesCCAAOE.aspx).

were executed in May. Said agreements, alongside the budgetary restrictions arising directly out of the Budget Acts that have come into force, amounted to a total of approximately 1.5 billion euros.

As a result, the need to act on the European Commission Recommendation of 9 March 2016, the absence of economic-financial plans approved beforehand -excepting that of Catalonia- for the financial year 2016, the new strategy established for the Autonomous Regions for financial year 2016 and the previous activation of enforcement measures set forth in the LOEPSF constituted factors that proved the importance of agreeing upon the relevant adjustment plans. In addition, in light of these circumstances it was also clear that it is important to have the relevant instruments in place to adequately guide fiscal policy and which are sufficiently flexible in terms of implementation and monitoring, as is the case with adjustment plans.

It is also worth mentioning that, on 8 July 2016, the Economic-Financial Information Portal of the General Government first published the details of the agreed adjustment plans. Said adjustment plans in force are updated by Autonomous Regions every year and are subject to quarterly monitoring by the Ministry of Finance and Public Administrations which results, when necessary, in the relevant updates.

The periodic monitoring of adjustment plans has been carried out by means of several communications and formal notices by the Ministry of Finance and Public Administrations, available at the Economic-Financial Information Portal of the General Government. For the purpose of monitoring the execution of said credit non-availability agreements and withholdings, as well as the relevant adjustment plans, during the month of July and early August several bilateral actions have been undertaken so as to assess the latest budgetary implementation data available and the potential risk of failing to meet stability targets. So as to avoid said risks, communications have been submitted to the relevant Autonomous Regions requesting, depending on the circumstances of each of them, additional information, including the submission of basic budgetary lines regarding the order to close the budgetary period for 2016, given that the General Government had decided to anticipate the effect thereof.

The actions or measures to develop as a consequence of the aforementioned monitoring and the update of the closing scenarios submitted by Autonomous Regions are described in a document on the monitoring of adjustment plans for the second quarter of financial year 2016[6].

6.1.1.1.2 Economic-financial plans

During the plenary session of the Council of Fiscal and Financial Policy held on 15 April 2016, the Autonomous Regions were informed about their level of compliance of budgetary stability, public debt

[6]The monitoring report of adjustment plans is available at the website of the Information Portal of the Ministry of Finance and Public Administrations (http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCAAs/PlanesAjusteCCAA.aspx).

and expenditure rule targets for financial year 2015, in light of the data provided by the report according to section 17.3 of the LOEPSF. In accordance with said report, the Autonomous Regions of Galicia, the Canary Islands and the Basque Country fulfilled their deficit and expenditure rule targets. All the other Autonomous Regions failed to fulfil both targets. Furthermore, the Autonomous Regions of Catalonia and Asturias failed to fulfil the public debt target.

Pursuant to sections 21 and 23 of the LOEPSF, on 21 April 2016 the concerned Autonomous Regions were required to submit an Economic-Financial Plan that would enable, in the current year and during the oncoming year, the compliance with said targets or with the expenditure rule. Said communication also established that the preparation of said Plan had to include the actions arising out of section 25.1 of the LOEPSF, which had already been communicated by the Ministry of Finance and Public Administrations on 6 April, and be consistent with the deficit target for 2016, established at 0.7%, as set forth in the Stability Programme, as well as remain in line with the expenditure rule and the adjustment plan adopted, where applicable, prior to access to funding mechanisms in 2016.

All Autonomous Regions required to meet these requirements have submitted their Economic-Financial Plan, excepting Navarra which has only provided the general lines of its Plan.

6.1.1.1.3 Average period of payment to suppliers

As a result of the Organic Act 9/2013, of 20 December, on the Control of Commercial Debt in the Public Sector, being passed and amending the LOEPSF, the control of commercial debt –defined in the public sector as the volume of debt pending payment to suppliers of Public Administrations– is included in the principle of financial sustainability.

On the other hand, Act 3/2004 and its subsequent amendment enacted by virtue of Act 15/2010 transposed to Spanish national law the Directives on late payment in commercial transactions, currently governed by Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions, the latter being closely related to the provisions set forth in the LOEPSF and to the data included in these statistics operation at an Autonomous Region level.

The LOEPSF also includes tools for budgetary coordination, monitoring and control and entitles the Ministry of Finance and Public Administrations to carry out monitoring and vigilance tasks. In this regard, the challenge of controlling commercial debt and eradicating late payment in Public Administration prompts the creation of an automatic, easily applicable monitoring instrument to allow widespread and efficient control, which can be understood both by Public Administrations and citizens, and which, more importantly, is open for public access. For this purpose, the concept of average period of payment is used as an indicator of payment deadlines or late payments of commercial debt.

The regulatory development of the Act was carried out by means of the passing of Royal Decree 635/2014, of 25 July, developing the calculation methodology for the average period of payment to suppliers in Public Administrations and the conditions and the procedure to withhold funding system resources set forth in Organic Act 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability. The aforementioned Royal Decree came into force on 31 July 2014.

All of the above, in line with the European Council Recommendation of 8 June 2014 on the National Reform Programme 2014 of Spain and delivering a Council opinion on the Stability Programme of Spain for 2014. Said Recommendation advised the Kingdom of Spain to, among other matters, adopt measures during the period 2014-2015 to ensure a full implementation of the preventive, corrective and enforcement measures set forth in the LOEPSF, including those on the elimination of public sector commercial arrears, in a rigorous and transparent manner.

The Kingdom of Spain has been, ever since the first quarter of this financial year, submitting bimonthly reports to the European Commission on the application of the European Directive on Late Payment, in the framework of the case Pilot 2015/2049. Such reports depict the evolution of the average period of payment to suppliers in all four benchmark sectors (Central Government, Autonomous Communities, Local Entities and Social Security) as well as aggregated evolution. In the fourth bimonthly report we can see that the latest data for the average period of payment to suppliers available, that for July 2016, is the lowest value in all-time data series for Autonomous Regions.

The measures adopted in this field, pursuant to the LOEPSF, are detailed below[7]:

- **INSTRUMENTATION OF THE FINANCIAL SUSTAINABILITY PRINCIPLE. Measures adopted by virtue of section 13.6 of the LOEPSF. Self-imposed measures for the reduction of expenditure and increase of revenue.**

  In light of the average payment period data, certain Autonomous Regions (Andalusia, Aragón, Cantabria, Castilla y León, Catalonia, Extremadura, Galicia, Madrid, Murcia and Valencia) had exceeded the maximum time limit set forth in late payment regulations, so between March and April 2016 they were given notice of the requirement to include the following items in the update of the budgetary plan draft immediately further to such notice: i) the amount of resources to be used on a monthly basis to pay suppliers so as to reduce the average payment period to the maximum established by late payment regulations, which at present is of thirty days; and ii) the commitment to

[7]On the website of the Information Portal of the Ministry of Finance and Public Administrations there is a summary of the range of measures undertaken upon failure to comply with the average period of payment in Autonomous Region Administrations (http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCAAs/ComunicacionesCCAAPMP.aspx).

adopt quantified measures to reduce expenditure, increase revenue or other measures to manage payments and collections that will prompt the generation of the cash needed to shorten the average payment period to suppliers down to the maximum established by late payment regulations.

In addition, regulations establish that the concerned Autonomous Regions must submit the information regarding detailed measures to be adopted as a result of the maximum average payment periods being exceeded, as well as the impact of said measures upon the average payment period, as frequently as set forth in section 11.bis of the Order HAP/2105/2012, of 1 October.

- **AUTOMATIC PREVENTIVE MEASURES. Warning notice pursuant to section 18.4 of the LOEPSF.**

This Ministry of Finance and Public Administrations has submitted a warning to the Autonomous Regions whose average payment period to suppliers had exceeded the maximum 30-day term established in late payment regulations for two consecutive months from the update of their financial budgets, as per section 13.6. Alongside the recommendations on the use of additional sums obtained from deficit deviations for the payment of suppliers in previous financial years, such being authorised by the CDGAE or the Council of Ministers, the need for Autonomous Regions to adopt quantified measures to reduce expenditure and increase revenue are also established, by accelerating, where applicable, the enforcement of measures proposed in its Economic-Financial Plan and/or the adjustment plan or other measures to manage payments and collections that will prompt the generation of the necessary cash to shorten the average period of payment to suppliers under the terms set forth in applicable regulations, as well as to predict in which month will the ratio be equal to or shorter than the maximum 30-day payment period. Between March 2015 and October 2016, warning notices have been submitted to the Autonomous Regions of Aragón, Baleares, Castilla y León, Extremadura, Murcia and Valencia.

- **AUTOMATIC CORRECTIVE MEASURES. Measures regarding the control of indebtedness operations adopted pursuant to section 20.1 of the LOEPSF**

If the Government should find out, pursuant to the reports referred to under section 17 of said Act, that an Autonomous Region has failed to fulfil the budgetary stability, public debt or expenditure rule target, all indebtedness operations in said Autonomous Region shall require authorisation by the General Government for as long as the non-compliance persists. Once the economic-financial plan submitted by the Autonomous Region has been declared adequate by the Council of Fiscal and Financial Policy, authorisation shall no longer be required for short-term operations other than external funding.

Ever since the amendment of this section by the Organic Act 6/2015 of 12 June, the non-complying autonomous regions shall also require authorisation to issue bank guarantees, supporting guarantees or other types of guarantees for credit operations conducted by natural or legal persons, whether public or private.

Pursuant to the automatic corrective measures, during the financial year of 2016 and until 13 October, 38 indebtedness operations have been authorised for a total amount of 23,426 million euros. Out of such operations, 22 are long-term operations for a total amount of 9,474 million euros and 16 are indebtedness operations for a one-year or shorter term (short-term operations) for a total amount of 13,952 million euros.

With regard to bank guarantees during 2016 and until 13 October, six authorisations have been granted for a total amount of 117 million euros.

- **AUTOMATIC CORRECTIVE MEASURES. Measures regarding the control of budgetary changes, indebtedness operations and financial budget adopted pursuant to section 20.5 of the LOEPSF.**

In September 2015, in the case of Aragón and Extremadura, and in June and October 2016 for Valencia and the Balearic Islands respectively, notices were revealing that their average payment period had exceeded in more than 30 days the maximum deadline established by late payment regulations for two consecutive months from the update of their financial budget as per the provisions of section 18.4 of the LOEPSF. In light of said circumstances, the concerned Autonomous Regions were given notice of the activation of the following automatic corrective measures set forth in section 20.5 of the LOEPSF: i) all budgetary amendments that bring about a net increase of non-financial expenditure in the Autonomous Region and which, pursuant to the Regional regulations in force, are not funded by the contingency fund or offset with other credits, shall require the adoption of a non-availability agreement for the same amount, which shall be communicated to the Ministry of Finance and Public Administrations indicating the affected credit amount, the expenditure measure supporting it and the budgetary amendment that has originated it; ii) all of its long-term indebtedness operations shall require authorisation by the General Government, which can be carried out gradually in tranches, and iii) the Autonomous Region must include in its financial budget update immediately further to this notice the new measures to be complied with and the maximum payment period set forth in late payment regulations.

It was also provided that all quantified measures for the reduction of expenditure and the increase of revenue, as well as other payment and collection measures that allow to generate the cash needed to reduce the average payment period to suppliers, must be included in the next financial budget to be submitted by Autonomous Regions, alongside detailed information on the impact of the measures applied.

- **AUTOMATIC CORRECTIVE MEASURES. Withholding of funding system resources to pay suppliers directly, pursuant to section 20.6 of the LOEPSF.**

  After the application of the measures contained in section 20.5 of the LOEPSF, the average period of payment to suppliers in the Autonomous Regions of Aragón and Extremadura still exceeded the maximum payment term established by late payment regulations by over 30 days for two consecutive months from the update of their financial budget. As a result, both Autonomous Regions were sent letters communicating the enforcement of section 20.6 of the LOEPSF, that is, informing of the activation of the procedure to withhold the sums payable by the funding system resources to pay suppliers directly. Later on, on 21 July of the same year, and as result of the aforementioned communication, the Autonomous Regions were informed about the amount to be paid monthly to suppliers and finally on 7 October they were given notice of the relevant withholding agreement of the funding system resources, which in its first month of application, in regard to the resources to be paid in November 2016, exclusively affects Aragón.

6.1.1.2 Disclosure of information[8]

Order HAP/2105/2012, of 1 October, developing the obligations to disclose information set forth in the LOEPSF, sets forth that, without prejudice to the potential personal liability that may apply, the failure to comply the obligations to disclose information set forth in said Order, both with regard to the established terms and to the contents and suitability of the data required or the delivery method, shall prompt a compliance requirement on the part of the Ministry of Finance and Public Administrations that, if ignored or unfulfilled, shall be made public and automatic corrective measures set forth in section 20 of the LOEPSF shall be enforced.

More precisely, on 1 April 2016, communications were submitted to the Autonomous Regions of Andalusia, Cantabria, Castilla y León, Madrid and Valencia, establishing that, in light of the latest data of the average period of payment to suppliers published, it fell within the scenario under section 13.6 of the LOEPSF, as a result of which the Autonomous Regions were required to submit certain information within the established terms as per Ministerial Order 2105/2012, of 1 October.

On 25 May, the Autonomous Region of Cantabria was submitted a formal request to fulfil its obligations to disclose information on a monthly basis as set forth under section 112 of Act 14/1986, of 25 April, on General Healthcare, both with regard to its contents and to the suitability of the data and the delivery method. Said requirement asked the concerned Autonomous Region, pursuant to section 19 of the said Ministerial Order, and without prejudice to the potential personal liability that may arise, within

[8] On the website of the Information Portal of the Ministry of Finance and Public Administrations, the communications from the Ministry to the Regional Administrations are available (http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCAAs/ComunicacionesCCAASI.aspx)

a maximum term of fifteen calendar days, to correct the non-compliances detected, being warned that if said request were ignored or unfulfilled within such deadline, the Ministry could activate the automatic corrective measures set forth in section 20 of the Organic Act 2/2012 of 27 April as per the provisions under section 27.6 thereto. The aforementioned formal request was fulfilled in an adequate and timely manner.

On the other hand, with regard to the budgetary implementation observed during the month of May, a communication was submitted on 3 August to the Autonomous Region of Navarra requesting, in addition to the information regarding the Economic-Financial Plan for 2016-2017, some clarifications and all the information required to detect potential risks of non-compliance of deficit, public debt and expenditure rule targets.

6.1.1.3 Other actions

Finally, it is worth mentioning other actions being carried out and that have to do with the recommendations issued by EU institutions in the past financial years.

Some of them focus on the improvement in the control of healthcare and pharmaceutical expenditure. These actions are based on the amendment of Act 14/1986, of 25 April, on General Healthcare, by means of Organic Act 6/2015, of 12 June.

