

Balance and Update of the Spanish Economic Policy Strategy

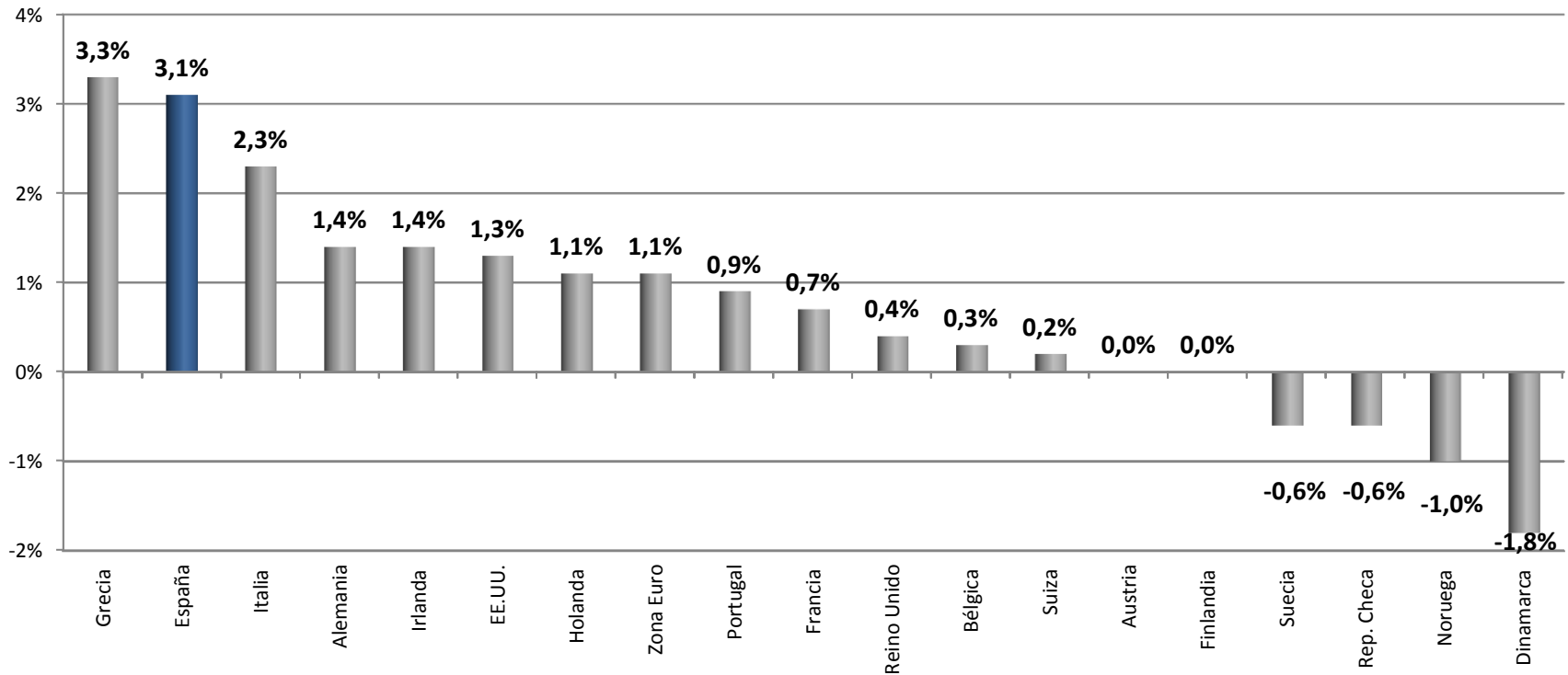
NATIONAL REFORM PROGRAMME

26 April 2013

I. ONE YEAR ON: A STRONGER ECONOMY

A Government committed to tackling the public deficit

Improvement in the primary structural balance in 2012 (% GDP)

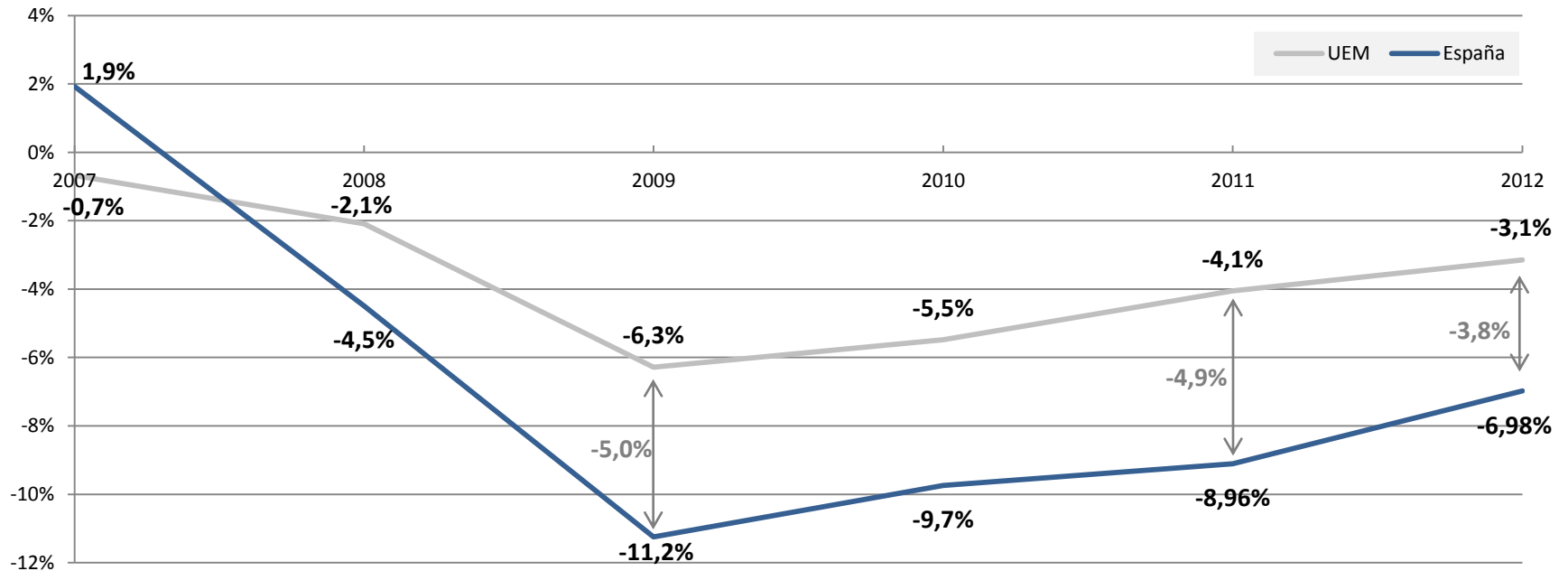


Source: IMF. Fiscal Monitor (April 2013).

- Spain has achieved **the biggest reduction** in the **primary structural balance** of all the major advanced economies. The **biggest structural effort at fiscal consolidation** in the history of our country, at a time of economic recession and financial tensions.

A public deficit on the way to correction

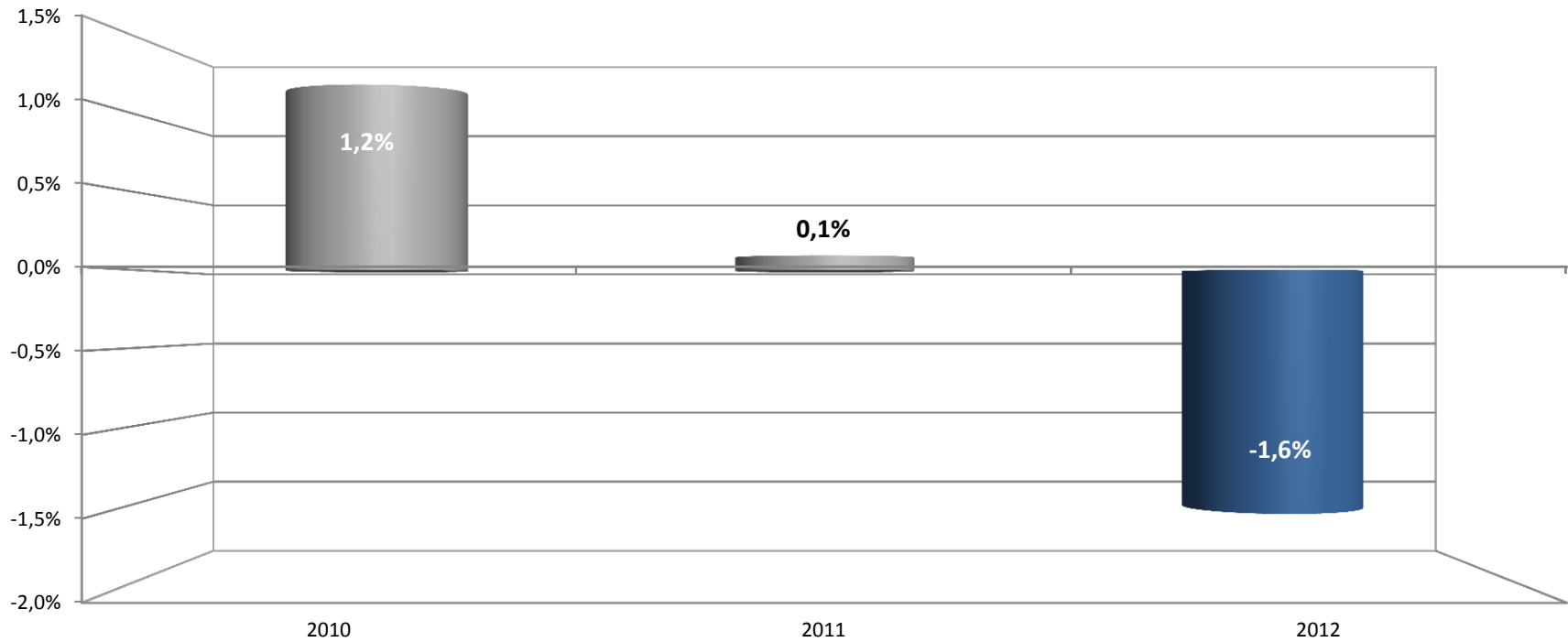
Capacity(+)/Need for finance by the Public Administration Services (% GDP)



Source: Eurostat: Capacity(+)/Need(-) according to the Excessive Deficit Protocol (EDP).

