



Study on State asset management in the EU

Final study report for Pillar 3 – Spain

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This country fiche presents a qualitative overview of the mix of governance models and investment strategies implemented by the Spanish general government to manage its assets portfolio.

1. MAPPING OF THE GOVERNANCE OF THE PORTFOLIO OF ASSETS

Territorially, the Spanish government can be differentiated into:

- the central government.
- the autonomous communities (regions). Autonomous communities have financial autonomy, although their revenue depends partly on the central government and partly on its own resources, its own taxes and part of those obtained by the central government's tax in the autonomous community;
- the local entities, which have administrative and financial autonomy. The local entities are the provinces, the municipalities, the islands, the smaller local entities that are included in the municipalities, and the local entities higher than the municipalities.

Throughout this country fiche, we re-cluster these public bodies into two categories, i.e. the "central government", which includes the central government, and the "local governments", which include both the autonomous communities and the local entities.

Currently, there is not a specific, unique government entity responsible for managing the central government's asset portfolio as a whole. In fact, the central government has progressively concentrated the majority of the strategic and operational decisions regarding its assets in the hand of a few centralised bodies, which can either be relevant ministries (e.g. the *Ministry of Public Works*¹), or Public Sector Holdings (PSHs) (e.g. *AENA*, *SEPI*) or public authorities (*EPPE*).

There is no unique, comprehensive and consolidated National public data source covering all the assets in the general government's portfolio. By contrast, many *ad hoc* registries and information sources on government's assets are kept updated by many relevant public bodies.

The year-end financial statements of the Spanish government are prepared on accrual basis. They are composed of a full suite of statements. State-owned assets (financial and non-financial) and liabilities are recorded in the balance sheets, except for natural resources, social benefits, civil service and military pensions, and public-private partnership (PPP) assets and liabilities, which are presented in a disclosure. Assets are measured at historical costs. The year-end financial reports cover central government, hence including all ministries, autonomous bodies and agencies and the social security funds, which are all controlled by the central government².

1.1. Financial assets

The PSHs owned by the Spanish general government operate in a broad spectrum of the domestic economy. This variety is reflected in the patterns of ownership and

¹ *Ministerio del Fomento*

² Moretti, D. (2016). *Accrual practices and reform experiences in OECD countries*. Results of the 2016 OECD Accruals Survey. OECD Journal on Budgeting, 16(1), pp. 9-28.

governance. For example, some financial assets are owned by the central government; others by the local governments.

The main body for the strategic decisions is the *Ministry of Finance and Civil Service*³, which is responsible for strategic decisions around financial assets owned by the central government. Ministries, central and local public authorities, and other bodies owning a majority stake in PSHs are responsible for operational decisions.

The reform of state-owned enterprises carried out in the 1990s led the government to create the *Public Holding for Industrial Participations (SEPI)*⁴, which is fully owned by the Spanish government and was created as a public-law entity by decree in 1995. It has direct majority participation in 15 companies, making up the *SEPI Group*, with a workforce of 72,912 employees (2016⁵); it is also a direct minority shareholder in 10 companies, while indirectly participating in more than 100 companies⁶. Its portfolio accounts for more than 5% of the total assets owned by the PSHs within the Spanish government's portfolio⁷.

The broader mission of *SEPI* is to make its PSHs profitable, while, at the same time, taking into account the public interest. By doing so *SEPI* combines objectives of economic and social profitability. Beyond its initial nature of agent responsible for the industrial policy in accordance with *Law 5/1996*, *SEPI* has become an instrument for the economic and financial policy, maintaining a close relationship with budgetary policy. *SEPI* has its own budget, which is integrated within the *State General Budget*, from which it can receive contributions.

Ministries are also involved at different level and with different degree of responsibility in *SEPI*'s governance. Indeed, in compliance with the *Royal Decree Law No. 5/1995*⁸, the management bodies of *SEPI* include:

- the *Chairman*, which also chairs the *Board of Directors*. He/she is appointed by the government through a Royal Decree, following the proposal of the *Minister of Finance and Civil Service*. He/she is also responsible for appointing the members of the *Management Board* and informs the *Board of Directors* about those appointments;
- the *Board of Directors* consists of the *Chairman*, the *Vice President of SEPI*, the *Secretary of the Board* and by the members, who represent some government departments⁹;

³ *Ministerio de Hacienda y Función Pública*.

⁴ *Sociedad Estatal de Participaciones Industriales – SEPI*. For more details, please see *SEPI*. Available at: <http://www.sepi.es/default.aspx?cmd=0001&IdContainer=3&idLanguage=&idContraste>.

⁵ For more details, please see the *SEPI Annual Report 2016*. Available at: http://www.sepi.es/img/recursos/publicaciones/SEPI%202016_Informe_anual_definitivo-web.pdf [Accessed 09th January 2018]

⁶ For more details on the portfolio managed by *SEPI*, please see *SEPI*. Available at: <http://www.sepi.es/default.aspx?cmd=0001&IdContainer=5&lang=&idLanguage= EN&idContraste>. [Accessed 09th January 2018]

⁷ This share has been calculated taking into consideration the total assets of the 15 majority and 10 minority shareholdings of *SEPI*, and using data collected and elaborated in Pillar 1.

⁸ For more details, please see *SEPI*. Available at: <http://www.sepi.es/default.aspx?cmd=0001&IdContainer=5&lang=&idLanguage= EN&idContraste>. [Accessed 09th January 2018]

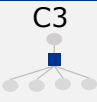

- the *Management Board* is an executive body, to which the *Board of Directors* delegates many activities.

Since *SEPI* belongs to the public sector, *SEPI* itself and its companies are subject to the same control procedures that apply to any other entity from the public sector (economic and financial control; control of the industrial relations; specific controls for privatizations by the *Consultative Board for Privatizations*^{10,11}).

With respect to financial assets in government's equity portfolio, the five most important sectors in terms of Value Added (VA) generated by PSHs¹² are:

1. *H – Transportation and storage*;
2. *R – Arts, entertainment and recreation*;
3. *E – Water supply; sewerage, waste management and remediation activities*;
4. *F – Construction*;
5. *J – Information and communication*.