This regulatory amendment, on the one hand, brings about a significant improvement with regard to material costs in pharmaceutical and healthcare products, and for this purpose specific information has been published on a monthly basis in this regard. On the other hand, the amendment enacts the creation of a support instrument to foster sustainability and rationalisation of pharmaceutical and healthcare expenditure in the National Healthcare System, which is instrumental to the commitment to improve the control on pharmaceutical and healthcare expenditure as per the potential growth of the Spanish economy.

In addition, in November 2015 a Partnership Agreement was executed between Farmaindustria and the Ministry of Healthcare, Social Services and Equality and the Ministry of Finance and Public Administrations to get the pharmaceutical industry involved in expenditure rationalisation and to ensure sustainability of pharmaceutical and healthcare expenditure.

On the other hand, one of the conditions to access the new funding tranches of the Regional Liquidity Fund set forth in the Agreement by the Delegated Governmental Commission for Economic Affairs is the accession by Autonomous Regions to the partnership protocol with the pharmaceutical and healthcare industry, as well as to the Instrument of Support to Sustainability in pharmaceutical and healthcare expenditure. The above has been decisive for the accession of all nine Autonomous Regions under the Regional Liquidity Fund (Andalusia, Aragón, Cantabria, Balearic Islands, Catalonia, Castilla-La Mancha, Extremadura, Murcia and C. Valenciana). However, to the present date other 3 Autonomous Regions ―Castilla y León, La Rioja and Madrid― have accessed the protocol voluntarily.

The aforementioned Partnership Protocol foresees the creation of a Monitoring Commission, whose operation is instrumental to achieve the goals set forth in the protocol, as well as part of the assessment of efficiency measures mentioned in it. As a result, on 6 April 2016, said commission was officially formed and its second meeting was held on 29 July, attended by the representatives of the Autonomous Regions. It is worth noting that during said meeting the creation of two working groups was convened to address two issues of relevance: pharmaceutical expenditure and the access of patients to innovation.

On the other hand, it is also worth mentioning that an information exchange agreement was signed between the Ministry of Health, Social Services and Equality and the Ministry of Finance and Public Administrations, by means of which both Ministries share the information available on the use of medicinal products and the expenditure they give rise to, bringing about significant improvement in the analysis and the exercise of the competencies attributed to each department.

With regard to the improvement in the homogeneity and systematisation of economic-budgetary information of the Autonomous Regions, an automation project for the collection of budgetary data of Autonomous Regions has been implemented. As a result, administrative budgets for 2016 are being received in a fully systematised manner and in a file type suitable for data base processing, which will bring about improvements with regard to a more homogeneous processing of data, therefore ensuring better quality and consistency. The project is expected to be completed in the following months and, in any case, before the financial year is over. Further to the project completion, it will extend to the General Accounts data. This measure will provide consistent numbers for the Budgets of Autonomous Regions, in compliance with the recommendations of some international bodies and of AIReF (the Spanish Authority for Fiscal Responsibility).

6.1.2 MEASURES WITHIN THE SCOPE OF LOCAL ENTITIES

6.1.2.1 Public sector. Control of compliance of budgetary stability regulations.

Formal requests have been submitted to Local Entities for the purpose of controlling the enforcement of the reform of the Act governing the Establishment of Local Entities (through the Act on Rationalisation and Sustainability in Local Entities) and the Organic Act on Budgetary Stability and Financial Sustainability. Requests regarding the Act on the Establishment of Local Entities have been issued for the purpose of assessing the level of compliance of the reform sought with the basic rationalisation targets in the Local Government organisation structure, as per the principles of efficiency, stability and financial sustainability and ensuring more strict financial and budgetary control. On the other hand, the requests regarding the Act on Rationalisation and Sustainability in Local Entities have been issued for Local Entities failing to comply with fiscal stability regulations and with the expenditure rule to be able pass the relevant standards stated economic-financial plans or for those whose average period of payment to suppliers is excessive.

Non-compliances of the regulations governing the public sector in the reform of the local government system have been detected.

As a result, 323 formal requests have been issued regarding the application of the Ninth Additional Provision of Act 7/1985, of 2 April, on the Establishment of Local Entities, addressing the need to resize the local public sector, in its sections 2 and 4:

- The aforementioned section 2 sets forth the possibility of automatically dissolving an entity directly dependent on a local government which, under specific conditions, were at a financial imbalance (in need for financing or negative operating results for two consecutive financial years), compelling them to draft a corrective plan for such imbalance. A formal request has been submitted to the city councils or provincial councils which, having dependent entities fulfilling these conditions under section 2, as of 31 December 2014 have failed to correct these imbalances and had not dissolved the concerned entity.

- Section 4 refers to second level entities dependent on primary local entities or their independent bodies, with different conditions for secondary dependent entities under exclusive control (100% ownership) or without exclusive control, and which at the entry into force of the Act were not in surplus or financial balance. In the first case (exclusive control), the entity had to be either directly ascribed to the primary local entity or dissolved. In the absence of exclusive control, it was required that the ownership share was transferred. Requests have been sent to city councils or provincial councils that still have subsidiary dependent entities with the aforementioned features.

On the other hand, for the purpose of analysing compliance with Additional Provision No. 20 of Act 30/1992, of 26 November, on the Legal Framework of Public Administrations and the Common Administrative Procedure regarding the legal framework of Consortia, requests of two types have been submitted: i) to the consortia in which local entities not bound to any public administration hold ownership shares, and ii) to the consortia dependent on local bodies and which, as per the latest information available, were subject to the private accounting system. A total of 231 requests have been submitted as a result of the above non-compliances having been detected.

In addition, formal requests have been submitted to the city councils of the Autonomous Region of Navarra and the Province Councils of the Basque Country that have failed to disclose full economic-financial information from 1 January 2013 as per the Supply Order HAP/2105/2012, of 1 October, developing information disclosure obligations as per Organic Act 2/2012. A total of 509 formal requests have been submitted as a result of the absence of disclosed information by local entities in said territories. Communications have also been submitted to the Province Councils and the Autonomous Region of Navarra regarding the requests for information disclosure submitted to the city councils in their territory.

On the other hand, for the purpose of controlling the quality of the budgetary information received, warnings on inconsistencies have been submitted, alongside 191 formal requests for clarification and correction of the information disclosed.

Finally, as for the non-compliances of fiscal requirements set forth in Organic Act on Budgetary Stability and Financial Sustainability, 2,581 formal requests have been submitted regarding the failure to comply with the budgetary stability principle and/or the expenditure rule, and 20 more requests regarding average periods of payment to supplies exceeding the maximum terms established by late payment regulations in over 30 days[9].

6.1.2.2 Adjustment plans and summary of applicable fiscal conditions

Extraordinary liquidity or financing mechanisms applied to Local Entities since 2012, in the framework of the LOEPSF, have been as per below:

- Mechanism for payment to suppliers, developed in three phases regulated by Royal Decree-Act 4/2012, of 24 February, Royal Decree-Act 4/2013, of 22 February, and Royal Decree-Act 8/2013 (Title I), of 28 June. In connection with the loans taken out during the first phase of the mechanisms

[9] http://www.minhap.gob.es/es-ES/CDI/Paginas/EstabilidadPresupuestaria/InformacionCCLLs/ComunicacionesCCLL.aspx

for the payment to suppliers, amending financial conditions was made possible through the Agreement by the CDGAE of 24 April 2014, the essential contents of which were set forth in the Addendum to Order PRE/966/2014, of 10 June.

- Extraordinary measures to support city councils in financial trouble, governed by Title II of Royal Decree-Act 8/2013, of 28 June.

- Accession to the Regulation Fund division, a part of the Fund for Local Entities governed by Royal Decree-Act 17/2014, of 26 December. For it to be eligible to inclusion in the Regulation Fund, the possible funding of the following items was established: i) final court rulings, by means of the Organic Act 6/2015 of 12 June; ii) debt with the Tax Agency and Social Security General Fund that had been offset by means of withholdings of State tax distribution shares, as per Royal Decree-Act 10/2015, of 11 September (section 11), and iii) extra-budgetary advances of the State tax distribution share, governed under the same provision of Royal Decree-Act 10/2015.

All such measures established a fiscal set of conditions binding for Local Entities that has been reflected upon adjustment plans, the basic instruments in the application of extraordinary liquidity mechanisms. These plans cease to be effective further to the completion of the application of financial support measures, in the case of the mechanisms to pay suppliers when the loan taken out with the Supplier Payment Financing Fund (FFPP, for its Spanish acronym) is fully repaid.

The aforementioned plans have been assessed by the Ministry of Finance and Public Administrations and a favourable assessment of such plans constitutes a previous condition for assignment of liquidity averages.

Adjustment plans are being subjected to quarterly monitoring in the case of local entities included in the distribution model of state taxes, while annual monitoring shall be conducted in the remaining local entities. Pursuant to published data, 3,075 adjustment programmes were presented and approved, of which 1,265 have been completed due to the repayment of the concerned loans or to the conclusion of application of those measures justifying their approval. Out of the 1,810 plans in force as of 1 January this year, we can conclude that the measure that has motivated them (or the latest measure that has justified the plan in force in the event that other changes have been made as a consequence of the Local Entity being subjected to further liquidity measures) has been the following:

Liquidity Measure	Nº LLEE
Planes no sujetos a valoración del MINHAP:	
Extension of repayment period of negative liquidations of PTE 2008 and 2009 from 5 to 10 years (D. F.10 LPGE 2012)	20
Adjustment plans subject to assessment of current MINHAP:	
1st Phase provider payment mechanism	1.490
Loan modifications with FFPP formalized in the 1st phase	86
2nd Phase provider payment mechanism	32
3rd Phase provider payment mechanism	23
Extraordinary Measures RDL 8/2013 Title II	32
Replacing withholding PTE loan with FFPP	31
Management Fund in 2015 and 2016 by negative financial situation	21
Management Fund in 2015 and 2016 not to fund financial prudence	75
TOTAL adjustment plans subject to assessment MINHAP	1.790
TOTAL adjustment plans presented and current	1.810

The fiscal conditions applicable to Local Entities shall be, in the strictest cases, the following:

- Reduction of operating expenses by at least 5% during the first budget period after the accession and no increase said costs in the next two years. Said expenses may be increased from the fourth financial year at a pace not exceeding the expenditure rule. In those municipalities to which the extraordinary measures under Title II of Royal Decree-Act 8/2013 have been granted (see section IV of this Report), the aforementioned reduction will be additional.

- Comprehensive funding of public service expenditure by means of public fees from the third financial year of application of these measures. As an exception, the Ministry of Finance and Public Administrations may consider the measures adopted by city councils with regard to operating expenses and the financing of public services as long as it is offset by other measures.

- Municipalities with under 20,000 inhabitants must commit to authorise provincial councils, boards or *cabildos* (Island Councils in the Canary Islands) to render the essential services if they can provide them at a lower actual cost.

- With regard to local taxes: i) mandatory taxes may not be suppressed; ii) only measures that increase the global amount of local taxes shares may be adopted; iii) only mandatory fiscal benefits set forth in State regulations and other benefits in force in 2014 in the Recast Text of the Act on Local Finance may be recognised; iv) as for the Real Estate Tax (IBI, in Spanish), tax rates that ensure that the global sum is maintained must be applied, and reduced rates shall not be applied (rates must be at least a 25% higher than those set forth by the aforementioned Act but not exceed the established maximum or be below 0.6%); v) optional taxes on Constructions, Installations and

Works and on the Increase of the Value in Urban Land must be established; vi) the maximum coefficient allowed by the aforementioned Act for the Tax on Mechanically Powered Vehicles must be established; and vii) inclusion in the cadastral adjustment set forth in the Recast Text of Real Estate Cadastre must be requested, and cadastral appraisal coefficients referred to in said Act shall be applied, on their own motion, when the cadastral values presented has been passed before 2003.

- Should the Draft Budgetary Plans fail to be approved, those for the previous year shall be extended and the impact of the above measures must be included.

- Justification of the estimation of ordinary income must be included in the accompanying report for the collection of taxes of the two previous years, as well as extraordinary income in a justified manner.

- They must subject the approval of municipal draft budgets or the extension of the budgets of the previous financial year, as may be applicable, to binding approval by the Ministry of Finance and Public Administrations beforehand.

- In addition, Local Entities must accede to the electronic invoicing platform –FACe– and the Emprende en Tres platform.

6.1.2.3 Impact of the reform of the local government system

Monitoring of measures at the local level is inscribed within the adjustment plans currently presented by 1,800 local entities which have applied to the Supplier Payment Financing Fund. Besides, Royal Decree-Act 8/2013 establishes extraordinary liquidity measures for municipalities in serious economic difficulties. The Local Entities Financing Fund was established in 2014 by means of the Royal Decree-Act 17/2014 with two sections: the Management Fund (for municipalities with financial problems) and the Economic Promotion Fund (for municipalities with rationalised finances). With the exception of the accession to the latter, all liquidity measures are subject to certain conditions, as reinforced by measures implemented from 2013 in order to make these governments solvent again.

Besides, the reform of the Local Administration has been approved by means of Act 27/2013 of 27 December, on Rationalisation and Sustainability of Local Administration.

Its purpose is to improve efficiency and sustainability of services, fundamentally by means of reorganization of the public sector, of competence allocations and removal of redundancies between Administration levels.

The tax results of local entities as a whole has been in surplus since 2012. From a 0.4% deficit in 2011 (not taking into account the effect of negative liquidations pursuant to the model regulating participation in national taxes), local entities have achieved healthy results in subsequent years, with surpluses of 0.3% of GDP in 2012, 0.52% in 2013, 0.57% in 2014 and 0.44% in 2015. These results include the maintenance of surplus in the first year allowed by the expenditure rule, which, once the accounts are balanced, is actually a preventive measure. A rise in income, together with expenditure control, has allowed attaining and exceeding the deficit target.

In this context, and after analysing the observed effects, a reassessment of the impact of the local government system reform is called for. Impact estimations upon the programme period are lower, which makes the impact of the reform be reduced by half. However, in case that a deficit situation should arise again, the same measures would be applied. The final results of the planned measures are set forth in the table on local entities.

Besides, as last year, any savings derived from transfers of competences with regard to healthcare, education and social services to Autonomous Regions may not be taken into consideration due to the Constitutional Court ruling of 3 March 2016 which declares that the provisions by virtue of which such transfers were conducted are deemed to contravene the Spanish Constitution, and declares that the transfers shall have to be made as per the regulations of the corresponding Autonomous Regions. As a result, no savings are deemed to be generated by Local Entities.

