(NON OFFICIAL TRANSLATION)

SPAIN

State Fund for Local Investment

Plan E. Spanish Economy and Employment Stimulation Plan.

Due to the extent and intensity of the impact the international financial crisis is having on employment in Spain, the Spanish Government placed its recovery as a main priority for 2009.

To tackle this situation, the Spanish Government faced its full responsibility right from the outset and launched over 80 economic, financial and fiscal measures, reflected in the Spanish Economy and Employment Stimulation Plan, otherwise known as "Plan E".

Furthermore, the Government is expanding and improving on these responses, with the recent adoption of new measures to guarantee the social protection of the unemployed and promote the creation of employment.

"Plan E" includes four courses of action. It encompasses a series of fiscal measures to provide direct support for families, as well as measures to support companies both in fiscal matters and in terms of facilitating access to credit. It also introduces measures to raise employment rates, and includes actions that inject liquidity into the financial system with a view to reactivating the allocation of credit to families and companies. Finally, the Plan also includes an ambitious programme of measures designed to modernise our economy, complementary to those contained in the National Reform Program being implemented as part of the Renewed Lisbon Strategy, in order to provide the Spanish economy with a model of sustained and lasting economic growth in the medium and long-term.

State Fund for Local Investment

One of the measures included in "Plan E", which is important due to its link with local and regional growth and its support for innovation, is the State Fund for Local Investment, with a budget of €8,000 million, which will be distributed among all the Local Councils of Spain in accordance with their population, with a view to financing investments for new urban planning, to be executed immediately, which will help to foster the creation of employment.

It is an exceptional budgetary stimulus, aimed at invigorating economic activity and fostering the creation of employment; an unprecedented mobilisation of public funds in Spain, which doubles the total average investment made by Local Councils in one year, which is usually less than €4,000 million.

At the same time, these investments will contribute to the capitalisation of municipalities, since they are aimed at projects that will improve local infrastructure related to production and social utility.

This Fund also gets Local Councils involved in the management of investment aimed at boosting employment, improving local facilities and infrastructures, and ultimately improving the quality of life for citizens.

Goal: promoting employment

The State Fund for Local Investment is an extraordinary measure adopted by the Spanish Government in order to have a direct impact on job creation.

Therefore, the projects financed by the Fund must be particularly labour intensive. To ensure this, when allocating contracts for the works financed by the Fund, Local Councils must take into consideration the extent to which the project creates employment. Furthermore, all new workers taken on must be registered as unemployed.

In total, the State Fund for Local Investment is expected to create around 280,000 jobs in terms of direct employment, and up to 400,000 jobs including indirect employment. Given the nature of the projects targeted by this extraordinary measure, this initiative will mainly mobilise workers and resources that have fallen victim to the sharp contraction of the construction sector the Spanish economy is currently experiencing. Logically, this fund is also expected to favour the viability of small and medium sized companies engaged in activities related with construction, such as engineering, architecture, logistics, as well as the production and mobilisation of materials, machinery and diverse equipment.

Projects eligible for financing

The Royal Decree-Act 9/2008, of 28th November, which regulates the Fund, establishes that projects eligible to receive financing from the Fund must be within the Local Council's remit and completely new, in other words, they must not be included in the Council's budget for the current year, and they must have a project budget of less than €5 million.

Since this Fund aims to respond swiftly to the current economic situation, the projects must be executed immediately; in other words, they must be carried out over the course of 2009 and completed within the first quarter of 2010.

The finance charged to the Fund shall cover the real cost of execution; so all these local projects will be financed entirely by Central Government.

The projects financed by these investments must be within the Council's remit and be either productive in nature or of particular social utility. The following projects are eligible for financing:

- Renovation or improvement of urban public spaces and industrial promotion.
- Equipment and infrastructure for the road networks, sewerage, lighting or telecommunications.
- Construction, renovation or improvement of social, healthcare, funeral, educational, cultural and sporting facilities.
- Environmental protection, prevention of pollution and the promotion of energy efficiency.
- The elimination of architectural barriers.
- Conservation of local and historic heritage.
- Construction or improvement of the water supply and waste water treatment networks.
- Improvement of road safety and promotion of sustainable urban mobility.