- **The reduction in the deficit in 2012 has been the biggest since the start of the crisis. It has cut the fiscal gap that separated us from our European partners and was deteriorating our confidence and credibility.**

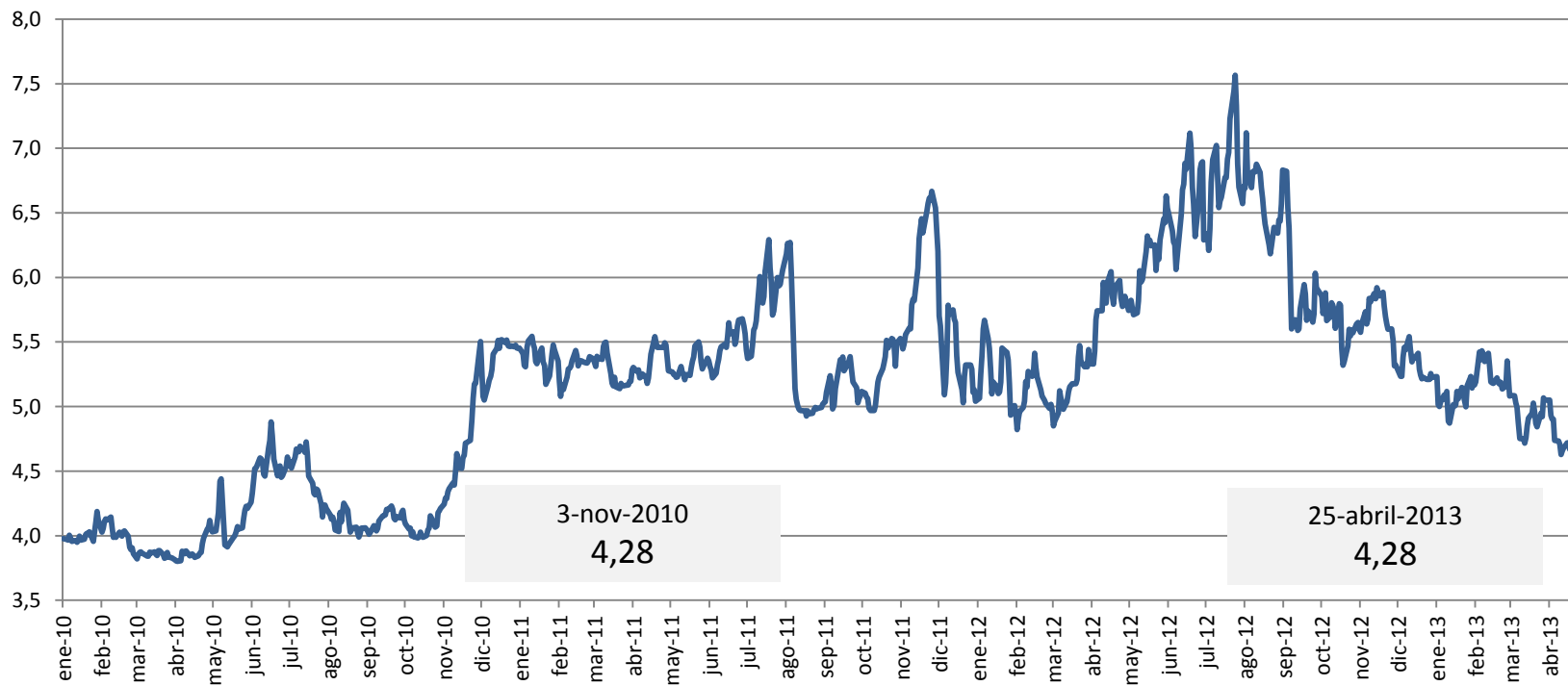
Deficit of the autonomous regions (% of GDP)



Source: Ministry of the Treasury and Public Administration Services. According to the EDP.

- The effort at fiscal consolidation has been **shared at all levels. The autonomous regions have reduced their public deficit by nearly half in a single year, from 3.31% of GDP in 2012 to 1.76% in 2013.**

Interest rate of government debt at 10 years (%)

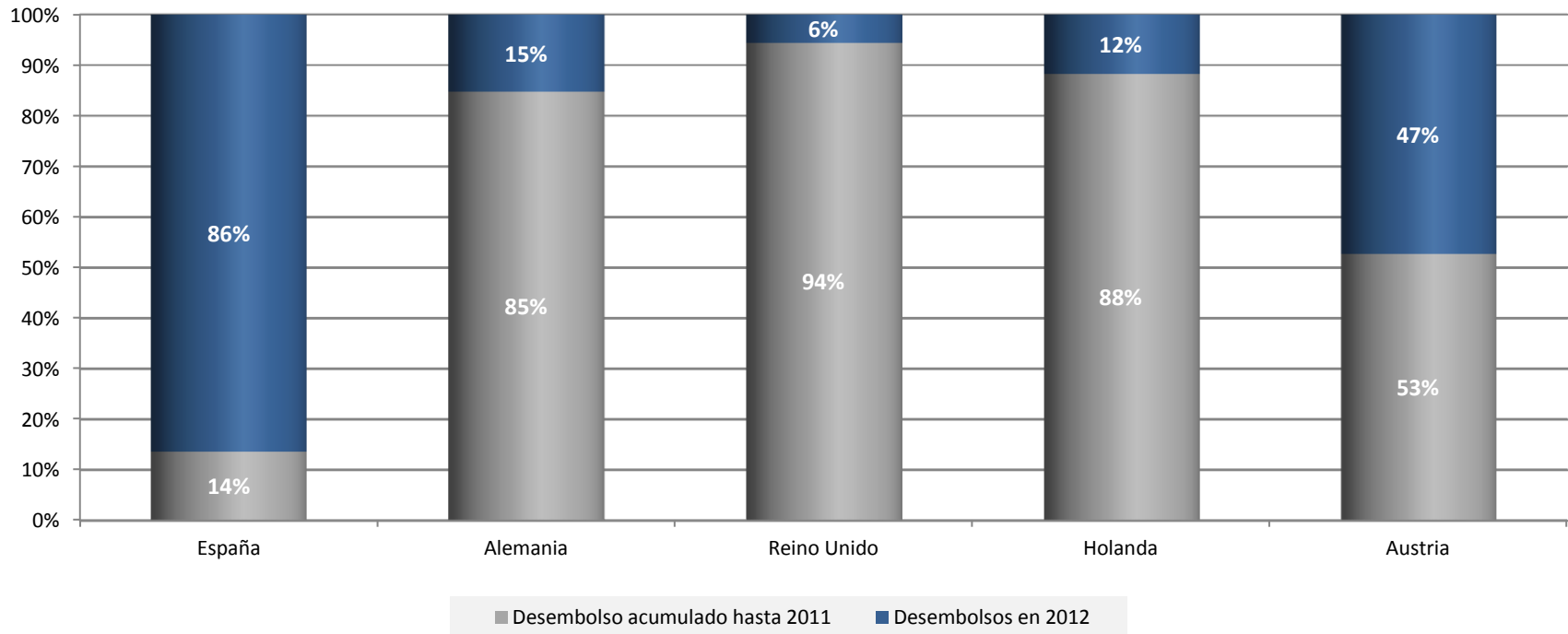


Source: Bloomberg.

- **This joint effort has been translated into confidence and credibility.** The cost of the public debt is falling to levels of more than two years ago.
- Between July 2012 and January 2013, **foreign investment in Spanish government debt has recovered by €46.37 billion.** As of today, the Treasury has already covered more than 40% of its financing needs for 2013.

A necessary strengthening of solvency

Payments for restructuring the financial sector (% of accumulated total)

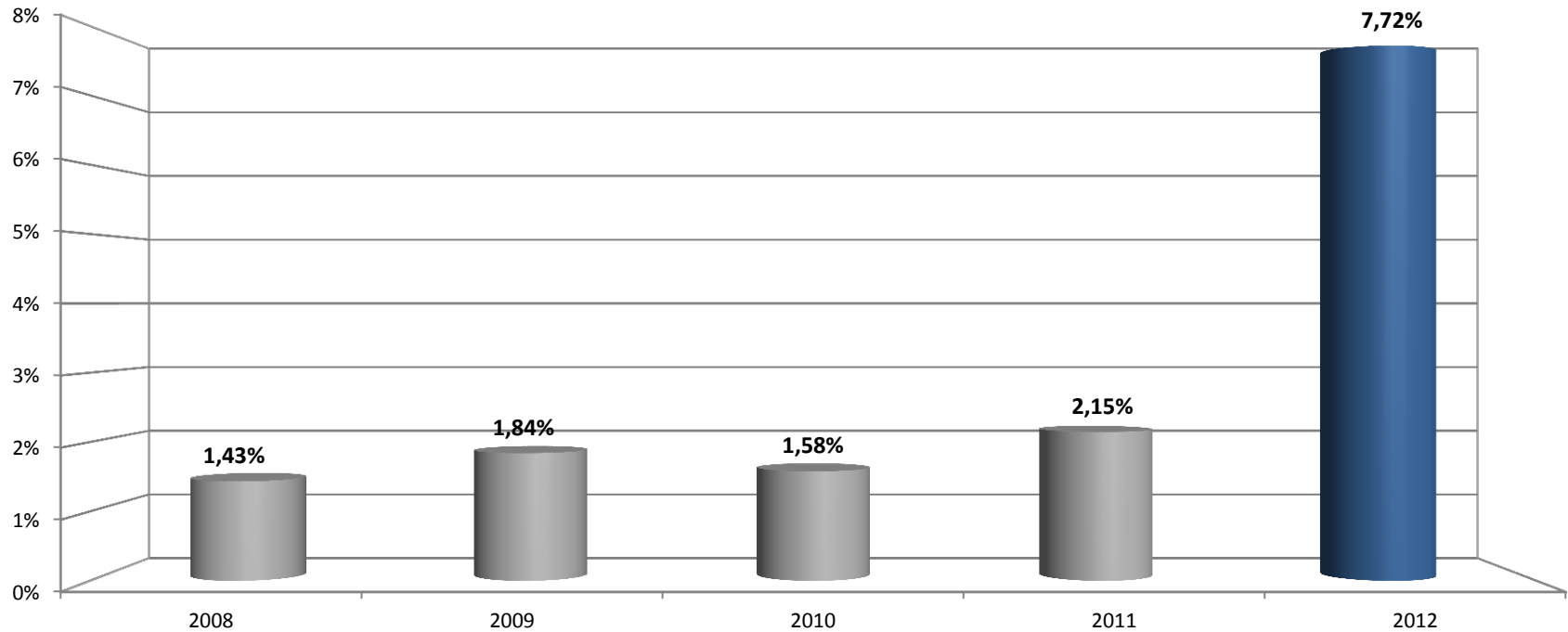


Source: Eurostat: Only includes the payments counted as expenses in the deficit.

- In **2012**, the Government began a determined **process of restructuring the financial sector which our European Union colleagues had begun in 2008**. The delay in taking decisions has increased its cost. But lost time has been recovered and action has been in close coordination with the European authorities.