Considering the budgetary plans for the period 2017-2019 presented by Local Entities and the 2015 budgetary settlements, and taking into account that results from the aforementioned settlements may not be considered as final, it is appropriate to design a temporary redistribution of impact of the application of LRSAL in 2015 and subsequent years, in the following manner (in millions of euros):

Econmic impact of the Draft law of Local Reform (euro)

Millions euro

	2015	2016	2017	2018	2019	2020	TOTAL PERIOD 2015-2020	Percentage of total
Improper expenditure	0	67	220	220	220		727	29,40%
Tranfer policies: Health, Education and Social servicies								0,00%
Integrate basic servicies managment and mergers (and modified forms of managments)	0	294	69	15			378	15,30%
Minor Local Authorities		14					14	0,60%
Resizing of Local public sector	484	508	305				1.297	52,40%
Eventual workforce and exclusive basis	27	30					57	2,30%
Total savings	511	913	594	235	220	0	2.473	100,00%

With respect to the estimations of LRSAL impacts from 2015, carried out last year, the following modifications have occurred:

- "Inappropriate" expenditure. It is considered that no savings shall be achieved in 2015 and savings estimations for 2016 are reduced. Estimated savings, according to the latest forecasts, are distributed between 2017 and 2019. These conclusions arise from the information contained in the 2016 budget and in 2015 budgetary settlements. However, the effects may not be considered as final, since, at the moment, the information received is that of the closing of financial year 2015.

  Currently, local governments are starting to implement measures regarding the failure to assume competences which are neither their own nor delegated by other institutions. The impact of such measures is expected to occur after a delay of one year, and shall be thus effective in the 2017-2019 period. In 2015 there was no sufficient time (only six months, and the budget for the financial year had been already allocated) to make any decision in this regard.

- Comprehensive management of basic services and mergers (and modification of service management methods). Savings due to the exercise of own competencies on the part of local entities which presented budget instability have been included. These may arise from modifications of public services management methods, implemented for a better efficiency.

- Resizing of local public sector:

  - In 2015, the effects have been revised upwards considering the expenditure cuts generated after dependent organisms were removed, according to information received. These results are provisional, since the results currently provided are those of the closing of 2015 accounts.

  - In 2016, the calculated effect is maintained, since all companies with unbalanced finances and providing any of the following basic services must be dissolved and liquidated by 1 December 2016: residential water supply and water purifications, waste collection, processing and recovery, and public transportation of people.

  - Besides, it is appropriate to consider the possible impact of the requirements established for local government in connection with the regulations implemented within the same scope by means of the Local Entities Rationalisation and Sustainability Act. As a reference, those requirements affect dependent organisms which have incurred in losses amounting to 176 million euros and in non-financial expenses and operating expenses amounting to 1,579 million euros in 2014.

- The estimate of 305 million euros is maintained for 2017, as in this year the effects of the dissolution and liquidation of dependent organisms, which is expected to happen by the end of 2016, shall begin to be noticed.

Regarding savings in temporary personnel and due to the removal of local entities, the aforementioned forecasts are sustained, although provided amounts may not be considered final until the closing data for 2015 and 2016 are provided.

6.1.3 RECOMMENDATION BY THE GENERAL STATE COMPTROLLER (IGAE) TO AUTONOMOUS REGIONS AND LOCAL ENTITIES FOR MONTHLY REPORTING OF OFF-BUDGET EXPENDITURE

The General Public Accounting Plan currently in force (PGCP, for its Spanish acronym), passed by means of Order EHA/1037/2010, of 13 April, is set as a framework accounting plan for all levels of Public Administration.

In the current PGCP, off-budget expenditure is recorded under item 413, and must be registered, at least, at the closing of the financial year, that is, at least yearly. Registering off-budget expenditure enables the compliance with the accrual principle in registering transactions made by Local Entities under the PGCP.

On the other hand, the transparency principle stated by section 6 of Organic Act 2/2012 of 27 April on Budgetary Stability and Financial Sustainability is revealed as an essential tool for a more effective monitoring of compliance of budgetary stability targets, which is an absolute priority. In this regard, the aforementioned section begins by stating that Public Administration accounts and other entities which may be subject to application of Organic Act 2/2012 must provide sufficient and appropriate information to allow the verification of their financial situation, their compliance with budgetary stability and financial sustainability targets and with the requirements set forth in European regulations regarding this matter.

For this reasons, and in light of the importance of an adequate registration of expenses in the month in which they are actually incurred, the IGAE, with the purposes of finding out the actual situation of public finance and its foreseen evolution, has submitted to public consultation a modification of the PGCP, requiring approval by virtue of an Order by the Minister of Finance and Public Administrations, as well as a modification of the Accounting Plans adapted to it and under its competence (General Government, Local Entities, and Social Security). This modification shall, in a nutshell, imply a reorientation of the item "Creditors in operations pending budget registration", so that its use corresponds exclusively to the accrual principle and is thus unrelated to the budget. The resulting expense must be registered at least monthly.

Aware that when this modification enters into force, monthly reporting of Public Administration expenditure shall improve, and also that Autonomous Regions must adapt this Framework Plan to their own systems, the IGAE has recommended Autonomous Regions and Local Governments that, until such modification enters into force, all off-budget income incurred and not registered in the budget by the end of the month must be registered monthly under item 413 "Creditors in operations pending budget registration".

6.1.4 ACTIONS PERFORMED TO IMPROVE THE MONITORING OF EXPENDITURE RULE COMPLIANCE IN AUTONOMOUS REGIONS

Section four of Section 17 of Organic Act 2/2012 of 27 April on Budgetary Stability and Financial Sustainability (LOEPSF) establishes that *"by 15 October of each year, the Minister of Finance and Public Administrations shall submit to the Government a second report on the degree of compliance with budgetary stability, public debt and expenditure rule targets for the preceding financial year, as well as on the actual economic progress and any deviation with respect to initial forecasts included on the report mentioned on section 15.5 of the aforementioned Act. In order to prepare this report, information which has to be submitted to European authorities pursuant to European regulations, and updated information submitted by Autonomous Regions to the Ministry of Finance and Public Administrations shall be considered…".*

Regarding the expenditure rule, maximum variation of eligible expenditure of National Government, Autonomous Regions and Local Entities was established in 1.3% by means a Resolution of the Council of Ministers of 27 June 2014. This figure equals the reference GDP growth rate of the Spanish economy in the medium term.

The aforementioned report shows that eligible expenditure in financial year 2015 for the Autonomous Regions subsector has registered an increase of 5.2% with respect to the previous year, which means that the target established for the expenditure rule has not been met: this increase exceeds by 3.9% the variation rate of 1.3% set as a target, which in absolute terms amounts to 5,191 million euros.

This result has been influenced by registering in the national accounts those operations considered as one-off which, due to their nature, will have no impact at all in future years. Such operations, as a whole, amount to 4,918 million and may be summarised as follows:

- Increase of public investment arising out of the classification of public-private collaboration agreements, amounting to 2,183 million euros.
- Increase of expenses in intermediate supplies arising from Hepatitis C treatments, amounting to 1,242 million euros.
- Recovering a part of the 2012 annual extra pay, which has caused an increase in employee compensation expenses amounting to 947 million euros.
- Execution of guarantees, judicial sentences and other expenses, amounting to 546 million euros.

However, on top of these operations, failure to comply with the expenditure rule has also been caused by other factors, which globally are estimated as amounting to 273 million euros. These factors are due to different causes and have had an impact upon different Autonomous Regions in a number of manners.

Therefore, it is worth noting that, if one-off operations are not considered, failure to comply with the expenditure rule is considerably reduced, since 95% of the total of the excess expenditure, valued in 5,191 million, is cause by operations which are not to have any impact in the subsequent years.

However, fully aware of the importance of and need for monitoring and control of public expenditure to comply with medium term (2016-2018) budgetary stability targets, the Ministry of Finance and Public Administrations has, for the first time, given notice to each Autonomous Region, through the SGCAL, of their failure to comply with expenditure regulations, as well of the volume of such non-compliance and possible one-off causes, for the purposes of the Autonomous Regions own compliance of such expenditure regulations and that of those local entities for which they hold financial guardianship. The goal is to allow each Autonomous Region to better assess the measures to be adopted so as to achieve compliance with budgetary stability purposes. At the same time, the report on the level of compliance with budgetary stability targets, as provided in section 17.4 of Budgetary Stability and Financial Sustainability Act, in application of the aforementioned Act, recognises the possibility of establishing eligible expenditure growth reference rates in Financial and Economic Plans, these rates being different from those general rates approved in the Agreement of the Council of Ministries which approves stability targets.

6.2 MEASURES TO GUARANTEE TRANSPARENCY AND COORDINATION IN PUBLIC PROCUREMENT

The decision of the Council approved on 8 August 2016 refers to different improvement areas related to public procurement policies.

Extension of disclosure requirements

In the first place, it is specifically mentioned that "The disclosure rate of public contract notices in Spain is notoriously low, while the turning to negotiated procedures without prior disclosure is relatively high in comparison with other Member States", a view that we entirely agree with.

Indeed, the Recast Text of the Public Sector Procurement Act currently in force establishes the possibility of using negotiated procedures without prior disclosure -together with others deduced from objectifiable criteria- exclusively because the estimated value of the contract should not exceed a pre-fixed amount (€1,000,000 for construction contracts and €100,000 for any other procurement). Within this category of contracts which may be awarded by means of a negotiated procedure according to established amounts, the relevant Act establishes a subcategory, also based on quantifiable limits, and which has been submitted to public consultation, and includes a modification affecting current regulations, establishing a negotiation procedure which includes a tender offer and which must necessary be disclosed by means of the corresponding notice.

Besides, the effectiveness of these measures is to be anticipated by way of two instruments: an Agreement of the Council of Ministers and a Legislative Proposal with a similar content and the purpose of establishing a disclosure requirement irrespective of the amount.

However, although they share their purpose, the Agreement of the Council of Ministers which is in preparation for subsequent approval, adopts the form of binding instructions for the whole of the General State Administration and its bodies. This agreement shall bear effect once approved, while the Legislative Proposal binding also Autonomous Regions and Corporations shall enter into force after approval by the Parliament[10].

New Organisation for governance and public procurement monitoring

A second question addressed by this decisions is the convenience of establishing a consistent framework in order to guarantee transparency and coordination in these matters.

In this regard, the aforementioned Legislative Proposal establishes a monitoring scheme supported by the following existing bodies: Governmental Administrative Procurement Advisory Board (collegiate

[10]The Legislative Proposal is available at the Congress website (http://www.congreso.es/portal/page/portal/Congreso/Congreso/Iniciativas/IniTipo?_piref73_1335527_73_1335526_1335526.next_page=/wc/detalleTipoIniciativa&idIniciativa=122)

body where the different business associations are represented) and the General Comptroller of the State Administration, and other existing supervisory organs, namely:

- The Administrative Procurement Advisory Board is attributed supervisory competences over public procurement, either because they are executed by this institution, in the case of the public sector at a state level, or because it is in charge of coordinating the competences executed by the corresponding institutions of the Regional Administration. These competences shall be executed by means of approval and implementation of a Supervisory National Plan or Strategy for public procurement, which shall be applied to any public procurement.

- Besides, a new mechanism to ensure cooperation between different Public Administrations is established. It consists of the creation of a collegiate institution, called the Public Procurement Collaborative Committee, where all levels of the Administration would be represented.

The provisions on Governance also allow for the compliance with provisions on procurement monitoring and disclosure established in Title IV of Directive 24/2014/EC on public procurement, which are to be transposed by means of the aforementioned Preliminary Draft.

The designed system shall require a certain level of deployment of resources but is, nonetheless, the most efficient option, since it is supported by coordination and information elements already in operation and by bodies capable of analysing and monitoring the public procurement issues. This enables such system to immediately launch the preparation of a monitoring scheme and the planning of its selective implementation.

Centralised Procurement

In addition to the abovementioned transparency and coordination measures, there is agreement with the Council that the use of centralised procurement of goods and services implies an increase in efficiency and it contributes to budgetary savings.

In fact, from September 2013, a process to foster centralised procurement in the State Administration was undertaken. Its implementation was entrusted to a new body depending on the Subsecretariat of the Ministry of Finance and Public Administrations (the Directorate-General of Rationalisation and Centralization -DGRCC-).

Centralisation may be carried out -depending on the characteristics of the supply or service- either through centralised contracts or through Framework Agreements

From that date 2013, the objectives envisaged have been mostly complied with, as shown by certain significant figures:

- The amount of goods and services included in the centralised purchase system has almost doubled, from 14 categories to 25 currently. Among the new categories, certain are of major importance such as electricity, gas for vehicles, telecommunication services, postal services, security services or cleaning services.
- Not surprisingly, the estimated value of these contracts has also substantially increased (by more than 200%).
- Only in 2015 more than 7,500 contract based on Framework Agreements were awarded.
- Taking into account the estimated value of all contracts for their whole terms, 600 million euro savings have been calculated (mainly as a result of the bundling of demand and increase of competition between the companies).

In any event, in addition to savings, boosting centralisation entails the rationalisation and simplification of procedures, as well as a greater level of control, transparency and information for a process that is constantly managed and monitored by the DGRCC.

Additionally, it may be highlighted that the procurement process is carried out in a framework of full disclosure during the different stages it comprises and a website has been created within the DGRCC, including all fundamental data for all tendering processes and fulfilment of contracts based on Framework Agreements.

Another advantage arising from centralised procurement is the substantial improvement of information on the goods and services requested by the Administration, and boosting the development of specific IT tools for monitoring contracts. This information is highly important, both for preparing new contracts or Framework Agreements and for budgetary decision-making.

Lastly, it is important to highlight that this process was designed so that in the case of Framework Agreements, the Regional Governments and Local Governments can voluntarily sign up.

In light of all the above, the objective is to continue boosting centralised procurement, with the progressive introduction of new goods and services and improving management of contracts, to the extent possible.

National Office for Assessment

Another initiative to reinforce the public procurement framework and improve the quality of public expenditure, and specifically of investments, is the creation of the National Office for Assessment (hereinafter, ONE). This Office was created by means of an amendment to the Consolidated Text of the Public Sector Contracts Act, carried out by means of Act 40/2015, of 1 October, on the Legal Regime of the Public Sector.

The purpose of the ONE is to analyse the financial sustainability of contracts for public works concessions and contracts for the management of public services, with the aim of continuing to improve planning and fulfilment of public-private partnership projects. This will avoid excessive commitments of future budgets in the long term, improving control of efficiency with the appropriate analysis of risk allocation, as well as better preparation and monitoring of this type of investments, in order to achieve greater feasibility for this type of projects, a measure that may contribute to increasing the potential for financial growth.