- Fire prevention.
- Promotion of tourism.

Projects presented and pending actions

The presentation period for projects began on 10th December and came to a close on 24th January. The figures for project applications presented by Local Councils reveal the extraordinary uptake of this initiative.

In total, almost all Local Councils in Spain (8,108), presented close to 31,000 projects that account for over €7,900 million, 99.9% of the Fund. This huge response among Local Authorities, regardless of their constituencies sizes or political leanings, reveals to which extent the initiative launched by the Government was adequate.

All the projects presented respond to the real needs that Councils consider a priority, within the sphere of their autonomy and authority. Of all the applications presented, the majority were aimed at the renovation and improvement of public spaces (31.8%), followed by basic facilities and infrastructures (28.9%), cultural, educational and sporting facilities and buildings (17.4%), social, healthcare and funeral buildings and facilities (8.4%), promotion of mobility and road safety (3.6%) and energy savings and efficiency (2.2%).

In larger towns and cities, the renovation and improvement of public spaces is an essential priority, whereas in smaller towns and villages the focus is on the improvement of basic service facilities and infrastructures.

For most projects, work began in the months of March (31.9%), April (41.5%) and May (13.9%).

The entire application and concession procedure was carried out using electronic means, thereby speeding up the whole process. Close to 5,000 on-line queries and 9,439 phone calls were dealt with regarding the computer application launched to apply for financing through the Fund.

Following the initial stage of project applications and approval, a second stage is now underway. Councils are now responsible for executing the projects and creating employment. The Ministry of Public Administration and Central Government are responsible for all tasks involved in accessing the funding, supervising execution and confirming its destination.

When allocating funding, each Council must justify the details of the allocation, the date of allocation, the identity of the contracted company, the amount allocated in the contract and the number of people employed by the companies carrying out the work.

When a contract is allocated to a company, the Ministry of Public Administration will release 70% of the total project finance to the Council in question.

Subsequently, the Councils must accredit that the investments have been made and the work completed within the stipulated timeframe. They must provide a Report verifying the jobs created, identifying the workers contracted, together with a list of project certifications, indicating the creditor and invoices, their amount, the percentage financed through the Fund and the date issued, as well as the acknowledgement of receipt and final project completion certificate. Once they have met all these requirements, Councils will receive the remaining 30% of the finance.

The Ministry of Public Administration will verify this information for each and every one of the projects presented (in excess of 30,000).

Conclusions

We may say that previsions and targets set by the Spanish Government in the presentation of the Plan have been fulfilled and are in line with the extraordinary effort demanded by the European Union.

We have fully complied with the recommendation of the European Commission regarding fiscal policy stimulus measures, which called on countries to stimulate their economies for the equivalent of 1.2% of their GDP. The €8,000 million earmarked for the State Fund for Local Investment, plus the €3,000 million invested in the Special Fund for Economic Invigoration designed to improve the situation of certain strategic economic sectors, also included in "Plan E", account for over 1.1% of Spain's GDP.

Furthermore, the launch of this Fund responds to the immediacy recommended in the European Economic Recovery Plan, which stresses the need for urgent action to tackle the rapid general weakening of economic conditions.

In accordance with this goal, we have designed a particularly swift procedure, in which all applications have been processed electronically. The electronic procedure used has improved speed and transparency in the handling of the Fund's initiatives, whilst still maintaining all the necessary controls in place to ensure compliance with the conditions established by the regulations, and represents an important milestone in the increased use of e-Government in Spanish public administration.

