2015 DRAFT BUDGETARY PLAN

KINGDOM OF SPAIN

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1. INTRODUCTION

Since the end of 2011, the economic policy implemented in Spain has played a decisive role in the country's exit from the crisis, since it has corrected the macroeconomic imbalances of our economy while strengthening our competitiveness and potential for growth. Thus, in the second quarter of 2013, the Spanish economy started the path to economic recovery, with moderate growth recorded since then, putting an end to a deep and long-lasting recession.

This economic policy has been developed around two main axes: a fiscal policy whose objective is to place Spain's public finances once again on the path to budgetary stability and structural reforms as a key element in achieving long-lasting growth and fostering job creation.

Fiscal consolidation has been based both on measures to reduce expenditure and to improve the tax system efficiency, which has enabled a substantial reduction in the public deficit. Measured according to ESA 2010, public deficit excluding financial assistance has shifted from 8.9% of GDP in 2011 to 6.3% in 2013, therefore meeting the budgetary stability target approved by the General Courts for the fiscal period and fulfilling the commitment to the European Union of a maximum deficit of 6.5% of GDP.

This correction of the General Government deficit of 2.6 pp of GDP in two years represents a 31% decrease in the deficit compared to 2011. In addition, a continuous reduction in structural deficit has been recorded, attesting to the effective fiscal effort of the Spanish economy.

It should be borne in mind that this adjustment has been made under very adverse cyclical conditions, which involved a reduction in the tax base and the resulting reduction in public revenue as well as increases in compulsory expenditure, such as unemployment benefits and interests on public debt.

The achievement of such a considerable reduction in the public deficit in such an adverse economic environment has significantly bolstered the credibility of Spanish public finances. Furthermore, this has all been achieved while preserving the social protection system and paying special attention to correcting inequalities.

This achievement represents a shared fiscal effort among all government areas–as it cannot be otherwise–since Spain is the OECD country with the most decentralised spending (approximately 45% of total expenditure is managed by the Regional Governments). All the Public Administrations have faced up to their fiscal commitments, substantially improving their budgetary balances. This shared commitment at all levels of Government has made it possible for Spain to become the G-20 country that has made the greatest fiscal consolidation effort in terms of primary structural adjustment, as indicated by the IMF in the "Fiscal Monitor" report of April 2014.

In parallel with the public deficit reduction, the legal framework was reformed to guarantee fiscal discipline at all levels of Government and the sustainability of the social welfare system. The General Government fiscal governance rules have been significantly improved, institutionalising fiscal discipline and the transparency of economic-financial information. This is owed to the Organic Law for Budgetary Stability and Financial Sustainability, the launch of the Independent Authority for Fiscal Responsibility, the set of measures to fight the public administrations commercial arrears and the recent creation of the Economic and Financial Information Centre. Likewise, major reforms have been carried out to safeguard the welfare state, such as the revision of the pension system and the implementation of rationalisation measures that guarantee the sustainability and quality of essential public services.

The second axis of the economic policy consists of the structural reforms that have succeeded in increasing economic flexibility and competitiveness. Spain has launched a wide range of structural reforms that affect all economic sectors and that may be grouped into five main areas: differentiated and growth promoting fiscal consolidation ; the restoration of the economy's normal financing conditions; the fostering of growth and competitiveness; the fight against unemployment and the social consequences of the crisis; and the modernisation of Public Administrations. These reforms initiated a process of price adjustment –through the stimulation of markets and competition–that allowed the reallocation of production factors.

It is worth mentioning in particular the financial system reform, that was carried out within the framework of the EU financial assistance programme and has involved the introduction of a wide range of measures: the identification of the undercapitalised entities and their recapitalisation, the segregation of certain real estate assets from the bank balances and their integration into SAREB (Company for the Management of Assets Proceeding from Restructuring of the Banking System), the restructuring of the entities that have received public financial support and the strengthening of the regulatory framework and the monitoring of the system. This approach achieved a more solid, secure financial system, better positioned to support recovery since financial stability and investor confidence have been restored, as was pointed out by the IMF.

In conclusion, the implementation of a fiscal policy geared towards fiscal consolidation and a significant structural reform package have provided a solid foundation for economic recovery so that it will be both sustainable and long-lasting.

Therefore, the drafting of all Public Administrations' budgets for the next fiscal period is framed within a more favourable national economic context. However, we must not lose sight of the still-visible consequences of the crisis, nor the risks associated with a slow-down of the economic recovery of our European partners. Progress should therefore continue in terms of consolidating and hastening economic growth and especially in the creation of jobs.

With this goal in mind, the Spanish Public Administrations have drawn up their draft budgets and their main parameters for 2015, the contents of which are analysed in depth in the present document.

The analysis of the budgets leads to the conclusion that the fiscal policy continues to aim for budgetary stability, seeking to increase efficiency in revenue and expenditure while intensifying the structural reforms already under way with special focus on promoting employment, access to financing for businesses– particularly SMEs–, energy market efficiency and sustainability, the drive towards market unity, and the reform of Public Administrations.

Finally, it is worth noting that this year's report incorporates additional information in compliance with the requirements established for the Member States within the framework of the excessive deficit procedure, as set forth in 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 Eurozone. Detailed supplementary information is therefore presented on the budgetary implementation of the General Government and its sub-sectors.

2. THE MACROECONOMIC SCENARIO 2014-2015

The macroeconomic scenario described below constitutes the basis for the 2015 General State Budgets and has been endorsed by the Independent Fiscal Responsibility Authority (AIREF), which for the first time has evaluated the Government's macroeconomic forecasts, according to Article 14 of Organic Law 6/2013 of 14 November and Article 4 of Council Directive 2011/85/EU of 8 November 2011 on Member States requirements for budgetary frameworks. After its evaluation, the forecasts have been qualified as likely by the AIREF and the Authority has made a series of recommendations that the Government will take into account.

This macroeconomic scenario reflects the prolonged recovery of the Spanish economy, which started in the third quarter of 2013 and has gradually intensified, with real GDP increasing by 0.6% qoq in the second quarter of 2014. The recovery comes about in a context of financial market stability which, despite a slowdown in the euro zone, has enabled a sharp decline in the risk premia and a rise in the stock market index.

Table 0.i Basic assumptions

% change over the same period of previous year, unless otherwise indicated			
	2013	2014	2015
World demand (% change)			
World GDP	3.2	3.3	3.9
Eurozone GDP	-0.4	0.9	1.6
Spain markets	2	2.9	4.3
Exchange rate			
USD/€	1.33	1.35	1.3
% Appreciation (+) or depreciation (-)	3.3	1.5	-3.7
Oil prices (Brent)			
USD/barrel	108.7	106.2	104.1
% change	-2.7	-2.3	2.0
€/barrel	81.7	78.6	79.5
% change	-5.9	-3.8	1.0
Interest rate			
Short term (3-month euribor)	0.2	0.2	0.2
Long term (10-year debt, Spain)	4.6	2.8	2.6
Sources: International Monetary Fund, European Central Bank, European Commission, Bank of Spain and Ministry of Economy and Competitiveness			

The hypotheses underlying the macroeconomic scenario indicate growth in export markets; a continuation on the gradual depreciation path of the euro relative to the dollar, observed since the second quarter of 2014; a drop in oil prices in dollars; certain stability, at lower levels, of the short-term interest rates; and a slight reduction in the long term interest rates, due in part to greater confidence of international investors in the Spanish economy.

Towards the end of September, the National Statistics Institute incorporated the

European System of National and Regional Accounts (ESA 2010) methodology into the Spanish National Accounts through a procedure involving the change of the accounting base. This has implied a retrospective review of the GDP series and of its main components, which has in turn affected both nominal and real GDP levels.

Table 1.a Macroeconomic Prospects

Chained Volume Indices, year 2010=100, unless otherwise indicated					
	ESA Code	2013	2013	2014	2015
		Level	% change		
1. Real GDP	B1*g	96.1	-1.2	1.3	2.0
2. Potential GDP			-0.3	-0.2	-0.2
contributions:					
Labour			-1.0	-1.0	-1.1
Capital			0.2	0.2	0.3
Total Factor Productivity			0.6	0.6	0.7
3. Nominal GDP (billion euros)	B1*g	1,049.2	-0.6	1.4	2.7
Components of real GDP					
4. Private final consumption expenditure	P.3	92.9	-2.3	2.0	2.1
5. Government final consumption expenditure	P.3	93.3	-2.9	0.2	-1.0
6. Gross fixed capital formation	P.51	82.9	-3.8	1.5	4.5
7. Change in inventories (% of GDP)	P.52 + P.53	74.3	-2.2	1.0	0.0
8. Exports of goods and services	P.6	113.3	4.3	3.6	5.2
9. Imports of goods and services	P.7	92.5	-0.5	4.4	5.0
Contributions to real GDP growth					
10. Final domestic demand			-2.7	1.4	1.8
11. Change in inventories	P.52 + P.53		0.0	0.0	0.0
12. External balance	B.11		1.4	-0.1	0.2
Sources: National Statistics Institute and Ministry of Economy and Competitiveness					

The macroeconomic scenario 2014-2015, based on the new ESA 2010, shows the consolidation of the recovery process for the Spanish economy that begun last year in line with the forecasts of the majority of international organisations. Thus the previously predicted GDP growth rates for 2014 and 2015 were revised upwards by one-tenth and two-tenths over the Stability Programme (PE) estimates, up to 1.3% and 2% respectively. After this revision, Spain will register a positive growth differential with respect to the euro zone for the first time since the start of the crisis and for the next two years. According to the European Central Bank estimates, the Eurozone will grow at 0.9% in 2014 and at 1.6% in 2015.

Such a scenario is essentially based on job creation, the rising trend in consumer and business confidence, price and wage moderation, the gradual improvement in financial conditions for companies and households and the strengthening of the exporting sector.

As regards growth composition, domestic demand is expected to show steady gains, with contributions to GDP growth of 1.4 and 1.8 pp in 2014 and 2015 respectively, after six years of negative contributions (-2.7 pp in 2013). In terms of net exports, in 2014 the external sector will detract one-tenth of a percentage point of GDP growth, while for 2015 a growth pattern adjustment is predicted, with positive contributions of domestic demand and also of external demand (0.2 pp).

The main contributors to domestic demand growth are private consumption and investment in capital goods, both boosted by positive performance in employment rates, improved confidence, low interest rates and the tax reform.

Therefore, an increase of private consumption is expected in 2014 (2%) and in 2015 (2.1%) triggered by the recovery of employment as well as by the foreseeable increase in household disposable income, in a context of moderate inflation rates and lower Personal Income Tax as from next year.

Public consumption will slightly increase in 2014 by 0.2% after several consecutive years of decline (-2.9% in 2013), largely attributable to developments in employments in education and intermediate consumption in the first half of the year. In 2015, the downward trend of public consumption will resume, as the process of fiscal consolidation continues, in line with the commitment to reduce public deficit on time and by the amount agreed and with the need for a solid growth strategy.

With respect to gross fixed capital formation, an increase of 1.5% and 4.5% is expected for 2014 and 2015 respectively, driven both by an upturn in investment in capital goods (7% in 2014 and 6% in 2015) as well as a moderation in the rate of decline in construction investment in 2014 and its increase in 2015.

As far as the external demand is concerned, the positive momentum of exports is expected to continue, climbing next year to 5.2% (3.6% in 2014), driven both by a depreciation of the exchange rate and steady competitiveness gains attributable to favourable developments in unit labour costs. Imports will experience a 4.4% growth in 2014 and 5% in 2015, in line with buoyant domestic demand in the context of recovery in terms of both private consumption and business investment.

Against this backdrop, a current account surplus of 0.9% of GDP in 2014 and 1.1% in 2015 will be recorded and our economy will increase its net lending to the rest of the world, 1.5% of the GDP this year and 1.7% the next. Thus the process of correcting external imbalances will be strengthened, providing a solid foundation for growth.

In terms of prices, the GDP deflator will develop in line with the private consumption deflator, with both indicators maintaining reduced growth rates in the forecast period, especially in 2014. This will be due, among other factors, to the slowdown in wage costs, which will continue to drive domestic demand and exports. Thus, to draw up the Draft Budget 2015, both deflators growth rates were revised downward in 2014 and 2015 from those published in the Stability Programme. Nevertheless, the progressive recovery in consumption and the slowing decline of unit labour costs will enable modest increases in inflation starting in the final months of this year.

Table 1.b Price developments

	ESA Code	2013	2013	2014	2015
		Level	% change		
1. GDP deflator		101.0	0.7	0.1	0.6
2. Private consumption deflator (*)		106.1	0.9	0.2	0.6
3. Public consumption deflator		98.8	1.7	0.0	0.3
4. Gross fixed capital formation deflator		94.2	-3.1	-0.8	0.8
5. Export price deflator (goods and services)		105.9	-0.8	-1.1	0.9
6. Import price deflator (goods and services)		110.1	-2.2	-1.6	0.9

(*)It includes househols and non-profit institutions serving households

Sources: National Statistics Institute and Ministry of Economy and Competitiveness

Within this context of economic improvement, jobs will be created both this year and next (0.7% and 1.4% job growth respectively in full-time equivalent positions). This trend combined with the evolution of the labour force will pave the way for reducing the unemployment rate by 1.4 points in 2014, bringing it to 24.7% and almost two additional points in 2015 to 22.9%, a one-tenth and four-tenths respective decline over the estimated figures of the Stability Programme. In terms of the Labour Force Survey (LFS), more than 620,000 jobs will be created in 2014 and 2015 and the unemployment rate will decrease from 25.7% in the final quarter of 2013 to 22.2% in the same quarter of 2015.

Table 1.c Labour Market Developments (*)

	ESA Code	2013	2013	2014	2015
		Level	% change		
1. Total employed people (full-time equivalent, millions)		16.4	-3.3	0.7	1.4
2. Unemployment rate (% of active population)			26.1	24.7	22.9
3. Labour productivity per employee (thousands of euros)		63.5	2.1	0.6	0.7
4. Wage compensation (thousands of millions of euros)	D.1	490.3	-2.3	1.4	2.4
5. Wage compensation per employee (thousands of euros) (**)		35.1	1.7	0.8	1.0

(*) Data in National account basis, except for unemployment rate.

(**) Wage compensation per employee, full-time equivalent.

Sources: National Statistics Institute and Ministry of Economy and Competitiveness

Table 1.d Sectoral balances

	ESA Code	2013	2014	2015
		% GDP		
1. Net lending (+)/ borrowing (-) vis-à-vis the world	B.9	2.1	1.5	1.7
Balance on goods and services		3.4	3.4	3.5
Balance of primary incomes and current transfers		-2.0	-2.5	-2.5
Net Capital transactions		0.7	0.7	0.7
2. Net lending (+) /Net borrowing (-) of the private sector	B.9	8.9	7.1	5.9
3. Net lending (+) /Net borrowing (-) of general government*	B.9	-6.8	-5.5	-4.2

(*) 2013 data include financial assistance (-6.3% without financial assistance).

Sources: National Statistics Institute and Ministry of Economy and Competitiveness

Table 2.a presents the estimated potential growth of the Spanish economy and the contributions of its main components together with the forecasts for GDP main components, applying the production function methodology used by the European Commission (EC) and agreed by the Output Gap Working Group (OGWG).

As can be seen in Table 2.a, the potential GDP is reduced in 2014 and 2015 by 0.2%, one-tenth less than in 2013. This can be explained by the detraction of labour factor, which is partially offset by the positive contributions of the Total Factor Productivity (TFP) and capital. Potential GDP stabilizes in 2016 and it begins to grow in 2017 driven by a less negative labour factor contribution to the Potential GDP growth and a slight improvement in the capital contribution. Consequently, in 2013 the output gap hits the maximum difference between the potential and real GDP, which gradually tapers off starting in 2014 before reaching -1.4% by the end of the forecast period.

Based on these calculations of the output gap, the forecast path of the public-sector deficit has been split into both its cyclical and its cyclically-adjusted components. As can be seen in Table 2.a, the cyclically adjusted balance converges towards equilibrium throughout the forecast period, reaching -0.4% of GDP in 2017. In the present Draft Budgetary Plan, the new structural balances have been applied and the aggregate structural effort between 2013 and 2015 reaches 2.1 pp of GDP, compared to 2.7 pp in the Stability Programme. Nonetheless, it should be pointed out that most of the effort required would have been made between 2012 and 2013, where the cumulated structural effort reaches 4.2 pp of GDP. This frontloaded fiscal effort in the first years has set the stage for restoring confidence more quickly. The total cumulated effort from 2012 until 2015 is 4.7 pp compared to 4.9 pp for the Stability Programme. The fact that there has already been a primary structural surplus since 2012 reflects the change in the fiscal policy stance since then.

To analyse this reduction of the structural effort, it is worth mentioning that both the cyclical balance and the output gap have experienced a change over the forecast period included in the Stability Programme. The output gap is reduced in absolute value as a result of the change in the System of National Accounts, which on the one hand increases the wage income share in GDP and consequently also increases the NAWRU (non-accelerating wage rate of unemployment) towards the end of the period with respect to the forecast of the Stability Programme. On the other hand, according to the new National Accounts, the 2012 recession was more intense (GDP fell 2.1% compared to 1.6% with the previous base) and started in 2011 (which now records a decrease of 0.6% compared to the 0.1% increase before). Therefore, the growth in potential GDP is reduced by both changes which, combined with a slightly upwards revision in the GDP forecast, reduce the output gap at a faster rate than that of the Stability Programme.

The most intense reduction in the output gap alone produces by itself greater variation in the cyclical balance. Furthermore, the effect of the change in the cyclical balances –due in large part to the new base – is added to the change in semi-elasticity from 0.48 to 0.54. As a result, in this Draft Budget, a greater variation in the cyclical balance is produced from one year to the next, compared to that included in the Stability Programme.

Since the observed balances are not modified with respect to the Stability Programme, it results in less variation in the structural balance, i.e. a structural effort that is seemingly lower than the one stated in the Stability Programme. As argued, this change can mostly be explained by the replacement of the System of National Accounts, the change to the new base 2010 and a higher semi-elasticity estimate, all of which are factors that are outside of the Government's control and cannot be considered to represent a change in the fiscal policy stance. Finally, the difference in one-off measures completes the explanation of the lower structural change.