Table 1 Governance regimes: Financial assets, Spain

Owners of the asset	Both the central and the local government participate in the companies' capital. However, many of the shares are owned by the <i>SEPI</i> .	C3 
	<p>Most important sectors in terms of VA:</p> <ol style="list-style-type: none"> 1. Sector H – Transportation: the majority of the PSHs are owned by the local governments. However, some PSHs (e.g. <i>AENA SA</i>, <i>ADIF SA</i>) are directly owned by the central government through its ministries 2. Sector R – Arts: the majority of the PSHs are owned by the local governments 3. Sector E – Water supply: the majority of the PSHs are owned by the local governments, although the central government retains minor ownership stakes through the <i>General Directorate for State Property (DGPE)</i>¹³ of the <i>Ministry of Finance and Civil Service</i> 4. Sector F – Construction: the majority of the 	D1 





⁹ The government departments represented are the following: *Defense; Finance and Civil Service; Energy, Tourism, and the Digital Agenda; Economy, Industry, and Competitiveness; Public Works; Employment and Social Security; Agriculture and Fishing, Food and the Environment; and Presidency and for Territorial Administrations.*

¹⁰ *Consejo Consultivo de Privatizaciones.*

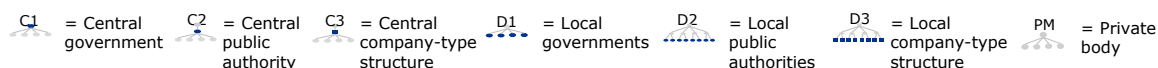
¹¹ For more details, please see <http://www.sepi.es/default.aspx?cmd=0001&IdContainer=5&lang=&idLanguage= EN&idContraste=> [Accessed 09th January 2018].

¹² The five most important sectors in terms of VA generated by PSHs have been mapped in Pillar 1. For industry classification we rely on data provided by *Bureau van Dijk (BvD) Orbis*, which in turns gets its data from other service providers and bases industry classification on the NACE codes provided.

¹³ *Direction General del Patrimonio del Estado (DGPE).*

	<p>PSHs are owned by the local governments, although the central government retains minor ownership stakes through the <i>Ministry for Public Works</i>¹⁴</p> <p>5. Sector J – Information: the majority of the PSHs are owned by the local governments, although the central government retains strategic PSHs ownership through <i>SEPI</i></p>	
Bodies responsible for the strategic and investment decisions	<p>The <i>Ministry of Finance and Civil Service</i> is the main body responsible for outlining the overall strategic framework related to the Spanish central government’s PSHs.</p> <p>Most important sectors in terms of VA: the relevant local governments and each relevant Ministry are responsible for the strategic decisions on PSHs operating within their jurisdiction in compliance with the strategic framework outlined by the <i>Ministry of Finance and Civil Service</i>.</p>	 C1
Bodies responsible for the operational decisions	<p>Since operational decisions are taken by the owners of the majority of stakes in the PSHs, the <i>DGPE</i> and the <i>SEPI</i> are mainly in charge for managing the majority of the central government-owned financial assets.</p> <p>In addition, the local governments are responsible for the decisions regarding the management of their own financial assets.</p> <p>Most important sectors in terms of VA: since the majority of the PSHs operating in these sectors are owned by local governments, then local governments are responsible for the operational decisions.</p>	 C3  D1
National public data sources	<p>The <i>DGPE</i> reports the list and the main information (e.g. equity values) regarding PSHs in central government’s equity portfolio¹⁵.</p>	 C2

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government’s asset portfolio. These models may not apply to all the individual assets within the cluster.
- (b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two “network graphs” representing these bodies.





¹⁴ Ministerio de Fomento.

¹⁵ For more information about the information mapped as well as for the list of “companies of the Patrimony Group”, please see <http://www.minhafa.es/es-ES/Areas%20Tematicas/Patrimonio%20del%20Estado/Sociedades%20del%20Grupo%20Patrimonio/Paginas/default.aspx> [Accessed 25th September 2017].

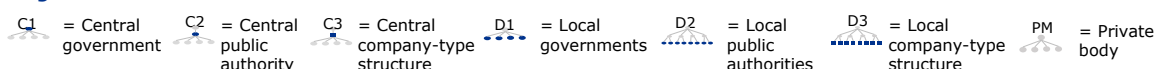
1.2. Non-financial assets

- Airports

Table 2 Governance regimes: Airports, Spain

Owners of the asset	The ownership of the majority of the Spanish airports has been transferred to <i>Spanish Airports and Air Navigation (AENA)</i> ^{16,17} , a PSH in which the Spanish central government holds 51% of shares.	C3 
Bodies responsible for the strategic and investment decisions	The <i>Ministry for Public Works</i> is responsible for the strategic and investment decisions regarding the Spanish airport network. It also addresses the activity of <i>AENA</i> .	C1 
Bodies responsible for the operational decisions	The majority of the Spanish airports are managed by <i>AENA</i> that is therefore responsible for operational decisions regarding the most of the Spanish airport network.	C3 
National public data sources	<i>AENA</i> monthly publishes key information and data about traffic in its airports. Since <i>AENA</i> is a listed company, it compiles its annual report based upon the <i>International Financial Reporting Standards (IFRS)</i> . Therefore, its balance sheet maps the value of its facilities in compliance with accounting principle IFRS 12 ("Property, plants and equipment"). The <i>National Institute for Statistics</i> ¹⁸ currently collects and reports the key information about airport traffic in Spain (e.g. passenger traffic).	C3 

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
- (b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.





¹⁶ Aeropuertos Españoles y Navegación Aérea (AENA) SA.

¹⁷ Art. 9 of the *Real Decreto-ley 13/2010, de 3 de diciembre, de actuaciones en el ámbito fiscal, laboral y liberalizadoras para fomentar la inversión y la creación de empleo*. Last modification on the 31st October 2015. Available at: <https://www.boe.es/buscar/pdf/2010/BOE-A-2010-18651-consolidado.pdf> [Accessed 04th September 2017].

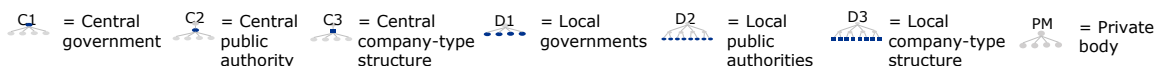
¹⁸ For more detail about the information reported by the *Instituto Nacional de Estadística*, please see <http://www.ine.es/en/welcome.shtml> [Accessed 13th September 2017].

- Ports

Table 3 Governance regimes: Ports, Spain

Owners of the asset	The so-called "ports of general interest" (i.e. those ports involved in international maritime commerce) are owned by the central government ¹⁹ (in compliance with the Art. 149.1.20 of the <i>Spanish Constitution</i>).	 C1
Bodies responsible for the strategic and investment decisions	The main bodies responsible for the strategic and investment decisions are the <i>Ministry for Public Works</i> , (which is responsible for setting the government's port policy), and the <i>Public Authority for Public Ports (EPPE)</i> ²⁰ , which coordinates and control the activity of the Spanish public port authorities ²¹ .	 C2
Bodies responsible for the operational decisions	The organisation and management of Spanish ports is assigned to several public port authorities, which have management and legal autonomy and their own budget.	 D2
National public data sources	The <i>National Institute for Statistics</i> currently collects and reports the key information about the port traffic in Spain (e.g. passenger traffic). With regard to the seaport infrastructures, there is currently no single, definitive, public source of information.	 C2

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
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¹⁹ art. 5 of the *Ley 27/1992, de 24 de noviembre, de Puertos del Estado y de la Marina Mercante*. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-1992-26146> [Accessed 08th November 2017]. This Law was modified by the *Ley 62/1997, de 26 de diciembre, de modificación de la Ley 27/1992, de 24 de noviembre, de Puertos del Estado y de la Marina Mercante*. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-1997-27988> [Accessed 08th November 2017]. Please note that this law has been derogated by the *Real Decreto Legislativo 2/2011, de 5 de septiembre, por el que se aprueba el Texto Refundido de la Ley de Puertos del Estado y de la Marina Mercante*. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2011-16467> [Accessed 08th November 2017].