Recapitalisation of the credit institutions

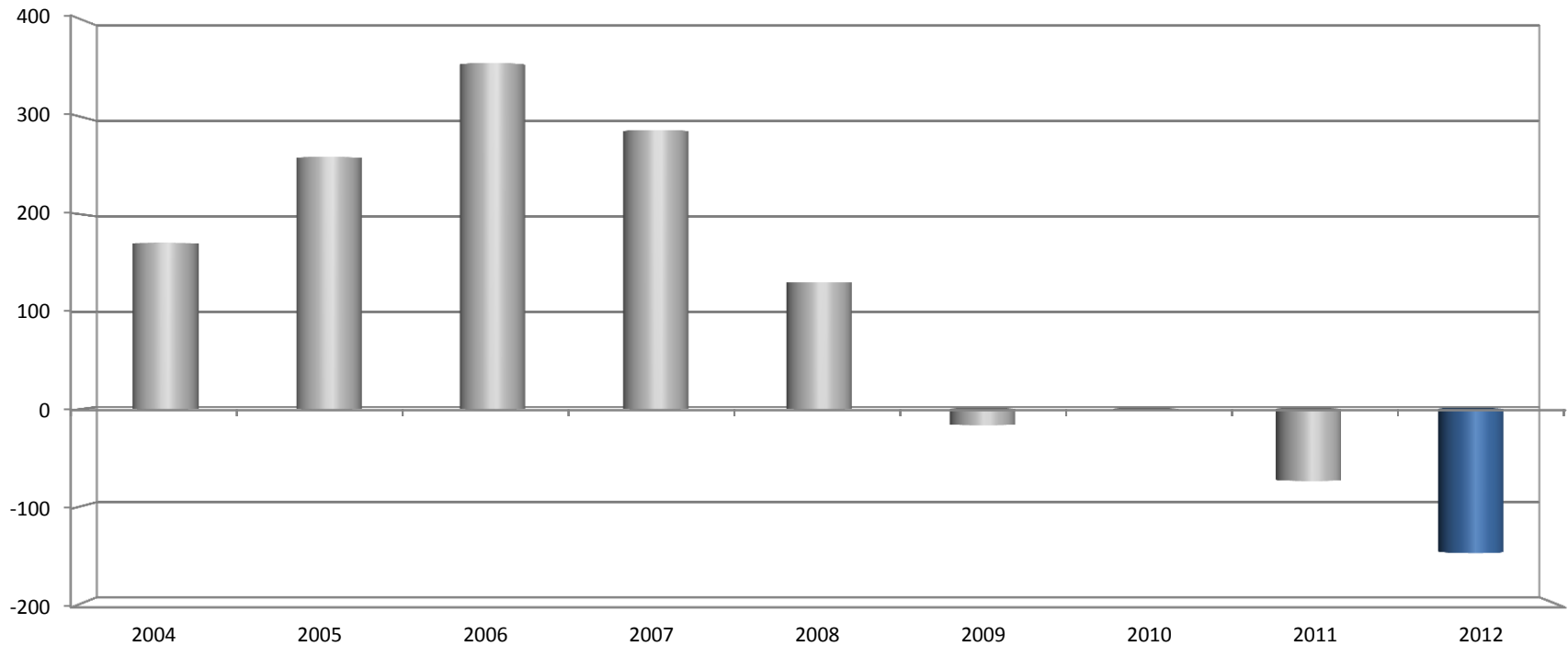
Loan-loss provisions made by deposit institutions (% of GDP)



Source: Bank of Spain.

- The need for capital has been concentrated in four banks owned by the FROB (Fund for Orderly Bank Restructuring), which represent only 18% of the system. They have received a **capital injection of €37 billion**.
- The accumulated level of **provisions for impairment of assets** has grown by 53% in a single year.

Finance for households and non-financial companies (€ billion)



Source: Bank of Spain.

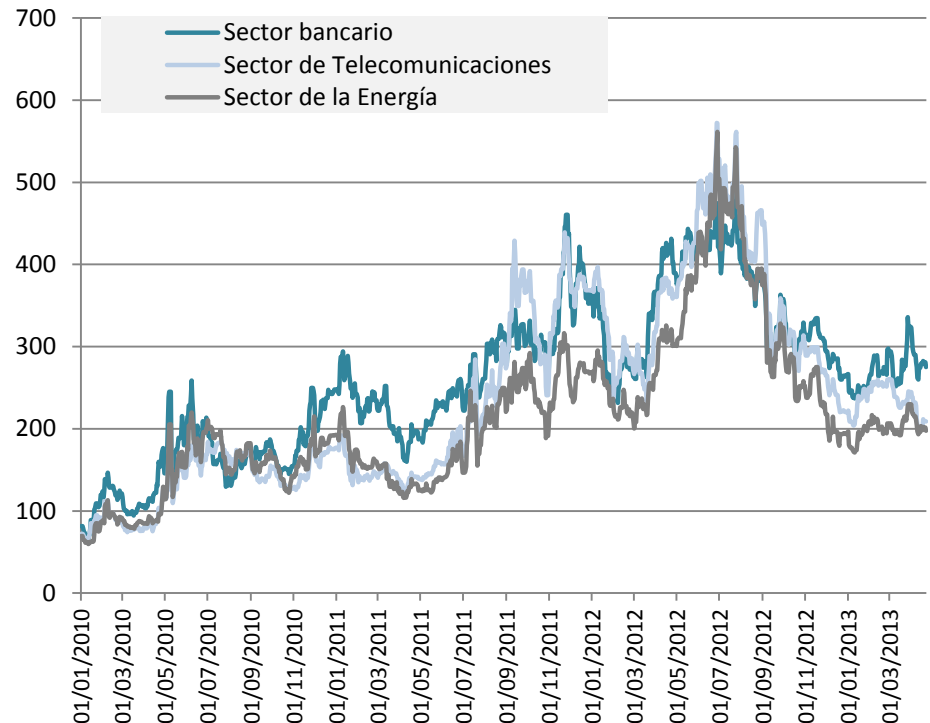
- A **process of deleveraging** has begun, particularly in mature sectors. In this way progress can be made on the **soundness of the financial sector** and promoting a **greater availability of credit** so that the sectors with great growth potential can access finance in competitive conditions.

5-year bond CDS. Bank of Spain (\$).



Source: Bloomberg.

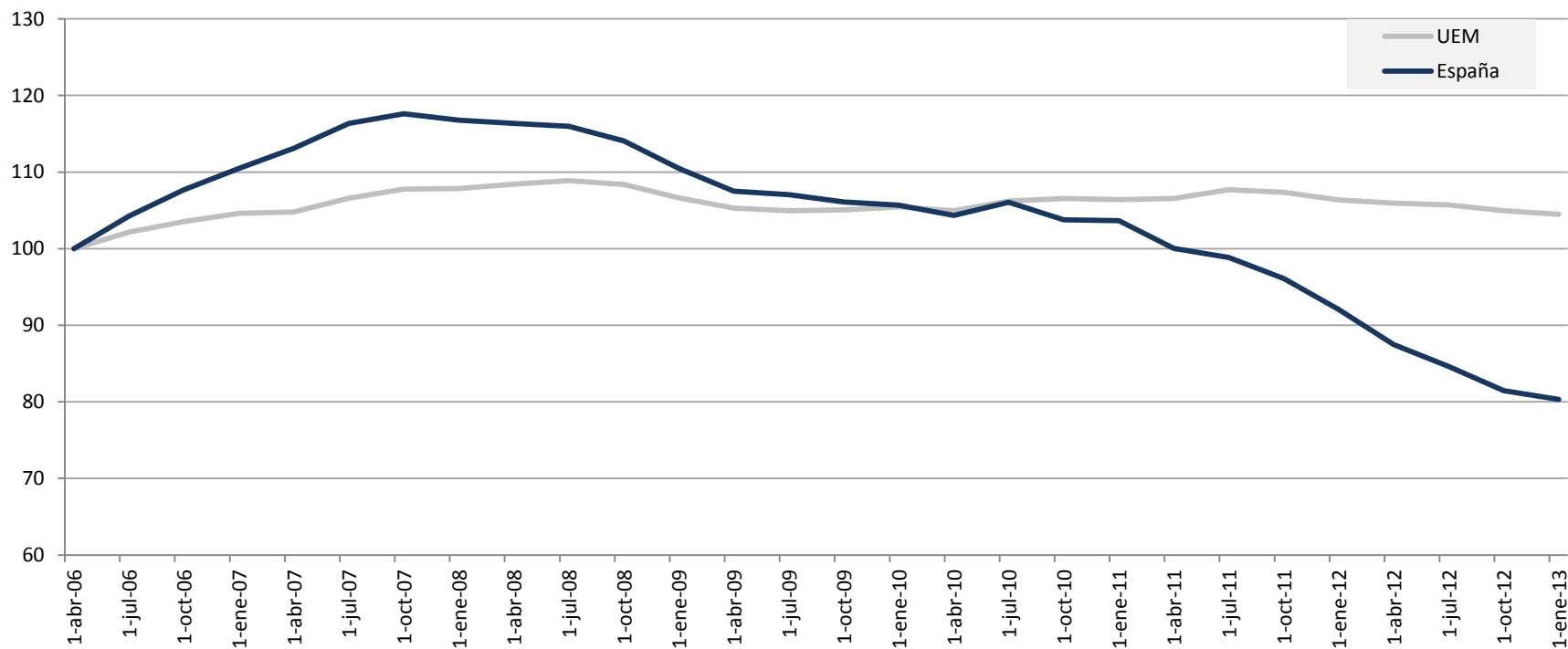
5-year bond CDS. Representative Spanish companies (€)



- An improvement is underway **in the conditions of access to finance**, both for the public sector and for major companies.
- The **fragmentation of the markets in Europe is still negatively affecting SMEs in Spain**. Their access to credit in competitive conditions has to be made easier, by combining domestic measures and those within the framework of the EMU.
- **The soundness of the financial system is beginning to be valued by investors** and the **non-financial companies issued more than €5 billion in January 2013**, with particularly strong volumes of issuance and an increasing number of corporations with direct access to the market.