Table 2a General Government budgetary targets broken down by subsectors

	Código ESA	2014	2015	2016	2017
Net lending (+)/ borrowing (-) by subsector in % of GDP					
1. General Government*	S.13	**-5.5**	**-4.2**	**-2.8**	**-1.1**
2. Central Administration	S.1311	-3.5	-2.9	-2.2	-1.1
3. Autonomous Communities	S.1312	-1.0	-0.7	-0.3	0.0
4. Local Authorities	S.1313	0.0	0.0	0.0	0.0
5. Social Security	S.1314	-1.0	-0.6	-0.3	0.0
General Government (S.13) (% GDP)					
6. Interests	D.41	3.3	3.4	3.4	3.4
7. Primary balance		-2.2	-0.8	0.6	2.3
8. One-off and other temporary measures (**)		-0.4	-0.2	0.0	0.0
of which financial assistance		-0.1	0.0	0.0	0.0
9. Real GDP (% change)		1.3	2.0	2.5	3.0
10. Potential GDP (% change)		-0.2	-0.2	0.0	0.3
Contributions:					
Labour		-1.0	-1.1	-1.1	-1.0
Capital		0.2	0.3	0.4	0.5
Total factor productivity		0.6	0.7	0.8	0.8
11. Output gap		-8.5	-6.5	-4.1	-1.4
12. Cyclical balance		-4.6	-3.5	-2.2	-0.8
13. Cyclically adjusted balance (1-12)*		-1.0	-0.7	-0.6	-0.4
14. Cyclically adjusted primary balance (13+6)		2.3	2.7	2.8	3.0
15. Structural balance (13-8)		-0.6	-0.5	-0.6	-0.4
16. Structural primary balance (15+6)		2.7	2.9	2.8	3.0

(*) It does not include financial assistance

(**) A positive sign corresponds to a deficit reduction measure

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

The adjustment measure based on the structural effort is complemented by the discretionary fiscal effort indicator, proposed by the European Commission in its 2013 Report on Public Finances, since the structural effort estimate has a tendency to underestimate the real effort made in budgetary consolidation. This indicator reflects a greater fiscal effort in the 2014-2017 period –an increase of 0.4 to 0.5 pp of GDP annually– amounting to 1.5 points between 2013 and 2015 and to 2.4 points if the period is extended to 2017.

Table 2.b Discretionary Fiscal Effort Indicator

	2013	2014	2015	2016	2017
Nominal GDP (bn€)	1,049.2	1,064.3	1,092.8	1,133.7	1,184.0
Discretionary revenues	17.8	8.2	3.2	0.6	1.6
Total expenditure	464.8	464.3	465.7	468.3	471.1
Interest expenditure	34.2	35.4	36.9	38.6	40.3
Unemployment expenditure	29.8	25.5	25.0	24.4	23.3
Expenditure excluding interest and unemployment (E)	400.8	403.5	403.8	405.3	407.5
Change in E		2.7	0.3	1.5	2.2
Reference rate	1.4	1.1	1.1	1.2	1.4
Financial assistance one-offs and other expenditure one-offs	4.9	1.2	1.0	0.0	0.0
Change in E without one-offs		6.4	0.5	2.5	2.2
Discretionary fiscal effort indicator *(% GDP)*		**0.42**	**0.44**	**0.46**	**0.50**
Discretionary fiscal effort indicator (1) *(% GDP)*		**0.43**	**0.44**	**0.46**	**0.50**

(1) Excluding financial assistance

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

The forecast of the evolution of public debt has improved with respect to the Stability Programme as shown in Table 2c. Public debt peaks at 100.3% of GDP in 2015, with a decline starting from 2016 until settling below 98% in 2017.

Table 2.c General Government debt developments

	ESA Code	2014	2015	2016	2017
1. Gross debt[a]		97.6	100.3	100.2	97.9
2. Change in gross debt		8.4	7.5	5.6	3.7
Contributions to change in gross debt					
3. Primary balance (= Table 2a.7)		-2.2	-0.8	0.6	2.3
4. Interests (= Table 2a.6)	D.41	3.3	3.4	3.4	3.4
5. Stock-flow adjustment		1.2	1.1	0.7	0.9
p.m.:Implicit interest rate on debt		3.7	3.6	3.5	3.5

[a] As defined in Regulation 479/2009

Source: Ministry of Economy and Competitiveness

3. THE 2015 DRAFT BUDGETS AND THE STABILITY PROGRAMME

The draft budgets for the different sub-sectors of the Spanish General Government presented in this report are aligned with the medium-term fiscal strategy set forth in the updated Stability Programme Update for 2014-2017, in compliance with the provisions of Article 10 of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

The design of the fiscal strategy set out in the Stability Programme stems from the significant reduction in public deficit achieved in prior fiscal periods. In effect, the overall public sector deficit, excluding assistance to the financial sector and measured according to ESA 2010, was reduced by 2.6 GDP points, from 8.9% of GDP in 2011 to 6.3% in 2013, representing a 31% reduction.

Nevertheless, further public deficit reduction was necessary, not only to fulfil our commitment at the EU level, but to place the public finances on the path to budgetary stability, in the belief that it is essential for achieving long-lasting growth and promoting job creation. Therefore, the Stability Programme remained committed to fiscal consolidation, setting forth public deficit targets that fulfil the European Council Recommendations addressed to Spain.

Against this backdrop and with the objectives of better balancing fiscal consolidation efforts in the medium and long term and strengthening the credibility of the consolidation process, the Government decided to speed up the pace of fiscal consolidation in 2014, lowering the deficit target to 5.5% of GDP. This represents three-tenths of a point lower than the requirements of ECOFIN Council of July 2013, which set the intermediate targets at 5.8% in 2014, 4.2% in 2015 and 2.8% in 2016.

This new budgetary target is feasible, thanks to the decreased expenditure in interest payments on public debt compared to initial forecasts, which can be explained by the gradual restoration of financial market confidence, as well as to a reduction in expenditure in unemployment benefits resulting from labour market improvements. The additional effort required to fulfil the new budgetary target falls on the Central Government and the Social Security while the stability targets of both the Autonomous Communities and Local Governments remain the same.

The budgetary stability targets for the General Government and each sub-sector have been defined according to the adjustment path set forth in the Stability Programme. These targets were approved by the Council of Ministers on 27 June 2014, following a report from the Council for Fiscal and Financial Policy and the National Committee of Local Administrations, as set forth in Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability. These targets were then approved by Congress and Senate on 8 and 9 July respectively.

Table 3 Comparison of consolidation paths

% GDP

Net lending (+)/ borrowing (-) objective of the General Government	2014	2015	2016	2017
EU Council recommendation	-5.8	-4.2	-2.8	n.a.
Stability Programme	-5.5	-4.2	-2.8	-1.1
Budgetary Plan	-5.5	-4.2	-2.8	-1.1

Table 4 Budgetary targets by sub-sector

% GDP	2014	2015	2016	2017
Central Administration	-3.5	-2.9	-2.2	-1.1
Social Security	-1.0	-0.6	-0.3	0.0
Autonomous Communities	-1.0	-0.7	-0.3	0.0
Local Authorities	0.0	0.0	0.0	0.0
General Government	**-5.5**	**-4.2**	**-2.8**	**-1.1**

It should also be noted that since the Stability Programme update, the Government has revised the expected macroeconomic scenario. This revision was presented together with the General State Draft Budget for 2015. The forecasts for real GDP growth in 2014 and 2015 have been slightly increased as a result of the favourable evolution of the main indicators, specifically job creation, financial conditions for companies and households and the dynamism of the export market.

This revision is in line with the recent decisions of international organisations, which have revised downwards their forecasts for the Eurozone while the outlook for the Spanish economy has been slightly increased for both 2014 and 2015. Consequently, the forecasts approved by the Government can be considered cautious and realistic.

This macroeconomic scenario that accompanies the General State Budget for 2015 has been endorsed by the Independent Fiscal Responsibility Authority (AIREF), which has rated the forecasts as likely and has made a series of recommendations that the Government will take into account.

Table 5 Comparison of the macroeconomic scenario

% change, unless otherwise indicated	2014		2015	
	Stability Programme	State General Budgets	Stability Programme	State General Budgets
Real GDP	1.2	1.3	1.8	2.0
Domestic Demand (contribution to growth)	0.7	1.4	1.2	1.8
External balance (contribution to growth)	0.6	-0.1	0.5	0.2
Employment creation	0.6	0.7	1.2	1.4
Unemployment rate (% of active population)	24.9	24.7	23.3	22.9

As can be seen in Table 5, real GDP growth has been revised upwards by barely one-tenth in 2014 and two-tenths in 2015. The main change is seen in growth composition, since the new macroeconomic scenario shows a revitalisation in domestic demand, which will contribute to a greater extent to economic growth.

This behaviour can be explained, on the one hand, by a greater increase in private consumption owed to the following developments: recovery in employment, greater consumer confidence, an increase in the disposable income of families–which will be positively affected by the tax reform–, an increase in real estate wealth, and low interest rates. On the other hand, business investment is on the rise, partly due to the improved business climate and expectations and the recovery of domestic demand and foreign purchasing.

External demand will diminish growth by one-tenth in 2014 but an adjustment can be expected in 2015, when it will once again contribute positively to growth. This can be explained by the recovery in European economies and a depreciation of the exchange rate that will drive exports growth above imports growth.

In this context and given the recent labour-market development, increased job creation is expected as well as a slightly greater reduction in the unemployment rate.

In general, it has not been necessary to include additional measures in the draft budget for 2015 additional to the ones already included in the Stability Programme, considering that the deficit targets are identical to the ones used to define the medium-term fiscal strategy and bearing in mind the favourable economic climate which is predicted to continue in coming years.

The following sections present an analysis of the main actions of each sub-sector of the Spanish General Government contemplated in their draft budgetary plans.

4. THE CENTRAL GOVERNMENT DRAFT BUDGET

4.1 The General State Draft Budget for 2015[1]

On 27 June 2014, the Council of Ministers approved the non-financial spending limits for the 2015 General State Budget, in line with the deficit target set for this sub-sector (2.9% of GDP). Non-financial spending for the State is set at 129,060 million euros, representing a 4,200 million euro decrease with respect to the 2014 budget, or 3.2%.

The General State Draft Budget for 2015 was approved by the Council of Ministers on 26 September 2014 and was submitted to Congress on 30 September 2014.

The economic policy implemented until now is based on a combination of fiscal consolidation and structural reforms, which have enabled the General State Budgets for 2015 to be drafted within a more favourable national economic context compared to prior fiscal periods. However, progress must continue in terms of consolidating and accelerating economic growth, especially as regards job creation.

The results obtained together with the restored confidence of our European partners, of international institutions and financial markets as well as the significant improvement in the economic conditions reveal the need to continue with these policies as essential elements of the General State Budget for 2015, constituting both its foundation and guiding principle.

Hence this can be considered a budget in line with that of last year, whose overriding concern continues to be fiscal consolidation and compliance with budgetary targets. At the same time, it incorporates elements s to support and promote growth and job creation while seeking maximum efficiency in resource allocation and the optimisation of EU funds allocation. In addition, the budget incorporates the effect of the tax reform that will increase the income of families, which will boost domestic consumption. And, also, efforts in the field of structural reforms will continue.

The General State Budget for 2015 are characterised by two main elements, the tax reform and the Plan of Measures to Promote Growth, Competitiveness and Efficiency (CRECE Plan).

The fiscal policy is therefore geared towards achieving an adequate combination of revenue and expenditure that fosters growth and that enables the continuity of social protection while fighting against the inequalities generated by the crisis. Thus, the objective is to increase the efficiency of the budget so that conditions conducive to investment, production and employment are generated while fulfilling the commitment to reducing public deficit. The tax reform in this sense plays a crucial role in closing the fiscal gap in labour income, increasing consumption and investment, encouraging the capitalisation of businesses and improving the competitiveness of the economy.

[1] http://www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/ProyectoPGE/Paginas/ProyectoPGE2015.aspx

As to expenditure, the General State Budget for 2015 increase the efficiency of public expenditure, aligning the objectives of the budget with the new EU Multiannual Financial Framework for 2014-2020. Thus the planning and execution of investments are carried out while maximising the EU funds allocation and exploiting new available funding mechanisms in this new period, such as the use of financial instruments and the inclusion of the private sector.

This is the approach used in the recently approved Plan of Measures to Promote Growth, Competitiveness and Employment (CRECE Plan), which contemplates a total of 40 different measures.

On the one hand, regulation conducive to investment, competitiveness and growth is strengthened. On the other hand, investments are concentrated in key sectors with a spill-over effect onto the Spanish economy as a whole to create incentives for private investment. Furthermore, this approach maintains a constant compatibility with fiscal consolidation since it optimises the use of available public resources and seeks to maximise EU funds.

4.1.1 Revenue of the Draft Budget 2015

In 2015 an ambitious tax reform will enter into force which includes changes to the main taxes that comprise the Spanish tax system. The main objective is to drive economic growth and stimulate job creation in addition to creating a fair tax system with a more significant tax reduction for taxpayers with fewer resources and with social benefits for the most vulnerable groups.

The reform reduces and distributes the fiscal burden of direct taxation, placing more disposable income in the hands of families, encouraging saving and investment and improving the competitiveness of Spanish companies.

The budget revenues are framed within the context of increased economic growth and higher tax bases for the main taxes, leading to greater tax collection. Gains are expected in nominal domestic demand, with higher growth in consumption, implying an increase in final expenditure subject to VAT, after years of steady falls.

Likewise, the consumption of specific products subject to excise duties will undergo an increase in 2015, given the global recovery in consumption. Labour income will also record better performance than in prior years, owing both to the increase in wage labour and the slight recovery predicted in average compensation. Within the context of greater dynamism of economic activity, higher growth is predicted for corporate profits compared to 2014.

The measures contemplated by the tax reform will have a lasting impact in coming years, although they will begin to take effect in 2015 through lower withholdings and payments in instalment in personal income tax, corporate income tax, and non-resident income tax.

These measures are combined with others that have already been launched within the area of taxation and outside of it, to foster business competitiveness, such as the establishment of a flat-rate for social security contributions that encourages a reduction in the tax wedge and employment growth. Conversely, further generalised VAT increases are deemed unnecessary as they would be counterproductive to the objective of increased consumption.

All these elements will entail an increase in tax revenue in 2015 of 5.4% with respect to the revenue forecast from the 2014 fiscal year.

Table 6 State revenue forecast

millions of euros

	2014 Budget (1)	2014 Revenue forecast (2)	2015 Budget (3)	Change (3-1) (%)	Change (3-2) (%)
1. Tax revenues	179,749	176,627	186,112	3.5	5.4
2. Tax transfers to territorial administrations	72,337	71,858	72,276	-0.1	0.6
3. Total State tax revenues	**107,413**	**104,769**	**113,836**	**6.0**	**8.7**
4. Other revenues	20,747	25,034	19,876	-4.2	-20.6
5. Total State non-financial revenues (3+4)	**128,159**	**129,803**	**133,712**	**4.3**	**3.0**

Tax revenues in 2015 are expected to reach 186,112 million euros, which represents a 5.4% increase compared to the revenue forecast for 2014, due to the effect of lowered taxes together with the growth in tax bases.

Non-tax revenues in 2015 reached 19,876 million euros, 20.6% less than the estimated tax collection for 2014. This decrease can be explained by the drop in income due to differences between the redemption value and issuance value of public bonds, which will be partially offset by the growth of transfers coming from the regional governments and the European Union. Nevertheless, income due to differences between the redemption value and issuance value of public bonds only serve to reflect the financial impact of public debt in the budget and do not affect the public deficit since they are subject to an adjustment in national accounts basis.

Revenues of the State Budget for 2015 will increase to 133,712 million, 3,909 million more than the Revenue forecast for 2014, representing a 3% increase.

4.1.2 Expenditure of the Draft Budget 2015

In terms of expenditure, the aim is to improve expenditure efficiency, investing in areas that lend greater growth returns and incorporating European funds of the new Multiannual Financial Framework 2014-2020 into the targets contemplated in the budget.

To this end, the targets sought by the State budget have been aligned with those established by the new European framework, since both aim to promote growth and job creation. This enables European funds to be maximised, at the same time that the deficit target is achieved.

As such, continuing with an austerity budget as in the previous fiscal period, growth will be promoted through the CRECE Plan. This plan, co-financed by the European Union's budget, entails different actions amounting to 650 million euros in the financial and non-financial expenditure budget of the State. It will contribute to encouraging the dawning economic recovery without being detrimental to the achievement of stability targets, since returns on European funds are expected to be available at the precise time when the co-financed expenses are made effective. It is also expected to substantially increase the involvement of the private sector in national co-financing.

The Plan also foresees the possibility of incorporating EU funds managed by the Autonomous Communities into those managed by the State in order to achieve a multiplier effect on the impact of public action.

On a separate issue, in line with the budgetary policy implemented by the Government throughout its term in office, the commitment to social expenditure within the State Budget is strengthened, setting contributions to complement the financing of the Social Security System in the amount of 13,074 million euros, a 0.6% increase compared to 2014.

Likewise, the State must address the financing system of the Territorial Administrations, which amounts to 32,932.7 million euros, 4.3% more than in the 2014 budget.

Finally, compulsory expenditure must be covered, such as interests on debt or civil servants´ pensions. This year, the government will also launch the National Technical Plan for Digital Terrestrial Television as well as the action plan for freeing up the digital dividend to drive 4G mobile technology.

Notwithstanding all of the unavoidable commitments, the available expenditure of the Ministries amounts to 34,526 million euros representing a 0.2% decrease.

Table 7 Distribution of State expenditure

millions of euros

	2014 Initial Budget (1)	2015 Initial Budget (2)	Change (%)
1. Non-financial expenditure	164,849	161,992	-1.7
2. Financing of the territorial administrations	31,589	32,933	4.3
3. Expenditure excluding the territorial administrations financing system	133,259	129,060	-3.2
Contribution to the State Public Employment Service and FOGASA	*14,598*	*10,409*	*-28.7*
Contribution to Social Security	*13,000*	*13,074*	*0.6*
Electricity system costs financing	*4,154*	*4,207*	*1.3*
Interests, Civil Servants Pensions, European Union, Contingency Fund and other non-ministerial expenditure	*66,923*	*66,393*	*-0.8*
CRECE Plan		*450*	*--*
4. Ministries non-financial expenditure	34,584	34,526	-0.2

In the breakdown by chapter, personnel expenses are subject to a 1.6% increase as a result of increased funding of the mutualism regime and a partial reinstatement of the 2012 salary bonus payment.

Current expenses in goods and services increase 4.6% compared to 2014 due mainly to the financing of the upcoming general and Autonomous Communities elections. The increase would be 0.8% if this item were not included.

Financial expenses are subject to a 3% reduction justified by the progressive improvement in credit quality in Spain within the Spanish economy's new climate of confidence.

Current transfers diminish by 3% in comparison with the previous fiscal period. This decrease is explained by the decreased contribution of the Central Government to the Public Employment Service due to the savings in expenditure related to unemployment benefits.

On the other hand, social items consume a large part of this chapter, with grants and student aid being worth mentioning.

Real investments increase 4.8%, mainly because they include resources to finance actions within the framework of the CRECE Plan.

Finally, capital transfers show an increase of 6.3% and include credits to finance research programmes, electrical system costs, transport infrastructure, transfers to independent bodies, agreements with Autonomous Communities, etc.

4.2 Tax policy

In compliance with the recommendations made to Spain by the ECOFIN Council of July 2013 within the framework of the Stability Programme and the National Reform Programme, the Government has adopted the following measures:

- In order to limit tax deductions in direct taxation, Law 16/2013 of 29 October, the Consolidated Text of the Corporate Income Tax Law was modified to end with deduction of losses in participated companies caused by the impairment of instruments representing holdings in the capital of companies and permanent establishments. The aim of this measure is to prevent the possibility of double deduction of losses.