²⁰ *Ente Público Puertos del Estado (EPPE)*.

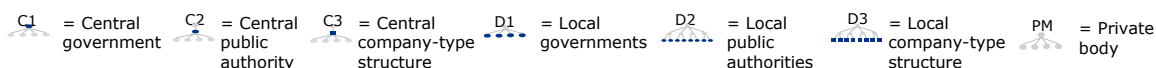
²¹ *Autoridades portuarias*.

• Roads

Table 4 Governance regimes: Roads, Spain

Owners of the asset	Motorways and main roads are owned by the central government, while other roads are owned by the relevant local governments.	 C1  D1 
Bodies responsible for the strategic and investment decisions	<p>The <i>General Directorate of Roads</i>²², which is a general directorate depending upon the <i>General Secretariat of Infrastructures</i>²³ of the <i>Ministry of Public Works</i>, is responsible for the strategic and investment decisions regarding the state road network. Among its responsibilities the following can be found:</p> <ul style="list-style-type: none"> • assignment of portions of the road network to be transferred to the local public bodies; • Management of the concessions of the road network or parts of it. 	 C2
Bodies responsible for the operational decisions	<p>The <i>General Directorate of Roads</i> is directly responsible for the operational decisions regarding main roads.</p> <p>Moreover, the <i>autonomous communities</i> and the <i>provincial councils</i> are responsible for the operational decisions regarding road infrastructures within their jurisdiction.</p>	 C2  D2 
National public data sources	The <i>General Directorate of Roads</i> is responsible for keeping and updating the inventories of the state road network. In addition, the <i>National Institute for Statistics</i> ²⁴ collects and reports key information about the road infrastructure (e.g. the length of motorways) and road traffic in Spain.	 C2

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
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



²² Dirección General de Carreteras.

²³ Secretaría General de Infraestructuras.

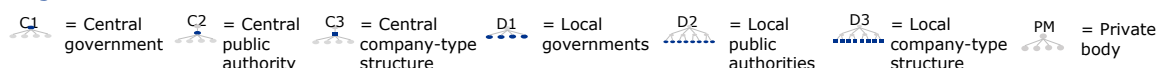
²⁴ For more detail about the information reported by the *Instituto Nacional de Estadística*, please see <http://www.ine.es/en/welcome.shtml> [Accessed 13th September 2017].

- Railways

Table 5 Governance regimes: Railways, Spain

Owners of the asset	Railway infrastructures are owned by <i>Administration for Rail infrastructures (ADIF)</i> ^{25,26} , which is a PSH fully owned by the Spanish government.	C3 
Bodies responsible for the strategic and investment decisions	The <i>Ministry of Public Works</i> is responsible for the strategic planning and the financial decisions regarding the railway infrastructures through the <i>Contract-Program and Agreement on the construction and management of the network</i> ^{27,28} . <i>ADIF's</i> annual budget and capital expenditures have to be approved by the <i>Ministry of Public Works</i> and are included in the <i>General State Budget</i> .	C1 
Bodies responsible for the operational decisions	<i>ADIF</i> acts as infrastructure manager; it is therefore responsible for operational decisions related to the Spanish railway network. Its responsibility and duties are regulated by the <i>Royal Decree no. 2395/2004</i> ²⁹ .	C3 
National public data sources	<i>ADIF</i> annually publishes the "Network Statement" ³⁰ , which outlines the characteristics of the infrastructure and contains information on the conditions of access to it. Moreover, since <i>ADIF</i> is a listed joint-stock company, it therefore compiles its annual report based on the <i>IFRS</i> . It follows that its balance sheet maps the value of its railways according to the <i>IFRS 12</i> principle. In addition, the <i>National Institute of Statistics</i> collects and reports key information about the railway infrastructure (e.g. the length of railway tracks) and traffic in Spain.	C3 

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
- (b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases two "network graphs" representing these bodies.

²⁵ *Administrador de Infraestructuras Ferroviarias – ADIF SA*

²⁶ *Real Decreto-ley 4/2013, de 22 de febrero, de medidas de apoyo al emprendedor y de estímulo del crecimiento y de la creación de empleo*. Available at: <https://www.boe.es/boe/dias/2013/02/23/pdfs/BOE-A-2013-2030.pdf> [Accessed 04th September 2017].

²⁷ *Contrato-programa y convenios para la construcción y gestión de la red*







²⁸ *Law No. 39/2003*

²⁹ *Real Decreto 2395/2004, de 30 de diciembre, por el que se aprueba el Estatuto de la entidad pública empresarial Administrador de Infraestructuras Ferroviarias*. Available at: <https://www.boe.es/boe/dias/2004/12/31/pdfs/A42785-42796.pdf> [Accessed 04th September 2017].

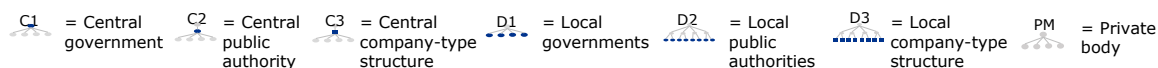
³⁰ For more detail about the information reported by the *Network Statement*, please see http://www.adif.es/en_US/conoceradif/doc/CA_DRedEn_Completo.pdf [Accessed 9th November 2017].

- *Mineral and Energy reserves*

Table 6 Governance regimes: Mineral and Energy reserves, Spain

Owners of the asset	Mineral and Energy resources are in the public domain ^{31,32} and therefore are owned by the central government.	 C1
Bodies responsible for the strategic and investment decisions	At central level, the main authority responsible for the strategic and investment decisions regarding Mineral and Energy reserves is the <i>General Directorate for Energy and Mining Policy</i> ³³ of the <i>Ministry of Energy, Tourism and Digital Agenda</i> ³⁴ . The relevant local governments can exercise their powers on particular aspects, such as the management of environmental protection, and the promotion of regional economic development.	 C1  D1
Bodies responsible for the operational decisions	Many companies are given the rights to exploit Spanish mineral and energy resources in concession (e.g. <i>Repsol SA</i> though its subsidiary <i>Repsol Exploración SA</i>).	 C3  D3
National public data sources	The <i>Ministry of Energy, Tourism and the Digital Agenda</i> keeps updated the registry of the existing permits and concessions.	 C1

Legend



Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
- (b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

³¹ *Dominio público*.

