2021 BUDGETARY PLAN

KINGDOM OF SPAIN

15 – 10 – 2020

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INTRODUCTION

The drafting of the 2021 Budgetary Plan of the Kingdom of Spain was marked by the **extraordinary health emergency** which began in March this year and which has continued in months following the update to the Stability Programme issued in April. It is an unprecedented situation that has had devastating effects on public health across the world and has forced governments to adopt measures with great social, economic and budgetary impact.

In the current context, the General State Budget (PGE as per the Spanish) constitutes a tool that allows Spain to exit the crisis generated by the health crisis as soon as possible and to do so with more robust and competitive fundamentals and greater social cohesion, laying the foundations for the Recovery, Transformation and Resilience of the country.

The process of design and drafting of the PGE 2021 is already at an advanced stage and the intention of the Government of Spain is to submit the budget to parliament as soon as possible. **This document, therefore, includes a policy-change scenario, assuming the approval of the PGE 2021**, and included all revenue and expenditure measures of the public accounts which will be presented, both the Central Administration and the Social Security, and all the forecast revenue and expenditure measures to be included in the 2021 budgets of the Territorial Administrations.

What's more, this fiscal strategy has been updated with the information relating to revenue and budgetary execution for the year 2020, and forecasts for the impact of COVID-19 measures on the public accounts, having also incorporated the latest macroeconomic forecasts available.

This Budgetary Plan provides all the information available on expenditure and revenue measures agreed by the Government; information that will be completed with the content of the of the General State Budget (PGE) 2021, once the Draft Bill is approved and submitted to parliament to continue with the approval process.

The PGE 2021 will allow for the channelling of resources from the Recovery, Transformation and Resilience Plan and is therefore constituted as an instrument that will ensure Spain's exit from the crisis arising from the health emergency as soon as possible, tackling structural reforms and allocating resources to finance the investment necessary for the transformation and modernisation of the country. The purpose of the concentration of measures in future strategic sectors is to achieve the reduction of structural unemployment and increase the productivity of our economy, fostering investment in human and technological capital, protecting our natural capital and the ecological transition and digitalisation as fundamental pillars for the transformation of the country. This productive investment will allow us to increase potential growth on a more robust and sustainable basis with greater social cohesion.

The hallmarks of this budget, which includes the investments of the Plan, will be cohesion, social justice, the fight against inequality and sustainability, together with the consolidation of a balanced, solid, inclusive and sustainable economic growth model, that takes full advantage of the opportunities provided by digitalisation and the ecological transition to generate decent and quality jobs, increase productivity and become more competitive.

This document also contains a detailed analysis of the **2020-2021 macroeconomic scenario**, endorsed by the Independent Authority for Fiscal Responsibility, which serves as the basis of the Budgetary Plan.

All of this, of course, takes place in the context in which the COVID-19 pandemic has caused not just a health crisis but also an unprecedented economic situation which is ongoing. That's why, in accordance with the Communication of the European Commission relating to the **activation of the general escape clause** of the Stability and Growth Pact and relating to the 2020 National Reform Programme of Spain and the 2020 Stability Programme, this Budgetary Plan is framed within a scenario that allows Spain a temporary departure from the adjustment path towards the medium-term budgetary objective, in order to efficiently combat the pandemic, sustain the economy and efficiently support the economic recovery.

In this sense, the general safeguard clause, which was activated in March by the Commission and the Council allows Member States to postpone compliance with budgetary conditions that would apply under normal conditions and the Commission and the Council to take the measures necessary for the coordination of policies within the framework of the Pact.

In September 2020, the European Commission stated that Member States' fiscal policy should continue to support the recovery throughout 2021. In light of this requirement and the increased uncertainty relating to the evolution of the pandemic and its socio-economic consequences, the general safeguard clause will remain active in 2021. Therefore, when the economic conditions allow, it will be time to put in place fiscal policies geared towards resuming the path of deficit reduction and debt in the medium term.

In any case, it must be said that the activation of said clause on the part of the European Commission does not suspend the Stability and Growth Pact, and that **the Government of Spain retains its commitment to budgetary stability.**

[1]

MACROECONOMIC SCENARIO 2020-2021

The macroeconomic scenario set out below is at the basis of the Budget Plan for 2021, and has been endorsed by the Independent Authority for Fiscal Responsibility (AIReF, as per the Spanish acronym).

1.1 Recent progress and situation in 2020

In early 2020, the Spanish economy was in a positive growth phase which lasted more than five years, the fundamentals of which were more solid that past cycles, despite the persistence of certain legacies of the crisis. Unlike previous expansive phases, the economic cycle that began in 2014 had a more balanced pattern, growing at a faster rate than the principal European partners but without generating external imbalances or price tensions and with a sound financial situation for companies and families. However, the Spanish economy remained beset by significant imbalances as a result of the 2008-2013 financial crisis, `principally in terms of an elevated debt-to-GDP ratio, a high degree of seasonality and hysteresis in unemployment and growing inequality in income distribution.

The economic scenario has completely changed due to the crisis caused by COVID-19 and the impact of the measures necessary to contain it. The evolution of the pandemic required a decisive public health response, with the restriction of economic activity both in Spain and in the rest of the world, which translated into a disruption of international value chains followed by restrictions of supply and weakening of demand.

The Spanish economy has been particularly affected, due to its productive structure. The physical distancing and isolation policies that have been essential to controlling the rate of contagion and transmission of the disease constitute a very high economic costs with a particularly intense impact on certain sectors (restaurants, entertainment, hospitality, culture, tourism, passenger transport) that are important in the Spanish economy.

The structural weaknesses related to the to the labour market and the business demand constitute an additional risk factor face with the shock caused by the pandemic. The significant seasonality element in the Spanish economy is a factor that amplifies economic cycles in the labour market. What's more, in comparative terms, Spain presents a higher concentration of micro enterprises and small enterprises (less than 50 employees), which are more vulnerable to liquidity shocks caused by sudden fall in income.

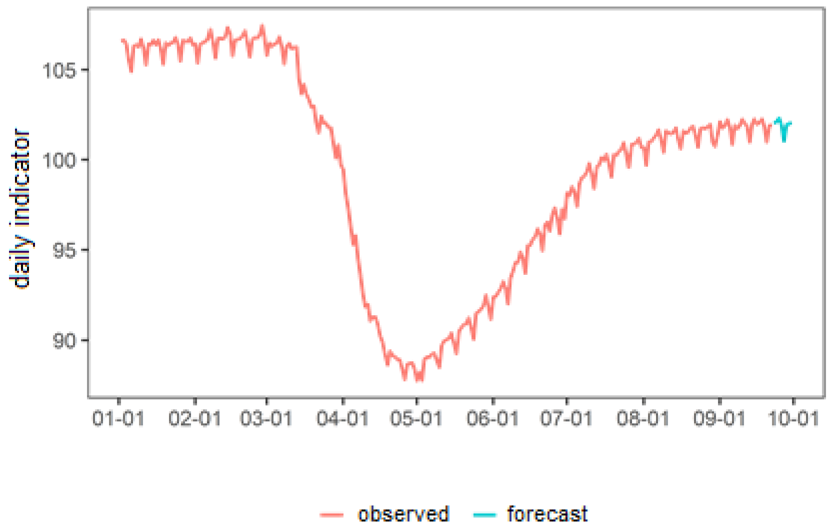
Once the State of Emergency was ended and the period of living with the virus began in late June, the economic pulse of the country continued to recover progressively in the third quarter of the year, with double-digit growth forecast for an asymmetrical V-shaped recovery. As reflected in the economic indicators, in parallel with the return of mobility the ground lost in terms of economic activity due COVID-19 has begun to be recovered. For example, labour market indicators point to clear improvements over the coming months, with a substantial reincorporation of workers on the ERTE furlough scheme, around 80% of the 3.4 million of the number recorded in late April and a positive dynamic of the number of Social Security affiliations, recovering more than 500,000 workers of the 950,000 lost between mid-March and late April. Other indicators of activity, such as point of sale credit card spending, electricity consumption and sales billed through the VAT immediate information system point to a continued gradual recovery in the third quarter.

The data available for the third quarter allow us to estimate quarter on quarter growth of more than 10%. The aggregate indicator for activity, defined based on the high-frequency aggregate information,[1] summarises the performance of the economy over recent months (see Figure 1). The gradual recovery of

[1] Indicator of synthetic activity defined as a weighted measure of the following indicators: (I) retail trade index, (ii) services sectors activity index (iii) industrial production index. The monthly indicators are broken town temporarily with high frequency indicators like credit card spending and point of sale terminal, the Government Tax Agency or e-commerce.

activity in the third quarter points, with all the caution advised given the high degree of uncertainty, growth of around 13%. This is in line with recent pronouncements of Institutions like the Central Bank of Spain and the Independent Authority for Fiscal Responsibility.[2]

Figure 1. Daily activity indicator



Source: Ministry of Economic Affairs and Digital Transformation

1.2 Economic policy response

In this context of great complexity and uncertainty, the economic policy response has been efficient in strengthening the resilience of the Spanish economy, minimising the social impact and facilitating the recovery of activity as soon as possible, to ensure the negative effects are temporary and preventing hysteresis in the performance of the labour market and the business dynamic. To achieve that, budgetary and liquidity and solvency support was provided for a sum of more than 20% of GDP, 5 points in direct budgetary support (temporary employment furlough, suspension of activity for the self-employed schemes, etc.) and the rest in through measures to support liquidity and solvency (ICO lines, extension of tax period, etc.). From March, the Emergency Plan was rolled out, followed in June with a Reactivation Plan to accompany the de-escalation in the second half of 2020. Over all, the economic policy response has been articulated through the following instruments:

- The **financing** mobilised by the Spanish instruments is significantly above Europe's larger economies. Thanks to public backing, to date, more than 103 billion euros in credit has been mobilised through more than 830,000 transactions, of which 98% affect SMEs and the self-employed.

- The **ERTE (*'Expediente de Regulación Temporal de Empleo'*)** temporary furlough scheme has provided assistance to almost 3.4 million workers and over 500,000 companies at the peak of the pandemic and, providing a flexible instrument for reincorporation and reactivation after hibernation. In early October, more than 2.7 million workers have exited the ERTE scheme (80%), with close to full reincorporation in their job (over 94%). For a general idea of the mitigation of the impact on employment provided by the ERTE scheme,

[2] See the quarterly report of the Bank Spain (here), and the results of the MIPred model (here).

we can compare the current crisis with 2008-2009. During the first quarter of 2020 alone, the fall in the liver register was similar to that in the period from October 2008 to June 2019, some 5.3%. However, this fall in employment was also a response to a fall in activity of 22% in 2020, compared to just 4.2% in the last crisis.

- The **emergency benefit for the self-employed** provided assistance to up to 1.5 million workers, cushioning to a great extent the collapse in their activity. The number of applications for the benefit in early September was barely 150,00.

- The different moratorium and support mechanisms made it possible to **protect families' incomes**, **with more than 1.3 million transactions approved**, providing a base for the recovery of domestic consumption in the third quarter of the year.

- What's more, **specific measures have been approved for the sectors most affected**, whose activity will take time to recover. Such is the case in of tourism, the automotive industry and transport. For that, sectoral plans have been developed in all areas, for the total sum of over 11.5 billion euros, delivered through guarantees, credits or grants competitiveness grants or professional training measures among others. Sectoral support is also justified from the perspective of economic impact. These sectors, as well as being the most affected by the restriction of movement, both internally and externally, constitute over 25% of Spanish GDP and have the capacity to generate activity on other areas of the economy (higher than average multiplying effect), significant exports (principally car manufacturing) and considerable weight in term of employment.

- **Solvency and investment measures** have also been implemented. While in the first phase the main concern was to maintain the liquidity of companies and the economy as a whole, the step to the reactivation phase in the second semester is geared towards protecting solvency and future investment. The public guarantee of the financial system credits for ordinary payments and the working capital of the companies, which has played a fundamental role, has been complemented with new business financing instruments that reinforce capitalisation of the system and to prevent the collapse of otherwise solvent companies temporarily affected by the fall in internal and global demand.

Thanks to this rapid response, it has been possible to cushion the economic impact, concentrating assistance on the sectors most in need and preserving a point of resistance upon which to base the reactivation of production and demand. Unlike previous cycles, the measures adopted have allowed for an alternative adjustment to dismissal, cushioning the impact in terms of destruction of employment and thus preventing more permanent damage that would have put the recovery at risk. It has been possible to preserve much of the productive fabric of the economy and maintain a level of income that allows for the recovery of demand. This has been possible thanks not only to the scope of the measures but also the efficient channelling through the bodies of the Public Administration and the financial system, reaching the sectors most affected by the shock.

1.3 Assumptions and the international scenario

With regard to the international context, the macroeconomic scenario is sustained on a hypothesis of recovery of global growth in 2021. The ECB forecasts for the global economy, excluding the EU, point to an acceleration of growth of up to 6.2% in 2021. Similarly, the euro area will experience growth of up to 5% in 2021.

In line with the projection of the ECB, this assumes a downward trend in in interest rates throughout 2020 and a stabilisation at favourable levels in 2021. Specifically, long-term interest rate will fall from 0.7% in 2019 to 0.4% in 2020, stabilising at this level in 2021. Short-term rates will remain negative throughout the projection period.

With respect to export markets, in line with the reactivation of growth of our principal partners, an intense recovery for export markets is projected for 2021, reaching 7.3% in 2021 after registering a fall of 13.1% in 2020.

In terms of the evolution of the exchange rate, after the stability shown in 2019-2020, appreciation of the euro is projected for 2021, reaching 1.20 dollars/euro, in line with the projections of the ECB.

In relation to the price of raw materials Brent oil reached over 70 dollars per barrel in April 2019 before subsequently falling to levels of around 60 dollars by late September. From then and up to early January 2020, oil prices were on the rise, reaching around 70 dollars per barrel but the first quarter of 2020 saw a significant decrease due to the impact of COVID-19 on general demand. It later recovered to stabilise at slightly above 40 dollars/barrel. In this context, oil prices are expected to recover slowly to around 46 dollars in 2021.

Table 1.1 Basic Assumptions

% variation over the same period of the previous year, unless otherwise stated.

	2019	2020	2021
Short -term interest rates (three-month Euribor)	-0,4	-0,4	-0,5
Long-term interest rates (Spanish 10-year public debt)	0,7	0,4	0,4
Exchange rate (dollars/euro)	1,1	1,1	1,2
Global GDP growth, excluding Eurozone	2,9	-3,7	6,2
Eurozone GDP growth	1,2	-8,0	5,0
Spanish export markets	1,5	-13,1	7,3
Price of oil (Brent, dollars/barrel)	63,8	42,6	46,6

Sources: European Central Bank and Ministry of the Economic Affairs and Digital Transformation

1.4 Macroeconomic Scenario 2020-2021

Projections for 2020 point to a fall OF 11.2% in GDP, in line with the consensus, adjusting down the projection in the Stability Programme last April. Taking into account the latest high-frequency aggregate information for the third quarter and the INE review of the National Accounts, a fall of 11.2% of GDP is projected for 2020. This review of the Stability Programme essentially starts with the estimate of the second quarter, hindered by weak private demand and investment, and which will be compensated to some degree by greater than projected growth in the third quarter, according to the data available. The projected fourth-quarter performance is for a continuation of the recovery with a lower rate than in the third quarter, as the initial boost of the recovery.

For 2021, the projection is for no policy change growth of 7.2%, in line with the projections of the principal institutions and analysts, which will be reinforced by the Recovery, Transformation and Resilience Plan, hereinafter referred to as the Plan, which provides for growth of up to 9.8%. The growth provision for 2021 represents a continuation of recovery path embarked upon in the third quarter of 2020. In a no policy change scenario this path would lead to growth slightly above 7% Aside from this no policy change scenario, there is also the contribution of the Plan with investment of more than 27 billion euros projected for 2021. The transfer of the impact of the Plan to the macroeconomic level, essentially through more dynamic investment, would go some way towards closing the gap opened due the 2020 collapse (see Figure 1).

In terms of the composition of growth, the intense recovery of the Spanish economy in 2021 will be driven by internal demand that will outstrip both the contraction in 2020 (-9.7 percentage points) and the recovery in 2021 (+9.3 percentage points). For its part, the external sector will contribute in the same manner as internal demand during the biennium 2020-2021, but more moderately, contributing 1.5 pp and 0.5 pp to GDP growth respectively.

The positive evolution of employment and the potential reduction of uncertainty will boost private consumption in 2021. The revitalisation of employment will boost household disposable income in 2021. The slowdown in savings rates due to the expected reduction of uncertainty (precautionary savings) together with some flexibility of measures restricting mobility compared to 2020 (forced savings) will bolster private demand, which will grow by more than 10% in 2021.

The impact of the Plan will translate into a robust increase in investment in 2021, especially in equipment, which will allow gross fixed capital formation to grow by 15% after a fall of 18.3% in 2020. In terms of the weight in GDP, the boost in investment from the European funds will make it possible to recover much of the fall seen in 2020. From accounting for almost 21% of GDP in 2019, gross capital formation would fall to 19% of GDP in 2020, to recover to practically 20% in 2021.

Public consumption will decelerate in 2021. Once the purchases of healthcare materials and the emergency contracting of personnel and services to tackle COVID-19 in 2020 have ended, public spending growth will soften in 2021.

As for the external sector, forecasts indicate a sharp rebound in exports in 2021. This recovery is in line with the projected performance of the world economy as a result of the global economic recovery expected in 2021, along with a context of less uncertainty and some relaxation of restrictions of mobility. It is projected that after a fall of more than 20%, exports will grow 18% in 2021. Imports will recover in line with the performance of private spending and investment, with growth reaching 17% in 2021.

The sectoral impact of COVID-19 has been asymmetrical, hitting the sectors in some way dependant on tourist activity the hardest. In terms of the breakdown of GDP on the supply side, the economic crisis caused by COVID-19 has affected those sectors linked to tourism and transport particularly hard and by the end of 2020 they were still a long way from recovering pre-COVID levels of activity. The progressive recovery in 2021 will allow for this gap to be gradually closed, although once again at an unequal pace, with a slower recovery in sectors more affected by social distancing measures, as we learn to live with the virus until the vaccines is implemented or a medical solution is found.

Table 1.2 Macroeconomic prospects

Chained volume series, Year 2015=100, unless otherwise stated

	ESA Code	2019	2019	2020	2021 (inertial)	2021
		Level	% Variation			
1. Real GDP	B1*g	110,8	2,0	-11,2	7,2	9,8
2. Potential GDP			1,5	0,8	-	1,3
contributions:					-	
Employment			0,8	0,5	-	0,6
Capital			0,5	0,1	-	0,4
Total productivity of the factors			0,2	0,1	-	0,3
3. Nominal GDP (billions of euros)	B1*g	1244,8	3,4	-11,2	8,1	10,8
Components of real GDP						
4. Final expenditure on private consumption	P.3	108,7	0,9	-12,6	8,3	10,7
5. Final expenditure of the General Governments	P.3	107,1	2,3	6,3	0,5	2,6
6. Gross fixed capital formation	P.51	119,1	2,7	-18,3	7,2	15,0
7. Inventory variation (% of GDP)	P.52 + P.53	-	-0,1	0,0	0,0	0,0
8. Export of goods and service	P.6	116,3	2,3	-22,7	11,7	18,0
9. Export of goods and service	P.7	115,1	0,7	-20,0	8,6	17,1
Contributions to real GDP growth						
10. National demand		-	1,5	-9,7	6,1	9,3
11. Inventory variation	P.52 + P.53	-	-0,1	0,0	0,0	0,0
12. External balance	B.11	-	0,6	-1,5	1,1	0,5

Sources: National Statistics Institute and Ministry of Economic Affairs and Digital Transformation

Despite employment performing in line with the economy as a whole throughout the 2020-2021 biennium, flexicurity measures have managed to cushion the cushion its impact on unemployment. The flexibility measures and support in the labour market have cushioned the impact in terms of employment respect of other previous crises. In effect, an unemployment rate of around 17% is projected with a rise of barely 3 pp in respect of 2019, far below the 8-point increase in unemployment that would be expected under the historic relationship between GDP and employment in previous crises. Similarly, the reactivation of the employment in 2021 will allow for a moderate reduction in unemployment to close to 16%. On the other hand, unit labour costs will increase significantly, in good measure as a result of the significant loss of productivity recorded in 2020. Nevertheless, the intense growth in productivity projected for 2021, and the wage development aligned with employment, will allow for a reduction in unit labour costs of more than 2%, which could result in competitiveness gains for Spanish exports.

Table 1.3 Evolution of the labour market (*)

	ESA Code	2019	2019	2020	2021 (inertial)	2021
		Level	% Variation			
1. Total working population (Equivalent to full time employment. Thousands)		18,4	2,3	-8,4	5,6	7,2
2. Unemployment rate (% of population working		-	14,1	17,1	16,9	16,3
3. Productivity per worker (thousands of euros)		65,0	-0,3	-3,1	1,5	2,5
4. Remuneration of employees (billions of euros)	D.1	571,0	4,8	-5,5	4,5	6,8
5. Productivity per employee (thousands of euros) (**)		36,3	2,1	2,3	0,4	0,4

(*) Data in National Accounting terms, except unemployment rate

(**) Remuneration per employee equivalent to full time

Sources: National Statistics Institute and Ministry of Economic Affairs and Digital Transformation

In terms of prices, the evolution of the GDP deflator through the 2020-2021 biennium is closely linked to the evolution of internal demand and the performance of energy prices. In this regard it is worth highlighting the steep fall in oil prices during the first half of 2020 as a result of the impact of COVID-19 on demand around the world. Nevertheless, the evolution of private spending is also important in explaining the significant deceleration of the deflator in 2020 (0.0%) and subsequent recovery in 2021 (0.9%).

Table 1.4 Evolution of prices

	ESA Code	2019	2019	2020	2021
		Level	% Variation		
1. GDP Deflator		104,3	1,4	0,0	0,9
2.) Private consumption deflator (*)		104,2	1,0	0,0	0,9
3. Public consumption deflator(*)		104,5	2,2	2,2	0,6
4. Gross fixed capital formation deflator		107,0	2,8	-1,3	1,3
5. Exports (goods and services) deflator		103,1	0,3	-1,1	0,3
6. Imports (goods and services) deflator		104,6	0,9	-0,4	0,4

(*) Includes homes and non-profit institutions with at the service of homes

Sources: National Statistics Institute and Ministry of Economic Affairs and Digital Transformation

Table 1.5 Sectoral balances

	ESA Code	2019	2020	2021
		% GDP		
1. Surplus (+) /Deficit (-) of financing compared to rest of the world	B.9	2,5	1,4	1,1
Balance of external trade of goods and services		3,0	1,4	1,8
Balance of primary income and current transfers		-0,8	-0,5	-1,0
Net capital transactions		0,3	0,4	0,3
2. Surplus (+) /Deficit (-) private sector financing	B.9	5,4	12,7	8,8
3. Surplus (+) /Deficit (-) public sector financing	B.9	-2,8	-11,3	-7,7

(*) The figures include financial support

Sources: National Statistics Institute and Ministry of Economic Affairs and Digital Transformation

Table 1. Simulation of the impact of the National Recovery, Transformation and Resilience Plan

The Recovery, Transformation and Resilience Plan is very ambitious, both in the quantity and in the depth of the measures covered. With this plan, among other measures, 70 billion euros in transfers from the Recover and Resilience Mechanism will made available to the Spanish economy in the first phase, of which 27,000 correspond to the first year. This boost on the supply side amounts to approximately 2.6 points of GDP in the 2021-2023 period. The green and digital transitions are the two principal areas of focus, along with a commitment to R&D, education and training and the strengthening of social inclusion across the country. This effort will allow for levels of public investment to recover in line with the maximums of the last cycle and for the gap with countries that invest more heavily to be closed.

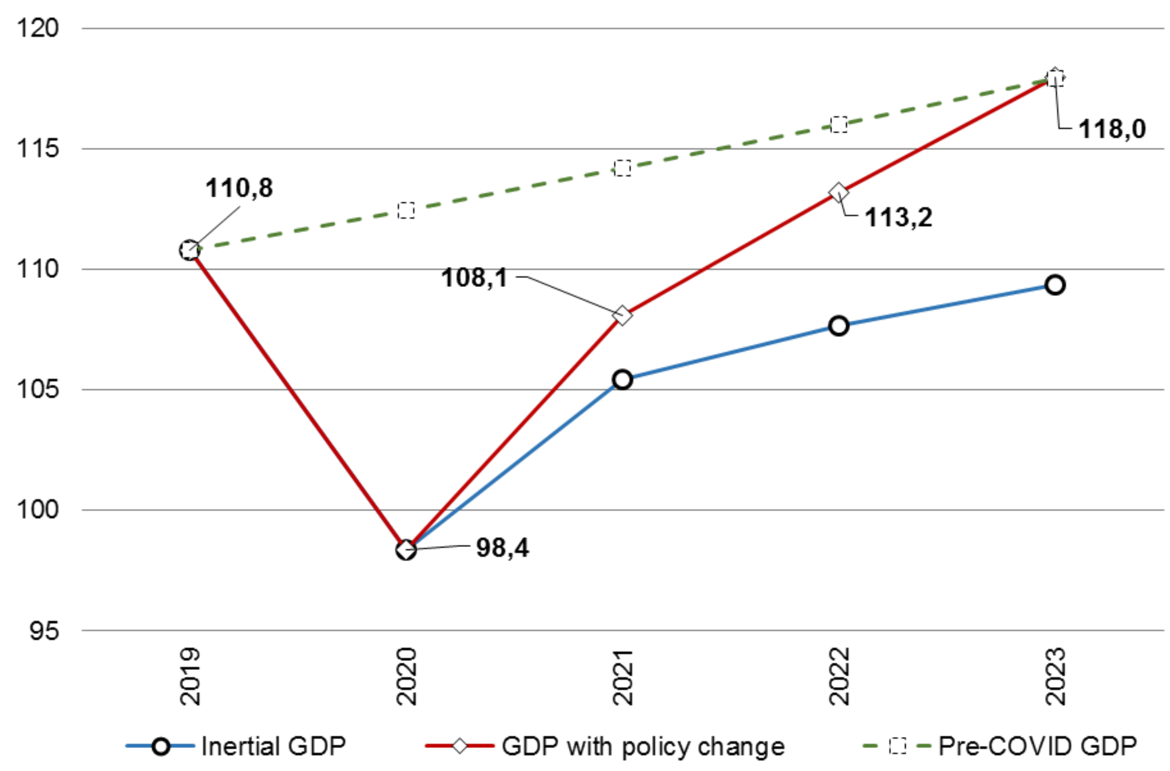
The estimated impact for the segment corresponding to the Recover Mechanisms transfers (60 billion) has been calculated with a bottom-up focus, looking at the specific plans that make up the Plan. The impact assessment was carried out using the general equilibrium models, which allow for the channels affected by the plan to captured and the impact on the principal macroeconomic variables to be reflected. The multiplicity of plans transmitted to the economy through the various channels, such as the improvement of total productivity of the factors, the channelling of private funds, a reduction in energy intensity, boosting export capacity, increased digital qualifications and capacities and improvements to the efficiency of the labour market with better pairing of vacancies and workers, along with the reduction of the rate of destruction of employment and greater adjustment through the intensive margin.

On the whole, the plans and reforms embarked upon are heavily geared towards the transformation of the productive and social fabric over the long term, taking potential growth above 2%. The long-term impact of the Plan (2030) could constitute an increase in potential GDP of the economy of between 4 and 5 decimal points, taking it above 2%. In this sphere, new digital plans stand out, reaching almost 50% of this improvement. It is worth underlining he positive effect of the measures relating to improvements in training and the modernisation of active employment policies.

There is also the short-term impact of boosting demand through the injection of public funds and the mobilisation of private spending, allowing for the recovery of the pre-COVID path by late 2023. In parallel with the absorption of funds, the Plan constitutes a significant boost to the economy. In effect the simulated measure will allow for a more rapid recovery of pre-crisis levels of GDP (early 2022). Over the next 3 years, the Recovery, Transformation and Resilience Plan will be a fundamental instrument in ensuring the Spanish economy recovers the economic growth path it had before the pandemic by 2023. The provisions place Spanish GDP 6 pp above the level it would otherwise reach in 2023 without the Recovery, Transformation and Resilience Plan (no policy change scenario).

The multiplier effect for the year 2021 stands at 1.2, although it’s very heterogeneous between the different plans especially the digital plans and investment in R&D plan, with multipliers around 2. In aggregate terms, the employment generated by the plan could reach 880,000 jobs in 3 years, which would be equivalent to 15 jobs for every million euros invested.

Figure 2. GDP projections, different scenarios (2015=100)



Source: INE and Status Report 2020

Source: INE, Ministry of Economic Affairs and Digital Transformation

As for the risks considered in drafting the economic projections presented, it is worth noting the following:

- **The course of the pandemic and the associated uncertainty that determines economic activity.** On the one hand, the main health risk lies in an increased incidence that cannot be contained with partial restrictions of mobility and of capacity of public and private establishments. On the other hand, the expectations of an efficient vaccine have greatly improved over recent months, thanks to the enormous development and investment efforts being made around the world, with more than 300 projects under way, with 9 of these in phase 3, prior to large-scale production. The World Health Organization (WHO) expects widespread vaccination to begin in 2021. If it is not delayed further, much of the population could be vaccinated during the second half of 2021. Allowing for a return to normality.

- **The productive specialisation of our economy and the duality of the Spanish labour market could pose an additional risk in the event of prolonging the health shock beyond the initial projections, leading to problems for the solvency of businesses and hysteresis.** The Spanish economy is tackling this health crisis while carrying heavy baggage from the duality of the labour market and a productive specialisation more exposed to restrictions and social distancing measures, both conditioning factors that pose a downside risk in the macroeconomic scenario.

- **Another risk to be taken into account is a possible resurgence of the trade and geopolitical tensions around a no-deal Brexit, a disorderly exit of the United Kingdom, which could worsen growth projections for the Spanish economy over the coming years.** The European Union and the United Kingdom have been in the latest round of negotiations since Tuesday 29 September, with the aim of preventing a disorderly exit of the United Kingdom.

