

2015

Budget

2014



**Generalitat
de Catalunya**

Budget 2014

The level of spending in 2013 is maintained, priority is given to social spending and commitment with fiscal stability is adapted to the economic context

Summary

- Budget principles
- Key numbers of Generalitat's Budget
- Generalitat's Budget in detail
- Annex 1. Public sector consolidated budget
- Annex 2. Analysis of expenditure policies
- Annex 3. Macroeconomic framework

Principles of 2014 budget

- The level of non-financial spending financed by general funds is maintained in relation to departments' spending extended for 2013, which means that adjustments must be achieved through revenue
- Priority is given to social spending to keep welfare state services and to protect the most affected by the economic crisis
- Supporting economic recovery in a context of a return to growth and improvement of the labour market
- Joint responsibility of Government, public employees and citizens

Key numbers of the Generalitat's budget for 2014

Budget key numbers (expenditure)

Millions of euros

	Generalitat's Budget	General fund non- financial expenditures (ESA terms) ⁽¹⁾
Non-financial expenditure financed by general funds	21,989	21,989
Expenditure financed by earmarked funds from other public administrations	3,566	--
Subtotal non-financial expenditure (chapters 1 to 7)	25,555	21,989
Capital contributions to entities non-PA-ESA similar to capital transfers (chap.8)	87	87
Capital contributions to entities PA-ESA (chapter 8)	374	374
Other financial assets (chapter 8)	49	--
Subtotal non-financial expenditure and financial assets (chap. 1 to 8)	26,065	22,450
Contribution of Generalitat's PA-ESA entities to the result ⁽²⁾		-398
Non-financial expenditure financed by general funds (before rest of ESA adjustments)		22,051
ESA adjustments not associated with companies ⁽³⁾		272
Non financial expenditure financed by general funds (ESA terms)		22,323

¹ Non-financial expenditure in ESA terms (European System of National and Regional Accounts ESA 95) includes Generalitat's expenditures from chapters 1 to 7, capital contributions to entities not classified in PA-ESA sector similar to capital transfers, capital contributions to entities classified in Generalitat's PA-ESA and their result. Expenditure financed by general funds means that the part financed by earmarked funds from other public administrations is excluded.

² Is the sum of the results of the 176 companies classified in the Generalitat's public Administration sector by a group formed by INE, IGAE and the Central Bank of Spain, according to ESA rules (PA-ESA). The result of Catalan public universities is not included because they must present their budget balanced.

³ Includes, among other, interest accrual adjustments, uncertain revenue and property rights.

Budget key numbers (revenue)

Millions of euros

Concepts	Budget 2014
Totally devolved taxes	2,677
Partially devolved taxes	14,320
Other resources from the funding system ⁽¹⁾	426
Subtotal funding system revenue	17,423
Own taxes	174
Sale of real assets (buildings and other)	864
Concessions and other property revenue	1,454
Other non-earmarked revenue	125
Local government's share of Central government revenue (earmarked)	3,098
Other earmarked revenue	469
Subtotal revenue different from funding system revenue	6,184
Total Generalitat non-financing revenue	23,608
Total non-earmarked revenue	20,041
Total earmarked revenue	3,566

⁽¹⁾ Includes transfers from funding system funds and funding system settlements and other revenue such as Health Cohesion Fund, IT Agreement, Billing for foreigners and accidents.

Budget 2014 deficit (in ESA terms)

Million of euros

	Budget 2014
Generalitat non-financial revenue	23,608
Generalitat non-financial expenditures	25,555
Generalitat non-financial budget position	-1,948
Capital contributions to PA-ESA entities and non-PA-ESA similar to capital transfers	-461
Contribution of Generalitat's PA-ESA entities to the budget position ⁽¹⁾	398
Funding system negative settlements 2008 and 2009	303
Other ESA adjustments ⁽²⁾	-272
Total ESA adjustments	-31
Non-financial budget position in ESA terms	-1,979
% deficit over GDP	1.00%

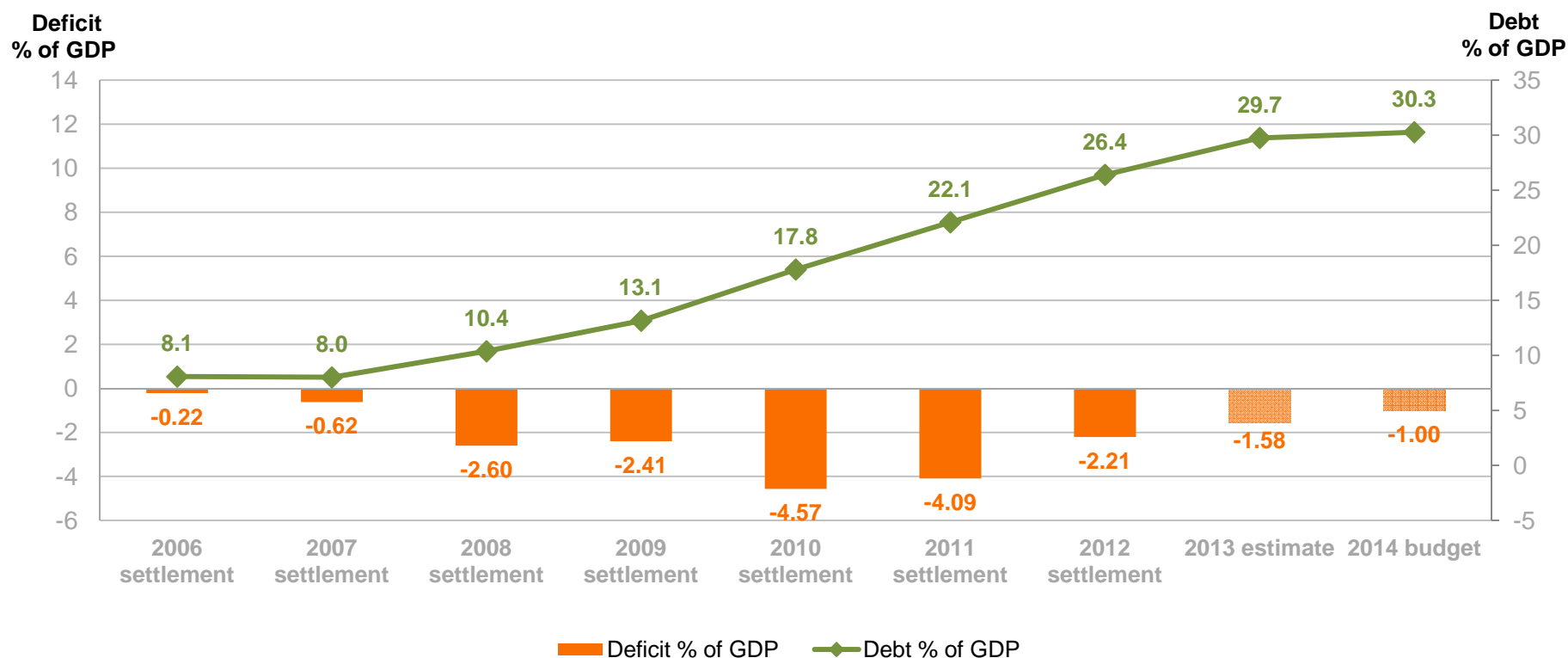
Deficit is reduced by 1,085 m€ compared to 2013 target (-35.4%)

⁽¹⁾ See note (2) page 6.

⁽²⁾ Includes, among other, interest accrual adjustments, uncertain revenue and property rights

Deficit and Debt evolution (ESA area)

Settlement and budget values in ESA terms (% of GDP)

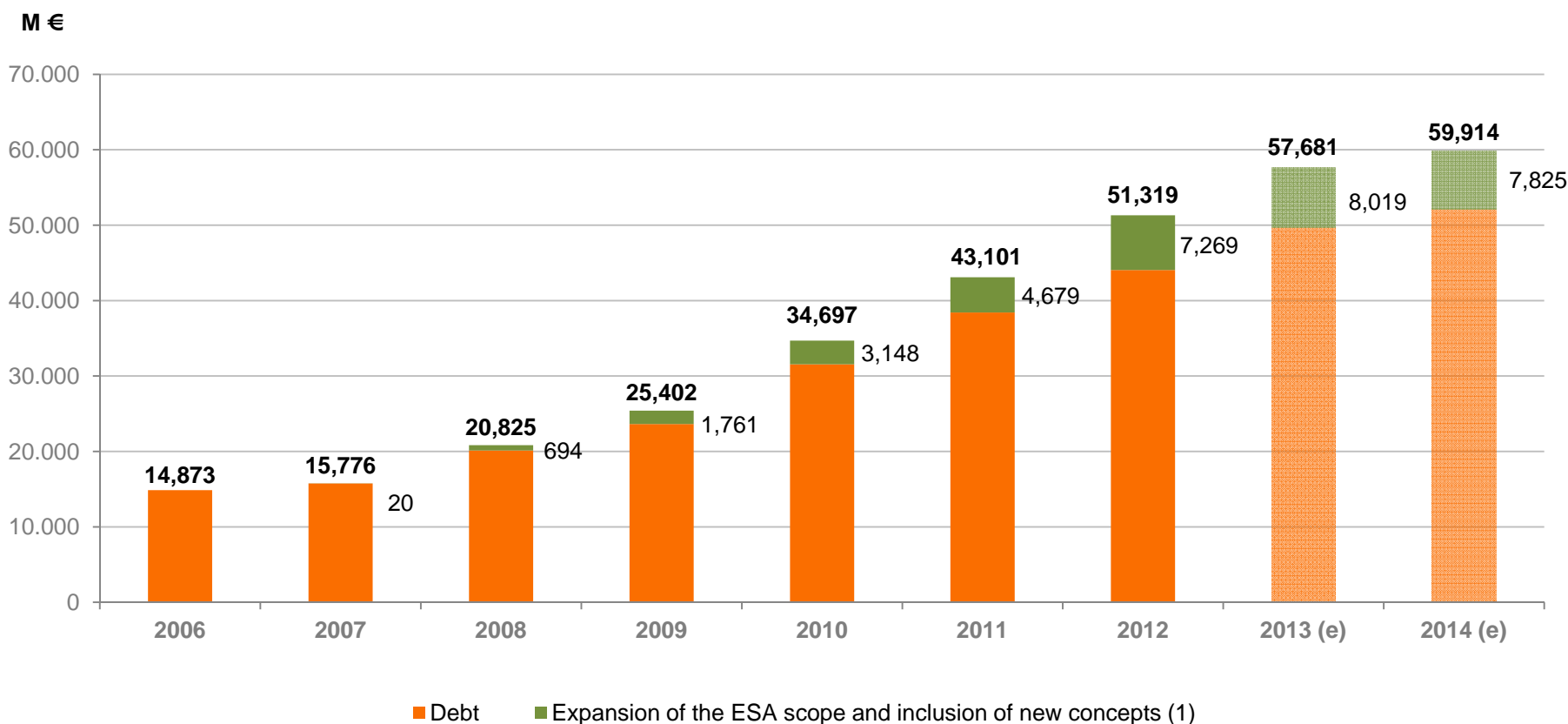


Note: GDP data from 2012 onwards is provided by the Ministry of Finance and Public Administration. Data for 2011 is estimated based on a review conducted by the INE for the Spanish GDP.