  By way of Law 16/2013, the temporary measures set forth in the Corporate Income Tax regulation mentioned above have been extended, which contribute to limit tax deductions in direct taxation. Specifically, an extension has been made for the 50% or 25% limitation on the prior year losses carry forward for companies with turnover in excess of certain thresholds; limits on deductions for goodwill and other intangible assets with indefinite service life at 1% and 2%, respectively; a minimum for payment in instalments of 12% for companies with turnovers of over 20 million euros and an increase in rates for payment in instalments by companies with turnover in excess of certain thresholds; inclusion until 2015 in the base for payment in instalments of dividends and income from the transfer of shares with exemption rights; and, lastly, a limit of 25% or 50% on deductions applied to promote certain activities.

- Law 16/2013, of 29 October, established a new Tax on Fluorinated Gases entering into effect on 1 January 2014, taking additional measures with respect to environmental taxation. This new tax will contribute to achieving environmental targets, in compliance with the basic principles governing the fiscal, energy and environmental policy of the European Union.

- Two new corporate income tax measures were adopted in September 2013 to reduce the debt bias. The measures are related to the creation of incentives for business capitalisation as an alternative to indebtedness. These measures concern the new deductions for reinvestment of business profits and investment in new companies and the so-called "business angels", both approved by Law 14/2013 of 27 September on Support to Entrepreneurs and their Internationalisation. These measures add to the previously approved limitations placed on deductions for financial costs, which have contributed to reducing the debt ratio (debt/equity) of companies.

  Likewise, the recent approval of Royal Decree-Law 4/2014 of 7 March is worth mentioning, adopting urgent measures on business refinancing and debt restructuring. The purpose is to facilitate the survival of companies that are viable from an operational perspective but that carry a burden related to financing that could lead to liquidation.

- In 2013 the measures contained in Law 7/2012 of 29 October modifying the taxation and budgetary legislation and adapting the financial regulation to boost the actions to prevent and fight against fraud were fully implemented. The aim of these measures was to fight against the shadow economy and undeclared work. The law's purpose is to strengthen internal legislation to limit the opportunities to perpetrate fraud as much as possible. This law is comprised of measures such as the limitation of the use of cash in business/professional transactions and the creation of a new requirement to report on accounts, assets and property abroad. The law also stipulates that undeclared income is not subject to prescription and it furthermore excludes business owners who invoice less than 50% of their transactions to private individuals from the objective estimate regime. Finally, it establishes new measures that guarantee that tax debts are paid.

In addition to the measures designed to improve the structure of our fiscal system, a series of measures has been adopted aimed at providing support to the business structure and to the creation of employment. In particular, in September of 2013 various measures were approved by way of Law 14/2013 of 27 September on Support to Entrepreneurs and their Internationalisation. The aim of these measures was to revive activity and employment with a very limited budgetary cost:

- VAT payments on a cash basis: from 1 January 2014, a special, voluntary system is created for VAT payments on cash basis for taxpayers with turnover of less than 2 million euros during the calendar year. This scheme prevents the need to deposit VAT payments until the invoice has been paid. Customers and clients in the VAT cash basis scheme will not be able to deduct the paid VAT until payment is made to their suppliers.
- Deduction for reinvesting profits: as stated above.
- Tax deductions for R&D: Deductions for R&D investment and costs may optionally be applied, not subject to any limit on the tax payable, and be credited, with a joint discount of 20% of their value, when it is not possible to apply these due to the tax payable being too low.
- Extension of the "patent box" (tax reduction on revenue from certain intangible assets): 40% of income obtained from transferring the use or exploitation of these assets (which means a 60% reduction) will be integrated in the tax base.

Likewise, the recommendation to carry out a systematic review of the tax system by March 2014 has been followed. A Committee of Experts for the reform the Spanish tax system had been formed through the Spanish Council of Ministers of 5 July 2013. This committee drafted a report with recommendations for a more simplified, neutral and efficient tax system. The committee presented their report on 13 March. The report presents a comprehensive reform of the tax system that contributes to the modernisation of the Spanish economy and is structured around two main reform blocks: the first one is geared towards reduction in direct taxation and a push towards environmental taxation and fighting fraud; the second block focusses on the long-term and is centred on fiscal devaluation. After the report was presented by the Committee of Experts, the Government put forward a comprehensive tax reform which has been reflected in three draft laws that are currently in the parliamentary approval process.

4.2.1 The 2014 tax reform

The reform involves changes to the main taxes comprising the Spanish tax system. The main objective of the reform is to boost economic growth and employment and to create a tax system that is more equitable, following the recommendations made by the ECOFIN Council in July 2014 that urge Spain to "*adopt by the end of 2014 a comprehensive tax reform to make the tax system simpler and more conducive to growth and job creation, preserving the environment and the stability of revenues*".

The measures included in the tax reform are designed to follow these recommendations made by the ECOFIN Council:

- With the aim of shifting taxation towards less distortive taxes, by way of the different Draft Laws on tax reform, a reduction has been made in tax rates for the most distortive taxes, such as personal income tax and corporate income tax. At the same time, more resources shall be obtained with less distortive taxes such as VAT, since the improved economic growth will enable an increase in tax collection reinforced by the increase in rates made in 2010 and 2012 for this tax.
- With the aim of eliminating inefficient tax expenditures in direct taxes, the reform limits deductions in personal income tax. Such limitations include a modification to the deductions and reductions for home rental, an elimination of the 1500 euro dividend exemption and the taxation on capital gains for the sale of subscription rights, restrictions on the exemption of severance pay, taxation on irregular income, the elimination of the abatement and monetary correction coefficients, and a reduction in the limits of maximum contributions for retirement pensions funds.

  Furthermore, with regard to corporate income tax, measures were also taken that contribute to widening the tax bases by eliminating deductions. Such measures include: the establishment of a general and permanent limit for all companies regarding the deduction of prior-year tax losses carry forward, a simplification and update to the amortisation schedules and an extension of the non-deductibility of the deterioration of equity portfolios to fixed-income portfolios and fixed assets, and the limiting of the deductibility of expenditure in client attentions.
- In order to continue correcting the bias towards indebtedness in corporate income tax, aside from permanently limiting the deduction of financial costs, new incentives are created to favour financial deleveraging, self-funding and the correction of balance sheet imbalances. This is the case with the capital reserve,

allowing a company to reduce their tax base by 10% of the increase in its core equity, as long as it has an unavailable reserve matching the amount of the deduction. This is also the case with the levelling reserve for SMEs, which allows them to deduct possible future losses or to request a tax deferral lasting 5 years that is equivalent to 10% of its tax base, strengthening its capital structure to self-fund investments and grow in size, and to face periods of lower profitability in more favourable conditions.

- With the objective of reducing tax evasion the tax reform introduces new and relevant measures for fighting fraud, in line with Law 7/2012 of 29 October that modified the Spanish tax and budget legislation and adapted the financial regulation to strengthen the actions designed to prevent and fight against fraud. In this regard, preventive measures such as the publication of personalised information to fight payment arrears as well as a yearly update to the list of tax havens and the development of a procedure for express administrative liquidation in cases of tax offences.

  Likewise, limits are placed on the objective assessment scheme and greater detail is given in the regulation on the indirect assessment scheme.

  Furthermore, measures are introduced in the regulation of corporate income tax and as a preview of the action plan against base erosion drawn up by the BEPS working group at the OECD, such as disallowing deductions of tax deductible expenditure when due to a difference in tax status the taxes are not paid in another country, or modifications regarding international fiscal transparency and related transactions.

These measures aim to establish a tax system that complies with the highlighted recommendations while stimulating growth. In addition, it is worth pointing out that the reduction in the duty rates in the most distortive taxes such as personal income tax and corporate income tax is conducive to growth, generating greater tax collection through tax bases. The final result of the reforms has been considered in meeting the deficit targets presented.

In order to quantify the reform, a methodological clarification is first needed. On the one hand, the reform may be quantified from the perspective of the initial impact of the regulatory changes, that is with "ex ante" assessments, disregarding the indirect effects on tax collection derived from the increase in the disposable income of families, which will in turn stimulate increased consumption, saving, investment and consequently increased GDP and employment, thereby generating an increase in the tax bases.

On the other hand, it is possible to quantify the reform from an "ex post" perspective, bearing in mind that these positive indirect effects on the economy will lead to the recovery of part of the revenue that diminished with the regulatory changes. Therefore, the impact of the reform in terms of revenue losses will be lower from an ex post perspective than from an ex ante perspective.

The ex post perspective is the one used for quantifying the reform in the Stability Programme and Draft Budget and as such they are the figures used to calculate the deficit.

To calculate the aforementioned macroeconomic effects and the ex post impact, the REMS model (Rational Expectations Model for Simulation and Policy Evaluation of the Spanish Economy) developed by the Directorate General for Budget of the Ministry of Finance and Public Administration was used. It is a dynamic general equilibrium model of a small open economy. The model is used to calculate the effects of the main macroeconomic variables as a deviation (in levels or percentages) with respect to the reference scenario.

In accordance with the REMS model, the decreases in personal and corporate income tax have positive effects on production and employment. Also, private consumption and private gross fixed capital formation benefit from lower taxes.

These positive effects on the economy will mean that personal income tax and corporate income tax revenue do not decrease to the extent that one would have expected from an ex ante perspective.

As shown in the table, the estimations of the model based on the data from the Draft Law coincide with the data included in the Stability Programme (PE) released prior to the Draft Law. This Draft Budget reflects the ex post impact seen in this table, supporting the initial estimation carried out for the Stability Programme from the same perspective. Furthermore, the ex-ante estimates are included in the tables of the appendix, together with the rest of the measures taken.

Table 8 Impact of the tax reform

millions of euros

	2015			2016			Accumulated 2015-2016		
	ex ante	ex post	Stability Programme	ex ante	ex post	Stability Programme	ex ante	ex post	Stability Programme
Personal income tax	-3,366	-2,535	-2,566	-2,615	-1,984	-2,381	-5,981	-4,519	-4,947
Corporate income tax	-437	-87	0	-2,641	-2,341	-2,000	-3,078	-2,428	-2,000
Total	-3,803	-2,622	-2,566	-5,256	-4,325	-4,381	-9,059	-6,947	-6,947

4.3 Structural measures on the expenditure side

Within the framework of the reforms undertaken by the Government since the start of the current term in office, the reform of the Public Administration is particularly noteworthy, as it has a considerable impact on public expenditure. The Committee for the Reform of General Government (CORA) was formed by the Spanish Council of Ministers for this purpose.

Their work produced the CORA Report, presented to the Council of Ministers on 21 June 2013, which currently comprises 222 measures to simplify the administration, reduce burdens and duplicities and improve the management of common resources and services. With different implementation schedules, their execution is planned to take place over the next three years at most. Likewise, the Royal Decree of 21 June 2013 established the Office for the implementation of the reform of the administration (OPERA) with the aim of ensuring the implementation of the measures contained in the CORA Report, taking on its monitoring, promotion, coordination and permanent evaluation, as well as proposing new actions.

This process of restructuring and streamlining the Spanish Public Administration consists of an in-depth review of the public expenditure, given the fact that:

- An in-depth analysis of expenditure was conducted with the purpose of identifying opportunities to save and make adjustments. Hence CORA conducted the most thorough and detailed study of the Spanish public sector that has been carried out in recent times in order to identify areas of improvement in terms of efficiency, such as duplicities, overlaps between administrations, or possibilities for simplifying procedures or reducing administrative burdens.
- The goal was not immediate cutbacks, but to achieve sustainability in the medium and long term. Thus it is a process that has required time and still does.
- Great attention has been given to structural expenditure, with numerous measures identified to streamline the public sector. Actually, the Public administration is undergoing a structural change based on efficiency criteria.
- An assessment phase has been included to analyse the results of the adopted measures.

The CORA Report identifies a wide range of action areas, on which are based the proposed measures:

- General measures, among which the following ones are worth mentioning: the Organic Law on the control of public sector commercial debt, the Law for electronic invoicing and creation of the invoice accounting register for the public sector, and the Law for the Rationalisation and Sustainability of Local Government, all of which were passed in December 2013 and have already entered into force; the restructuring of the public sector companies and foundations, which is a continuous process; and the reform of the subsidies law.
- Measures designed to eliminate administrative duplicities so that the cost of administrative activity may be reduced. The analysis has focused on the duplicities between the Central Government and the Autonomous Communities, since duplicities with the Local Authorities have been addressed in the Law for the Rationalisation and Sustainability of Local Government.

  The most noteworthy measures in this area include the following: The conferring of powers to the Contractual Appeals Tribunal (9 Autonomous Communities with agreements); the incorporation of Autonomous Community offices abroad into the Central Government network (57 offices); the incorporation of the

Autonomous Community cooperation and development offices into the Technical Cooperation Offices (OTC) of the AECID; the launch of the Single Employment Portal; coordinated procedures for applying for unemployment benefits and registering as a job-seeker; public sector procurement platform (central government, autonomous communities, and local authorities).

- Measures for administrative simplification to reduce the red tape that hinders the completion of administrative procedures. Some examples of the measures adopted in this area include: Enabled E-mail Address, which is allowing over 10 million notifications per year to be delivered; Interlock System of Records (SIR-ORVE), which allows for presenting paper documents before any public registry; a by-appointment system for the Directorate General of Traffic and the Public Employment Service; "Emprende en 3" (Start Your Enterprise in 3) Portal, which allows users to complete all of the procedures necessary for opening a business or transferring ownership on a single website and with all of the administrations at the same time (in 3 days); telematics service for requesting and sending reports verifying that Social Security payments are up-to-date; "BOE a la carta" (customised notifications from the Official State Bulletin); the National Healthcare System's Electronic Prescriptions with interoperability.
- Measures related to the management of common resources and services in order to centralise management activities that can be combined or coordinated. A Plan for the Management of Property Assets has been prepared, which includes the sale of 15,576 properties, of which 5,038 have been placed on the market and 2,665 have been auctioned. Furthermore, rental agreements have been terminated and others renegotiated with space being redistributed; reform to the State Vehicle Fleet; centralisation of purchases and services, and setting of parameters of the chapter 2 items with analytical accounting criteria; the simplification of the printing infrastructure and copy services and a combining of the printing and publishing of the Official State Bulletin.
- Measures related to the institutional administration, which have involved an exhaustive revision of the regulatory framework and the beginning of a process for re-ordering and restructuring the administrative public sector. Actions have been carried out on 162 bodies within the Spanish public sector's administration, businesses and foundations with the net reduction of 104 entities.

The status of implementation of the 222 measures as of the first half of 2014 is as follows:

- Measures implemented: 101 (45.5% of the total proposed measures)
- Measures in process of implementation: 121 (54.5% of the total proposed measures)

Table 9 Degree of progress in CORA measures

Subcommissions	Initial stage	Medium stage	Advanced stage	Implemented	Total
General Measures			5	6	11
Administrative duplicities		34	30	56	120
Administrative simplification		9	13	23	45
Management of public services and resources	3	10	11	14	38
Institutional Administration	1	1	4	2	8
Total	**4**	**54**	**63**	**101**	**222**

The reform of Public Administrations has focussed on reducing administrative structures and streamlining personnel expenditure and the running costs of Public Administrations.

Within the area of civil service, the Government has adopted a range of measures that tend, for the most part, to mirror the current working conditions of the private sector and reduce the payroll cost weight in the overall public expenditure. The economic crisis gave rise to a strong correction in the private sector workforce. The same had not occurred in the public sector. Despite the economic crisis, the number of public employees had increased up until the third quarter of 2011.

The reforms presented were absolutely necessary both to guarantee the fulfilment of Spain's commitments in terms of public expenditure and deficit and to improve the efficiency, productivity and competitiveness of our economy.

Among the relevant urgent measures for reducing public sector expenditure, on a temporary basis, were the freezing of salaries, the elimination of one extra payment in 2012, supplementary restrictions on hiring temporary staff and cancelation of vacancies.

In addition to these measures, the Government passed others of a structural nature, most of which were contemplated in the Royal Decree-Laws 3/2012 and 20/2012. Due to their significance, the following are worth mentioning:

- The freezing of public sector recruitment in 2012, 2013 and 2014, with a general policy of non-replacement of employees leaving and a 10% limit in certain areas such as fraud prevention and certain services. In 2015 the freezing of public employment continued and the replacement rate is set at 50% for certain groups.
- The freezing of salaries for 2012, 2013, 2014 and 2015.
- Legal authorisation to dismiss workers for economic, technical, organisational or production reasons within the Public Administration for non-civil-service staff.
- Reduction of paid personal days and the elimination of additional freely-disposable days.

- Changes in the conditions for entering and staying during temporary disability.
- Increase in the working hours of public sector employees to 37.5 hours per week.
- Sectorial measures related to public employment.
- Plan to reduce absenteeism.
- Change in the conflict-of-interest regime.
- Change in the unions' leave-of-absence regime.

In this process, the reform to the local administrations should also be highlighted, which is explained in detail in the section of this report dedicated to Local Authorities.

The accumulated savings between the 2012 and 2015 fiscal years as a result of the CORA structural reform measures already implemented in this legislative period are estimated to amount to 37,620 million euros. Citizens and companies will save 16,295 million euros each year.

For the series of measures undertaken, including the CORA measures, the savings through the first half of 2014 are estimated at: 2,691 million euros for the Central Government; 5,535 million euros for the Autonomous Communities; 2,197 million euros for the Local Authorities and 766 million euros for citizens and companies.

During this first year of implementation of the CORA measures, numerous regulations related to them have been sent to the Council of Ministries for approval: 15 Draft Laws (3 Organic Laws) and 24 Royal Decrees. Other authorisation agreements or Council of Ministries' own regulations as well as numerous lower level instruments implementing these measures are added.

4.4 Employment policies

The Spanish economy has shown GDP growth for four consecutive quarters and it is safe to say that the groundwork has been laid for economic growth. Although growth rates are still moderate (+0.6% in 2q 2014), the labour market reform is enabling this growth to be shifted to the labour market (three consecutive quarters of seasonally adjusted qoq growth, +1% in 2q2014).

Nevertheless, labour market conditions still represent the most significant challenge. To face it, active labour market policies are especially needed, which complement the new labour relations environment, to reduce the time workers spend in unemployment and to facilitate their return to work.

Between 2012 and 2014, important steps were taken:

- The coordination and modernisation of the Public Employment Services were strengthened, within a framework of permanent collaboration, reinforcing the role of Sectorial Conferences on Employment and Labour Affairs. The Annual Employment Policy Plans (PAPE) have turned out to be key in improving knowledge, measurement, monitoring and comparing the measures that each Public Employment Service develops.

- The activation tools were modernised, with the following in particular: the Framework Agreement for collaboration with private employment agencies; the Single Employment and Self-Employment Portal, which publishes all the employment offers from the different Central Government and Autonomous Community public employment services as well as from private websites forming part of the project; an improved Training and Learning Contract, leading in 2013 to a 75% increase in contracts signed, totalling over 100,000; and a simplification of the hiring incentives system, eliminating arguably inefficient incentives and specifying their invariably time-limited nature and their link to the creation of stable employment and to specific groups such as SMEs and young people.
- The link between active and passive employment policies was boosted, with measures regarding the unemployment benefits system (including the PREPARA Plan) to better adapt access requirements to applicants' needs, to provide greater incentives for activation, to encourage active ageing and to improve the effectiveness of the penalty system.
- Measures towards youth employment were the main objective: the Youth Employment and Entrepreneurship Strategy was approved in 2013 and the National Youth Guarantee System was launched in 2014.