- **The efficiency of the Plan will depend on ensuring flexible execution instruments are quickly available, both at national and European levels, and the governance that ensures the coherence of the actions and their continuation over time.** That's why the Government have launched a participative process to incorporate the proposals of the main economic, social and political stakeholders. The necessary mechanisms for coordination in the State and with the territorial administration are being implemented. On the other hands the estimate of the impact of the Plan is prudent in the sense that the positive effects of the European dimensions of the Next Generation EU instrument. To estimate the impact of the Plan for the Spanish economy it is necessary to take into account that it is part of a positive shock to the entire European Union simultaneously. It is therefore very likely that Spain will benefit from important spill-over effects and positive externalities arising from the higher growth of its principal trading partners. Once the Plans of countries like France, Italy, Portugal and Germany are known, this effect can be estimated, resulting in a greater impact on growth.

[2]

ORIENTATION OF FISCAL POLICY

The 2021 Budgetary Plan is marked by the extraordinary situation of the health crisis which began in March this year and which has continued over the months following the update to the Stability Programme issued in the month of April, which has influence the submission of the Draft General State Budget for 2021 (PGE) as these must include not only the measures necessary to combat the crisis caused by the pandemic, but also the projects of the Recovery and Resilience Mechanism, to be financed by the European Union.

In any case, given the fact that the 2021 General State Budget is practically complete and it will be presented to parliament shortly, this Budgetary Plan has been drafted on the basis of a **policy change scenario**, which incorporates all economic policy, environmental, social and reform measures to be implemented with national and other resources, as well as the projects to be financed with the fund of the European Recovery and Resilience Mechanism and ReactEU, in accordance with the Recovery, Transformation and Resilience Plan.

2.1 Approval of the targets path in early 2020 and the COVID-19 crisis

The situation in early 2020 is completely removed from the current situation, or even the situation projected for 2021.

In accordance with Article 3.1 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Stability, on the "Principle of budgetary stability", "the drafting, approval and execution of the Budgets and other actions affecting revenue and spending of the different subjects covered within the scope of application of this Law shall be conducted within the budgetary stability framework, in accordance with European regulation."

In accordance with the budgetary stability commitment and the regulation, on 11 February 2020, before COVID-19 not yet an issue, the Council of Ministers approved the Agreement adjusting the budgetary stability and public debt targets for the Public Administration and each of its subsectors for the year 2020 for submission to parliament and the non-financial spending limit of the State budget was set for 2020. This Agreement was subsequently approved by the Congress and the Senate on 27 February and 4 March respectively. The Agreement also established the non-financial State spending limit from 2020 at 127.609 billion euros.

Also, on 11 February 2020, the Council of Ministers approved the Agreement establishing the budgetary stability and public debt targets for Public Administration as a whole and each of the subsectors for the period 2021-2023 for submission to the parliament and the non-financial spending limit of the State budget for 2021. Agreement approved by the Congress of Deputies and by the Senate on 27 February and 4 March respectively.

This new path for the next three years established a deficit/GDP target for the Public Administration of 1.5 % in 2021, 1.2 % in 2022 and 0.9 % in 2023, with the distribution by subsectors displayed in the following table.

Table 2.1 Old consolidation path 2021-2023
As % of GDP

Sub-sectors	2021	2022	2023
Central Government	-0,4	-0,3	-0,1
Autonomous Communities	-0,1	0,0	0,0
Local Authorities	0,0	0,0	0,0
Social Security	-1,0	-0,9	-0,8
Total Public Administrations	**-1,5**	**-1,2**	**-0,9**

Source: Ministry of Finance

In accordance with Article 15 of the aforementioned Organic Law, the approval of the budgetary stability objectives was accompanied by new public debt objectives, maintaining the downward trend accelerating the reduction of the debt/GDP ratio year by year, as per the table below, to below 90 percent in 2023.

Table 2.2 Public debt target of Public Administrations 2021-2023
As % of GDP

Sub-sectors	2021	2022	2023
Central Government and Social Security	68,6	67,7	66,6
Autonomous Communities	22,8	22,1	21,4
Local Authorities	2,0	1,9	1,8
Total Public Administrations	**93,4**	**91,7**	**89,8**

Source: Ministry of Finance

Of course, the establishment of public deficit and debt objectives guaranteed compliance with the spending rule, setting the maximum variation in spending calculated for 2021, 2022 and 2023 at 3 percent, 3.2 percent and 3.3 percent respectively.

The COVID-19 outbreak and ensuing health crisis

The global outbreak of COVID-19 in early 2020 has led to a pandemic with extraordinary consequences for those countries hit hardest by the virus, such as Spain. The repercussion of the pandemic transcends the health sphere and has impacted the economy in households and on the public accounts.

This situation caused a change in priorities of the Spanish Government, which, through the Royal Decree-Law, in a short period of time, has responded firmly to the pandemic, approving numerous measures for the protection of public health and the strengthening of the capacity of the health system, and to contain the economic and social impact caused by the pandemic.

The Spanish Government like the rest of its EU partners, implemented a **fiscal policy focussed on support for the economy, companies and families.** From the outset, this strategy has been geared towards countering the devastating effects of the crisis through the implementation of measures that have ensured incomes where maintained the case of families and workers, along with instruments to guarantee liquidity for companies and the self-employed.

The measures put in place have been geared towards supporting citizens, companies and sectors particularly affected. Health, education, employment, social economic, taxation and research support measures have been introduced aimed at those workers, consumers and families most affected by this unprecedented situation so as not to further exacerbate the inequality gap. Measures have also been taken to ensure liquidity and financing for companies, in particular for SMEs and the self-employed (who have been particularly affected), protecting employment and the productive fabric, to protect certain sectors of the economy such as tourism, the automotive industry and culture, fostering others such as healthcare, and committing to science and research among others. Another aspect of vital importance to highlight is the adaptation of the functioning of the Public Administration to the needs arising from the pandemic.

Evidently, the pandemic first impacted the health system and, as a consequence, public policies related to **healthcare and public health** form the spine of the fight against the virus.

in this sphere, the health measures undertaken were aimed at strengthening the capacity of the health systems and supporting COVID-19 research with the aim of promoting the development of efficient medicines against the disease and vaccines, essential for effective control of the pandemic as well as establishing the procedures necessary for the urgent development of healthcare products and the difficulties of supply on the international market. Among the measures adopted in the health and research sphere, there is the concession of an emergency loan to the Ministry of Health to meet the costs of the National Health System, for a sum of 1.4 billion euros, the update to instalments of the financing system for the year 2020, which constitutes the immediate allocation to the Autonomous Communities of additional resources totalling 2.867 billion euros, guaranteeing the stability and certainty of their principal source of resources, as well as the provision of additional financing for a sum of almost 30 million euros to both the Carlos III Health Institute and the Spanish National Research Council for the development of research related to the virus.

An extensive set of **employment** measures was approved in order to protect workers and support the self-employed and companies, granting special protection to the groups most affected by the confinement measures and the limitation of economic activity. These measures, which are specifically the costliest for the public accounts, were aimed at preventing the situation caused by events in 2020 from having s structural and permanent impact on employment, while also mitigating the financial pressure on companies and the self-employed.

One of the highest-impact measures in this regard was the ERTE furlough scheme, from which over 3,400,000 workers have benefited. It is projected that the budgetary impact of this measure, already covered in the Stability Programme, will be maintained, mainly due to the better-than-expected performance of the labour market compared to the April estimates, and effect that is compensated with the extension of this measure to January 2021.[3]

Other notable measures include: the emergency provision for cessation of activity of the self-employed, for more than 1,500,000 self-employed workers, which has also been extended to January 2021[4], as well as moratoriums and other tax benefits introduced in order to ensure the liquidity of companies.

[3] Through Royal Decree-Law 30/2020, of 29 September, on social measures in defence of employment
[4] Through Royal Decree-Law 30/2020, of 29 September, on social measures in defence of employment

Social measures designed to support the most vulnerable groups and families, especially minorities, (those most affected by the economic shutdown), also acquire vital importance as their incomes have been particularly affected. In this area, important measures have been introduced in relation to housing, along with those geared towards ensuring consumer protection, especially those in a vulnerable economic situation. Additional resources were also allocated to mitigate the social consequences of COVID-19, not forgetting victims of gender-based violence, with the Government approving a specific package of measures to guarantee their treatment and protection.

Of the many measures adopted, we should highlight the distribution of additional social services resources from the State to the Autonomous Communities through the Emergency Social Fund, for a sum of 300 million euros (benefiting more than 12 million people), as well as provisions for families receiving school meals benefits or assistance, for a sum of 25 million euros. As additional 100 million euros was also allocated to the Housing Plan 2018-2021, with the recent approval of the Minimum Subsistence Income[5], a benefit that aims to prevent the risk of poverty and social exclusion of persons in situation of vulnerability due to a lack of sufficient economic resources to cover their basic needs.

The COVID-19 Fund [6] was created to guarantee the provision of basic public services, allocating a total sum of 16 billion euros to the Autonomous Communities, which is being used to finance the principal costs of the pandemic and to compensate for the fall-off in the revenue of Autonomous Communities due to the fall in economic activity. This non-refundable fund is the biggest transfer of resources from the central Government to the Autonomous Communities outside the financing system, with 6 billion euros transferred in the month of July alone to cover the health costs of COVID-19 and, subsequently, 2 billion euros distributed from the education tranche in September.

As is well known, the prevention and contention of the pandemic meant the confinement of the population and much of the economy, generating financial problems for companies and placing pressure on liquidity and solvency, which could in certain cases mean the closure of companies and permanent loss of jobs. In order to prevent these undesirable situations, **measures have also been adopted in the economic sphere** aimed at protecting the productive fabric, mitigating the impact of the crisis and fostering the reactivation of economic activity. The measures to strengthen and create lines of financing and guarantees on behalf of the state stand out for their sheer number, as well as the approval of the deferral of debts and moratoriums, and the implementation of different measures geared towards preserving the liquidity of companies and the self-employed. This package of measures amounts to a sum of **159.470 billion euros, as detailed in Table 2.5.**

The creation of two lines of public guarantees of the ICO for a sum of 140 billion euros is notable in this area. There is also the creation of the Strategic Companies Solvency Support Fund,[7] allocated 10 billion euros. This instrument was approved to provide temporary public support to strengthen non-financial companies affected by the COVID-19 pandemic considered strategic for the national or regional productive fabric.

It is also necessary to mention the different measures put in place to mitigate the situation of different economic sectors affected by the negative effects of the crisis. There were also allocations to the performing arts, music and film to cushion the blow of the reduction of economic activity, as well as the Sustainable Tourism Plans in tourist destinations and the supports for the automotive sector, through the *Plan Renove* and other plans for the renewal and electrification of the Fleet.

Finally, in the **public sector**, different measures have also been adopted to adapt the functioning of the Administration to the needs arising from the pandemic, while making existing procedures more flexible with

[5] Through Royal Decree-Law 20/2020, of 29 May, establishing the minimum subsistence income.
[6] Through Royal Decree-Law 22/2020, of 16 June, regulating the creation of the COVID-19 Fund and laying down the rules relating to its distribution and release
[7] Through Royal Decree-Law 25/2020, of 3 July, on urgent measures to support the reactivation of the economy and employment

a view to tackling the health crises and its consequences- This set of measures covers areas like public procurement, budgetary management, collective bargaining and cert administrative terms.

All the measures the Government has adopted over the course of these months have been vital, as they have been designed and implemented in order to cushion the impact of the pandemic on the economy, employment and household income in order to establish the basis for the economic recovery.

These discretionary revenue and spending measures and guarantees, detailed in Tables 2.3, 2.4 and 2.5 respectively, will contribute to ensuring that from late 2020 and 2021, our economy recovers much of the activity and employment lost during the year, progressively returning to the economic growth path the country was on prior to the pandemic.

Table 2.3 Discretionary spending measures adopted/announced in 2020 in response to the COVID-19 outbreak

In euros

Type of Measure	Measure	Description	ESA code	Implementation status	Budgetary impact 2020	Budgetary impact 2021
Health	Reinforcing the financing of the healthcare system and research	Measures to strengthen the healthcare sector: Granting of an extraordinary loan to the Ministry of Health to meet the emergency costs of the National Health System.	D1, P2, D63, D62	Approved by Royal Decree-Law 7/2020	1.400.000.000	
		Update of instalments to Autonomous Communities for reinforce the availability of resources to meet the immediate needs of their health systems	D1, P2, D63, D62	Approved by Royal Decree-Law 7/2020	2.867.080.000	
		Emergency employment measures in the public entities comprising the Science, Technology and Innovation System: allowing for the establishment extraordinary working days for their employees, to be remunerated	D1	Approved by Royal Decree-Law 8/2020	770.000	
		Emergency loans to the Carlos III Health Institute for direct allocation of subsidies for COVID-19 coronavirus research projects and programmes	D.9	Approved by Royal Decree-Law 8/2020	25.200.000	0
		To the National Research Council (CSIC) for coronavirus COVID-19 research costs	D.1, P.2 and P.51	Approved by Royal Decree-Law 8/2020	4.450.000	0
		Extension of working contracts subscribed charged to the financing of public human resources calls in the area of research and hiring of personnel in the National Health System	D1	Approved by Royal Decree-Law 11/2020	22.476.509	25.051.238

		New call 12 million euros, aimed at companies that develop R&D&I projects and to increase industrial production to tackle the health emergency declared due to COVID-19 Measures to support innovation and increase production related to COVID-19 29 grants totalling €12m have been allocated to companies to develop R&D and investment projects related to COVID-19.	D92	Approved by Royal Decree-Law 11/2020		
		Amendment of the RED CERVERA FUND, amended to allocate funding to R&D&I projects of SMEs and medium-sized companies (DA 134 LPGE 2018). Allocation of €80 million included in section 8 of the extended PGE2018 The CERVERA fund of the CDTI, allocated 147 million, allowing for granting of grants without guarantee for a sum of 500 million euros.	D.92 for repayable portion of grant	Approved by Royal Decree-Law 8/2020	80.000.000	
	Microbiological monitoring of waste water	Microbiological monitoring of waste water as an early alert epidemiological indicator of the propagation of COVID-19.	P2		1.009.706	978.459
Education	Mechanism of financial assistance for the education system	Territorial cooperation programme for educational orientation, progress and enhancement in the context of the emergency education situation of the 2020-21 school year caused by the COVID-19 pandemic #PROA+ (20-21).	P2, P51 and D62	Approved by the Council of Ministers 21/07/2020	40.000.000	
Employment	Improved protection for self-isolating and/or infected workers	IT: The periods of self-isolation or contagion of workers as a result of the COVID-19 virus shall be considered a situation similar to a workplace accident for the purposes of Social Security financial assistance for temporary Incapacitation	D62	Approved by Royal Decree-Law 6/2020	1.354.910.000	
	Maintaining employment	ERTE furlough scheme	D62	Approved by Royal Decree-Law 8/2020 (other RDS)	17.840.000.000	718.500.000
		Maintaining employment in the tourist sector. 50% reduction of employer's Social Security contribution for workers on permanent discontinuous contracts in the tourism sector for the months July to October These reductions will be compatible with employer's Social Security contributions, without exceeding 100%.	D39	Approved by Royal Decree-Law 25/2020	40.000.000	

		Exemptions form Social Security contributions for ERTEs	D39	Approved by Royal Decree-Law 8/2020	6.349.340.000	435.000.000
	Worker protection	50% reduction of employer's Social Security contribution for common contingencies in the months for February, March, April and June to support the extension of the period of activity of working persons with discontinuous permanent contracts in the tourism sector and the commercial and hospitality sectors linked to tourist activity for the time necessary to cover the effects of COVID-19.	D3	Approved by Royal Decree-Law 7/2020	45.000.000	
		The right to the unemployment benefit is extended to the unemployed who did not complete their probation period	D62	Approved by Royal Decree-Law 15/2020	42.000.000	
		Exemptions form Social Security contributions for cessation of activity.	D39	Approved by Royal Decree-Law 8/2020 amended by Royal Decree-Law 11/2020	2.708.220.000	168.610.000
		Extraordinary provision for cessation of activity for those affected by the declaration of the State of Emergency for the management of the health crisis caused by COVID-19.	D62	Approved by Royal Decree-Law 8/2020 amended by Royal Decree-Law 11/2020	5.339.380.000	400.400.000
		Emergency subsidy for lack of activity for persons included in the Special System for Domestic Workers of the General Social Security Regime.	D62	Approved by Royal Decree-Law 11/2020	3.150.000	
		Emergency subsidy for lack of activity for persons affected by by the end of a temporary contract of at least two months duration, subsequent to the entry into force of Royal Decree 463/2020, of 14 March, and who do not have contributions necessary to access other benefits of subsidies if they have no income.	D62	Approved by Royal Decree-Law 11/2020	17.600.000	
		Extension of university contracts of assistants, assistant lecturers, associate professors and visiting professors whose contracts are due to end during the State of Emergency.	D1	Approved by Royal Decree-Law 11/2020	3.407.153	
		Extension of pre-doctoral contracts for research staff in training subscribed in the research area.	D1	Approved by Royal Decree-Law 15/2020	400.000	

		Amendment of conditions for grants charged to calls of the Ministry of Universities university students, research staff and/or lecturers.	D1	Approved by Royal Decree-Law 15/2020	1.511.757	
Social	Social protection for families	Basic right to food of children in situations of vulnerability affected by the closure of education centres.	D.62/D63	Approved by Royal Decree-Law 7/2020	25.000.000	0
		Emergency Social Fund allocated exclusively to the social consequences of COVID-19. Through the Fund, transfers will be made to the Autonomous Communities, Ceuta and Melilla.	D62	Approved by Royal Decree-Law 8/2020	300.000.000	0
		Additional state financing for the State Housing Plan 2018-2021. Budgetary application 17.09.261N.753	NP+D9E	Approved by Royal Decree-Law 11/2020	100.000.000	0
		New rent assistance programme to help minimise the economic and social impact of COVID-19 on principal residence rental, which is configured within the State Housing Plan 2018-2021.	D63	Approved by Royal Decree-Law 11/2020	300.700.000	354.000.000
		Replacement of the assistance programme for persons evicted or expelled for their principal residence under the new assistance programme for victims of gender-based violence, persons subject to eviction from their principal residence, homeless persons and other particularly vulnerable persons.	D63	Approved by Royal Decree-Law 11/2020	50.000.000	
		Institutional campaigns to prevent gender-based violence during the State of Emergency.	P2	Approved by Royal Decree-Law 12/2020	2.000.000	
	Provision of basic public services	COVID-19 Fund for Autonomous Communities to finance costs arising from the pandemic, especially in the health system, to increase the allocations for education, compensate for the fall in tax income and guarantee the provision of essential public services.	D1, P2, D63, D62	Approved by Royal Decree-Law 22/2020	16.000.000.000	
Economic	Ensure viability of companies	Repayment of companies' contributions to ICEX for participation in fairs or other international trade promotion activities hosted by the entity where these have been cancelled or postponed by the organiser as a result of COVID-19. Granting of ICEX concessions to companies set to participate in international events organised through the collaborating entities of ICEX and collaborating entities.	D7	Approved by Royal Decree-Law 11/2020	4.500.000	

		Flexibility of contracts for the supply of electricity for the self-employed and companies: cancellation and/or amendment of contracts with no penalty, adjustment of power contracts at no cost and allowing for the return to previous conditions at no cost or penalty. Possibility of suspension of payment of electricity bills during same period.	D3	Approved by Royal Decree-Law 11/2020	46.300.000	172.000.000
		Flexibility of gas contracts for the self-employed and companies: adjustment of the capacity contracted from supply points to real needs, change of access toll scale, or even temporary suspension of supply contract.	D3	Approved by Royal Decree-Law 11/2020	11.547.560	30.670.000
		Contribution to fund of technical provisions to CERSA for the creation of the COVID-19 guarantee line for the emergency coverage of the credit risk of financing transactions for SMEs whose activity is affected by COVID-19.	D.9	Approved by Royal Decree-Law 11/2020	60.000.000	113.000.000
		Emergency credit for financing the actions provided for in the Agreement between the General Administration of the State, SEITTSA and the public business entities ADIF and ADIF Alta Velocidad.	P.51 as costs are incurred	Approved by Royal Decree-Law 26/2020	110.000.000	
	Sector-specific measures	The MAPA will finance the additional cost of guarantees granted by SAECA arising from the extension of loans granted to owners of agricultural holdings affected by the 2017 drought, agreed with the entities.	(D7) D.3	Approved by Royal Decree-Law 8/2020	2.500.000	
		Assistance for temporary compensation of certain compulsory population coverage costs of the state digital terrestrial television service arising from the maintenance over 6 months of certain compulsory population coverage.	(D7) P.2	Approved by Royal Decree-Law 11/2020	15.000.000	
		Plans for the flexibility of justice in the commercial, contentious-administrative and social spheres once the State of Emergency has ceased.	D1, P2 and P.51	Approved by Royal Decree-Law 11/2020	24.980.456	43.778.900
		Replacement and reinforcing of Clerks of the Justice Administration with Clerks completing selective course.	D1	Law 3/2020, of 18 September, on procedural and organisational measures to tackle COVID-19 in the sphere of the Justice Administration	528.952	

		Direct concession of subsidies to the Sociedad de Garantía Recíproca Audiovisual Fianzas SGR to promote lines of financing for companies in the cultural sector.	D99	Approved by Royal Decree-Law 17/2020	20.000.000	
		Emergency aid system for the performing arts and music as a result of the negative impact of the COVID-19 health crisis.	D.75 and/or D.92	Approved by Royal Decree-Law 17/2020	37.937.130	
		Direct subsidies for cinema owners for cinema owners to cover certain costs.	D.75 and/or D.92	Approved by Royal Decree-Law 17/2020	13.252.000	
		Emergency aid system for the book sector, for the maintenance of book infrastructures and supply chains, as a consequence of the negative impact of the COVID-19 health crisis (beneficiaries: independent bookshops).	D.75 and/or D.92	Approved by Royal Decree-Law 17/2020	4.000.000	
		Emergency aid system for the performing arts and music as a result of the negative impact of the COVID-19 health crisis.	D.75 and/or D.92	Approved by Royal Decree-Law 17/2020	1.800.000	
		Programme for Renovation of Spanish car fleet in 2020 (PLAN RENOVE 2020).		RDL 25/2020	250.000.000	
		Sustainability Plans for Tourist Destinations.	D.75 and/or D.92	Approved by Royal Decree-Law 25/2020	22.370.000	
TOTAL					**55.588.321.224**	**2.461.988.597**

Table 2.4 Discretionary spending measures adopted/announced in 2020 in response to the COVID-19 outbreak

In euros

Type of measure	Measure	Description	Implementation status	Budgetary impact 2020	Budgetary impact 2021
Health	Reinforcing the financing of the healthcare system and research	Temporary rate of 0% VAT for healthcare material acquired by non-profit public entities and hospitals	Approved by Royal Decree-Law 15/2020	-70,000,000	
Employment	Ensure viability of companies	Moratorium of Social Security contributions for 6 months with no interest for companies and the self-employed	Approved by Royal Decree-Law 11/2020	-23,969,926	
		Postponement of the payment of Social Security debts for companies and self-employed workers.	Approved by Royal Decree-Law 11/2020	-532,621,235	
Economic	Ensure viability of companies	Postponement of tax debts for a period of 6 months. No interest on arrears to be accrued over the first 4 months.	Approved by Royal Decree-Law 7/2020	-8,900,000	
		Suspension of interest payments and repayments for various loans granted by the State Secretariat for Tourism within the framework of the Emprendetur programme.	Approved by Royal Decree-Law 11/2020	-742,000	
		Postponement of debts arising from customs declarations: Postponement of interest on customs and tax debt corresponding to customs declarations presented up to 30 May 2020, provided the sum of the debt postponed is over 100 euros. No interest on arrears to be accrued over the first 4 months.	Approved by Royal Decree-Law 11/2020	-2,700,000	
		Corporation Tax: Emergency option for payment in instalments calculated on the basis of taxable base.	Approved by Royal Decree-Law 15/2020		
		Personal Income Tax (PIT): Limitation of temporary effects of tacit waiver of objective estimation method for tax method 2020.	Approved by Royal Decree-Law 15/2020	-96,000,000	-2,000,000
		VAT: Limitation of temporary effects of tacit waiver of objective estimate method for tax method 2020.	Approved by Royal Decree-Law 15/2020		
		The days of the State of Emergency were not included for the calculation of the instalment payments under the objective estimate method of Personal Income Tax (PIT) and income on the account of the simplified VAT regime.	Approved by Royal Decree-Law 15/2020	-92,000,000	
		Amendment of the VAT Law: Reduction of VAT rate for books, newspapers and digital magazines to 4%.	Approved by Royal Decree-Law 15/2020	-5,000,000	-5,000,000

		Reduction of 19.11% in the contribution in situations of inactivity in the Special Regime for Agricultural Employees, working a maximum of 55 real working days in 2019.	Approved by Royal Decree-Law 15/2020	-43,224,127	
Other measures		Amendment of Organic Law on Universities: Elimination of general brackets system in the public universities fees system.	Approved by Royal Decree-Law 17/2020	-47,000,000	-47,000,000
TOTAL				**-922,157,288**	**-54,000,000**

Table 2.5 Guarantees adapted/announced in 2020 in response to the COVID-19 practice Status

Measure	Description	Implementation status	Maximum sum for contingent liabilities, guarantee contributed (in euros)*
Extension of Thomas Cook financing line (created by Royal Decree-Law 12/2019, of 11 October 2019) to support companies and self-employed workers in the tourism sector and related activities affected by COVID-19	The reference ICO financing line is extended from €200 million to €400 million. The Ministry of Industry, Tourism and Commerce contributes a guarantee of 50% that amounts to a sum of €200 million. The condition of possible beneficiaries of this line of financing is extended to all companies and self-employed workers with registered address in Spain who belong to the economic sector cited in Royal Decree-Law 7/2020.	Royal Decree-Law 7/2020, of 12 March, adopting urgent measures to respond to the economic impact of COVID-19	200,000,000
Line of State guarantees to cover financing granted by financial institutions to companies and the self-employed.	The guarantee granted to amounts to 70% of the general credit and up to 80% for SMEs and the self-employed.	Royal Decree-Law 8/2020, of 17 March, on urgent emergency measures to tackle the economic and social impact of COVID-19	100,000,000,000
Creation of extraordinary coverage charged to the Reserve Fund for International Expansion Risks	Revolving credit line coverage for SMEs and non-listed companies involved in exports.	Royal Decree-Law 8/2020, of 17 March, on urgent emergency measures to tackle the economic and social impact of COVID-19	2,000,000,000
ICO guarantee line covered by the State for financing rents in situations of social and economic vulnerability as a result of the spread of COVID-19	The objective is to provide financial coverage to tackle the costs of housing on the part of homes in situations of social and economic vulnerability as a result of the spread of COVID-19. This financing, granted by financing entities must be for the sole purpose of housing rent, with a repayment period of six years, which may be extended on an exceptional basis for another four, with no costs or interests accruing for the applicant.	Real Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic sphere to tackle COVID-19	1,200,000,000

	The characteristics of the guarantee line is pending subsequent development and must be agreed between the ICO and the Ministry of Transport, Mobility and the Urban Agenda		
CERSA line of COVID-19 guarantees	The objective is to provide emergency cover for the credit risk of financing transactions for SMEs who see their activity affected by COVID-19. To do that the allocation to the CERSA Technical Provisions Fund was increased by €60 million. This way, CERSA can assume risk of €1 billion which will mobilise €2 billion to benefit 20,000 SMEs and self-employed workers.	Real Decree-Law 11/2020, of 31 March, adopting urgent complementary measures in the social and economic sphere to tackle COVID-19	1,000,000,000
Line of State guarantees to cover financing granted by financial institutions to companies and the self-employed for the principal purpose of financing investment.	The guarantee granted amounts to 70% of the general credit and up to 80% for SMEs and the self-employed.	Through Royal Decree-Law 25/2020, of 3 July, on urgent measures to support the reactivation of the economy and employment.	40,000,000,000
European temporary Support to mitigate Unemployment Risks in an Emergency (SURE instrument)	The guarantee partially covers the risk assume assumed by the European Commission in providing financial support to Member States suffering severe economic difficulties as a result of COVID-19, with a view to protecting workers and the self-employed and reducing the impact of unemployment and loss of income. The financial assistance will take the form of loans to Member States who request them to finance employment protections schemes, as in the case of the Spanish ERTE temporary furlough scheme.	Royal Decree-Law 19/2020, of 26 May, adopting complementary measures in agricultural, scientific, employment and Social Security and tax to mitigate the effects of COVID-19	2,252,890,750
Guarantees of financing operations of the European Investment Bank through the Pan-European Guarantee fund in response to the COVID-19 crisis	The guarantee covers the costs of losses in financing transactions of the European Investment Bank through the Pan-European Guarantee Fund. The purpose of this Fund is to mobilise up to 200 billion euros in financing for companies, with a special focus on SMEs tackling problems arising from the economic consequences of COVID-19.	Royal Decree-Law 21/2020, of 9 June, on urgent emergency measures to tackle the economic and social impact of COVID-19.	2,816,912,867
Fund to support the solvency of strategic companies through the granting of participative loans, subordinate debt, subscription of shares and other capital instruments.	An analysis of each transactions is required.	Approved by Royal Decree-Law 25/2020	10,000,000,000
TOTAL			**159,469,803,617**

* These measures shall only constitute a cost for the State in the event of having to execute the respective guarantees. In this regard, none is expected to be executed in 2020, and therefore no budgetary impact is projected and are not included in Table 2.3. Moreover, it must be taken into account that the most significant guarantee measures are usually not executed for a year. On the other hand, these liquidity measures usually require a situation of solvency on 31 December 2019, so that they are given to health companies suffering only from liquidity problems (and not issues of solvency).

2.2 Escape clause and non-financial spending limit

As a result of the economic impact arising from the COVID-19 pandemic, the agreements of 11 February approving the budgetary stability and public debt objectives for the year 2020 and the period 2021-2023 are no longer fit for the current economic situation. The pandemic caused by Covid-19 has led to a change in the world economy which is tackling an unprecedented crisis.