Source: Spanish Central Banc, Government Controller's Office (IGAE), National Statistics Institute (INE) and Department of Economy and Knowledge

Evolution of public debt (ESA perimeter)

Debt m€

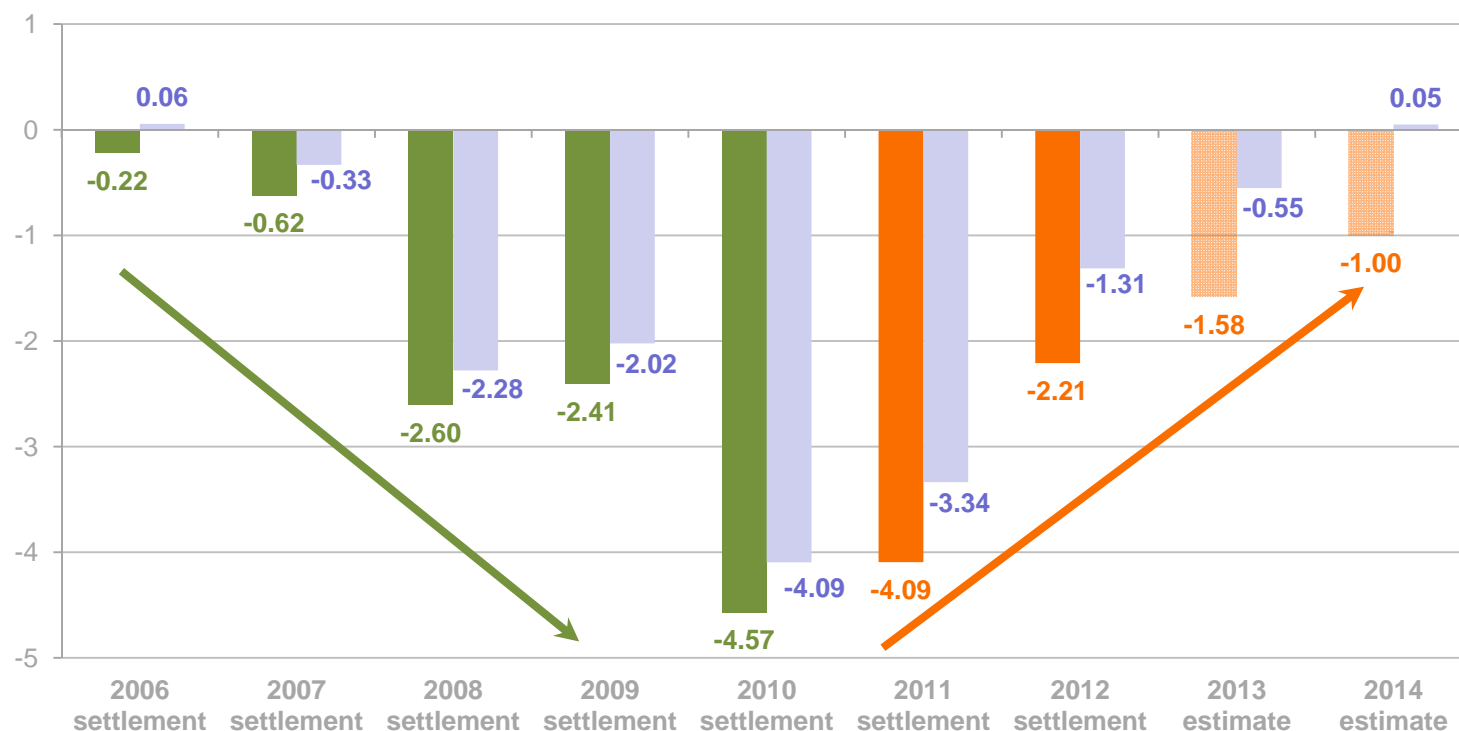


(1) Includes, in cumulative terms, changes in the scope of entities classified as PA-ESA and new debt concepts (reverse factoring operations and debt with corporations for public-private partnerships).

Source: Spanish Central Banc (2006-2012) and Department of Economy and Knowledge (2013-2014)

Commitment to deficit reduction while seeking to render it acceptable to the public

Non-financial deficit in ESA terms (% of GDP)



Deficit before the start of the fiscal consolidation process

Deficit after the fiscal consolidation process has started

Primary deficit

Nota: See note in page 9.

Source: Department of Economy and Knowledge and INE

Primary deficit is the deficit before servicing debt interest

Deficit reduction and primary surplus

Million of euros

Over a period of 4 years the deficit will be reduced 6,924.9 m€ (-77.8%)

	Amount	%GDP	m€Var.	% Var.
Deficit 2010 (settlement)	-8,904.0	-4.57		
Deficit 2014 (forecast)	-1,979.1	-1.00	6,924.9	-77.8

Over a period of 4 years the primary deficit of -4.09% should become a primary surplus of 0.05%

	Amount	%GDP	m€Var.	% Var.
Primary deficit 2010 (settlement)	-7,984.8	-4.09		
Primary surplus 2014 (forecast)	97.9	0.05	8,082.7	-101.2

2014 Generalitat's budget in detail

Maintaining the level of spending in 2013

- In 2014 non-financial expenditure financed by general funds without debt interest remains at the same level as that extended in 2013 (slight increase of 0.2%).
- Tightening the budgetary adjustment could represent a serious deterioration of public services and the welfare state.
- Spending earmarked for meeting unavoidable social needs rises by 91 m€: minimum income (RMI), grants for school meals, support those affected by evictions and fight against child poverty.
- The expenditure on debt interest, on an equal perimeter, is stabilized.

Maintaining the spending⁽¹⁾ level in 2013

Million of euros

Budget section	Settlement 2012 ⁽²⁾	Extension 2013	Budget 2014	2014 / 2013 var.	
	m€	m€	m€	m€	% var.
Presidency	417.8	405.9	403.2	-2.8	-0.7
Governance and Institutional Relations	258.9	231.2	237.2	6.0	2.6
Economy and Knowledge ⁽³⁾	1,484.4	1,034.6	1,032.6	-2.1	-0.2
Education	4,405.8	4,139.4	4,147.4	8.0	0.2
Health	9,074.7	8,202.8	8,216.2	13.4	0.2
Home Affairs	1,168.1	1,104.0	1,110.6	6.6	0.6
Territory and Sustainability	1,523.2	1,375.1	1,368.6	-6.5	-0.5
Culture	222.5	216.2	215.7	-0.5	-0.2
Agriculture, Livestock, Fisheries, Food and Natural Environment ⁽⁴⁾	437.2	278.8	278.8	0.0	0.0
Social Welfare and Family	1,708.8	1,628.0	1,630.5	2.5	0.2
Enterprise and Labour ^{(5), (6)}	372.0	460.2	527.1	66.9	14.5
Justice ⁽⁷⁾	885.8	844.5	845.4	0.9	0.1
Non-departmental funds ⁽⁸⁾	215.4	333.9	282.3	-51.7	-15.5
Subtotal departments i non-dep. funds	22,174.8	20,254.7	20,295.5	40.7	0.2
Higher bodies ^{(5), (9)}	56.0	77.3	77.2	0.0	0.0
Debt (interest)	1,743.1	1,994.3	2,077.0	82.7	4.1
Total	23,974.0	22,326.3	22,449.7	123.4	0.6
Total without interest	22,230.9	20,332.0	20,372.7	40.7	0.2

⁽¹⁾ Non financial expenditure financed by general funds: includes chapters 1 to 7 and capital contributions similar to non-financial expenditure.

⁽²⁾ Non financial expenditure financed by general funds approved in 2012 Budget was 24,394 m€ (22,400 m€ without debt interest)

⁽³⁾ DECO 2012 settlement includes an extraordinary contribution of 409.2 m€ to Infrastructure of the Generalitat de Catalunya SAU, according to IGAE

⁽⁴⁾ DAAM 2012 settlement includes 76,3 m€ of expenditure from de previous year

⁽⁵⁾ From 2013 the entity Consell de Treball, Econòmic i Social becomes an entity subject to public law assigned to DEMO. Year 2012 is unified.