Given the window of opportunity and the recent publication of the data confirming the consolidation of economic growth, a decision was made to give a new boost to employment stimulation. On 5 September 2014, the Council of Ministers passed the following measures:

- The Spanish Strategy for Employment Activation 2014-2016, which represents the backbone of the actions of the different Public Employment Services with overarching common objectives and common principles of action. The strategy is compatible with flexibility in the resources used to achieve objectives and its main goal is to achieve more efficient and effective activation policies. This is achieved through the push towards a results-oriented culture of evaluation, leaving behind the need for Autonomous Communities to merely carry out programmes designed at the Central Government level, when their own resources sometimes overlapped with those of the entire System.

  Notwithstanding the competence at the Autonomous Communities to develop initiatives that better meet their specific needs, the Strategy foresees certain additional common resources to strengthen the capacity of the Public Services to reach their targets on the basis of co-ordination. The following elements are worth mentioning: the launch of the Youth Guarantee; the Public Services Best Practices Exchange Programme; and three regulations, by virtue of the exclusive constitutional power of the Central Government in labour legislation, that are necessary for the development of the Strategy and that are related to services, employment programmes and professional training for employment.

- The Annual Employment Policy Plan 2014 (PAPE 2014): the map of the measures that all of the Public Employment Services will carry out in 2014 aimed at a more effective activation of workers. PAPE 2014 lays out the Strategy for Employment Activation for 2014 and compiles the set of measures to be developed this year as well as the indicators that can be used as a basis for their evaluation in 2015.
- The 2014 distribution of funds to the Autonomous Communities which have assumed competencies on active employment policies, with 60% of the funds conditioned on achieving PAPE 2013 objectives. Already in 2013, 15% of the funds allocated were linked to the 2012 results and for 2013 it reached 40%.

In addition in the same Council of Ministers on 5 September, the following measures were presented:

- The future Common Available Services of the Public Employment Services, which will be included in the future regulation on services and should consist of quality, permanent services at the employment offices that guarantee equal access to employment services to workers throughout the national territory.
- The upcoming reform on professional training for employment, which will lead to a multi-annual planning adapted to the needs of the companies, with a new role for the different agents and bodies involved in overseeing the system, deepening in the competition scheme between training services providers introduced with the 2012 labour market reform. The new system will have innovative tools such as the training- log and more e-learning opportunities. Likewise, it will establish the principle of ongoing quality and impact assessment as well as the principle of zero tolerance for fraud with a reinforced penalty system.

5. SOCIAL SECURITY DRAFT BUDGET

5.1 Social Security Draft Budget for 2015

In the area of Social Security, the reforms affecting the labour market have been especially relevant, since the economic crisis has had a very significant impact on employment and the unemployment rate. The objective of this new labour market regulatory framework is to boost job creation, and the Social Security system needs it in order to restore the balance that the system had before the economic crisis.

Some data already point to signs of recovery. From the beginning of 2013 until August 2014 over 500,000 contributors had returned to the system, of which 103,000 were entrepreneurs.

Given this context, Social Security will be able to meet the 2015 budgetary stability targets approved by the Council of Ministers.

The dominant action lines of the Social Security budget for 2015 will continue to be austere and will emphasise expenditure efficiency, supported by the impact of the revenue and expenditure measures approved to date. Furthermore, the Social Security will contribute to the restoration of economic growth and job creation through reforms that have been carried out on matters of social protection.

5.1.1 Revenue budget

The consolidated non-financial Social Security revenue budget for the year 2015 will amount to 126,280 million euros, representing a 5.5% increase compared to 2014.

The main source of funding is categorised as social security contributions, at a volume of 109,833 million euros for 2015, which will be enough to fund 80.7% of the total budget.

In 2015, the Social Security system will rely on contributions from the Central Government at an overall volume of 13,074 million euros, representing a 0.6% increase. The contributions from the Central Government are as follows:

- The most significant in terms of volume is for coverage of the minimum pension supplements in the amount of 7,563 million euros that are funded by the Central Government in their entirety, thus implementing the separation of sources.
- The Central Government's contribution to finance non-contributory Social Security pensions, with an appropriation of 2,403 million euros, can be used to meet the cost owed to variations in the collective of beneficiaries and from the 0.25% revaluation.
- The Central Government will transfer 1,386 million euros to Social Security in 2015 to fund the non-contributory family protection allowance, 1.2% more than in 2014.
- Additionally, the amount designated for the System for Autonomy and Care for Dependant Persons (SAAD) in the 2015 budget reached 1,177.04 million euros, maintaining the same level as the year before. In this regard, Royal Decree

1050/2013 of 27 December governing the minimum level of protection established in Law 39/2006 of 14 December on the Promotion of Personal Autonomy and Care of Persons in a Situation of Dependence presents a new model for allocating the funds designated for the minimum level. What is new about it is that priority is given to the Autonomous Communities with a higher percentage of authorised services over economic allowances. In 2015 1,087 million euros will be allocated to the coverage of the Guaranteed Minimum Protection Level.

5.1.2 Expenditure Budget

The consolidated non-financial Social Security budget for the year 2015 will reach 132,724.37 million euros, which represents a 2.5% increase compared to the previous fiscal year.

The most significant chapter of the Budget corresponds to "Current Transfers", consuming 94.5% of the total Budget. This chapter mainly includes the allowances that aim to anticipate, correct or offset the costs derived from the occurrence of certain contingencies that carry a loss of revenue or greater expenditure for those who experience them, such as:

- An appropriation of 115,669 million euros is allocated to contributory pensions in 2015, 3.2% more than in 2014, calculated based on the increase in the number of pensioners, the variation in the average pension and a revaluation of 0.25%.
- Non-contributory Social Security pensions are included in the Budget of the IMSERO (Institute for Older Persons and Social Services) with an appropriation of 2,242.59 million euros (not including the Basque Country and Navarre). This appropriation can be used to meet the cost derived from variations in the collective of beneficiaries and from the 0.25% revaluation.
- The benefits for temporary disability incorporate the allowances to offset the financial consequences associated with sick or accident leave. The appropriation allotted to the payment of the temporary disability allowances amounts to 4,942.72 million euros. In recent years there has been a significant decrease in expenditure for this allowance. Nevertheless, an increase is estimated for 2015, in line with the employment projections.
- Benefits for maternity, paternity and risk during pregnancy and while breastfeeding, amounting to 2,098.24 million euros, undergo a 3.7% reduction compared to 2014, which is in line with the evolution undergone by the group of beneficiaries.
- Family protection benefits include periodic payment and lump-sum allowances. Periodic payment allowances consist of an entitlement per child under 18 or dependants over age 18 who are disabled to a degree of at least 65% and in charge of the beneficiary. The lump-sum allowances aim to partially offset the larger expenses associated with a birth and involve financial benefits paid out in

a single payment per birth or adoption of a child, in the case of large families, single-parent homes, disabled mothers and for multiple births or adoptions.

For the payment of these benefits, 1,372.58 million euros are allocated, which represents an 18.4% reduction in comparison with the appropriation allotted in 2014. This decrease can be explained by the fact that in 2014, payment obligations for prior fiscal periods were met.

Also, the National Dependant Care System is among the actions funded by the Social Security Budget, with 1,177 million euros being allotted for it.

5.2 Measures in the area of Social Security

Within the area of Social Security, a range of measures have been adopted since 2013 aimed at increasing revenue and reducing expenditure. Among the measures designed to increase revenue, the changes to the bases and the shift from a self-assessment system to an administrative assessment system for the payment of Social Security contributions are worth mentioning. In terms of expenditure measures, noteworthy measures include the ones affecting the pension system (mainly the Pension Revaluation Index and the progressive change in retirement age), the Mutual Insurance societies for Occupational Accidents and the Wage Guarantee Fund (FOGASA).

With the passing of Royal Decree-Law 16/2013 of 20 December on measures to encourage stable employment and improve the employability of workers, certain measures were introduced geared towards generating revenue. In particular the calculation of the contributory bases was changed to now include certain in-kind payments such as meal vouchers, transportation subsidies, and company cars that were not previously subject to contribution. Furthermore, this Royal Decree-Law revised the contributory bases upward for self-employed workers.

Additionally, a shift is made from a self-assessment system for the payment of contributions to an administrative system, whereby the Social Security calculates the fees. Under this system, Social Security directly invoices the contributions to companies, specifying how much they need to pay for each worker. From January 2015 onward, it will be compulsory for all companies.

In 2014 the Flat-Rate Plan took effect, involving a temporary reduction in employers' Social Security contributions for common contingencies for open-ended hiring to benefit those companies and self-employed individuals who increase the number of employees, both in open-ended hires and net hires, and who are able to maintain them for at least 36 months. The Flat-Rate Plan will be applicable to all open-ended contracts that meet the requirements, for employees hired between 25 February and 31 December 2014 and that are kept for 24 months from the time of hiring.

Once the 24 months have passed, the company or self-employed individual 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% of the company contribution for common contingencies corresponding to open-ended hires.

In 2014 this measure has led to an increase in open-ended hiring which in turn has meant greater revenue in contributions on behalf of new hires that have been incentivised by it. The net impact of the measure has been incorporated into the budget forecast.

In terms of expenditure, the FOGASA coverage has been eliminated for eight days in cases of termination of open-ended contracts for financial, technical, organisational and production-related reasons or due to insolvency in companies with fewer than 25 workers. Additionally, the Draft Law amending the Social Security Law which is currently in the parliamentary approval process in Congress includes, among other measures, the transfer of the responsibility of managing occupational disability to the mutual societies.

6. AUTONOMOUS REGIONS DRAFT BUDGET

The Autonomous Communities also continue in their consolidation efforts with a view to compliance with their stability targets. In terms of revenue, they continue to exercise their regulatory capacity both in taxes shared and in their own taxes. As to expenditure, they envisage measures that enable a continuation of reduced spending as well as actions that allow them to contain and even reduce expenditure associated with those expenses subject to greater dynamism, since they place greater pressure on the overall Autonomous Community expenditure.

The series of actions undertaken to affect total expenditure and revenue since 2012 have been very significant, especially those related to the Royal Decree-Laws 14 and 16/2012 related to healthcare and education. According to the information presented in the Stability Programme 2014-2017, regions' expenditure measures and revenue measures carried out in 2012 have amounted to 9,621 million euros and 3,855 million euros respectively. In 2013, expenditure measures and revenue measures reached 7,046 million euros and 2,235 million euros respectively.

6.1 Corrective measures in 2014

Regions that have reached a deficit in 2013 higher than the budgetary stability target, based on the report submitted to the Government pursuant to Article 17.3 of the Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability (LOEPSF), were obligated to draw up an economic-financial plan (PEF, for the Spanish acronym) in accordance with Article 21.1 of the same law. Thus, in July 2014 the Council for Fiscal and Financial Policy (CPFF), the PEF for the Comunidad Autónoma de Aragón was approved and the PEFs corresponding to the Autonomous Communities of Castilla – La Mancha, Región de Murcia and Comunitat Valenciana were postponed for the next CPFF plenary session. These PEF were informed by the Independent Fiscal Responsibility Authority, which has been operating since 2014. The PEFs to be presented shall also include the measures adopted by the Central Government to reduce the financial burden of the Autonomous Communities under the Autonomous Region Liquidity Fund. The Comunidad Foral de Navarra has also presented an economic-financial plan and its adequacy will be approved by the Coordinating Commission for the Economic Agreement.

All of these communities shall incorporate public revenue and expenditure measures so that the stability targets are met for the current year and the next one. The inclusion of the next fiscal period is based on the modification of the LOEPSF to prevent PEFs approved at the end of the year from not being implemented. In accordance with Article 24 of the LOEPSF, the corresponding follow-up reports will be drawn up in order to evaluate the degree of compliance and progress on the measures adopted.

6.1.1 Revenue measures

Revenue measures amounts to 3,569 million euros, including both the measures adopted in previous years but with a lasting incremental effect on 2014 and other measures with full implementation carried out during 2014.

The tax measures represent 31% of the total revenue measures, with the following being particularly noteworthy: changes to the credits and deductions pertaining to the Inheritance and Gift Tax, an increase in the tax rates in the Property Transfer Tax for certain cases as well as the creation of new taxes, whose figures include the effect of the advance payments pertaining to the establishment of the Tax on credit institutions Deposits, as well as the increase owed to tax inspection, verification and tax management activities.

In addition, non-tax revenue measures derive both from capitalisations, mainly from administrative concessions, and the sale of tangible assets, which are usually booked as lower investment expenditure in national accounts terms.

6.1.2 Expenditure measures

The amount corresponding to expenditure measures totals 1,450 million euros. Just as with revenues, this figure includes both the measures adopted in previous periods which have a lasting effect and other measures implemented during 2014.

Most of the weight of the expenditure measures falls on current transactions, and is almost equally divided between personnel expenses, current transfers, and goods and services current expenditure.

Of particular importance as far as personnel expenses are concerned are measures to reduce general compensation, mainly through not applying supplements, a reduction of the extra salary payments in some Autonomous Communities, a reduction or cancellation of bonuses and productivity payments and personnel planning and management measures.

Measures pertaining to goods and services current expenditure are aimed mainly at rationalising expenditure in regard to the provision of services and the procurement of supplies, with a special section on expected savings based on reductions in pharmaceutical expenditure due to the centralised purchasing of pharmaceuticals and other measures in hospital pharmacy.

In terms of current transfers, a large part of the measures applied in the previous period are consolidated and the ones pertaining to reducing non-hospital pharmaceutical expenditure are noteworthy, as well as those related to the elimination or reduction of subsidy and aid items.

6.2 Corrective measures in 2015

Details for the measures planned for subsequent years, particularly 2015, have been taken mainly from the information concerning major budgetary items for the following year, provided through the provisions of Article 13 of Order HAP/2105/2012, of 1 October, setting out the obligations to supply information foreseen in the LOEPSF. This information has been supplemented by the information available as a result of adjustment plans follow-up, required by the regions under extraordinary funding mechanisms (basically, the Supplier Payment Plan affecting 14 Autonomous Communities and the Autonomous Region Liquidity Fund affecting 9). This information is updated monthly and sent to the Ministry for monitoring purposes and contains assessments of the planned, adopted and implemented expenditure and revenue measures.

For 2015, the adoption of measures totalling 3,199 million euros is foreseen. Of this amount, 1,462 million correspond to revenue measures of which over 90% are tax related. Particularly noteworthy is the full implementation of the Tax on Credit Institution Deposits as well as environmental and hydrocarbon taxation. Also, the exercise by the Autonomous Communities of their regulatory capacity on taxation has been accounted for, and the forecasts have been deemed viable considering this remaining margin.

In this regard, the analysis conducted by the Ministry of Finance and Public Administration estimates that a tax collection margin would exist in the Autonomous Communities for the Property Transfer Tax (TPO), being the additional potential tax collection up to 726 million euros if it were increased in all Autonomous Communities to 10%; as for Legal Document Taxes (AJD) if the rate were brought to 1.5% it would produce an additional margin of 229 million; in Hydrocarbon Tax it would amount to 679 million; and in the Special Tax on Certain Means of Transport to 44 million euros. In total, for these taxes there is a 1,678 million euro unused margin, all based on 2013 data.

In the area of expenditure, measures amounting to 1,737 million euros are estimated, mainly aimed at greater control of goods and services current expenditure, encouraging the application of centralised purchasing systems, obtaining savings in the pharmaceutical area as well as savings due to streamlining Autonomous Community public-sector companies.

It is important to note that for the calculation of measures in the area of personnel expenses, each Autonomous Community voluntarily adopts the Central Government measures of returning 25% of the extra salary payment corresponding to December 2012. This measure has been included in the general table on the impact of General Government measures.

6.3 Average payment period

Minimising the General Government's arrears represents one of the main axes within the economic policy that is essential for improving the competitiveness of the Spanish economy. This implies reducing the net borrowing of companies, allowing them to take full advantage of business opportunities, and facilitating economic growth.

Within this framework, a particularly noteworthy measure that has been adopted to date designed to remove the practice of defaulting from the General Government is the reform of Organic Law 2/2012 of 27 April for Budgetary Stability and Financial Sustainability, approved by Organic Law 9/2013 of 20 December on the control of public sector commercial debt. This reform adds the principle of commercial debt sustainability to financial sustainability and establishes a series of progressive and automatic measures aimed at guaranteeing the General Government's compliance with the legislation in force related to late payments. This legislation has been incorporated into the domestic legal system and implementing EU directives on measures to fight late payments in commercial transactions.

The aforementioned Law introduces the concept of average payment period (PMP for the Spanish acronym) as an expression of the commercial debt sustainability and sets forth the obligation of all Public Administrations to publish their PMPs. In 2014, legislative development pertaining to the aforementioned regulation led to the approval of Royal Decree 635/2014 of 25 July which develops the methodology of calculating the average period of payment to suppliers of Public Administrations and the conditions and procedure for withholding resources of territorial funding systems and the direct payment to the suppliers of Autonomous Communities and Local Authorities, due to repeat late payments.

Prior to this structural legislative reform, a range of special financial mechanisms providing support to the Territorial Administration were implemented in order to afford them the liquidity necessary to fulfil their financial commitments, thus reducing both the existing stock of commercial debt and the average payment period. Since 2012, the main mechanisms have been the Supplier Payment Funding Mechanism (implemented in 2012, with the last payment being made in February 2014) and the Autonomous Region Liquidity Fund (FLA). The latter is currently in force, and was first applied during 2012. It allows Autonomous Communities to finance debt repayments and the borrowing needs, such as interests and suppliers, with preference given to essential public service providers.

The actions carried out have had a significant positive impact on the Autonomous Communities' commercial late payments. Between 2012 (the year the reforms were implemented) and July 2014, the Autonomous Communities commercial debt had been reduced by 71.7%. Thus, the volume of the reduction in commercial debt can be quantified in the amount of 17,809 million euros.

This trend can also be seen with respect to the evolution of the Autonomous

Communities' supplier payment periods. From April 2012 (first data available) to July 2014, the payment periods had been reduced by 57 days, down to 85 days recorded in the month of July 2014 from the 142 days initially recorded, representing a 40% reduction for the period. This data has been calculated based on the information from the adjustment plans provided by 14 Autonomous Communities. As of the end of October, all of the Autonomous Communities and Local Authorities must publish their PMPs under the established common methodology.

7. LOCAL AUTHORITIES DRAFT BUDGET

Measures implemented locally are monitored in the context of the adjustment plans that have been submitted by 2,500 local authorities, these having signed up to the Supplier Payment Fund. Furthermore, Royal Decree-Act 8/2013 established extraordinary liquidity measures for municipalities in serious economic difficulties. All of these liquidity measures are subject to meeting strict conditions, which is reinforced in the second case to return these local governments to solvency.