In Spain, the impact has been particularly intense, making it necessary to adopt a series of urgent, immediate and efficient health measures to, firstly, protect the health and security of citizens and, secondly, emergency measures to mitigate the effects of this tremendous crisis is having on the economy and on citizens.

This pandemic has led to an emergency situation beyond the control of the Public Administrations and which is greatly prejudicing the financial situation, putting its economic sustainability at risk. That is why the Government approved Royal Decree 463/2020, of 14 March, declaring the State of Emergency caused by COVID-19, its subsequent extension authorised by an absolute majority of members of the Congress of Deputies, through the Resolution of 25 March 2020, of the Congress of Deputies ordering the publication of the Authorisation Agreement or the extensions of the State of Emergency declared by Royal Decree 463/2020, of 14 March, thus recognising the extraordinary emergency situation.

Thus, as detailed previously, from the month of march, numerous, Royal Decree-Laws have been approved with health, economic and social measures adapted for the purpose of mitigating the economic and social impact caused by this pandemic. The majority of these measures are contained in the Stability Programme issued last April, in light of the approval with subsequent new measures in line with the evolution of the pandemic in the following months, above all through over twenty Royal Decrees.

The adoption of these measures was covered and bolstered by the common response from the European Union which, conscious of the difficult global situation arising from the COVID-19 pandemic, has manifested the need to make progress with greater coordination of Member States in economic, institutional, social and environmental matters.

As a way of strengthening monetary policy, fiscal policy is called to play a determining role in the response to this crisis, which requires specific activation through the European regulatory framework which is adapted to new needs.

In this regard, over recent months a series of initiatives have been approved in Europe geared towards supporting the response to the crisis and developing a framework of reconstruction, transformation and resilience to continue advancing towards a stronger Europe in the world.

In the articulation of this response, on **20 March 2020 the European Commission adopted a Communication relating to the activation of general escape clause of the Stability and Growth Pact.**

In its Communication, the Commission shared the opinion of the Council that, taking into account the significant economic recession projected as a consequence of the pandemic and considering that the current crisis is an event beyond the control of governments, with a significant impact on public finances, the provision in the Pact for unusual events applies, allowing for the activation of this clause in 2020, facilitating the coordination of budgetary policies.

On 23 March 2020, the Ministers of Finance of the Member States stated their agreement with the Commission's assessment. The activation the general escape clause allows for a temporary departure from the medium-term budgetary objective, provided that said departure does not place medium-term budgetary stability at risk. In this regard, the general escape clause, which was activated in March by the

Commission and the Council allows Member States to postpone compliance with budgetary conditions that would apply under normal conditions and the Commission and the Council to take the measures necessary for the coordination of policies within the framework of the Pact.

Along the same line, the European Council Recommendation on the 2020 National Reform Programme of Spain and delivering a Council opinion on the Stability Programme of Spain for 2020 recommend that, in 2020 and 2021, and in line with the general escape clause, the pandemic is combated efficiently, the economy sustained and the subsequent recovery efficiently supported, allowing Spain to temporarily depart from the adjustment path towards the medium-term budgetary objective.

Finally, in September this year, the European Commission stated that Member States' fiscal policy should continue to support the recovery throughout 2021. In light of this requirement and the increased uncertainty relating to the evolution of the pandemic and its socio-economic consequences, the general escape clause, which was activated in March by the Commission and the Council, will remain active in 2021, as indicated in the Annual Sustainable Growth Strategy for 2021. When the economic conditions allow, it will be time to put in place fiscal policies geared towards reducing the deficit and debt in the medium term.

It is worth remembering, as has been pointed out above, that, in compliance with the budgetary objective, on 11 February 2020 the Council of Minister approved the Agreement adjusting the budgetary stability and public debt objectives for the Public Administration and that each of the sub-sectors for the year 2020 for submission to Parliament and establishes a non-financial spending limit for the 2020 General State Budget. This Agreement was subsequently ratified by the Congress of Deputies and by the Senate on 27 February and 4 March respectively.

In parallel with that, on 11 February 2020, the Council of Minister approved the Agreement establishing the budgetary stability and public debt objectives for the Public Administration and each of its subsectors for the period 2021-2023 for submission to Parliament and the non-financial spending limit for 2021, an Agreement endorsed by both the Congress of Deputies and the Senate on 27 February and 4 March respectively.

As a result of the economic impact of the COVID-19 pandemic, those agreements proved inapplicable.

In this context, through Agreement of the Council of Ministers of 6 October, a new non-financial spending limit was set for 2021 for a sum of 196.097 billion euros, which serves as the basis for the drafting of a General State Budget that helps mitigate the negative effects of the current economic, environmental and social crisis in the country, while also proving an instrument for the efficient channelling of resources received from the European Union within the framework of the Recovery, Transformation and Resilience Plan.

With the aim of presenting an effective and efficient Budget that mitigates the effects of this health and social crisis and confronts the unavoidable needs of the year, the non-financial spending limit for 2021 would initially stand at 136.779 billion euros, without contributing the funds from the Recovery, Transformation and Resilience Plan, nor the extraordinary transfers to the Social Security and the Autonomous Communities.

The spending limit indicated above would mean a deficit for the Central Government, in national account terms, of 2.4% of GDP in 2021. Thus, the deficit projected in 2021 for the Public Administration amounts to a sum of 7.7% with the following distribution by sub-sector:

Table 2.6 2021 Projections
As % of GDP

Sub-sectors	2020	2021
Central Government	-6,6	-2,4
Autonomous Communities	-0,6	-2,2
Local Authorities	0,0	-0,1
Social Security	-4,1	-3,0
Total Public Administrations	**-11,3**	**-7,7**

Source: Ministry of Finance

That said, the measures adopted through the different Royal Decree Laws approved by the Government in order to cushion the economic and social impact has, to a great extent, fallen to the State Public Employment Service (SEPE) and the Social Security, which have assumed much of the expense arising from the extraordinary emergency situation, through the different benefits approved, among them the extraordinary benefit for cessation of activity for the self-employed and the contributory unemployment benefit under the ERTE scheme. At the peak of the crisis, these employment protection schemes covered one third of the active population.

This extraordinary expense meant the Social Security sub-sector incurred a greater deficit which, in order to ensure the financial sustainability of Social Security, the State will assume part of the deficit with greater than usual transfers, some 1.7%.

In addition, in order to avoid squeezing the financial situation of the Autonomous Communities, administrations that are the principal guarantors of basic public services provided to the public, such as education and health (sectors that have been particularly hard hit by the pandemic), **the State will make an additional effort and in 2021 will assume half its deficit, 1.1% GDP, as the deficit projected for each sub-sector in 2021 amounts to 2.2.% GDP.**

Consequently, due to the above, the Central Government deficit in 2021 will amount to 5.2% of GDP, in accordance with the following breakdown by sub-sector.

Table 2.6 bis 2021 Projections
As % of GDP

Sub-sectors	2020	2021
Central Government	-6,6	-5,2
Autonomous Communities	-0,6	-1,1
Local Authorities	0,0	-0,1
Social Security	-4,1	-1,3
Total Public Administrations	**-11,3**	**-7,7**

Source: Ministry of Finance

On top of that, there are the investments financed by the community recovery funds from the Recovery and Resilience Facility of the ReactEU Programme, amounting to 27.436 billion euros 2021. **The non-financial spending limit of the State Budget is set at 196.097 billion euros**, a figure included in the Agreement of the Council of Ministers.

The 2021 General State Budget, which will be approved by the Government shortly, and whose measures are already set out in this document, will therefore be the tool to allow Spain to exit the crisis caused by the health crisis as soon as possible and to do so with more robust and competitive foundations and with greater social cohesion.

The ceiling set for the year 2021 therefore includes the transfers to Social Security and the territorial Administrations, and the principal economic, environmental and social policy measures and reforms to implement with the standard resources and the projects to finance with the European Recovery and Resilience Facility, so that those investments and reforms are focussed on complying with the Council's Recommendation for the country.

The same Agreement of the Council of Ministers also called on the Congress of Deputies to recognise the fact that Spain is suffering from a pandemic, which constitutes an extraordinary emergency situation in line with the provisions of Article 135.4 of the Constitutions and Article 11.3 of the Organic Law on Budgetary Stability and Financial Sustainability.

To do so, in accordance with the regulation, on 13 October last, **the AIReF published the *Report on the existence of the exceptional circumstances referred to in Article 11.3 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability.*** In that document, the AIRef recognises the exceptional circumstances referred to in Article 11.3 of the LOEPSF as a result of the COVID-19 pandemic, thus **complying with the process established** in the regulation, as the Council of Ministers requested a declaration of the Congress of Deputies on some of the circumstances provided for in this article.

With regard to debt, Table 2.7 shows the evolution of public debt according to macroeconomic and fiscal forecasts. 2020 will see a pronounced increase in public debt as a percentage of GDP due to the set of measures put in place by the Government. **In 2021, debt will return to the downward trend observed prior to the pandemic.**

Table 2.7 Evolution of General Government debt (S.13) and perspectives

% of GDP

	ESA Code	2019	2020	2021
1. Debt ratio / GDP[a]		95,5	118,8	117,4
2. Variation of debt ratio / GDP		-1,9	23,3	-1,4
Contribution to variation of debt ratio / GDP				
3. Primary budgetary balance		0,6	9,0	5,5
4. Interest payments	D.41	2,3	2,3	2,2
5. Adjust stock-flow		-1,6	-0,1	2,5
p.m.: Implicit interest rate of debt		2,4	2,0	1,9

According to definition in Council Regulation (EC) No 479/2009

Source: Ministry of Economic Affairs and Digital Transformation

2.3 Revenue and expenditure forecasts

National budget (without Recovery, Transformation and Resilience Plan)

Table 2.8 details the main revenue and public expenditure headings for 2020 and 2021.

These forecasts, as we have mentioned previously, are based on a **policy change scenario.** These only include economic, environmental and social policy measures and reforms for all the Public Administrations, to be implemented with national and other resources, not including the impact of the Recovery, Transformation and Resilience Plan.

What's more, **this fiscal strategy has been updated with the information relating to revenue and budgetary execution for the year 2020, and forecasts for the impact of COVID-19 measures on the public accounts, having also incorporated the latest macroeconomic forecasts available.**

In 2020, the COVID-19 pandemic caused evident economic disruption, which is already having a significant negative impact not only in the Spain but in the rest of the European Union and the wider world. The consequences for growth of GDP will depend on the duration of the pandemic and the impact of the measures adopted by Spanish authorities to prevent the spread of the virus, protect production capacity and support aggregate demand.

In accordance with the fiscal provisions, as set out in the EDP notification submitted to the Commission on 30 September, the deficit for 2020 will reach 11.32% of GDP, one point higher the projected in the Stability Programme projections. This deterioration is due to both a fall in tax revenue and an increase in some areas of spending, directly affected by the evolution of the measures adopted to combat the pandemic, some of which were adopted subsequent to the Stability Programme.

For 2021, significant inertial growth is forecast, which will be boosted by the impact of the Recovery, Transformation and Resilience Plan. All this will require a more dynamic investment to allow for gap opened up in 2020 to be narrowed.

In 2020, the public revenue to GDP ratio is projected at 41.65% of GDP, a slight increase on the figure of 39.19% in 2019. This increase in the public revenue to GDP ratio is explained by the fall in GDP, greater than the fall in public revenue, as a result of the crisis caused by COVID-19.

Projected tax revenue in 2020 has been marked by the outbreak of the coronavirus pandemic, which is have major economic consequences and simultaneously generating a supply shock and demand shock. The fall in GDP is clearly reflected in tax revenue. In addition to the negative effects on economic growth, the outbreak of the pandemic interrupted the process of drafting the General State Budget 2020, meaning the only measures that have been adopted are the set of provisions approved to mitigate some of the negative consequences of the health crisis. Nevertheless, there is a series of factors that have positively impacts revenue estimates for 2020, and scuttled revenue last year, such as extraordinary rebates of PIT corresponding to maternity benefit, the extraordinary rebate of a Corporate income Tax (CIT) settlement of large company and the exemption from the Tax on the Value of Electricity Production for two quarters introduced by Royal Decree Law 15/2018, de 5 October, on urgent measures for the energy transition and consumer protection.

The Spanish Government's economic projections for 2020 include a sharp reduction in nominal GDP, of 11.2% and the corresponding fall in tax revenue. The explanation of this performance of tax revenue lies in the same factors that were behind the growth dynamic of previous years, including the sharp fall in employment, with expected growth of 8.4%, which will place a burden on revenue in many areas of taxation, especially PIT, or final private spending, down 12.6% , which will affect indirect taxes.

The estimate for total revenue of the Public Administrations for 2020 is 460.391 billion compared to 487.804 billion the previous year, a fall of 5.6%.

If we proceed to analyse the performance of the different components, we see how the projection for taxes on production and imports will reach 127.398 billion euros, a reduction of 10.81% on 2019.

Within the different taxes that make up this rubric, the biggest fall is in **Taxes on Products**, down 12.8% on last year, from revenue of 121.299 billion euros in 2019 to an estimated take of 105.755 billion euros in 2020, which can be explained by a number of factors, including the expected poor performance of final private spending, expected to fall 12.6% and expected null growth of the final private consumer spending deflator.

Rather, a slight rebound is expected for **Taxes on Production**, with an increase of 0.47%, constituting a slight slowdown in respect of 2019 when growth was 1.76%.

Current taxes on income and wealth performed better than taxes on production and imports. It is estimated to reach 124.619 billion euros, compared to 129.157 billion euros in 2019, for an expected change of -3.51%. Revenue from taxes on household income es estimated to reach 102.264 billion euros for a forecast decrease of just 1.10%, largely explained by good performance of income taxes, remaining persistently stable in respect of 2019, the dynamics of taxes on public salaries and pensions, higher revenues from the positive rate in the year 2019 and the practical absence of maternity benefit repayments. The downward pressure on tax revenues from private salaries intensified with the extension of the ERTEs.

Corporate income Tax is estimated to reach 22.355 billion euros compared to 25.757 billion euros in 2019, a decrease of 13.21%, a percentage similar to that recorded in 2019, when the fall was -13.31%, which explains the fall in business profits due to economic inactivity. It is worth, mentioning, both for PIT and for CIT, that the estimated fall in revenue is partially cushioned by the net tax take in 2019, unaffected by the economic crisis

The State's tax revenue includes collection results from the **prevention and fight against tax and customs fraud obtained by the Tax Administration (AEAT)**, that is, the amount, in collection terms, raised from the actions carried out by the AEAT for the prevention and control of fraud (income from administrative settlements and for the lowering of reimbursements), as well revenue arising as a result of such actions (late self-assessments).

The revenue results of the Tax Administration's efforts to combat fraud, in the first half of 2020 reached a total of €9.454 billion, for an increase of 11.89% compared to the same period last year. This sum, although heavily impacted by extraordinary items, has risen to 3.356 billion euros in the first half of 2020, consolidating the trend observed over previous years. So, in 2019, the annual figure of 15.714 billion euros was exceeded, for an increase of 4.15% on the previous year. Together with these results, the actions of the Tax Administration aimed at bringing down the numbers of negative tax bases, deductions and rates to be returned declared by taxpayers, which, without doubt, will have a positive impact on gross and liquid revenue in future years.

The revenue projection for 2021 can be explained by the combination of two effects. Firstly, the “bounceback” effect on income compared to a 2020 affected by the strict lockdown, at least for a quarter; and, secondly, the adoption of strict tax measures that, apart from their redistributive, environmental and energy efficiency purposes, generate additional revenue when they enter into force. Most of these will be incorporated into the draft General State Budget Bill that this Government expects to present shortly. Other measures, due to their nature, will require approval outside the Budget. Such is the case of establishing two new taxes, the Tax on Financial Transactions and the Tax on Certain Digital Services, the parliamentary approval of which is now complete. The positive effect of these measures, combined with the strong recovery in GDP projected for 2021, 10.8% in nominal terms, explains that it is estimated that next year the revenue of the Public Administrations will reach 493.838 billion, equivalent to 40.32% of GDP.

Analysing the performance of the principal headings, we find a scenario of dynamic growth rates. In the revenue projection for 2020 we commented that the biggest fall was in **Taxes on Products**, down 12.8%. In 2021, these taxes will lead the recovery with growth of 17.66%, with revenue rising from 105.755 billion euros in 2020 to 124.432 billion euros. **Taxes on production and imports** are estimated to grow by 14.92%, reaching 146.405 billion euros. By headings, as we commented, Taxes on Products show the most dynamic performance, which would be explained by a number of factors; firstly, the dynamic performance expected in final domestic private spending, and, secondly, the effect of the tax measures. A significant spike is also expected in revenue from the Property Transfers and Documented Legal Acts Tax, explained by the strong recovery of the housing market and the recovery in 2021 of postponements and suspensions of payments that were granted this year. This heading also includes the revenue from new tax measure, contributing to this dynamic evolution.

Taxes on income and wealth are estimated to grow by 10.35%, reaching 137.512 billion euros. Taxes on household income will reach 112.047 billion, 9.57% higher, driven by IRPF. A considerable recovery, in both withholdings on earnings, sustained in the projection for the remuneration of employees in the macro table, of 6.8%, and for property capital, instalment payments and the net tax take (greater prior recognition revenues and positive rate for 2020, and fewer refunds projected).

Corporate Income Tax (CIT) will reach 25.465 billion euros, up 19.3%, for a return to close to 2019 levels. This is explained partly by the increase in company profits in 2021 and also by the adoption of certain measures.

With regard to revenue from **social contributions**, as anticipated in the Stability Programme, they will deteriorate significantly in 2020, falling 2.51%. This performance is mainly due to the impact of labour measures adopted by the government during the State of Emergency and, subsequently, highlighting Royal Decree-Law 30/2020, of 29 September, on social measures for the protection of employment, in which the Government approved the extension of the ERTEs to 31 January 2021. Additionally, contributions will fall as a result of the deterioration of the labour market in the wake of the crisis, which will curb pre-pandemic job growth projections with a significant decrease in the number of contributors. Contributions will therefore increase in 2020 to 14.2% of GDP, a figure that increases in respect of the Stability Programme, as the impact of the measure exempting those on ERTE and the self-employed faced with a cessation of activity from Social Security contributions. They are not registered in the current projections as lower revenue from contributions but as spend on benefits. This criterion differs from that used in the Stability Programme.

One must highlight the difference between the performance of some measures adopted and contained in the Stability Programme, as the ERTEs currently remain in force for around 700,000 workers (from a peak of 3.4 million in late April), while the number of self-employed registered with Social Security recovers to close to pre-COVID levels and is already higher than the figure one year ago.

In 2021, once many of the measures adopted to combat the effects of COVID-19 have elapsed, it is projected that revenue from social security contributions will recover significantly, with an increase of 1.37% to 13% of GDP.

Sales and other current revenues will fall 11.48% in 2020, despite the good performance of Bank of Spain dividends, growing on the previous year, compensating in part for the reduction in ENAIRE dividends and the State Lotteries and Gambling Company (SELAE) in 2020, and the rest of the resources included in this heading. For 2021, it is projected that sales and other current income will remain at practically similar levels.

Finally, the **resources from the investment assistance and other capital transfers** will grow 40.13% in 2020. This percentage is affected by the return to state ownership of two toll motorways, the AP-7 and AP-4, upon completion of the concession, for a sum of 1.745 billion, a transaction with no impact on the deficit and impacting the gross fixed capital formation heading for the same sum. In 2021, this heading will fall as a result of the renationalisation transaction in 2020 with no corresponding transactions in 2021. This decrease however, is partially compensated by the increase in the provisions for revenue from EU funds compared to the previous year.

A decrease is observed in weight in terms of GDP of practically all of the spending items, as a result of the cessation in 2020 of most of the measures adopted to combat the health emergency caused by COVID-19.

Remuneration of employees fell from 12.9% of GDP in 2020 to 12% of GDP in 2021. This was a result, on the one hand, of the 2nd Agreement for the improvement of public employment from March 2018, in force for the period 2018-2020 and, on the other hand, the salary adjustment for the State Security Forces provided for in the same period. What's more, a decrease in this heading is also projected, with the improvement of the health situation which will lead to lower concentrations of healthcare personnel of the National Health System and will reduce the cost of other hires in 2020 arising from COVID-19 (such as auxiliary personnel, cleaning and disinfections, research staff, security staff, etc.) mainly in at Autonomous Community and Local Authority level. In 2021, there are no payments of pending bonus payments scheduled.

Intermediate consumption is expected to grow 10.97% in 2020, a figure better than the Stability Programme objective. These projections include an increase in intermediate consumption, especially en the Autonomous Communities, for the acquisition of PPE, tests, disinfectant gels and other healthcare and hospital treatment material above the levels initially projected. As indicated in the Stability Programme, the Government has adopted measures to reinforce the health service, including, among others, the granting of an emergency loan to the Ministry of Health to meet the extraordinary costs of the National Health System (SNS), some 1.4 billion euros, and the update of the allocation to the Autonomous Communities for a total sum of 2.867 billion euros, with the aim of reinforcing the availability of the resources of the Autonomous Communities, responsible for the management of basic public services.

In 2021, intermediate spending will fall from 6.4% of GDP to 6.1% of GDP by reducing the spending needs directly arising from the pandemic. Nevertheless, in 2021, growth will remain above the levels of years prior to COVID-19, both in the Central Administration and in the Tax Authorities.

Social transfers (D.62 and D.63) will fall from 24.2 % in 2020 to 21.4 % in 2021. Spending on social welfare will fall by 2.5%, from 20.98% of GDP in 2020 to 18.46% of GDP in 2021. This is primarily driven by pension spending, which is the principal spending item under this heading. We must add to that the end of the impact of the rest of the measures, primarily employment-related, adopted during the State of Emergency, to mitigate the damaging effects of the pandemic on the labour market and the most vulnerable groups.

The increasing trend in pensions of previous years remains and is a consequence of the increase in the number of pensioners, and the substitution effect of new pensions being higher than those existing, and the revaluation of pensions in line with the IPC. We must add to this the impact of the Minimum Subsistence Income, which in 2021 will impact the entire year. For its part, spending on unemployment will fall from 3.7% of GDP in 2020 to 1.8% in 2021.

It is projected that interest will amount to 2.18% of GDP, compared to 2.3% in 2020. This growth is affected, among other elements, by the impact of certain one offs on the financial year.

For its part, **social welfare spending** will rise 74.95% in 2020, again due to the impact of the measures adopted to combat the pandemic and exemptions from Social Security contributions for workers on the ERTE scheme and for the self-employed affected by a cessation of activity. As indicated in the Stability Programme, the impact of this measure was registered in the form of lower revenue from contributions, criteria which has been amended in the current projection, in light of the indications received from Eurostat. This heading also includes the rebates on employers' contributions to Social Security as support measures for the tourism sector. This spending item is projected to fall from 2.0% of GDP in 2020 to 1.4% in 2021. This growth responds, much like other items, to the ending of many of the measures adopted to combat COVID-19 in 2021.

Gross capital formation, as has been mentioned, in the first place, is affected in 2020 by the renationalisation of the AP-4 and part of the AP-7 for the sum of 1.745 billion. For 2021, investment is set to increase for all Administrations, however, in the absence of this non-recurring impact of 1.745 billion, and the recovery of GDP in 2021., this heading will, a priori, fall from 2.5% of GDP to 2.2% of GDP in 2021. Nevertheless, it is projected that many of the projects financed with funds from the Recovery and Resilience Mechanism will considerably increase public spending in 2021, as set out in Table 2.8 bis.

Finally, the heading **other capital spending** will fall in 2020, in the absence of the impact of the 700 million registered in 2019 by the sentence on maternity benefits, or the 500 million spent as a result of the DANA cold drop phenomenon. In 2021, it will increase slightly to 0.7% of GDP as a result of the impact of a number sentences and other one offs. In terms of GDP, capitals transfer will rise to 0.7% of GDP and other spending to 1.9% of GDP.

Table 2.8 Income and expenditure targets for the whole General Government

% de GDP

	ESA Code	2019	2020	2021
1. Total income targets	TR	39,2	41,7	40,3
Of which				
1.1. Taxes on production and imports	D.2	11,5	11,5	12,0
1.2. Current taxes on income and wealth, etc.	D.5	10,4	11,3	11,2
1.3. Taxes on capital	D.91	0,4	0,5	0,5
1.4. Social contributions	D.61	12,9	14,2	13,0
1.5. Rents on property	D.4	0,7	0,7	0,6
1.6. Others		3,3	3,5	3,1
p.m.: Fiscal pressure (D.2+D.5+D.61+D.91)		35,4	37,7	36,8
2. Total expenditure targets	TE	42,1	53,0	48,0
Of which				
2.1. Remuneration of employees	D.1	10,8	12,9	12,0
2.2. Intermediate consumption	P.2	5,1	6,4	6,1
2.3. Social transfers	D.62, D.63	18,4	24,2	21,4
Of which unemployment benefit		1,5	3,7	1,8
2.4. Interest	D.41	2,3	2,3	2,2
2.5. Subsidies	D.3	1,0	2,0	1,4
2.6 Gross capital formation	P.5	2,1	2,5	2,2
2.7. Capital transfers	D.9	0,7	0,7	0,7
2.8. Others		1,6	1,9	1,9

Source: Ministry of Finance

Based on this projection to close 2020, from 11.3% of GDP, the scenario projected for 2021 would result in a public deficit of 7.7% of GDP, all in the context of the activation of the escape clause.

As indicated previously, the economic and fiscal evolution for the remainder of the year and, as a result, also in 2021, remains subject to great uncertainty, depending on many factors beyond the control of the Government and which will be analysed over the coming months.

Nevertheless, the measures being adopted and the implementation of the Recovery, Transformation and Resilience Plan are expected to have the desired effect on economic activity, employment and household income, with the Spanish economy recovering much of the activity and employment lost in 2020, returning to the growth path it was on prior to the pandemic.

Throughout 2021, the Government will, as it is doing this year, maintain **comprehensive monitoring of all**

measures it is approving and the real impacts on citizens, companies, the self-employed and economic activity. Thus, where necessary, the Government will have the powers to react in the relevant sphere, in the knowledge that measures are efficient and if necessary, to design the new measures to be adopted.

Therefore, in 2021, the economic policy strategy of the Government will remain oriented, to a significant degree, towards **mitigating the effects of the current health crisis on economic activity and the different stakeholders; workers, consumers and companies, will put in place the measures contained in the PGE 2021 and investments and reforms of the Recovery, Transformation and Resilience Plan projected for the Public Administration as a whole.**

All of this, of course, must be implemented **without losing sight of the need to maintain the sustainability of the public finances**, where the economic conditions allow applying fiscal policies aimed at achieving a reduction in deficit and debt over the medium term, while promoting investment.

National budget with measures + Recovery, Transformation and Resilience Plan.

As has already been indicated, another fundamental element of the PGE 2021 being drafted by the Government is that they are to allow **public investment of resources from community recovery funds.** Thus, the PGE for 2021 include more than 27 billion euros of the Recovery, Transformation and Resilience Plan.

On 21 June last, an historic agreement was reached in the European Council to mobilise 750 billion euros of transfers and credits for investment, financed through the community debt issue, to which the 1 billion euros of the Multiannual Financial Framework 2021-2027.

The new Next Generation EU Recovery Fund will allow Spain to mobilise an unprecedented volume of resources. Specifically, the fund is comprised of the Recovery and Resilience Facility (RRF) and the REACT-EU programme. **The Facility will have 675.500 billion euros (312.500 billion in transfers), of which 59.168 billion euros in transfers corresponds to Spain. At the same time, the REACT-EU programme has been allocated 47.500 billion euros, of which Spain's share is 12.436 billion euros.** The programme of the REACT-EU funds was drafted in collaboration and through the Autonomous Communities.

Ultimately, it consists of programming and delivering a package of investments and reforms to boost the **potential growth of Spain up to 2% over the long term**, as has been indicated.

The Government will concentrate the mobilisation of close to 72 billion of transfers in the first three years (2021-2023). To maximise the impact and consolidate the economic recovery, it will use the loans to subsequently complement the financing of projects already undertaken. On top of that we must add 79 billion euros provided for in the structural funds and the Common Agricultural Policy for 2021-2027.

The Recovery, Transformation and Resilience Plan is structured around four main pillars which form the spine of all projects: ecological transition, digitalisation, gender equality and social and territorial cohesion.

The two main pillars, the ecological transition and digitalisation, account for over 70% of the efforts of the Plan.

The ecological pillars include, among other measures, the roll-out of more than 250,000 new vehicles in 2023, the transformation of the energy system to obtain a 100% renewable system by 2050 and the refurbishment of more than half a million homes to make them more energy efficient.

For their part, on the digital transition axis, the digital competency programme that aim to cover 80% of the Spanish population, initiatives for 5G to reach 75% of the population, training for remote work to more than

150,000 civil servants and digitalisation programmes for 2.5 million SMEs and digital transformation tracking projects in strategic sectors.

The Recovery Plan that Spain will present to the European institutions includes 25 billion in transfers from the Recovery and Resilience Facility in 2021, which include the spending ceiling of the Budget for 2021 and increase by said sum. It is an ambitious figure and will require tremendous effort in terms of design and execution on the part of the Government, but is absolutely necessary for the reconstruction of the country.

With regard to the **REACT-EU instrument, 10 billion of the 12.436 billion in transfers assigned to Spain will be allocated in 2021 to fund actions included in the regional operation programmes of the Autonomous Communities**, both in the scope of the European Regional Development Fund and the European Social Fund.

The remaining 2.436 billion euros of the REACT-EU instrument will be programmed for 2021. Specifically, it will be included in the Spanish Pluri-Regional Operative Programme (POPE), and from part of the **budget of the Ministry of Health, which will be allocated to the acquisition of vaccines for the country and the financing of the implementation of the Joint Plan for Strengthening Primary Care and a Healthcare Technology Renovation Plan which will be executed by the Autonomous Communities.**

Therefore, the General State Budgets for 2021 will include 25 billion euros in transfers of the Recovery Mechanism and 2.436 billion in transfers from REACT-EU. Nevertheless, it should be borne in mind that this 27.436 billion from the community recovery funds, although increasing the spending ceiling, has no impact on the deficit on the principle of neutrality: when an expenditure item charged to European funds is certified, income of the same sum is automatically entered, regardless of whether the payments are ultimately made.