Correction in the housing sector

Housing prices (2006=100)

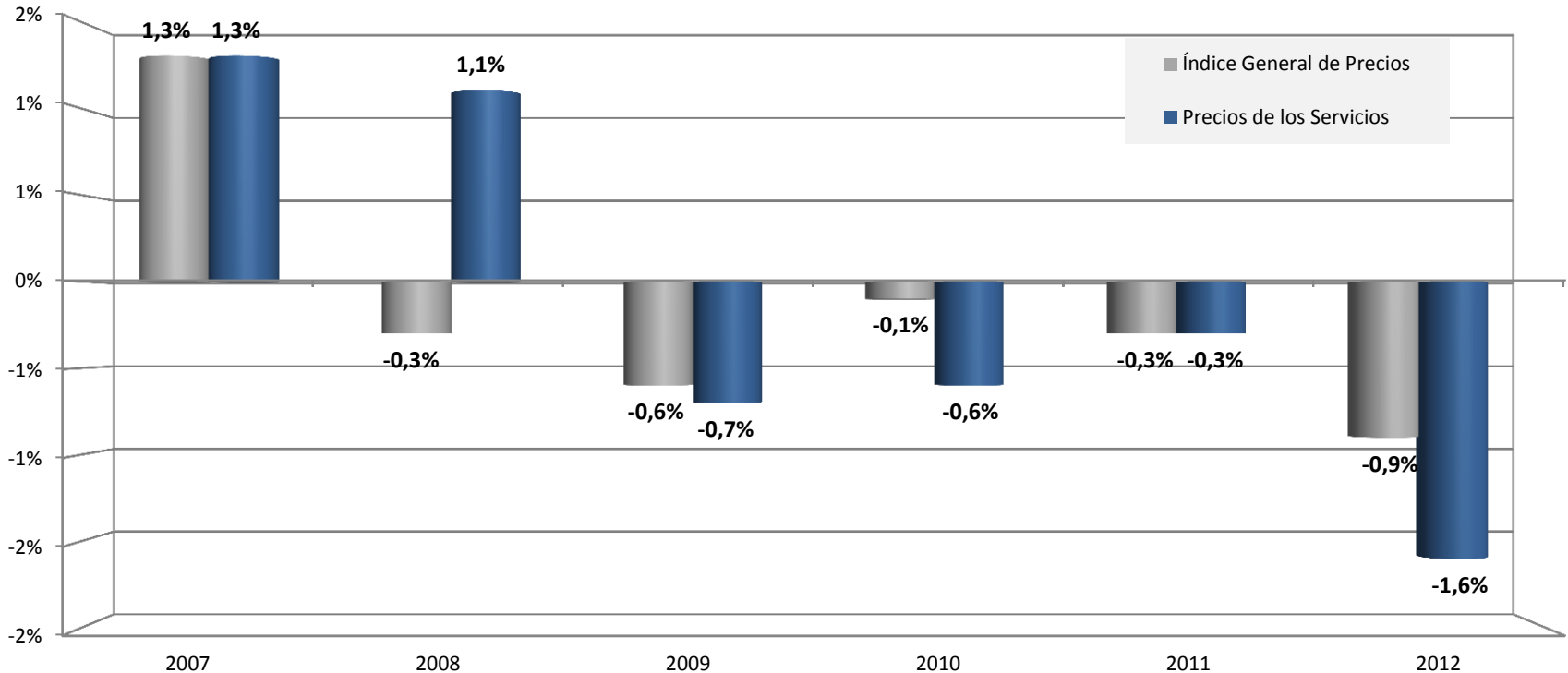


Source: Eurostat:

- **Spain is the EMU country where housing prices fell most in 2012.** The price of housing fell by 13% on average. **In only one year there was the same drop as in the accumulated average since 2007, at 28%.**
- **The efforts made by a family to buy a home has fallen by 4.6 points, to 32.4% of income.**

Correction of previously chronic imbalances

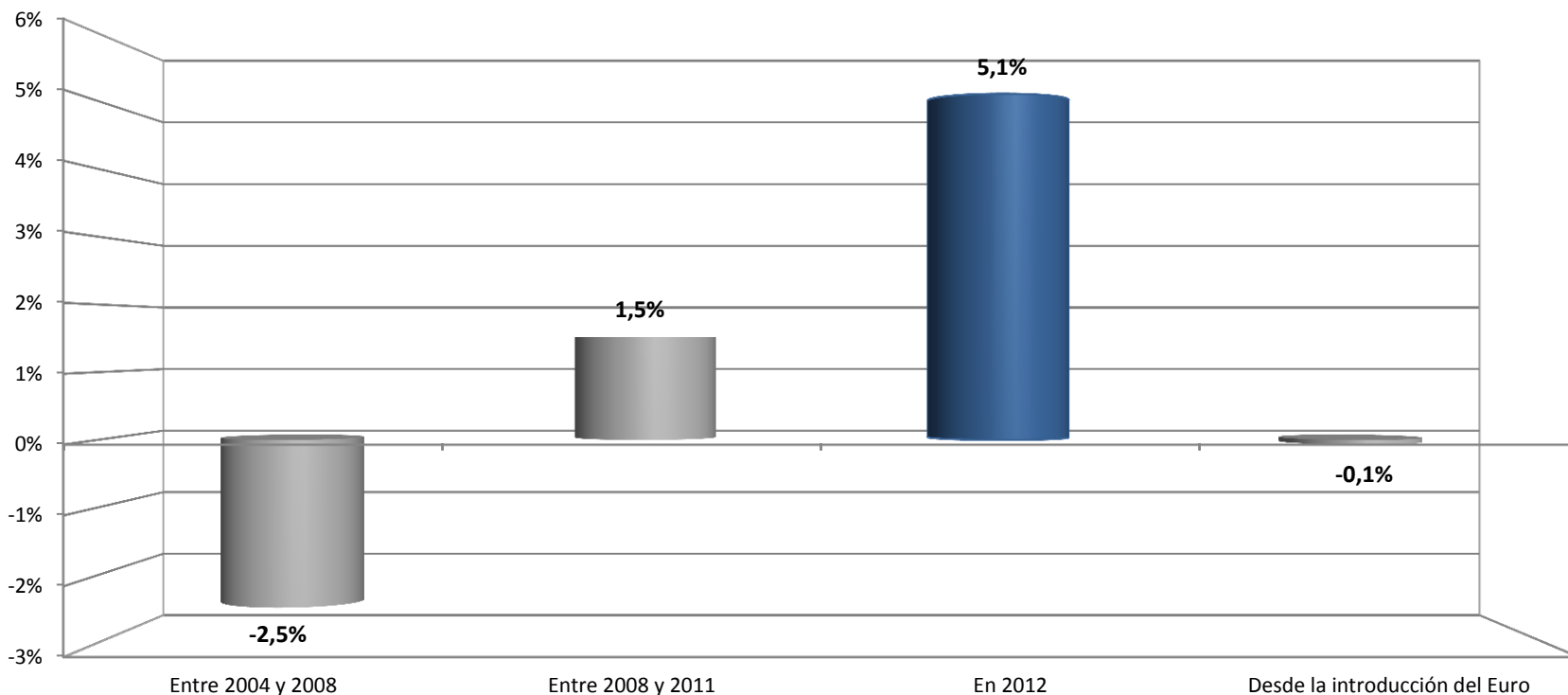
Inflation differential with the EMU. HCPI at constant taxes.



Source: Eurostat. Data as at December each year.

- For the first time, **Spain is showing a negative inflation differential** with the Eurozone on a consistent basis, even in typically inflationary sectors. This historic improvement in prices makes **our economy more competitive**.

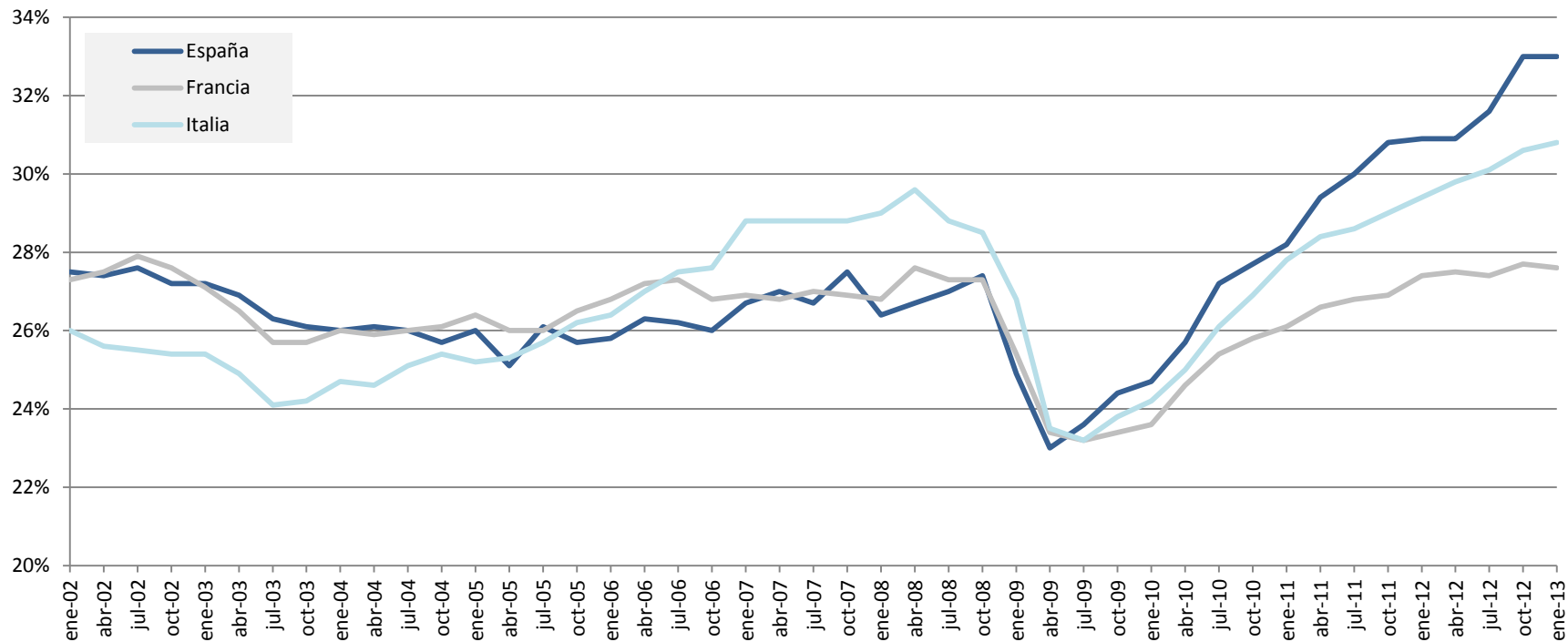
Improvement in competitiveness via unit labour costs compared with the EMU (% , annual average)



Source: Bank of Spain.