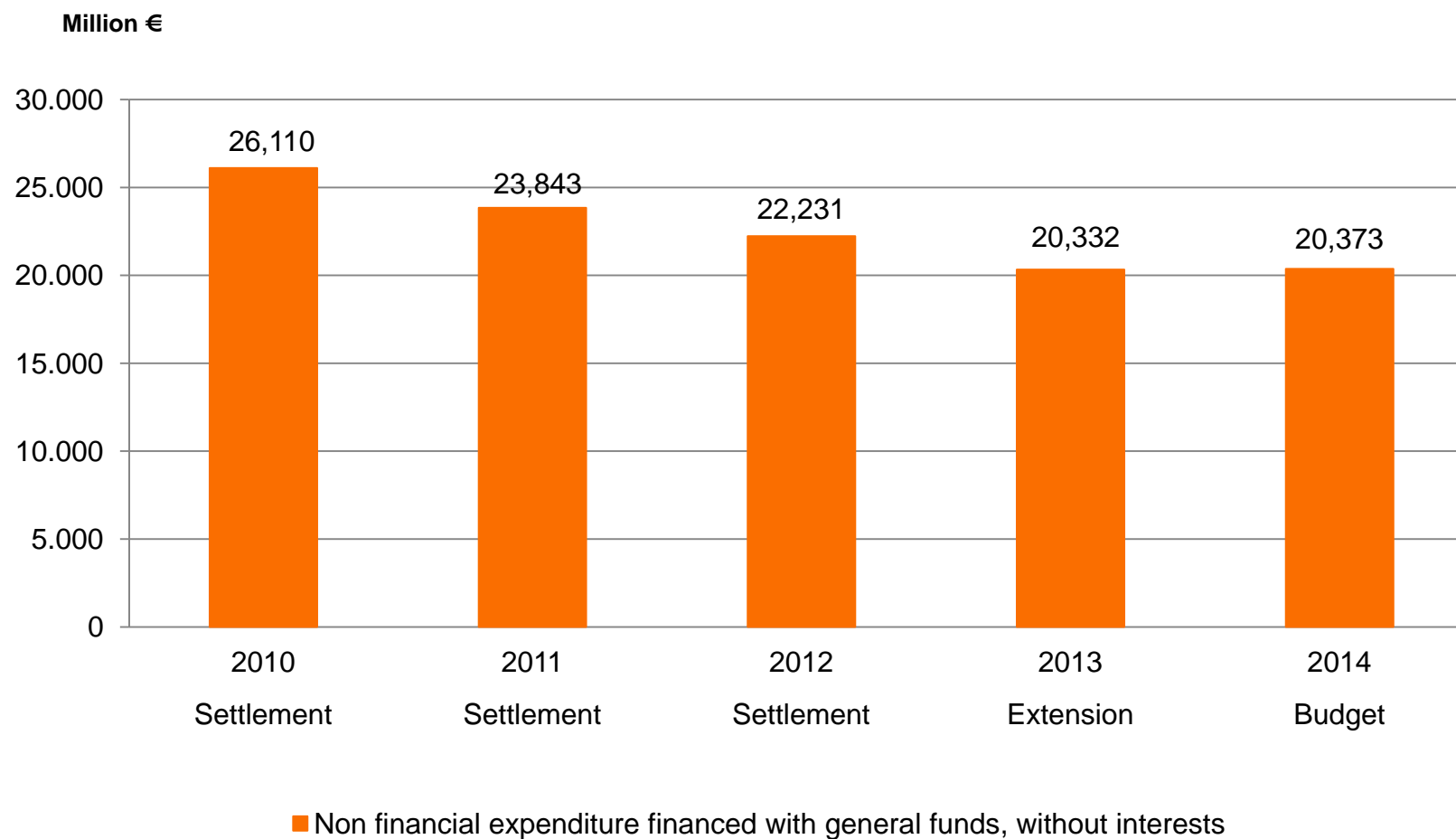
⁽⁶⁾ DEMO 2012 settlement is del DEMO is exceptionally low because there was a retention of 97.8 m€ in transfers to SOC since that entity had cash surpluses.

⁽⁷⁾ Includes the appropriation for the concession agreement of the City of Justice.

⁽⁸⁾ Includes expenditures that affect several departments such as rents and asset management, shared IT services, debt management, pension and contingency fund.

⁽⁹⁾ 2012 settlement of higher bodies is exceptionally low because they made use of treasury surplus

Maintaining the spending level in 2013



Budget cannot be further reduced because per capita expenditure has declined to levels of 10 years ago

Temporal comparison of the level of expenditure and income		Budget 2014	2014 expenditure is just below that of the year	
Total expenditure		m€	€ current	€ constant ⁽¹⁾
Social expenditure		14,442	2007	2005
Departments expenditure		20,484	2007	2005
Departments expenditure + interest		26,065	2008	2006
Non financial revenue		23,608	2007	2005
Per capita expenditure		€	€ current	€ constant ⁽¹⁾
Social expenditure		1,901	2007	2004
Departments expenditure		2,696	2006	2004
Departments expenditure + interest		3,430	2007	2004
Non financial revenue		3,107	2006	2004

Note. The level of spending (chapters 1 to 8, including earmarked revenue) is compared without standardizing for services transferred

⁽¹⁾ 2014 constant euros, according to CPI

Priority is given to social spending to keep welfare safe and to protect the most affected by the economic crisis

- Fiscal consolidation undertaken over the period 2010-2014 has not been linear: social spending has been protected by increasing its share in the budget.
- The importance of social spending as a share of the Generalitat's budget shows a growing trend and increases from 67.8% of department's non-financial expenditure in 2010 to 71.1% in 2014.
- Considering the expenditure assigned to basic services to citizens (social spending, security and justice) the share has increased from 76.9% in 2010 to 80.9% in 2014

Social spending is prioritised and it increases its share over total budget ⁽¹⁾

Million of euros

	Budget 2010	Extension 2013	Budget 2014
Education department	5,222.4	4,139.4	4,147.4
Health department	9,684.4	8,202.8	8,216.2
Social welfare and family department	1,930.2	1,628.0	1,630.5
Minimum income (Enterprise and Labour department)	99.5	100.0	173.0
Aid to families in housing (Territory and Sustainability department)	58.7	58.1	65.6
Total social spending	16,995.3	14,128.3	14,232.7
Total departments and non-departments funds	25,486.3	20,254.7	20,295.5
% Social spending over total departments and non-dept. funds	66.7%	69.8%	70.1%
% Social spending over total departments	67.8%	70.9%	71.1%

⁽¹⁾ Non-financial expenditure financed by general funds

Expenditure on basic services to the population increases its importance over total expenditure ⁽¹⁾

Million of euros

	Budget 2010	Extension 2013	Budget 2014
Total social spending	16,995.3	14,128.3	14,232.7
Home affairs department	1,301.6	1,104.0	1,110.6
Justice department ⁽²⁾	1,001.2	844.5	845.4
Total spending on basic services ⁽³⁾	19,298.1	16,076.8	16,188.7
Total departments and non-departments funds	25,486.3	20,254.7	20,295.5
% Spending on basic services over total departments and non-departments funds	75.7%	79.4%	79.8%
% Spending on basic services over total departments	76.9%	80.7%	80.9%

⁽¹⁾ Non-financial spending financed by general funds

⁽²⁾ Includes appropriation for the concession agreement of the City of Justice.

⁽³⁾ Includes spending on Generalitat's services in several areas: health, education, social services, justice and security.

Deficit reduction by adjusting expenditure (2010-2014)

- The plan to reduce spending started in 2011, together with the revenue measures adopted, have managed to reduce Generalitat's deficit from -4.57% of GDP in 2010 to -2.21% of GDP in 2012.
- Planned reduction of non-financial expenditure financed by general funds without interest is 22% during the period 2010-2014. The only expenditure that increases is that related to the payment of debt interest (by 1.158 m€).
- This spending reduction includes close management of structured finance to defer their budgetary impact over time.

Deficit reduction settlement 2010-2012

Million of euros

Deficit has been reduced in 4,609 m€ (-51.8%)

	Amount	%GDP	m€ Var.	% Var.
Deficit 2010 (settlement)	8,904.0	4.57		
Deficit 2012 (settlement)	4,295.0	2.21	-4,609.0	-51.8

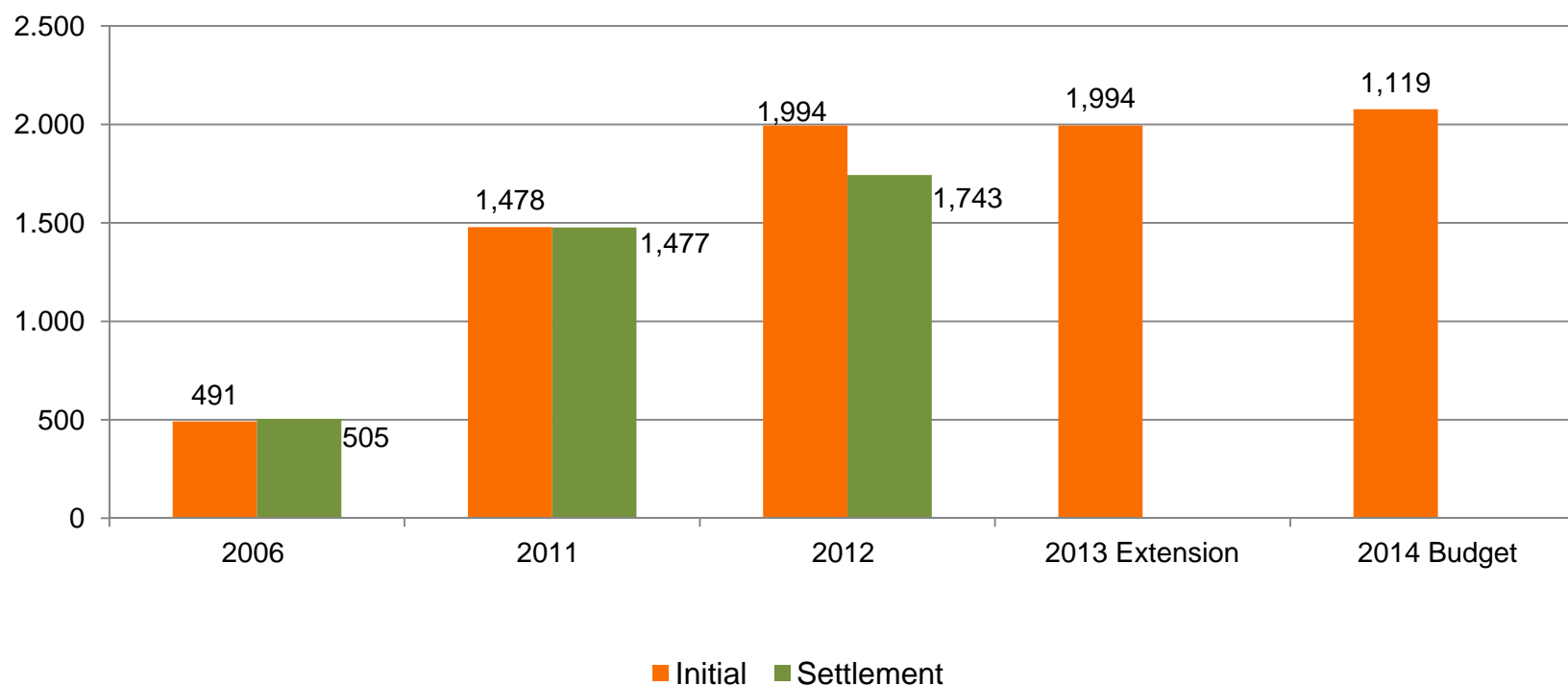
Non-financial expenditure financed by general funds (without interest) 2010-2014