The structure, organisation and operation of the national office for assessment shall be established by means of an Order issued by the Ministry of Finance and Public Administrations, which is currently in the final stage of processing, as it has already been submitted to the Council of State for opinion; thus, the ONE will be fully operational in the short term.

In accordance with this Order, the office has the legal nature of inter-ministerial collegial body, including the Ministries most directly involved in this type of investment projects, and managed by the Ministry of Finance and Public Administrations. Furthermore, it may also include participation of both the private sector and the regional and local Administrations, by means of the establishment of two advisory working groups which shall provide technical support: the working group of territorial Administrations and the working group of collaboration with the private sector.

The Office shall issue statutory reports prior to the tendering of contracts for public works concession and management of public services to be entered into by the awarding authorities reporting to the General State Administration and the Local Entities. The Regional Governments may join the National Office for Assessment so that it issues the said reports or, in case they have created an equivalent body or organism, request it to issue said statutory reports, where their contracts for concession are affected.

APPENDICES

1. GDP Deflator

Table A.1. GDP Deflator

	ESA Code	2015	2015	2016	2017
		Level	year-on-year % change		
1. GPP Deflator		100.7	0.5	0.7	1.4
Sources: National Institute of Statistics and Ministry of Economy and Competitiveness					

2. Guarantees granted by Public Administrations

Table A.2. Outstanding amount of guarantees granted by Public Administrations

million €

	2010	2011	2012	2013	2014	2015
Total General Government						
One-off guarantees						
Stock total, excluding debt assumed by government of wich	**137,713**	**159,527**	**218,179**	**193,152**	**133,627**	**102,955**
Public corporations	66,069	81,986	103,175	91,108	74,048	53,538
Financial corporations	132,311	153,646	212,742	188,277	129,585	99,723
Guarantees granted in the context of financial turmoil	59,506	64,659	105,093	95,604	55,090	46,385
Standardised guarantees						
Total stock	0	0	0	0	0	0
Central Administration						
One-off guarantees						
Stock total, excluding debt assumed by government of wich	**132,809**	**154,050**	**213,124**	**188,593**	**129,842**	**99,795**
Public corporations	65,569	81,486	102,675	90,609	73,557	53,065
Financial corporations	132,311	153,646	212,742	188,277	129,585	99,723
Guarantees granted in the context of financial turmoil	59,506	64,659	105,093	95,604	55,090	46,385
Standardised guarantees						
Total stock	0	0	0	0	0	0
Autonomous Communities						
One-off guarantees						
Stock total, excluding debt assumed by government of wich	**3,754**	**4,273**	**3,994**	**3,604**	**3,024**	**2,500**
Public corporations						
Financial corporations						
Guarantees granted in the context of financial turmoil						
Standardised guarantees						
Total stock	0	0	0	0	0	0
Local Entitites						
One-off guarantees						
Stock total, excluding debt assumed by government of wich	**1,150**	**1,204**	**1,061**	**955**	**761**	**660**
Public corporations	500	500	500	499	491	473
Financial corporations						
Guarantees granted in the context of financial turmoil						
Standardised guarantees						
Total stock	0	0	0	0	0	0

1. There are only "one-off guarantees".

2. Following the conclusions of the "Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data", the section "Total Stock of guarantees, excluding debt assumed by government", does not include guaranteed debt of other units of public administrations included in S.13 (FROB, FTDSE...) nor guaranteed debt of the ESF.

3. Only the guaranteed principal is included

Sources: Ministry of Economy and Competitiveness and Ministry of Finance and Public Administrations

3. Amounts to be excluded from the expenditure ceiling

Table A.3. Amounts to be excluded from the expenditure benchmark

	2015	2015	2016	2017
	Level*	% GDP	% GDP	% GDP
Expenditure on EU programmes fully matched by EU funds revenue	5,221	0.5	0.4	0.6
Cyclical unemployment benefit expenditure	7,529	0.7	0.4	0.3
Effect of discretionary revenues measures	-4,935	-0.5	-0.5	-0.0

* Millions of euros

4. General Government expenditure by function

Table A.4.a. General Government expenditure on education, healthcare and employment

	2016		2017	
	% GDP	% total expenditure	% GDP	% total expenditure
Education	4.0	9.4	3.9	9.4
Health	6.1	14.4	6.0	14.4
Employment[1]	2.1	5.0	1.9	4.7

1 This expenditure category contains Gov ernment spending related to activ e labour market policies including public employment serv ices.

Table A.4.b Classification of the expenditure by functions

Functions	COFOG Code	2016	2017
		% GDP	% GDP
1. General public services	1	6.1	5.9
2. Defense	2	0.9	0.9
3. Public order and safety	3	1.9	1.9
4. Economic affairs	4	4.1	3.9
5. Environmental protection	5	0.8	0.8
6. Housing and community amenities	6	0.5	0.5
7. Health	7	6.1	6.0
8. Recreation, culture and religion	8	1.1	1.1
9. Education	9	4.0	3.9
10. Social protection	10	16.9	16.5
11. Total expenditure	TE	42.4	41.3

5. Expected budgetary impact of the revenue measures adopted and planned by the Central Government (before regional transfer)

Table A.5. Expected budgetary impact of the planned and adopted revenue measures: Taxes (before regional transfer)

Measures	Description	Target (expenditure/ revenue)	Accounting principle	Level of implementation	Additional budgetary impact per year (million €)		
					2015	2016	2017
Personal Income Tax (PIT)					**-4,390**	**-3,013**	**-588**
Measures in 2012 and 2013	The ending of deductions for housing, the removal and partial repayment of the extra pay for civil servants, 20% reduction on net profits in first 2 years (direct est.), "Business angels": deduction on the investment and exemption from capital gains.	Revenue	Cash and National Accounting	Royal Decree-Act 20/2012, of 13 July. Act 16/2012, of 27 December. Act 11/2013, of 26 July, on measures to support entrepreneurs and to boost growth and job creation. Act 14/2013 on Entrepreneurship.	423	341	-690
PIT Reform	Wide modification of the PIT: changes in tax brackets, tax rates reduced, different tax treatment for some investment products and new family deductions have been applied.	Revenue	Cash and National Accounting	Act 26/2014, of 27 November, amending Act 35/2006, of 28 November, on the Personal Income Tax, the recast text of the Act on the Tax for Non-Residents, enacted by means of Royal Legislative Decree 5/2004, of 5 March, Royal Decree-Act 1/2015 and other tax regulations.	-3293	-3354	102
	Reform advance	Revenue	Cash and National Accounting	Royal Decree-Act 9/2015, of 10 July. Advance of the reduction of tax rates foreseen for 2016 in July 2015	-1520		
	Total Impact	Revenue	Cash and National Accounting	Act 26/2014, of 27 November, amending Act 35/2006, of 28 November, on the Personal Income Tax, the recast text of the Act on the Tax for Non-Residents, enacted by means of Royal Legislative Decree 5/2004, of 5 March, Royal Decree-Act 1/2015 and other tax regulations.	**-4813**	**-3354**	**102**

Measures	Description	Target (expenditure/ revenue)	Accounting principle	Level of implementation	Additional budgetary impact per year (million €)		
					2015	2016	2017
Corporate Income Tax					**-3,041**	**22**	**-2,385**
Limits on deduction of depreciation expenses	Limits on tax deduction for fixed asset depreciation by large companies. This excludes SMEs and micro-SMEs.	Revenue	Cash and National Accounting	Act 16/2012, of 27 December.	-1,871		
Asset revaluation levy	This levy allows the updating of balance sheets assets by taxpayers subject to Corporate Income Tax, tax payers of PIT involved in economic activities and taxpayers of non-resident income tax operating in Spain via a permanent establishment. This updating is voluntary, and is subject to a tax charge of 5% of the amount of the revaluation.	Revenue	Cash and National Accounting	Act 16/2012, of 27 December.	-6		
Reduced rates of 15% / 20% for new companies during the first two years	A tax rate of 15% has been established for the first €300,000 of the tax base and 20% for the remaining superior amounts, applicable in the first year of positive base and the year after that.	Revenue	Cash and National Accounting	Royal Decree-Act 4/2013, of 22 February (subsequently enacted as Act 11/2013, of 26 July, on measures to support entrepreneurs and to boost growth and job creation)	-29		
Return of 80% of balance pending deduction of R&D&I	Deductions for R&D expenditure and investment may optionally be applied, not subject to any limit on the tax payable, and credited, given a discount of 20% of their value, when these could not be applied because of the tax payable being too low.	Revenue	Cash and National Accounting	Act 14/2013 on Entrepreneurship	-46		
Changes in instalment payments	Modification of the instalment payment system, rising it to 23% for non-financial companies with a turnover over 10 million euros and 25% for financial companies. In addition, increased rates have been applied for those companies that perform their tax returns using the 19/20 tax base.	Revenue	Cash and National Accounting	Royal Decree-Act 2/2016		2,205	-2,205
Corporate Income Tax Reform	Rate reduction to 25% for two years, creation of a capitalisation reserve and levelling reserve. (ex post)	Revenue	Cash and National Accounting	Act 27/2014 of 27 November on the Corporate Income Tax	-1,089	-2,183	-180

Measures	Description	Target (expenditure/ revenue)	Accounting principle	Level of implementation	Additional budgetary impact per year (million €)		
					2015	2016	2017
NEW ENVIRONMENTAL TAXES	Tax on Extraction Value of Gas, Oil and Condensates	Revenue	Cash and National Accounting	Act 8/2015, of 21 May.	**0**	**0**	**2**
OTHER DIRECT TAXES	Non-Resident Income Tax (IRNR, in Spanish)	Revenue	Cash and National Accounting		**-82**	**-85**	**-8**
VAT					**-710**	**1,237**	**0**
Creation of the VAT Cash Accounting Scheme	Special, optional scheme that allows taxable persons the accrual and subsequent declaration and payment of the applied VAT until it is paid by its clients, even in the case of late payment.		Cash	Act 14/2013, of 27 September, to support entrepreneurs and their internationalisation, enacting the Special VAT Cash Accounting Scheme	65		
VAT on Imports new scheme	Based on the modification carried out in the VAT Act by virtue of Act 28/2014 of 27 November, the possibility of, meeting certain requirements, the quotas of the Tax on Imports being registered in the relevant tax return for the period of receipt of the document establishing the settlement conducted by the Administration has been provided for.	Revenue	Cash	Royal Decree-Act 9/2011, of 19 August.	-1,162	1,162	
Healthcare and Notary Public Taxes. VAT on Cash Basis		Revenue	Cash and National Accounting		387	75	
SPECIAL TAXES					**1,939**	**-6**	**0**
Hydrocarbons	Return of the Céntimo Solidario tax	Expenditure	National Accounting	Court ruling that require the Administration to refund the Tax on Retail Sales of Certain Hydrocarbons (the "healthcare cent") refunded in 2014.	1,998		
Electricity	Partial exemption for industrial consumers.	Revenue	Cash and National Accounting	Act 16/2013 on Environmental Taxes	-59	-6	
OTHER INDIRECT AND ENVIRONMENTAL TAXES:					**66**	**16**	**60**
Tax on fluorinated gases.	New environmental tax on certain supplies.	Revenue	Cash and National Accounting	Act 16/2013 on Environmental Taxes.	66	16	60
LEVIES AND OTHER REVENUE					**370**	**-273**	**0**
Levy on the use of water for electric power generation.	Levy on the use of water. The purpose is to establish a levy aimed to protect and improve the public water domain through River Basin Authorities.	Revenue	Cash and National Accounting	Royal Decree Draft developing section 112 bis of the recast text of the Water Act and regulates the levy on the use of inland waters for the generation of electric power in inter-community demarcations.	453	-245	
Judiciary Levies		Revenue	Cash and National Accounting	Act 10/2012, of 20 November and amendments of 2013 and 2015.	-83	-28	
TOTAL					**-5,848**	**-2,102**	**-2,919**
Plan to fight against fraud		Revenue	Cash and National Accounting	General Act on Taxation	**1000**	**1000**	**1000**
TOTAL					**-4,848**	**-1,102**	**-1,919**

6. Expected budgetary impact of the expenditure measures adopted and planned by the Central Government and the Social Security