- Unit labour costs compared with the EMU are at record lows since the introduction of the euro. **More was achieved in 2012 than in the four previous years.** Thanks to this, **the loss in cost competitiveness accumulated since 2004 has been corrected.**
- These gains in competitiveness are a necessary condition for **reducing the high rate of unemployment, which is the biggest priority of the Spanish Government.**

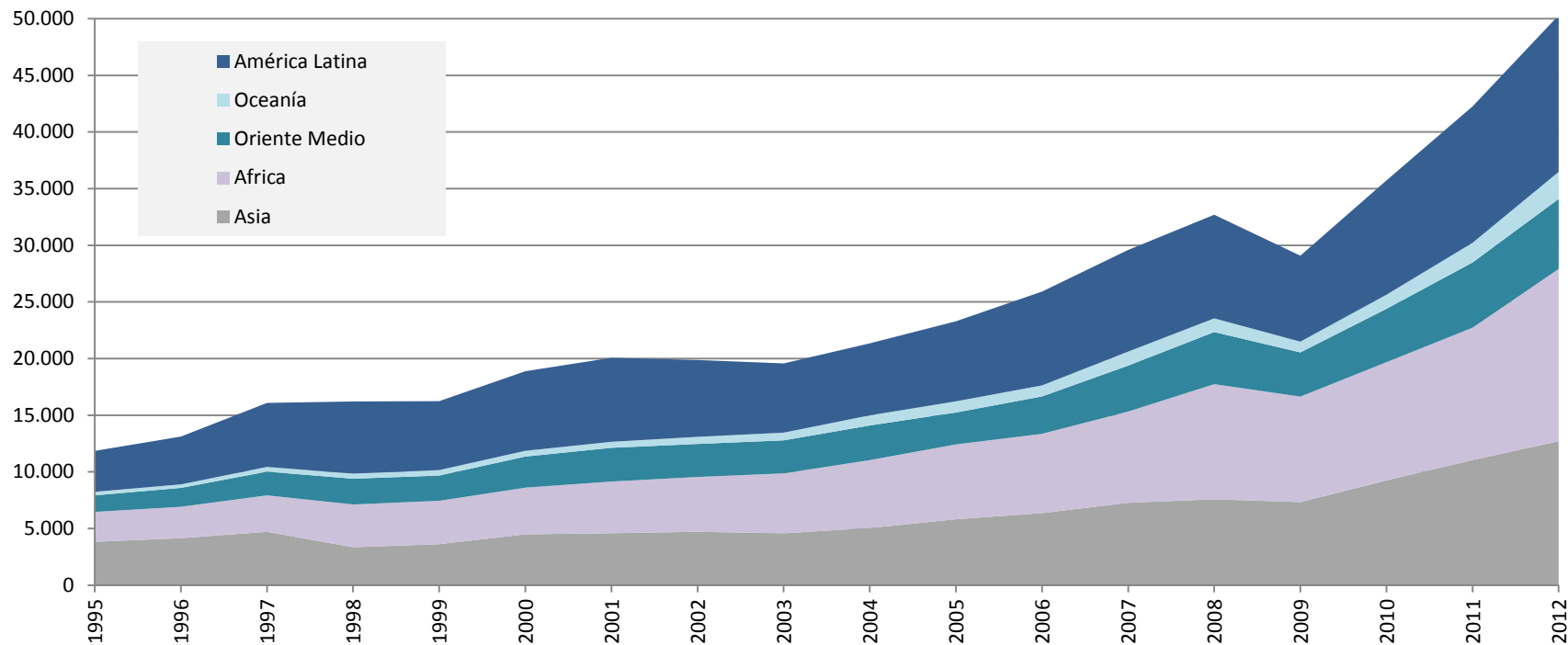
Weight of export activity (% of GDP)



Source: Eurostat.

- Improved competitiveness has enabled **Spanish exports to continue to demonstrate their great capacity and strength**, even in a context of international crisis.
- For the first time there has been a **surplus in the balance of trade in goods, excluding energy products, and a surplus with the Eurozone**. There was also a **surplus in the balance of non-tourism services** while **Spain's leading position in tourism services has been maintained**.

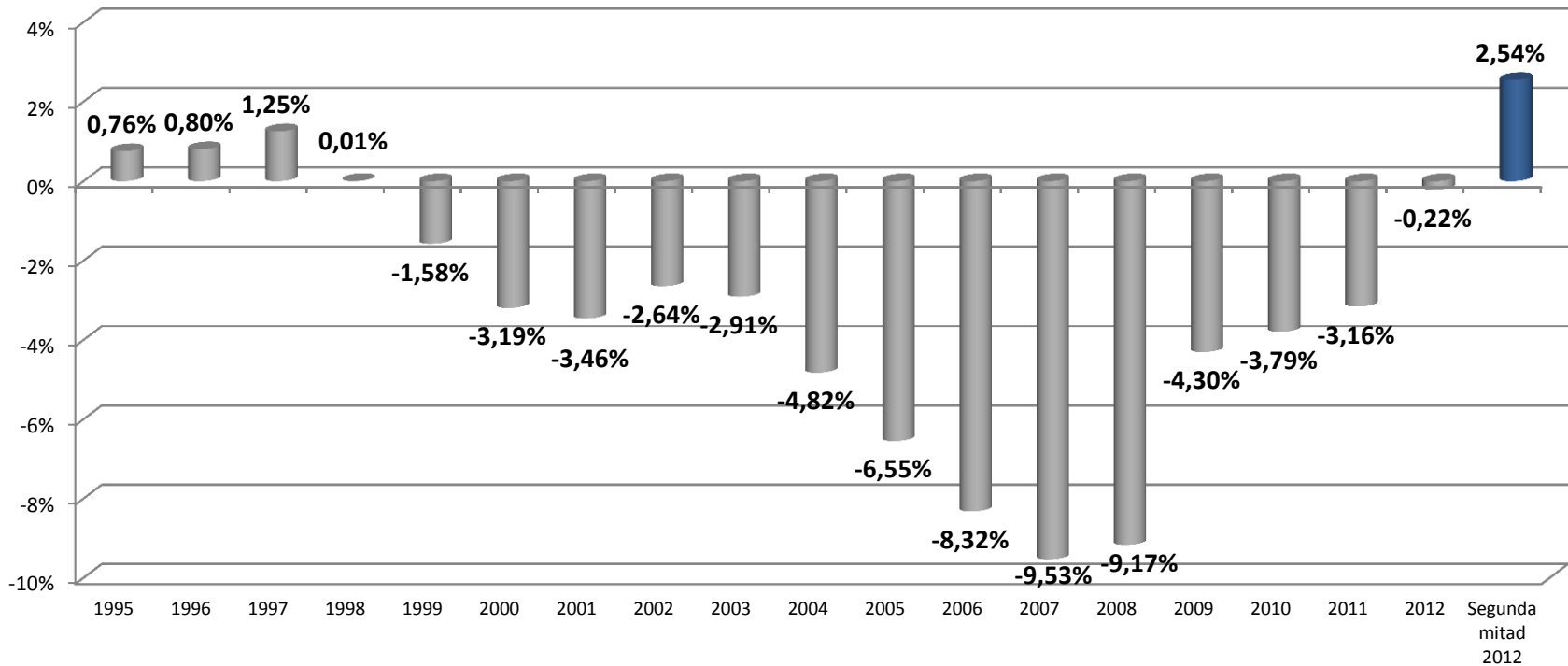
Spanish goods exports (€m)



Source: Ministry of Economic Affairs and Competition

- Exports to **emerging markets have increased by 20% in 2012**. The proportion of exports outside the Eurozone has increased by 4 percentage points.
- **New destinations and more products:** exports have increased in most of the product groups.

Current-account and capital balance (% GDP)



Source: National Statistics Institute.

- The current-account and capital balance **has improved by almost 10 points of GDP**, an unprecedented figure internationally for an economy the size of Spain's without requiring a devaluation of the currency.
- **We do not need external finance for the first time since 1998**: the net international investment position has been stabilised and the external debt of the non-financial private sector has been reduced.

Strengths of the Spanish Economy

Spain has managed to speed up the reduction of its public deficit and converge with the rest of Europe, laying the foundations for the recovery of growth and job creation

Spain is beginning to recover investor confidence

The strengthening of the financial system has gathered pace, and recovered time lost

The capitalisation level of Spanish banks is considered sufficient to absorb losses of 27% of GDP

Exports recorded the best data in the historical series in 2012

The current and capital account have posted a surplus since the second half of 2012 and this will be extended in 2013

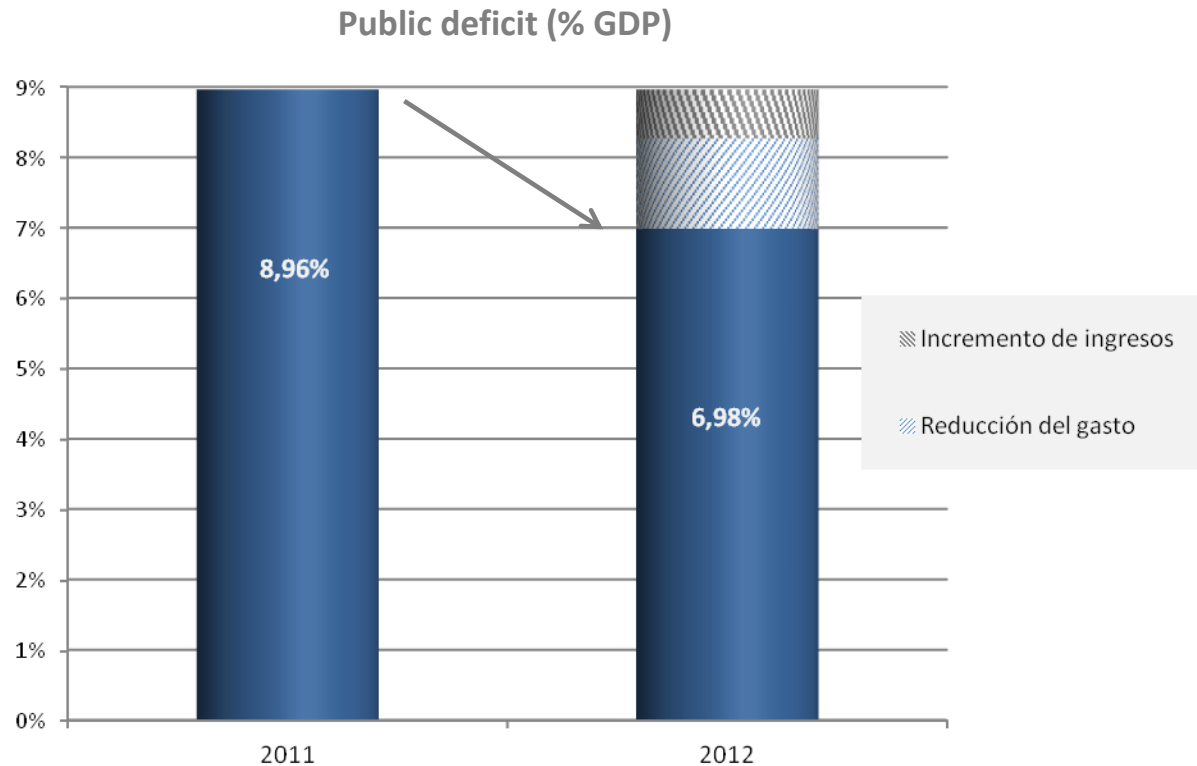
II. BALANCE OF REFORMS

Key elements of the reforms

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- A) **Fiscal consolidation:** Continue with fiscal consolidation to recover the credibility of the Spanish economy, make access to credit easier and make Spanish fiscal policy compatible with the requirements of monetary union.
- B) **Reform of the financial system** Culminate the process of consolidation and restructuring of the financial system to guarantee the solvency of banks and recover access to credit, which will enable savings to be channeled into productive investment again and boost growth.
- C) **Structural reforms:** Make the economy more flexible and competitive, which will help contain business margins and costs, improve the quality of the factors of production and help allocate resources towards more competitive sectors, as key elements for achieving **economic growth, job creation and improved social welfare.**

1. Fiscal consolidation:

- *Improving the economy:*
 - **Constitutional Law on Budgetary Stability and Financial Sustainability:** with expenditure limits, control mechanisms and coercive elements for all the public authorities.
 - **Boost to the regulation and transparency of the public accounts of the regional administrations:** Supplier Payment Plan (€27.30 billion) and the Liquidity Plan for the Autonomous Regions (€16.6 billion) accompanied by **Adjustment Plans** in the regions and local authorities.
- *Correcting the deficit:*
 - **Fiscal correction measures focused on public spending**, which contribute 63% of the reduction of the deficit, compared with 37% from the increase in public revenues.
 - **Reduction in expenditure by ministries of 16.9% in 2012 and 8.9% in 2013.**
 - **Legislative package and plans for fighting tax fraud** (actions worth €11.52 billion, an increase of 10.08%) **and fraud against the Social Security system** (impact of €2.6 billion).
- *Improving the efficiency and sustainability of the public sector:*
 - **Restructuring and rationalisation plan for the public sector companies and foundations:** Restructuring has been completed of the state foundations and 91% of the public companies that the autonomous regions have undertaken to close are already wound up or on the way to dissolution, and thus not operational. The management structures have also been adapted and remuneration and settlements have been reduced (savings of €18 million in 2012).
 - **Property Asset Management Plan:** Reduction of the cost of rentals (€37.4 million) and disposal of buildings from property assets (€53.2 million).
 - **Pensions system:** Bringing the real age of retirement closer to the ordinary legal age.