Table 2.8.bis shows the breakdown of this 27.436 billion euros in transfers in terms of the national accounts.

Table 2.8.bis Recovery, Transformation and Resilience Plan breakdown

Millions of euros

1. Income received from RRF included in the Projects of the Budgetary Plan.			
Millions of national currency	**2020**	**2021**	**Commentary**
RRF transfers (cash flow)		*7,163*	
RRF transfers included in the projections		*27,436*	
RRF loans		*0*	
2.1 Income received from RRF included in the Projects of the Budgetary Plan.			
Millions of national currency	**2020**	**2021**	**Commentary**
RRF spending included in the spending projections of the Public Administrations		*27,436*	
of which Salaries (D.1)		*4*	
of which: Intermediate spending (P.2.)		*1,170*	
of which Social welfare (D.62+D.632)			
of which Interest *(D.41)*			
of which Benefits *(D.3)*			
***of which* Current transfers (D.7)**		***3,823***	
of which:* Gross fixed capital formation *(P.51)		***6,792***	
of which* Capital transfers *(D.9)		***15,647***	

2.4. Comparison with European Commission forecasts

In order to comply with Article 4.1 of Council Directive 2011/85/EU, of 8 November 2011, on the requirements applicable to the budgetary frameworks of Member States and Article 6 of Royal Decree 337/2018 of 25 May, on the requirements applicable to macroeconomic and budgetary forecasts, these budgetary provisions are compared with the latest European Commission spring projections below.

Table 2.9 Comparison with European Commission forecasts

As a % of GDP

	2020		2021	
	Spain	European Commission	Spain	European Commission
Total revenue	41,7%	39,6%	40,3%	38,9%
Total expenditure	53,0%	49,7%	48,0%	45,6%
Public deficit	-11,3%	10,1%	-7,7%	6,7%

Source: Ministry of Finance, Spring forecasts of the European Commission

In relation to 2020, the public deficit forecast stands at 11.3% of GDP, in line with the European Commission projections which estimates it at 10.1%. The main differences are in the total volume of expenditure projected and, to a lesser extent, the differences in the revenue projection. However, this year, the situation extraordinary situation arising from COVID-19 and the projected evolution as recognised by the European Commission implies greater uncertainty.

The European Commission estimates a revenue to GDP ratio of 39.6% compared to the 41.7% estimated by the Government. In this respect, it must be pointed out that the European Commission data is from the month of May while the Government's projection has been updated for the preparation of this document. The latter is based, therefore, on the more recent public account data, covering no just a longer period of time but better information on the impact of the pandemic on public revenue and, therefore, more indicative of how the performance will affect same over the course of the year.

With regard to expenditure, in May the European Commission forecast a figure of 49.7% of GDP, while the Government's current estimate is 53.0%. Once again, the forecast included in this document takes the latest performance data which provide more accurate information on the impact of the COVID measures and provides more accurate information on the evolution of spending items. In this case, a slight acceleration in certain items of spending is observed, especially intermediate expenditure, such that it has been considered prudent to adjust this forecast upwards.

For 2021 the forecast public deficit is 7.7% of GDP, compared to the 6.7% estimated in the spring by the EC. Once again, these provisions correspond to a scenario of greater uncertainty but in which it is considered that the effects of COVID-19 will run throughout 2021.

2.5. Calculation of the structural balance and benchmark expenditure

With the aim of analysing the orientation of fiscal policy, Table 2.10. shows real GDP growth rates and well as potential GDP estimates and output gap forecasts for the 2019-2021 period, following the methodology of the production function used by the European Commission (EC) and agreed within the Output Gap Working Group (OGWG). It is important to take into account the great uncertainty of output gap projections in the common methodology of the EC, especially in current circumstances[8], which also affects the valuation of the orientation of fiscal policy.

Observing the estimated evolution of the output gap, the subtle change caused by the COVID-19 shock on the cyclical position of the Spanish economy is clearly reflected, as is the transitory and intense nature of the shock itself. Specifically, the output gap was progressively closed from 2013, the year the minimum, to reach levels slightly higher than the potential in 2018 and 2019. However, the impact of COVID-19 has seen the Spanish economy return to negative gap scenario, with rates of -10% in 2020, of which close to 7 points will be recovered in 2021.

The General Government deficit for 2020 is projected at 11.3% of GDP, almost 8 points higher than in 2019. This recent evolution is essentially down to the impact of automatic stabilizers like the response to the crisis and non-recurrent spending relating to the fight against COVID-19, especially health spending and budgetary support measures for workers and the self-employed. In 2021, the General Government deficit will stand at 7.7% of GDP, a slight improvement of 3.6 percentage points on the previous year. The intensity of the recovery of economic activity is the main reason for the expected reduction.

In current circumstances, the "top-down" methodology used by the European Commission for the breakdown of the budgetary balance of General Government in the cyclical and structural component is not conceptually valid and its results (contained in Table 2.5) must be taken with the necessary concession. They do not provide a valid indication of the orientation of fiscal policy. In effect the "top-down" approach used for the calculations reflected in Table 2.5 has some major limitations, including:

- The uncertainty relating to the estimate of the cyclical position and potential growth, given the temporary nature of the shock caused by the COVID-19 pandemic.

- The distortion arising in the calculation of the cyclically adjusted balance is due to an over-estimation of the cyclical balance. In effect, the semi-elasticity used to calculate the cyclical component of the deficit based on the evolution of the output gap does not take into account the change in the GDP-employment relationship arising from the labour market flexibility measures. These measures have managed to cushion the evolution and adjustment in the labour market, also affecting the elasticity of the automatic cycle stabilizers. This change must be reflected in a new semi-elasticity estimate, encompassing this greater flexibility.

[8] Due to the impact of the COVID-19 pandemic on projection models, it has become necessary to amend methodology on a case by case basis based on production. Specifically, three adjustments have been made:

- Firstly, the hours worked per employee will be measured using the average of hours for 2019 and 2021 to correct the effects of the ERTEs.
- Secondly, the index of use of capacity has been adjusted, involving the estimate of the trend for total productivity of the factors, using the experience of the year 2008 and 209 as a reference.
- Finally, dummies have been used to limit the change of the NAWRU before the variations expected in real Unit Labour Costs.

The amendments are detailed in the document OGWG Note TELCO on COVID shock 27042020_clean.docs available at https://circabc.europa.eu/ in the section dedicated to documentation on the output gap https://circabc.europa.eu/ui/group/671d465b-0752-4a2e-906c-a3effd2340ba in the spring 2020 forecasts documentation.

Table 2.10 Budgetary objectives for the General Government as a whole and its sub-sectors

(% of GDP)

	ESA code	2019	2020	2021
Financing Surplus or Deficit by subsectors as a % of GDP				
1. Total Public Administrations	S.13	-2,9	-11,3	-7,7
Total Public Administrations (S.13) (% GDP, unless otherwise stated:)				
6. Interest	D.41	2,3	2,3	2,2
7. Primary balance		0,6	9,0	5,5
8. One-off measures and other temporary measures (*)		-0,2	0,0	-0,2
of which financial support		0,0	0,0	0,0
9. Real GDP (% variation)		2,0	-11,2	9,8
10. Potential GDP (% variation)		1,5	0,8	1,3
contributions:				
Employment		0,8	0,5	0,6
Capital		0,5	0,1	0,4
Total productivity of the factors		0,2	0,1	0,3
11. Output gap		2,2	-9,9	-2,3
12. Cyclical balance		1,3	-5,9	-1,4
13. Adjusted cyclical balance (1-12)		-4,2	-5,4	-6,3
14. Adjusted primary cyclical balance (13+6)		-1,9	-3,1	-4,1
15. Structural balance (13-8)		-4,0	-5,4	-6,1

(*) A positive sign corresponding to the deficit reduction measure

Sources: Ministry of Economic Affairs and Digital Transformation and Ministry of Finance

Looking at this evolution through the prism of the Expenditure Benchmark based on the “bottom-up” methodology of the European Commission, nominal net computable public expenditure would grow 12.7% in 2020 and fall 1% in 2021. Nevertheless, it is important to point out, as in the case of the “top-down” methodology, that the current circumstances and crisis-response measures constitute a distortion in the calculation of the growth of eligible expenditure, preventing a direct interpretation as an indication of the orientation of fiscal policy. Furthermore, in 2021 it must be noted that discretionary revenue measures have allowed for the containment of primary net expenditure to more than 1 percentage point compared to the growth that would have been seen has such measures not been adopted.

Table 2.11 Calculation of eligible expenditure according to European "Expenditure Benchmark" methodology

Billions of euros, unless indicated otherwise

	2019 (A)	2020 (P)	2021 (P)
Nominal GDP (1)	1244.8	1105.4	1224.7
Total General Government Expenditure (2)	523.4	585.5	588.0
Interest (3)	28.3	25.9	26.8
Expenditure financed with European funds (4)	4.9	5.4	6.5
Gross formation of fixed capital financed with EU funds	2.8	3.1	3.7
Gross fixed capital formation	*26.1*	*28.0*	*27.4*
Gross formation of fixed capital financed by Spain (5)	23.4	24.9	23.7
Average fixed gross capital formation financed by Spain over the last four years (6)	21.6	22.8	23.5
Cyclical expenditure on unemployment benefits (7)	-1.6	1.9	1.7
Corrected eligible expenditure 8 = 2-3-4-5+6-7	**490.0**	**550.2**	**552.8**
Discretionary revenue measures (9) (*)	0.3	0.0	6.3
One-off revenue (10)	0.0	0.0	0.0
One-off expenditure (11)	-2.5	-0.6	-2.4
Total one-offs (12)	-2.5	-0.6	-2.4
Discretionary revenue measures without one-off revenue (13) (*)	0.3	0.0	6.3
Eligible corrected expenditure without one-off expenditure (14) = (8) + (11)	**487.6**	**549.6**	**550.4**
Corrected net eligible expenditure net of discretionary revenue measures and one-offs (15) = (14) - (13)	487.3	549.7	544.1
Growth of corrected eligible nominal expenditure net of measures and one-offs [$16_t = (15_t-14_{t-1} / 14_{t-1})*100$] (%)	**5.4**	**12.7**	**-1.0**

(*) In incremental terms.

Sources: Ministry of Economic Affairs and Digital Transformation and Ministry of Finance.

[3]

BUDGETARY PLAN OF THE CENTRAL GOVERNMENT AND SOCIAL SECURITY

Due to the situation arising from COVID-19 and the current context, it has not yet been possible to present the Draft General State Budget for 2021, which includes the State budget and that of the Social Security, the autonomous entities of the General Administration of the State, Public Companies and State corporations.

However, the process for preparation of the General State Budget for 2021 is at a very advanced stage, and the Government intends to present it as soon as possible. For that reason, as indicated previously, this Budgetary Plan has been prepared based on a **policy-change scenario**, assuming the General State Budget for 2021 will be approved, incorporating a package of additional measures both on the revenue side and on the expenditure side, including all the measures arising from the Recovery, Transformation and Resilience Plan.

Starting from this context, **the Government is designing a budgetary policy that allows for the reconstruction of the country and supports the economic recovery.** The General State Budget 2021 is the tool for laying the foundations of economic, environmental and social reconstruction of the country, while it is also an instrument for the efficient channelling of the resources that will be received from the European Union.

The hallmarks of the General State Budget 2021 will be cohesion, social justice, the fight against inequality and sustainability. All of that will serve to consolidate a balanced, solid, inclusive and sustainable economic growth model that takes greater advantage of digitalisation and the fair transition to gain competitiveness and generate decent and quality jobs.

One of the priorities of the General State Budget 2021 is the **commitment to a model of economic growth underpinned by the technological and digital revolution and the fair ecological transition, through fostering investment in R&D&I.**

The public investment in infrastructure is primarily geared towards those that foster the **mobility of people and goods in a sustainable and safe way**, and those committed to technological innovation and that strengthen territorial cohesion.

The General State Budget 2021 will also incorporate **the greatest growth in investment in social policy in a decade.** To do that, investment will be recovered in dependency, combating child poverty with resources and fostering access to decent housing, without forgetting quality public healthcare and education accessible to all.

What's more, with the **climate emergency one of the priorities of this Government**, the budgets will anticipate the resources to be required by the future Climate Change and Energy Transition Act.

And, as a commitment of this feminist Government, convinced that **full real equality of women and all those who still suffer any form of discrimination** must be achieved, the programmes for the elimination of the wage gap, for progress in work-family life balance, and those that tackle gender-based violence, among others, will extended.

In addition, it must be pointed out that the **General State Budget will, for the first, incorporate three priority axes**: one geared towards the Sustainable Development Goals, another towards the impact of gender and a third the policies of childhood, youth and family. It is about the Budget helping transform the reality from its own conception, and monitoring the advances in policies that are priorities for this Government and equality, the environment and childhood.

Furthermore, **the General State Budget 2021 will be fair reflection of the Recovery, Transformation and Resilience Plan drafted by the Government**, which is configured as a National Project that traces the roadmap to follow to deliver the modernisation of the Spanish economy, the recovery of economic growth and the creation of employment, for solid, inclusive and resilient economic reconstruction in light of the COVID-19 crisis and to respond to the challenges of the next decade.

This Recovery Plan shares an important volume of public and private investment over the coming years. Thus, the investment impetus necessary to relaunch the Spanish economy and accelerate the transformation of the production model towards sustainable and inclusive growth will be financed with the Next Generation EU Plan funds, and the European Recovery Fund. Specifically, this Fund will allow Spain to obtain financing of up to 140 billion, of which around 72 billion will be in the form of transfers and the rest through loans.

The Recovery, Transformation and Resilience Plan is aligned with this Budgetary Plan and will be reflected in the draft Budget for 2021, as the 2021 public accounts will include a sum of more than 27 billion euros, charged to the transfers foreseen under the EU budget through the new financing instruments and, in particular, the Recovery and Resilience Facility and REACT-EU.

Thus, the 2021 Budget is built upon 4 pillars or transversal axes underpinning the National Recovery Plan, which are crucial for a return to the economic growth path, as these are basic transformations necessary for the progress of the country: **the acceleration of the digital transformation**, supporting the modernisation of the business fabric and its digitalisation through the fostering its international expansion and the renewal of technological capital, the **ecological transition**, as an enormous lever for the creation of employment and innovation, business transformation and a positive social impact on the country; **economic, social and territorial cohesion** to create a fairer, more caring and more resilient society, strengthening the Welfare State, promoting equality of opportunity while simultaneously tackling the demographic challenge; and on a transversal basis, the need for a **feminist and gender equality agenda** that involves all, an aspect that is even more important in light of the outbreak of the pandemic.

At the same time, the Recovery, Transformation and Resilience Plan is built around ten lever policies that are urgent based on their capacity to drive activity and employment for the modernisation of our economy and society: (i) urban and rural agenda, the fight against rural depopulation and agricultural development. (ii) resilient infrastructures and ecosystems; (iii) a just and inclusive energy transition; (iv) an Administration for the 21st century; (v) modernisation and digitalisation of the industrial fabric and SMEs, recovery of the tourism sector and the promotion of Spain as an entrepreneurial nation; (vi) pact for science and innovation and strengthening the capabilities of the National Health System; (vii) education and knowledge, lifelong learning and skills development; (viii) the new care economy and employment policies; (ix) promotion of the culture and sports industries; (x) modernisation of the tax system for inclusive and sustainable growth.

The Spanish Government has been working on these levers for several months, and that is evidenced in the different plans for sector-specific action that have been published recently: Plan to Boost the Automotive Industry Value Chain, the Tourism Sector Promotion Plan, the Action Plan for Science and Innovation, the Professional Training Modernisation Plan, the Digital Spain 2025 Plan and National Plan for Adaptation to the Climate Change 2021-2030. All of these Plans are contained in the 2021 General State Budget, which will be presented soon.

Ultimately, these new public accounts are the budget required by a country that must urgently get back to work, but which must also move forward towards its future. It is a progressive budget based on the

Agreement of the coalition government, with a progressive and inclusive focus that ensures the digital transformation, social and territorial cohesion and gender equality are to the fore.

3.1. Budgetary Plan of the Central Government

Revenue measures

The Government of the Kingdom of Spain has decided to adopt **a series of measures to increase aggregate revenue with the aim of bringing Spanish taxation levels closer to the average for surrounding countries.** To do so, it is necessary for those with greater economic capacity to contribute to a greater extent, under a progressive tax model, where each everyone contributes in accordance with their ability and receives in accordance with their needs, preserving the middle and working class.

In this regard, the Government of Spain is committed to coordinated **fiscal measures within the scope of the European Union in sectors related to financial transactions, the digital economy and the green tax.** Ultimately, an adapted and modern taxation system that is fair and efficient and that contributes to the transformation of the model of economic growth and guarantees the welfare state.

Some of these measures will be incorporated within the General State Budget Act 2021 and others will be processed separately, such as the new tax measures for the Tax on Certain Digital Services and the Tax on Financial Transactions, already approved, as well as the measures in the scope of environmental taxation, which is in the processing phase prior to submission to Parliament.

The effect of this set of measures will have a total impact of 9.170 billion euros, to be distributed between 2021 and 2022. In 2021, it is estimated that the revenue will increase by 6.847 billion and in 2022 by 2.323 billion. These measures are grouped into the following packages:

i) New tax measures, such as the taxes recently approved in Parliament: Tax on Certain Digital Services and the Tax on Financial Transactions, as well as another tax measure in the processing phase: the Tax on non-reusable plastic packaging.

ii) Measures introduced to foster healthier habits: VAT increase for sugary and sweetened drinks.

iii) Measures in the environmental sphere.

iv) Measures in the area of direct taxation.

v) Measures in the area of indirect taxation.

vi) Measures in the area of the fight against fraud.

The impacts projected for the different tax measures are presented below, with those to be introduced separately from the General State Budget Act 2021 highlighted in blue.

3.1 Revenue measures

Millions of euros

TAX MEASURES	Revenue impact		
	2021	2022	Total
Creation of Tax on Financial Transactions	850	0	850
Creation of Tax on Certain Digital Services	968	0	968

Creation of Tax on Plastic Packaging	491	0	491
Taxation in the area of health: Increase in VAT of sugary and sweetened drinks	340	60	400
Green taxation	1,311	50	1,361
Impact of measures in the area of direct taxation	550	1,998	2,548
Impact of measures in the area of indirect taxation	1,509	215	1,724
Limitation of cash payments	218	0	218
Extension of list of debtors	110	0	110
Adoption of international best practice for combating tax fraud	500	0	500
TOTAL IMPACTS	**6,847**	**2,323**	**9,170**

i) New tax measures: Adaptation to 21st Century and New Green Tax

Adaptation of the taxation system to the digital and global economy and the 21st century

In line with the recommendations of the principal international bodies, which indicate that Spain's taxation structure has become obsolete for tackling the new challenges of the 21st century, such as the globalisation of the economy and digitalisation, this sent of measures is introduced. The purpose of these measures is to modernise our taxation system to incorporate the sectors of the economy that are under-taxed or that do not pay taxes. The common denominator of all these measures is that they require coordinated international action, as national governments cannot tackle them alone. In this regard, the Government of Spain is committed to coordinated fiscal measures within the scope of the European Union in sectors related to financial transactions, the digital economy.

These measures include the creation of two taxes that are described below and which, on 7 October, were definitively approved by the Senate, thus completing their parliamentary approval.

Firstly, the creation of a **Tax on Financial Transactions** is approved, consisting of levy of 0.2% on Spanish equity purchase transactions executed through operators in the financial sector. Only shares issued in Spain by listed companies whose market capitalisation exceeds 1 billion euros will be subject to the 0.2% taxation. The taxable subject of the tax are the financial intermediaries involved in the transaction.

Since 2013, ten countries in the European Union are working for the creation of this as a common EU tax. Spain has approved its own tax but will continue to work for it to be adopted on a coordinated basis across the EU.

It is estimated that the creation of this tax will provide a revenue increase of 850 million euros.

Secondly, the **Tax on Certain Digital Services** is created. The Tax is aimed at the provision of certain digital services in relation to which there exists a participation on the part of users which constitutes an essential contribution to the value creation process of the company that provides the services and through which the company monetises these contributions of users. Only the following services shall be taxed:

- online advertising services;

- online intermediation services; and

- the sale of data collated based on information provided by the user.

The legal persons and other entities with net turnover exceeding 750 million euros in the previous calendar year and whose income arising from the provisions of services subject to this tax in Spain exceeds 3 million euros in the previous calendar year shall be subject to the Tax. This will help ensure the SMEs are not levied by this tax.

The purpose of the is to levy incomes obtained in Spain by large international companies from certain digital activities that lie outside the current fiscal framework.

It is estimated to collect in the region of 968 million euros.

<u>The total impact of these two tax measures is some 1.818 billion euros in 2021.</u>

<u>New Green Taxation</u>

A tax is introduced on non-reusable plastic packaging.

In February 2020, the Ministry of Finance submitted the taxation of single-use plastic packaging to public consultation. With this participative process, the Government opened up the debate around green taxation and progressed the need for the tax system to respond to greater environmental awareness in society. The consultation put forward the recommendations of the European Commission on the fiscal margin in this area, in which Spain is the country with the fifth-lowest green taxes as a percentage of GDP in the EU.

With the introduction of the tax on single-use plastic packaging, it is intended to reduce the number of units of these products brought to market and, ultimately, reduce their consumption, preventing the generation of plastic waste and thus reducing waste management costs and especially those arising from the disposal of such waste in the environment. The measure demonstrates the commitment to compliance with the Paris Agreement and the goal of climate neutrality by 2050. It should also serve as an impetus for new business models and feed more sustainable production and consumption, prioritising reusable products and the right manufacturing practices, without compromising food safety or the properties of the products themselves.

This new tax has already completed the public information process, and must now continue the process of approval by the Council of Ministers and submission to Parliament.

It is estimated to collect 491 million euros.

<u>The total impact of these two tax measures is some 2.309 billion euros in 2021.</u>

ii) Measures introduced to foster healthier habits: VAT increase for sugary and sweetened drinks.

The application of the reduced rate of VAT is eliminated for the soft drinks, juices and sparking drinks with added sugars or sweeteners. The applicable rate is therefore raised from 10% to 21%.

This measure seeks internalise the negative externality generated by the consumption of such drinks, fostering healthy habits among the population and, also, to follow the recommendations of numerous international bodies that recommend that Spain limits the application of reduced rates of VAT.

It is estimated that this measure will see an increase in revenue of €400 million, 340 in 2021 and the rest in 2022.

iii) Measures in the environmental sphere.

A set of measures in the sphere of green taxation which not only pursues the raising of revenue per se, but seeks to protect the environment, through the correct internalisation of the negative externalities generated, while complying with the recommendations of a number of international bodies that promote the increase of this type of tax. The importance of green taxation is thus reinforced, the ecological transition being one of the four transversal axes of the Recovery, Resilience and Transformation Plan for the Spanish Economy.

The increased collection would rise to 1.362 billion euros, 1.311 billion in 2021 and 50 million in 2022.

iv) Measures introduced in the area of direct taxation.

A series of measures are introduced that allow for the tax system to be progressively improved, achieving additional revenue to contribute to current maintenance of the Welfare State.

The joint impact of these measures is 2.548 billion euros, 550 billion in 2021 and 1.998 billion in 2022.

v) Measures in the area of indirect taxation.

A series of equality measures are introduced for reasons, the impact of which is 1.724 billion euros, 1.509 billion euros in 2021 and 215 million in 2022.

vi) Measures in the area of the fight against fraud.

A set of dual-purpose measures are established to strengthen the fight against tax fraud. Firstly, to proceed with the transposition into domestic legislation of EU law on measures to fight tax evasion and the mechanisms for the resolution of tax litigation. Secondly, changes are made to internal legislation aimed at establishing a number of tax law parameters and facilitating the actions to prevent and combat fraud by reinforcing tax control.

The Council of Ministers approved the Draft Bill on Measures to Prevent and Combat Tax Fraud on 13 October 2020 and, therefore, will shortly be submit for processing in Parliament.

Among the principal measures introduced are the following.

- List of Tax Havens

For the purpose of ending the use of tax havens used by tax cheats to avoid contributing to society, the tax regulations are reinforced to be more demanding with other countries and ensure that all those that do not meet minimum tax standards are included a Spanish list of tax havens. In addition, we align the national tax haven list with the standards and lists adopted within the international framework.

- Limitation of cash payments

The maximum limit for **cash payments** where either party is acting in the capacity of entrepreneur or professional is **reduced from 2,500 euros to 1,000 euros.**

The purpose of this measure is to combat the black economy.

The estimated impact of the measure is 218 million euros.

- Extension of list of debtors

The list of debtors is extended to expressly include, along with the main debtors, parties jointly liable, due to the importance of these individuals in the existence of such debts. Furthermore, the limit for inclusion on the list is reduced from 1,000,000 euros to 600,000 euros.

The estimated impact of the measure is 110 million euros.

- Adoption of international best practice for preventing and combating tax fraud

In the permanent process of adaptation of the Government Tax Agency to the economic environment, **regulatory, organisational and operative measures are adopted in line with international best practice**, including the following: strategy for new contributors beginning economic activity (Right from the start) to foster voluntary compliance with tax obligations, regulatory measures to combat the manufacture, distribution and use of so-called dual-use software with which sales and services with retail customers are concealed (Sales suppression software); supporting the work developed by a control unit of contributors with significant wealth already created under the legislature (High Net Worth Individuals); optimisation of activities of the control of information obtained through the immediate supply of information and the Common Reporting Standard for the automatic exchange of data (Big Data and Data Analytics).

The estimated impact of the measure is 500 million euros.

The estimated impact of these measures to combat fraud is 828 million euros is 2021.

Expenditure measures

The 2021 Budget has an **eminently social vocation**, as they pursue social justice, preserving and strengthening our social protection system to make it a source and guarantee of equality of opportunities among citizens in all aspects of their lives.

There is also the need for **structural reforms already identified** to reach a productive model based on innovation and technology as the way to guarantee sustainable growth over the medium and long term, the benefits of which, once again, will be distributed between citizens through the budget.

These public accounts are also the vehicle for channelling the European funds that allow for the design of the transformation of the productive model towards greater digitalisation, fostering the energy transition and greater gender equality.

This will allow for the **foundations of the economic and social reconstruction of the country to be laid**, exiting the crisis with the best possible foundations to be able to return to the path of economic growth in the shortest possible time and to ensure that growth is balanced, solid, inclusive and sustainable.

As a first step in the drafting of the General State Budget 2021, **on 6 October the Council of Ministers established 6 October as the non-financial spending limit for 2021, a key step in drafting the General State Budget.**

Firstly, a spending limit to meet the **unavoidable needs** of the year was established at a sum of 136.779 billion euros. This expenditure ceiling is 7.2% higher than the expenditure limit approved for 2020. This increase is due, among other factors, to greater allocations within the Budget to guarantee coverage of the Minimum Subsistence Income, the increase in spending allocations to dependency, the strengthening of education and contributions to the European Union.

However, a number of elements must be added to this figure, as the **Central Government will, in 2021, assume part of the Social Security deficit of the Autonomous Communities.**

On the one hand, it is necessary to take into account the fact that the measures that have been adopted through the different Royal Decree Laws by the Government, with the aim of cushioning the economic and social impact of the crisis caused by the pandemic, have fallen to the Public Employment Service and the Social Security, who have assumed much of the cost arising from this extraordinary emergency situation.

This extraordinary expenditure has led to the sub-sector of the Social Security incurring a greater deficit than in 2020 and, therefore, in order to guarantee its financial sustainability, the State shall assume part of the deficit, for a sum of 18.396 billion euros.

In addition, in order to avoid squeezing the financial situation of the Autonomous Communities, administrations that are the principal guarantors of basic public services provided to the public, such as education and health (services that have been hit particularly hard by the pandemic), the State will make an additional effort and assume half its deficit in 2021, which equates to an additional transfer of 13.486 billion euros.

If these large and extraordinary allocations to Social Security and the Autonomous Communities are included, the spending ceiling for 2021 stands at 168,661 billion.

Furthermore, **part of the European funds must be added**. As we know, on 21 July last, an historic agreement was reached by the European Commission to mobilise 750 billion euros, financed through the community debt issue, to which the 1 trillion euros of the Multiannual Financial Framework 2021-2027.

The new Recovery Fund will allow Spain to mobilise an unprecedented volume of resources. Specifically, the fund is comprised of the Recovery and Resilience Facility (RRF) and the ReactEU programme. The Facility will have 672.500 billion euros (312.500 billion in transfers), of which 59.168 billion euros in transfers corresponds to Spain.

The Recovery Plan that Spain has presented to the European institutions includes 25 billion in transfers from the Recovery and Resilience Facility in 2021, which is included in the spending ceiling.

Furthermore, part of the 13.436 billion of the REACT-EU programme will be destined for the Autonomous Communities, which will be allocated to the Ministry of Health for subsequent distribution among the territories for the acquisition of COVID vaccines, to strengthen primary care and to renew health material.

Therefore, the spending ceiling for 2021 includes a total of 27.436 billion of the European funds, which increases the non-financial spending limit to 196.097 billion.

Nevertheless, it should be borne in mind that this 27.436 billion from the community recovery funds, although increasing the spending ceiling, has no impact on the deficit on the principle of neutrality: when an expenditure item charged to European funds is certified, income of the same sum is automatically entered, regardless of whether the payments are ultimately made.

This equates to an increase of 68.488 billion with respect to the non-financial spending ceiling of General State Budget 2020, which included 25 billion of transfers from the Recovery Facility and 2.436 billion from the ReactEU fund, as well as transfers to the Social Security and the Autonomous Communities to ensure the sustainability of the system and provide basic public services, respectively.

With this unprecedented sum of resources, the Government will prepare an expansionary General Budget that will protect families with the strengthening of the Welfare State and help companies reactivate the economy, and guarantee the social protection system in a manner that attempts to repair the economic, social and health damage caused by the pandemic.