Measures	Description	Target (expenditure/ revenue)	Level of implementation (passed, draft)	Budgetary impact		
				2015	2016	2017
Credit non-availability agreement	Non-availability of credit agreement for an amount of 2 billion euros in the General State Budget to ensure fiscal consolidation commitments with the European Union, which is evenly distributed across Ministry departments	Expenditure	Agreement of the Council of Ministries+Order to close budget period		3,000	
Repairing the damage caused by floods and other impact of heavy rainstorms, snowfall and winds that occurred in the months of January, February and March 2015	Urgent measures, which have been directly caused by the rainstorms, snowfall and strong winds, force majeure.	Expenditure	Royal Decree-Act 2/2015, of 6 March, adopting urgent measures to repair the damage caused by floods and other impact of heavy rainstorms, snowfall and winds that occurred in the months of January, February and March 2015	-106	106	
Returning the extra pay and increase of salaries by 1%	Reimbursing 50% of the corresponding extra pay suppressed in December 2012 to public employees.	Expenditure	Act 48/2015, of 29 October, on General State Budgets for 2016.	-579	-257	579
Replacement rate	The replacement rate for 2015 shall be 0, except for priority areas at 50%. Increase in Draft Budgetary Plan Draft for 2016.	Expenditure	Act 48/2015, of 29 October, on General State Budgets for 2016.	202	202	71
Establishing a FLAT RATE in employer contributions to Social Security and extension in 2015. Minimum salary exempt for social contributions as from 2015.	In order to encourage permanent contracts and foster net job creation as a result, a flat rate is established in contribution to Social Security until March 2015. In order to consolidate the positive development of permanent contracts and increase its impact for groups with greater difficulties for a stable employment, a minimum salary exempt from contribution payments is set in for common social security contingencies, which will be applicable to all companies which hire employees on an open-ended basis and therefore create jobs. The first 500 euros of the monthly contribution base for common contingencies shall be exempt from employer contribution when the concerned employee is working on a full-time basis. For part-time contracts, the aforementioned amount will be worked out in proportion to the percentage of full-time working hours, which shall not be under 50 per cent of the working hours of a full-time employee. Duration 01-03-2015 to 31-08-2016.	Revenue	Royal Decree-Act 3/2014, of 28 February, on urgent measures to foster employment and open-ended contracts. Royal Decree-Act 17/2014, of 26 December, on financial sustainability of autonomous regions and local entities and other measures of an economic nature. Royal Decree-Act 1/2015, of 27 February, of second chance mechanism, reduction of financial burden and other social measures.	-285	427	260
System of direct payment of Social Security contributions	The new system enabling the direct payment of Social Security contributions will allow playing an active role in the tax collection process, replacing the current self-assessment for companies to fill out with a direct billing model.	Revenue	Act 34/2014, of 26 December, on measures to settle and pay Social Security contributions	25	114	126
Mutualism Act	It brings about a modernisation in the operation and management of these entities, reinforcing transparency and efficiency levels and contributing to a greater extent to a better use of resources and to the fight against unjustified work absenteeism and to the sustainability of the Social Security system. Temporal disabilities 206M; 330M revenues from the use of health services by third parties and sale of prevention services; 25M savings as for management control.	Income / expenditure	Act 35/2014, of 26 December, amending the recast text of the General Act of the Social Security with regard to the legal framework of Mutual Insurance Companies of Occupational Accidents and Disease of the Social Security	587	-26	
Extraordinary activation programme for employment	Activation programme for long-term job-seekers who have used up all unemployment benefits and subsidies and who have family responsibilities. The activation programme combines specific actions to foster employment and temporary financial assistance of six months which is compatible with a job. It therefore contributes to two goals. On the one hand, tackling the situation of job-seekers and helping them stay active. On the other hand, promoting the modernization of public employment services, ensuring a customised assistance to beneficiaries and a stronger link between active and passive policies. The programme will last until 15 April 2016 and an assessment of its impact in terms of employability is foreseen.	Expenditure	Royal Decree-Act 16/2014, of 19 December, governing the Employment Activation Programme	-160	0	10
New access requirements for the Active Insertion Income	Access requirements to the Active Insertion Income have been modified so as to increase their connection to active employment policies and to strengthen compliance with the activity commitment.	Expenditure	Royal Decree-Act 16/2014, of 19 December, governing the Employment Activation Programme. Third final provision.	19		
Completion of the programme for subsidies and reinstatement of measures of employment suspension regulation	Subsidies and the right to reinstatement of benefits were not extended in 2014 in light of the forecast improvement of economic activity.	Expenditure	Royal Decree-Act 1/2013, of 25 January. Act 3/2012, of 6 July.	233	294	-294
Institutional rationalisation in the General Government established in the Committee for the Reform of Public Administrations (CORA)	It involves the suppression, merger, integration or rationalization of state public sector entities.	Expenditure	Act 15/2014 of rationalisation of the public sector and other measures of administrative reform; Royal Decree 701/2013 on rationalisation; several resolutions by the Council of Ministers	135	110	
Measures by the Committee for the Reform of Public Administrations (CORA) for the Elimination of Redundant Administrative Processes	It involves 120 measures for the diagnosis and elimination of redundant administrative processes, both in the General Government and in Autonomous Regions and Local Entities, where applicable. For example: joint planning of contributions to International Organisations; one single procurement platform; centralisation of surveys.	Expenditure	70 measures adopted by the CORA (out of 120 measures for the elimination of redundant processes) implemented, 30 at a very advanced stage and 20 underway.	260	160	
CORA Improvements in the management of the General Government	Rationalisation measures within the General Government: property management plan, fleet, centralisation of procurement, travel expenses; Improvement in cash management.	Expenditure	Rationalisation of property leases and sale of underutilised property assets; Act 15/2014 on Rationalisation of Public Sector and other measures of administrative reform: inventory of the official vehicle fleet; Instructions on travel fees by the Ministry of Finance and Public Administrations for 2013; Royal Decree 256/2012 amended: creation of a Directorate-General for Rationalisation and Centralisation of Procurement; framework agreements and centralised contracts; modification of the General Collection Regulations.	412	225	
IT improvements in the Management of the State	IT development measures for more efficient rendering of services for citizens: appointments, portals, services shared by Administrations. It saves money both for citizens, companies and the General Government.	Expenditure	Creation of the Directorate-General for IT (amendment of Royal Decree 256/2012); computer developments.	144	130	
CORA measures to simplify IT resources in the healthcare sector: the Interoperable Electronic Prescription; Digital medical history; Health card database	Extension of the interoperable electronic prescription from any Autonomous Region; availability of the digital medical record, therefore enhancing the use of the electronic health card database.	Expenditure	Royal Decree 702/2013, of 20 September, amending Royal Decree 183/2004, of 30 January, governing the personal health card. Agreements with Autonomous Regions; this measure is at a very advanced stage.	46	104	
Pension reform	Reform of pensions from 2011 and 2013 (retirement, early retirement, revaluation index and sustainability factor) with a differential impact on the future pension expenditure.	Expenditure	Act 27/2011, on the Social Security Reform; Royal Decree-Act 5/2013; Act 23/2013, of 23 December, governing the Sustainability Factor and the Revaluation Index.	1,000	1,148	1,200
TOTAL				**1,934**	**5,737**	**1,952**

7. Expected budgetary impact of the measures adopted and planned by Autonomous Regions

Measures	Description	Target (expenditure/revenue)			
		ESA Code	2015	2016	2017
PERSONNEL EXPENSES	Personnel management/planning measures and wages	D1	-2,064	-325	300
	No replacement	D1	589	295	295
NON-AVAILABILITY AGREEMENTS SECTION 25.1 LOEPSF	Non-availability agreements	Several	0	1,500	0
PHARMACEUTICAL AND HEALTHCARE PRODUCTS EXPENDITURE	Pharmaceutical expenditure arising out of the centralised purchase of medicinal products	D63	10	100	100
	Other measures regarding pharmaceutical and healthcare products spending	D63	48	35	450
MEASURES REGARDING RUNNING EXPENSES AND ECONOMIC AGREEMENTS	Saving measures related to the provision of services and supplies	P2	37	67	101
	Other measures in chapter II	P2	0	0	0
FINANCIAL EXPENDITURE AND INTEREST	Saving in interests with an improvement of funding mechanism conditions	D41	3,121	-760	0
CURRENT TRANSFERS	Others from Chapter IV	Other current expenditure	79	-120	50
CAPITAL TRANSFERS	Others from Chapter VII	D92,D99	0	0	0
OTHER MEASURES	Other measures (investments)	P51	0	0	0
TOTAL EXPENDITURE MEASURES			**1,819**	**791**	**1,296**
TAXES	Personal Income Tax	D51	29	-14	-17
	Inheritance and Gift Tax	D91	30	-23	5
	Wealth Tax	D5	0	36	-5
	Environmental Taxes	D29	44	13	32
	Tax on Capital Transfers and Documented Legal Acts	D21	4	62	26
	Hydrocarbon Tax	D21	-74	16	-7
	IGIC AIEM	D21	5	1	0
FEES	Fees	D29	31	60	0
OTHER TAXES	Other taxes (IDEC, others)	D29	130	240	7
NON-TAX REVENUE	Non-tax revenue	-P51	-510	243	-180
TOTAL REVENUE MEASURES			**-312**	**633**	**-138**
TOTAL AUTONOMOUS REGION MEASURES			**1,507**	**1,425**	**1,158**

8. Expected budgetary impact of the measures adopted and planned by Local Entities

Measures	Description	Target (expenditure/ revenue)	Additional budgetary impact per year (million €)		
		ESA Code	2015	2016	2017
Personnel expenses	Wages	D1	-383	-285	156
	No replacement	D1			
Current expenses	Reduction of expenses in purchases of goods and services	P2	-36	-315	448
Public companies	Company dissolution	P2	484	508	305
Suppression of services	Other measures regarding expenditure. Disappearance of minor local entities and suppression of services that are not within the scope of local competence	P2, other current expenditure	-9	67	220
Healthcare, education, social services	Transfer of competences regarding health, education and social services	D1, P2.			
Integrated management and mergers	Integrated management of public services and mergers of municipalities	D1, P2.	-93	294	69
TOTAL EXPENDITURE			-37	269	1,198
Taxes	Tax increases, suppression of exemptions and voluntary bonuses	D29	416	392	288
Taxes	Public fees and prices	D29 and P11	-233	83	9
TOTAL REVENUE			183	475	297
TOTAL LOCAL ENTITIES			**146**	**744**	**1,495**

9. Link between the Draft Budgetary Plan and compliance with specific recommendations of the Council

Table XIX Compliance with specific recommendations to Spain

		Specific recommendations	List of measures	Description of link
1. BUDGET	1.1	Guarantee an ongoing correction of excessive deficit, pursuant the appropriate decisions and recommendations in the framework of the excessive deficit procedure, adopting the necessary structural measures and taking advantage of all unexpected benefits in order to reduce deficit and debt.	* 2017 Budget Plan * 2016-2019 Stability Programme.	Development of a fiscal consolidation policy at all Administration levels, combining revenue increasing measures with expenditure adjustment measures. Guarantee fiscal discipline at all Administration levels, especially at an Autonomous Region level, making full use of the tools provided for in the Organic Act for Budgetary Stability and Financial Sustainability, or LOEPSF, as per its Spanish acronym.
			Reform of regulations on instalment payments of the Tax on Corporate Income, with an expected collection of an additional €8.300 M with respect to the alternative of not carrying out any action at all. The incremental regulatory impact amounts to €2.205 M.	From the second 2016 installment and subsequent instalments, a minimum value is set for instalment payments based on the accounting results and with an increased tax rate for the settlement of the second and third instalment payment periods for the Tax on Corporate Income. This shall mean that the settlement regime adopts a similar procedure to those applicable in 2015, in which more instalment payments and less fee settlements are carried out. The regulations established for instalment payment are: • A minimum instalment payment of 23% on accounting profit for companies whose turnover exceeds 10 million euros. This rate is increased to 25% for credit institutions. • Increased rate of 19/20 of the nominal rate for calculation of liquidations on the tax base.
			Credit non-availability agreement amounting to 2,000 million euros provided by the 2016 National General Budget.	For the purposes of guaranteeing compliance with the commitments of tax consolidation with the European Union, the Council of Ministers approved on 29 April 2016 a credit non-availability agreement which shall be divided in a balanced manner between all ministerial departments. This credit non-availability does not affect social expenditure nor items related to the Social Security. The most affected items are capital expenditure and current expenditure in goods and services.
			Standstill for new expenditure at a national level from 20 July 2016 in order to ensure compliance with budget stability targets.	The closing of the expenditure and off budget transactions has been brought forward to the month of July. This limitation does not affect pensions, unemployment benefits, personnel expenditure or public debt, or any other expenditure established by the relevant laws and regulations which may be authorised or approved by the Council of Ministers. Payment of commitments already undertaken by the Administration may be made up to December 30, in order to avoid invoices pending payment. Bringing forward in time the budget closing order shall entail estimated savings amounting to approximately 1,000 million euro.
			Set the debt/GDP ratio in a decreasing trend.	Reach a sustainable public debt trend with respect to the GDP by developing a tax policy allowing for reduction of public deficit while allowing for economic growth and leading to primary surpluses that place the public debt/GDP ratio on a decreasing trend.
			Make progress in the application and development of the expenditure rule.	The purpose of the expenditure rule is to guarantee sustainability of public accounts so that, in a medium term, the government expenditure growth is limited by the capability of financing such growth by means of sustainable in time, stable income. The Public Organizations must monitor the expenditure rule. The Independent Authority of Spanish Fiscal Responsibility (AIReF as per its Spanish acronym) assesses and reports the budgets compliance with such expenditure rule, and the MINHAP verifies such compliance once the financial year has been completed. The IGAE has notified each Autonomous Region Government whether they have complied with the expenditure rate or not, quantifying its volume and the possible one-off causes inherent to non-compliance, so that each Autonomous Region may better judge the measures that need to be adopted to achieve compliance with budget stability targets. In the case of non compliance, the preventive, corrective and enforcement measures provided for by the LOEPSF shall be applied.
	1.2	Apply the instruments provided for the Budget Framework Act at all Administration levels.	* Application of the enforcement measures provided by art. 25.1 of the LOEPSF to those Autonomous Regions * Adjustment programmes for compliance with FLA 2016 and monitoring of such programmes * Application of the different measures provided for in case of non compliance wit PMP * Measures for monitoring local entities	At an Autonomous Region level, the enforcement measures provided for by the art. 25.1 of the LOEPSF have been applied, determined by the need for such Autonomous Regions to enter into non availability agreements regarding the 2016 Budget. These agreements were included in the corresponding adjustment programmes, and its adequacy shall be periodically monitored in order to guarantee compliance with the stability targets. Regarding the average payment terms, the different measures provided for in stability regulations with full effect; in some cases, this may lead to withhold the financial resources provided monthly by the central Government to proceed instead to directly pay those providers which hold the longest credits. These measures, together with the improvement of the budget balances and the financial mechanisms provided for, have allowed to bring regional (of Autonomous Regions) PMP to the minimum historical level, at 37.41 days in the month of July. Adherence to extraordinary measures for liquidity which have been implemented on local entities since 2012 in the framework of the LOEPSF, conditioned taxes for local entities, this shows, essentially, on the adjustment programmes, which are a basic instrument for the implementation of such measures. The aforementioned plans have been assessed by the Ministry of Finance and Public Administrations and a favourable assessment of such plans constitutes a previous condition for assignment of liquidity averages. The first additional provision of the LOEPSF, as amended by Organic Act 6/2015 of 12 June, establishes that those local entities that request access to extraordinary measures or additional mechanisms to support liquidity to the central government must agree an adjustment plan, when so provided, with the Ministry of Finance and Public Administrations. This adjustment plan must be consistent with compliance of the budget stability and public debt targets, and shall state that this Ministry shall also disclose information about them. Pursuant to published data, 3,075 adjustment programmes were presented and approved, of which 1,265 have been completed due to amortization of the corresponding loans or the conclusion of application of those measures justifying their approval. Currently, there are 1,810 adjustment programmes which have been presented and are in force.
			Continue to apply preventive, corrective and enforcement measures provided for by the LOEPSF for non compliance of maximum payment terms for providers.	As a new feature, resources provided by the financing system for Autonomous Regions which repeatedly fail to comply or who have the highest rate of non compliances may be withheld in order to pay their providers directly. Adherence to extraordinary measures for liquidity which have been implemented on local entities since 2012 in the framework of the LOEPSF conditioned taxes for local entities; this shows, essentially, on the adjustment programmes, which are a basic instrument for the implementation of such measures. The aforementioned plans have been assessed by the Ministry of Finance and Public Administrations and a favourable assessment of such plans constitutes a previous condition for assignment of liquidity averages.
			Reinforce conditioning associated to the FLA.	The liquidity provided by the FLA may only be accessed by those Autonomous Regions complying with a series of conditions. Among others things, they should adhere to the health and drug expenditure sustainability support instruments, enter into an agreement to offer e-administration solutions in order to increase efficiency, remove redundancies and reduce costs, and, in their case, approve and comply with the required non-availability agreement, guaranteeing, in any case, basic public services (education, healthcare and social services). Limitations to budget amendments shall also apply. Information obligations are reinforced: Autonomous Regions must report about their invoices and the processing status of such invoices by means of permanent interconnection with the Administration e-invoices General Submission Point (FACE, as per its Spanish acronym) and with the permanent involvement of the General Comptroller of each Autonomous Region, who shall submit to FACE the report on compliance with the budget stability target, debt and expenditure rule which is adjoined to the respective Regional Budget project, as well as a monthly report on compliance with these targets and on the enforcement of the corresponding non-availability agreement.
			Reinforce the institutional framework for budget discipline.	Adjustment programmes are published, as well as monthly information on the expenditure rule and any failure to comply with the reporting rules. Besides, the governments shall seek the active involvement of the AIReF in this process. The MINHAP issues warnings and requires information when it detects deviations from established targets for budget stability or public debt.
	1.3	Improve public procuring control mechanisms and coordination of procurement policies at all Administration levels.	Establish a governance system that allows for effective coordination of public procurement policies at all Administration levels and guarantees ex ante and ex post supervision of procurement procedures.	The Preliminary Draft Act for Public Procurement and a Legislative Proposal presented to bring forward the application of such measures, are designed to promote transparency in public procurement by means of a monitoring scheme supported by the following institutions: Governmental Administrative Contracting Advisory Board (collegiate body where the different business associations are represented) and the General Comptroller of the State Administration, and other supervisory organs already in operation. The Administrative Contracting Advisory Board is attributed supervisory competences over public procurement, either because such competences are executed by this instution, in the case of the public sector at a national level, or because it is in charge of coordinating the competences executed by the corresponding institutions of Autonomous Regions. These competences shall be executed by means of approval and implementation of a Supervisory National Plan or Strategy for public procurement, which shall be applied to any public procurement. Together with this, the procedures for negotiation of a procurement agreement in an undisclosed manner by reason of their amount shall be removed. This measure shall contribute to greater transparency in public procurement and shall remedy the excessive resource to a procedure which lacks the necessary disclosure guarantees. Besides, a new mechanism for ensuring cooperation between different Public Administration levels is established. It consists on the creation of a collegiate institution, called the Public Procurement Collaborative Committee, where all levels of the Administration shall be represented. Within the Public Procurement Collaborative Committee, a technical support body shall be created and charged with the functions described above.
			Completion of centralization on the Central Administrative Court for Tax and Economic Appeals of jurisdiction of special procurement resources at a local and regional level.	All tender processes, both at a national and regional levels, shall be disclosed at a single platform and unification of official registries of bidders and qualified companies.
			Removal of administration redundancies.	Implementation of the principle, "one administration, one competence" and, at any rate, ensure full cooperation between the General Government and the Regional Governments. In particular, additional measures shall be implemented regarding road management, restricted access aerodrome inspection, mapping activities, mobilisation of emergency equipments, development cooperation and a higher level of integration and coordination in the external promotion of Autonomous Regions.
			Digital Transformation Plan for the General State Administration and other public bodies for the period 2015-2020.	Increase productivity and efficiency in the Administration operation; develop the digital transformation of Public Administration, making digital channels the means of choice for communicationbetween citizens and companies; increase efficiency of common ITC services, obtaining synergies due to the use of shared services and means. Implement a smart corporate management of information and data. Implement a corporate strategy regarding public digital services safety and usability.