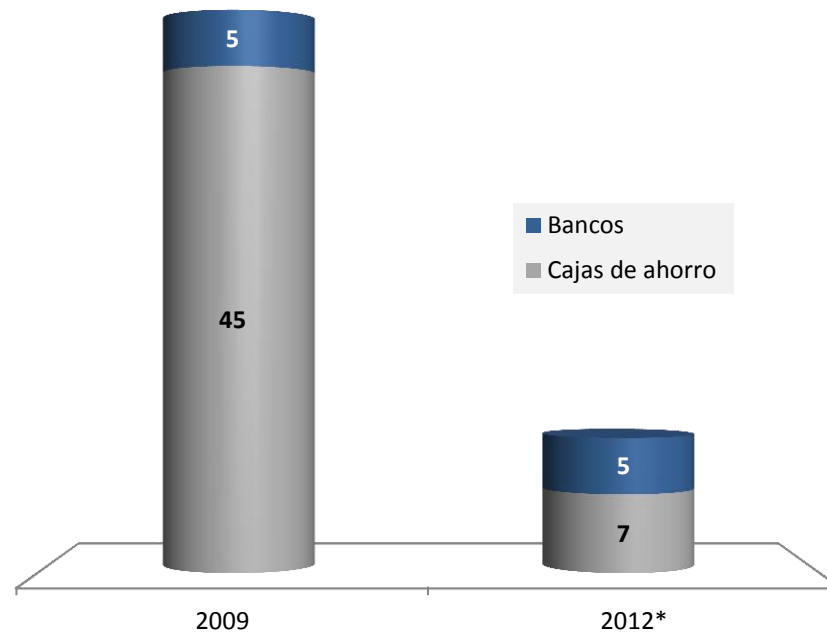
Source: Eurostat, and Ministry of the Treasury and Public Administration Services

- **Unprecedented fiscal consolidation** in a period of recession has reduced the deficit to 6.98% of GDP, focusing most of the effort on reductions in public expenditure.

2. Reform of the financial system:

- *Culmination of the process of consolidation, restructuring and resolution of credit institutions:*
 - **Improved banking supervision**, requiring maximum transparency in the balance sheets together with two independent valuation exercises.
 - **Bank restructuring and resolution plans** with the financial support of the ESM agreed in the Memorandum of Understanding (MoU) (€38.88 billion will be received, of the €100 billion available for banks in Groups 1 and 2). All the recapitalisation plans have been approved and three banks have already been fully recapitalised.
 - **Creation of the Company for Managing Assets from Bank Restructuring (SAREB)**, which has allowed the transfer of €50.78 billion of assets (an additional €2.5 billion have been received from the ESM).
- *Protection for mortgage debtors:*
 - **Halt to entry of bailiffs**, i.e. the final phase of the eviction process, due to non-payment of loans in situations of particular vulnerability.
 - Creation of a **Housing Social Fund**, with around 6,000 homes for social rental.
 - **Protection of consumers** against abusive clauses, in compliance with the ruling of the Court of Justice of the EU.
- *Protection for consumers against complex financial products:*
 - **Disincentives against their marketing** and stronger supervisory mechanisms for the CNMV.
 - **Protection for small savers holding these products:** boost to arbitration processes combined with monitoring and liquidity mechanisms for their exchange into shares.

Number of banks and savings banks



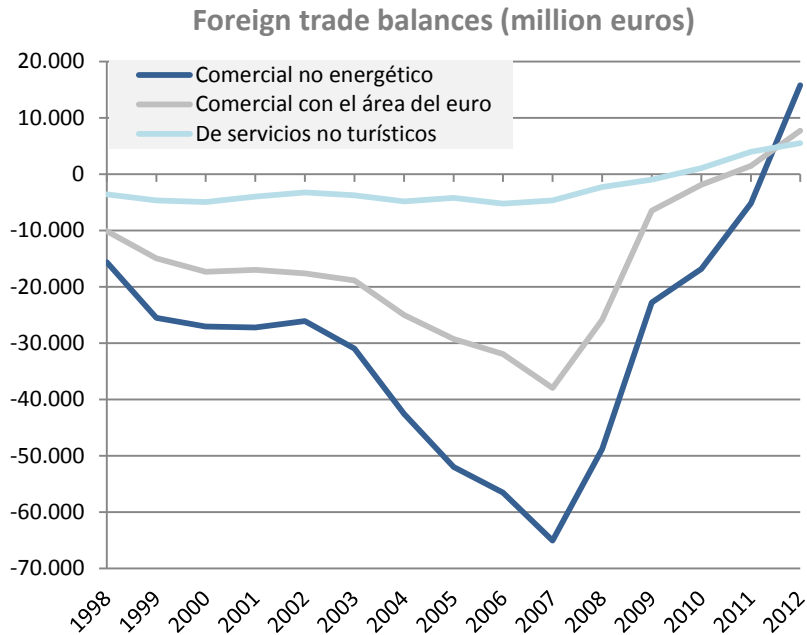
Source: Ministry of Economic Affairs and Competition.
(*The former savings banks have been converted into banks)

- **A banking sector with fewer but stronger banks.** Seven financial institutions representing 70% of the Spanish financial system have **capital in excess of €46 billion.**

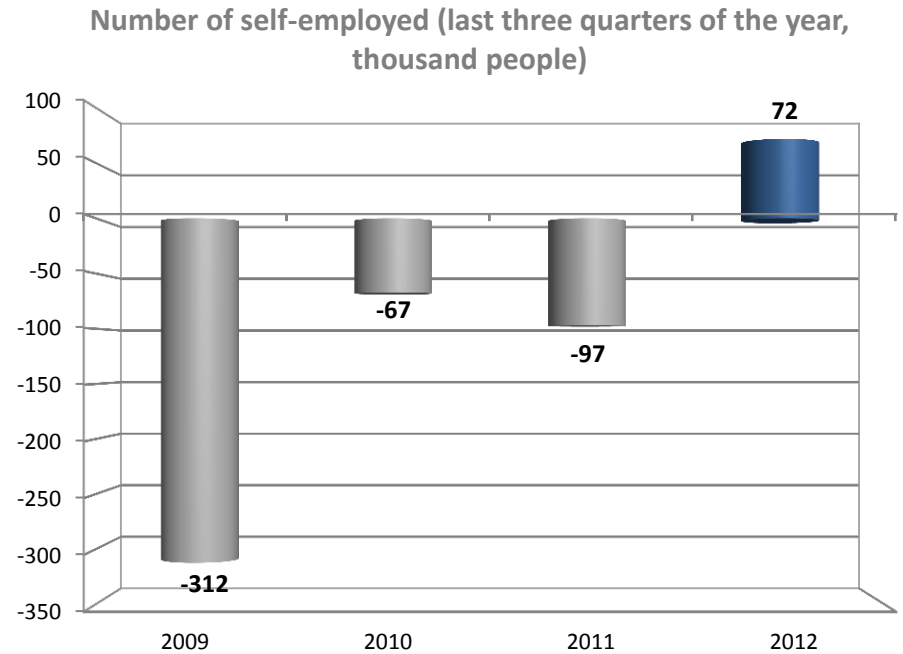
3. Reforming competitiveness:

- *Labour reform and reform of employment policies:*
 - **II Agreement for Employment and Collective Bargaining:** Wages will not grow above 0.6% in 2013 (0.5% in 2012) and will be revised for 2014 in line with inflation in Europe and GDP growth.
 - **Comprehensive reform of the labour market:** Boost to internal flexibility as an alternative to job destruction, reduction of dualism and modernisation of collective bargaining.
 - **Extension and reform of the PREPARA Plan:** Focusing the assistance on the most needy groups and establishing its indefinite nature while unemployment is over 20%.
- *Support for entrepreneurship:*
 - **Specific measures favouring entrepreneurship and employment:** Lump-sum payment of 100% of unemployment benefit, Support Contract for Entrepreneurs and other incentives for recruitment.
 - **Package of support measures for entrepreneurs, stimuli for growth and job creation:** Measures for reduced taxation of new companies and the self-employed, promotion of youth entrepreneurship with a flat charge for Social Security payments, stimuli for recruiting young people by reductions in Social Security contributions.
- *Educational reforms:*
 - Stimuli for school performance, plans for **reducing the school dropout rate**, improvement in language learning and a new model of **dual training**.
- *Growth support measures:*
 - Urgent measures to **restrain the tariff deficit** and the new law on tax measures for **energy sustainability** (estimated revenues of €2.98 billion).
 - **Legal reforms to introduce more flexibility into the retail sector:** Elimination of opening licences and freedom of opening hours.
 - **Support for internationalisation:** Reform of the network of bodies supporting internationalisation, promotion of credit for exports and creation of a High Commission for the Spain Brand.

Reforming competitiveness



Source: Ministry of Economic Affairs and Competition.



Source: INE. (Period corresponding to the currency of the labour reform)

- In 2012, the number of self-employed increased for the first time since the start of the crisis.
- Thanks to **acquired gains in competitiveness**, the export sector has become stronger and our leading position in tourist services is being consolidated while the external imbalance is being eliminated.
- The **SMEs are gaining weight in the export sector**: In 2012, the number of companies with exports of not more than €50,000 has increased by 15% to 73% of the total.

