

## 4 things you didn't know about the fiscal consolidation process



**1** The deficit reduction is particularly difficult for **Autonomous Communities**. Bear in mind that they are responsible for rendering the basic welfare state services as they have been assigned the responsibilities for health, educational and social welfare matters. In the case of Catalonia, the Generalitat also has powers over other services such as the justice system and autonomous police force.

**2** In terms of consolidation process on expenditure, neither the Central Administration nor the Social Security has decreased their level of expenditure.

Instead, both have increased by more than 10 billion Euros. **As it can be seen in the table, only the Autonomous Communities and Local Corporations have contributed to the expenditure reduction.**

**3** **€8,000m of the Spanish fiscal adjustment are derived from successive increases in VAT rates which** have generated revenue for the Central Government not transferred to the Autonomous Communities, even though the autonomous financing system establishes that Autonomous Communities must receive the 50% of the VAT revenue collected in their territories.

**4** The fiscal consolidation process in Catalonia meets an obstacle: **an arbitrary, inconsistent autonomic financing system for the fifteen Spanish communities under the so-called common regime.** In 2013, Catalonia was the second Autonomous Community in fiscal capacity (revenue generated per inhabitant), but dropped to tenth position in resources received after applying the redistribution mechanisms of the financing system. And, if we take into account the cost of living differential, Catalonia falls to fourteenth position. ■

	% variation expense 2014/2010	Share of expense 2010 (a)	Share of expense 2014 (b)	Variation (b-a)	Variation expense 2010-2014 (M€)
<b>Total Public Administrations</b>	<b>-5.98</b>	<b>100.00</b>	<b>100.00</b>	<b>--</b>	<b>-29,592</b>
Central Administration and Social Security	4.20	51.62	57.21	5.59	10,731
Central Administration <sup>(1)</sup>	4.40	21.00	23.32	2.32	4,576
Social Security <sup>(2)</sup>	4.06	30.62	33.89	3.27	6,155
Autonomous Communities	-14.62	35.10	31.87	-3.23	-25,402
Local Corporations	-22.70	13.28	10.92	-2.36	-14,921

Source: IGAE (State Government Comptroller's Office, April 15th 2015). Non-financial public expenditures 1995-2014.

1. Excluding State aid to financial institutions.  
2. Including unemployment benefit.