		Specific recommendations	List of measures	Description of link
2. LABOUR AND SOCIAL	2.1	Adopt additional measures intended to improve labour market integration, focusing on personalised support and increasing efficiency of training programmes.	Employment Policy Annual Plan 2016	In 2016, as in the precedent years, an instrument for materialising those employment promotion policies planned by the public employment services both at a national and at a regional levels, for their corresponding competencies. This plan consolidates the assessment and guidance for these policies. For these purpose, a complete assessment indicators systems is applied, which conditions distribution of 70% of funds allocated to Autonomous Regions (60% on the previous year). The new features for the 2016 plan include a joint Action Plan in order to improve Assistance for the Long Term Unemployed. This Plan shall distribute funds among the Autonomous Regions so they can start general and specific actions, paying special consideration to the long term unemployed aged 30-55. Besides, during 2016, collaboration with Employment Agencies has been consolidated and the allocations assigned to financing vocational guidance programmes and services and to enhance modernization of Public Employment Services have increased.
			Extension of the Programme for Employment Activation	In 2016, by means of a Royal Decree-Act, the period of this Programme (PAE) was extended. This programme is aimed at the long-term unemployed with family responsibilities. The Program has continued to be implemented without interruptions, offering economic help and a reinforced assistance for labour integration. The Programme relies on the factor of personalised assistance to the unemployed on the part of the public services as well as the actions to foster reintegration in the labour market, including incentives to those companies that hire unemployed persons with this profile. This programme has been complemented by the Joint Action Plan for improvement of assistance for the long-term unemployed 2016-2018.
			Reinforcement of the National Youth Guarantee System	During 2016, implementation of the National Youth Guarantee System, which has reached 35,000 inscriptions has been reinforced. Autonomous Regions are deploying their catalogue of actions to assist the young people that have joined this programme.
	2.2	Improve capacity of the regional employment services and reinforce coordination with social services.	Joint Action Programme for Improvement of Assistance for the Long Term Unemployed.	This Plan shall distribute funds among the Autonomous Regions so they can start general and specific actions to improve such assistance, paying special consideration to the long term unemployed between ages 30 and 55.
	2.3	Correct any deficiency and inconsistency between the different minimum income schemes and improve family support systems, including access to childcare facilities and quality long-term care.	Basic Guaranteed Income System in the different Autonomous Regions	There is a Basic Guaranteed Income Scheme in all Autonomous Regions and in the Autonomous Cities of Ceuta and Melilla. During the years of the financial recession, such schemes have increased in expenditure and scope. The total annual amount corresponding to these financial schemesfor basic guaranteed income system has escalated from €1,167,033,741.89 in 2014 to €1,359,577,190.18 in 2015, which means an increase of 16.50%. The total number of beneficiaries has also grown from 616,885 to 789,672, which represents a 28% increase in the reference period.
			PROGRESS Project: "A Revision of the Basic Income Schemes in Spain from an Effectiveness Perspective"	In the context of calls for 2014-2020 European Programmes for Employment and Social Innovation (EaSI), Spain presented a project titled "Revision of the Basic Income Schemes in Spain from an Effectiveness Perspective", which was selected an allocated a budget of €251,542.48, 80% of which is co-financed by the European Commission. The Project is estimated to last two years, from July 2015 to June 2017, and shall be focused on an analysis of the basic income schemes in Spain and in learning from other experiences in other EU countries. The final goal is to prepare a work plan that allows for implementation of new policies on basic income schemes that enhance coordination and efficiency. Most welfare benefits corresponding both to the National Social Security System and to the basic income schemes from the Autonomous Regions and Cities (Ceuta and Melilla). Research and knowledge improvement have been entrusted to the scientific community, in addition to the collaboration with Germany, Belgium and the United Kingdom, the three countries which are partners in this project, as well as expert assessment and support from the European Union.
			National Action Plan for Social Inclusion 2013-2016	This Plan addresses as a priority the adoption of universal policies against child poverty, and for child well-being and support to families from an strategic perspective based on active inclusions, and is aligned with the principles proposed in the 2013 European Commission Recommendation "Investing in Children: Breaking the Cycle of Disadvantages".
			Integral Plan for Family Support 2015-2017	This Plan organises implemented measures and policies for families, and aims to facilitate access and permanence in the labour market to persons with responsibilities for children, especially if they are in a poverty situation. The Plan also seeks to facilitate work-life balance and shared family responsibilities. • With the purpose of helping families with children and vulnerable families, in 2015, Royal Decree-Act 9/2015 of 10 July on urgent matters to reduce the tax burden derived from the Personal Income Tax and other financial measures was passed; this act increases tax reduction of Personal Income Tax corresponding to financial year 2015 by means of a new tax rate. • Besides, Act 25/2015 of 28 July, on second chance mechanisms, reduction of financial burdens and other social measures, in force since July 2015, includes improvements for those debtors who are physical persons, especially in the scope of mortgage debt.
			Family and Child Support Programmes	• This Programme was created on financial year 2015. Projects are selected by agreement between the Ministry of Health, Social Services and Equality and the Regional Governments from Autonomous Regions and Cities, and shall include the following categories: Projects that aim to alleviate and improve social vulnerability of families, covering their basic needs regarding food, hygiene, clothing, etc., and facilitating access to other services such as healthcare, education (school supplies, school canteen allowances), housing (renting and upgrading liveability conditions of current house, supplies, etc.) and employment, as well as social work and monitoring measures for families. Projects that support life-work balance for families with children in process of social and labour integration, such as childcare expenses, assistance for occasional childcare needs, complementary support services to standard educational services or other measures that guarantee the right of children to appropriate care and development. Family support and intervention services, which include those defined by the Social Services Reference Catalogue, approved on 16 January 2013 by the Social Services Territorial Council and the System for Dependent Adult Care and for Fostering Autonomy (social and familiar intervention and guidance, family mediation, family meeting points or social and educational support to children).

		Specific recommendations	List of measures	Description of link
3. EDUCATION	3.1	Adopt any additional measures that improve adequacy of the higher education system to the labour market, fostering cooperation between universities, companies and the research sector, among other things.	Advanced Vocational Education: a model corresponding to a higher adaptability to the demands of different productive sectors which guarantees appropriate balance between specialization and versatility in a context of ongoing collaboration with companies, universities and any other sector directly or indirectly interested in improving the system, is under ongoing development	- Promoting the Dual Vocational Education model within the education system, making the corporate sector jointly responsible not only for designing the educational courses but also for their implementation: in the last four years the number of students has increased fourfold (more than 15,000) and the number if interested companies has increased tenfold (more than 5,000).
				- 2016 updating of the "Report in Labour Market Integration" of the holders of a Professional Certificate. This report establishes a relationship between this kind of learning and employment opportunities and their quality.
				- Improvement of the information included on the TodoFP website, and implementation of new measures intended for different groups: students, families, companies, teachers and career guidance professionals. The purpose of this is to create an operational virtual community of all stakeholders in Vocational Education, and to provide guidance instruments and information to facilitate career management to employees, and knowledge of academic profiles associated to their productive sectors, to company owners.
				- Calling of the Quality and Innovation Awards in Career Guidance and Vocational Training. These awards, with 76 applicants in 2015, promote in an efficient manner initiatives from educational centres, teachers and students. Awarding criteria include effective collaboration with companies, education centres and other institutions (including universities). These awards are highly recognized in the educational community and have been selected as a good practice by the Euroguidance Network in 2015-
				- Appropriateness of the Vocational Education Certificates to those professional profiles most demanded in the labour market, by means of a thorough process implying adapting the current courses and creating new ones. This process relies on the participation of the main interested companies and sectors.
			Universities: - Information on career opportunities:	Since 2015 the Ministry for Education facilitates, through the QEDU website (Spanish acronym for What to Study and in Which University) information regarding professional integration of graduates. The goal is to serve as guidance to families, students, institutions and
			- Regulation modifications:	In 2015, Royal Decree 195/2016, of 13 May, was published, which establishes the requirements for issuing the European Supplement to the PhD Degree. The inclusion of the Industrial Mention on the PhD Degree is thus regulated. For this purpose, it is required that an employment contract or commercial agreement is subscribed between a company, either public or private, and the PhD student. Besides, the PhD student must take part in a project of industrial research developed on the company where they are rendering their services. This relationship is regulated by the framework collaboration agreement, under which the employment contract or commercial agreement which allows the PhD student to obtain the Industrial Mention are subscribed. This type of PhD studies would be carried out with the collaboration of the corporate community in order to guarantee links between the academic and corporate spheres, regardless of whether such companies are public or private.
			- Excellence Campus:	In November 2015, a new aid scheme for the Excellence Campus Programme (CEI as per its Spanish acronym), which started in 2009, was called. The goal of this programme is fostering collaboration between different agents of knowledge and social and economic agents, administrations and civil organizations, based on the quadruple helix model, which includes universities, companies, public administrations and civil society as agents for development. The programme benefits from participation of the Autonomous Regions and the Ministry of Economy and Competition (MINECO) and the Ministry of Education, Culture and Sports (MECD). The 2015 call continues to develop the activities that have show to have the greatest impact for improvement of our universities regarding teaching, PhD courses, specialization, internationalisations, talent attraction, mobility, entrepreneurship and teaching innovation and improvement. Other of the fundamental aspects of this call is interaction of the CEI with the corporate, territorial and social environment by means of improvement of teaching and scientific aspects, better transfer in their specialization areas and general advance of the physical environment of the campus. The programme has promoted the alliance between knowledge agents, the specialization and internationalization of universities, helping to improve their competitiveness at national and international levels, and, especially, to their involvement in their business, territorial and social environment. In 2015, the assigned budget was €7,000,000, distributed between the 32 International Excellence Campuses in Spain, and three groupings of universities.
			- Institutional relationships:	The Ministry of Education, Culture and Sports keeps a close relationship to the Spanish Chamber of Commerce and is a member of its Plenary Committee, which is the main governing body of this instution, through its Department Technical General Secretariat. The main activities of this Chamber is focused on business creation, competitiveness, innovation, internationalisation, training, employment. Besides, it acts as a consultative organisation and collaborates with Public Administration regarding representation, promotion and defence of general interest of business, trade, navigation and services. It is especially noteworthy its participation on the EMCOSU project, New Forms of Cooperation between Universities and Industry, in February 2015, financed by the European Commission.
	3.2	Increase financing of results of public research institutions and universities, and adopt any measure to promote research and innovation in the private sector.	Measures for promoting research and innovation in the private sector.	• Promotion of Spanish SMBs as of Horizon2020: Consolidation of the system based on "labels of excellence" (SMB Horizon) that recognises and finances SMBs which have passed the Horizon 2020 assessment criteria (SMB instrument), but which have not received any financial support due to the lack of available funds. o Pilot call 2015 (July 2015). o Second call 2016 (May 2016). • CDTI: CIEN – Strategic Project to promote corporate collaboration, including SMBs and public research institutions (2016 call, July 2016). • Adhesion of CDTI to IF-NPI Equity Platform (authorised by the Board of Administration in September 2016). • CDTI: NEOTEC (call July 2016). This instrument is designed to support innovative companies and start-ups and has been redefined to offer more attractive conditions according to the needs of innovative companies. Loans have been replaced by subsidies. • CDTI: INNVIERTE is aimed at promoting corporate innovation by supporting venture capital and private equity initiatives. CDTI takes part in this programme as a promoter and shareholder. • Internal re-assignment of the 2016 CDTI budget (March 2016): 26 million euros have been assigned to increase non-reimbursable loans and to promote corporate investment in R&D. • Consolidation of the Programme for Business Growth (General Secretariat for Industry and SMBs, October 2016): o 2015 Pilot call (23 companies) o Call in (150 companies, October 2016)
			Increase funding based on results for public research organisations and universities.	• Severo Ochoa Programme and María de Maeztu Programmes to reinforce institutional funding based in results (2016 call, September) • Process of preparation of the National Plan for Scientific and Technical Research and Innovation 2017-2020, which started in July 2016. In September, relevant experts and stakeholders have been called to improve effectiveness and efficiency of existing funding instruments, in particular: o Technological Research and Development and implementation of measures to promote R&D investments in the private sector. o R&D based on results, innovation projects and research programmes for public research organizations and universities. Specific measures shall be introduced as a result of the work currently under development in the framework of the National Plan for Scientific and Technical Research and Innovation 2017-2020 (December 2016).
4. MARKET UNITY	4.1	Speed up implementation of the Market Unity Guarantee Act.	Market Unity Guarantee Act (LGUM as per its Spanish acronym)	The Market Unity Guarantee Act (LGUM) establishes a framework based on good regulation principles and efficiency at a national scope, and is in force since it was passed in December 2013. These principles must be applied, on one hand, to the new regulations that are to be implemented directly or indirectly to business activities. On the other hand, it may also be applied to existing regulations, at any government level. Any provision contrary to this Act must be removed. Besides, the amendment of the Common Administrative Procedure Act has added an specific evaluation to guarantee compliance with LGUM. The adaptation process is well developed: up to April 2016, the National Government had approved more than 100 regulatory instruments and Autonomous Region Governments, over 140. Additionally, the systems for inter-Administration cooperation established by the LGUM, as the Market Unity Council, the sector conferences or e-forms to promote exchange of information between central, regional and local administrations are fully operational. Finally, over 270 claims have been submitted by means of the specific mechanism for the settlement of disputes, which may be used by financial stakeholders when they consider that an action by a public authority contravenes the LGUM.
	4.2	Guarantee that modified provisions adopted for retail sector are applied throughout all Autonomous Regions.	Sector conferences Working groups for Retail that verify the reforms implemented by Regional Governments and legal action in the Constitutional Court.	Approval of new reforms at a regional level is promoted in sector conferences and technical work groups on retail. Additionally, legal provisions in force at a regional level shall be analysed and monitored in order to guarantee that Autonomous Regions comply with national laws. In those cases where regional regulations do not comply with national laws, a lawsuit may be submitted before the Constitutional Court. In general terms, the effect of submitting a lawsuit before the Constitutional Court is automatic suspension of the regional law and automatic replacement by the corresponding national law.
	4.3	Addressing the planned reform of professional services and associations.	Preliminary Draft Act on Professional Services and Associations.	All the technical aspects have been concluded. Once a new Government is constituted, the Preliminary Draft Act, with the previous approval of the Council of Ministers, shall be ready to be presented to the National Parliament.