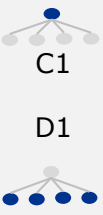
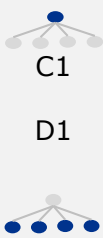


³² *Ley 22/1973, de 21 de julio, de Minas*. Available at: <https://www.boe.es/buscar/act.php?id=BOE-A-1973-1018> [Accessed 09th November 2017].

³³ *Dirección General de Política Energética y Minas*.

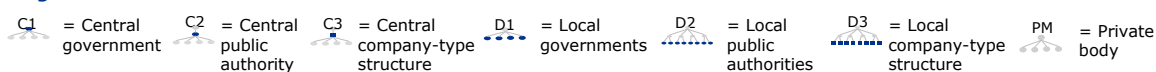
³⁴ *Ministerio de Energía, Turismo y Agenda Digital*.

- *Other natural resources*

Table 7 Governance regimes: Other natural resources, Spain

<p>Owners of the asset</p>	<p>Other natural resources in Spain are owned by both the central government and the local governments³⁵.</p>	
<p>Bodies responsible for the strategic and investment decisions</p>	<p>At central level, the <i>Ministry of Agriculture and Fishing, Food and Environment</i>³⁶ is the main regulatory body for the proposal and implementation of the government's policy on Other natural resources.</p> <p>This structure at state level is mirrored in each local government.</p>	
<p>Bodies responsible for the operational decisions</p>	<p>At central level, the different departments and agencies of the <i>Ministry of Agriculture and Fishing, Food and Environment</i> are responsible for the operational decisions regarding the portion of Other natural resources within their jurisdiction.</p> <p>This structure is mirrored in each local government.</p>	
<p>National public data sources</p>	<p>The <i>Spanish Inventory of Natural Heritage and Biodiversity</i>³⁷ is the main tool for mapping Other natural resources within government's portfolio. In addition, there are many specific registries, each of them covering a small portion of the state-owned natural heritage (e.g. the <i>National Forest Inventory, Spanish inventory of wet areas</i>)³⁸. The <i>Ministry of Agriculture and Fishing, Food and Environment</i> is the body responsible for keeping these registries updated.</p>	

Legend



Source: KPMG elaborations.

(a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.

³⁵ Given the heterogeneity of the asset cluster, it is not possible to find a precise legal framework setting the guidelines for the governance regime adopted for Spanish government's Other natural resources. For example, the governance regime for state-owned water resources is grounded upon the Royal Legislative Decree No. 1/2001; coastal resources upon the Royal Legislative Decree No. 876/2014, forests and mountains upon Law No. 21/2015.

³⁶ Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente

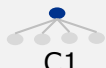





³⁷ *Inventario Español del Patrimonio Natural y la Biodiversidad*.

³⁸ For more information about the Spanish government's national inventories about Other natural resources, please see <http://www.mapama.gob.es/es/biodiversidad/temas/inventarios-nacionales/> [Accessed 01st December 2017].

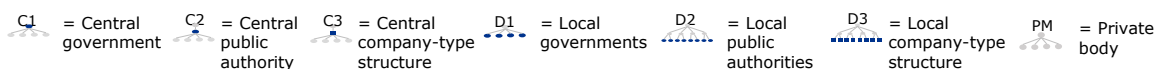
(b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

- Dwellings, Buildings other than dwellings

Table 8 Governance regimes for Buildings cluster, Spain

Owners of the asset	Assets falling into this cluster can be owned either by the central government or the local governments.	 C1 
Bodies responsible for the strategic and investment decisions	In compliance with the Spanish laws, the <i>Ministry of Finance and Civil Service</i> and its <i>DGPE</i> are responsible for strategic and investment decisions related to central government's Buildings.	 C1
Bodies responsible for the operational decisions	The <i>DGPE</i> is responsible for the operational decisions related to public real estate. In addition, local governments are responsible for operational decisions regarding their own Dwellings and Buildings other than dwelling.	 C2 
National public data sources	The <i>DGPE</i> reports information about residential and non-residential buildings in the central government's portfolio. In addition, the <i>National Institute of Statistics</i> has to annually collect some information about Dwellings and Buildings other than dwellings ³⁹ in Spain.	 C2

Legend

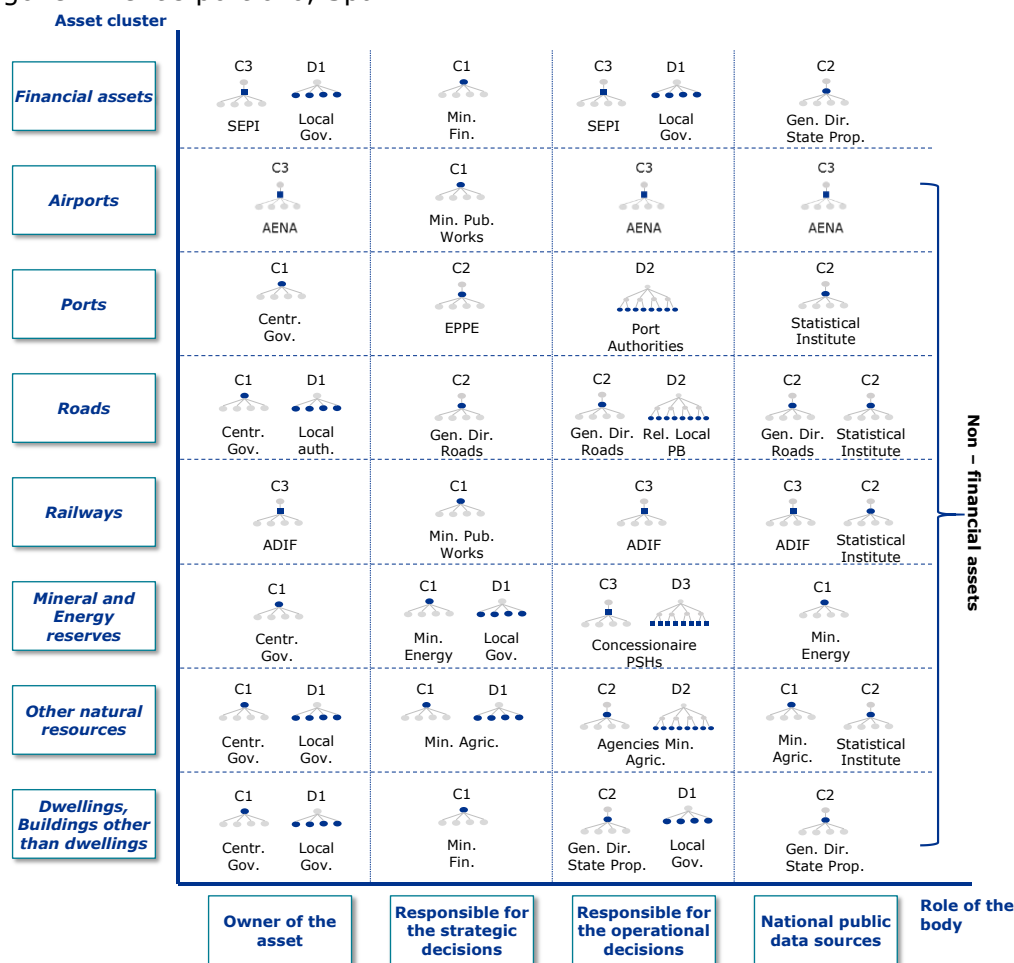


Source: KPMG elaborations.

