

BASQUE GOVERNMENT

Sustainable Bond 2019

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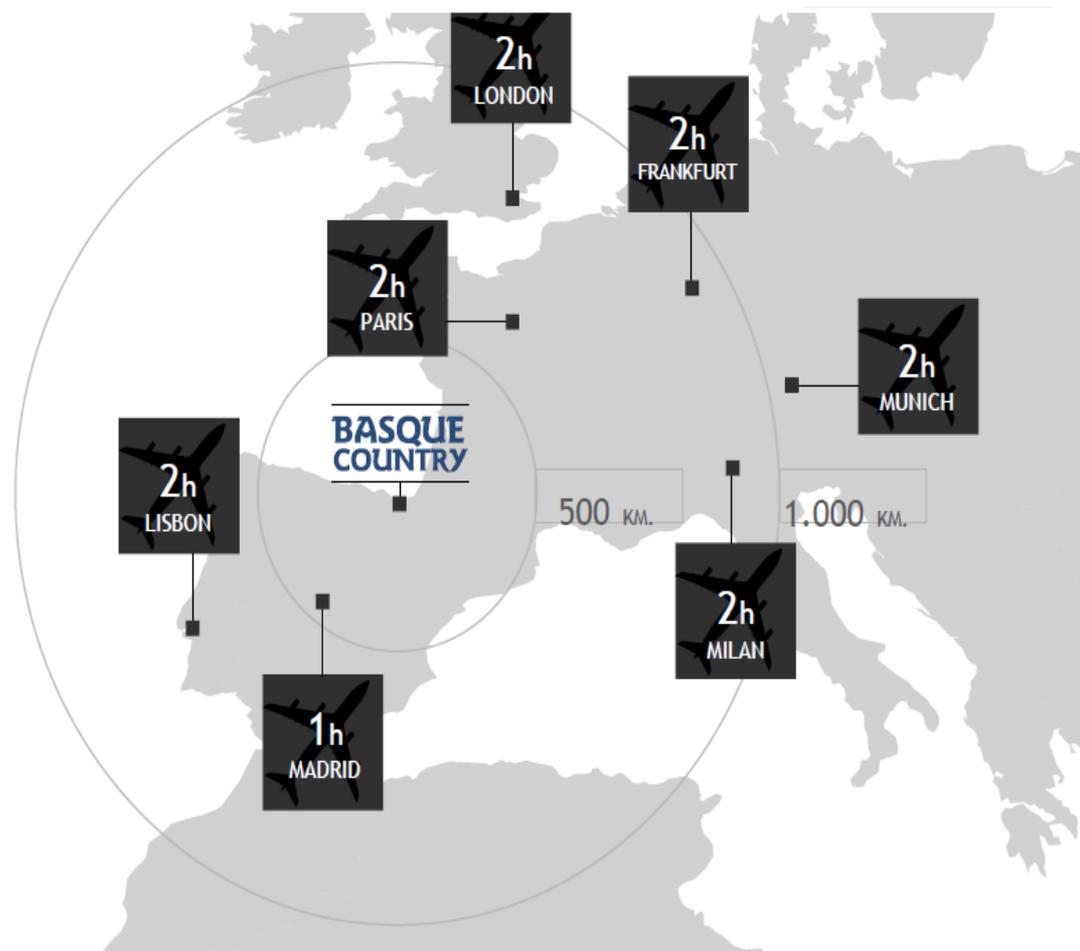


Surface area, Population and Market Access.

Surface Area **7,234 sq Km.**

Population **2,173,210**

Market access within a radius of 1,000 km
507,416,607 inhabs.