And so, in addition to the measures mentioned above, faces with the existing situation and for the purpose of mitigating the effects of the COVID-19 pandemic, the Government reacted rapidly and efficiently through **the approval of different sectoral plans that will strengthen strategic activities of our productive fabric**: automation, tourism, vocational training, the digital transformation, the fight against climate change, while contributing to the achievement of the objectives set in the National Recovery Plan presented. **Thus, the**

General State Budget 2021 will incorporate the different measures set out in said impetus and modernisation plan within the budget.

Plan to Boost the Automotive Industry Value Chain

The Plan to Boost the Automotive Industry Value Chain: Towards Sustainable and Connected Mobility" contains 20 economic, tax, regulatory, logistical, competitiveness, training, professional qualification, sustainable public procurement and strategic planning measures that cover the entire value chain of the industry. Furthermore, this Plan fosters secure and sustainable mobility in a context of change associated with decarbonisation and digital transformation.

The Plan has a budget of 3.75 billion euros and contains short-term impact measures that are already being implemented in the year 2020, as well as short-term strategic measures which will be implemented and executed from 2021 and which may be financed with the support of European recovery funds. Among the actions to be taken are the renewal of the vehicle fleet, investment and regulatory reform to foster competitiveness in the sector, the reinforcement of the capacity to innovate when faced with new challenges, the inclusion of complementary tax incentives and the implementation of measures in the field of training and professional qualification.

In the current economic and social reconstruction process, the Plan makes the rapid recovery of a key industry possible for our economy, as it represents 10% of GDP and employs 650,000 people directly and 2,000,000 workers indirectly. What's more, the Plan will also contribute to the adverse effects of COVID-19 on the competitiveness of the automotive sector in Spain, granting the support necessary to ensure continuation and leadership in the industry through adaptation to the challenges already identified, and orientation towards sustainability.

Plan to Boost the Tourism Sector

This Plan to Boost the Tourism Sector contains 28 measures articulated through five lines of action: the recovery of confidence in the destination (a 360° safe destination), the implementation of measures to reactivate the sector, the improvement of the competitiveness of the tourist destination, the improvement of the knowledge and tourism intelligence model and a marketing and promotion campaign.

The Plan is allocated 4.262 billion euros, increasing the total mobilised by the Government to support the tourism sector to some 20 billion, as since the outbreak of the pandemic, a series of drastic measures have been implemented to support the country's tourism sector, which have benefited both workers and companies.

As we know, the tourism value chain is one of the economic sectors most affected by the current coronavirus health crisis. The new Plan to Boost the Tourism Sector will make possible the recovery of a sector fundamental to the economy of all Autonomous Communities, which represents 12% of GDP and which, in early 2020, employed 13.6% of contributors to Social Security in Spain.

Action Plan for Science and Innovation

The Action Plan for Science and Innovation places science, R&D&I and talent as one of the pillars of the recovery strategy after a decade of cuts and lack of reform, representing a firm commitment to science. In this context, the plan makes science and innovation lead the solutions to the COVID-19 crisis to be prepared for future health emergencies, while making it possible to generate high value-added competitive industries and companies and create qualified jobs.

The Plan includes 17 measures around three axes to foster a more resistant economy: research and innovation in health, the transformation of the science system and attracting talent, and the promotion of business R&D&I and the science industry.

This Action Plan considers investments for a sum of 1.056 billion euros, of which 396 million is being mobilised in 2020, with the rest in 2021. The budget indicated is delivered through direct supports for the science and innovation system, both scientific institutions and R&D&I in strategic business sectors. To this investment we must add 508 million euros in loans in advantageous conditions granted to innovative companies, based on new private R&D&I instruments.

Vocational Training Modernisation Plan

The Vocational Training Modernisation Plan aims to guarantee, through public-private partnership, vocational training and qualifications that enable the incorporation and permanence of the population in the labour market, meeting the needs of the productive sector, as vocational training (VT) is directly related to employment, wealth creation, fostering business, companies and social well-being.

This Plan focuses its actions on 11 strategic areas has the purpose of creating an ecosystem to relaunch the economy with a commitment to human capital and talent. To embark on this ambition objective, the Plan has been allocated a budget of 1.5 billion euros over four years, the largest sum allocated to a VP plan in Spain to date. This allocation could be further extended with funds from the EU recovery fund, which would allow for new training activities in the area of internationalisation of vocational training.

This plan is the first that has been designed based on a single VP system, which integrates the VP of the education system and VP for employment. Another fundamental of permanent public-private collaboration, as quality vocational training is not possible without companies.

Digital Spain 2025 Plan

This Plan encompasses close to 50 measures across 10 strategic axes through which the intention, over the next 5 years, is to drive the country's digital transformation process, through public-private collaboration, with the participation of all economic and social stakeholders.

Digital Spain 2025 considers the implementation, over the 2020-2022 period, of a set of structural reforms that will mobilise a significant volume of public and private investment, in the region of 70 billion euros. The public investment for the period will stand at around 20 billion euros, of which approximately 15 billion euros corresponds to the different programmes and new European financing instruments of the EU recovery plan, which determines that digitalisation must be one of the key principles to mobilise these resources. In addition to the above, the expected private sector investment of some 50 billion euros must be added.

Therefore, Digital Spain 2025 has the objective of fostering the digital transformation of the country, making it one of the fundamental levers of the relaunching of economic growth, reducing inequality, increasing productivity and taking advantage of all the opportunities offered by new technologies, while upholding constitutional and European values and protecting individual and collective rights.

National Plan for Adaptation to Climate Change 2021-2030

The National Plan for Adaptation to Climate Change 2021-2030 (PNACC) is a tool whose principal objective is the construction of a less vulnerable, safer country more resilient to the impacts and risks of climate change, with the capacity to anticipate and respond and adapt to a context of changing climate.

The document adopted by the Government responds to the need to adapt to the important risks arising from climate that are faced by Spain, aligned with new policies proposed by the European Union, binding such adaptation with recovery policies implemented in light of the pandemic.

The plan defines and describes 81 lines of action to develop across the different socio-economic sectors of the country, organised across 18 sectors, which include: human health, water and water resources, natural heritage, biodiversity and protected areas, coasts and the marine environment, forestry protection, the fight against desertification, agriculture and livestock and food safety.

3.2. Social Security Budgetary Plan

The figures of the Social Security budget for the year 2021 **reflect an economic recovery scenario** after the year 2020 in which the reduction of income and the increase in expenditure of the system has been significant due to the socio-economic consequences of the COVID-19 pandemic. Although the economic recovery and higher employment is expected in the year 2021, the levels of employment seen before health crisis will not be reached this year, but rather in 2022. These projections are supported by the positive figures for the last quarter of 2020. According to the latest social security data available, in September 2020, there were 18,876,389 contributors on the live register, 84,013 more than in August (the largest monthly increase in the month of September since records began). This was the fifth consecutive month that the Social Security system saw an increase in contributors (in average terms) since the start of the COVID-19 pandemic. In addition, at the close of the month of September 2020, there were 728,909 people on the ERTE furlough scheme, 83,529 people fewer than the previous month. This performance represents a reduction of 80.29% workers on ERTE due to force majeure (605,861) and 67.83% fewer than ERTE for reasons other than force majeure (123,048) with respect to the maximums registered on 30 April. By the end of September, three of every four workers in the ERTE scheme during the pandemic had returned to work.

Under this labour and economic scenario, the Social Security system has incorporated a number of **measures that contribute to the improvement of social protection of the population while ensuring the correct financing of the costs involved**, in particular the following:

- Reaching the culmination of the process of separation of the sources of financing of contributory and non-contributory protection of the system constitutes a decisive step towards recovering the financial balance in the short term. The reform consists of the State assuming, through taxation, the expenditure items that are currently covered by social contributions, limiting the capacity of the system to tackle the volume of expenditure on pensions. This clarification of expenditure and financing is key in two respects. Firstly, to rectify the distorted image of imbalance in the system perceived by citizens which, while not reflective of the real situation, is generating alarm and uncertainty among pensioners and the population as a whole. Secondly, to be in a position to tackle the long-term challenges, principally an ageing population as a result of the retirement of the baby boom generation.

  It is necessary, therefore, to identify the following as costs financed with social contributions, despite their non-contributory nature: reductions in Social Security contributions to foster employment, childbirth and children's allowance, pension complement for maternity, support measures (implicit subsidies) for special regimes for assistance to sectors or the costs of complementing gaps in contributions for the calculation of retirement pension, etc. In 2021, the State will make a significant effort in transferring to the Social Security system a sum of 13.929 billion euros, in part to cover the costs assumed by the system.

- **In 2021, the duration of paternity leave was extended from 12 to 16 uninterrupted weeks**, extendible by 1 week per child from the second child on in cases of multiple births, by virtue of Royal Decree-Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunity between women and men in employment and occupation, with the extraordinary cost estimated at 307 million for 2021.

- The tax provisions provided for in the 2020 Budgetary Plan include the **revaluation of pensions in 2021 based on the projected Consumer Price Index.**

- **Minimum Subsistence Income** (Royal Decree-Law 20/2020, of 29 May, establishing the minimum subsistence income). This is a provision aimed at preventing the risk of poverty and social exclusion among those who live along or are part of a cohabiting unit and lack the economic resources to cover basic needs. It is configured as a subjective right to an economic benefit, which forms part of the protective action of the Social Security and guarantees a minimum level or income for those in situations of economic vulnerability. It seeks to ensure a real opportunity for social and employment inclusion of the recipients, with a special focus on the fight against child poverty. It is estimated than in 2021, the expenditure on this provision will be 3 billion euros.

[4]

BUDGET PLAN FOR AUTONOMOUS COMMUNITIES

In 2020, the General Budgets of all the Autonomous Communities have been approved, except Castilla y León and Madrid, whose budgets have been subject to extensions. The Autonomous Communities with budgets approved have placed their financing requirements below 0.2% of GDP (target established by the Agreement of the Council of Ministers of 11 February 2020, while the individual spending targets were pending processing and approval) and their rate of variation of expenditure for the purposes of the expenditure rule below 2.9%, in line with that established in the latest report on the state of Spanish economy published by the Ministry of Economic Affairs and the Digital Transformation.

That said, we must be cognizant of the **special circumstances arising from the pandemic caused by COVID-19.** Therefore, through the communication of 20 March 2020, the European Commission proposed to the Council the activation of the **general escape clause** of the Stability and Growth Pact and, in line with that recommendation, Spain has recently suspended the application of the budgetary stability and public debt objectives for 2020 and 2021.

Nevertheless, it must be noted, on the one hand, that it will remain a reference with **respect to the deficit**, which will serve the ordinary budgetary functioning for the years 2020 and 2021 so that this suspension does not affect **compliance with the obligations provided for in LOEPSF and its development regulations, continuing the tasks of supervision and analysis that correspond to the Ministry of Finance.**

With regard to the budgetary process for the year 2021, the drafting of budgetary projects of the Autonomous Communities is influenced by the Government's projections for establishing the non-financial expenditure ceiling with a view to the drafting of the General State Budgets for 2021. Said non-financial expenditure limit is considered an **extraordinary transfer of 13.486 billion euros to the Autonomous Communities**, so that he State assumes half the estimated overall deficit of the Autonomous Communities for 2021, an estimate in which the fall of 1.933 billion projected for 2021 is neutralised in the resources of the system of financing subject to payment on account and subsequent settlement by the Autonomous Communities, and which arise, fundamentally from the exceptionally high sum of the settlement for 2018 made in 2020.

Thus, to extent that the fiscal rules have been suspended for 2021, **the reference rate the Government considers for the Autonomous Communities as a whole in its budgetary projections for the year, once purged of the eventual extraordinary transfers mentioned above, is -1.1% of GDP.** That reference rate also includes the repercussions of the Recovery Assistance for Cohesion and the Territories of Europe package (REACT-EU), with 12.436 billion to be allocated to the Autonomous Communities, of which direct use shall be made of 10 billion euros, while the remaining 2.436 billion will be incorporated within the Ministry of Health to be subsequently distributed across the territories for the acquisition of vaccines, strengthening primary care and the renewal of health care material and equipment.

In any case, the suspension of fiscal rules in no way constitutes the abandonment of fiscal responsibility. In fact, the LOEPSF remains fully in force and the supervision and monitoring tasks corresponding to the General Administration of the State will continue to carried out with the same rigour. The preventive, corrective and restrictive measures encompassed in Organic Law and its development regulations remain in force for all parameters subject to monitoring, such as the average period of payment to suppliers, among others, compliance with which is especially important for the productive fabric of the economy in the current circumstance.

4.1 Measures 2020 – 2021

Measures adopted by the General Administration of the State with an impact on the Autonomous Communities

In the analysis of the budgetary impact of measures implemented or provided for by Autonomous Communities in the years 2020 and 2021 must make prior reference to the actions taken by the General Administration of the State after the declaration of the international pandemic caused by COVID-19 of World Health Organization on 11 March last and the approval of Royal Decree 463/2020, of 14 March, declaring the State of Emergency for the management of the health crisis situation caused by COVID-19

Firstly, it must be noted that Royal Decree-Law 11/2020 of 31 March, adopting urgent complementary measure in the social and economic sphere to tackle COVID-19 reinforces the obligations for the supply of information of the Autonomous Communities to avail of adequate economic-financial information that allows for due assessment of the budgetary impact arising from the actions undertaken by Autonomous Communities. Thus, **the Autonomous Communities are submitting monthly information on healthcare spending arising from the pandemic, along with all the effects arising from the effects of COVID-19, to the Ministry of Finance.**

With regard to liquidity measures, we must first highlight the **immediate provision of additional resources** to the Autonomous Communities through Royal Decree Law 7/2020, of 12 March, adopting urgent measures to respond to the economic impact of COVID-19, updating payments on account of resources of the Financing Systems of the Autonomous Communities, constituting an additional sum of 2.867 billion euros for the Autonomous Communities under the common regime, for the months of March and April, ensuring the stability and certainty of the principal source of resources. This update to the payment on account, together with the favourable impact of the settlement for 2018 has allowed for a year-on-year increase in the resources of the system subject to payments on account and the settlement of almost 7.7 billion euros.

The distribution of **additional social services resources** through the Extraordinary Social Fund, and provisions in favour of families in receipt of school meal assistance or grants, the sums of which amount to 300 and 25 million euros respectively. Additional healthcare contributions for a sum of 300 million euros, and additional contributions for the Housing Plan 2018-2021. Also noteworthy is the granting of an extraordinary credit to the Ministry of Health for the costs of the National Health System, for a sum of 1.4 billion euros.

Royal Decree-Law 22/2020, of 16 June, regulating the creation of the **COVID-19 Fund** and laying down the rules relating to its distribution and release, has been particularly significant. Said fund, which is non-refundable, provides for the receipt of extraordinary resources to mitigate the effects of COVID-19 for a sum of 16 billion euros in addition to the sum of the Autonomous Financing System, which is divided into four tranches paid successively over the course of 2020 in accordance with the criteria of the impact on healthcare, education and in the form income. In this respect, it must be noted that the global configuration of the fund is consistent with the information supplied and updated monthly by the Autonomous Communities to the Ministry of Finance, in accordance with the above.

Discretionary measures adopted by the Autonomous Communities arising directly from the COVID-19 pandemic

Firstly, it must be taken into consideration that the costs arising from the crisis generated by COVID-19 in the areas of healthcare and education, and the fall in income arising from the reduction in activity, are primarily **financed through the allocation of the COVID-19 Fund** referred to above, and therefore assumed by the General Administration of the State

With respect to **autonomous healthcare spend in the year 2020, it is clearly conditioned by the response of the National Health System to the COVID-19 pandemic.** This expenditure is concentrated on the needs of strengthen the allocation of personnel, and the acquisition of healthcare products, including products with high consumption during the pandemic, such as COVID-19 diagnosis kits, components personal protective equipment or disposable material of invasive mechanical respiration units. The Autonomous Communities, therefore, are carrying out investment to respond to the healthcare needs arising from the pandemic, both in public hospitals and in the and for the provision of similar facilities that allow for the extension of the response capacity of the National Health System to the health crisis. Looking forward to 2021, it seems prudent to expect, from a budgetary perspective, the need to continue to respond to the health crisis.

With regard to the discretionary measures analysed, that is, those directly related to the pandemic, with regard to income, in the taxation sphere highlighting the effects arising from postponements and instalment breakdowns with effects expected to extend to the year 2021, with an estimated impact of 360 million euros.

The application of rebates, reductions, exemptions and deductions, along with the amendment of rates, which, all together, are expected to determine a fall of income of 130 million euros for the Autonomous Communities. Specifically, rebates and reductions have a negatives impact on the collection of 109 million euros, with particular relevance for taxes on gambling, for which a reduction of 62 million euros is projected. With respect to the amendment of tax rates, the decision of the Autonomous Community of the Canary Islands in relation to the IGIC (Canary Islands General Indirect Tax) rate on sanitary products.

The expenditure measures relating to the COVID-19 crisis with a greater budgetary impact are the current assistance and subventions for companies and institutions, which are estimated at 741 million euros. Notable within this category are the subsidies for private companies, the sum of which amounts to 410 million euros, mostly for the range of different measures to assist the self-employed and small and medium-sized enterprises (IMPULSA assistance programme for the self-employed experiencing difficulties, Action Plan for the recovery of activity for the self-employed, microcompanies and small enterprises in the tourism sector, subsidies for the self-employed to mitigate the economic losses caused by the COVID-19 crisis, assistance for small companies, cooperatives and worker-owned companies, the “cheque autónomo”, assistance for the trade, hospitality and restaurant sector, etc.).

It may also mean that the current assistance for and subsidies for families in the form of social services, the sum of which is estimated at 322 million euros and include, for example, minimum and exclusion income, assistance for children's meals (school meals allowance) assistance for vulnerable persons, etc.).

The rest of the expenditure measures are comprised of assistance and capital subsidies for the sum of 268 million euros (assistance for economic reactivation, assistance for ovine and caprine holdings, subsidies for commercial promotion and the civil association network, support lines for eCommerce, ADLEANTE INVERSIÓN assistance to promote investment and improved business productivity, etc.), and the increase of spending on services and supplies for the sum of 195 million euros, (aimed at establishing or extending remote working, promotion campaigns, information campaigns, spending on protection and prevention measures, etc.), other current assistance for families, amounting to 143 million euros, investment of 96 million euros and increases in personnel costs for a sum of 45 million euros.

Table 4.1 Discretionary spending measures adopted/announced in 2020 in response to the COVID-19 outbreak Autonomous Communities

Millions of €

Measure	Description	Implementation status	Budgetary impact* 2020

Costs_ 1	Personnel measures	In the process of implementation	45
Costs_ 2	Services and supplies measures	In the process of implementation	195
Costs_ 3	Current social services assistance and subsidies for families	In general, the regulatory provisions have been approved with expenditure pending execution	322
Costs_ 4	Other current assistance and subsidies for families	In general, the regulatory provisions have been approved with expenditure pending execution	143
Costs_ 5	Current assistance and subsidies for companies and institutions	In general, the regulatory provisions have been approved with expenditure pending execution	741
Costs_ 6	Capital grants and subsidies	In general, the regulatory provisions have been approved with expenditure pending execution	268
Costs_ 7	Investments	In the process of implementation	96
Revenue_1	Postponements and instalment breakdowns (effects of adjustment for doubtful collection)	In general, the regulatory provisions have been approved with revenue in the process of collection	360
Income_2	Expenditure and reductions, exemptions and deductions, amendment of rates	In general, the regulatory provisions have been approved with revenue in the process of collection	130
TOTAL Autonomous Communities			**2,254**

* A positive sign denotes a deterioration in the budgetary balances, whether due to greater expenditure or a fall in revenue

Table 4.2 Guarantees adopted/announced in 2020 in response to the COVID-19 outbreak
Autonomous Communities

Measure	Description	Implementation status	Maximum sum for contingent liabilities, guarantee contributed (in euros)*
Catalonia Guarantee in favour of the Catalan Institute of Finance in relation to a line of ICF-COVID19 loans	Guarantee of 80% of the live risk of a line of loans and guarantees for a total of 700 million euros for the financing of cash flow for the self-employed and companies with the aim of mitigating the effects of COVID-19	Authorised for the Regional Government of Catalonia by Agreement of the Council of Ministers of 28-4-2020.	560,000,000
Catalonia. Guarantee of the Catalan Sports Council in favour of the Catalan Institute of Finance in relation to the ICF-COVID19 agreement	Support for the beneficiaries of loans under the ICF-CCE financing lines (Catalan Sports Council) of GENCAT in accordance with the provisions of the "Convenio-COVID19" agreement for the granting of loans to facilitate the liquidity of sporting entities	Pending authorisation of the Council of Ministers	8,000,000
Catalonia. Guarantee in favour of the Catalan Institute of Finance in relation to a line of ICF-COVID19 loans	Guarantee for the beneficiaries of loans financed by the ICF-GENCAT Department of Culture in accordance with the provisions of the "Convenio-COVID19" agreement	Pending authorisation of the Council of Ministers	15,200,000
Cantabria. Line of COVID 19 guarantees of the Cantabrian Institute of Finance (ICAF)	Guarantee granted by the ICAF to complement the State Guarantee through ICO (Article 29 RDL 8/2020) to financial entities for the purpose of further strengthening the granting of credits to SMEs and the self-employed in the Autonomous Community of Cantabria. The maximum sum of the line of guarantees is 110 million euros, with a first tranche of up to 22 million euros having been authorised by the Council of the Government of Cantabria	Pending authorisation of the Council of Ministers	22,000,000
Cantabria. Line of COVID 19 guarantees of the Cantabrian Institute of Finance (ICAF)	Guarantee granted by the ICAF to complement the State Guarantee through ICO (Article 29 RDL 8/2020) to financial entities for the purpose of further strengthening the granting of credits to SMEs and the self-employed in the Autonomous Community of Cantabria. Other tranches pending approval by the Council of Government for a maximum sum of 88 million euros.	Pending authorisation of the Council of Government of Cantabria and the request for authorisation from the Council of Ministers	88,000,000
Cantabria. Refinancing of the Cantabrian Institute of Finance (ICAF) of SOGARCA SGR	The ICAF assumes 15% of the risk in addition to that assumed by the Compañía Española de Reafianzamiento, S.A., up to an additional maximum of 3 million euros for 2020, for principal and interest.	Pending authorisation of the Council of Ministers	3,000,000
Andalusia "Andalusia Business Financing" line of guarantees through the Andalusian Public Fund for Business Financing and Economic Development.	Line of financing for working capital to respond to the needs of companies, microcompanies, the self-employed and SMEs, covered by a financing guarantee instrument charged to "Andalusia business financing", which guarantees 80% of the principal of loans formalised by selected	Authorised for Andalusia by Agreement of the Council of Ministers of 31-3-2020.	20,000,000

	financing entities selected by virtue of the declarations of interest.		
Navarra. Guarantee for the recipients of the COVID19 line of financing of the Navarra Development Company	Guarantee for the recipients of the COVID19 lines of financing of the Navarra Development Company	Authorised for the Regional Government of Navarra by Agreement of the Council of Ministers of 14-7-2020.	10,000,000
Basque Country Refinancing on the part of the Administration of the CAE, of the risk assumed by Elkargi, SGR.	Refinancing through partial coverage of defaults on the part of the Administration of the CAE, of the risk assumed by Elkargi, SGR, arising from the guarantees granted by the latter to its partners within the framework of Decree 50/2020, of 31 March, amended by Decree 67/2020, of 19 May, for the financing of needs relating to COVID-19	Pending authorisation of the Council of Ministers	150,000,000
Murcia. Line of financing or refinancing	Due to the crisis caused by COVID-19 the Institute of Development of the Region of Murcia is studying the possibility of preparing mechanisms that facilitate access to credit for companies, especially SMEs, using the figure of the guarantee or re-guarantee with an initial estimate of seven million euros (subject to the instruments ultimately configured and without prejudice to authorisations necessary).	Pending request and authorisation of the Council of Ministers	7,000,000
TOTAL			**883,200,000**

Discretionary measures adopted by the Autonomous Communities excluding those adopted in response to the COVID-19 pandemic

Annex 7 offers the estimated impact of discretionary measures adopted by the Autonomous communities with a budgetary revenue impact not arising from the pandemic.

From the revenue perspective, for 2020 the joint impact of the set of measures adopted is estimated at 37 million euros. By categories, for the non-taxation measures, differential revenue of 99 million euros is projected, arising from the disposal of investments and equity of the Autonomous Communities. In terms of the tax measures that will produce further interest, the rate increases adopted in the IGIC (Canary Islands General Indirect Tax), which will lead to an increase in collection of 62 million euros, and the creation of the tax on facilities impacting the environment, through which Catalonia expected to raise 55 million euros in 2020 and an additional 148 million euros in 2021. Greater income is also projected from regulatory amendment, which in general consist of increases in rates on the part of several regions, and the Tax on Capital Transfers and Documented Legal Acts, with a projected impact of 54 million euros. Among the tax measures expected, a reduction of income due to measures adopted, Personal Income Tax stands out with an expected decrease of 186 million euros, mainly due to changes to rates and, to a lesser extent, deductions. With regard to the Inheritance and Donation Tax, the measures adopted are heterogeneous, with an overall impact estimated at 57 million euros less in income.

In terms of the measures foreseen for 2021, the overall effect would be an increase in revenue of 69 million euros. Environmental taxes have the most significant impact. In addition to the addition 148 million euros with respect to 2020 for the tax on facilities with an impact on the environment, we must add 66 million euros for the tax on motor vehicle carbon dioxide emissions in 2021, also in Catalonia. There is also the positive impact 132 million euros arising from changes in Inheritance and Donations Tax. The expected impact of the measures adopted in relation to Personal Income Tax is a reduction of 115 million euros. In terms of non-tax measures, the estimate of the Communities is a reduction in differential terms of 191 million euros, for disposals projected for 2020 which will not be reproduced in 2021.

With regard to the expenditure measures for 2020, the overall effect is over 390 million euros, as a consequence of the effect of measures relating to personnel spending, which will increase overall spending by 935 million euros. Catalonia projects the repayment in 2020 of the sums pending for extra pay suspended between 2013 and 2021, the repayment of the extra pay suspended in 2014, which would be completed in 2022. There are also several measures arising from the aforementioned increase in personnel costs, including those relating the recovery of supplements, recognising seniority and professional career in relation to basic public services, the increase in staff numbers and the return to the 35-hour week in certain Autonomous Communities. The increase in personnel expenditure is partially compensated by the expected effects in relation to other measures in relation to pharmaceutical and sanitary products, estimated at 475 million euros, mostly arising from compensation for the year 2018 and the first phase of the year 2019 for the agreement made on 29 September 2016 between the General Administration of the State and the pharmaceutical industry representative body, which has been renewed consecutively. The saving of 60 million euros in pharmaceutical spending arising from the centralised procurement of medicines is also significant.

In terms of 2021, the measures communicated constitute a joint saving of 28 million euros, highlighting once again the impacts arising from the agreement with the pharmaceutical industry in relation to the settlement of compensation arising from the pharmaceutical spend of the National Health Service on non-generic original medicines, in the second phase, estimated at 72 million euros.

[5]

DRAFT BUDGETARY PLAN FOR LOCAL AUTHORITIES

Overall, Local Authorities have obtained a fiscal surplus since 2012. Starting with a deficit of 0.4% in 2011[9], surpluses were obtained for 0.32% of GDP in 2012, 0.56% in 2013, 0.53% in 2014, 0.43% in 2015, 0.63% in 2016, 0.59% in 2017, 0.54% in 2018, and 0.30% in 2019. According to the data published by the IGAE, in the first half of 2020, in terms of estimated GDP, the result obtained is a financing requirement equivalent to -0.26% of this magnitude.

In the 2020 budget, Local Authorities have estimated financial income for a sum of 77.8721 billion euros, and non-financial expenditure of 77.894 billion euros, according to the information received and budgetary criteria.

The objective established for the sub-sector through the Agreement of the Council of Ministers of 11 February 2020, was balance, 0.0% of GDP by 2020.

However, the exceptional situation arising from the pandemic caused by COVID-19. Through the communication of 20 March 2020, the European Commission proposed to the Council **the activation of the general escape** clause of the Stability and Growth Pact. In line with that recommendation Spain has recently suspended the application of the budgetary stability and public debt objectives for 2020 and 2021, in accordance with the provisions of the Constitution and Organic Law on Budget Stability and Financial Sustainability.

Strengthened transparency in the local public management shall be pursued and, as in previous years, requirements shall be issued to Local Authorities found to be in breach of their obligations in relation to the supply of information to remedy such issues.

In any case, as has been indicated, the suspension of fiscal rules in no way constitutes the abandonment of fiscal responsibility. In fact, the LOEPSF remains fully in force and the supervision and monitoring tasks corresponding to the General Administration of the State will continue to carried out with the same rigour within the scope of the Local Authorities.

5.1 Measures in the years 2020 and 2021

Measures adopted by the General Administration of the State with an impact on the Local Authorities

Up to the moment the measures adopted by the State were geared towards strengthening the obligations for the supply of information, making it possible, under the consideration of financially sustainable investments, the use of the surplus for certain urgent cots that must be met by the Local Authorities as a result of the pandemic.

In this framework, Local Authorities must periodically provide quarterly information on the measures adopted due to the crisis arising from COVID-19, with an impact on different groups of spending programmes and those that may have an impact on the use of the 2019 deficit to finance social spending, in accordance with Article 3 of Royal Decree-Law 8/2020, of 17 March, completed with Article 20.1 of Royal Decree-Law 11/2020, of 31 March.

[9] Without considering the effect of the negative settlements of the State tax participation model.

In accordance with these standards, the non-financial spending of the Local Authorities will increase by 300 million euros, due to the maximum that can be allocated to social spending financed with the 2019 surplus. This spending could correspond to investments and provisions of Article 1.2 of Royal Decree-Law 8/2020, of 17 March. These allocations may fundamentally correspond to personnel spending, procurement of goods and services (chapter 2) and current transfers. The sum is the total for the sub-sector, broken down for each local authority in accordance with Article 20 of Royal Decree-Law 11/2020, for a sum equivalent to 20% of the sum which, as a maximum, can be allocated to financially sustainable investments in 2020, charged to the 2019 surplus.