10. Link between the Draft Budgetary Plan and the European growth and employment strategy

Table XX Link between the Draft Budgetary Plan and the European Strategy for Growth and Employment

National goals	List of measures	Description of link
Employment **Employment of 74% of persons aged 20-64** **Progress: 63.7% in 2T 2016.**	Increase of the employment rate as a consequence of a strong job creation trend has been the top priority of all employment policies. All applicable measures in this sense share this same goal, such as the following: * Strategy for Employment Activation 2014-2016. * Employment Policy Annual Plan. * Promotion of the Youth Guarantee System. * Extension of the Programme for Employment Activation * Extension of the PREPARA Programme Works for implementation of Common Service Catalogue * Implementation of the Reform of Vocational Training for Employment as per Act 30/2015. * Reduction of contributions to the Social Security in order to promote employment under open-ended contracts. * Improvement of labour mediation systems.	The Strategy for Employment Activation 2014-2016 increases efficiency of active policies by means of short and medium term planning and coordination, which serves as a backbone for individual strategies and employment services. Increases efficiency of employment policies inasmuch as compliance with pre-established goals is assessed and obtaining better results is incentivized by means of distribution of funds between Autonomous Regions. Increases efficiency of public employment services by means of regulation of contents and minimum requirements of those employment services considered basic to guarantee an appropriate service to users. Increases employability of the long-term unemployed inasmuch that it reinforces personalised assistance to the unemployed by the employment services and encourages an active job search on the part of the unemployed person. Increases and improves matching between offer and demand for employment, and is thus a tool to offset the atomised nature of the information managed by employment services and to take advance of the experience and efficiency of private employment agencies. Increase the rate of employment among the young, facilitating transition from studies, unemployment or inactivity to different forms of vocational training or to employment or self-employment. The National Youth Guarantee System, from ages 25 to 29, has an extraordinary nature, and shall be in force until the unemployment rate between ages 25 and 29 is below 20%. Such measures include additional benefits for Social Security contribution in order to promote open-ended contracts, internship contracts, training contracts, as well as part-time contracts to be held by students. Since their implantation in February 2014, 327,924 contracts have benefited from the
R&D **Investment of 2% of GDP** **Progress: 1.24% of GDP in 2014**	Spanish Strategy on Science, Technology and Innovation, 2013-2020, National Plan on Scientific and Technical Research and Innovation, 2013-2016	Promote private investment in R&D&I: the Growth, Competitiveness and Efficiency Plan includes specific financing tools; besides, significant tax incentives have been set in order to facilitate recruitment of researchers.
		Guarantee maximum efficiency and effectiveness of public resources assigned to R&D&I, with the creation of the National Research Agency and a new infrastructures map.
		Increase participation and collaboration with European partners through joint planning actions.
		Support quality in recruiting human resources. The research sector is a priority within public employment and, therefore, its replacement rate is 100%.
Reductions of emissions **-10% with respect to 2005** **Progress: -9.6% in 2014.**	Roadmap for Horizon 2020	43 measures aimed at reducing emissions in six different areas: residential, transport, agriculture and livestock, waste, F-gases and industry not subject to the emission allowance trading system.
	Carbon Footprint Label	Helps calculating and reducing carbon footprints in companies, and promotes the use of national carbon sinks.
	Climate Projects Programme	Reduction of emissions in diffuse sectors. Promotion of development of clean technologies.
	Environmental Promotion Plan	Reduction of emissions in diffuse sectors. Encouraging investment in energetic efficiency in the hospitality industry.
	Incentive Programme for Efficient Vehicles MOVELE Programme	Reduction of emissions in diffuse sectors. Improvement of air quality.
	Third phase of the emission allowance trading regime.	Pursuant to the common rules applicable to all Member States, 50% of emission rights are auctioned and the rest are assigned free of charge.
	National Plan for Adaptation to the Climate Change	Measures for 2015 shall be focused on coastline protection, national water resources and Natural Parks. Besides, environmental tax regime has been reinforced with the establishment of a new national tax on F-gases and the reorientation of fiscal policy, at an Autonomous Region level, towards environmentally damaging practices.
Renewable energy **20% of total energy consumption coming from renewable sources** **Progress: 16.17% in 2014.**	Indicative planning 2015--2020	Reduction of energetic dependence. Moderation of planned costs for compliance with the renewable energy target for the period 2014-2020. In particular, this planning guarantees that the renewable energy target is met by 2020.
	The electricity market reform passed by the Government continues to support renewable energies.	A new remuneration scheme based on participation on the installation market has been established and complemented by a specific compensation to ensure competition on equal terms with all other technologies. This reforms rewards a balanced and diversified mix, which considers the learning curve of these technologies.
Energy efficiency **reduction of primary energy consumption (European target of 20% savings with respect to 2005)** **Progress: 112.6 Mtep in 2014 (already below the primary energy consumption target established for 2020).**	National Plan for Energy Efficiency 2014-2020	Establishes a multi-annual strategy that defines the necessary actions and priorities for Spain to comply with savings targets.
	National Housing Plan 2013-2016	Contribute to complete buildings whose energy consumption is almost zero.
	PAREER (Subsidy Programme for Energy Rehabilitation of Existing Housing, as per its Spanish acronym)	Improvement of total energy rating of buildings.
	JESSICA Fund, denominated Investment Fund for Energy Saving and Diversification (FIDAE)	Improvement of energy intensity.

National goals	List of measures	Description of link
Early school dropout rate Rate of early school dropouts under 15% Progress: 19.97% in 2015.	Implementation of the reform for educational quality in primary education, compulsory secondary education, vocational training and baccalaureate	Measures for early detection of learning difficulties, minimisation of the risks of early school leaving and improving learning of key competences for academic progress and compensation measure (second chance measures).
	Plan for decreasing the number of early school leavers.	Establish strategic lines to be developed by each Autonomous Region in their specific plans and a system to assess progress and collect information on the measures which are being developed by all Education Administration.
	New educational path: Basic Vocational Training	It extends its contents with respect to the other vocational training courses in order to reinforce its focus on labour integration. This new educational path may be accessed without the need of completing the compulsory secondary studies, since it has been designed to guarantee an academic degree and allow for progress within the educational system.
Tertiary education Tertiary studies for 44% of persons aged 30-34 Progress: 40.9% in 2015.	Updating of the National Catalogue of Professional Qualifications	This shall allow adaptation of professional certificates and vocational training degrees to the needs of the labour market and the productive sectors. Thus, the implementation of the educative reform for vocational training and the extension of dual vocational training shall be facilitated.
	New incentives for companies who recruit young employees who are still in training.	Complements educational and research policies with Social Security benefits for those companies who accept interns or recruit young people in training, allowing them to enrich their educational background with paid professional experience.
Poverty Reduce in 1,400,000 the number of persons living in poverty or in a situation of social exclusion (with respect to 2009) Progress: 29% in 2014 In 2015, the population at risk of poverty or social exclusion (AROPE, in EU terms) has decreased by 0.6 p.p. (29.2% to 28.6%) according to data provided by the National Institute of Statistics (INE) in their 2015 Living Conditions Survey (ECV as per its Spanish acronym) compared to the 2014 Survey. This reflects a turning point from the recession years, when this rate continuously increased between 2009 and 2014.	Increase effectiveness of active employment policies and modernisation of public employment services.	Specific measures for the young and the long-term unemployed with insufficient resources.
	Implementation of the reform for education quality and other additional measures regarding employment and education policies.	Establish the goal of reducing school dropouts and facilitating to the young and unemployed access to a vocational training more focused on integration in the labour market.
	National Action Plan for Social Inclusion (PNAIN)	Coordination of measures aimed to guarantee active inclusion and support of especially vulnerable persons. In December 2015, the 2013-2016 PNAIN Monitoring and Assessment Mid-Term Report, which collects all progresses which, in compliance with the actions provided therein, have been made between 2013 and 2015, was published. The budget implemented in 2013 amounted to €34,219,133,332, and, according to estimates, to €35,255,239,206 in 2014 and to €35,639,709 in 2015. The aforementioned Mid-Term Report may be consulted in the following address: http://www.msssi.gob.es/ssi/familiasInfancia/inclusionSocial/inclusionSocialEspana/PNAin/docs/InformeSeguimientoEvaluacionPNAIN2013-16.pdf
	Youth Strategy 2020 and Action Plan for 2014-2016	Measures for the Promotion of Employment and Entrepreneurship among the Young
	Action Plan of the Spanish Disability Strategy 2012-2020	Measures to facilitate the access to the labour market of persons with disabilities, higher education and other goods and services.
	2014-2016 Operational Plan for the 2012-2020 National Strategy for Social Inclusion of the Spanish Roma people.	Measures to reinforce social inclusion of Roma people.
	Integral Plan for Family Support and 2013-2016 II National Strategic Plan for Children and Teenagers	Aimed at promotion of effective support services for children and families. Continuity of measure implementation is specially noteworthy.
	Strategic Plan for Lifelong Learning	Second chance measures related to adult education, in order to increase participation of adults in lifelong learning, improve their level of training and the key competencies of persons of a level considered as minimum according to European parameters. Promote improvement of appropriate high-quality capacities and competences among the adult population, focused on the results of learning, and promoting employability, innovation and active citizenship.
	2013-2016 Action Plan on Drugs	Facilitate reintegration in society by means of comprehensive education programmes and training and labour integration programmes.

11. Methodology, economic models and assumptions underlying the information contained in the Draft Budget.

The forecasts made on the evolution of the different macroeconomic variables in the described scenario have been carried out according to two different models. On the one hand, real-time models based on composite indicators or factorial structures in the very short term, mostly for the current quarter or the next one at most. Models of this kind include composite indicators of activity, supply and demand produced by the Ministry of Economy and Competitiveness, in addition to the factorial models FASE and ADEL developed within the Ministry. On the other hand, and often used as a contrast for the nearest quarters, equation models for short and long term prediction have been used, which incorporate cointegration relationships in vector error correction models. Therefore, a long-term equilibrium relationship is considered between economic variables and the existence of short-term imbalances, which are gradually corrected by partial adjustments included in the correction term.

The set of explanatory variables within these last equations includes indicators of the different macroeconomic scenario hypotheses described, indicators of credit evolution and a large set of auxiliary variables such as confidence indicators, labour market, etc. The extrapolation of the behaviour of these variables in the medium-term requires the use of additional single-equation models for predicting each component. The models are updated every quarter according to the national accounting data and the data from auxiliary variables.

To estimate the effects of the measures affecting public expenditure and revenue and structural reforms, the main tool used was the REMS model[11]. The REMS model is a general equilibrium model for the Spanish economy that uses a system of equations based on microeconomics, which includes a number of nominal and real rigidities and allows analysing their dynamic evolution over time with or without a structural change. It describes a small, open economy where households, companies, economic authorities and the external demand interact together. In the production factors market, physical capital and energy are traded in a perfectly competitive context. However, the labour market shows imperfections due to the existence of rigidities associated with the job search process.

[11] Boscá, J. E., Díaz, A., Doménech, R., Ferri, J., Pérez, El. y Puch, L. (2011) "A rational expectations model for simulation and policy evaluation of the Spanish economy", en Boscá, J.E., Doménech, R., Ferri y Varela, J. (Eds.) *The Spanish Economy: a General Equilibrium Perspective*, Palgrave Macmillan.

12. Expenditure on refugees

Table A.12.a Refugees. Classification of the expenditure by functions

	Impact on the headline balance - breakdown by functional categories (Million €)		
	2014	**2015**	**2016**
1. Initial reception costs*			
2. Transport (including rescue operations)			
3. Health-care			
4. Administrative costs (incl. processing applications for asylum)			4
5. Contributions to Turkey Facility (excluding through EU Budget)			153
6. Other costs and measures**			244
7. Total Impact on headline deficit			**401**
(7) = Σ(1..6)			

*Initial reception costs refer to the short-term costs arising from the arrival of refugees, such as those related to registration, shelter, food and subsistence allowances.
** Please provide in a note to the table information on what items the column "Other costs and measures" includes. Only the costs specifically related to the exceptional inflow of refugees in 2015 and 2016 should be considered. In geneal the column is expected to include the frontloading of integration focussed costs such as education, language courses and labour market measures as well as accommodation and social benefit payments.
Total annual impact (item 7) needs to equal the impact on the deficit in the respective years (before deducting EU compensations) as requested by the Member State.