- (a) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.
- (b) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

³⁹ For more detail about the information on Buildings reported by the *National Institute of Statistics*, please see <http://www.ine.es/en/welcome.shtml> [Accessed 13th September 2017].

Figure 1 Asset-responsibility chain and ownership matrix for the cluster of assets in government's portfolio, Spain



Legend

C1 = Central government C2 = Central public body C3 = Central company-type structure D1 = Local governments D2 = Local public body D3 = Local company-type structure PM = Private body

Source: KPMG elaborations.

Centr. Gov. = Central government; Local Gov. = Local government; Min. Fin. = Ministry of Finance; Gen. Dir. State Prop. = General Directorate of State Property; Min. Pub. Works = Ministry of Public Works; Gen. Dir. Roads = General Directorate of Roads; Min. Energy = Ministry of Energy, Tourism and Digital Agenda; Min. Agric. = Ministry of Agriculture and Fishing, Food and Environment.

(a) For more detail about the clusters of governance regimes, please see Methodological Notes.

(b) The network graphs in the table above highlight the main bodies involved for each role of the responsibility chain (e.g. the bodies owning the assets, the bodies responsible for operational decisions), for each asset cluster in the government's asset portfolio. These models may not apply to all the individual assets within the cluster.

(c) For some clusters of assets the responsibility for some aspects of the governance regime is spread between more bodies at different levels of centralisation. Therefore, we represent these cases using two "network graphs" representing these bodies.

In light of the analysis presented earlier and summarised in Figure 1, the overall governance regime for the Spanish central government's asset portfolio can be defined as centralised both in terms of ownership and in terms of responsibility for strategic and investment decisions on the assets.

In particular, the central government owns the majority of the state-owned assets and it also has the responsibility for strategic and financial decision relating to assets in its

portfolio. More in detail, the relevant ministries prepare the strategic plans for the assets under their jurisdiction (e.g. the *Ministry of Public Works* has adopted the *Infrastructure, Transport and Housing Plan 2012-2024*⁴⁰, which establishes a long-term framework for strategic decisions related to transport infrastructures). These plans represent the strategic and legislative framework within which different authorities and public companies (e.g. *AENA* for the airport network and *ADIF* for the railway network) make operational decisions.

2. MAPPING OF THE INVESTMENT STRATEGY OF THE PORTFOLIO OF ASSETS

The Spanish government does not have a unique document outlining the investment strategy for all the assets. However, in recent years, the Spanish government has launched and approved many initiatives for all the assets in its portfolio. These initiatives have been leading to a change in the governance regime for part of the assets in the government's portfolio and the entry of new private investors in the financing investments and in managing public assets (e.g. in case of airports with the partial privatisation of *AENA SA*).

2.1. Financial assets

Art. 128 (2) of the Spanish *Constitution* protects public initiative in economic activity. Essential resources or services may be kept by law within the public sector, especially in case of monopolies. State intervention in companies may similarly be imposed when public interest so demands⁴¹.

However, in the last decades the presence of the Spanish government in the economy has decreased. This reduction has been mainly driven by the accession of Spain to the then called European Economic Community, which forced the Spain government to nurture an attitude towards the liberalisation of economic sectors, in accordance with the values of free competition and the principle of subsidiaries as stated in EU Treaties. The results of the Spanish privatisation process are shown in Figures 2 and 3 below. Specifically, in the past three decades, three periods can be considered as the most important ones in terms of value of the deals:

- 1991 - 1995, during which the privatisation began to be considered as a real policy instrument, thanks to the elaboration of the *Plan for rationalisation and modernisation of the entrepreneurial public sector* (i.e. *Plan par la Racionalización y la Modernización del Sector Público Empresarial*);
- 1996 - 2000, when the privatisation process reached its peak, with the highest value of transactions in 1998, thanks to the privatisation of public utilities (i.e. "petroleum industry", "telecommunications", and "utilities" sectors);
- 2011 - 2014, when the privatisation process was driven by the dismissal of government stakes in "Finance & Real Estate industry", which were previously bought by the Spanish government as a result of the financial crisis of 2008.

Nowadays, many of the financial assets shares are owned by the *SEPI*⁴², created in 1996 with the *Royal Decree-Law No. 5/1996*⁴³. As already mentioned earlier on in this

⁴⁰ *Plan de Infraestructuras, Transporte y Vivienda 2012-2024 – PITVI 2012-2024*.

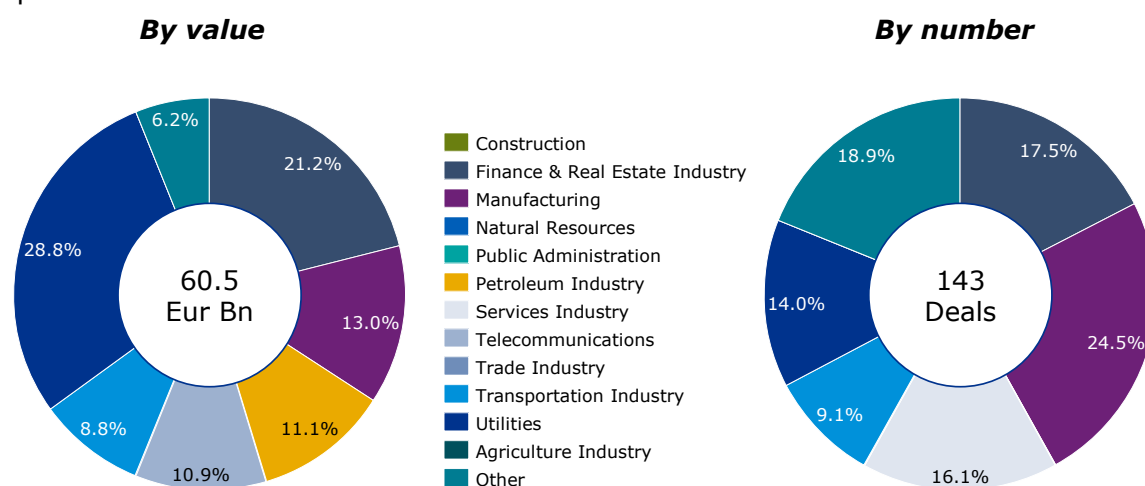
⁴¹ The creation of the *INI* was the starting point of an expansive phase driven by the need to meet the demand for services when there was little private initiatives.