The reform to the Local Government was approved by Law 27/2013 of 27 December on Local Government Rationalisation and Sustainability. This aims to improve the efficiency of local service provision by local authorities and ensure their sustainability, mainly by reorganising competencies and eliminating duplicities at different levels of government.

Considering the approval process through the General Courts and the final content of this legislation, savings must be reflected in the 2014-2020 period, which could amount to a total of 8,024 million euros, with the largest savings expected in 2015 and 2016 (3,523.5 and 2,604.9 million euros respectively) in annual incremental terms.

This Law has the following four goals:

- To clarify and simplify municipal competencies to avoid them duplicating those of other levels of government.
- To rationalise the organisational structure of local government based on principles of efficiency and balanced budget.
- To guarantee a more rigorous financial and budgetary control.
- To boost local economic activity through liberalisation measures.

The Law removes competencies undue to local municipalities, defining their proper competencies precisely. The Law also boosts the role of provincial authorities in co-ordinating minimum compulsory services in towns with fewer than twenty thousand inhabitants; encourages voluntary mergers; increases the requirements for separation or creation of new municipalities; and brings to an end agreements between Administrations with no funding.

It further establishes that municipalities should publish the effective costs of their services, which it regards as a means of improving transparency and encouraging competition among local authorities to improve the efficiency of their service provision to citizens. It also limits and structures salaries and temporary staff.

The largest savings come from the elimination of undue competencies (3,735 million euros) that the local governments will stop provision, followed by integrated management of basic services and mergers (1,970.5 million euros) which will increase economies of scale, and the resizing of public sector companies (1,397.6 million euros), establishing measures to improve efficiency and to ensure budgetary stability.

Table 10 Impact of the local reform

euros

	2014	2015	2016	2017	2018	2019	2020	TOTAL 2013-2020	% of total impact
UNDUE EXPENDITURE	659,192,548	2,463,788,148	612,182,898					3,735,163,594	46.55
TRANSFERS OF COMPETENCES FOR HEALTH, EDUCATION AND SOCIAL SERVICES			473,000,000	91,000,000	91,000,000	91,000,000	91,000,000	837,000,000	10.43
INTEGRATED MANAGEMENT OF BASIC SERVICES AND MERGERS		622,080,000	981,520,000	302,900,000	64,000,000			1,970,500,000	24.56
SMALLER LOCAL AUTHORITIES		13,905,951						13,905,951	0.17
RESIZING OF THE LOCAL PUBLIC SECTOR	190,511,807	393,832,401	508,301,486	304,980,891				1,397,626,585	17.42
TEMPORARY AND EXCLUSSIVE STAFF	10,560,000	29,920,000	29,920,000					70,400,000	0.88
TOTAL SAVINGS	**860,264,355**	**3,523,526,500**	**2,604,924,384**	**698,880,891**	**155,000,000**	**91,000,000**	**91,000,000**	**8,024,596,130**	**100**
% of total impact	10.72	43.91	32.46	8.71	1.93	1.13	1.13	100	

In September 2014, the data on individual fiscal balances were published for the first time in relation to the 2013 year-end. These figures corresponded to municipalities and provincial authorities, councils and Canary Island municipal councils. Also published was the fulfilment of budgetary stability targets of local authorities, according to the reports issued by the corresponding comptrollers. Out of the local authorities as a whole, 581 municipalities did not meet this target, and as such they were required to draw up economic-financial plans for approval by the Autonomous Communities, if under their financial supervision or, otherwise, by the Ministry of Finance and Public Administration in compliance with the LOEPSF.

The fundamental budgetary lines for 2015 are aimed at active fiscal policy measures which, in terms of revenue, come through as tax increases and the elimination of tax expenditures, in driving tax inspection to uncover undeclared taxable transactions and improve tax collection management and in improving the funding of public services by raising fees and public prices. In terms of expenditure, the downward trend in expenditure for local authority operations is consolidated, pursuant to the Rationalisation Law. The expenditure measures as a whole in 2014 amount to 1,068 million euros and revenue measures total 927 million. In 2015 the expected expenditure measures total 3,721 million euros and revenue measures reach 1,242 million euros.

TOTAL IMPACT OF THE MEASURES

The impact of the measures explained in the previous sections is summarised below in terms of GDP for the general government. The appendix presents several tables giving more details on the measures and their impact on each sub-sector of Spanish Government.

Table 11 Impact of the main regulatory changes in incremental terms (compared to previous year)

% GDP

	2012	2013	2014	2015	2016
Expenditure	**2.48**	**1.40**	**0.70**	**0.71**	**0.72**
Public employment 2012 extra payment	0.47	-0.48	0.00	-0.09	0.09
Public employment (general personnel measures)	0.02	0.33	0.16	0.10	0.04
Labour market policies	0.09	0.26	0.12	0.00	0.00
Long-term care policies	0.02	0.13	0.00	0.00	0.00
Other Central government budget expenditure (including CORA)	0.82	0.41	0.13	0.11	0.11
Autonomous Regions measures (excluding public employment measures)	0.91	0.67	0.14	0.16	0.14
Local authorities measures (excluding public employment measures)	0.14	0.07	0.10	0.34	0.25
Social Security expenditure	0.00	0.00	0.05	0.09	0.10
Revenues	**1.71**	**1.70**	**0.77**	**0.29**	**0.05**
Total taxes	1.07	1.23	0.24	-0.05	-0.22
Personal income tax and non-resident income tax	0.34	0.21	0.03	-0.22	-0.17
Corporate income tax	0.44	-0.04	0.20	-0.06	-0.21
Special regularisation tax (DTE) and fight against fraud	0.11	-0.01	0.09	0.01	0.01
Environmental taxes	0.03	0.29	-0.11	0.18	0.09
VAT	0.14	0.77	0.02	0.03	0.00
Other (fees and FTT)	0.00	0.01	0.00	0.01	0.06
Autonomous regions measures	0.37	0.21	0.34	0.13	0.16
Local Authorities measures	0.09	0.10	0.09	0.11	0.06
Social Secutiry contributions	0.00	0.15	0.11	0.09	0.06
Fight against Social Security fraud	0.19	0.00	0.00	0.00	0.00
Total	**4.19**	**3.10**	**1.47**	**1.00**	**0.77**
GDP millions	1,055,158	1,049,181	1,064,334	1,092,788	1,133,669

As a consequence of the implementation of these measures, the expected evolution in expenditure and revenue of the entire General Government is shown in the following table, where the ratio of revenue over GDP increases by 0.4 points and the ratio of expenditure over GDP decreases by 1 point:

Table 12 General Government expenditure and revenue targets, in % of GDP

	ESA Code	2014*	2015
1.Total revenue target	TR	38.04	38.44
Of which			
1.1. Taxes on production and imports	D.2	11.29	11.64
1.2. Current taxes on income, wealth, etc.	D.5	10.28	10.33
1.3. Capital taxes	D.91	0.46	0.47
1.4. Social contributions	D.61	12.15	12.12
1.5. Property income	D.4	0.80	0.80
1.6. Other		3.05	3.08
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		33.6	34.1
2. Total expenditure target	TE	43.63	42.62
Of which			
2.1. Compensation of employees	D.1	10.75	10.39
2.2. Intermediate consumption	P.2	5.25	5.07
2.3. Social payments	D.62, D.632	18.71	18.34
Of which Unemployment benefits		*2.39*	*2.29*
2.4. Interest expenditure	D.41	3.33	3.38
2.5. Subsidies	D.3	1.07	1.03
2.6.Gross fixed capital formation	D.51	2.18	2.14
2.7. Capital transfers	D.9	0.58	0.51
2.8. Other		1.76	1.76
Nominal GDP (Thousands millions €)		*1,064.33*	*1,092.79*

(*) It includes financial assistance

If none of the measures since 2013 examined above had been adopted or planned, in cumulative terms, the evolution of the main expenditure and revenues would be as shown in the following Table:

Table 13 General Government expenditure and revenue projections at unchanged policies

	ESA Code	2014*	2015
1.Total revenue target	TR	*35.3*	*34.8*
Of which			
1.1. Taxes on production and imports	D.2	*9.6*	*9.5*
1.2. Current taxes on income, wealth, etc.	D.5	*10.1*	*10.0*
1.3. Capital taxes	D.91	*0.4*	*0.4*
1.4. Social contributions	D.61	*11.6*	*11.4*
1.5. Property income	D.4	*0.8*	*0.8*
1.6. Other		*2.8*	*2.8*
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		*31.2*	*30.8*
2. Total expenditure target	TE	*44.7*	*44.1*
Of which			
2.1. Compensation of employees	D.1	*10.8*	*10.6*
2.2. Intermediate consumption	P.2	*5.5*	*5.5*
2.3. Social payments	D.62, D.632	*18.9*	*18.5*
2.4. Interest expenditure	D.41	*3.2*	*3.3*
2.5. Subsidies	D.3	*1.2*	*1.2*
2.6.Gross fixed capital formation	D.51	*2.6*	*2.6*
2.7. Capital transfers	D.9	*0.5*	*0.5*
2.8. Other		*2.0*	*2.0*
Nominal GDP (Thousands millions €) at unchanged policies		*1,091.75*	*1,128.2*

(*) It includes financial assistance

The complement estimation, in aggregate terms, of the annual impact on the deficit and GDP levels in the case of not adopting these fiscal consolidation measures each year (non-cumulative annual impact) is presented in the following Table.

Table 14 Assessment of the aggregate impact on budgetary balance and GDP of the scenario at unchanged policies

	2013	2014	2015	2016
Budgetary balance (% GDP) (1)	-6.3	-5.5	-4.2	-2.8
Fiscal consolidation measures (% GDP) (2)	3.1	-1.5	1.0	0.8
Impact of fiscal consolidation measures on GDP				
Impact of expenditure measures on GDP (multiplier 0.75)	1.1	0.5	0.5	0.5
Impact on GDP of revenue measures (multiplier 0.4)	0.7	0.3	0.1	0.0
Impact on GDP (% over level)	-1.7	-0.8	-0.6	-0.6
Output gap baseline scenario	-9.9	-8.5	-6.5	-4.1
Baseline Cyclical balance	-5.3	-4.6	-3.5	-2.2
Output gap difference with and without measures				
Output gap change when Potential GDP change is 50% of GDP change	-0.9	-0.4	-0.3	-0.3
Output gap change when Potential GDP change is 20% of GDP change	-1.4	-0.7	-0.5	-0.5
Impact on cyclical balance of no adopting measures				
Potential GDP change of 50% of GDP change (3)	-0.5	-0.2	-0.2	-0.2
Potential GDP change of 20% of GDP change (4)	-0.7	-0.4	-0.3	-0.2
Net impact on cyclical balance of no adopting measures				
Baseline Cyclical balance				
Potential GDP change of 50% of GDP change	-4.9	-4.4	-3.3	-2.0
Potential GDP change of 20% of GDP change	-4.6	-4.2	-3.2	-2.0
Budgetary balance at unchanged policies				
Balance at unchanged policies (50%) (1-2-3)	-9.0	-6.8	-5.0	-3.5
Balance at unchanged policies (20%) (1-2-4)	-8.7	-6.6	-4.9	-3.4

(1)Not taking into account financial assistance

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

APPENDICES

1. GDP deflator until 2017

Price developments

	ESA Code	2013	2013	2014	2015	2016	2017
		Level	% change				
1. GDP Deflator		101.0	0.7	0.1	0.6	1.2	1.4
Sources: National Institute of Statistics and Ministry of Economy and Competitiveness							

2. Outstanding amounts of guarantees granted by public administrations

	2010	2011	2012	2013
Total General Government				
One-off guarantees				
Total stock of guarantees, excluding debt asumed by government	**137,713**	**159,567**	**218,179**	**193,152**
of which: public corporations	500	500	500	500
Memo item: financial corporations	132,311	153,646	212,742	188,277
Memo item: guarantees given in the context of financial turmoil	59,506	64,659	105,093	95,604
Standardised guarantees				
Total stock	**0**	**0**		
Central Administration				
One-off guarantees				
Total stock of guarantees, excluding debt asumed by government	**132,809**	**154,090**	**213,124**	**188,585**
of which: public corporations	0	0	0	0
Memo item: financial corporations	132,311	153,646	212,742	188,277
Memo item: guarantees given in the context of financial turmoil	59,506	64,659	105,093	95,604
Standardised guarantees				
Total stock	**0**	**0**	**0**	**0**
Autonomous Communities				
One-off guarantees				
Total stock of guarantees, excluding debt asumed by government	**3,754**	**4,273**	**3,994**	**3,608**
of which: public corporations				
Memo item: financial corporations				
Memo item: guarantees given in the context of financial turmoil				
Standardised guarantees				
Total stock	**0**	**0**	**0**	**0**
Local Entities				
One-off guarantees				
Total stock of guarantees, excluding debt asumed by government	**1,150**	**1,204**	**1,061**	**959**
of which: public corporations	500	500	500	500
Memo item: financial corporations				
Memo item: guarantees given in the context of financial turmoil				
Standardised guarantees				
Total stock	**0**	**0**	**0**	**0**

Notas:

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 nor guaranteed debt of the ESF.

3. Only the guaranteed principal is included

3. Amounts to be excluded from the expenditure benchmark

	2013	2013	2014	2015
	Level (million €)	% GDP		
Expenditure on EU programmes fully matched by EU funds revenue	7,012	0.7	0.7	0.7
Cyclical unemployment benefit expenditure	12,187	1.2	1.0	0.8
Effect of discretionary revenues measures	17,787	1.7	0.8	0.3

* EU flows that do not correspond to administrativ e expenses, external aid, direct payments of CAP or the 25% restraint in traditional own resources. Transfers receiv ed from FEAGA are not included.

Sources: Ministry of Economy and Competitiv eness and Ministry of Finance and Public Adminsitrations

4. General Government expenditure by function

General government expenditure on education, healthcare and employment

	2014		2015	
	%GDP	% total expenditure	%GDP	% total expenditure
Education	4.0	9.2	3.9	9.1
Health	5.9	13.6	5.7	13.4
Employment[1]	2.8	6.5	2.8	6.5

[1] This expenditure category contains Government spending related to active labour market policies including public employment services.

Classification of the functions of the Government

Functions	COFOG Code	2014	2015
		% GDP	% GDP
1. General public services	1	6.7	6.6
2. Defense	2	0.8	0.9
3. Public order and safety	3	2.0	1.9
4. Economic affairs	4	4.1	4.0
5. Environmental protection	5	0.8	0.8
6. Housing and community amenities	6	0.5	0.5
7. Health	7	5.9	5.7
8. Recreation, culture and religion	8	1.3	1.3
9. Education	9	4.0	3.9
10. Social protection	10	17.4	17.1
11. Total expenditure	TE	43.6	42.6

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

Measures	Description	Target (cost/revenue)	Accounting principle	Level of implementation	Additional budgetary impact (million €)				
					2013	2014	2015	2016	2017
Personal Income Tax (PIT)					**2209**	**339**	**-3284**	**-2525**	**-1044**
Supplementary charge in the PIT and July and December 2012 measures.	Involves the application of a temporary and progressive surcharge on the personal income tax, at a percentage rate ranging from 0.75% for very low income to 7% for income over 300,000€. Other measures are included such as the increase of the tax withholding associated to business activities, the elimination of house compensation, the taxation of lottery prizes and the elimination of the Christmas and summer bonus for public servants.	Revenues	Homogeneous Cash	Royal Decree Law 20/2012, 13th of July. Law 16/2012, 27th of December.	2209	185			
Permanently ending of tax deductions for housing	Permanently ending the tax deductions on investment in the main residence for any acquisitions made after 1st January 2013.	Revenues	Homogeneous Cash	Law 16/2012, 27th of December.		90	90	90	
Capital gains obtained in < 1 year change to general rate	Only capital gains and losses from the sale of assets held by a taxpayer for more than one year will be included in the savings tax base.	Revenues	Homogeneous Cash	Law 16/2012, 27th of December.		87			
20% reduction on net profits in first 2 years (flat rate regime)	20% reduction on net profits from economic activity by taxpayers who start an economic activity, applicable in the first tax year in which a profit is made and the year after.	Revenues	Homogeneous Cash	Royal Decree Law 4/2013		-10	-8		
10% deduction on reinvested ordinary profits.	This incentive consist of a 10% deduction in the tax payable for the profits obtained in the tax year in which an invested is made in new tangible fixed assets and real-estate assets related to the economic activity.	Revenues	Homogeneous Cash	Law 14/2013 of entrepreneurship		-10			
"Business angels": 20% deduction on the investment and exemption from capital gains.	The investors enjoys two tax benefits: a) When the investment is made a 20% deduction in state personal income tax payable quota, subject to a maximum of 20,000; b) on future disinvestment, full exemption for any capital gains, provided these are re-invested in another new or recently-founded entity.	Revenues	Homogeneous Cash	Law 14/2013 of entrepreneurship		-3			
PIT Reform	Wide modification of the PIT: tax brackets have been changed, tax rates reduced, investment products...	Revenues	Homogeneous Cash	Draft Law that modifies the Law 35/2006, 28th of November of Personal Income Tax, the consolidated text of the Law of Non Resident Income tax Royal Legislative Decree 5/2004 5th of March, and other tax rules.			-3366	-2615	-1044

Measures	Description	Target (cost/revenue)	Accounting principle	Level of implementation	Additional budgetary impact (million €)				
					2013	2014	2015	2016	2017
Corporate Income Tax (CIT)					-434	2170	-1045	-2641	-170
Increase of withholding rate on capital gains		Revenues	Homogeneous Cash	Royal Decree-law 20/2011, 30th of December	-356				
Measures relating to instalment payments and other measures	Minimum instalment payment on accounting profits. Payment in instalments. Limit on deductions for capital expenditure. End of the free regime for fiscal depreciation. Limits on the deduction of goodwill. Limits on the application of negative tax basis.	Revenues	Homogeneous Cash	Royal Decree-law 12/2012, 30th of March and Royal Decree-law 20/2012, 13th of July. Law 16/2013 environmental taxation	-2786				
Special tax on dividends originating abroad and lotteries	Creation of a special tax on dividends and returns that come from abroad due to the transmission of assets of entities not resident in Spain.	Revenues	Homogeneous Cash	Royal Decree-law 12/2012, 30th of March.	-78	-9			
Limits on deduction of depreciation expenses.	Limits on tax deduction for fixed asset depreciation by large companies. This excludes SMEs and micro-SMEs.	Revenues	Homogeneous Cash	Law 16/2012, 27th of December	1900	300			
Asset revaluation levy	This levy allows the updating of balance sheets assets by taxpayers subject to CIT, 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.	Revenues	Homogeneous Cash	Law 16/2012, 27th of December	386	-380	-6		
Reduced rates of 15% / 20% for new companies during first two years.	A tax rate of 15% has been established for the first 300,000 € of the taxable base and 20% for the remaining superior amounts, in the first year of positive base and the year after.	Revenues	Homogeneous Cash	Royal Decree-law 4/2013, 22d of February		-176	-175		
10% deduction for ordinary profits reinvested in fixed assets in small sized companies.	Only for companies with turnover of less than 10€ million. A 10% reduction in the CIT payable over profits in a tax year when these are re-invested in new tangible fixed assets or real estate investments linked to its activity.	Revenues	Homogeneous Cash	Law 14/2013, 27th of September, Entrepreneurs		-547			
Return of 80% of balance pending deduction of R&D&I	Deductions for R&D investment and spending may optionally be applied, not subject to any limit on the tax payable, and credited, given a joint discount of 20% of their value, when these were not able to be applied due to the tax payable being too low	Revenues	Homogeneous Cash	Law 14/2013, 27th of September, Entrepreneurs			-427		
Changes to tax regime for intangible assets. (Patent box)	A reduction in the tax base of 40% or 60% depending on the case, of the net income from the intangible asset disposed .	Revenues	Homogeneous Cash	Law 14/2013, 27th of September, Entrepreneurs		-168			
Cancelation of deduction of losses in participated companies.	Change in the tax treatment of investments in resident and non-resident entities with a holding of at least 5% of the equity for over 1 year, it also applies to permanent establishments abroad.	Revenues	Homogeneous Cash	Law 16/2013, 29th of October	500	3150			
CIT reform	Rate reduction to 25% after two years, creation of a capitalization reserve and leveling reserve.	Revenues	Homogeneous Cash	Draft Law for CIT			-437	-2641	-170