III. FUTURE REFORMS: TOWARDS GROWTH

Fiscal consolidation: Fiscal consolidation and Social Security measures

- Creation of an independent Fiscal Responsibility Authority
- Approval of the Law on Transparency, Access to Public Information and Good Governance
- Fight against bad debt in the public authorities
- Review of taxation with criteria of European convergence, in particular environmental taxation
- Regulation of the sustainability factor, to guarantee the future of the pension system

Reform of the Public Authorities

- Law on Rationalising and Sustainability in local authorities
- Report on the reform of the local authorities, before 30 June 2013

New Annual Employment Policy Plan 2013 and the Multi-Year Job Activation Strategy 2014-2016

Law on Support for Entrepreneurs and their Internationalisation

Law on the De-indexing of the Spanish Economy

Law on Guaranteeing the Unity of the Market and the Rationalisation Plan for Regulations

Law on Services and Professional Associations

Good Corporate Governance and Corporate Social Responsibility

1. Guaranteeing fiscal discipline

- Implementation of the **Independent Fiscal Responsibility Authority**, with functions of analysis, advice and control of budget policy in all the public authorities. (*4th Quarter. 2013*)
- Approval of the **Law on Transparency, Access to Public Information and Good Governance**, with obligations imposed on public managers in matters including economic management and compliance with the Constitutional Law on Budgetary Stability (*4th Quarter. 2013*)
- **Plan to eradicate bad debt in the public sector**, to integrate the principle of debt control into **commercial financial sustainability**.
- **Elimination of the complementary personal income tax charge as soon as possible, before 2015.**
- **Tax review** to shift taxation from work to **consumption with highest negative externalities**:
 - ✓ New environmental taxes.
 - ✓ Modification of special taxes.
- New **adjustments to corporate income tax**, to help broaden the tax bases and continue recovering payments through this tax
- Moderate **tax rate** on the liabilities of credit institutions.

2. Reforming the public administration

- **Draft Bill for the Rationalisation and Sustainability of the local administration**, to limit municipal powers, prevent duplication and suppress redundant structures, as well as streamlining local government. Planned savings of €8 billion over the period 2014-2015. (*3rd quarter. 2013*)
- Presentation of the **Report on the Reform of the Public Administrations**, with the following objectives (*2nd quarter. 2013*):
 - ✓ Promote the elimination of administrative duplications.
 - ✓ Boost administrative simplification.
 - ✓ Favour efficient management of services and common resources.
 - ✓ Streamline and regulate institutional administration.
- **Boost for e-government and reduction of administrative burdens:**
 - ✓ Implementation of the «**Emprende en 3**» project: Online system allowing all the procedures for setting up, changing ownership and starting up companies to be carried out online with the three levels of government. (*2nd quarter. 2013*)
 - ✓ **Agreement by the Spanish Council of Ministers to reduce administrative burdens on individuals and companies**, with particular emphasis on encouraging online procedures. Saving of costs in administrative paperwork of over €500m. (*2nd quarter. 2013*)
 - ✓ **New Action Plan for E-Government in the Central Government Administration**, to increase accessibility and use by individuals and businesspeople and promote and rationalise use of ICT in the public authorities, thus increasing collaboration in this area. (*4th quarter. 2013*)
- **Bill on the Activity and the Foreign Service**, to improve the coordination of objectives, resources and structures for foreign policy. (*3rd quarter. 2013*)

3. Guaranteeing public services and benefits

- **Improving the efficiency of the health system:**
 - ✓ Complete the definition of the **new portfolio of services**, with criteria of quality, effectiveness and efficiency. *(4th Quarter. 2013)*
 - ✓ Deployment and implementation of the system of **digital clinical history** across the whole of the National Health System, as well as the **e-prescription system**. *(4th Quarter. 2013)*
 - ✓ Implementation of the **new Reference Price Order**, in line with other European Union countries, and the introduction of **new packaging for medicines** appropriate to the duration of the treatment. *(2nd quarter. 2013)*
 - ✓ Extension of the **Centralised Purchasing Platform** for joint purchases of vaccinations, and the most commonly used **sanitary products and medicines**. *(2nd quarter. 2013)*
- Development of a **model of social health care** that integrates services and guarantees lasting care, offers patients a comprehensive care and coordinates health and social services in a permanent and systematic fashion. *(4th Quarter. 2013)*

4. Sustainability of the Pension System

- **Regulation of the sustainability factor**, pursuant to Law 27/2011, with the aim of maintaining proportionality between contributions and benefits, and increasing its sustainability by factoring in changes in life expectancy and/or other demographic and economic factors. A group of experts has already been set up to prepare a proposal for its submission to the Toledo Pact *(2nd quarter. 2013)*, before approving a bill. *(3rd quarter. 2013)*
- Reform of the **mutual occupational accident and industrial illness societies**, to provide greater legal security to them and create a balanced, transparent and efficient economic regime that improves their management functions, so that they can help strengthen the sustainability of the Social Security system, increase productivity and reduce absenteeism. *(4th Quarter. 2013)*

5. Improving the regulatory framework and supervising the financial system

- Approval of a bill on **savings banks and bank foundations**, to clarify the role of savings banks in the control of credit institutions as shareholders. It will include improvements to transparency and corporate governance. (*2nd quarter. 2013*)
- Measures to **improve banking supervision**, through the internal review of the supervision and decision-making processes and the improvement of reporting by the banking sector and information provided to the Risk Information Centre (Spanish acronym: CIR).
- **Ensure strict compliance with the restructuring and resolution plans** implemented by the financial institutions in Groups 1 and 2. The Group 3 banks have completed their capital collection and complied with the deadline (30 June 2013).

6. Restoring normal credit:

- Making it easier to **access bank finance**:
 - ✓ Conclusion of an **agreement with the AEB and CECA** to make an additional €10 billion **available to Spanish SMEs through credits**.
 - ✓ **Boosting ICO credit lines** with a provision of €22 billion for 2013 and developing new financing formulas with the support of international financial institutions (EIB, CAF).
 - ✓ Improvement to the regulatory framework of **internationalisation certificates** and creation of **internationalisation bonds**.
- Boosting of **risk capital and ‘business angels’**:
 - ✓ **Launch of the FOND-ICO Global fund** (Risk capital fund of funds) to carry out its first investments in the second half of 2013.
 - ✓ Creation of the **National Network of Business Incubators**.
 - ✓ Improvement to the **regulatory framework of risk capital entities and** their managing firms.
 - ✓ New Order to **boost networks of business angels** and create them in areas with the least presence.
 - ✓ **Fiscal incentives** for investment by business angels.
- Easier **access to capital markets**:
 - ✓ Creation of the **Alternative Fixed-Income Market (MARF)**. Simplifying procedures for **issuing in MARF** and a new **ENISA line to finance** issuance costs.
 - ✓ **‘Lift Law’** to help companies move between the stock market and the alternative market.
- Improving the regulation of **refinancing agreements**.

7. Labour Reform and reform of employment policies

- **Evaluation of employment policies** and monitoring of labour reforms; presentation of an **initial evaluation report, verified by an independent body.** (*2nd quarter. 2013*)

- **Measures to improve the work of intermediaries in the labour market:**

- ✓ Creation of a **Single Employment Portal:** A common database for the whole of Spain with information on job vacancies and demand and training actions.

- ✓ Organisation and promotion of public-private collaboration in work as intermediaries in **public employment services.**

- **New Annual Employment Policy Plan 2013:** Setting objectives and measures based on the evaluation of policies developed by different Public Employment Services, geared to obtaining results linked to resources. (*2nd quarter. 2013*)

- Definition of a **new multi-year employment activation strategy 2014-2016**, to improve the efficiency of active employment policies through greater collaboration between national and regional public employment services, and a boost to public-private partnership. It will help make progress in linking active and passive employment policies, improve job placement of people who are unemployed and progress in the fight against fraud. (*4th Quarter. 2013*)

- Launch of the **Youth Entrepreneurship and Employment Strategy**, to foster the employability of young people and entrepreneurship. Contribution of €3.5 billion in 2013-2016 (*2nd quarter. 2013*)

8. Supporting entrepreneurs

• *Draft Bill supporting entrepreneurs and their internationalisation (2nd quarter. 2013)*

• **Tax measures supporting entrepreneurs:**

- ✓ Special voluntary VAT tax regime allowing VAT payments not to be made until the invoice is collected.
- ✓ New tax allowance for investment of profits for small companies.
- ✓ Extension of the allowance for research and development activities.
- ✓ Tax incentives for informal investors in entrepreneurs.

• **Measures to boost funding of entrepreneurs:**

- ✓ Elimination of burdens to create incentives for the issue of securities in the Alternative Fixed-Income Market.
- ✓ More flexible regulation of refinancing agreements.
- ✓ Access to internationalisation certificates and bonds.

• **Support for the Entrepreneurship Initiative and growth of business projects:**

- ✓ Inclusion of training in entrepreneurship in compulsory education.
- ✓ Risk reduction: Creation of the status of limited liability entrepreneur.
- ✓ Reduction in costs of incorporation: Creation of a Limited Successive Growth Company, with no minimum capital.
- ✓ Cutting paperwork and eliminating burdens:
 - Quicker and easier creation of limited companies.
 - Removal of the requirement for licences to operate in certain services and conditions.
 - Reduction of administrative, accounting and statistical information burdens.
- ✓ Easy access to public contracts, increasing thresholds for classification demands.
- **Encouraging a second chance:** Organisation of an extra-judicial payment mechanism.
- **Measures to boost funding of entrepreneurs:** Revision of the instruments promoting internationalisation and definition of a strategy aligned with the needs of entrepreneurs.

9. Educational reform

- **Bill for improving educational quality:** Comprehensive reform of the educational system to detect and tackle learning problems early, help children to decide on the training path that fits their profile best, increase the teaching hours in key skills for academic development and provide educational centres with greater autonomy. *(2nd quarter. 2013)*
- ✓ Create a **new Basic Vocational Training diploma**, with access for those who have not passed compulsory secondary education, and review of the content of the different vocational training diplomas to adapt them to the new economic reality.
- Regulation of the **charter for non-university teachers**, to provide a new access framework, develop the professional career, and provide rights and obligations for these teachers, including the system of remuneration, performance evaluation and continuous training. *(4th Quarter. 2013)*
- **Reform of university legislation** to boost excellence, competitiveness and internationalisation of the university system. *(2nd quarter. 2014)*

10. Intellectual property

- **Protection of the rights of intellectual property in a digital environment:** Reform of the codified text of the Intellectual Property Act. *(3rd quarter. 2013)*
 - ✓ Improved transparency and efficiency in the organisations managing intellectual property.
 - ✓ More efficient mechanisms for protecting intellectual property rights and rationalisation of the scope of the limits to private copying.