Million of euros

	Settlement	Budget	% Var.
	2010	2014	2014/2010
Non-financial expenditure financed by general funds	27,028.8	22,449.7	-16.9
Debt interest	919.2	2,077.0	126.0
Non-financial expenditure financed by general funds without interest	26,109.6	20,372.7	-22.0

Evolution of interest expenditure

Million of euros



2014 debt interests increase :	2013 initial estimate	2010 budget	2010 settlement
	83 M€	958 M€	1,158 M€

Source: Generalitat's Budget and IGAE

Payments linked to investments made using deferred payment methods

Million of euros

	Budget 2011	Budget 2012	Extension 2013	Budget 2014	Estimate 2015
German methods in roads	0.0	82.4	70.6	22.3	23.5
German methods in transportation and mobility	20.0	184.9	180.4	0.0	0.0
German methods in irrigation	0.0	82.6	11.3	4.1	4.1
Equipment land rights	64.5	83.7	75.1	111.6	113.3
Land rights in <i>Infraestructures Generalitat Catalunya SAU</i>	109.6	141.5	140.7	120.7	123.4
Infrastructures and equipments concession	110.8	222.1	196.3	266.2	317.8
Underground line 9 stations concessions	57.9	134.0	134.0	191.8	260.4
Other underground line 9 funding methods	87.0	48.9	43.6	49.1	49.8
Other projects	28.6	40.0	39.1	21.6	19.5
Total	478.4	1,020.1	890.9	787.5	911.8
Situation at the beginning of 2011	845.5	1,481.5	1,305.0	1,091.6	1,221.6

Deficit reduction by revenue measures (2010-2014)

- Deficit has been reduced despite a simultaneous sharp reduction in revenue.
- The expected increase (compared to 2010) due to revenue measures (taxes increase, active policy of selling asset and concessions) is 2.3%. Without these measures, the revenue would have decreased by 14%.
- In addition, during this period, the Central Government would have reduced by around 750 m€ its earmarked transfers in several areas (estimated settlement) and has appealed to the Constitutional Court several tax measures by Generalitat's Government thus preventing the generation of new revenue

Funding system revenue

Concepts	Amounts in Million of euros	Settlement 2012 ⁽¹⁾	Estimate 2013	Budget 2014	14 / 13 Var. m€ % var.
Inheritance and donations tax		395.3	310.9	331.1	20.1 6.5
Wealth tax		305.0	545.4	458.2	-87.2 -16.0
Tax on transfers and documented legal acts		1,091.4	1,075.0	1,102.9	28.0 2.6
Gambling taxes		227.7	174.5	175.3	0.9 0.5
Energy tax (advance)		269.8	285.1	322.4	37.3 13.1
Vehicle registration tax		72.5	57.0	57.3	0.3 0.5
Tax on hydrocarbons (regional rate) ⁽²⁾		195.1	256.4	229.5	-26.9 -10.5
Totally devolved taxes		2,556.8	2,704.3	2,676.7	-27.6 -1.0
Personal income tax (advance of tax share)		7,430.7	7,338.6	7,046.1	-292.6 -4.0
VAT (advance of tax share)		4,522.7	5,182.4	5,249.5	67.1 1.3
Taxes on tobacco, alcoholic drinks and hydrocarbons (advances of tax shares) ⁽³⁾		1,920.3	2,032.8	2,024.7	-8.1 -0.4
Partially devolved taxes		13,873.6	14,553.8	14,320.3	-233.5 -1.6
Subtotal devolved tax revenue		16,430.5	17,258.1	16,997.0	-261.1 -1.5
Global Sufficiency Fund (advance)		1,753.2	809.2	638.1	-171.1 -21.1
Fundamental Services Guarantee Fund (advance)		-938.6	-718.4	-748.4	-29.9 -
Rest of resources of the funding system ⁽⁴⁾		93.2	95.0	110.0	15.0 15.7
2008 and 2009 funding system pending settlements ⁽⁵⁾		-633.8	-633.8	-633.8	0.0 -
Funding system adjustments		330.7	330.7	330.7	0.0 0.0
Funding system pending settlement (t-2)		916.5	851.1	729.4	-121.6 -14.3
Subtotal funding system revenue		17,951.7	17,991.9	17,423.1	-568.8 -3.2
Which, for advanced payments and funding system settlements ⁽⁶⁾		15,458.1	15,477.6	14,958.8	-518.9 -3.4

⁽¹⁾ Funding system revenue in 2012 budget were 19,332.5 m€ and advances and settlements 16,824.2 m€

⁽²⁾ 2013 includes 28.1 m€ from tax on retail sales of certain hydrocarbons (central Government share)

⁽³⁾ From 2013 tax on retail sales of certain hydrocarbons (central Government share) has been included in tax on hydrocarbons (advance of tax share). Information about 2012 has been standardized.

⁽⁴⁾ Includes Health Cohesion Fund, IT Agreement, Billing for foreigners and accidents.

⁽⁵⁾ 2008 total funding system settlement is -690.7m€ (-138.1m€/year for 5 years) and 2009 total settlement is -2,478.1m€ (-495.6m€/year for 5 years)

⁽⁶⁾ Includes the following revenue: advances of energy tax, personal income tax, VAT, special taxes, global sufficiency fund, fundamental services guarantee fund, 2008 and 2009 negative settlements, funding system adjustments and t-2 funding system pending settlements . In 2012 113.4 m€ must be deducted which correspond to revenue from tax on retail sales of certain hydrocarbons (central Government share) because this amount was not included in the advances, unlike the tax on hydrocarbons that has replaced it.

Generalitat's other non-financial revenue

Million of euros

Concepts	Settlement 2012 ⁽¹⁾	Estimate 2013	Budget 2014	14 / 13 Var. m€	% var.
Subtotal funding system revenue	17,951.7	17,991.9	17,423.1	-568.8	-3.2
Tax on big business establishments	15.1	40.3	39.9	-0.4	-0.9
Tourist accommodation tax	0.0	38.2	38.5	0.3	0.8
Tax on thermonuclear production of electricity	0.0	0.0	21.6	21.6	-
Fee on pharmaceutical prescriptions or health products	45.6	0.0	0.0	0.0	-
Other taxes	73.8	63.8	74.2	10.4	16.3
Sale of real assets (buildings and other)	20.3	407.0	864.0	457.0	112.3
3rd additional provision of Statue of Autonomy of Catalonia	0.0	0.0	0.0	0.0	-
Concessions and other property revenue ⁽²⁾	1,373.7	26.2	1,454.4	1,428.3	5,460.4
Other non-earmarked revenue	296.3	151.2	125.4	-25.7	-17.0
Subtotal other non-financial revenue (non-earmarked)	1,824.8	726.6	2,618.1	1,891.5	260.3
Total non-financial revenue (non-earmarked)	19,776.6	18,718.5	20,041.3	1,322.7	7.1
Local governments share of Central Government's revenue (earmarked)	2,892.4	2,670.2	3,097.7	427.5	16.0
Other earmarked revenue from other public administrations ⁽³⁾	1,093.9	505.3	468.5	-36.7	-7.3
Subtotal earmarked revenue from other public administrations	3,986.3	3,175.5	3,566.3	390.8	12.3
Total Generalitat's non-financial revenue	23,762.9	21,894.0	23,607.5	1,713.5	7.8

⁽¹⁾ In 2012 budget non-financial revenue (non-earmarked) were 18,718.5 m€

⁽²⁾ Includes 732 m€ of revenue from concessions that from an accounting perspective were treated as an ESA adjustment

⁽³⁾ Includes estimated revenue from Central Government, European Union and other public administrations

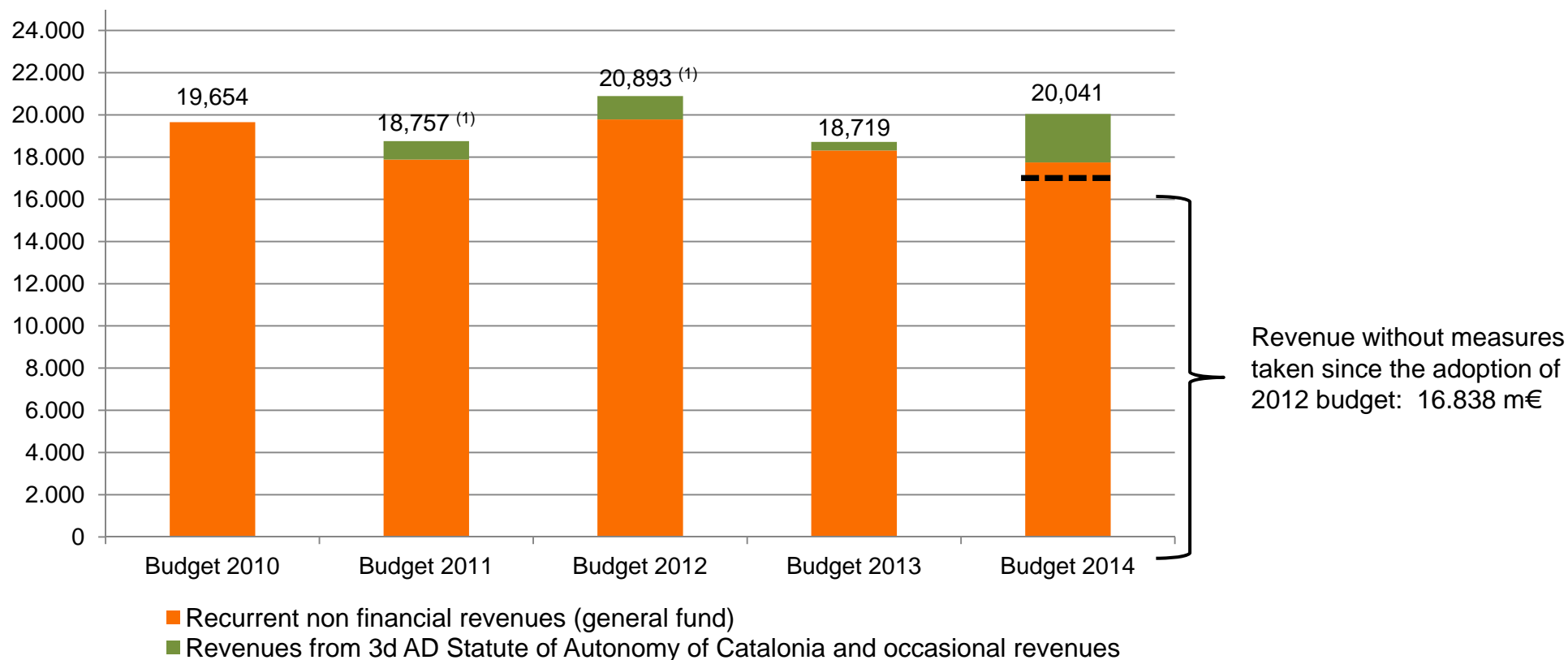
Impact of revenue measures adopted since 2012 budget