⁴² For more details, please see *SEPI*. Available at:
<http://www.sepi.es/default.aspx?cmd=0001&IdContainer=3&idLanguage=&idContraste=>

country fiche, *SEPI* was created within the context of modernisation of the Spanish state-owned enterprises, so to be able to better manage industrial PSHs previously owned by public entities, namely the *National Institute for Industry* (i.e. *Instituto Nacional de Industria - INI*) and the *National Institute for Hydrocarbons* (i.e. *Instituto Nacional de Hidrocarburos - INH*).

Regarding the actual investment strategy, the government remains committed to complete the restructuring and privatisation of the state-owned banks, which were nationalised as a consequence of the financial crisis of 2008, with the aim at further strengthening the stability of the banking sector⁴⁴.

Figure 2 Privatisations across markets by value and by number, 1980 – 2014, Spain

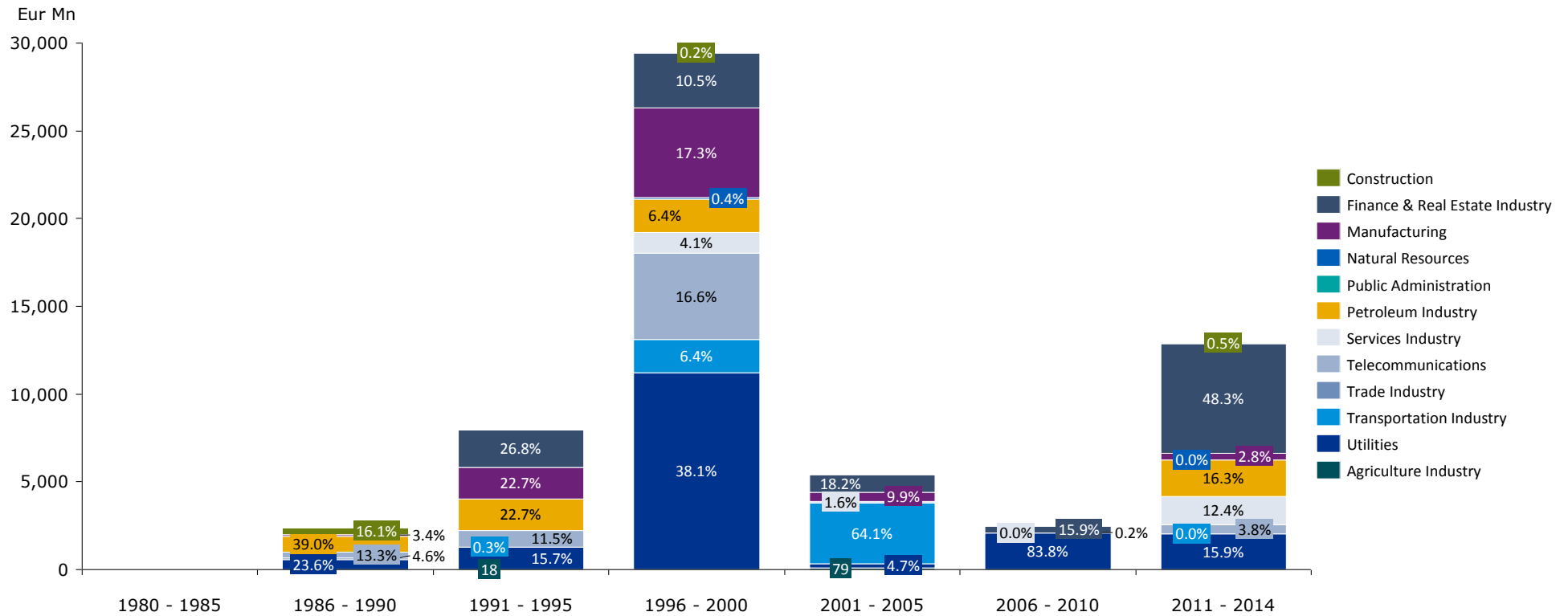


Sources: KPMG elaborations on data from the *Fondazione Eni Enrico Mattei (FEEM)* database, 1980-2014.
 (a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.
 (b) The number of privatisations refers to the total number of transactions for that period.
 (c) Sectors that are below the 5% threshold in terms of both total value of the transactions and number of deals have been included in the aggregate cluster "Other".

⁴³ *Ley 5/1996, de 10 de enero, de creación de determinadas entidades de derecho público*. Available at: <https://www.boe.es/buscar/pdf/1996/BOE-A-1996-754-consolidado.pdf> [Accessed 20th October 2017]

⁴⁴ Please note that, as already outlined in Section 3.2 of Methodological Notes, public investments into the banking sector following the financial crisis of 2008 were always temporary and the government intentionally did not take any operational control over the "nationalised" banks.

Figure 3 Privatisations across markets over time by value, 1980 – 2014, Spain



Sources: KPMG elaborations on data from the Fondazione Eni Enrico Mattei (FEEM) database, 1980-2014.

(a) The value of privatisations refers to the sum of the values of the transactions agreed between a public body (seller) and a private entity (bidder) for that period.

(b) According to data retrieved from the FEEM database, there were no privatisations during the years 1980 – 1985.

2.2. Non-financial assets

The Spanish government has adopted the *Infrastructure, Transport and Housing Plan 2012-2024*, which establishes a long-term framework for strategic decisions related to transport infrastructures. This scheme was prepared by the *Ministry of Public Works* and identifies the main investments and projects to be implemented by the Spanish government. Total investments suggested in the *PITVI* oscillate between 142 and 151 Eur Bn. Regarding Non-financial assets mapped in Pillar 2 of this study, the following amounts are expected to be invested:

- 36.4 Eur Bn for Roads, covering more than 50 projects;
- 61.3 Eur Bn for Railways, which will be spent mainly for building new high-speed lines;
- 7.2 Eur Bn for the Airport network and air navigation services;
- 6.8 Eur Bn for Ports.

In the following sub-sections more details on the Spanish investment strategy relating to non-financial assets are provided.

- *Airports*

The reform based upon *Royal Decree-Law No. 13/2010* (which transferred the property of state-owned airports to *AENA SA*) was addressed to create a PSH that will assume the management of the majority of Spanish airport network, thus providing them with a commercial structure.

As reported in *PITVI 2012 – 2024*, the Spanish government decided that the best way to make the business around the Spanish airport system sustainable was to adopt business management criteria, including allowing private capital into the airport manager. As a consequence, the initial public offer (IPO) of *AENA SA* was launched on 11th February 2015. Since the IPO accounted for 49% of its share capital, the remaining 51% was still owned by the state, through the PSH *Enaire*.