11. Reforming the regulatory framework for economic activities

- Launch of the **Market Unity Programme** to establish a more efficient regulatory model for economic activities:
 - ✓Approval of the **Draft Bill on Guaranteeing the Unity of the Market**, by urgent measures to ensure the free circulation of goods and free provision of services under the principle of effectiveness throughout Spain. (*2nd quarter. 2013*)
 - ✓Implementation of a **Regulatory Rationalisation Plan** to adapt to market unity. Over 5,000 regulations have been identified affecting different sectors.
- Creation of the **National Markets and Competition Commission**, which will include in a single body the competition authority (National Competition Commission) and the current supervisors of the network sectors regulated. (*4th Quarter. 2013*)
- Law on De-indexation from the CPI**, with the aim of eliminating the damaging effects of automatically indexing to the CPI when setting prices and costs, and to prevent second-round effects on inflation, inspired in the agreement between social agents. It will create a **new law on indexation**, alternative to the CPI, for public-sector wages. (*4th Quarter. 2013*)
- Good Corporate Governance and Corporate Social Responsibility**: New Code of Good Governance, with particular emphasis on remuneration.
- New regulatory framework for the means for municipal intervention** within the Law on the Rationalisation and Sustainability of Local Government. (*3rd quarter. 2013*)

12. Developing Science and Innovation

- Development of the **Spanish Science, Technology and Innovation Strategy 2013-2020** and of the **National Scientific and Technical Research and Innovation Plan 2013-2016**.
- Promotion of **business investment** in R&D+i with a more attractive tax treatment, and development of instruments to favour **public-private partnership** in R&D+i.
- Development of a **competitive research career** and promotion of the incorporation of human resources into the private sector and their mobility across to the public sector.
- Improved **research centres and units** that are highly competitive at an international level, and a boost to the creation and growth of **companies with a technological base**.
- Organisation of the **map of Unique Scientific and Technical Infrastructures**.
- State Research Agency**, to promote the generation and exploitation of knowledge and favour efficiency in public funds and aid to R&D+i (*4th quarter. 2013*)

13. Energy reform

- **Regulatory package for energy reform**, which is comprehensive in nature and designed to achieve economic and financial sustainability of the electricity sector with due attention to economic, technological and demand changes in the sector, as well as increased competition and guarantee of supply. (*2nd quarter. 2013*)
 - ✓ Immediate measures to achieve a **balance between revenues and costs** in the electricity system.
 - ✓ Draft bill **for the reform of the Electricity Sector** to introduce financial stability into the system and create mechanisms for stability and regular review that are adapted to the circumstances.
- Direct award of **subsidies for the purchase of electric vehicles** in 2013, within the framework of the Integrated Strategy for promoting electric vehicles in Spain 2010-2014. (*2nd quarter. 2013*)

14. Boosting and liberalising the Service sector

- Draft bill **on services and professional associations**, to establish a regulatory framework for accessing and providing professional services. *(2nd quarter. 2013)*
- Extension of the list of **activities exempt from municipal licence fees**, as well as the threshold for surface area of exempt establishments that carry on one or various activities on the list. *(2nd quarter. 2013)*
- Definition, in partnership with the FEMP, of a **model order** to guide local entities in applying responsible declarations for the start-up of economic activity.
- Development of the **National Integrated Tourism Plan 2012-2016**, to boost the competitiveness of companies and destinations in Spain, renew our leading position for the coming decades and contribute to generating wealth, employment and welfare for our citizens. **The initial evaluation of the plan has been carried out and presented already. The 28 measures making up the plan have been implemented, with an overall level of execution of 39%.** Planned investment of up to €1.8 billion.

15. Supporting internationalisation and the Foreign Sector

- **Regulation of coverage provided by the State of internationalisation risks for Spanish companies**, to adapt the legislation regulating coverage of these risks to the process of sales of the State's holding in the capital of CESCE. *(2nd quarter. 2013)*
- **Reform of the instruments of internationalisation**, aimed at achieving a policy of promoting internationalisation that truly responds to the needs of entrepreneurs. *(2nd quarter. 2013)*
- Improvement in the regulatory framework for **internationalisation certificates** and the creation of **internationalisation bonds**, to favour entrepreneurship and its international expansion. *(2nd quarter. 2013)*
- **New regime of visas and residence permits** for investors who boost initiatives that generate jobs in Spain, with a quicker and easier procedures valid for the whole of the country. *(2nd quarter. 2013)*
- Draft **bill on Chambers of Commerce, Industry and Services**: Complete overhaul of the legal framework of the chambers of commerce, with the aim of strengthening their role in supporting the creation of companies and their internationalisation. *(2nd quarter. 2013)*

16. Boosting telecommunications and the information society

•Development of the **Digital Agenda for Spain**: 106 lines of action aimed at boosting the launch of ultra-fast networks, developing the digital economy, improving e-government, strengthening confidence in the digital field, boosting R&D+i, and supporting the training of new ICT professionals.

•Progress in digital development:

- ✓ National ultra-fast network strategy, including the preparation of a broadband coverage map.
- ✓ Execution of measures in the Master Plan for actions to free the digital dividend, among them a new National DTT Technical Plan.

•General Telecommunications Bill: (3rd quarter. 2013)

- ✓ Promote market unity in the sector and improve legal security.
- ✓ Reduce administrative burdens for operators and avoid distortions of competition.

17. Boosting the Transport Sector

- Development of the **Infrastructure, Transport and Housing Plan** (Spanish acronym: PITVI) 2012-2024: Boosting the maintenance of existing infrastructure, guaranteeing mobility in conditions of quality and helping overcome regional inequalities in the infrastructure network, and promoting urban regeneration and rentals.
- Approval of the **Reform of the Law on Land Transport Regulation**: Increase the competitiveness and efficiency of the sector, and provide greater transparency, control and quality to road transport. (*2nd quarter. 2013*)
- Liberalisation of passenger rail transport**: Opening up the national passenger rail transport market starting on **31 July 2013**. Adaptation of *Renfe Operadora* to act in a liberalised market, and **definition and rationalisation of the PSOs**.
- Boost to intermodality**, to favour an optimum transport infrastructure network organised into an efficient network of logistical nodes for managing flows and information. A "logistical unit" has been created to improve coherence and coordination of all the actions carried out in the logistical area in Spain
- Development of the AENA Strategic Airports Plan 2012-2016** aimed at increasing efficiency and profitability.
- Favouring a **better valuation of the airport sector to allow the entry of private capital**.
- Approval of the **Bill on Maritime Navigation**, with the aim of providing the maritime sector with an appropriate navigational safety regulation, in line with European and international regulations. (*2nd quarter. 2013*)

18. New approach in the Property Sector

- Development of the **National Plan for urban regeneration and rental 2013-2016**: €2.31 billion .
 - ✓ Make it easier to rent homes rather than buy them, and rehabilitate rather than construct new housing.
 - ✓ Obtain the maximum return on available resources, providing a decent home to the most disadvantaged groups and boosting the economy and employment.
 - ✓ Increase the number of beneficiaries of the aid: 1,363,989, compared with 687,302 under the previous plan.
 - ✓ Create incentives for the private sector, so that it can work together using innovative solutions to reactivate the construction sector.
- Passing of the **law on measures to make more responsive and boost the home rental market**, to make the regulatory system more flexible and improve legal security. *(2nd quarter. 2013)*
- Passing of the **law on urban rehabilitation, regeneration and renewal**, to boost the construction and auxiliary industries sector, in particular in the area of energy efficiency, and promote the rehabilitation and conservation of architectural heritage. *(2nd quarter. 2013)*
 - ✓ Promotion of works to improve accessibility, energy efficiency and the state of conservation of buildings.
 - ✓ Rationalisation of urban planning specifications required from rehabilitation actions.
 - ✓ New formulas for private finance, minimising contributions by families and public subsidies.

19. Supporting the Primary Sector

- Implementation of actions to boost the **improvement in the operation of the food chain**, improving its balance and transparency, and **the integration of agricultural cooperatives and other agro-food entities**, with the aim of boosting a business model capable of generating value, after completing the passage and passing of the corresponding laws. *(2nd quarter. 2013)*
- Draft **bill on the powers of representation of professional agricultural organisations**, to improve their capacity as representatives of the sector to deal with institutions. *(2nd quarter. 2013)*
- Action Plan to internationalise the agro-food sector**, with the aim of improving its export potential, and a **specific innovation and research programme for the sector**.
- Draft bill to amend the **law on forest areas**, to simplify legislation on this issue, improve protection and boost rural development linked to forest management. *(2nd quarter. 2013)*
- Draft **bill on Denominations of Origin and protected geographical indicators**, to provide sounder structures for the system, in order to guarantee of product quality. *(4th Quarter. 2013)*

20. Protecting the Environment

- Passing of the **Law on Coastal Areas**: Reform of the **legislation governing management of coastal areas**, to provide legal security to properties and coastal operations and guarantee the sustainable use of the coasts. *(2nd quarter. 2013)*
- Passing of the **law on the comprehensive prevention and control of pollution**, which will help reduce emissions from industrial activities into the air, water and soil, and also simplify administration through the introduction of mechanisms that make it easier to grant authorisations to companies. *(2nd quarter. 2013)*
- **Bill on environmental evaluation**: Simplification of the **environmental evaluation procedures** to which professional, business and industrial activities are subject. *(3rd quarter. 2013)*
- **Revision of the regulations on biodiversity and the natural heritage**, to ensure it provides adequate protection and avoids inefficiency and overlaps in the types of protection provided. *(4th quarter. 2013)*
- **Measures to fight the effects of climate change**: Strategies for action on the coasts, actions under the National Plan for Adapting To Climate Change and initiatives to reduce emissions across the country.
- **National Plan for the Improvement of Air quality** and review of the **National Integrated Waste Plan**, also developing the national register and electronic information system on waste.

Reforms for competitiveness and growth

21. Improving the efficiency and quality of the Administration of Justice

- Passing of the **bill on free legal aid**: Extend the number of beneficiaries and, at the same time, limit abusive practices, guarantee the right to effective legal assistance as enshrined in the Constitution, by ensuring that no one is prevented from going to court due to lack of ability to pay. (*3rd quarter. 2013*)
- Submission to Parliament of the **Reform of the Criminal Code**: Bring our system into line with European law. (*3rd quarter. 2013*)
- **Regulation of voluntary jurisdiction**: Rationalise some areas of the administration of justice with the aim of improving its swiftness, efficiency and flexibility. (*2nd quarter. 2013*)
- **New organisation of the judicial system and distribution of legal issues**: Draft bills to reform the Constitutional Law on the Judiciary and Criminal procedure Act. (*4th Quarter. 2013*)

22. Social protection and promoting active inclusion

- **The National Action Plan for Social Inclusion 2013-2016**, which will specifically include an objective involving infant poverty, to promote the welfare of infancy in situations of risk or social exclusion, and thus avoid the transmission of poverty across generations and the loss of human capital. (*3rd quarter. 2013*)
- **Integrated Family Support Plan**, which will include measures such as the reconciliation of work and family life, support for families in situations of particular difficulty or with dependent children. (*4th Quarter. 2014*)
- **Action Plan for the Spanish Strategy on Disability 2012-2020**, to guarantee and reinforce non-discrimination at work and in society, within the International Convention on the Rights of People with Disabilities. (*3rd quarter. 2013*)
- Passing of a new **general law on the rights of people with disabilities and their social inclusion**, which will guarantee the full exercise by all people with disabilities of their constitutional and legally recognised rights, and will promote their full participation in public and social life. (*4th Quarter. 2013*)