Million of euros

	Budget 2014	Impact estimate of a full year
Wealth tax (temporarily reinstated by Central Government) and changes adopted by Generalitat	458.2	458.2
Tax on hydrocarbons regional tax (rate increase)	114.7	114.7
Tax on transfers and documented legal acts (increase of rates and other)	108.8	109.5
Personal income tax (keeping the upper rates of the tax scale)	73.5	73.5
Review of inheritance and donations tax	54.2	108.4
Tax on documented legal acts (rate increase)	40.0	40.0
Tourist accommodation tax	38.5	38.5
Tax on thermonuclear production of electricity	21.6	43.4
Tax on bank deposits	0.0	0.0
Fee on pharmaceutical prescriptions or health products	0.0	0.0
Court fee	0.0	0.0
Tax measures	909.5	986.2
Sales and concessions of real assets (buildings and other), and other revenue	2,294.0	
TOTAL	3,203.5	

Effort to maintain and raise revenue

Million of euros



⁽¹⁾ Includes 732 m€ of revenue from concessions that from an accounting perspective were treated as an ESA adjustment

The expected increase in revenue due to new taxes and changes in the existing ones will allow an increase in the department's budget

Million of euros

	Budget 2014	Estimated impact of a complete annuity
Changes in taxes	17.6	18.4
New taxes	7.1	7.7
Taxes raised by Generalitat	24.7	26.2
Taxes raised by Catalan Water Agency	4.4	6.4
Taxes raised by Waste Agency of Catalonia	14.6	19.3
Expected collection from new taxes and changes	43.7	51.9

Evolution of earmarked revenue from Central Government

Million of euros

	Settlement 2010	Settlement 2011	Settlement 2012	Estimate 2013 ⁽¹⁾	Budget 2014 ⁽²⁾	14/10 Var. m€	%
Employment policies	423.6	451.2	189.9	198.7	193.7	-229.9	-54.3
Social services	361.7	261.4	263.5	203.5	192.5	-169.3	-46.8
Grants and educational programs	180.9	146.3	48.5	115.2	10.0	-170.9	-94.5
Other	328.9	260.8	134.6	27.4	5.6	-323.3	-98.3
Earmarked revenue from Central Government	1,295.1	1,1190.6	636.5	544.8	401.7	-893.4	-69.0
Share of local governments in Central Government revenue	2,543.2	2,769.1	2,892,4	2,670.2	3,097.7	554.5	21.8

(1) Estimate in budget extension for 2013 adjusted for the execution increased respect to forecast October 28, 2013

(2) Estimate in Bill of Budget for 2014

Deficit target for 2014: unfair and disproportionate

- The European Union has relaxed the deficit target for 2014 but the target allocated by the Central Government to Catalonia is 1% of GDP, which is much lower than what would be appropriate if taking into account the weight of its spending over total Spanish public spending. In this case it would be 2.2%.
- The Catalan Government will file an administrative appeal to claim for a share in the deficit target that respects the criteria set by the Fundamental Law of Budgetary Stability and Financial Sustainability.
- With a 2014 deficit of 1% of GDP and given the commitment not pursue further spending cuts, a special effort will be made to increase revenue.
- The increase in revenue should be generated by tax measures and exceptional intervention. Political negotiation will remain to claim other income that pertains to Catalonia.

Complaints to Central Government

- Review revenue from the funding model to adjust it to the expected improvement of economic situation and of collection.
- Implement the new funding model retroactively to January 1, 2014.
- Compensate for the increase in the VAT rate
- Compensate or unlock tax on bank deposits
- Withdraw the appeal against the fee on pharmaceutical prescriptions and court fees
- Payment of debts of the 3rd additional provision of Statute of Autonomy of Catalonia

Supporting economic recovery in the context of Catalonia 2020 strategy (ECAT 2020)

- Commitment with research and innovation as engines to drive the process of job creation and economic recovery.
- Increase the number of places in vocational training and adapt them to the needs of the productive sectors
- Deploy the Fund for the Promotion of Tourism to improve the competitiveness of tourism to take advantage of its ability to generate synergies with other productive sectors.
- Provide, through ICF, financial instruments to viable projects (SMEs, self-employed) to increase and complement credit supply from the private sector.
- Promote employment policies to enhance the professional skills of workers, increase the employment rate and contribute to improving the competitiveness of companies.

Joint responsibility: Government, public employee and citizens

- The reduction of public employee compensation and of high ranked officials and Generalitat's public sector assimilated is maintained. It is equivalent to one extra month's salary.
- The effectiveness of the wage cut is subject to the possibility of obtaining resources from the tax on bank deposits. Otherwise, wages will be updated according to 2014 CPI.
- The budget for 2014 includes a reduction of 57 entities (23.7%) compared to that approved in 2011, as a result of the implementation of the Plan to streamline and simplify Generalitat's public sector.

Annex 1

Public sector consolidated budget

Generalitat public sector entities included in the budget (current situation)

	Number of entities ⁽¹⁾		
	2011	2012	2014
Generalitat	1	1	1
Catalan Healthcare Service, Catalan Institute of Health and Catalan Institute of Assistance and Social Service	3	3	3
Autonomous administrative entities	25	23	19
Autonomous commercial and financial entities	5	3	2
Public law companies	46	47	43
Trading companies	52	47	30
Consortiums	62	61	50
Foundations	46	43	35
Total Generalitat public sector entities	240	228	183
Other PA-ESA entities non-majority shareholding	28	26	26
Total entities	268	254	209

⁽¹⁾ Entities included in the budget approved for 2011 and 2012 and in the Bill of Budget for 2014

The number of entities in the 2014 budget has been reduced 23.7% (57 entities) with respect to 2011.

This evolution is mainly due to the fulfilment of the Catalan Government plan which seeks to simplify, streamline and redefine the whole public sector.

The Government's commitment is to reduce by 25% the number of entities at the end of 2013 compared with January 1, 2011. Given that some of these suppressed entities were not included in the budget because either they didn't have any activity or didn't manage any resources, the objective is expected to be more than achieved at the end of 2013.

GC (Generalitat de Catalunya): Includes 12 departments, 5 non-departmental funds and 6 higher bodies.

PS (Generalitat public sector): Includes Generalitat and all fully owned entities, or those in which the government has a majority stake.

PA-ESA (Public administration in ESA terms): Includes Generalitat and all the entities classified as Public Administration according to ESA regulations (includes those in which Generalitat does not have a majority stake).

Generalitat's public sector expenditure budgets according to the final executor of expenditure (chapters 1 a 8)

Million of euros

Subsectors	Budget 2014
Generalitat	14,099.0
Catalan Healthcare Service, Catalan Institute of Health and Catalan Institute of Assistance and Social Service	7,249.9
Autonomous administrative entities	392.7
Subtotal administrative public sector	21,741.6
Autonomous commercial and financial entities	9.7
Public law companies	2,753.6
Trading companies	1,242.5
Consortiums	2,999.6
Foundations	560.0
Remainder public sector	7,565.4
Total consolidated public sector	29,307.0

Generalitat's public sector revenue by chapters (chapters 1 to 8)

Million of euros

Chapter	Budget
1. Direct taxes	7,696.6
2. Indirect taxes	8,681.5
3. Fees, sales and other revenue	2,545.6
4. Current transfers	5,015.2
5. Property revenue	1,695.8
Current revenue	25,634.6
6. Real investments disposal	1,014.0
7. Capital transfers	44.1
Capital revenue	1,058.1
Total non-financial revenue	26,692.7
8. Financial assets ⁽¹⁾	721.8
Total revenue 1 to 8	27,414.5
Correspond to the Government ⁽²⁾	23,585.4
Revenues from public sector entities ⁽³⁾	3,829.1

⁽¹⁾ Sale of financial assets, repayment of loans and capital contributions received from outside the public sector of Generalitat.

⁽²⁾ The -22.1 m€ difference with respect to page 24 corresponds to Generalitat's revenue from financial assets (+19.1 m€) and to Generalitat's revenue that come from its own public sector (-41.2 m€)

⁽³⁾ Public sector revenue include the sale of travel tickets, refund loans ICF, water taxes, social services copayment from users, fines and penalties from the Catalan Traffic Service, transfers and contributions from other public authorities (for R & D, consortia and other) advertising in public media and revenue from services health, cultural, etc.

Generalitat's public sector expenditures by chapters (chapter 1 to 8)

Million of euros

Chapter	Budget 2014
1. Employee compensation	8,693.5
2. Current expend. on goods and services	7,487.3
3. Interests and financial fees	2,397.5
4. Current transfers	8,654.3
5. Contingency fund	45.0
Current expenditures	27,277.6
6. Real investments	1,072.5
7. Capital transfers	458.1
Capital expenditures	1,530.6
Total non-financial expenditures	28,808.2
8. Financial assets ⁽¹⁾	498.8
Total expenditures chapters 1 to 8 ⁽²⁾	29,307.0
 Expenditure financed by earmarked funds	 3,566.3

⁽¹⁾ Capital contributions to entities outside from the public sector, lending and acquisition of other financial assets.

⁽²⁾ The difference between expenditures from chapters 1 to 8 and revenue from chapters 1 to 8 from the same area is financed increasing net debt as it can be seen in the next page.