- *Ports*

At the end of 2003, the state started the liberalisation of port services and to changes in the financial organisation of the Spanish port system. *Law No. 38/2003*⁴⁵ sought to promote and enhance the involvement of private investors to financing, building and operating port facilities and to providing port services. This regulatory change led to the reform of the regulation of the structure and management of the state port system, which is based on the *Royal Legislative Decree No. 2/2011*⁴⁶.

With respect to the current investment strategy, as reported in the *PITVI*, the rationalisation of public investments raises the need to put greater emphasis on optimising the management of existing facilities and attracting private investors for financing infrastructure port investments.

⁴⁵ *Ley 48/2003, de 26 de noviembre, de régimen económico y de prestación de servicios de los puertos de interés general*. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2003-21615> [Accessed 25th October 2017]

⁴⁶ *Real Decreto Legislativo 2/2011, de 5 de septiembre, por el que se aprueba el Texto Refundido de la Ley de Puertos del Estado y de la Marina Mercante*. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2011-16467> [Accessed 08th November 2017].

- *Roads*

Given the fragmented legal and historical framework for roads in government's portfolio, it is not easy to provide for a clear and definitive rationale behind the governance regime adopted for the Spanish road network. However, as far as the governance for motorways is concerned, it is possible to observe a two-stage process of implementation⁴⁷:

1. starting from the mid-1960s, the inefficiencies of the governance tax system forced the Spanish government to adopt the toll model to finance investments in the motorway infrastructure, in compliance with the *Spanish National Highways Programme* (i.e. *Programa de Autopistas Nacionales Españolas – PANE*);
2. from the mid-1970s, a series of problems emerged with respect to the Spanish toll model. Therefore, the Spanish government opted for a model of budgetary financing for the new highways in the General Road Plan 1984-1991⁴⁸.

In addition to the above-mentioned *PITVI*, many initiatives have been implemented by the Spanish government in order to enhance and expand the Spanish road network in the short- and medium-term. Furthermore, it is worth highlighting that, in line with other EU Countries, the Spanish government has been gradually looking at the private sector to raise capital for infrastructure investments, mainly through the procurement "partly-private and partly-public".

In details, the Spanish government has announced an "*Extraordinary Road Investment Plan*" in 2017 (a 5 Eur Bn public-private investment programme) in order to build new roads over the next three years. The plan will be implemented without allocating the cost of it to the Budget and called for private construction companies to take responsibility for the maintenance of these infrastructures for a 30-year period. This guarantee of maintenance is based upon the formula of payment for availability⁴⁹.

- *Railways*

The current governance regime adopted by the Spanish government was established when *Law No.39/2003*⁵⁰ came into force by incorporating the principles established at European level in the directives of the first and second railway packages:

- the separation of the management of the railway infrastructures, within the PSH *ADIF SA* – i.e. the manager of railway infrastructures - and of the operation of the services, in the PSH *RENFE Operadora*;
- the progressive opening of the rail transport to competition.

⁴⁷ For more information about the history of Spanish infrastructure policy that led to the implementation of the current governance model for road network, please see Bel, G. (2011). Infrastructure and nation building: The regulation and financing of network transportation infrastructures in Spain (1720–2010). *Business History*, 53 (5), pp. 688 - 705. Available at: http://www.ub.edu/irea/working_papers/2010/201016.pdf [Accessed 30th November 2017].

⁴⁸ For more information, please see *Boletín Oficial de la Cortes Generales (Congreso de los Diputados)*, Serie E, No. 160, 1st March 1986, pp. 1853 – 1882.

⁴⁹ For more details, please see <http://www.lamoncloa.gob.es/lang/en/presidente/intervenciones/Paginas/2017/20170714-investment.aspx> [Accessed 30th November 2017].

⁵⁰ *Ley 39/2003, de 17 de noviembre, del Sector Ferroviario*. Available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2003-20978> [Accessed 25th October 2017]

In addition to the measures highlighted in the *PITVI*, the Spanish government has announced to invest roughly 500 Mn Eur in updating and enhancing its high-speed network.

- *Dwellings, Buildings other than dwellings*

Given the heterogeneity of Residential and Non-residential buildings within Spanish government's portfolio, it has not been possible to find a unique and clear general rationale behind the general governance model implemented by the Spanish government.

In recent years, the Spanish government has moved towards the definition of a centralised strategy for its Buildings through the approval of many plans, which include the *Programme for the enhancement of State real estate assets*⁵¹. This plan was approved by the *Commission of Financial Coordination of Real Estate and Property Activities*⁵² on 8th May 2012, and is composed of five lines of action:

1. performing an accurate diagnosis of the real estate situation, through a global process of collecting information on the real estate properties of the state;
2. reducing the leases expenses by 20% in two years;
3. optimising the use of spaces, and reducing maintenance costs;
4. increasing public revenues by dismissing real estate properties;
5. considering the construction of new facilities using only self-financed budgetary resources.

- *Mineral and Energy reserves*

The current legislative framework on the Spanish government's Mineral and Energy reserves makes it very difficult to infer the general investment strategy for Mineral and Energy reserves within government's portfolio.

- *Other natural resources*

The current legislative framework on the Spanish government's Other natural resources makes it very difficult to infer the general investment strategy for Other natural resources within government's portfolio.

3. PERSPECTIVE ON THE EXECUTION OF THE INVESTMENT STRATEGY

From the mapping of the governance regime (Section 1) and the investment strategies (Section 2) for the state-owned asset portfolio, some key insights about the perspectives on the execution of the investment strategies can be drawn as follows:

- the Spanish central government retains the main responsibility for the investment and financial decisions regarding financial and non-financial assets. It defines the main strategic and investment framework for most of assets in its portfolio through the adoption of some strategic plans (e.g. *PITVI 2012-2024*, related to transport infrastructures);