Table A.12.b Refugees. Classification by ESA categories

	Impact on the headline balance - breakdown by ESA categories (Million €)		
	2014	**2015**	**2016**
1. Compesation of employees (D.1)			2
2. Intermediate consumption (P.2)			
3. Social payments (D.62, D.63)			
4. Subsidies (D.3)			
5. Gross fixed capital formation (P.51)			
6. Capital transfers (D.9)*			153
7. Other			246
8.Total impact on headline deficit (8) = Σ(1..7)			**401**
9. Compensation from UE			
10. Total impact on headline deficit net of EU contributions (10) = (8) - (9)			401
11.Total impact on headline deficit net of EU contributions (%GDP)			0.04

* Turkey Facility
Total annual impact (item 10) needs to equal the impact on the deficit in the respective year (after deducting EU compensations) requested by the Member State

13. Quarterly budgetary execution of the General Government and its sub-sectors.

Table A.13.1 Quarterly budgetary execution for the General Government and its subsectors

million € (acumulated) *Non consolidated data*	**2016**			
	T1	**T2**	**Up to July***	**T4**
Overall balance by subsector (6-7)				
1. General Government	19,607	-1,107	ND	
2. Central Government	9,496	-9,698	-28,585	
3. Regional Governments	1,741	24	10,180	
4. Local Governments	4,955	5,584	ND	
5. Social security	3,415	2,983	-4,474	
Total Administraciones Públicas S.13				
6. Total revenue	**195,131**	**372,255**	**ND**	
7. Total expenditure	**175,524**	**373,362**	**ND**	
Source: Ministry of Finance and Public Administrations.				

Table A.13.2 Quarterly budgetary execution for the Central Government

million € (acumulated) *Non consolidated data*	**2016**			
	T1	**T2**	**Up to July***	**T4**
Overall balance by subsector (6-7)				
1. General Government				
2. Central Government	9,496	-9,698	-28,585	
3. Regional Governments				
4. Local Governments				
5. Social security				
Central Government S.1311				
6. Total revenue	**77,118**	**126,962**	**154,355**	
7. Total expenditure	**67,622**	**136,660**	**182,940**	
Source: Ministry of Finance and Public Administrations.				

Table A.13.3 Quarterly budgetary execution for the Regional Governments

million € (acumulated) *Non consolidated data*	2016			
	T1	T2	Up to July*	T4
Overall balance by subsector (6-7)				
1. General Government				
2. Central Government				
3. Regional Governments	1,741	24	10,180	
4. Local Governments				
5. Social security				
Regional Governments S.1312				
6. Total revenue	**60,159**	**129,877**	**161,091**	
7. Total expenditure	**58,418**	**129,853**	**150,911**	
Source: Ministry of Finance and Public Administrations.				

Table A.13.4 Quarterly budgetary execution for the Local Governments

million € (acumulated) *Non consolidated data*	2016			
	T1	T2	Up to July*	T4
Overall balance by subsector (6-7)				
1. General Government				
2. Central Government				
3. Regional Governments				
4. Local Governments	4,955	5,584	ND	
5. Social security				
Local Governments S.1313				
6. Total revenue	**19,179**	**40,436**	**ND**	
7. Total expenditure	**14,224**	**34,852**	**ND**	
Source: Ministry of Finance and Public Administrations.				

Table A.13.5 Quarterly budgetary execution for the Social Security

million € (acumulated) *Non consolidated data*	2016			
	T1	T2	Up to July*	T4
Overall balance by subsector (6-7)				
1. General Government				
2. Central Government				
3. Regional Governments				
4. Local Governments				
5. Social security	3,415	2,983	-4,474	
Social Security S.1314				
6. Total revenue	**38,675**	**74,980**	**88,842**	
7. Total expenditure	**35,260**	**71,997**	**93,316**	
Source: Ministry of Finance and Public Administrations.				

14. Quarterly execution in national accounts basis of the General Government and its sub-sectors.

Table A.14.1 Quarterly budgetary execution in accordance with ESA standards for the General Government and its subsectors

million €	ESA Code	2016 Accumulated data			2016 *Non accumulated data*		
		T1	T2	Up to July*	T1	T2	Up to July*
Net lending (+) / net borrowing (-) (6-7)							
1. General Government	S.13	-8,171	-34,222	NA	-8,171	-26,051	NA
2. Central Government	S.1311	-9,098	-21,122	-29,750	-9,098	-12,024	-8,628
3. Regional Governments	S.1312	-1,438	-7,603	-830	-1,438	-6,165	6,773
4. Local Governments	S.1313	522	1,096	NA	522	574	NA
5. Social Security	S.1314	1,843	-6,593	-5,863	1,843	-8,436	730
General Government							
6. Total revenue	TR	**98,692**	**196,786**	**NA**	**98,692**	**98,094**	**NA**
Of which							
Taxes on production and imports	D.2	35,527	67,524	NA	35,527	31,997	NA
Current taxes on income, wealth, etc.	D.5	21,639	42,620	NA	21,639	20,981	NA
Capital taxes	D.91	1,331	3,417	NA	1,331	2,086	NA
Social contributions	D.61	33,263	67,492	NA	33,263	34,229	NA
Property income	D.4	2,032	3,327	NA	2,032	1,295	NA
Other [b]		4,900	12,406	NA	4,900	7,506	NA
7. Total expenditure	TE	**106,863**	**231,008**	**NA**	**106,863**	**124,145**	**NA**
Of which							
Compensation of employees	D.1	26,947	59,791	NA	26,947	32,844	NA
Intermediate consumption	P.2	13,816	27,844	NA	13,816	14,028	NA
Social transfers	D.62, D.632[c]	44,774	100,041	NA	44,774	55,267	NA
Interests expenditure	D.41	7,822	15,590	NA	7,822	7,768	NA
Subsidies	D.3	1,520	4,331	NA	1,520	2,811	NA
Gross capital formation	D.51	5,492	11,225	NA	5,492	5,733	NA
Capital transfers (includes financial assistance)	D.9	1,203	3,614	NA	1,203	2,411	NA
Other [d]		5,289	8,572	NA	5,289	3,283	NA

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .
[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay
[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.
* Consolidated and accumulated data for the General Government, Regional governments and Social Security Funds up to July
Source: Ministry of Finance and Public Administrations.

Table A.14.2 Central Government

million €	ESA Code	2016 Accumulated data			2016 *Non accumulated data*		
		T1	T2	Up to July*	T1	T2	Up to July*
Net lending (+) / net borrowing (-) (6-7)							
1. General Government	S.13						
2. Central Government	S.1311	-9,098	-21,122	-29,750	-9,098	-12,024	-8,628
3. Regional Governments	S.1312						
4. Local Governments	S.1313						
5. Social Security	S.1314						
Central Government S.1311							
6. Total revenue	TR	**44,333**	**85,949**	**101,794**	**44,333**	**41,616**	**15,845**
Of which							
Taxes on production and imports	D.2	26,722	48,875	55,264	26,722	22,153	6,389
Current taxes on income, wealth, etc.	D.5	10,937	21,958	26,609	10,937	11,021	4,651
Capital taxes	D.91	271	994	1,004	271	723	10
Social contributions	D.61	2,286	5,192	5,972	2,286	2,906	780
Property income	D.4	1,863	3,025	3,597	1,863	1,162	572
Other [b]		2,254	5,905	9,348	2,254	3,651	3,443
7. Total expenditure	TE	**53,431**	**107,071**	**131,544**	**53,431**	**53,640**	**24,473**
Of which							
Compensation of employees	D.1	5,108	11,797	13,655	5,108	6,689	1,858
Intermediate consumption	P.2	1,954	4,014	4,685	1,954	2,060	671
Social transfers	D.62, D.632[c]	3,700	8,796	10,118	3,700	5,096	1,322
Interests expenditure	D.41	7,122	14,184	16,666	7,122	7,062	2,482
Subsidies	D.3	255	1,714	1,821	255	1,459	107
Gross capital formation	D.51	1,612	3,255	3,865	1,612	1,643	610
Capital transfers (includes financial assistance)	D.9	1,050	3,168	3,615	1,050	2,118	447
Other [d]		32,630	60,143	77,119	32,630	27,513	16,976

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .
[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay
[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.
* Consolidated and accumulated data for the General Government, Regional governments and Social Security Funds up to July
Source: Ministry of Finance and Public Administrations.

Table A14.3. Regional Governments

million €	ESA Code	2016 Accumulated data			2016 *Non accumulated data*		
		T1	T2	Up to July*	T1	T2	Up to July*
Net lending (+) / net borrowing (-) (6-7)							
1. General Government	S.13						
2. Central Government	S.1311						
3. Regional Governments	S.1312	-1,438	-7,603	-830	-1,438	-6,165	6,773
4. Local Governments	S.1313						
5. Social Security	S.1314						
Regional Governments S.1312							
6. Total revenue	TR	**35,758**	**72,246**	**94,165**	**35,758**	**36,488**	**21,919**
Of which							
Taxes on production and imports	D.2	2,961	6,273	7,298	2,961	3,312	1,025
Current taxes on income, wealth, etc.	D.5	8,887	17,677	23,914	8,887	8,790	6,237
Capital taxes	D.91	505	1,106	1,319	505	601	213
Social contributions	D.61	79	162	193	79	83	31
Property income	D.4	79	221	259	79	142	38
Other [b]		23,247	46,807	61,182	23,247	23,560	14,375
7. Total expenditure	TE	**37,196**	**79,849**	**94,995**	**37,196**	**42,653**	**15,146**
Of which							
Compensation of employees	D.1	16,373	36,092	41,755	16,373	19,719	5,663
Intermediate consumption	P.2	6,859	13,769	15,962	6,859	6,910	2,193
Social transfers	D.62, D.632[c]	6,859	14,491	17,142	6,859	7,632	2,651
Interests expenditure	D.41	936	1,940	2,286	936	1,004	346
Subsidies	D.3	502	1,048	1,301	502	546	253
Gross capital formation	D.51	2,392	4,921	5,714	2,392	2,529	793
Capital transfers (includes financial assistance)	D.9	229	863	1,026	229	634	163
Other [d]		3,046	6,725	9,809	3,046	3,679	3,084

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .
[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay
[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.
* Consolidated and accumulated data for the General Government, Regional governments and Social Security Funds up to July
Source: Ministry of Finance and Public Administrations.

Table A14.4. Local Government

million €	ESA Code	2016 Accumulated data			2016 *Non accumulated data*		
		T1	T2	Up to July*	T1	T2	Up to July*
Net lending (+) / net borrowing (-) (6-7)							
1. General Government	S.13						
2. Central Government	S.1311						
3. Regional Governments	S.1312						
4. Local Governments	S.1313	522	1,096	NA	522	574	NA
5. Social Security	S.1314						
Local Government S.1313							
6. Total revenue	TR	**15,322**	**31,830**	**NA**	**15,322**	**16,508**	**NA**
Of which							
Taxes on production and imports	D.2	5,844	12,376	NA	5,844	6,532	NA
Current taxes on income, wealth, etc.	D.5	1,815	2,985	NA	1,815	1,170	NA
Capital taxes	D.91	555	1,317	NA	555	762	NA
Social contributions	D.61	53	113	NA	53	60	NA
Property income	D.4	96	225	NA	96	129	NA
Other [b]		6,959	14,814	NA	6,959	7,855	NA
7. Total expenditure	TE	**14,800**	**30,734**	**NA**	**14,800**	**15,934**	**NA**
Of which							
Compensation of employees	D.1	4,918	10,634	NA	4,918	5,716	NA
Intermediate consumption	P.2	4,746	9,546	NA	4,746	4,800	NA
Social transfers	D.62, D.632[c]	276	560	NA	276	284	NA
Interests expenditure	D.41	147	305	NA	147	158	NA
Subsidies	D.3	348	707	NA	348	359	NA
Gross capital formation	D.51	1,453	2,973	NA	1,453	1,520	NA
Capital transfers (includes financial assistance)	D.9	98	202	NA	98	104	NA
Other [d]		2,814	5,807	NA	2,814	2,993	NA

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .
[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay
[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.
* Consolidated and accumulated data for the General Government, Regional governments and Social Security Funds up to July
Source: Ministry of Finance and Public Administrations.

Table A.14.5 Social Security

million €	ESA Code	2016 Accumulated data			2016 *Non accumulated data*		
		T1	T2	Up to July*	T1	T2	Up to July*
Net lending (+) / net borrowing (-) (6-7)							
1. General Government	S.13						
2. Central Government	S.1311						
3. Regional Governments	S.1312						
4. Local Governments	S.1313						
5. Social Security	S.1314	1,843	-6,593	-5,863	1,843	-8,436	730
Social Security S.1314							
6. Total revenue	TR	**37,374**	**73,201**	**85,826**	**37,374**	**35,827**	**12,625**
Of which							
Taxes on production and imports	D.2	0	0	0	0	0	0
Current taxes on income, wealth, etc.	D.5	0	0	0	0	0	0
Capital taxes	D.91	0	0	0	0	0	0
Social contributions	D.61	30,845	62,025	72,473	30,845	31,180	10,448
Property income	D.4	377	695	788	377	318	93
Other [b]		6,152	10,481	12,565	6,152	4,329	2,084
7. Total expenditure	TE	**35,531**	**79,794**	**91,689**	**35,531**	**44,263**	**11,895**
Of which							
Compensation of employees	D.1	548	1,268	1,466	548	720	198
Intermediate consumption	P.2	257	515	603	257	258	88
Social transfers	D.62, D.632[c]	33,939	76,194	87,474	33,939	42,255	11,280
Interests expenditure	D.41	0	0	0	0	0	0
Subsidies	D.3	415	862	1,054	415	447	192
Gross capital formation	D.51	35	76	88	35	41	12
Capital transfers (includes financial assistance)	D.9	0	0	0	0	0	0
Other [d]		337	879	1,004	337	542	125

[b] P.11+P.12+P.131+D.39rec +D.7rec +D.9rec (other than D.91rec) .
[c] Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay
[d] D.29pay+D.4pay (other than D.41pay) +D.5pay+D.7pay+P.52+P.53+K.2+D.8.
* Consolidated and accumulated data for the General Government, Regional governments and Social Security Funds up to July
Source: Ministry of Finance and Public Administrations.