Rise in public sector debt

Million of euros

Financial liabilities (chapter 9)

Budget

Debt

8,718.2

Repayment of debt

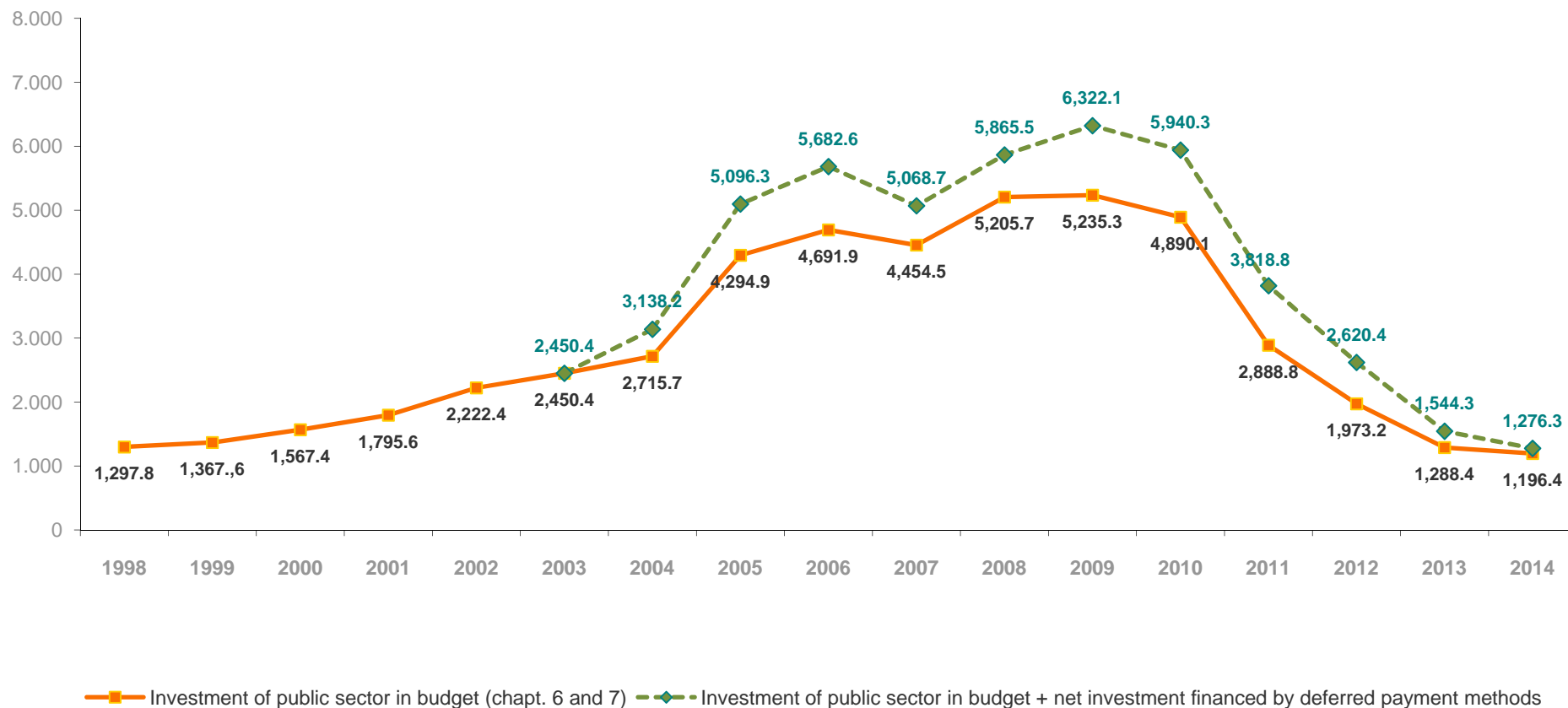
6,825.7

Net change in financial liabilities

1,892.5

Generalitat's public sector investment

Million of euros



Note: 2013 is an estimate

(1) Payments for investments already executed and financed by German methods are excluded

Job positions⁽¹⁾ included in the public sector budget

Number of job positions

	2010	2013 ⁽²⁾	2014	2014/2013		2014/2010	
				Number	% var.	Number	% var.
Executive personnel	247	202	200	-2	-1.0	-47	-19.0
Departments	182	143	143	0	0.0	-39	-21.4
Higher bodies	39	34	34	0	0.0	-5	-12.8
Rest of administrative public sector ⁽³⁾	26	25	23	-2	-8.0	-3	-11.5
Temporary consulting personnel	303	190	191	1	0.5	-112	-37.0
Departments	227	139	141	2	1.4	-86	-37.9
Higher bodies	67	50	50	0	0.0	-17	-25.4
Rest of administrative public sector ⁽³⁾	9	1	0	-1	-100.0	-9	-100.0
Other executive personnel (public sector entities)	161	126	121	-5	-4.0	-40	-24.8
Executive personnel, temporary consulting personnel and other	711	518	512	-6	-1.2	-199	-28.0
							0,0
Civil servants	167,418	164,527	164,384	-143	-0.1	-3,034	-1.8
							0.0
Private regulation personnel	58,193	58,415	57,789	-626	-1.1	-404	-0.7
Total public sector personnel ⁽⁴⁾	226,322	223,460	222,685	-775	-0.3	-3,637	-1.6

⁽¹⁾ The number of job positions are those included in the budget in the Personnel Annex.

⁽²⁾ 2013 estimate.

⁽³⁾ Administrative public sector includes administrative autonomous entities, Catalan Health Service, Catalan Institute of Health and Catalan Institute of Assistance and Social Services. In this case autonomous commercial and financial entities have also been included.

⁽⁴⁾ The reduction in the number of job positions compared to 2011 budget is 8,328 which represents a 3.6% reduction, due to the rise in job positions in 2011 budget compared to 2010 because new entities were incorporated to the budget. The most important are Consorci Mar Parc Salut de Barcelona with 3,374 job positions and Fundació Hospital Universitari Vall d'Hebron-Institut de Recerca (533 positions). On the other hand, the number of job positions of the regional police rose by 600 in 2011.

Annex 3

Macroeconomic framework

Return to growth is forecasted

- According to forecasts, Catalan GDP will recover and grow by 0.9% in real terms.
- That will be possible because of increased internal demand, due to the growth of household consumption and investment. Nevertheless the contribution of internal demand, including public demand, to GDP growth remains at a negative rate of -0.1%.
- What allows GDP growth is the contribution of the external sector.
- Job destruction is expected to halt and a reduction in the unemployment rate is forecasted.

Macroeconomic forecasts – Catalonia

% annual change – unless otherwise indicated

	2012	2013 (e)	2014 (e)
GDP market prices (% real change)	-1.3	-1.1	0.9
GDP mp (m€ current)	207,762	207,509	212,036
GDP mp (% nominal change)	-0.6	-0.1	2.2
Internal demand¹	-3.1	-2.7	-0.1
Household consumption	-2.4	-2.3	0.2
Public sector consumption ²	-2.5	-2.8	-2.1
Investment ³	-6.5	-5.3	0.6
Foreign trade balance ¹	1.8	1.6	1.0
Foreign trade balance ³	3.8	2.4	1.7
Exports of goods and services	4.1	4.2	6.2
Imports of goods and services	-7.1	-2.8	2.4
Balance with the rest of Spain ³	-2.0	-0.8	-0.7
Prices			
GDP Deflator	0.7	1.0	1.3
Labour market			
Jobs created (thousands) ⁴	-141.9	-88.7	3.0
Jobs created (% change) ⁴	-4.4	-2.9	0.1
Estimated unemployment rate (EPA) (% unemployed/active population)	22.6	23.7	23.1