Measures	Description	Target (cost/revenue)	Accounting principle	Level of implementation	Additional budgetary impact (million €)				
					2013	2014	2015	2016	2017
NEW ENVIRONMENTAL TAXES	Tax on the value of electricity production. Tax on production of spent nuclear fuel. Tax on storage of used nuclear fuel.	Revenues	Homogeneous Cash	Law15/2012, 27th of December	**1570**	**408**			
OTHER DIRECT TAXES	Special fiscal regularisation. Non Resident Income Tax and others.	Revenues	Homogeneous Cash		**-1169**		**-54**	**-56**	
VAT					**8050**	**223**	**370**	**0**	**0**
Reduction of VAT from 8% to 4% on housing purchases and increase in Excise duties.	The reduction of the VAT rate on housing from the reduced rate to 4% was a temporary measure introduced in 2011 and extended until the 31st of December 2012.	Revenues	Homogeneous Cash	Royal Decree Law 9/2011, 19th of August	612	288			
Rate increase from September 2012.	Increase of VAT rates, with the general rate up from 18% to 21%, and the reduced rate from 8% to 10%, with reclassification of some goods and services from the reduced rate to the general rate as from September 2012.	Revenues	Homogeneous Cash	Royal Decree Law 20/2012 13th of July	7438				
Creation of cash-basis VAT system	From 1 January 2014, creation of a special, voluntary system for VAT payments on a cash basis for taxpayers with turnover of less than 2 million € during the previous year.	Revenues	Homogeneous Cash	Law 14/2013 Entrepreneurs		-65	65		
Health and Notaries tax at the general rate.	Adaptation of the VAT Law to the EU legislation.	Revenues	Homogeneous Cash				305		
Excise duties					**1522**	**-1593**	**2000**	**1000**	**0**
Tobacco	Tobacco products; a number of changes including an increase in tax rates and rebalancing the fiscal structure: increasing the proportional component and reducing the specific one.	Revenues	Homogeneous Cash	Last modification by Royal Decree Law 7/2013, 28th de June	177	191			
Hydrocarbon	Increase in the rate on: professional diesel, biofuels, natural gas (consumption and use in electricity generation), diesel and fuel-oil used in electricity generation and liquefied petroleum gas. Refunds under the tax on hydrocarbons judgment.	Revenues	Homogeneous Cash	Law 15/2012 27th of December fiscal measures for energy sustainability.	1184	-1887	2000	1000	
Alcoholic drinks and derivative beverages	10% increase in taxation on intermediate products and derivative drinks.	Revenues	Homogeneous Cash	Royal Decree Law 7/2013, 28th of June	13	52			
Carbon	Rate increase to 0.65 euro per gigajoule	Revenues	Homogeneous Cash	Law 15/2012 27th of December fiscal measures for energy sustainability.	148	83			
Electricity	Partial tax exemption for large consumers	Revenues	Homogeneous Cash	Law 16/2013, 29th of October		-32			
LEVIES AND OTHER REVENUE		Revenues	Homogeneous Cash		**149**				
OTHER INDIRECT TAXES	New tax on fluorinated greenhouse gases. A tax on emissions of halogenated hydrocarbons. Financial Transaction Tax	Revenues	Homogeneous Cash	Law 16/2013, 29th of October		**30**	**90**	**630**	
TOTAL					**11897**	**1577**	**-1923**	**-3592**	**-1214**
Plan to fight against Fraud		Revenues	Accrual		**1050**	**1000**	**200**	**200**	**200**
TOTAL					**12947**	**2577**	**-1723**	**-3392**	**-1014**

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

Measures	Description	Target (Expenditure/revenue) ESA code	Accounting principle	Additional budgetary impact (million €)			
				2013	2014	2015	2016
PERSONEL COSTS	Management measures / staff planning / reduction perks	Expenditure D1	Budgetary	2470	107	180	200
PHARMACEUTICAL EXPENDITURE	Pharmaceutical expenditure due to centralized procurement	Expenditure D63	Budgetary	89	15	100	100
	Other measures regarding phamacy expenditure	Expenditure D63	Budgetary	612	166	150	150
CURRENT EXPENSE MEASURES	Saving measures related to provision of services and supplies	Expenditure P2	Budgetary	415	286	500	370
	Other measures from chapter II	Expenditure P2	Budgetary	564	293	150	
SUBSIDIES AND ASSISTANCE	Current and capital	Expenditure D92, D99	Budgetary	1128	100	200	200
CURRENT TRASNFERS	Other from chapter IV	Expenditure	Budgetary	783	228	265	265
CAPITAL TRANSFERS	Other from chapter VII	Expenditure D92, D99	Budgetary	297		92	150
OTHER MEASURES	Other measures	Expenditure P51	Budgetary	688	255	100	100
TOTAL EXPENDITURE				**7046**	**1450**	**1737**	**1535**
TAXES	Personal Income Tax	Revenue D51	Budgetary	52	7	50	
	Inheritance and Gift Tax	Revenue D91	Budgetary	175	163	86	86
	Wealth Tax	Revenue D5	Budgetary	320	54		
	Environmental taxes and hydrocarbons taxes	Revenue D29, D21	Budgetary	436	109	600	600
	Transfer tax and Stamp duty	Revenue D21	Budgetary	324	358	150	200
FEES	Fees	Revenue D29	Budgetary	53	23	80	80
OTHER	Other	Revenue D29	Budgetary	660	392	396	300
Non Tax Revenues	Non Tax Revenues	Revenue P51	Budgetary	214	2463	100	500
TOTAL REVENUES				**2235**	**3569**	**1462**	**1766**
TOTAL REGIONAL GOVERNMENTS				**9281**	**5018**	**3199**	**3301**

7. Expected budgetary impact of the measures adopted and planned by Local Authorities

Local Entities Measures	Description	Target (Expenditure/revenue)	Accounting principle	Additional budgetary impact (million €)			
				2013	2014	2015	2016
PERSONEL COSTS	Staff measures other than the general ones	Expenditure D1	Budgetary	210	206	229	227
CURRENT EXPENSE	Cost reduction in purchases of goods and services	Expenditure P2	Budgetary	10	12	13	12
	Company dissolution	Expenditure D1, P2	Budgetary		191	394	508
Investment and capital transfers	Reducing investments and capital transfers	Expenditure D19, P51	Budgetary	125			
Supression of services	Disappearance of minor local entities and deletion of services that are not under local competence	Expenditure D1, P2, Other current expenditure	Budgetary	350	659	2464	612
Health, education, social services	Tansfer of competencies in health, education and social services	Expenditure D1, P2	Budgetary				473
Integrated management and mergers	Integrated management of Public services and municipal mergers	Expenditure D1, P2	Budgetary			622	982
TOTAL EXPENDITURE				**694**	**1068**	**3721**	**2814**
Taxes	Tax increases, deletion of exemptions and voluntary deductions	Revenue D29	Budgetary	653	558	926	328
Taxes	Strengthening the effectiveness of voluntary and enforced collection	Revenue D29	Budgetary	18	33	25	22
Taxes	Fees and public prices	Revenue D29, P11	Budgetary	34	51	54	57
Other revenue	Other revenue measures	Revenue D7, P11, D4	Budgetary	294	285	237	241
TOTAL REVENUE				**999**	**927**	**1242**	**647**
TOTAL LOCAL ENTITIES				**1693**	**1995**	**4964**	**3460**

8. Link between the Draft Budgetary Plan and the specific recommendations of the Council

		Specific recommendation	List of measures	Link description
1. BUDGET	1.1	Strengthen the budgetary strategy from 2014 onwards, in particular by thoroughly specifying underlying measures for 2015 and subsequent years, with the goal of achieving a sustainable correction of the excessive deficit by 2016 at the latest, thanks to structural adjustment efforts set forth in the Recommendation drawn up by the Council within the framework of the excessive deficit procedure.	The 2015 budgets have been drawn up within the framework of a commitment to fiscal consolidation, in order to comply with the agreed path.	The budgets are aimed at creating jobs, and growth in the Spanish economy and achieving social cohesion and they take further steps in terms of structural reforms and fiscal commitments.
	1.2	The durable correction to the budget imbalances require the application of realistic measures for making ambitious structural reforms that enable an increase in the adjustment capacity in order to stimulate growth and job creation.	The implementation of structural reforms initiated in recent years and committed to in the National Reform Programme continues (reform of the local administration, Market Unity Guarantee Act (LGUM), dis-indexation, centralisation of public purchasing, reforms to the general government within the framework of CORA (Commission for public administration Reforms), fight against payment arrears in the general government, etc.) Furthermore, the tax reform is in process and will enter into force on January 1st, 2015, and a reform to the laws regulating the administrative procedure and legal system of the general government has been launched.	These measures are geared towards strengthening competitiveness and stimulating growth, creating jobs, and improving efficiency and the quality of expenditure in the general government, contributing to the structural adjustment of expenditure, to the steep correction of the imbalances and to fiscal consolidation.
	1.3	After correcting the excessive deficit, implement a structural adjustment towards the medium-term objective of no less than 0.5% each year, or even greater if the economic situation is favourable or if it is necessary to guarantee compliance with the debt rule in order to ensure the increased debt ratio of the general government continues on a downward trend.	The 2015 budgets have been drawn up within the framework of a commitment to fiscal consolidation in order to comply with the agreed path.	Debt ratio reduction from 2016. Primary surplus in 2016.
	1.4	Guarantee that the new independent fiscal authority may begin to function in full as soon as possible and that the preventive, corrective and coercive measures contemplated in the Organic Law on Budgetary Stability, including those which are related to the elimination of debt with commercial entities, may be applied at all levels of government in a rigourous and transparent way.	The Independent Fiscal Responsibility Authority (AIREF), created by Organic Law 6/2013, of 14 November, is fully operational and has begun its activity of issuing reports, opinions and studies. For example, for the first time, the macroeconomic forecasts used as a basis for budgets have been endorsed by the AIREF, and as such they comply with EU rules. New measures have been approved to guarantee that the territorial administrations have the liquidity necessary to pay their debts.	The AIREF is responsible for ensuring strict compliance by the entire general government with the principles of budgetary stability and financial sustainability. The new liquidity measures will enable a continued reduction in the stock of accumulated commercial debt and take steps towards reducing the average payment period to suppliers.
	1.5	Before February 2015, carry out a systematic review of expenditure at all levels of government to contribute to improved efficiency and quality of public expenditure.	Creation and launch of a working group within the framework of the Council for Fiscal and Financial Policy (CPFF), comprised of representatives of the Central Government, the Autonomous Communities and from AIREF for the main purpose of streamlining expenditure and increasing savings in health, education, social services and human resources among other areas, improving the efficiency of public expenditure in Autonomous Communities and determining best practices to be adopted.	The measures adopted as a result of this working group will enable an improvement in the efficiency and quality of expenditure and will guarantee an adequate delivery of services and their funding within the framework of budgetary stability.
	1.6	Continue increasing efficiency in the healthcare sector, especially in terms of rationalising pharmaceutical expenditure, particularly in hospitals, and strengthening the coordination between different types of care, while preserving access to vulnerable groups.	New measures for streamlining health and pharmaceutical expenditure have been approved, such as updating the price reference system for pharmaceuticals in the National Healthcare System and the modification of certain aspects of the supplementary list of common services. The process of increasing efficiency in the healthcare sector continues with the creation of a telematic service for European health documentation and for social security reports, the regulation of the National Registry of Healthcare Professionals and progress with online administration and "e-health" with the establishment of the digital	These measures bring about significant savings, as well as increased efficiency in managing resources and tools and an optimisation of human resources planning and coordination of policies at the Autonomous Community level, thereby achieving greater efficiency and rationalisation in health and pharmaceutical expenditure.

			medical records and online prescriptions with interoperability.	
	1.7	By 2014, adopt a complete tax reform that simplifies the tax system so that it contributes to a greater extent to growth and job creation as well as to environmental protection and tax collection stability. To this end:	The parliamentary process has begun for the draft laws that will set forth the tax reform, amending the personal income tax, non-resident income tax, corporation tax, VAT and certain excise taxes, which will enter into force on 1 January 2015.	The tax reform is aimed at job creation, strengthening competitiveness, and boosting growth with a more equitable tax structure.
	1.7.1	shift taxation to less distortionary taxes, such as on consumption or environment (for example, those applied to fuels) or recurring property tax;	Extended property tax measures.	Tax revenue from local governments and more efficient.
	1.7.2	eliminate inefficient expenditure in corporate income tax and personal income tax;	A range of tax incentives in both tax figures are cut.	Limiting the tax expenditure in direct taxation enables a widening of the tax base, resulting in a positive impact on tax collection.
	1.7.3	consider the possibility of reducing employers' social security contributions, in particular to low wage employment;	Reductions in social contributions in open-ended contracts and to encourage recruitment under internship and via young worker apprenticeship contracts (Flat-rate, Youth Employment and Entrepreneurship Strategy and the Youth Guarantee Plan). An analysis has begun of the reduction of employer social security contributions on occupational accidents according to the accident rates from different productive sectors (Social Security Mutual Aid Societies Law). Reduction in the withholdings of personal income tax and general reduction in taxation of wage-earners, especially for average and low-income earners.	These measures on contributions support the stimulation of employment, with particular attention to stable hiring and labour entry of young people, reducing the labour costs that companies bear. These objectives are strengthened by the tax reform measures. One of the objectives of the measures is to fill the tax wedge in order to achieve the greatest possible impact of a tax cut on economic recovery and job creation.
	1.7.4	continue correcting the distortion towards indebtedness in corporate income tax, take measures to prevent taxation from hampering the harmonious functioning of the Spanish internal market.	Measures in corporation tax reform: make permanent the limitation on the deduction of financial expenditure, favour funding with internal funds and the correction of balance sheets, as is the case with the concept of capital reserve – allowing a company to reduce their tax base by 10% of the increase in its internal funds, as long as it has an unavailable reserve matching the amount of the deduction – and the leveling reserve for SMEs – allowing them to deduct possible future losses or to request a tax deferral lasting 5 years equivalent to 10% of its tax base, strengthening its capital structure to self-fund investments and grow in company size and to face periods of lower profitability in more favourable conditions.	Contributes to reducing the indebtedness of companies. New incentives are created aimed at financial deleveraging.
	1.7.5	Strengthen the fight against tax evasion.	The tax reform includes a series of measures to reinforce the fight against fraud: lists of defaulters will be published, measures against international tax fraud are foreseen (BEPS-OECD), particularly those associated with international fiscal transparency, etc. Inspection procedures are also strengthened with amendments to deadlines and suspension in stipulated cases.	These measures enable increased efficiency in the fight against fraud and as a result, increase collection.
2. FINANCIAL	2.1	Complete the reform of savings banks concerning the approval of the secondary legislation and finalise the restructuring of the publicly-owned savings banks so that they recover quickly and return to private ownership.	The implementing regulation of Law 26/2013 of 27 December regarding Savings Banks and Banking Foundations is being finalised. Progress has continued in compliance with the entities' resolution and restructuring plans (for example: sale of portfolio divestments and industrial shares). Towards the end of July, Catalunya Banc was appropriated by BBVA.	More efficient and professional behaviour on behalf of savings banks is being guaranteed and a restructuring of the sector is being finalised, facilitating its return to private ownership at a minimum cost to the taxpayer.
	2.2	Support the efforts made by banks to maintain solid ratios of capital and supervise the actions of the Company for the Management of Assets Proceeding from Restructuring of the Banking System (SAREB) to ensure that the assets are transferred within the stipulated time periods, while minimising the cost to the taxpayer.	Approval of Law 10/2014, of 26 June, for the management, supervision and solvency of credit institutions The Banco de España continues intensive supervision of the SAREB.	Adaptation of Spanish law to the new solvency framework of Basel III (CRD IV) for the purpose of improving stability in the financial system by subjecting credit institutions and investment services companies to stricter solvency regulations. The Banco de España is supervising the activity of the SAREB to minimise costs to the taxpayer and to transfer the assets in a timely manner.