Its launch has caused no difficulties in terms of functions or accessibility among smaller Councils. And the fact that at least 8,108 Councils already have an electronic certificate will contribute more than any other measure to the modernisation of local government, which is a priority for the Spanish Government and the Ministry of Public Administration.

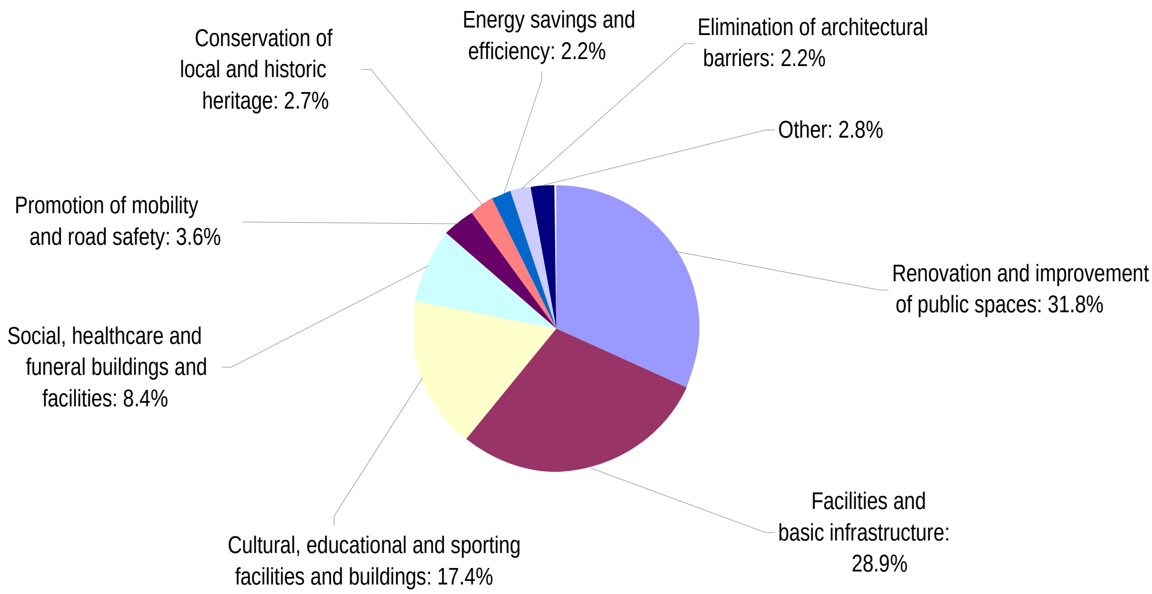
The priority given to Local Councils in this measure shows the importance of collaboration between different levels of Public Administration bodies in the adoption of measures aimed at achieving economic recovery.

Furthermore, the administration and disbursement of this Fund, which has been achieved thanks to the work of public sector employees who have tackled this challenge with great professionalism, has sparked an important democratic debate and caused a great deal of interest among citizens. All Councils, regardless of their size, have managed their projects directly, creating a transparent process regarding the destination of funds and the approval of subsequent projects. A clear sign of this interest is the fact that the Ministry of Public Administration's webpage, which includes information about the projects approved by different Local Councils throughout Spain, received over 1.5 million visits during the month of January alone.

Ultimately, the State Fund for Local Investment represents an extraordinary effort to invigorate the Spanish economy, to create employment and improve the quality of life for citizens. The Spanish Government, the different agents involved in execution and Spanish society as a whole have high hopes for this initiative.

Total Fund amount:	€8,000 million		Potential beneficiaries:	8,112	
Amount of proj. presented:	€7,998.7 million	99.98%	Beneficiary Councils:	8,108	99.95%
Direct jobs:	278,518 jobs		Indirect jobs:	400,000 jobs	

Type of projects



Work commencement

January	February	March	April	May	June	July	August	September	October	November	December
		31.90%	41.50%	13.90%	Remainder*						

*Except for certain projects implemented by the Councils themselves, which began in February