(e) estimate

1. Contribution to growth

2. Includes non-profit consumption

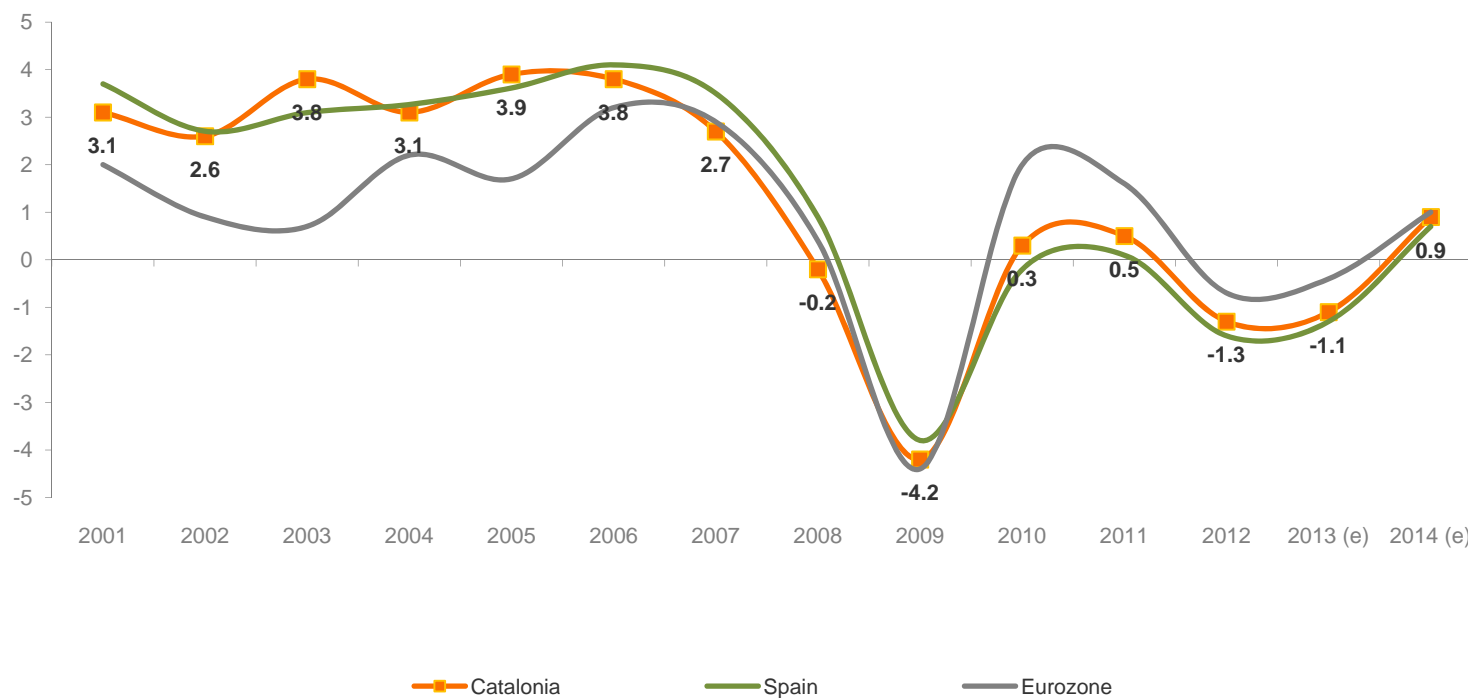
3. Includes stock variation

4. Full-time jobs

Source: Idescat and Department of Economy and Knowledge

Real GDP

% annual change



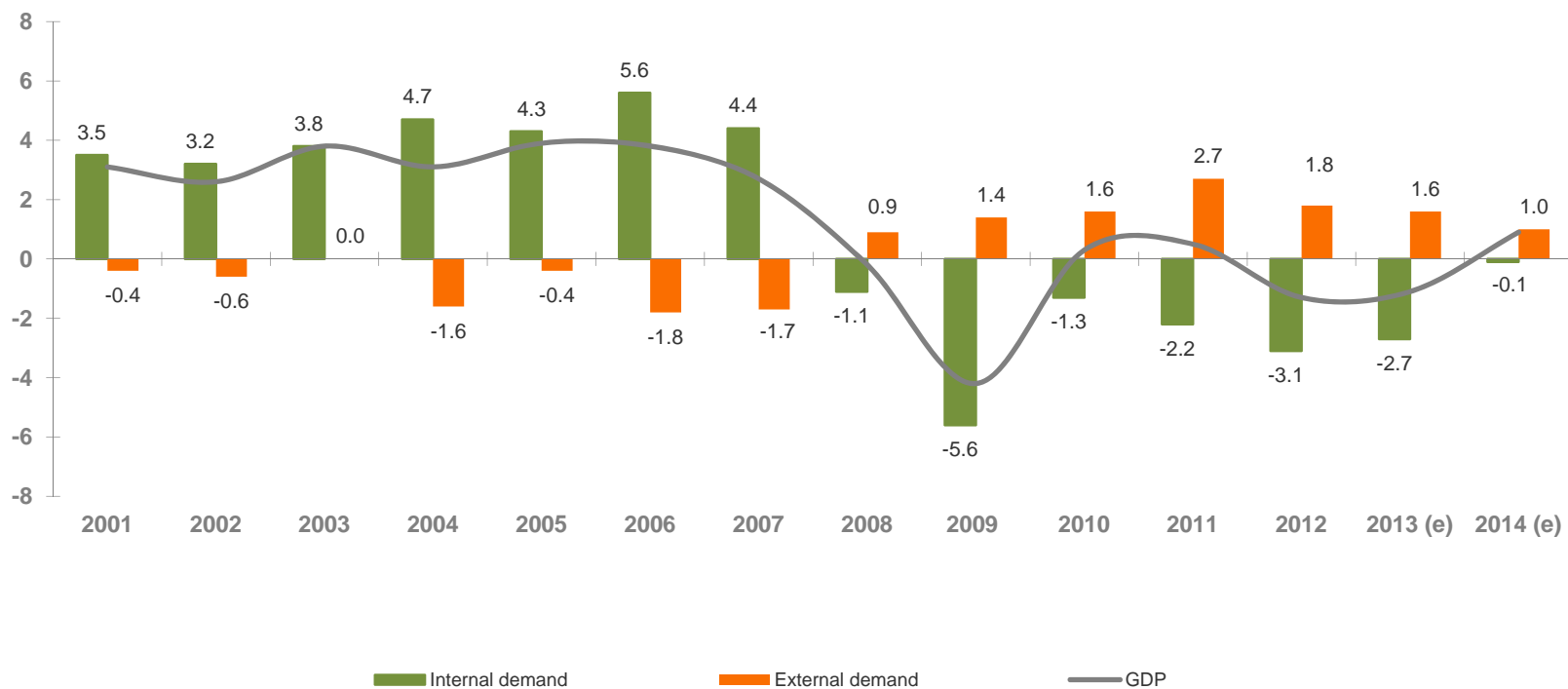
(e) estimate

Note. Estimates for Spain are from 2014 Spanish Central Government Budget and for the Euro zone from the IMF.

Source: Idescat, INE, Eurostat, IMF, MINHAP and Department of Economy and Knowledge

Internal and external demand

% of GDP change and contribution to growth



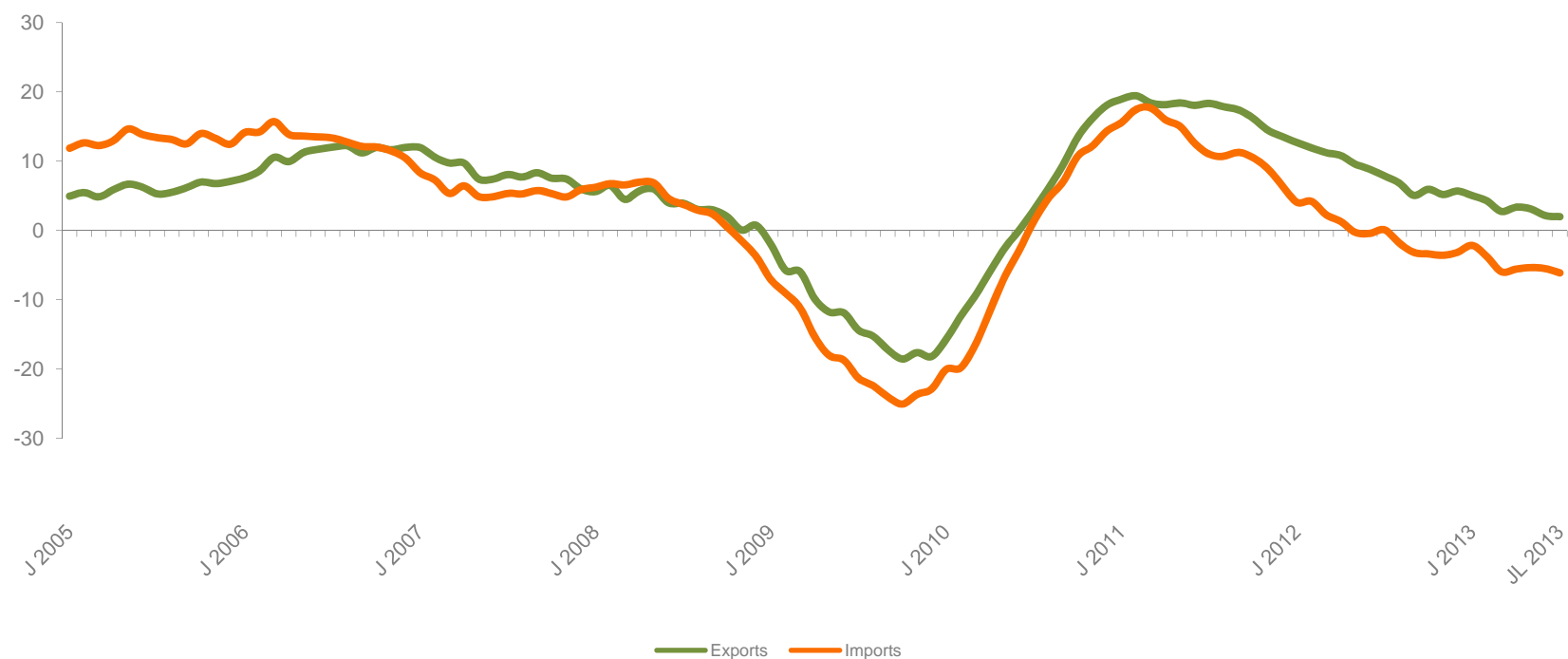
(e) estimate

Note: External demand includes trading with other countries and the rest of Spain.

Source: Idescat and Department of Economy and Knowledge

Imports and exports

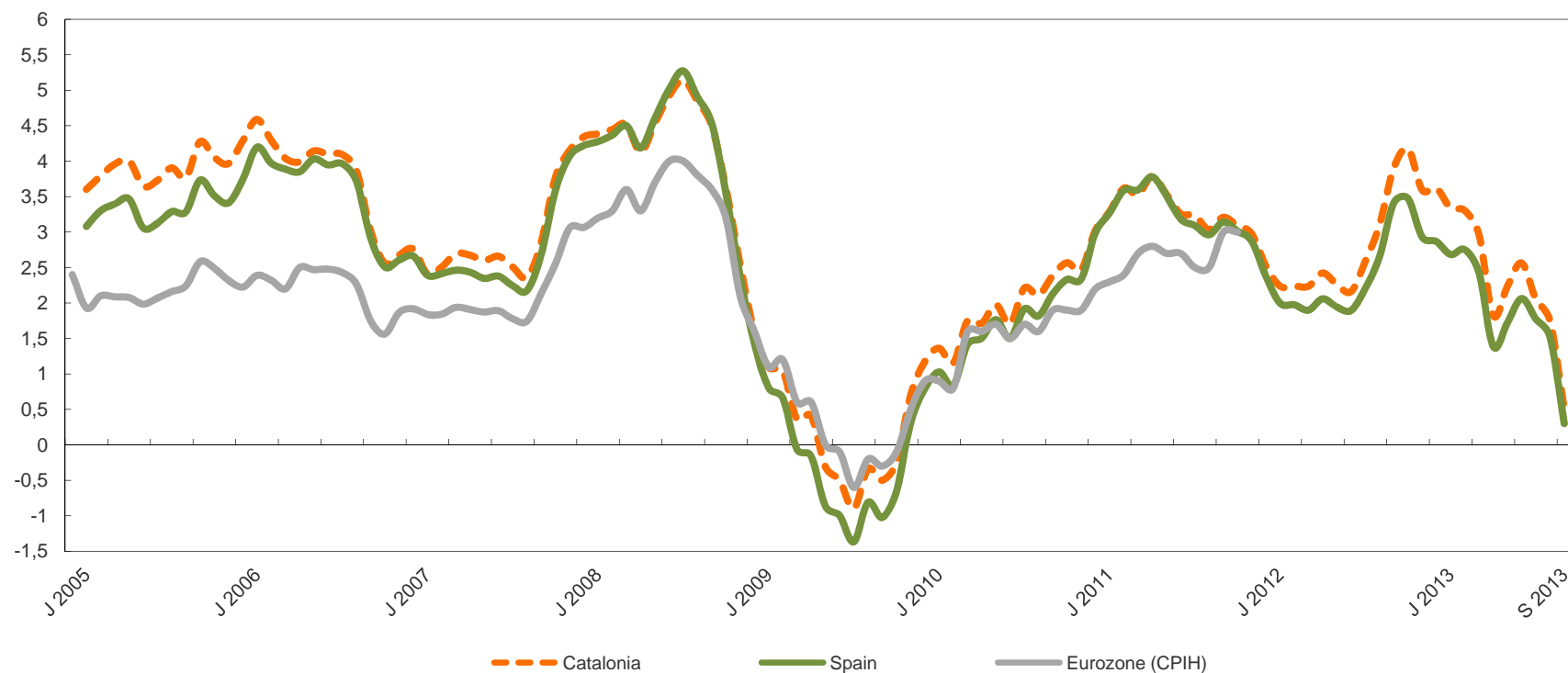
% annual change, 12 month average



Source Idescat a and Central Government Tax Agency.