	2.3	Complete the measures in progress to widen access to funding by SMEs, in particular finishing the initiatives already launched to improve non-bank financial intermediation.	The countercyclical role of the Official Credit Institute (ICO) is strengthened as is that of the FOND-ICO Global, which continues carrying out its investment programme of up to €1.2 billion (over four years). The Draft Law to promote business funding was sent to Parliament. Progress has been made in the processing of the Draft Law regulating venture capital entities and other closed-end fund entities.	The role of the Official Credit Institute is to promote bank credit financing so that it reaches economic agents, particularly SMEs. FOND-ICO Global is a fund of funds created in 2013 and managed by one of Official Credit Institute's capital venture management companies that facilitates business financing. The purpose of the Draft Law to promote business financing is to make bank loans more accessible and flexible for SMEs and to strengthen the sources of direct corporate financing (non-bank). The purpose of the Draft Law regulating venture capital entities and other closed-end fund entities is to improve and encourage financing through venture capital.
	2.4	Remove the remaining obstacles within the framework of business insolvency – in particular, improving the specialised knowledge of bankruptcy receivers and the capacity of the judicial system to process cases of insolvency – and develop a permanent framework for personal bankruptcy.	Approval of Law 17/2014, of 30 September, adopting urgent measures on matters of refinancing and restructuring business debt. Royal Decree-law 11/2014, of 5 September, on urgent measures on insolvency was approved. This law introduces new features such as the possibility of extending the effects of the arrangement to dissident creditors and, in particular to privileged creditors, depending on the majority vote.	Processes of refinancing and restructuring business debt are made faster and more flexible, guaranteeing business survival. Furthermore, the new measures introduced through the Royal Decree-law include additional measures for the purpose of strengthening the viability of the companies experiencing difficulties.
3. LABOUR MARKET	3.1	Implement new measures to reduce labour-market segmentation in favour of employment quality and sustainability, specifically by reducing the number of contract types and ensuring balanced access to rights in cases of termination of employment.	Promotion of open ended employment by reducing Social Security contributions (Flat-Rate Plan)	This measure enables the quick creation of stable employment and at the same time reduces the duality in the labour market, reducing the employment costs that companies must bear.
	3.2	Continue periodic monitoring of labour market reforms.	The reforms are still being evaluated according to the methodology and objectives defined by 2013 both internal evaluations (Ministry of Employment and Social Security – MEYSS) and external ones (OECD).	The evaluation of the impact of the reforms on the labour market will enable the detection of progress and problems and the adoption, where necessary, of additional measures.
	3.3	Ensure that the development of real wages is consistent with the objective of job creation.	In particular, the effects that the labour reform measures are having on wage negotiation are under evaluation.	The objective is to continue assessing whether measures implemented on collective bargaining (opt-out clauses, priority of the company agreement, limiting the extended application of collective agreements) are adequately reflected in salary negotiations, and are thus contributing to job creation.
	3.4	Intensify job-search requirements in order to receive unemployment benefits.	1) Launch of the public-private collaboration system regarding employment intermediation 2) Evaluation of the system of unemployment benefits.	The collaboration between public employment services and private employment agencies will enable an intensification of the obligations of beneficiaries of unemployment benefits to search for employment and accept appropriate employment offers. On the other hand, an assessment will be conducted on the unemployment subsidies and benefits provided by the central government and the Autonomous Communities for the purpose of identifying the changes necessary to establish a system that protects those with the greatest need and improves the employability of unemployed individuals.
	3.5	Improve the efficiency and focus of active labour market policies, including incentives for hiring, especially for those experiencing greater difficulties in accessing employment.	Approval of the Spanish Strategy for Employment Activation 2014-2016 and the Annual Employment Policy Plan that will soon finalise the regulatory developments aimed at standardising and increasing the efficiency of the services and programmes for the unemployed and the incentives for recruitment offered by the central government and the Autonomous Communities.	The approval of these mechanisms enables an increase in the effectiveness and focus of the active employment policies since they set the regulatory framework of policy co-ordination among public employment services of the central government and the Autonomous Communities and they create a model for programming, executing, funding, and setting common objectives and results-evaluation criteria, which are decisive in terms of the allocation of funds among the Autonomous Communities. Furthermore, the effectiveness of the services and programmes for the unemployed and recruitment incentives offered by the central government and Autonomous Communities will be standardised and increased.
	3.6	Strengthen the co-ordination between labour market policies and education and training.	New employment training model for employed workers and the unemployed.	From 2015, a new model will encourage training that responds to the real needs of businesses and the labour market and will increase the efficiency of public resources used to improve the professional qualifications of both employed workers and the unemployed. To this end, a system will be opened for competitive tendering for training service providers. Oversight and evaluation efforts will be strengthened in addition to increasing transparency requirements and incentives in order to ensure a correct and efficient functioning of the system.

	3.7	Hasten the modernisation of the public employment services so that they may offer effective, personalised guidance as well as adequate training and ensure the connection of employment supply to demand, paying special attention to the long-term unemployed.	Spanish Strategy for Employment Activation 2014-2016 and the Royal Decree on the common services offered by public employment services	One of the objectives of the Spanish Strategy for Employment Activation consists of modernising the public employment services in the different Autonomous Communities. Therefore, among its regulatory developments, the approval of a regulation is foreseen that will define the services that shall be commonly offered permanently throughout the national territory, geared towards professional orientation and labour-market entry, through diagnosis and an individualised path for each user.
	3.8	By the end of 2014, guarantee the effective application of the cooperative initiatives between the public and private sectors in job-placement services and oversee the quality of the services offered.	The public-tender process to select 80 private agencies to be enlisted to enter into contracts for the provision of job-matching services according to the common rules set forth in the Framework Agreement approved in 2013 has been finalised. The different public services of the Autonomous Communities may already enter into contracts with the selected agencies. At the central government level, a tendering process is underway for a contract between the national Public Employment Service and private agencies for the labour force entry of the beneficiaries of the PREPARA programme (the long-term unemployed).	The objective is to obtain greater efficiency in job-matching services, taking advantage of the knowledge and experience of private agencies. Collaborative agencies shall satisfy certain minimum technical and financial solvency conditions and the services required are comprehensive in nature and geared towards the job-placement of the unemployed. Their services will be compensated depending on the results achieved, considering the characteristics of the unemployed and the duration of their placement.
	3.9	Guarantee the effective functioning of the Single Employment Portal and combine it with additional measures to promote labour mobility.	The Single Employment Portal has been up and running since July 2014 (https://empleate.gob.es/empleo/#/home)	The portal publishes job offers from the public services of the central government and the autonomous communities and from private websites forming part of the project. Seven websites portals have joined the project, leading to the inclusion of the greatest number of job offers and demand in Spain.
4. YOUTH	4.1	Apply the Youth Employment and Entrepreneurship Strategy 2013-2016 and evaluate its effectiveness.	The Strategy is being applied and some of the measures have been strengthened for the purpose of implementing the Youth Guarantee in Spain. The Strategy will be evaluated throughout 2015.	The Strategy contains a wide variety of measures whose objectives are to tackle unemployment among young people both through third-party employment and self-employment. Likewise, it contains measures aimed at improving the employability of young people, easing the transition between the educational system and the labour market.
4. YOUTH	4.2	Provide high-quality employment offers, apprenticeship contracts and internships for young people and improve their availability to non-registered unemployed youth, in compliance with the objectives of youth guarantee.	Royal Decree-law 8/2014, of 4 July, through which the National Youth Guarantee System is established	This regulatory instrument governs the telematic registry and website for Youth Guarantee, allowing young people between the ages of 16 and 25 to benefit from certain measures that promote employment and professional training. Among these measures are the new Social Security subsidies to strengthen open-ended hiring, internships, training contracts and apprenticeships as well as part-time contracts combined with ongoing training.
4. YOUTH	4.3 4.4	Effectively apply the new educational programmes to improve the quality of primary and secondary education and to improve the support and guidance of groups who are at risk of early school-leaving.	The educational reform has been launched (LOMCE – the Organic Law for the Improvement of Educational Quality)	During 2014-2015 some of the new elements have already been launched that were incorporated as a result of the educational reform passed in 2012 that will be progressively implemented.
4. YOUTH	4.5	Increase the labour-market applicability of the different types of professional training and higher education, specifically by improving co-operation with employers and promoting the training of teaching professionals.	See 3.6, 3.7, 4.1, 4.2, and 4.3	
5. SOCIAL INCLUSION AND POVERTY	5.1	Apply the National Action Plan for Social Inclusion 2013-2016 and assess its effectiveness in achieving its wide range of objectives.	Continuation of the application of the measures contained in the global strategy; the following are worth mentioning: - Amendment to the Spanish Strategic Action Plan on Disability 2012-2020 and approval of the new Action Plan for this Strategy (September 2014). - Approval of the Youth Strategy 2020 and Action Plan 2014-2016 (September 2014). - Presentation of the Law on the Third Sector for Social Action. - Reform to Law 6/1996, of 15 January, on Volunteering. - Adoption of the National Homelessness Strategy.	The series of measures is geared towards promoting active inclusion, that is, actions that combine labour force entry with support to the most underprivileged groups by maintaining the levels of social protection that reinforce social and economic cohesion.

	5.2	Strengthen the administrative capacity and the co-ordination of social and employment services for the purpose of affording pathways to integration in support of those who are at risk and streamline procedures to facilitate incorporation into the labour market from minimum-income schemes.	Aside from the measures pertaining to employment (see recommendation 3), the following are worth highlighting: Design and implementation of co-ordination protocols among social and employment services to act with greater effectiveness for the most vulnerable groups. Design of "single window" systems of employment and social services that offer a comprehensive service for vulnerable individuals. Development of pathways to labour-market entry with training and social support for the most alienated from the job market.	The different measures aim to improve co-ordination between all of the areas of action (employment policies and social policies), contributing to an activation of the labour market and access to quality public services.
	5.3	Improve orientation of the family-support programmes and quality services, giving priority to households with the lowest income levels with children, to guarantee the effectiveness and progressiveness of the social transfers.	Approval of the Comprehensive Plan on Family Support. Finish regulatory reforms on child protection.	These measures are designed with the fundamental purpose of advancing social, legal, and economic protection for families and minors.
6. TRADE, MARKET UNITY AND R&D&I	6.1	Guarantee the quick and ambitious application of Law 20/1013, guaranteeing market unity, at all levels of government.	An agreement by the Spanish Council of Ministers was approved to implement the Programme Guaranteeing Market Unity that includes the formation of a high-level working group to resolve discrepancies in the application of the Law on the Guarantee of Market Unity (LGUM). Progress is being made on the adaptation of the national legislation which will continue with special emphasis placed on areas where conflicts between operators are detected. Cooperative mechanisms cutting across different administrative offices are being launched that are contemplated in the LGUM: sectorial conferences and Market Unity Council. The operator protection mechanisms are functioning adequately. The Public Sector Contracting Platform is up and running.	Removal of restrictions in freedom of establishment and movement of goods and services across the entire national territory; remove administrative procedures and burdens; maintain a high level of oversight and control over the economic operators; increase the economic growth potential by increasing economic flexibility and competitiveness.
	6.2	Approve an ambitious reform in professional services and of professional associations by the end of 2014, specifying the professions that require registry in a professional body as well as standards of transparency and accountability of professional organisations, deregulating activities that are unfairly reserved and preserving market unity in access to professional services and their exercise in Spain.	A Draft Bill for Professional Services and Professional Bodies is underway.	Remove restrictions in the provision of professional services; increase the quality and competitiveness of professional services; improve governance, transparency, control and efficiency of professional bodies.
	6.3	Reduce the time, cost and procedures necessary for setting up a company and starting operations.	Among other measures, the following have been approved: - the regulatory development of the Law in Support of Entrepreneurs and their Internationalisation; - a Plan to rationalise Environmental and Urban Legislation within the framework of the Plan of Measures to Drive Growth, Competitiveness and Efficiency; - the Agenda for Strengthening the Industrial Sector in Spain; - Manual of Administrative Simplification and Removal of Duplicities in the Central Government;	Continue progress in hastening the start of economic activity and making it more affordable through cross-cutting measures applied to all of the general and local government, and coordinating with all of the authorities responsible for the interposition and implementation of the measures. These efforts are meant to increase economic competitiveness and flexibility.
	6.4	Correct unfair restrictions on the establishment of large shopping centres, specifically via the revision of the regional urban planning orders.	Royal Decree-Law 8/2014 was approved which: - facilitates the opening of commercial establishments; - takes further steps towards administrative simplification and streamlining, establishing a comprehensive procedure for commercial authorisation; - the time period for resolving commercial authorisation procedures is reduced to three months; - the number of municipalities with freedom in opening hours has increased.	Increase competition and flexibility in the commercial sector for the purpose of improving potential economic growth and guaranteeing a commercial sector that maximises consumer satisfaction.
	6.5	Determine funding sources for the new national science, technology and innovation strategy and open the new National Research Agency.	The creation of the agency is contemplated in the Draft Law on the 2015 budget. The budgetary resources for R&D&I in 2015 increased for the second year in a row	Efforts are being made to maintain or increase public resources to the extent possible. At the same time, the objective is to continue promoting private sector participation in funding R&D&I to bring Spain closer to the average of other European countries.

7. SECTORS	7.1	After the reform of 2013, guarantee the effective elimination of the tariff deficit in the electrical energy sector as of 2014, taking additional structural measures where necessary.	Approval of the implementing regulation of electrical-energy sector reform. Specifically, the Royal Decree was approved regulating the production of electricity energy derived from renewable energy sources, co-generation and waste and the orders approving the payment parameters of standard installations, as well as the mechanisms for the allocation of the payment schemes specific to new wind and photovoltaic installations in the electrical systems of non-peninsular territories. Approval of the order establishing the calendar corresponding to the electrical season and, as a result, amending certain aspects related to the interruptibility demand management service. Furthermore, the order will soon be approved setting forth the methodology for calculating the electrical energy attributable to the use of fuel in solar thermal power installations. Reform of the regulatory framework of the gas system, establishing a new payment framework for activities regulated for the purpose of ensuring the economic and financial sustainability of the gas system.	These measures allow for achieving a definitive balance within the electrical system, guaranteeing the economic and financial sustainability of the Spanish electrical energy system, they provide regulatory stability and they reduce transportation and distribution costs. Furthermore, the gas sector reform allows for ending the problem of the tariff deficit and guaranteeing reasonable profitability, adjusted to the risk level of each activity.
	7.2	Address the problem of insolvent toll roads in a way that minimises cost for the Central Government.	Amendment to the Insolvency Law in order to facilitate the management of bankruptcy proceedings, which may be consolidated into a single procedure (RD-L 11/2014 on urgent measures on insolvency) and of the Patrimonial Responsibility of General Government regulation, in order to prioritise payment of expropriations decreasing the amount corresponding to patrimonial responsibility (RD-L 1/2014 on improvement works in infrastructures and transport, and other economic measures).	The measures adopted facilitate reaching a comprehensive solution for the concession holders who are insolvent, minimising the costs for the Central Government, since the procedures and time periods are reduced for insolvency management and the prioritisation of payment of expropriations is clarified.
	7.3	Before the end of 2014, establish an independent observatory that contributes to the evaluation of the large future infrastructural projects.	Formation of an Advisory Board for Public Works, made up of independent renowned experts to provide guidance and to inform the Ministry of Public Works on matters related to infrastructure and transportation.	Prevent the construction of inefficient infrastructure and focus decisions on an objective and rigorous analysis of economic and financial viability.
	7.4	Adopt measures that guarantee effective competition in the rail transportation services for both passengers and freight.	Measures have been adopted in the area of rail transportation. Specifically, passenger railway transportation is being deregulated via tendering for a first collection of lines. - Furthermore, within passenger and freight rail transportation, work is being done on drawing up a new Law for the Railway Sector that transposes the European Directive and contemplates reforms in other areas that are relevant to the deregulation of the sector.	The competition and efficiency in railway transportation is improved, and both the use of this type of transport and territorial cohesion are promoted.
8. PUBLIC ADMINISTRATION	8.1	Apply, at all levels of Government, the recommendations of the Commission for the Reform of Public Administrations (CORA).	Progress continues towards the achievement of the objectives and in obtaining the budgetary and economic results of the reforms and measures comprising the CORA (Commission for the Reform of Public Administrations) report. As of June 2014, 101 measures (45.5% of the total) have been implemented and 121 are underway (63 of which are in an advanced stage), all the measures have been initiated. In particular, the co-operation and co-ordination between administrations is being boosted, especially within the framework of the CPFF.	The measures that are being adopted in the areas of administrative simplification, removal of duplicities, the management of common services and means and institutional administration are enabling significant savings since the efficiency and quality of expenditure are improved.
	8.2	Strengthen control mechanisms and increase transparency in administrative decision-making, especially at the local and regional level.	A reform to the laws regulating the administrative procedure and of the general government legal system has been launched.	This measure, which affects all levels of government, will not only allow for improving administrative efficiency and legal security but it will also increase the regulatory quality of the legal system, achieve faster and more efficient administrative procedures, and increase transparency in the functioning of the General Government.

	8.3	Complete and carefully supervise the measures in progress in the fight against the underground economy and undeclared work.	Measures of an organisational nature to improve the efficiency of human and material resources used to fight fraud.	The improvement of the efficiency in the fight against fraud will enable the achievement of improved results.
	8.4	Adopt the pending reforms to the judicial system and map and guarantee the implementation of the approved reforms.	Assigning the management of the Civil Registry to the Mercantile Registers (Royal Decree-law 8/2014) and approval of the Organic Law in support of the law on rationalizing the public sector in the area of the judiciary. Start of the Parliamentary procedure for the draft laws on Voluntary Jurisdiction, Mortgage Reform, real estate Register, and Administration Reform in the area of the Judiciary and the Civil Registry.	The process of reforming the judicial system continues with these measures. Through them, the Judiciary is relieved of administrative tasks or those that can be carried out by other professionals; the co-ordination of the public registries is improved and registry procedures required by citizens are facilitated. Furthermore the efficiency and functioning of the judiciary auction of assets are improved.

9. Link between the Draft Budgetary Plan and the European strategy for growth and jobs

National objectives	List of measures	Relationship description
Employment 74% employment for persons age 20 to 64 years Progress: 58.2%	Annual Employment Policy Plan	Transformation of the active employment policies: for the first time the different public employment services are being coordinated, their efficiency is being evaluated, and measures are being aimed at achieving specific goals.A portion of the public resources allotted to active policies are being allocated to the Autonomous Communities depending on their success in meeting evaluated objectives.
	Programme on best practices for the modernisation of public employment services	Increased efficiency in public employment services, identifying the most successful measures and encouraging the technical co-operation between them.
	Development of the new training model for employment	Increased efficiency of public resources allotted to training for employed workers and the unemployed, strengthening the quality of the training through competition among training service providers and increasing funded training that enables individuals to obtain a professional certificate.
	Public-private system of collaboration in regard to employment intermediation services	Increase and improvement in employment supply and demand matching, taking advantage of the efficiency and experience of private employment agencies and increasing the effectiveness of the obligations of the unemployed to be actively engaged.
	Single Employment Portal	Increase and improvement in employment supply and demand matching, overcoming the fragmented nature of the information managed by the different public employment services.
	Youth Employment and Entrepreneurship Strategy	Increase the employment rate among young people, facilitating the transition from general studies or unemployment to professional training, paid employment or self-employment.
	Educational system reform	Increase the employment rate after making more successful educational trajectories, geared towards professional training that is adapted to labour-market needs.
	Development of the dual professional training model	Increase the employment rate, fostering official professional training that enables a balance between training and professional experience in companies and that therefore anticipates and facilitates labour-market entry.
	Promotion of lifelong education and training	Increase the employment rate, encouraging professional development and re-training schemes for adults and facilitating job redistribution among productive sectors.
R&D Investment of 2% of the GDP Progress: 1.3% of the GDP in 2012	Reassess expenditure priorities and reassign public funds	In 2013 two credit supplements of €174M were approved. In 2014 non-financial items increased by 6.4%. This is the first increase since 2009. The budget of the State Secretariat of R&D&I increased 10.1% in 2014 in non-financial items with respect to 2013. In the calls for 2014, over €1,000 million will be allocated to the direct funding of projects.
	Spanish Strategy for Science, Technology and Innovation 2013-2020, Government Plan for Scientific, Technical and Innovative Research 2013-2016	The policy measures envisaged have no cost, and as such their contribution will be positive in improving the efficiency and effectiveness of public resources and actions.
	Support of quality in human resources	During 2012 and 2013, 3,860 research posts were made available for which over €360M were allotted. Pre-doctoral contracts have changed to 4-year contracts instead of grants. Financial aid for companies when hiring new employees: in 2013 €101.5M
	Increased involvement and participation of the private sector in R&D&I investment	Move closer to European recommendations: two-thirds of the R&D&I funding from the private sectorIn 2012 the percentage of expenditure in R&D&I by companies reached 0.69% of the GDP.
	Fostering participation in joint-programming initiatives within the European Research Area	Participation and collaboration with European partners is expected to increase.
Emissions reduction -10% from 2005 Progress: -13% in 2012	Roadmap for Horizon 2020	Emissions reduction in diffuse sectors. Achieve 60 million tonnes of avoided CO2 by 2020.
	Royal Decree 163/2014, of 14 March, establishing the public registry of carbon footprint and carbon dioxide offsetting and absorption projects	Emissions reduction in diffuse sectors. Increase the sink capacity of Spain's agroforestry sector.Reductions between 2 and 3 million tonnes of CO2 per year are foreseen.
	Programme of Climate Projects (Royal Decree 1494/2011 of 24 October, regulating the Carbon Fund for a Sustainable Economy).	Emissions reduction in diffuse sectors. Fostering the development of clean technologies.
	Environment Impetus Plans:PIMA Sol (Royal Decree 635/2013, of 2 August).	Emissions reduction in diffuse sectors. Encouraging investment in energy efficiency in the hotel industry.
	Environment Impetus Plans:PIMA Aire 2 (Royal Decree 831/2013, of 25 October)	Emissions reduction in diffuse sectors. Improved air quality.
	Environment Impetus Plans:PIMA Aire 3 (Royal Decree 128/2014, of 28 February)	
	Environment Impetus Plans:PIMA Tierra (Royal Decree 147/2014, 7 March).	
	PIVE 3 Incentive Programme for Efficient Vehicles (Royal Decree 575/2013, of 26 July).	The Incentive Programme for Efficient Vehicles, over a five year period, will contribute to: The replacement of around 540,000 vehicles; the saving of 187 million litres of fuel per year; emissions reduction of 387,000 tonnes of CO2/year.
	PIVE 4 Incentive Programme for Efficient Vehicles (Royal Decree 830/2013, of 25 October).	
	PIVE 5 Incentive Programme for Efficient Vehicles (Royal Decree 35/2014, of 24 January).	
	Implementation of the 3rd phase of the emissions trading scheme	In 2013 65.61 million emissions allowances were allocated for free and 78.80 million were auctioned off.
	National Plan on Climate Change Adaptation	Emissions reduction.In 2013 65.61 million emissions allowances were allocated for free and 78.80 million were auctioned off.
	Tax on fluorinated gases with a strong greenhouse effect	Reduction of yearly fluorinated gas emissions by 2 million tonnes of CO2 equivalent. Promotion of the development of clean technologies.
	Strengthening of environmental tax system at the Autonomous Community level: implementation of an Autonomous Community hydrocarbon tax	Emissions reduction.Improved energy efficiency
	Strengthening of the environmental tax system at the Autonomous Community level: new local taxes or modification of the obligations of existing ones.	Emissions reduction.Improved energy efficiency.Improved waste management.