Table 5.1 Discretionary spending measures adopted/announced in 2020 in response to the COVID-19 outbreak Local Authorities

Millions of €

Measure	Description	ESA code	Implementation status	Budgetary impact* 2020	Budgetary impact* (a) 2021
Local Authorities may allocated the 2019 surplus in 2020 to finance the investment costs included in the expenditure policy 23 "Social Services and social promotion"	Remuneration of employees	D1	Royal Decree-Law 8/2020	75	39
	Intermediate consumption	P2		75	190
	Social provisions other than transfers-in-kind	D62		75	135
	Gross capital formation.	P51		75	24
TOTAL Local Authorities				300	388

* A positive sign denotes a deterioration in the budgetary balances, whether due to greater expenditure or a fall in revenue

	Reduction of revenue from local taxes for discretionary measures				-102

(a) With the suspension of fiscal rules in 2020 and 2021, no special rule on the allocation of the surplus will be applied this year.

Nevertheless, the increased expenditure and the reduction of income that would be estimated for 2021 based on the information received due to the effects of the pandemic in the first half of 2020, is contained in the table.

Royal Decree-Law 11/2020 Article 50 provides for the potential extraordinary postponement of the repayment calendar for loans granted by Local Authorities to entrepreneurs and the self-employed affected by the health crisis caused by COVID-19. These may request the postponement of the payment of principal and/or interest to be repaid during the remainder of 2020. The acceptance by Local Authorities of the measure requested will result in the amendment of the repayment calendar, respecting the maximum term of the loan, allowing for the breakdown in instalments of the postponed repayments, which will accrue the interest established for the loan or credit subject to postponement. Under no circumstances shall financial fees or costs apply.

Furthermore, Article 6 of Royal Decree-Law 23/2020, of 23 June, approving measures in the area of energy and other areas for the reactivation of the economy projects that Local Authorities may allocated a maximum of 7% of their surplus to finance the costs of investment in purse electrical and non-polluting vehicles or those with environmental label, and charging infrastructure for use of the vehicles acquired, which are destined for the provision of public services for the collection, disposal and processing of waste, security and public order, civil protection, fire prevention and fire-fighting and passenger transport.

Discretionary measures adopted by the Autonomous Communities relating to the COVID-19 pandemic

On the expenditure side, the Local Authorities have adopted measures currently being implemented and, as of 30 June 2020 are calculated at 388 million euros, mostly corresponding to purchases of goods and service (190 million euros) and current transfers (135 million euros). In both cases, the most significant costs correspond to actions within the sphere of social protection and assistance. This spending amounts to 114 million euros, representing 84% of current transfers. The spending on the procurement of goods and services amounts to 84 million, which is 44% of the total spend on this spending item.

This is the summary of the impact of measure adopted by Local Authorities per spending item:

Millions of euros

Increase in personnel costs	39
Procurement of goods and services	190
Current transfers	135
Real investments	23
Capital transfers	1
	388

The distribution of spending in accordance with the classification of (functional) programmes arising from these measures is:

Millions of euros

On basic public services (1)	43	11.1%
On social protection and promotion	221	57.0%
On preferential goods (2)	37	9.5%
On actions of economic nature (3)	35	9.0%
On actions of general nature (administrative)	52	13.4%
	388	**100.0%**

(1) Includes: public health and safety, urban mobility, civil protection, collection of processing of waste and street cleaning, among others.
(2) Includes: primarily, protection of health, education, culture and sports.
(3) Includes: trade, tourism, SMEs and public transport among others

Discretionary measures adopted by the Autonomous Communities relating to the COVID-19 pandemic

In accordance with the fundamental lines of the 2021 budget submitted by the Local Authorities, and aside from the impact arising from the pandemic, a containment of expenditure is expected in 2021 with respect to 2020, of 449 million euros, of which 146 million correspond to the non-execution of investments and the reduction of capital transfers and the 243 million euro reduction in procurement of goods and services. Personnel costs would be covered by the actions of Local Authorities at 60 million euros.

On the revenue side, the projection is for an increase of 272 million euros, corresponding to the application of tax measures that would result in the reduction of tax revenue and increase in rates of local taxes imposed (primarily municipal) of 232 million euros, and the improvement of collections and tax inspection of 18 million euros. The remaining sum of 22 million euros would correspond to an increase in revenue from fees and other tax income due to measures adopted by the Local Authorities.

[6]

LINK BETWEEN THE DRAFT BUDGETARY PLAN AND COMPLIANCE WITH SPECIFIC RECOMMENDATIONS OF THE COUNCIL

Recommendation Scope	Recommendation Number	Recommendation	Measures	Description of impact
1. FIGHT AGAINST THE PANDEMIC	1.1	In consonance with the general escape clause, efficiently combating the pandemic, sustaining the economy and supporting the subsequent recovery efficiently	**DISCRETIONARY STATE SPENDING MEASURES** Extraordinary credit in the Ministry of Health to attend to the extraordinary costs of the National Health System. **Granting of an extraordinary loan to the Ministry of Health to meet the emergency costs of the National Health System.** Extraordinary working day in public entities comprising the Spanish Science, Technology and Innovation System. Extraordinary credits allocated to the Carlos III Health Institute. Research costs of coronavirus COVID-19 in the CSIC. Extension of working contracts In the area of research and hiring of personnel in the National Health System. Temporary Incapacitation for the periods of self-isolation as a result of the COVID-19 virus. ERTEs due to force majeure ERTEs for employees with discontinuous contracts. ERTEs due to prevention or limitation of activity. 50% reduction of employer's Social Security contribution for common contingencies in the months for February, March, April and June to support the extension of the period of activity of working persons with discontinuous permanent contracts in the tourism sector. The right to the unemployment benefit is extended to the unemployed who did not complete their probation period. Extraordinary allowance for cessation of activity Emergency subsidy for lack of activity for persons included in the Special System for Domestic Workers of the General Social Security Regime. Extraordinary subsidy for lack of activity for persons affected for the purpose of a temporary contact of at least two months duration. Extension of university contracts. Extension of pre-doctoral contracts. Amendment of conditions for grants charged to calls of the calls of the Ministry of Universities. Basic right to food of children in situations of vulnerability affected by the closure of education centres. Emergency Social Fund allocated exclusively to the social consequences of COVID-19. Early transfer to Autonomous Communities of funds committed for the year 2021 in the agreements subscribed for the execution of the State Housing Plan 2018-2021. Additional state financing for the State Housing Plan 2018-2021. Programme of rent supports to help minimise the economic and social impact of COVID.19 on rent for primary residence. Replacement of the assistance programme for persons evicted or expelled for their principal residence under the new assistance programme for victims of gender-based	After the shock caused by COVID, the Government adopted the Action Plan, resulting in a series of Royal Decree-Laws to (i) attend to the health emergency, (ii) build a security network to protect citizens and families, especially those who have become vulnerable due to the crisis and (iii) sustain the productive fabric and employment , paying special attention to SMEs and the self-employed, all for the purpose of starting from the best possible situation to initiate the recovery.

			violence, persons subject to eviction from their principal residence, homeless persons and other particularly vulnerable persons. Institutional campaigns to prevent gender-based violence during the State of Emergency. Granting of ICEX concessions to companies set to participate in international events organised through the collaborating entities of ICEX. Flexibility of electricity supply contracts. For the self-employed and companies Flexibility of gas supply contracts for the self-employed and companies. Financial contribution to CERSA for the creation of a line of COVID-19 guarantees. Financing of the additional cost of guarantees granted by the Sociedad Anónima Estatal de Caución Agraria (SAECA). Temporary compensation for certain costs to cover the costs of the digital terrestrial television service for certain sectors of the population. Plans for the flexibility of justice in the commercial, contentious-administrative and social spheres once the State of Emergency has ceased. COVID-19 Fund for the Autonomous Communities. (16 billion). Support plan for the automotive industrial ecosystem. Strategic Plan to support tourism. Digital Educate Programme. Consideration of illnesses suffered by personnel providing services at healthcare or social health centres as a result of contagion of the sar-cov2 virus during the state of emergency as a professional contingency arising from workplace accident Contributory provision for emergency unemployment. Cultural support plan. Transport and Housing Plan.	
			DISCRETIONARY STATE REVENUE MEASURES Temporary rate of 0% VAT for healthcare material acquired by non-profit public entities and hospitals. Extraordinary allowance for cessation of activity. Suspension of employer's contribution for ERTEs due to force majeure. Moratorium of Social Security contributions for 6 months with no interest for companies and the self-employed Postponement of the payment of Social Security debts for companies and self-employed workers. Postponement of tax debts for a period of 6 months. No interest shall accrue on arrears for the first 4 months. Suspension of interest payments and repayments for various loans granted by the State Secretariat for Tourism. Postponement of debts arising from customs declarations. Corporation Tax: Emergency option for payment in instalments calculated on the basis of taxable base. Personal Income Tax (PIT): Limitation of temporary effects of tacit waiver of objective estimate method for tax method 2020. The days of the State of Emergency were not included for the calculation of the instalment payments under the objective estimate method of Personal Income Tax (PIT) and payment on the account under the simplified VAT regime. Amendment of VAT legislation: Reduction of	

			VAT rate for books, newspapers and digital magazines to 4%. Reduction of 19.11% in the contribution in situations of inactivity in the Special Regime for Agricultural Employees. Support plan for the automotive industrial ecosystem: Deduction for innovation. Support plan for the automotive industrial ecosystem: amortisation of value chain investments. **DISCRETIONARY MEASURES AUTONOMOUS COMMUNITIES** Services and supplies measures. Current grants and subsidies in the area of education and social services. Current grants and subsidies in other areas. Capital grants and subsidies Exemptions and bonuses on rates and other taxes. Revenue-reduction measures for rents on publicly-owned properties, revenue from fees and transfers. **DISCRETIONARY MEASURES LOCAL AUTHORITIES** Remuneration of employees. Intermediate consumption. Social provisions other than transfers-in-kind. Gross capital formation.	
		Where economic conditions allow, apply fiscal policies destined to achieve prudent tax decisions in the medium term and to guarantee sustainability of debt, while at the same time fostering investment.	**Spending reviews** **The Phase I reports were published in June 2019**: * Strategy and procedures for the concession of subsidies. * Medicines dispensed through medical prescription. * Programme of active employment policies. * University education grants. * Programme for the promotion of talent and employability and R&D&I. * Strengthening of business competitiveness. * Evaluation of the State Postal and Telegraph Service and the provision of the Universal Postal Service. **The reports of Phase II have been subject to publication on the following dates:** * Tax benefits: published 22/07/2020. * Transport infrastructure: published 30/07/2020. * Hospital expenditure of the National Health System (SNS): published 01/10/2020. * Incentives for Contracting and Freelance Work: published 14/10/2020.	Application of conclusions reports phase I (for example, new calls for REINDUS grants plan). Increased efficiency public spending.
	1.2		Pension reform.	In the short term, to attempt to eliminate uncertainty and ensure the visibility of the solvency of the system. To do that, it is necessary to tackle the non-economic accounting deficit of the system. Reducing the uncertainty surrounding the pensions system will have positive economic effects by allowing stakeholders to take more appropriate decisions and will allow for the real problem, common to all developed countries, to be tackled, which is the ageing population. In the medium and short term, we must tackle the significant number of retirements over the coming decades, completing the current legislation with the use of positive incentives that help bring the retirement age closer to the legal age, incentivising delaying retirement while simultaneous disincentivising early retirement. In September 2020, a debate was held in Congress. The subject was also covered by the Delegate Government Commission for Economic Affairs in its meeting on 18 September. The conclusions of the Pact of the Toledo are expected in the short term.

	1.3	Strengthen the capacity and resilience of the health system, with regard to healthcare workers, medical products and essential infrastructure.	Extraordinary loan to the Ministry of Health to meet the emergency costs of the National Health System (1.4 billion). Payment on account of the Autonomous Communities to strengthen the availability of resources with which to tackle the immediate the needs of the health systems (2.867 billion). Extension of working contracts In the area of research and hiring of personnel in the National Health System. COVID-19 Fund for Autonomous Communities (16 billion) to finance costs arising from the pandemic, especially in the health system, to increase the allocations for education, compensate for the fall in tax income and guarantee the provision of essential public services. Broadening the possibilities of the hiring of professionals on the part of the Autonomous Communities.	Strengthening the health system
2. LABOUR MARKET, SOCIAL SERVICES AND EDUCATION	2.1	Support employment through measures geared towards preserving jobs, efficient incentives for contracting and the development of qualifications.	Vocational Training Modernisation Plan adopted 22/07/2020. Development of Strategic Vocational Training Plan adopted 22/10/2019.	The Plan starts with the principles of: permanent public-private collaboration, the implementation of a single VT system within the framework of the National Qualifications System, the unification of the recognition and accreditation procedures for professional competency of the active population, in particular persons expelled from the labour market during the COVID-19 crisis, the re-dimensioning of the VT offering and the creation of a collaborative and specialised VT ecosystem.
			Reform of the system for the design of professional qualifications, vocational training qualifications and professional certificates, from 2018, with greater participation of companies throughout the process. Digital adaptation of the vocational training system: Including contents and qualifications for all qualifications and new specialisation courses.	The Catalogue of Vocational Training Qualifications of the Education System is updated on a permanent basis to response to the technological and organisational changes of the professional fields of references: Up to 15/09/2020, thirteen new vocational training qualifications (nine "grado superior" and four "grado medio"), primarily in the areas of Physical and Sporting Activities and Transport and Vehicle Maintenance. The catalogue of Vocational Training specialisation courses in different sectors: Up to 15/09/20, seven were approved in areas like cybersecurity, industrial digitalisation and smart manufacturing. What's more, there another eleven courses in the process of specialisation in artificial Intelligence, Big Data, BIM (Building Information Modelling), videogames and virtual reality. The catalogue of professional qualifications: Up to 15/09/20, 78 qualifications have been created or updated in areas such as Image and sound, IT and communications, Security and Environment and Graphic Arts.
			Extraordinary provisions approved to tackle the exceptional COVID situation - Strengthened unemployment protection for workers on ERTE furlough scheme (RDL 8/2020) including those on fixed discontinuous contracts. - New extraordinary subsidies for specific groups: *For domestic employees (ART. 30 RDL 11/2020). *For temporary workers with contracts of less than 2 months, ending after the declaration of the state of emergency and unable to access other allowances or subsidies.(ART. 33 RDL 11/2020). *For workers in the cultural sector (ART. 2 RDL 17/2020). *For workers with teaching or research contracts or predoctoral contracts (DA12º RDL 11/2020) (DA14º RDL 15/2020). - Measures for the self-employed: Extraordinary allowance for cessation of activity. ART 17 RDL 8/2020.	Creation of a security network for more vulnerable workers who, as a result of the public health measures adopted due to COVID, found themselves in vulnerable situations or could not work.

	2.2	Strengthen unemployment protection, especially for atypical workers.	Minimum Subsistence Income introduced by Royal Decree-Law 20/2020 of 29 May. Notifications introduced to simplify and accelerate procedures by the Council of Ministers 25/09/2020.	1. Eradication of poverty: preventing the risk of poverty and social exclusion of persons who live alone or as part of a cohabiting unit in a vulnerable situation due to lack of sufficient economic resources to cover their basic needs. A society with more opportunities for all, that avoids the chronification and intergenerational transmission of poverty. Protection network of last resort. 2. Social inclusion and participation in the labour market: as the Minimum Subsistence Income is compatible with earnings and accompanied by an employment incentive mechanism, as well as the obligation for recipients to participate in inclusion strategies promoted by the Ministry of Inclusion, Social Security and Migration, and to be seeking employment if not currently working. Severe poverty in itself is a burden on entering the labour market and has negative effects on growth.
	2.3	Improve coverage and adequacy of minimum income regimes and family support, as well as access to digital learning.	"Educa en Digital", approved 16/06/2020. Agreement between the Ministry of Education and Vocational Training, the Ministry of Economic Affairs and Digital Transformation and Red.es. Agreements with each of the Autonomous Communities authorised in the Councils of Ministers of late September and early October 2020.	Digital transformation of education in Spain
			LIQUIDITY MEASURES Extension of payment terms for tax debts and others not completed. Extraordinary extension of loans granted by SGIPYME. ICO line for the tourism sector - extension of Thomas Cook line. ICO line to foster the digitalisation process of SMEs through Red.es. CECE: Coverage of extraordinary risk of SMEs for Internationalisation. Line for State coverage of financing granted by financial institutions to companies and the self-employed (100 billion) and Line of State-covered guarantees granted by financial entities to companies and the self-employed for the principal purpose of financing investments (40 billion). Amendment of Cervera Programme for the financing of SMEs and self-employed. Additional refinancing of loans granted by the SGIPYME, Line for State coverage of financing granted by financial institutions to vulnerable renters. CERSA line of COVID-19 guarantees. Automotive industrial ecosystem support plan - lines of credit within the framework of the plan. Strategic tourism support plan - Financial fund for Tourism Competitiveness. Strategic tourism - Financing of projects for digitalisation and innovation.	Measures for liquidity to ensure maintenance of productive fabric in the face of the consequences of the health crisis. Up to 15 September, the eligible financial institutions registered a total of 804,754 financing transactions for a guaranteed sum of 76 billion euros, allowing for the granting of 100 billion euros of financing to the self-employed and companies.
3. INVESTMENT PRIORITIES	3.1	Ensure effective application of measures aimed at providing liquidity to small and medium-sized enterprises and self-employed workers, particularly preventing delays in payments	Plan to Boost the Automotive Industry Value Chain: Towards Sustainable and Connected Mobility (15/06/2020). Digital Educate Programme (16/06/2020). Plan to Boost the Tourism Sector: Towards a Safe and Sustainable Tourism Post-COVID-19 (18/06/2020). Update of the "Long-term strategy for the rehabilitation of the energy sector in Spain" (ERESEE 2020) submitted to the European Commission (06/07/2020). Action Plan to Tackle Post-COVID-19 Litigation (Ministry of Justice) (07/07/2020). Action Plan for Science and Innovation (09/07/2020). Post-COVID Action Plan and Action Plan for the Internationalisation of the Spanish Economy 2021-2022. Master Lines presented 20/07/2020. Analysed at the meeting of the CDGAE 23/07/2020. Vocational Training Modernisation Plan (22/07/2020). Demographic Challenge Action Plan in the Sectoral Conference for the Demographic Challenge, which was constituted and met for the first time on 23/07/2020.	Foster investment and promote structural modernisation, with a particular focus on promoting innovation, digitalisation and the ecological transition. Special concentration of efforts in the sectors most affected by the health crisis linked to COVID-19.

	3.2	Anticipate the public investment projects in advanced stages of development and promote private investment to foster the economic recovery.	**ECOLOGICAL TRANSITION, ENERGY AND THE CIRCULAR ECONOMY** Declaration of the Climate and Environmental Emergency by the Council of Ministers of 21 January 2020.	Political commitment to fostering the ecological transition and the fight against climate change.
	3.3	Centre on investment in the ecological and digital transition, and particularly on fostering research and innovation in the production and use of clean and efficient sources of energy, the energy infrastructure, management of water resources and waste and sustainable transport	Law on Climate Change and Energy Efficiency approved for submission to Parliament of Draft Bill by the Council of Ministers 19/05/2020.	The final objective is for Spain to reach neutral emissions by the year 2050. The draft bill articulates the country's transversal response to the climate change, to which Spain is particularly vulnerable, based on the principles of sustainable development, social justice, resilience, precaution, not regressing from the advances achieved, protection and promotion of public health, improved competitiveness in production sectors and cooperation between Administrations.
			National Integrated Energy and Climate Plan submitted to the European Commission in May 2020.	Essentially, its purpose is to serve as a strategic planning tool for energy and climate policy as an interim landmark during the next decade to reach climate neutrality by the middle of the century. While the overall objective is to achieve a reduction of 23% in greenhouse gas (GHG) emissions from 1990 levels, it also identifies the challenges and opportunities across the five dimensions of Energy Union: decarbonisation, including renewable energies; energy efficiency; energy security; the domestic energy market and research, innovation and competitiveness. It is hoped that this way maximum advantage will be taken of the economic development and employment generation opportunities arising from the transition.
			Fair Transition Strategy approved by the Council of Ministers on 22 February 2019. Public consultation completed in April 2019. Urgent action plan for fair transition and urgent measures for coal mining (Royal Decree-Act 25/2018, of 21 December in urgent measures for the fair transition in coal mining the sustainable development of mining areas).	The Strategy is framed under the umbrella of the Climate Change and Energy Transition Law for the purpose of identifying and adopting measures that guarantee equal treatment and solidarity with workers and territories affected by the transition to a low-carbon economy. The objective is to minimise the negative impact on employment and depopulation through the design of industrial policies, research and development, the promotion of economic activity and employment and professional training.
			Long-term strategy for climate neutrality of Spain (updated in CDGAE of 17/07/2020, currently in the public information process until 30/09/2020).	While the Integrated National Plan on Energy and Climate (PNIEC) 2021-2030 sets out the path of decarbonisation for the next decade, the Decarbonisation Strategy continues its path with the aim of defining lines to follow to ensure that Greenhouse Gas (GHG) Emissions are neutral by 2050, it also includes the opportunities offered by decarbonisation in terms of employment, attracting investments, economic activation, modernisation and improvement of business and industrial competitiveness.
			National Plan for Adaptation to Climate Change 2021-2030 approved by the Council of Ministers of 22/09/2020.	Promote coordinated and coherent action against the current and future effects of climate change in Spain. To reach this challenge, 9 specific objectives are defined that include, among others, strengthening the systematic observation of the climate and projections; promoting the generation of knowledge on the impacts, risks and adaptation to climate change in Spain; strengthening our capacity to respond and to ensure administrative coordination.
			Renewable Hydrogen Roadmap, under public consultation until 19/09/202, approved by the Council of Ministers of 6 October 2020.	To develop the renewable hydrogen sector in Spain throughout the value chain in an innovative way, decarbonising current hydrogen consumption from fossil fuel sources and taking advantage of the potential as an energy vector in mobility, high-temperature industrial applications and storage of renewable energy electricity.
			Roadmap for Biogas. Preliminary public consultation completed on 19/06/2020.	To foster valuation of waste for obtaining sustainable biogas for the generation of electricity, thermal uses and mobility
			Roadmap for the development of marine wind energy and sea energies in Spain, preliminary public consultation completed in July 2020.	Development of the market for new energy technologies in the marine environment, taking advantage of the employment and competitiveness opportunities linked to this sector, the valuing of maritime industry and Spain's geography. In line with the impetus package for offshore wind energy provided for in the Recovery Package.
			National self-consumption strategy. Preliminary public consultation initiated on 30/07/2020. Royal Decree 244/2019 of 5 April, regulating the administrative, technical and economic conditions of electricity self-consumption. CNMC Resolution for full application of the simplified self-consumption compensation mechanism (November 2019). Guides of the Institute for Energy Diversification and Saving to promote self-consumption: "Practical guide to becoming a self-consumer in 5 steps" and "Professional guide for processing self-consumption".	Establish lines of action to promote renewable self-consumption, developing instruments to promote their shared use, with formulas like the energy communities, and to facilitate the implementation of applications in areas like industry or the services sector in the context of the economic recovery

			Energy storage strategy, preliminary public consultation completed in June 2020, analysed in CDGAE of 25/09/2020, submitted for public hearing on 9 October.	The Storage Strategy takes advantage of the opportunity offered by excesses of electricity generated using a complex storage system. To do that, it seeks to define the role of storage in the electricity sector, specify the possible incentives for promoting its roll-out, articulating active participation of citizens and the sectors in the implementation of the strategy, analyse the technologies that could prove most useful depending on the sector and taking advantage of the coupling of other sectors.
			Royal Decree-Law 23/2020, of 23 June, adopted a number of provisions for the ordered development and promotion of renewable energies. Draft Royal Decree regulating the mechanism for access to the renewable energy economic regime for facilities for the production of electricity from renewable sources, submitted to public hearing in July 2020. Royal Decree regulating the procedure for access and connection to transport and distribution networks for compliance with energy policy objectives and penetration of renewables, submitted to public hearing July 2020.	Regulation of the new remuneration framework for the generation of electricity from renewable energy sources, Renewable Energy Economic Regime, based the long-term recognition of an energy price. Modernisation of access and connection to electricity grids for renewable energy plans, hybridisation of technologies and assignment of capacity at Fair Transition hubs.
			Draft Royal Decree regulating the Statute for Electro-intensive Consumers (analysed in CDGAE 04/09/2020). Royal Decree-Law 20/2018, of 7 December, established the bases for the subsequent approval of the Statute for Electro-intensive Consumers. Royal Decree-Law, of 26 June, created the Spanish Guarantee Reserve Fund for Electro-intensive Entities (FERGEI), for State coverage of the risks arising from purchase transactions in the medium and long term for the supply of electricity to electro-intensive consumers and electricity generators.	Establish the characterisation of electro-intensive consumers, establishing the requirements to be met and to develop mechanisms to be used, geared towards mitigating the effects of energy costs on competitiveness, in accordance with European regulation, and the obligations and commitments to be assumed in order to use each of these mechanisms.
			Update of the "Long-term strategy for energy rehabilitation in the Spanish construction sector" (ERESEE 2020) submitted to the European Commission 06/07/2020. Royal Decree regulating the assistance programme for energy rehabilitation in existing buildings and regulating the direct concession of grants as part of this programmed to the Autonomous Communities and the Autonomous Cities of Ceuta and Melilla (Council of Ministers 4/08/2020). Royal Decree regulating the accounting of individual consumption of heating installations of buildings (Council of Ministers 4/08/2020).	Long-term strategy to support the renewal of national fleets of residential and non-residential buildings, both public and private, transforming them into highly energy efficient and decarbonised property fleets by 2050, facilitating the economically profitable transformation of existing buildings into close to zero-energy buildings (Directive 2010/31/EU of 19 May 2010).
			"España Circular 2030" Circular Economy Strategy, adopted by the Council of Ministers 02/06/2020.	Establish the bases for overcoming the linear economy and fostering the new production and consumption model in which the value of products and materials is maintained in the economy for as long as possible, minimising the generation of waste and taking full advantage of the generation of unavoidable waste.
			Draft Waste and Contaminated Soils Bill examined by the Council of Ministers 2/06/2020 Public hearing process completed in July 2020.	Transposing two European regulations. Review and update the legal regime of waste and contaminated soul established in Law 22/2011, of 28 July.
			DIGITAL Digital Spain Agenda 2025 (23/07/2020)	This Agenda will foster the digital transformation of the country through digital connectivity guarantee, the roll-out of 5G, the strengthening of cybersecurity capacity, the digitalisation of Public Administrations and companies, particularly SMEs, the promotion of Spain as an audio-visual production "hub", the development of the data and Artificial Intelligence economy and guaranteeing the digital rights of citizens. The development of traction projects for the digitalisation of the production model in strategic sectors.
			Draft General Telecommunications Bill, analysed by the CDGAE of 4 September 2020, in public hearing until 13/10/2020.	Establish the new national legal regime of the telecommunications incorporating the European Electronic Communications Code.
			Actions relating to the expansion of broadband: 150 million in grants as part of the PEBA Plan 2019 (Council of Ministers 15/03/2019) and 15 million in grants as part of the PEBA Plan 2020 (Council of Ministers 30/06/2020); Connected Schools Programme.	Complete the roll-out, throughout the territory of the 100 mbps network to reach coverage of 100% of the population.

			Actions in the area of 5G: First auction of licenses in July 2018; National Technical Plan for Digital Terrestrial Television; grants for the development of pilot projects for the implementation of 5 G; Creation of the National 5G Observatory. Royal Decree 391/2019, of 21 June, approving the National Technical Plan for Digital Terrestrial Television and regulating certain aspects for the release of the second digital dividend. Completion of the process for the freeing up of the radio spectrum (Second Digital Dividend): Completion of direct changes of the channel on 31 October 2020. Royal Decree 706/2020, of 28 July, regulating the direct concession of subsidies to private providers of television audio-visual communication services destined for the compensation of costs arising from the changes to be made to transmission equipment for adaptation to new frequencies planned by the process of freeing up the 700 MHz band (second digital dividend). Royal Decree 707/2020, of 28 July, regulating the direct concession of subsidies to private providers of television audio-visual communication services destined for the compensation of costs arising from the changes to be made to transmission equipment for adaptation to new frequencies planned by the process of freeing up the 694-790 MHz (second digital dividend) between the days 1 July 2020 and 30 September 2020, amending Royal Decree 392/2019, of 21 June, regulating the direct concession of subsidies to compensate the costs arising from the reception or access to television audio-visual communication services in buildings through the freeing up of the frequency band 694-790 MHz (second digital dividend). 5G pilot projects: July 2020, award of grants for the roll-out of eight new 5G pilot projects.	Complete the roll-out of 5G.
			Digitalisation strategy for the agri-food sector, forestry and rural affairs (Council of Ministers 29/03/2019).	Foster the transformation of the agri-food sector towards greater environmental sustainability, as competitiveness improves. Improve resilience to the effects of climate change and illnesses. Reduction in consumption of water, fertilisers, pesticides and antibiotics. Foster stability in the national and European food supply. Improve the quality of life and opportunities in the rural environment.
			Plan to Boost the Tourism Sector: Towards a Safe and Sustainable Tourism Post-COVID-19 (presented 18/06/2020).	The plan is built around five lines of action: the recovery of confidence in the destination; the implementation of measures to reactivate the sector; the improvement of the competitiveness of the tourist destination; the improvement of the knowledge and tourism intelligence model and a marketing and promotion campaign.
			Spanish R&D&I Strategy in Artificial Intelligence presented in March 2019. Creation of Interministerial Working Group on Artificial Intelligence for the development of the National Artificial Intelligence Strategy. Creation of a map of technological capacities in Artificial Intelligence in Spain (through the Interministerial Artificial Intelligence Group created under the Delegate Committee for Science, Technology and Innovation Policy).	Form the spine of the action of the administration and the private sector to ensure the central role of Artificial Intelligence in digitalisation and economic growth, respecting the shared values and principles to improve: (a) life conditions; (b) productivity; (c) the provision of public services; and (d) the response to major social challenges
			SME Acceleration Plan	Foster digitalisation. Measures worth €250m in the technological sphere of this budget, €36m is allocated to Talent programmes, €14m to technological development in Artificial Intelligence and other enabling technologies, €55m to boost the data and digital contents economy and €15m to support entrepreneurship.