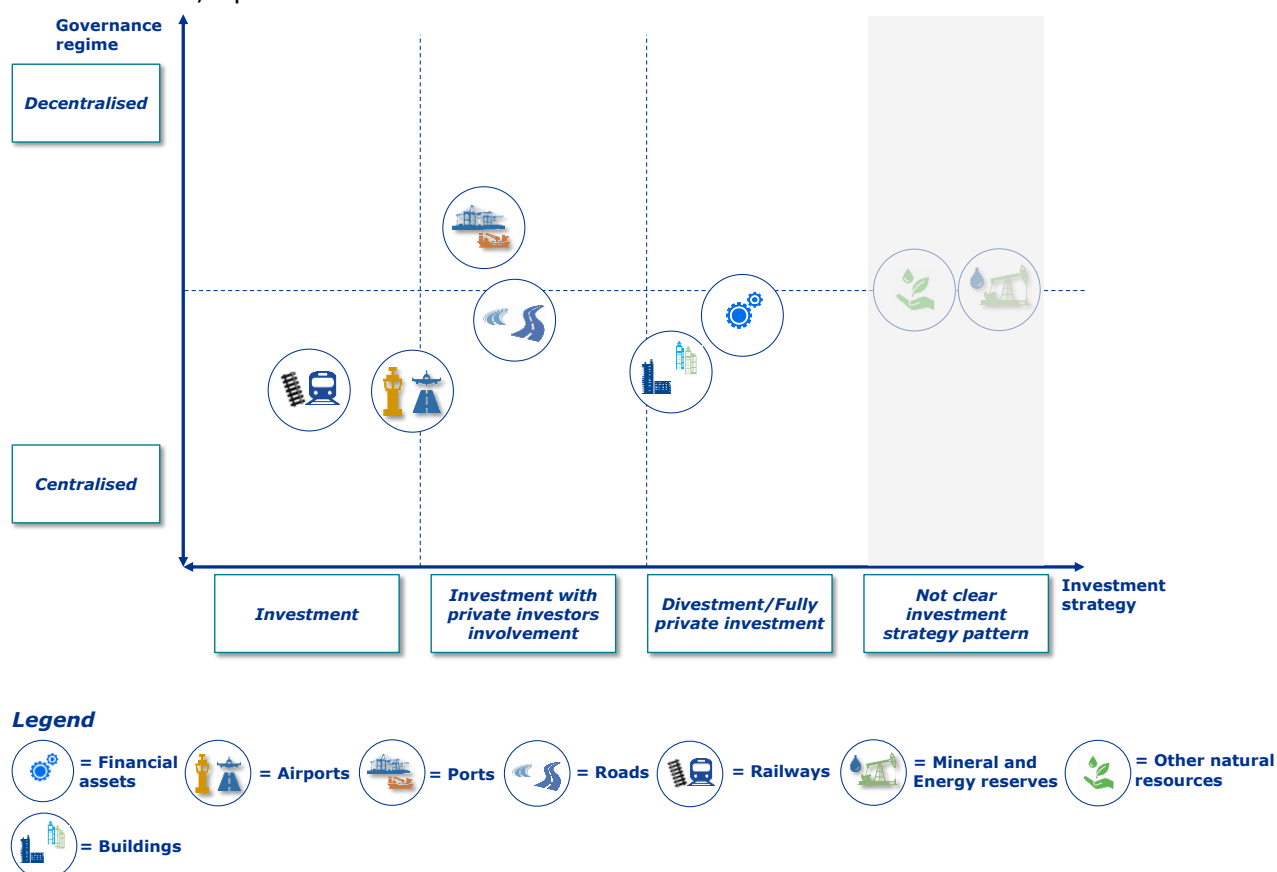
⁵¹ *Programa para la puesta en valor de los activos inmobiliarios del Estado*

⁵² *Comisión de Coordinación Financiera de Actuaciones Inmobiliarias y Patrimoniales*

- as reported in *PITVI 2012 – 2024*, the Spanish government aims at ensuring the sustainability of nodal infrastructures optimising its efficiency through the entry of private capital. As a consequence, in the case of airports, the initial public offer (IPO) of *AENA SA* was launched on 11th February 2015. With regard to ports, private investors are currently operating the majority of ports.

Currently, there is no publicly available document that defines the destination of the proceeds from forecasted privatisations.

Figure 4 Matrix of Governance regimes vs Investment strategy by clusters of assets, broad features, Spain



Source: KPMG elaborations, based on governance regimes and recent observed strategies.

(a) The position of each asset cluster with respect to the "investment strategy" dimension (x-axis) reflects the general investment strategy adopted by the government for the cluster. The general investment strategy might not apply to every single asset within the cluster (e.g. the position of the cluster indicates that the government currently plans to invest/divest, and this does not imply that this applies to all assets within the cluster).

As Figure 4 shows, the governance regime is mostly "centralised" with regard to those assets for which the central government is responsible for the bulk of the investment (e.g. the railway network through *ADIF SA*, and the airport network through *AENA SA*) (first two quadrants on the left of Figure 4).

The centralised model adopted for airport infrastructures has allowed private investors to contribute to the investments and have a role in managing the infrastructures (see the case of *AENA SA* as explained earlier on in this country fiche).

By contrast, the governance regime for port infrastructures appears to be the most decentralised one. In fact, local port authorities are responsible for managing port facilities within their jurisdiction; while private investors are fully responsible for the investment, as outlined in the *PITVI 2012-2024*.

4. SYNTHESIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND RISKS

Financial assets

- Strengths/Opportunities:
 - consistently with the governance regime adopted for some clusters of Non-financial assets (i.e. airports and railways), the Spanish central government has transferred the ownership and the responsibility for the operational decisions on a portion of its PSHs in the hands of a unique PSH fully owned by the central government, i.e. *SEPI*;
- Weaknesses/Risks:
 - lack of an explicit privatisation (nationalisation) plan on Financial assets in the Spanish government's portfolio;
 - as mapped in Section 1, *SEPI* is a PSH that constitutes a strategic tool for applying the policy designed by the government for its portfolio of Financial assets. The mandate of *SEPI* and its strategic targets are set by the Spanish government and therefore are strictly depending on the political scenario.

Non-Financial assets

- Strengths/Opportunities:
 - for some Non-financial assets in its portfolio, the Spanish government has transferred the ownership and the responsibility for the operational decisions in the hands of a few public bodies that are organised as PSHs (e.g. the railway network is owned and operated by *ADIF SA*, the majority of the airport network by *AENA SA*). However, the Spanish central government maintains the responsibility for the most important decisions regarding the management of these assets by overseeing their management and investment strategy;
 - there is no unique document or law outlining the central government's general investment strategy for the asset portfolio as a whole. At the same time, the Spanish government has launched many strategies covering significant portions of the government's asset portfolio and included in several published reports (e.g. *PEIT*, *PITVI*). Therefore, there is scope for developing and communicating a consolidated strategy plans across all assets;
- Weaknesses/Risks:
 - currently, there is no consolidated National public data source of public assets;
 - many Non-financial assets (i.e. airports and railways) in the Spanish government's portfolio are owned and operated by listed PSHs. In these cases, the main risks for these assets are linked to the nature of these bodies. In particular, these can be grouped into three categories:
 - operational risks may be driven by economic and financial events of a negative nature in Spain;
 - since these PSHs operate in regulated industries, these asset clusters are subject to regulatory risks. More in detail, any future

changes or regulatory developments can have a negative impact on revenues, operating results and financial positions, which in turn may affect both the provision of the services and the enhancement of the underlined infrastructures;

shareholder structure: in the case of PSHs which are not fully owned by the Spanish state (e.g. AENA SA), the government would continue to control PSH's operations; however, its interests may differ from those of the rest of shareholders.