Renewable energy 20% of total energy consumption from renewable energy; Progress: 16.6%	Indicative Planning 2015-2020	Reduced energy dependency.Moderation in forecast costs for compliance with the renewables objective throughout 2014-2020. Specifically, this planning guarantees compliance with the renewables objective for 2020.
	Royal Decree-Act 9/2013, of 12 July, on the adoption of urgent measures to guarantee financial stability of the electricity system and Law 24/2013 of 26 December of the Electricity Sector.	Simplification and clarification of the multiple existing payment schemes. Guarantee sustainable profitability over time (because it is framed within a financially stable electricity system) that is in line with the generation of electrical energy from these sources. Promotion of the participation of renewable sources in the market.
	Royal Decree 235/2013, of 5 April, approving the basic procedure for the certification of energy efficiency of buildings	Promotion of high energy-efficiency buildings. Foster investment in energy conservation.Stimulation of the sectors involved in energy certification, in particular companies dedicated to energy conservation and efficiency in buildings.
Energy efficiency in reduction of primary energy consumption (European objective of saving 20% compared to 2005) Progress: 122 Mtoe in 2012	Royal Decree 238/2013, of 5 April, amending the technical instructions of the Regulations on Thermal Installations in buildings	Optimise energy consumption in thermal installations of buildings. Stimulation of the sectors involved in energy certification, in particular companies dedicated to energy conservation and efficiency in buildings.
	Order FOM/1635/2013, of 10 September, updating the Basic Document BD-HE "Energy Savings"	Contribute to the construction of buildings with almost no energy consumption.
	PAREER (Aid Programme for Energy Refurbishment of Existing Buildings)	Improved total energy rating of the buildings.
	JESSICA fund entitled Energy Diversification and Savings Investment Fund (FIDAE)	Improved energy intensity.
Early school-leaving Early school-leaving rate below 15% Progress: 23.5%	Educational system reform	The educational system reform is estimated to enable a reduction of up to 15% in early school-leaving in 2020. The educational reform will enable earlier identification of learning problems and apply individual attention to students. The educational reform will allow for the retention of a great number of students in the education system, guiding them towards areas of study that are aligned with their abilities and labour-market needs.
	Specific plans for reducing school leaving	Contributes to reducing school leaving both in a preventive sense, responding to certain risk factors associated with the sociocultural environment, and in a reactive sense, with measures for getting students back who have left the educational system.
	Promotion of efficiency of grants and financial aid for studying.	Contributes to reducing school leaving in that it provides support to families with the lowest income levels, special-needs students, and at the same time it provides incentives for improved academic performance.
	Promotion of lifelong education and training	Contributes to the reduction of school leaving, adapting the educational system to the characteristics and needs of adults, as well as guiding and counselling such individuals and therefore facilitating their return to the educational system.
Tertiary education Third-stage studies for 44% of persons age 30 to 34 years Progress: 40.7%	Educational system reform	Contributes to an increased number of persons with tertiary education in that educational levels are designed to reduce school leaving and educational trajectories are geared more towards professional training and allow progression or return to professional studies and/or higher education degree programmes.
	Promotion of efficiency of grants and financial aid for studying.	Contributes to increasing the number of persons with tertiary education in that it helps students with limited resources or with special needs to remain in the educational system and be able to reach higher educational levels by rewarding those with higher academic performance.
	Development of the dual professional training model	Contributes to increasing the number of persons with tertiary education in that it makes professional training study programmes beyond compulsory secondary education more attractive and adapted to the labour market.
	Promotion of lifelong education and training	Contributes to increasing the number of persons with tertiary education in that it facilitates both adult access to the study programmes and the ability to finish them.
Poverty Reduce the number of persons living in poverty or experiencing social exclusion by 1,400,000 (compared to 2009) Progress: 28.0%	Strengthening of the active employment policies	Contributes to reducing the number of persons living in poverty or experiencing social exclusion, promoting labour-force entry, particularly among workers with lower employability.
	Adaptation of the educational system to labour-market needs and promotion of lifelong education and training	Contributes to reducing the number of persons living in poverty or experiencing social exclusion, promoting training aimed at labour-market entry.
	Spanish Strategic Action Plan on Disability 2012-2020	Fight against discrimination towards disabled individuals in the workplace and social sphere. Promotion of the participation of disabled individuals in public and social life.
	Royal Legislative Decree 1/2013, of 29 November, approving the Revised General Law on rights of persons with disabilities and their social inclusion	Legal guarantee of equal opportunity for disabled individuals with respect to other citizens as well as the full exercise of their rights.Fight against discrimination towards disabled individuals in the workplace and social sphere.
	National Action Plan for Social Inclusion 2013-2016	Support for social inclusion by promoting employment and guaranteeing a benefit system and through access to services and other support mechanisms for the most vulnerable groups, with child poverty being the cross-cutting objective of the entire plan.
	National Strategic Plan on Childhood and Adolescence 2013-2016	Promotion of the defence of childhood and adolescence, particularly at-risk and neglected minors.
	Comprehensive Plan on Family Support	Support for families with special needs or difficulties with dependent minors.
	Action Plan on Drugs 2013-2016	Social and labour-force re-entry of persons struggling with substance abuse.

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

The predictions on the evolution of the different macroeconomic variables in the scenario presented were made based on two types of models. On one hand, real-time models based on synthetic indicators or factorial structures for the very short term, usually for the current quarter or, at most, the next. Models of this type include synthetic indicators of activity, supply and demand produced by the Ministry of the Economy and Competitiveness, in addition to the factorial models FASE and ADEL developed within it.

On the other hand, often used as a contrasting method 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 in the correction term.

The set of explanatory variables within these last equations incorporates indicators of the different macroeconomic scenario hypotheses already presented, indicators of the evolution of credit, and a large set of auxiliary variables such as confidence indicators, the 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 each quarter according to the national quarterly accounting data and the data from the auxiliary variables.

For estimating the effects of the different measures affecting public expenditure and income and structural reforms, the main tool used was the REMS model . The REMS model is a general equilibrium model for the Spanish economy, with a system of equations based on microeconomics, which includes various nominal and real rigidities and permits an analysis of their evolution over time with or without a structural change. It describes a small, open economy where households, companies, economic authorities and external demand interact. In the market of factors of production, physical capital and energy are traded in a perfectly competitive context. However, the labour market functions imperfectly due to the existence of rigidities associated with the process of finding employment.

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

Quarterly budgetary execution on cash basis for the General Government and its subsectors				
million € (accumulated) Not consolidated data	**2014**			
	1Q	**2Q**	**3Q**	**4Q**
Overall balance by subsector (6-7)				
1. General Government	**42,399**	**43,571**		
2. Central Administration	19,457	23,477		
3. State Government	13,904	7,210		
4. Local Government	4,865	5,082		
5. Social Security Funds	4,173	7,802		
General Government				
6. Total revenues	214,046	410,766		
7. Total expenditure	171,647	367,195		

Quarterly budgetary execution on cash basis				
million € (accumulated) Not consolidated data	**2014**			
	1Q	**2Q**	**3Q**	**4Q**
Overall balance by subsector (6-7)				
1. General Government				
2. Central Administration	19,457	23,477		
3. State Government				
4. Local Government				
5. Social Security Funds				
Central Administration				
6. Total revenue	83,391	159,000		
7. Total expenditure	63,934	135,523		

Quarterly budgetary execution on cash basis				
million € (accumulated) *Not consolidated data*	2014			
	1Q	2Q	3Q	4Q
Overall balance by subsector (6-7)				
1. General Government				
2. Central Administration				
3. State Government	13,904	7,210		
4. Local Government				
5. Social Security Funds				
State Government				
6. Total revenue	72,623	133,530		
7. Total expenditure	58,719	126,320		

Quarterly budgetary execution on cash basis				
million € (accumulated) *Not consolidated data*	2014			
	1Q	2Q	3Q	4Q
Overall balance by subsector (6-7)				
1. General Government				
2. Central Administration				
3. State Government				
4. Local Government	4,865	5,082		
5. Social Security Funds				
Local Government				
6. Total revenue	18,138	38,403		
7. Total expenditure	13,273	33,321		

Quarterly budgetary execution on cash basis				
million € (accumulated) *Not consolidated data*	2014			
	1Q	2Q	3Q	4Q
Overall balance by subsector (6-7)				
1. General Government				
2. Central Administration				
3. State Government				
4. Local Government				
5. Social Security Funds	4,173	7,802		
Social Security Funds				
6. Total revenue	39,894	79,833		
7. Total expenditure	35,721	72,031		

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

Quarterly budgetary execution in ESA basis for the General Government and its subsectors					
million € (accumulated)	ESA Code	**2014**			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+) / Net borrowing (-)					
1. General Government	S.13	-5,935	-36,472	0	0
2. Central Administration	S.1311	-7,876	-23,990	0	0
3. State Government	S.1312	-3,649	-11,912	0	0
4. Local Government	S.1313	2,316	1,048	0	0
5. Social Security Funds	S.1314	3,274	-1,618	0	0
General Government					
6. Total revenue		**97,798**	**189,162**	**0**	**0**
Of which					
Taxes on production and imports	D.2	*34,131*	*62,644*	*0*	*0*
Current taxes on income, wealth, etc.	D.5	*23,330*	*44,790*	*0*	*0*
Capital taxes	D.91	*1,403*	*2,548*	*0*	*0*
Social contributions	D.61	*32,521*	*64,678*	*0*	*0*
Property income	D.4	*2,556*	*4,108*	*0*	*0*
Other		*3,857*	*10,394*	*0*	*0*
7. Total expenditure		**103,733**	**225,634**	**0**	**0**
Of which					
Compensation of employees	D.1	*25,612*	*56,513*	*0*	*0*
Intermediate consumption	P.2	*12,733*	*27,421*	*0*	*0*
Social payments	D.62, D.632	*44,043*	*97,773*	*0*	*0*
Interest expenditure	D.41	*8,566*	*17,293*	*0*	*0*
Subsidies	D.3	*1,290*	*3,835*	*0*	*0*
Gross fixed capital formation	D.51	*5,279*	*10,848*	*0*	*0*
Capital transfers	D.9	*608*	*1,648*	*0*	*0*
Other		*5,602*	*10,303*	*0*	*0*
8. Gross debt		**995,843**	**1,012,606**		

Quarterly budgetary execution in ESA basis					
million € (accumulated)	ESA Code	**2014**			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+) / Net borrowing (-)					
1. General Government	S.13				
2. Central Administration	S.1311	-7,876	-23,990	0	0
3. State Government	S.1312				
4. Local Government	S.1313				
5. Social Security Funds	S.1314				
Central Administration					
6. Total revenue		**46,814**	**87,849**	**0**	**0**
Of which					
Taxes on production and imports	D.2	*26,030*	*46,134*	*0*	*0*
Current taxes on income, wealth, etc.	D.5	*12,905*	*25,139*	*0*	*0*
Capital taxes	D.91	*503*	*570*	*0*	*0*
Social contributions	D.61	*2,317*	*5,250*	*0*	*0*
Property income	D.4	*3,101*	*5,196*	*0*	*0*
Other		*1,958*	*5,560*	*0*	*0*
7. Total expenditure		**54,690**	**111,839**	**0**	**0**
Of which					
Compensation of employees	D.1	*5,155*	*11,551*	*0*	*0*
Intermediate consumption	P.2	*2,071*	*4,280*	*0*	*0*
Social payments	D.62, D.632	*3,528*	*8,049*	*0*	*0*
Interest expenditure	D.41	*7,713*	*15,462*	*0*	*0*
Subsidies	D.3	*80*	*1,255*	*0*	*0*
Gross fixed capital formation	D.51	*1,694*	*3,319*	*0*	*0*
Capital transfers	D.9	*363*	*906*	*0*	*0*
Other		*34,086*	*67,017*	*0*	*0*
8. Gross debt		**866,077**	**885,211**		

Quarterly budgetary execution in ESA basis					
million € (accumulated)	ESA Code	**2014**			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+) / Net borrowing (-)					
1. General Government	S.13				
2. Central Administration	S.1311				
3. State Government	S.1312	-3,649	-11,912	0	0
4. Local Government	S.1313				
5. Social Security Funds	S.1314				
State Government					
6. Total revenue		**33,025**	**66,882**	**0**	**0**
Of which					
Taxes on production and imports	D.2	*2,581*	*5,225*	*0*	*0*
Current taxes on income, wealth, etc.	D.5	*8,348*	*16,571*	*0*	*0*
Capital taxes	D.91	*424*	*961*	*0*	*0*
Social contributions	D.61	*84*	*176*	*0*	*0*
Property income	D.4	*129*	*295*	*0*	*0*
Other		*21,459*	*43,654*	*0*	*0*
7. Total expenditure		**36,674**	**78,794**	**0**	**0**
Of which					
Compensation of employees	D.1	*15,393*	*33,810*	*0*	*0*
Intermediate consumption	P.2	*6,719*	*13,341*	*0*	*0*
Social payments	D.62, D.632	*6,429*	*13,751*	*0*	*0*
Interest expenditure	D.41	*2,017*	*4,133*	*0*	*0*
Subsidies	D.3	*487*	*1,076*	*0*	*0*
Gross fixed capital formation	D.51	*2,298*	*4,842*	*0*	*0*
Capital transfers	D.9	*535*	*1,477*	*0*	*0*
Other		*2,796*	*6,364*	*0*	*0*
8. Gross debt		**224,975**	**228,219**		

Quarterly budgetary execution in ESA basis					
million € (accumulated)	ESA Code	**2014**			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+) / Net borrowing (-)					
1. General Government	S.13				
2. Central Administration	S.1311				
3. State Government	S.1312				
4. Local Government	S.1313	2,316	1,048	0	0
5. Social Security Funds	S.1314				
Local Government					
6. Total revenue		**15,199**	**30,123**	**0**	**0**
Of which					
Taxes on production and imports	D.2	*5,520*	*11,285*	*0*	*0*
Current taxes on income, wealth, etc.	D.5	*2,077*	*3,080*	*0*	*0*
Capital taxes	D.91	*476*	*1,017*	*0*	*0*
Social contributions	D.61	*55*	*107*	*0*	*0*
Property income	D.4	*115*	*248*	*0*	*0*
Other		*6,956*	*14,386*	*0*	*0*
7. Total expenditure		**12,883**	**29,075**	**0**	**0**
Of which					
Compensation of employees	D.1	*4,509*	*9,914*	*0*	*0*
Intermediate consumption	P.2	*3,600*	*9,114*	*0*	*0*
Social payments	D.62, D.632	*275*	*548*	*0*	*0*
Interest expenditure	D.41	*285*	*628*	*0*	*0*
Subsidies	D.3	*343*	*690*	*0*	*0*
Gross fixed capital formation	D.51	*1,234*	*2,591*	*0*	*0*
Capital transfers	D.9	*80*	*212*	*0*	*0*
Other		*2,557*	*5,378*	*0*	*0*
8. Gross debt		**41,911**	**41,994**		

Quarterly budgetary execution in ESA basis					
million € (accumulated)	ESA Code	**2014**			
		Q1	**Q2**	**Q3**	**Q4**
Net lending (+) / Net borrowing (-)					
1. General Government	S.13				
2. Central Administration	S.1311				
3. State Government	S.1312				
4. Local Government	S.1313				
5. Social Security Funds	S.1314	3,274	-1,618	0	0
Social Secutiry Funds					
6. Total revenue		**38,668**	**77,323**	**0**	**0**
Of which					
Taxes on production and imports	D.2	*0*	*0*	*0*	*0*
Current taxes on income, wealth, etc.	D.5	*0*	*0*	*0*	*0*
Capital taxes	D.91	*0*	*0*	*0*	*0*
Social contributions	D.61	*30,065*	*59,145*	*0*	*0*
Property income	D.4	*660*	*1,299*	*0*	*0*
Other		*7,943*	*16,879*	*0*	*0*
7. Total expenditure		**35,394**	**78,941**	**0**	**0**
Of which					
Compensation of employees	D.1	*555*	*1,238*	*0*	*0*
Intermediate consumption	P.2	*343*	*686*	*0*	*0*
Social payments	D.62, D.632	*33,811*	*75,425*	*0*	*0*
Interest expenditure	D.41	*0*	*0*	*0*	*0*
Subsidies	D.3	*380*	*814*	*0*	*0*
Gross fixed capital formation	D.51	*53*	*96*	*0*	*0*
Capital transfers	D.9	*0*	*0*	*0*	*0*
Other		*252*	*682*	*0*	*0*
8. Gross debt		**17,188**	**17,203**		