			Action Plan to Tackle Post-COVID-19 Litigation adopted 07/07/2020.	With the economic allocation of more than 50 million euros, the objective is to recover the judicial bodies and provide mechanisms, resources and solutions to the immediate needs of Justice. The plan will be rolled out over two phases in the social, corporate, contentious-administrative orders and will affect a total of 315 courts. In the first phase, between 1 September and 31 December 2020, the intervention will take place in the courts with the highest workloads. In the second phase, which begins on 1 January 2021, more complete information will be made available with regard to the volume of demand presented and the resolution time, which will allow for the definition of the extension of measures to be applied for subsequent development.
			R&D&I Action Plan for Science and Innovation 9 July 2020.	
			Science, Technology and Innovation Strategy (2021-2027), approved.	Strengthen the public-private collaboration, foster the transfer of knowledge, improve the situation of research staff and institutions, boost the capacity to Spain to attract, recover and retain talent and guarantee the application of the principle of equality between women and men in R&D&I.
			Increase in the number of calls of the State Programme for the Promotion of Talent and Employability.	Boost R&D&I. Grants for pre-doctoral researchers linked to a research project.
			Royal Decree-Law 3/2019, of 8 February, on urgent measures in the area of science, technology, innovation and universities.	Flexibility and improvement of functioning of research centres and universities. The measures are focussed on administrative loads that make the development of scientific products to facilitate the flexible and stable hiring of researchers, increasing the resources to prevent delays in calls and other measures to improve equality of opportunity between researchers.
			WATER RESOURCES Hydrological Plans 2021-2027: Public consultation of Schemes of Important Issues for Demarcations initiated in 2020 (25.01.20 for Demarcations of State Competency). National Plan for Water Purification, Efficiency, Saving and Reuse. Launch, in January 2020, of the consolidated text of the Guidelines after public consultation. • Green Book of Water Governance in Spain. Consultation process opened in 2020.	Improve water policy and especially management of hydrological resources, an indispensable element for achieving a circular and sustainable economy (the Spanish strategy for 2030 approved in this area includes the objective of improving water efficiency by 10%) in line with the 2030 Agenda, can also contribute to the recovery from the COVID crisis.
			SUSTAINABLE TRANSPORT Safe, Sustainable and Connected Mobility Strategy, presented on 18/09/2020.	To provide solutions to the real mobility problems of citizens, and to ensure an efficient, sustainable and resilient transport and logistics system.
			Law on Mobility and Financing of Urban Public Transport in public consultation to 30/10/2020.	Respond to the major changes in the transport and mobility sector, arising mainly from the introduction of technology in mobility, the need to advance towards the decarbonisation of the economy, where transport plays a fundamental role, and the challenges posed for mobility by the growing concentration of the population in urban and suburban areas.
			Plan to Boost the Automotive Industry Value Chain: Towards Sustainable and Connected Mobility, presented on 15 June 2020.	The initiative has been allocated a budget of 3.75 billion euros for the development of measures with a short-term impact, which will be implemented and executed in 2020 and medium-term “strategic” measures that will begin to be executed from 2021. Of the total sum, 100 million will be allocated to the launch of the Programme to Boost Electric and Sustainable Mobility (MOVES).
			MOVES II Programme (Royal Decree 569/2020, of 16 June, regulating the programme of incentives for efficient and sustainable mobility and agreeing the direct concession of grants through this programme to the Autonomous Communities and the Autonomous Cities of Ceuta and Melilla.	This programme will foster the generation of employment and economic activity in a context of economic recovery after the pandemic, introduced across the different lines of assistance. It is also worth highlight the benefit arising from the reduction of imports of fossil fuels and the improvement of the competitiveness of companies. In addition to the improved energy and environmental efficiency, other positive social effects can be highlighted such as special supports for persons with disability and reduced mobility. This programme of incentives will also collaborate with the reduction of nitrogen oxide emissions, for which the road transport sector is primarily responsible.
4. COORDINATION BETWEEN DIFFERENT LEVELS OF GOVERNMENT	**4.1**	To improve the coordination between the different levels of government and to strengthen the public procurement framework to support the recovery efficiently.	On 7 October, the Plenary Session of the Cooperation Committee on Public Procurement was held, attended by representatives of the General Administration of the State, the Autonomous Communities and Local Authorities. The working lines of the different sections of the committee have been identified to submit a Proposed National Public Procurement. Strategy, binding for the entire public sector, to the Independent Office for Regulating and Monitoring Procurement (OIRESCON). “Instructions on information to be submitted for	Improve, in a coordinated manner, the system of public procurement in Spain.

			the drafting of the triennial report" which the Joint Consultative State Board must draft to be submitted to the European Commission, with the essential public procurement information referred to in Article 328.4 of the Law on Public Sector Contracts.	
			Since its creation in 2004, the Conference of Presidents has held 22 meetings of which 16 have been held this year. In the period 01-01-2020 to 29-09-2020, 114 meetings of the Sectoral Conferences took place (vs 49 meetings in 2019) In 2020, two important new Sectoral Conferences were held on the 2030 Agenda and the Demographic Challenge, respectively. Two different sectoral conferences have also met jointly: those of Health and Education and of Health and Agriculture.	Improve coordination of horizontal and transversal public policies through cooperation between the Administrations

[7]

LINK BETWEEN THE DRAFT BUDGETARY PLAN AND THE EUROPEAN GROWTH AND EMPLOYMENT STRATEGY

National goals	Measures	Description of link
Employment for 74% of persons aged 20-64	Spanish Strategy for Employment Activation	Regulatory framework for coordination and execution of active labour market policies, and labour intermediation in the whole State, including both the services and programmes carried out by public employment services with State funds, such as those the Autonomous Communities carry out with their own financial resources. With the Spanish Strategy for Employment Activation 2017-2020 close to completion, a new Strategy 2021-2024 is expected to be drafted. As part of that, technical and participative process will be fostered to allow for the definition of objectives and actions under a “strategic vision” that identifies the scope of improvement and anticipates, at the basic level, the objectives to be achieved during the period of the Strategy. This strategic vision would be to “foster the strategic objectives of the employment activation policy within the governance and cohesion framework of the of the National Employment System, with a focus on people and companies, oriented towards measurable results, coherent with innovation and sustainability and supported in the improvement capacities and the digital transformation of public employment services.” The formulation of this “strategic vision” allows us to facilitate and guide participation from a potentially shared focus. In this regard, within this “vision”, there are five identifiable, differentiated elements with shared contents to be used as criteria for the “Strategic Working Groups” to facilitate the participation of social stakeholders and the Autonomous Communities in drafting the EEAE 2021-20214 and subsequent versions: 1. Governance and cohesion of the National Employment System 2. Focus centred on people and companies 3. Results oriented 4. Coherence with the transformation of production 5. Improvement of capacities of the Public Employment System Upon the completion of the work of these Strategic Groups (November 2020) the Technical Working Groups will be formed to adjust the structural objectives of the six axes established in the Law on Employment, with the new EEAE 2021-2024 expected to be approved by early 2021. The Employment Policy Annual Plans (PAPEs) are the annual implementation of the Strategy Therefore, these are operational instruments to develop and specify the provisions of this Strategy, by means of specific actions.
	Annual Employment Policy Plan 2020 (PAPE 2020).	At the 77th Sectoral Conferences on Employment and Labour Affairs on 1 April 2020, as part of the debate on the Annual Employment Policy Plan, the plan for the year 2020 was presented. The outbreak of the COVID-19 pandemic altered all the fundamentals envisaged by the Public Employment Services. This situation also impacted the Annual Employment Policy Plan 2020 and the Sectoral Conference on Employment and Labour Affairs agreed the reconstruction, in line with the new circumstances, forming a specific working group with all the Autonomous Communities. As an element of support for the reformulation, design and selection of services and programmed to be included by the different Autonomous Communities in response to the pandemic situation, the State Public Employment Service has, for the first time, provided for the drafting of a document that includes a list of the initiatives developed by the different public employment services as inspiring practices in the context of COVID-19. The principal new features of this reconstructed 2020 Plan are: • Adaptation of the strategic objectives in the context generated by the pandemic. • Adequacy of the indicators to facilitate accountability, simplifying the calculation and adjusting the definition for the purposes of active employment policies. At present, the reconstructed 2020 Plan is in the process of approval.
	Master Plan for Jobs with Dignity 2018-2020.	The Council of Ministers of 09/08/2019 examined the results of the Master Plan: 173.957 irregular temporary contracts converted into full-time contract from August 2018 to June 2019 (an increase of 83% on the same period for the previous year).

	Youth Employment Action Plan (2019-2021).	The Plan projects a reduction of youth unemployment of 23.5% and the introduction of 168,000 unemployed under 25s into the labour market.
	Development of regulatory framework for employment	This development of the regulatory framework of vocational training for employment has been completed, having approved the following Ministerial Orders in 2019: - Order TMS/368/2019, of 28 March, developing Royal Decree 694/2017, of 3 July, developing Law 30/2015, of 9 September, regulating the Vocational Training System for employment in the labour market, in relation to the training offerings of the competent administrations and their financing and establishing the regulatory basis for public financing subsidies. - Order TMS/283/2019, of 12 March, regulating the Catalogue of Training Specialisations in the framework of the vocational training system for employment in the labour market. - Order TMS/369/2019, of 28 March, regulating the State Registry of Training Entities of the vocational training system for employment in the labour market, and common processes for accreditation and registration of training bodies to deliver training specialisations included in the Catalogue of Training Specialisations.
	Strategic Vocational Training Plan	The second phase of this plan has been approved in light of the new situation arising from the COVID-19 crisis, incorporating a Plan for Vocational Training, Social and Economic Growth and Employability, to create an ecosystem for relaunching the economy with a commitment to human capital and talent. The aim is to guarantee vocational training and qualifications for the entire populations, from Vocational Training students in the education system to the working population, facilitating: at individual level, the incorporation, permanence and progression in the labour market; at social level, supporting equality of training opportunities and, at economic level, coverage of the needs for qualification and talent required by productive sectors. This training will also incorporate solid technical training, creativity skills, digital skills, analytical and predictive skills and proactive attitudes.
	Reincorpora-T Plan 2019-2021	Three-year plan to reduce long-term unemployment, which offers a comprehensive action programme for the reduction of long-term unemployment and prevention of situations of exclusion form and vulnerability in employment. Measures already in play with regard to this collective must be highlighted, approved by RDL 8/2019, of 8 March, such as recovering the subsidy for adults over the age of 52 or the rebate for hiring long-term unemployed individuals. The Plan seeks to reduces long-term unemployment from 6.8% in 2018 to 4.3% in 2021, which would imply 422,100 long-term job seekers.
	Digital adaptation of the vocational training system	So far in 2020, 5 new specialisation courses have been approved for Vocational Training graduates, most linked to areas like cybersecurity and digitalisation. A vocational module on Digitalisation applied to the production sector is also in the process of being included in all Vocational Training curricula and ten new specialised courses in areas like artificial intelligence, big data, hybrid vehicles, 5G technologies, etc.
	General directives of the new Spanish industrial policy	Boosting digitalisation, productivity, competition and employment, as well as sustainability and the decarbonisation of the economy.
	Strategic framework of SME policy 2030	It will improve the competitive capacity of SMEs and allow them to face the new challenges of a global and digitalised economy, and will establish a framework promoting their growth.
	Action Plan for the internationalisation of the Spanish economy 2019-2020	Boosting the exterior sector as a source of growth and employment.
	Plan for Modernising the Retail Trade (in preparation)	Increased competitiveness of the retail trade sector, a key element of the economic fabric and employment.
	General directives of the strategy for sustainable tourism 2030	Promotion and modernisation of the tourism sector. Increased competition and quality employment.
	Strategic Plan for comprehensive support for the automotive sector 2019-2025	It is the roadmap to ensuring the future of a strategic sector and to anticipate support measures in the transition process towards a new model of sustainable mobility. Among other elements, it considers the promotion of highly qualified and high-quality jobs creation.
	"Reconoce" system for the accreditation of key non-formal education skills	"Reconoce" is a free, permanent, state telephone system for the assessment and certification of "key" or transversal skills acquired by young people, through their participation in non-formal and volunteer education activities. With training geared towards comprehensive training for employability it has been developed, between 2017 and 2018, by the INJUVE association, retail sections and Autonomous Communities represented on the Inter-Territorial Youth Council. It is currently operational in test phases.

	Plan of action for decarbonisation	The CDGAE discussed the elements of the Plan of Action on 5/09/2019, which seeks to identify and promote opportunities for economic and employment growth.
	A Just Transition Strategy	It involves maximising employment opportunities and minimising the impacts of energy transition.
	Spanish Strategy on the Circular Economy, España Circular 2030	Approved by the Council of Ministers 02/06/2020. 1st Action Plan 2021-2023 currently being drafted. A circular economy will constitute a net increase in employment of around 1%, with the jobs created by the sectors in development compensating for those destroyed in more contaminating sectors.
	National Youth Guarantee System	The Youth Guarantee is a European initiative intended to facilitate access to the labour market for young people. It is focussed on unemployed youths not integrated into the education or training systems, to facilitate their access to employment, education or training including apprenticeship training or internships upon completing formal education or becoming unemployed. In this context, the National Youth Guarantee System is created as a database on which young people, registered voluntarily constitute a unique list of demands available to the entities responsible for proposing specific offers. The Youth Employment Action Plan 2019-2021 includes in Section 6 "Improvement of the Institutional Framework", measures for improving the National Youth Guarantee System. The Royal Decree-Law 8/2019, of 8 March, introduced a series of improvements in management, collaboration, coordination and communication within the National Employment System and for boosting its modernisation, highlighting the consolidated inclusion of young people between the ages of 25-29 in the SNGJ, and the reinforcement of Governance (inclusion of the Delegate Commission for Monitoring and Assessment of the SNGJ in the General Council of the National Employment System.
	National Strategy to Foster Self-employed Work 2021-2027 (currently being drafted)	This strategy will contain a set of social, inclusion, territorial, digital and sustainable measures to facilitate start-up, development and generational transition of self-employed activity, and will focus on compliance with the United Nations Sustainable Development Goals and the development of the "Action Plan for the implementation of the 2030 Agenda towards a Spanish Sustainable Development Strategy" of the Spanish Government.
	Spanish Social Economy Strategy 2021-2027 (currently being drafted)	Strategy with measures to boost the entities of the economic system that promote collective entrepreneurship as a formula for the creation of quality sustainable and inclusive employment linked with territorial development.
	Spanish Strategy for Social Responsibility of Companies 2021-2027 (currently being drafted)	This strategy aims to foster the development of responsible public and private organisational practices that improve social, environmental and good governance practices.
2% GDP investment in R&D	Spanish Science, Technology and Innovation Strategy (approved by the Council of Ministers of the 8 September 2020 last).	Reference instrument for drafting State Scientific Research, Technical and Innovation Plans, which encompass the criteria and mechanisms articulated under the sectoral plans of the Central General Government, Autonomous Communities and other Public Administrations.
	State Budget for R&D&I	The 2018 PGE extended to 2019 includes a total expenditure on civil R&D of 6,366 billion euros, 5.4% higher than in 2017, including subsidies and refundable tax credits. The total non-financial budget amounts to 2.629 billion euros in 2018 (+7.1% compared to 2017). The total financial budget (refundable loans) amounts to 3.738 billion euro (+4.2% compared to 2017). State Research Agency. 2019 is the third year in which the Agency has its own budget intended for the promotion and coordination of scientific and technological research. The Agency's budget for 2019 is carried over from 2018 and increased to 640 million euros, of which 614 are intended to fund grants under the National Scientific and Technical Research and Innovation Plan 2017-2020.
	Promotion of R&D companies by means of direct incentives and access to public funding.	Improvement of public funding conditions. In 2018 The CDTI (Centre for Technological and Industrial Development) adopted a new policy on non-refundable loans to increase financial cover (85% in general), increasing the advance (up to 35%) and making the amortisation of the loan flexible (up to 10 years).

		In 2019, the CDTI invested 834 million euros supporting 1,674 R&D&I projects (11% more funds than in 2018). The traditional instruments for action are the IDIS, R&D Projects, the CIEN Strategic Business Projects and NEOTEC for companies with a technological base. Furthermore, the first call for Cervera Grants for Technological Centres.
	Human Resources in R&D	Consolidation and rejuvenation of research personnel in public research bodies (OPIs as per the Spanish) and universities. * In December 2018, the State Research Agency was authorised to hold a call for the hiring of researchers with funding of €111.2 million (State Talent and Employability Promotion Programme). * 1450 vacancies in the Extraordinary Public Employment Offer of January 2019 to reduce the prevalence of short-term contracts in OPIs. * The Public Employment Offer of 2019, approved in March, increased the number vacancies to be filled in positions attached to the Ministry of Science, Innovation and Universities by 9%. Approval of Pre-Doctoral Research Personnel in Training Statute Improvement of working conditions for young researchers. Attracting and retaining talent for research.
	Strengthening public instruments to support R&D&I: Red Cervera, increased activities of CDTI, INNVIERTE, the National Research Agency, ENISA, Connected Industry 4.0 Strategy, Línea FID of the Ministry of Science and Innovation and the Ministry of Universities (see CSR 3.1.)	Increase in public support for R&D and implementation of innovative actions, in particular in relation to pre-commercial public procurement (purchase of design and development products, fostering of this form of innovation) and transfer of knowledge.
	Spain Entrepreneurship Nation Strategy	In preparation.
	National Artificial Intelligence Strategy	Integrated focus on the challenges posed by AI, which allows for maximum opportunities as regards this technological development.
	Deployment of digital infrastructures: Assistance for broadband roll-out (PEBA Programme, Plan 800, Connected Schools) and implementation of 5G roll-out process (digital dividend).	Ensure that Spain has the adequate infrastructure for the development of digital economy.
	Creation of the 5G Observatory	Fostering 5G technology.
	Attract large international scientific facilities and projects to Spain:	The installation at the National Centre of Supercomputing (BSC-CNS) of the EuroHPC European supercomputer will constitute an EU investment of around 100 million euros, the largest ever EU investment in research infrastructure in Spain. The Spanish investment is channelled through a consortium with the participation of the Ministry of Science and Innovation, the Regional Government of Catalonia and the Polytechnic University of Catalonia, currently in progress. The installation on the island of La Palma (Canary Islands) of the TMT (Thirty Meter Telescope), constituting an investment of 1.2 billion euros. Beyond direct investment, it has a significant positive impact in placing Spain at the cutting edge of technological infrastructure.
	Spanish strategy for innovation and the blue economy (in preparation, CDGAE informed 1/08/2018)	Fostering of R&D in the blue growth sector.
	Strategic Plan for comprehensive support for the automotive sector 2019-2025	It is estimated that the impact of the Plan would be €515 million for the first two years (2019-2020) and €2.634 billion for the full 2019-2025 period. Taking into account the carry-over effect, it is estimated that the total impact of the Plan will be 2.283 billion euros for 2019-2020 and 9.726 billion euros for 2019-2025.
	Digitalisation strategy for the agri-food sector, forestry and rural affairs.	Attempts to improve the life and employment conditions of the rural environment and promote the active and stable population of rural Spain, in addition to contributing to leadership in a more competitive and sustainable agri-food sector that generates wealth.
	Support throughout 2019 for R&D&I projects in the shipbuilding industry.	Annual budget of €15 million to foster innovation in the sector.
Goals of the fight against climate change: 10% reduction in GHG emissions in different	Draft Climate Change and Energy Transition Bill	Regulatory framework that establishes the institutional grounds for fulfilling the goals with regard to climate change and energy transition.

sectors with regard to 2005 (212.39 mill ton. of CO2 emissions equivalent in 2020) * Renewable energies to supply 20% of the total energy consumption. * Energy efficiency: A 20% reduction in the primary consumption of energy: (on the baseline projection of the use of primary energy in 2020). 122.6 Mtoe	National Integrated National Plan on Energy and Climate (PNIEC) 2021-2030	* The plan anticipates the mobilisation of investments of around 236 billion euros between 2021 and 2030 (80% private investment) and the creation of 250,000 to 364,000 net annual jobs throughout the decade. * In 2030, 42% of renewable energies on the use of final energy, 74% in the case of electricity generation. * Dependence of imported energy will decrease by 15 percentage points, from the current 74% to 59% in 2030.
	Plan of action for decarbonisation	The CDGAE discussed the elements of the Plan of Action on 5/09/2019, which seeks to identify and promote opportunities for economic and employment growth. 10 priority work areas have been identified, to be worked on by various inter-ministry groups: * Sustainable mobility * Equipment for renewable energies * Digitisation of energy systems and networks * Storage * Sustainable resource management in the food sector * Energy efficiency in the construction sector * Sustainable tourism * Circular economy * Electro-intensive industry * Sustainable finance.
	National Plan of Action for Energy Efficiency 2017-2020	A National Plan that seeks to fulfil Spain's 2020 goals on energy efficiency.
	National Energy Efficiency Fund 2014-2020	Financing mechanism for national energy efficiency initiatives.
	Programme to provide assistance to SMEs and Large Businesses in the industrial sector for energy efficiency activities	Promote measures for energy savings and efficiency in the industrial sector.
	MOVES Programme and MOVES Singular Programme	MOVES Programme: Approved by Royal Decree 72/2019, of 15 February. Plan to boost sustainable mobility which has a budget of €45 million to fund the follow activities: * Acquiring alternative energy vehicles *Implementing infrastructure for recharging electric vehicles *Implementing systems for borrowing electric bikes *Implementing measures included in plans for company workplace transportation. Singular MOVES Programme: approved by Order TEC752/2019, of 8 July. Boosting unique mobility solutions in urban spaces and projects for electric mobility innovation.
	National Programme for control of Atmospheric Pollution (PNCCA)	Approved by the Government on 27/09/2019. It seeks compliance with Spain's 2030 goals for the reduction of certain atmospheric pollutants. The objectives of the PNCCA are aligned with the PNIEC, helping to meet the goals of the fight against climate change.
	Programme to provide assistance for the energy renovation of existing buildings and infrastructures of the General Administration of the State within the framework of the FEDER Operational Programme for Sustainable Development 2014-2020	Promote energy efficiency measures in General Administration of the State offices.
	Programme to provide assistance for Sustainable Urban Development (SUD)	Promote investments in Local Entities that contribute to a low-carbon economy.
	Sectoral Agenda of the wind energy industry, approved in September 2019	The goal of this agenda is to identify the primary measures for tackling the specific needs of the wind energy industry, such as improving the adaptation capacity of production centres, re-powering wind parks or developing offshore wind farms. It also includes a series of instruments to incentivise wind energy in three priority areas: industrial development (Plan Reindus), innovation (assistance from the Industria Conectada 4.0 programme) and internationalisation (contributions from ICEX, CESCE and the Fund for Company Internationalisation). The wind energy sector contributes nearly 3.4 billion euros to Spain's GDP and generates more than 22,500 jobs. Meanwhile, exports reached nearly 2.4 billion euros, which makes our country the fourth largest exporter of wind turbines worldwide.

	New regulation on personal-consumption and elimination of the so-called "sun tax" (Royal Decree-Law 15/2018 and Royal Decree 244/2019)	The extension of personal consumption favours the electrification of the economy and reduces emissions, offering citizens an alternative that may be economically advantageous, permitting the entry of new actors and the people themselves into the electrical system, and boosts economic activity and local employment for its distributed character.
Early school leaving below 15%	Universal access to primary education between the ages of 0-3 (included in the Draft Education Bill)	The draft Education Bill includes the adoption of an eight-year plan that will prioritise access by children at risk of poverty and social exclusion. It attempts to combat school dropout rates among children in vulnerable situations and promotes the participation of women in the labour market.
	Strategic Vocational Training Plan	(see above)
	Strengthening of territorial cooperation in education	The Ministry of Education and Professional Training, in collaboration with the Education Authorities of the Autonomous Communities, has reinforced coordination mechanisms through the Sectoral Conference and its bodies: Currently, there are 24 active working groups on different priority areas.
	Territorial Cooperation Programmes (TCPs) with the Autonomous Communities.	A total of 208,695,658 euros in 2019 on different programmes for territorial educational cooperation with Autonomous Communities to support education, text books, boost dual professional training, teacher training, etc.
	Digital Educate Programme.	The Ministry of Education and Vocational Training, in collaboration with Red.es within the framework of the European Union Recovery Plan, will develop, with aim of improving and advancing the digitalisation of education, actions oriented towards education centres, students and teaching staff.
	Youth Employment Action Plan (2019-2021).	Training is one of the 5 pillars of the programmes with measures that include basic skills training and digital skills as well as training programmes in strategic and rural economy sectors. The Plan encompasses hiring bonuses for training programmes and "second opportunity" programmes to tackle early school leaving.
Post-secondary studies for 44% of persons aged 30-34 Progress:	Consolidation of the involvement of companies in the design and approval of qualifications in the framework of the Strategic Vocational Training Plan	Within the Vocational Training improvement objective, the involvement of companies throughout the process has multiplied, especially in the following phases: * Detection and identification of the professional qualification needs of the market. * Design of new qualifications and review and updating of existing qualifications in the National Professional Qualifications catalogue. Design of the Vocational Training curriculum of the educational system. Participation with Vocational Training educational centres in innovation projects arising from the calls of the Ministry of Education and Professional Training. * Participation of professionals form each productive sector in the training activities aimed at teachers and in-company training in the company of Professional Training instructors. * Training of tutors in the company collaborating in the delivery of the training at the workplaces of Vocational Training cycle students. * Implication of the increase of the percentage of the Dual Vocational Training regime. *Participation in calls for residencies of Vocational Training teaching staff in companies
	Digital adaptation of the vocational training system	(see above)
	Development of regulatory framework for employment	This development of the regulatory framework of vocational training for employment has been completed, having approved the following Ministerial Orders in 2019: - Order TMS/368/2019, of 28 March, developing Royal Decree 694/2017, of 3 July, developing Law 30/2015, of 9 September, regulating the Vocational Training System for employment in the labour market, in relation to the training offerings of the competent administrations and their financing and establishing the regulatory basis for public financing subsidies. - Order TMS/283/2019, of 12 March, regulating the Catalogue of Training Specialisations in the framework of the vocational training system for employment in the labour market. - Order TMS/369/2019, of 28 March, regulating the State Registry of Training Entities of the vocational training system for employment in the labour market, and common processes for accreditation and registration of training bodies to deliver training specialisations included in the Catalogue of Training Specialisations.

	Organic Law of Universities (to be drafted).	The new Law includes essential measures to improve the quality of university teaching. Among others: * Specific programme for the improvement and promotion of Teaching and Research Personnel. * Urgent measures to tackle the ageing of university staff. * Basic Statute of Associate Professors.
	Reform of the scholarship system and study assistance.	Reform of the grants and benefits system for study is under way, this year with the measures adopted in *Royal Decree 688/2020, of 21 July, establishing the income and family wealth thresholds and the sums of grants for study in the 2020-2021 academic year and amended by Royal Decree 1721/2007, of 21 December, establishing the grants personalised study grants and benefits*, raising threshold 1, increasing the set sums, reducing the academic requirements and extending benefits to students on the autistic spectrum. The reform of the system is supported by the budgetary increase of 386 million.
Reduce by 000 the number of persons living in poverty or in a situation of social exclusion with respect to 2009	Increase of minimum wage	Forecast to impact close to 2.5 million workers.
	Increase of dependent child allowance	Reduction of child poverty. The dependent child allowance will rise from 291 euros to 341 euros annually. For families in situations of severe poverty, the economic assignment will rise to 588 euros annually. Moreover, the income limits for the right to dependent child or dependent minor allowance are increased. 12,313 euros annually; 18,532 euros for large families (3,002 euros per child from the fourth onwards).
	Strengthening of social protection systems: Reinstatement of age of 52 for the unemployment supplement and the minimum pension for Permanent Total Disability for those aged under 60.	Offers the necessary coverage for persons who find themselves in situations of vulnerability.
	The Reincorpora-t Plan, three-yearly plan to prevent and reduce Long-Term Unemployment 2019-2021.	Its primary objective is to reduce long-term unemployment, with a special focus on the most vulnerable groups, boosting the preventive nature of the measures in risk situations and vulnerability in employment.
	Programme for family protection and focus on child poverty	45 million euros to finance social programmes in Autonomous Communities to fund the basic needs of children in vulnerable families, provide support for work-life balance, and family intervention and support services, and €40 million to support primary care support services.
	VECA 2019 Programme, "Continue learning during school holidays":	Mobilisation of the General State Budget to support Autonomous Communities, Local Authorities and the civil society to ensure meals, entertainment and culture for children during the holiday period. €15m to finance programmes aimed at preventing situations of deprivation and social exclusion in the holiday period among the most disadvantaged families. These benefits triple the number of recipients of these benefits in 2017 to reach 100,000 boys and girls. In the first edition, in the summer of 2018, the Programme already doubled the number of boys and girls benefiting from these provisions compared to 2017.jumping from 33,000 to 66,000 participants.
	National Strategy for Preventing and Combating Poverty (2019-2023). Approved by the Council of Ministers 22/03/2019.	Encompasses four strategic goals: Combating poverty, Social investment in people, Social protection against life cycle risks and Efficacy and efficiency of policies, which are will be developed across 13 objectives and 85 lines of action. It also tackles the fight against child poverty on a transversal basis. It will be executed through the preparation of operating plans with specific measures for each objective.
	Action Plan for the implementation of Agenda 2030 in Spain (2018-2021)	On 20/09/2019 the first monitoring report was presented to the Council of Ministers, which concluded that the governance design of Agenda 2030 was completed and that important advances had been made. The Council of Ministers has approved up to 320 measures with a strong impact on Agenda 2030 in Spain.
	General Directives of the National Strategy with regard to the demographic challenge	(Approved by the Council of Ministers on 29/03/2019. At the presentation and debate stage with Autonomous Communities and local authorities to be approved later at the Conference of Presidents. The Strategy tackles the demographic challenge and fosters the economic and social development of small municipalities with a very negative demographic balance.