Prices in Catalonia, Spain and the Euro zone

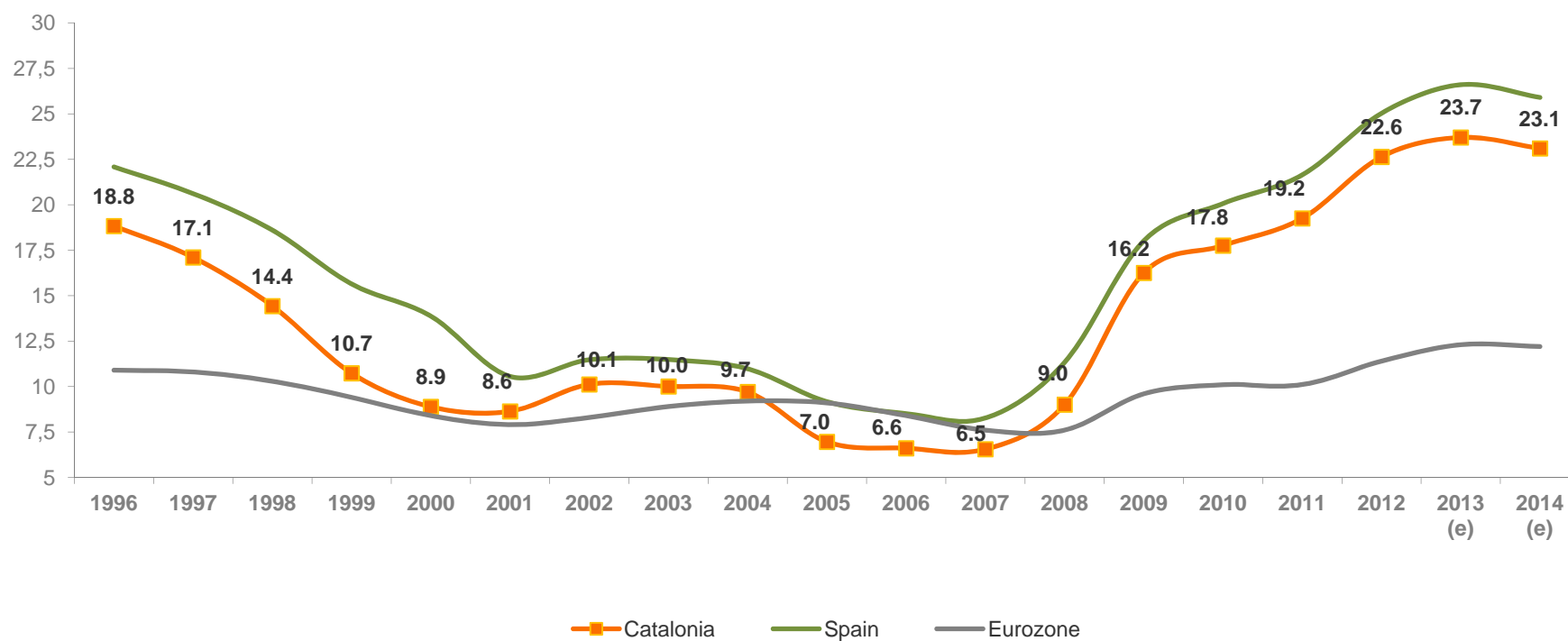
% annual change



Source: INE and Eurostat.

Unemployment rate EPA

% unemployed / active population



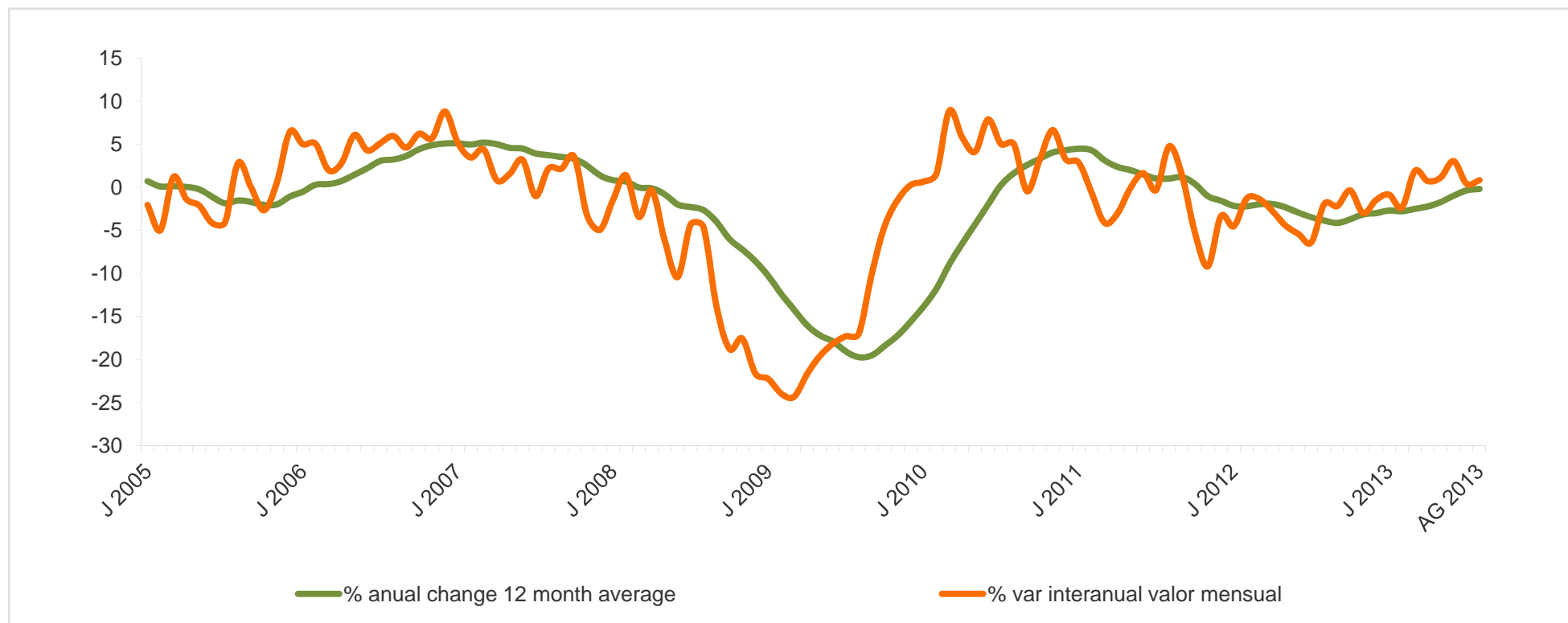
(e) estimate

Source: Idescat, INE, Eurostat, Department of Economy and Knowledge and IMF

Methodological changes in the series affecting Catalonia and Spain in 2001 and 2005

Catalonia's industry production index

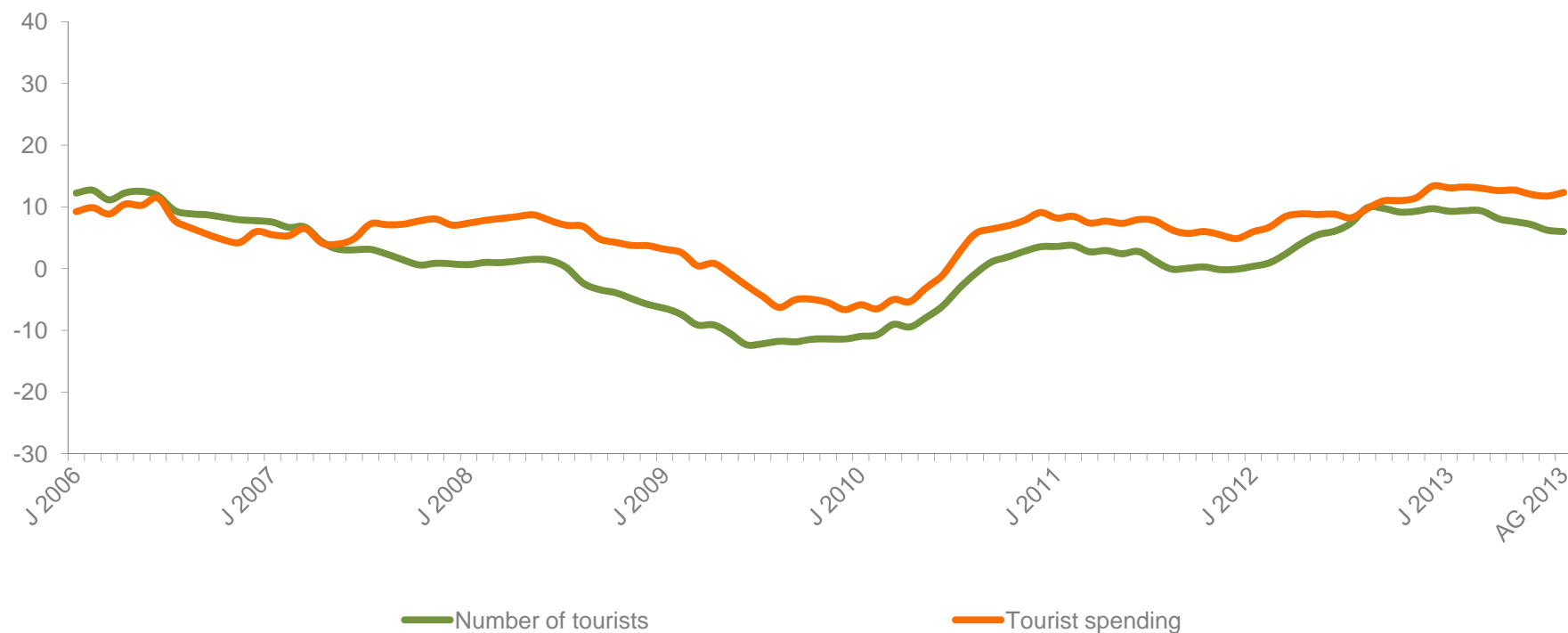
Index adjusted for calendar effects,% annual year



Source: Idescat and INE.

Foreign tourism and hotel overnights in Catalonia

% annual change, 12 month average



Source: Tourist Studies Institute (Frontur i Egatur).

www.gencat.cat/economia/pressupostos