Strengthening protection to families in danger of energy poverty.	Royal Decree Act 15/2018, of 5 October, on urgent measures for energy transformation and consumer protection, which includes numerous measures to alleviate energy poverty: * Improvement of valid social electricity benefit * Creation of a social heating benefit * Creation of social workers tasked with fighting energy poverty * Inclusion of single-parent families as a special condition (+0.5 times IPREM)
National strategy against energy poverty 2019-2024.	Approved by the Council of Ministers 5/04/2019. Rigorous and global approach to the energy poverty problem. Reduction target: at least 25% by 2025
Minimum Subsistence Income	Royal Decree-Law 20/2020, of 29 May, establishing the minimum subsistence income. This is a provision aimed at preventing the risk of poverty and social exclusion among those who live along or are part of a cohabiting unit and lack the economic resources to cover basic needs. It is configured as a subjective right to an economic benefit, which forms part of the protective action of the Social Security and guarantees a minimum level or income for those in situations of economic vulnerability. It seeks to ensure a real opportunity for social and employment inclusion of the recipients. It operates as a protection network aimed at allowing the shift from a situation of exclusion to one of participation in society. It will contain, in its design of incentives for employment and inclusion, articulated through different formulas for cooperation between administrations. Some 850,000 families will receive this benefit.

[Addendum]

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

Estimation technique	Phase of the process in which it is used	Relevant features of technique/model used
Short-term forecast equation models	Preparation of macroeconomic scenario under no-policy change scenario	Multi-factor model and transfer functions
Long-term forecast equation models	Preparation of macroeconomic scenario as continued policy	Co-integration error correction models
REMS model	Analysis of fiscal and macroeconomic impact of new measures	General dynamic equilibrium macroeconomic model
Tax revenue forecasts	Based on the fiscal Budgetary Plan and the General Budgetary Plan and quantification of the General State Draft Budget and calculation of the fiscal effect of measures.	Microsimulation models based on macroeconomic provisions and analysis of temporal statistical series.
Tax revenue forecasts	Basis of Budgetary Plan and General State Draft Budget	The expenditure forecasts are based on compliance with fiscal rules, on the sectoral budgetary proposals, the analysis of the temporal statistical series and on the measures adopted by the Government in relation to, among other, public sector personnel and pension policies.
Fiscal effort forecasts	Estimation of structural effort and decomposition by ESA subsectors	European Commission methodology developed in the Output Gap Working Group.

[Addendum Tables]

Table A.1 Amounts to be excluded from the spending ceiling

	2019		2020	2021
	Level*	% GDP	% GDP	% GDP
Expenditure financed by revenue of structural funds	4,885	0.4	0.5	0.5
Gross formation of fixed capital financed with European funds	2,772	0.0	0.3	0.3
Cyclical expenditure on unemployment provisions	-19,821	-0.1	0.2	0.1
Effect of discretionary revenue measures	265	0.0	0.0	0.5
Interest expenditure	28,349	2.3	2.3	2.2
*Millions of euros				
GDP used		1,244,772	1,105,359	1,224,728

Table A.2 Guarantees granted by General Government

(In euro)

	2014	2015	2016	2017	2018	2019
Total Public Administrations						
One-off guarantees						
Total stock, excluding debt assumed by Government	**133.627**	**102.955**	**86.527**	**77.650**	**67.213**	**61.521**
Of which: public companies	74.048	53.538	40.848	34.838	29.488	25.471
Financial companies	129.585	99.723	83.158	73.827	65.563	60.524
Guarantees granted in the context of the financial crisis	55.090	46.385	42.656	39.369	36.435	35.409
Central Government						
One-off guarantees						
Total stock, excluding debt assumed by Government	**129.842**	**99.795**	**83.248**	**73.920**	**65.666**	**60.639**
Of which: public companies	73.557	53.065	40.393	34.416	29.099	25.115
Financial companies	129.585	99.723	83.158	73.827	65.563	60.524
Guarantees granted in the context of the financial crisis	55.090	46.385	42.656	39.369	36.435	35.409
Autonomous Communities						
One-off guarantees						
Total stock, excluding debt assumed by Government	**3.024**	**2.500**	**2.411**	**1.933**	**1.060**	**448**
Local Authorities						
One-off guarantees						
Total stock, excluding debt assumed by Government	**761**	**660**	**868**	**1.797**	**487**	**434**
Of which: public companies	491	473	455	422	389	356

Notes:

1. There are only “one-off” guarantees

2. According to the conclusions of the "Task Force on the implications of Council Directive 2011/85 on the collection and dissemination of fiscal data", the "Total Stock of guarantees, excluding debt assumed by government" item does not include the guaranteed debt of units in the Autonomous Communities sector (S.13) (FROB, FTDSE…), or debt guaranteed by the EFSF.

3. The sum of the guarantee only includes the guaranteed principal, not the financial burden

Table A.3. General Government expenditure by function

Table A.3.a. General Government expenditure on education, health and employment

	2019		2020		2021	
	% GDP	% total expenditure	% GDP	% total expenditure	% GDP	% total expenditure
Education	4,0	9,6	4,8	9,0	4,5	9,4
Health	6,1	14,5	7,6	14,4	6,9	14,4
Employment[1]	1,9	4,6	4,3	8,1	3,2	6,7

[1]This category of expenditure included expenditure relating to the active employment policies, including the public employment services

GDP used	1.244.772		1.105.359		1.224.728	

Table A.3.b. Classification of expenditure by functions

Functions	COFOG code	2019 % GDP	2020 % GDP	2021 % GDP
1. General public services	1	5,5	6,1	5,7
2. Defence	2	0,9	1,0	1,0
3. Public order and security	3	1,9	2,2	2,1
4. Economic affairs	4	3,9	5,6	4,8
5. Environmental protection	5	0,9	1,1	1,0
6. Housing and community services	6	0,5	0,6	0,5
7. Health	7	6,1	7,6	6,9
8. Recreational activities and religion	8	1,1	1,3	1,3
9. Education	9	4,0	4,8	4,5
10. Social protection	10	17,4	22,8	20,2
11. Total expenditure	TE	41,9	53,0	48,0
GDP used		1.244.772	1.105.359	1.224.728

Source: Ministry of Finance

Table A. 4: Expected budgetary impact of the planned and adopted revenue measures: Taxes (before regional transfer)

Measures	Description	Target (expenditure/ revenue)	Accounting principle	Level of implementation	Additional budgetary impact per year (millions of euros)	
					2020	2021
Personal Income Tax (IRPF)					**-345**	**-46**
New measures or 2018	Increase of general reduction on earned income Extension of cheques (rate deductions) family members (for spouse with disability and large family) and childcare expenses	Revenue	NA	Law 6/2018, of 3 June, on the 2018 General State Budget	-251	
Measures in response to Covid-19	Option to change instalment payments method and days of State of Emergency not included in modules.	Revenue	NA	Royal Decree-Law 15/2020	-49	-1
Deduction non-profit entities	Increase of applicable limits and percentages	Revenue	NA	Royal Decree-Law 17/2020		-45
Tax on Lottery	The minimum prize amount exempt from taxation was increased to €20,000 in 2018 and €40,000 in 2019.	Revenue	NA	Law 6/2018, of 3 June, on the 2018 General State Budget	-45	
Corporate Income Tax					**910**	**-15**
Impacts arising from judicial sentences	Revenue/repayment for acts in previous years Principal	Revenue	NA		1,000	
Measures in response to Covid-19	Option to change instalment payments method	Revenue	NA	Royal Decree-Law 15/2020	-90	
Deduction foreign cinema productions	Increase of applicable limits and percentages	Revenue	NA	Royal Decree-Law 17/2020		-15
Impact of measures in the area of direct taxation		**Revenue**	**NA**			**550**
VAT					**-124**	**334**
Measures in response to Covid-19	Option to change instalment payments method and days of State of Emergency not included in simplified regime, 0% rate for sanitary product purchases	Revenue	NA	Royal Decree-Law 15/2020	-119	-1
Reduction of rates on digital publications	Reduction of tax rate from 10% to 4%.	Revenue	NA	Royal Decree-Law 15/2020	-5	-5
Taxation in the area of health:	Increase in VAT of sugary and sweetened drinks	Revenue	NA			340
OTHER TAXES					**0**	**4,529**
Personal Income Tax for Non-Residents	Repayments for sentence of withholdings paid on non-EU investment funds	Revenue	NA			-600
New taxes	Financial Transactions, Digital Services and new Tax on Single-use Plastics	Revenue	NA			2,309

Green taxation		Revenue	NA			1,311
Measures in the area of indirect taxation		Revenue	NA			1,509
TOTAL					**441**	**5,352**
COMBATING FRAUD					**0**	**828**
Limitation of cash payments	The reduction of the limits for the prohibition of payments in cash, both in general from 2,500 euros to 1,000 euros and those applicable to payments made by natural persons not tax resident in Spain, from 15,000 to 10,000 euros.	Revenue	NA			218
Expanding List of Public Finance Debtors	The list of debtors is broadened to expressly include, along with the main debtors, parties jointly liable, due to the importance of these individuals in the existence of such debts. Furthermore, the limit for inclusion on the list is reduced from 1,000,000 euros to 600,000 euros.	Revenue	NA			110
Adoption of best practice on the preventing and combating fraud	Regulatory, organisational and operational measures will be adopted in line with international best practice including the following: Right from the start, Sales suppression software, High Net Worth Individuals, Big data and Data analytics.	Revenue	NA			500
TOTAL TAX MEASURES					**441**	**6,180**

Table A.5. Expected budgetary impact of the expenditure and revenue measures adopted and planned by State and Employment and Social Security

Measures	Description	Target (expenditure/ revenue)	Level of implementation	Additional budgetary impact per year (million €)	
				2020	2021
Increase in civil servant salaries *(both agreements were in force for the 2018-2020 period)*	Maximum level 2.30% (2% plus 0.30% additional funds) and salary alignment for the State Security Forces and Corps	Expenditure	Resolution of 22 March 2018, of the State Secretariat for Public Affairs, on the publication of the II Government-Trade Unions Agreement for improvements in public employment and working conditions, and the Resolution of 19 March 2018 of the State Secretariat for Security, on the publication of the Agreement between the Ministry of Internal Affairs, the National Police union and professional associations of the Guardia Civil (the Spanish National Guard).	-3,340	
Replacement rate	The LPGE 2018, extended automatically for 2019 and 2020, contains a general replacement rate of 100% and different variations for specific groups and Administrations that comply with certain conditions. The costs have been assessed under a scenario of maximums. Information is not available for 2021	Expenditure	Law 6/2018, of 3 June, on the 2018 General State Budget	4	
New access requirements for the Active Insertion Income	Access requirements to the Active Insertion Income have been modified so as to increase their connection to active employment policies and to strengthen compliance with the activity commitment.	Expenditure	Royal Decree-Act 16/2014, of 19 December, governing the Employment Activation Programme. Third final provision.	50	
Extension of paternity leave	In 2020, the duration of paternity leave is extended from 8 to 12 uninterrupted weeks, extendible in the case of multiple births by 1 week more per child starting with the second child.	Expenditure	Royal Decree-Law 6/2019, de 1 March, on urgent measures to guarantee equal treatment and equality of opportunity between women and men in employment and occupation.	-307	

	In 2021, the duration of paternity leave is extended from 8 to 16 uninterrupted weeks, extendible in the case of multiple births by 1 week more per child starting with the second child.	Expenditure	Royal Decree-Law 6/2019, de 1 March, on urgent measures to guarantee equal treatment and equality of opportunity between women and men in employment and occupation.		-307
Increase of pensions in 2020	Pensions and other benefits will be increased by 0.9%	Expenditure	Royal Decree-Law 1/2020/, of 14 January, establishing the adjustment and maintenance of pensions and public Social Security system benefits.	-1,263	
	State pensions and other benefits will be increased by 0.9%	Expenditure		-141	
Increase of pensions in 2021	It constitutes an adjustment of pensions and other benefits in line with the Consumer Price Index	Expenditure	Pending		-1,292
	It constitutes an adjustment of pensions in line with the CPI	Expenditure			-147
Retirement of local police force officers	The ordinary age for access to the retirement pension is reduced based on a reduction coefficient for local police force officers who fulfil certain requirements	Expenditure	Royal Decree 1449/2018, of 14 December, establishing the reduction coefficient for retirement age of local police force officers at the service of entities comprising the local administration	-39	-40
Recovery of the unemployment subsidy for those aged over 52.	Reduction of age for access to the subsidy from 55 to 52, establishing the calculation of income primarily on the beneficiary and not the family unit, removing the obligation to have accessed early retirement where received and re-establishing the minimum contribution to the Social Security during receipt of same at 125% of the Minimum Wage.	Expenditure	Royal Decree-Law 8/2019, of 8 March, on urgent measures in social protection and combating job insecurity in the working day	-400	
Social Security benefits for families	The dependent child allowance is increased for vulnerable families. Specifically, the annual allowance per dependent child for families in situations of poverty is increased from €291 to €341 and €588 for families in situations of severe poverty. From 2020, expenditure will fall as many beneficiaries of children's allowance will switch to receiving the Minimum Subsistence Income	Expenditure	Royal Decree-Law 8/2019, of 8 March, on urgent measures in social protection and combating job insecurity in the working day	436	
Measures to boost permanent employment	Extending the earlier measure to October and December 2019 and February and March 2020 in the Balearic and Canary Islands	Expenditure	Royal Decree-Law 12/2019, of 11 October, on the adoption of urgent measures to alleviate the effects of the bankruptcy filing by Thomas Cook	-1	
	Tax rebate for employers who hire long-term job seekers	Expenditure	Royal Decree-Law 8/2019, of 8 March, on urgent measures in social protection and combating job insecurity in the working day	6	
Other measures impacting social contributions	Increase in contributions for the recovery of the unemployment subsidy for adults over 52 years old	Revenue	Royal Decree-Law 8/2019, of 8 March, on urgent measures in social protection and combating job insecurity in the working day	200	
IMV	Royal Decree-Law 20/2020, of 29 May, establishing the minimum subsistence income. This is a provision aimed at preventing the risk of poverty and social exclusion among those who live along or are part of a cohabiting unit and lack the economic resources to cover basic needs. It is configured as a subjective right to an economic benefit, which forms part of the protective action of the Social Security and guarantees a minimum level or income for those in situations of economic vulnerability. It seeks to ensure a real opportunity for social and employment inclusion of the recipients. It operates as a protection network aimed at allowing the shift from a situation of exclusion to one of participation in society. It will contain, in its design of incentives for employment and inclusion, articulated through different formulas for cooperation between administrations. Some 850,000 families will receive this benefit.	Expenditure	Royal Decree-Law 20/2020, of 29 May, establishing the minimum subsistence income.	-1,500	-1,500
Total				**-6,295**	**-3,286**

Table A. 6: Expected budgetary impact of the expenditure and revenue measures adopted and planned by Autonomous Communities

Measures	Description	Target (expenditure/revenue)	Additional budgetary impact per year (millions of euros)		
		ESA Code	2019	2020	2021
Personnel expenses	Measures for personnel management/planning and reduction in compensations	D1	-632	-935	-1
	No replacement	D1	0	0	0
Nob-availability Agreements Art. 25.1 LOEPSF			1,033	0	0
Pharmaceutical and sanitary products expenditure	Pharmaceutical expenditure arising out of the centralised purchase of medicinal products	P2	13	60	28
	Other measures regarding pharmaceutical and healthcare products spending	D63	0	475	72
Measures related to current costs and public provision	Savings measures related to provision of services and supplies	P2	16	12	4
	Other measures in chapter II	P2	16	78	50
Financial expenditure and interests (does not affect Public Administrations)	Saving on interests with an improvement of funding mechanism conditions	D41	-10	-5	0
Current transfers	Others in Chapter IV	D3, D7	-253	-45	-25
Capital transfers	Others from Chapter VII	D92,D99	-25	-30	-100
Other measures	Other measures (investments)	P51	-25	0	0
Total expenditure measures			**133**	**-390**	**28**
Personal Income Tax and other direct taxes		D51	-18	-186	-115
Inheritance and Gift Tax		D91	-139	-57	132
Wealth Tax		D59	-2	-16	-4
Environmental Taxes		D29	0	55	215
Tax on Capital Transfers and Documented Legal Acts		D21	-38	54	8
Hydrocarbon Tax		D21	401	0	0
IGIC AIEM		D21	-40	62	0
Charges		D29	0	0	0
Other Taxes		D29	40	26	24
Non-tax revenue		-P51	-22	99	-191
Total means of revenue			**182**	**37**	**69**
Total Autonomous Community Measures			**315**	**-354**	**97**

Table A. 7: Expected budgetary impact of the expenditure and revenue measures adopted and planned by Local governments

Measures	Description	Target (expenditure/revenue)	Additional budgetary impact per year (millions of euros)		
		ESA Code	2019	2020	2021
Personnel Expenses	Compensation	D1	-1,046	61	60
Current expenditure	Reduction of expenses in purchases of goods and services	P2	-952	212	243
Public companies	Company dissolution	P2	0	0	0
Suppression of services	Other measures regarding expenditure. Disappearance of minor local entities and elimination of services that are not under local jurisdiction. Non-execution of investments	P2, other current expenditure		222	146
Total expenditure measures			**-1,998.0**	**495.0**	**449.0**
Taxes	Tax raises, eliminating exemptions and voluntary rebates, improved collections management	D2, D5 and D91	452.0	196.0	250.0
	Public fees and prices	D29 and P11	7.0	19.0	22.0
Total means of revenue			**459.0**	**215.0**	**272.0**
Total Local Authorities			**-1,539.0**	**710.0**	**721.0**

2020 and 2021 based on fundamental budgetary lines 2021
2019 data based on 2018 budgetary settlements compared with those from 2018

Table A. 8: Budgetary execution of the General Government and its sub-sectors.

Millions of € (accumulated) Non-consolidated data	2019				2020			
	T1	T2	T3	T4	T1	T2	July (2+3+5)	August State
Budgetary balance by subsectors (6-7)								
1. Public Administrations	34.436	31.332	34.610	3.963	32.642	41.408	NA	NA
2. Central Government	22.200	16.601	15.825	-439	31.326	23.407	-23.420	3.550
3. Autonomous Communities	910	-1.943	3.053	-1.604	-2.477	-2.713	7.060	NA
4. Information on Local Corporations	5.461	6.326	10.179	3.575	3.967	4.396	NA	NA
5. Social Security	5.865	10.348	5.553	2.431	-174	16.318	8.987	NA
Total Public Administrations								
Total revenue	219.107	429.580	645.571	911.211	236.591	510.559	558.271	NA
Total expenditure	184.671	398.248	610.961	907.248	203.949	469.151	565.644	NA
Central Government								
Total revenue	78.711	141.427	209.034	301.435	95.903	192.878	210.727	233.783
Total expenditure	56.511	124.826	193.209	301.874	64.577	169.471	234.147	230.233
Autonomous Communities								
Total revenue	73.848	151.705	230.748	326.504	78.208	163.380	211.558	NA
Total expenditure	72.938	153.648	227.695	328.108	80.685	166.093	204.498	NA
Local Corporations								
Total revenue	20.633	44.093	66.674	93.745	19.677	41.874	NA	NA
Total expenditure	15.172	37.767	56.495	90.170	15.710	37.478	NA	NA
Social Security								
Total revenue	45.915	92.355	139.115	189.527	42.803	112.427	135.986	NA
Total expenditure	40.050	82.007	133.562	187.096	42.977	96.109	126.999	NA

* The quarterly data for 2019 are contained in the 2nd EDP notification issued in late September 2020

Tables A. 9: Execution in national accounts basis of the General Government and its sub-sectors.

Table A.9.1 Quarterly execution in national accounts for General Government

Millions of € (accumulated)	ESA code	2019				2020			
		T1	T2	T3	T4	T1	T2	July (2+3+5)	August (State)
Financing surplus or deficit (6-7)									
1. Public Administrations	S.13	-3.880	-26.411	-17.456	-35.637	-10.547	-72.136	NA	NA
2. Central Government	S.1311	-6.388	-10.524	-9.710	-16.421	-6.453	-48.907	-60.508	-60.295
3. Autonomous Communities	S.1312	-1.658	-8.564	-3.613	-7.105	-2.522	-7.478	3.062	NA
4. Information on Local Corporations	S.1313	-93	-456	2.208	3.748	-745	-2.930	NA	NA
5. Social Security	S.1314	4.259	-6.867	-6.341	-15.859	-827	-12.821	-15.580	NA
Total Public Administrations									
6. Total revenue		114.427	230.326	358.162	487.804	115.449	212.981	236.653	110.480
Of which									
Taxes on production and imports	D.2	39.059	74.968	110.520	142.841	37.610	63.875	58.946	56.198
Current taxes on income and wealth, etc.	D.5	24.361	51.510	91.454	129.157	25.530	48.558	60.259	33.234
Taxes on capital	D.91	1.361	2.648	3.971	5.485	1.249	1.943	1.191	31
Social contributions	D.61	39.322	79.545	119.662	160.667	40.048	78.510	91.574	4.738
Rents on property	D.4	1.948	3.926	5.281	8.793	1.627	2.791	3.173	3.423
Other		8.376	17.729	27.274	40.861	9.385	17.304	21.510	12.856
7. Total expenditure		118.307	256.737	375.618	523.441	125.996	285.117	309.679	170.775
Of which									
Remuneration of employees	D.1	29.725	65.716	96.613	134.463	31.019	68.140	64.468	12.295
Intermediate consumption	P.2	15.728	31.385	46.079	63.982	17.231	33.652	26.019	3.877
Social transfers	D.62, D.632	49.776	113.086	164.259	229.648	52.942	132.363	151.409	13.187
Interest	D.41	6.341	14.492	21.290	28.349	5.903	12.707	14.602	15.287
Subsidies	D.3	2.083	5.419	8.425	12.523	2.905	9.797	10.645	2.661
Gross fixed capital formation	D.51	6.518	13.105	19.520	26.033	7.967	14.681	12.477	4.568
Capital transfers	D.9	2.233	3.820	5.280	8.345	2.587	4.044	4.860	2.447
Other		5.903	9.714	14.152	20.098	5.442	9.733	25.199	116.453
8. Gross debt		1.196.668	1.207.433	1.203.821	1.188.859	1.224.569	1.290.657	NA	1.160.849

Table A.9.2 Central Government

Millions of € (accumulated)	ESA code	2019				2020			
		T1	T2	T3	T4	T1	T2	July	August (State)
Financing surplus or deficit (6-7)									
1. Public Administrations	S.13								
2.) Central Government	S.1311	-6.388	-10.524	-9.710	-16.421	-6.453	-48.907	-60.508	-15.316
3. Autonomous Communities	S.1312								
4, Information on Local Corporations	S.1313								
5. Social Security	S.1314								
Central Government									
6. Total revenue		50.418	101.549	160.189	216.509	50.799	88.275	104.208	128.364
Of which									
Taxes on production and imports	D.2	29.272	54.820	79.742	99.952	28.385	46.872	52.689	64.841
Current taxes on income and wealth, etc.	D.5	11.755	27.176	48.972	71.110	11.163	20.869	26.191	41.730
Taxes on capital	D.91	243	267	316	215	254	248	248	78
Social contributions	D.61	2.161	4.950	7.106	9.971	2.138	4.884	5.617	4.782
Rents on property	D.4	2.013	3.938	5.366	8.751	1.739	3.002	3.618	4.637
Other		4.974	10.398	18.687	26.510	7.120	12.400	15.845	12.296
7. Total expenditure		56.806	112.073	169.899	232.930	57.252	137.182	164.716	143.680
Of which									
Remuneration of employees	D.1	5.441	12.211	17.901	25.076	5.672	12.517	14.439	12.204
Intermediate consumption	P.2	2.338	4.697	6.839	9.526	3.132	5.269	6.087	3.277
Social transfers	D.62, D.632	4.346	11.295	15.870	22.318	4.472	11.708	13.664	12.387
Interest	D.41	5.556	12.917	18.931	25.042	5.205	11.416	13.330	17.091
Subsidies	D.3	599	1.910	3.311	5.134	852	2.356	2.736	2.560
Gross fixed capital formation	D.51	1.779	3.579	5.348	6.893	3.488	5.352	5.960	2.947
Capital transfers	D.9	1.983	3.400	4.674	6.962	1.706	3.389	3.821	2.482
Other		34.764	62.064	97.025	131.979	32.725	85.175	104.679	90.732
8. Gross debt		1.066.029	1.072.015	1.070.283	1.061.240	1.094.947	1.158.811	NA	1.160.849

Table A.9.3 Autonomous Communities

Millions of € (accumulated)	ESA code	2019				2020		
		T1	T2	T3	T4	T1	T2	July
Financing surplus or deficit (6-7)								
1. Public Administrations	S.13							
2.) Central Government	S.1311							
3. Autonomous Communities	S.1312	-1.658	-8.564	-3.613	-7.105	-2.522	-7.478	3.062
4. Information on Local Corporations	S.1313							
5. Social Security	S.1314							
Autonomous Communities								
6. Total revenue		40.282	81.818	133.515	186.015	42.190	87.519	116.008
Of which								
Taxes on production and imports	D.2	3.796	7.482	11.384	16.034	3.359	5.386	6.257
Current taxes on income and wealth, etc.	D.5	10.429	20.676	35.362	48.227	12.146	24.025	34.068
Taxes on capital	D.91	531	1.080	1.689	2.410	458	745	943
Social contributions	D.61	79	171	244	342	86	179	206
Rents on property	D.4	95	292	386	660	68	152	175
Other		25.352	52.117	84.450	118.342	26.073	57.032	74.359
7. Total expenditure		41.940	90.382	137.128	193.120	44.712	94.997	112.946
Of which								
Remuneration of employees	D.1	18.075	40.040	58.890	81.953	18.884	41.814	48.554
Intermediate consumption	P.2	7.552	15.012	22.180	30.452	8.085	16.367	19.260
Social transfers	D.62, D.632	7.474	15.924	23.894	33.578	8.036	16.549	19.359
Interest	D.41	1.019	2.055	3.087	4.298	917	1.734	2.059
Subsidies	D.3	534	1.426	2.184	3.481	616	1.570	1.958
Gross fixed capital formation	D.51	2.686	5.718	8.491	11.557	2.643	5.624	6.465
Capital transfers	D.9	416	1.129	1.782	4.444	982	1.658	2.045
Other		4.184	9.078	16.620	23.357	4.549	9.681	13.246
8. Gross debt		296.926	300.633	298.078	295.080	298.279	305.689	303.033

Table A.9.4 Local Corporations

Millions of € (accumulated)	ESA code	2019				2020	
		T1	T2	T3	T4	T1	T2
Financing surplus or deficit (6-7)							
1. Public Administrations	S.13						
2.) Central Government	S.1311						
3. Autonomous Communities	S.1312						
4. Information on Local Corporations	S.1313	-93	-456	2.208	3.748	-745	-2.930
5. Social Security	S.1314						
Information on Local Corporations							
6. Total revenue		17.042	35.114	54.982	78.323	16.709	33.245
Of which							
Taxes on production and imports	D.2	5.991	12.666	19.394	26.855	5.866	11.617
Current taxes on income and wealth, etc.	D.5	2.177	3.658	7.120	9.820	2.221	3.664
Taxes on capital	D.91	587	1.301	1.966	2.860	537	950
Social contributions	D.61	68	144	214	297	72	148
Rents on property	D.4	119	270	389	544	95	193
Other		8.100	17.075	25.899	37.947	7.918	16.673
7. Total expenditure		17.135	35.570	52.774	74.575	17.454	36.175
Of which							
Remuneration of employees	D.1	5.653	12.221	17.978	24.822	5.894	12.532
Intermediate consumption	P.2	5.558	11.119	16.230	22.863	5.728	11.448
Social transfers	D.62, D.632	329	687	1.036	1.468	336	699
Interest	D.41	139	277	414	551	133	253
Subsidies	D.3	355	677	989	1.296	328	706
Gross fixed capital formation	D.51	2.012	3.748	5.596	7.475	1.809	3.656
Capital transfers	D.9	58	182	334	777	43	148
Other		3.031	6.659	10.197	15.323	3.183	6.733
8. Gross debt		25.971	26.233	25.244	23.231	22.872	24.967

Table A.9.5 Social Security

Millions of € (accumulated)	ESA code	2019				2020		
		T1	T2	T3	T4	T1	T2	July
Financing surplus or deficit (6-7)								
1. Public Administrations	S.13							
2.) Central Government	S.1311							
3. Autonomous Communities	S.1312							
4, Information on Local Corporations	S.1313							
5. Social Security	S.1314	4.259	-6.867	-6.341	-15.859	-827	-12.821	-15.580
Social Security Funds								
6. Total revenue		43.796	82.994	124.353	167.149	41.693	98.526	112.277
of which								
Taxes on production and imports	D.2	0	0	0	0	0	0	0
Current taxes on income and wealth, etc.	D.5	0	0	0	0	0	0	0
Taxes on capital	D.91	0	0	0	0	0	0	0
Social contributions	D.61	37.014	74.280	112.098	150.057	37.752	73.299	85.751
Rents on property	D.4	94	183	282	380	77	140	167
Other		6.688	8.531	11.973	16.712	3.864	25.087	26.359
7. Total expenditure		39.537	89.861	130.694	183.008	42.520	111.347	127.857
Of which								
Remuneration of employees	D.1	556	1.244	1.844	2.612	569	1.277	1.475
Intermediate consumption	P.2	280	557	830	1.141	286	568	672
Social transfers	D.62, D.632	37.627	85.180	123.459	172.284	40.098	103.407	118.386
Interest	D.41	0	0	0	0	0	0	0
Subsidies	D.3	595	1.406	1.941	2.612	1.109	5.165	5.951
Gross fixed capital formation	D.51	41	60	85	108	27	49	52
Capital transfers	D.9	0	0	0	0	0	0	0
Other		438	1.414	2.535	4.251	431	881	1.321
8. Gross debt		43.068	48.693	52.445	55.024	55.025	68.855	68.859