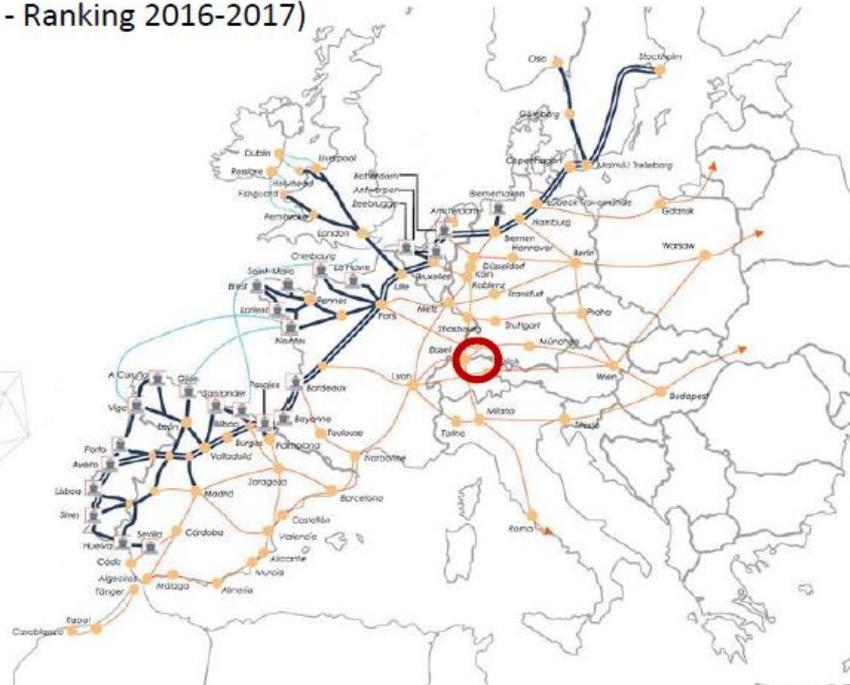


A Well-Connected Country

“Best European Middle Size Region in Connectivity”

(fDi - European Cities and Regions of the Future - Ranking 2016-2017)

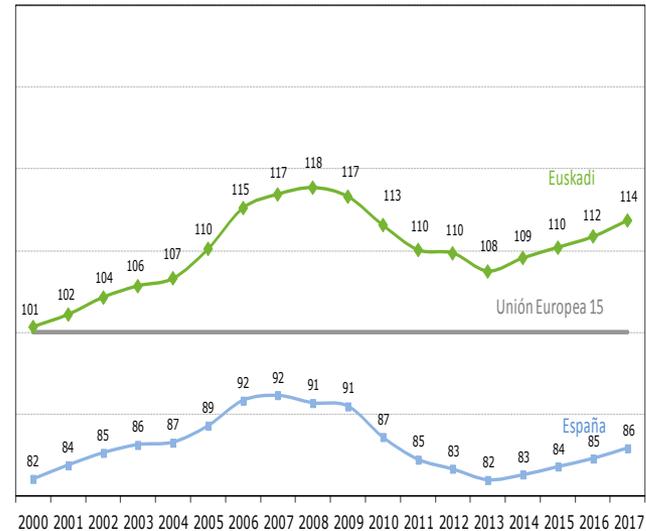
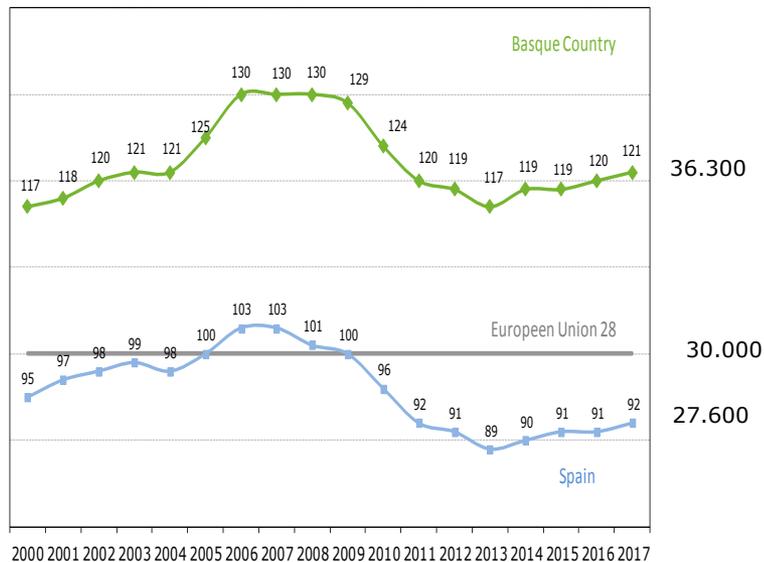
- ✓ Logistics
- ✓ International Airports
- ✓ Railway connections
- ✓ Motorways



A dynamic economy that stands out in Europe.

- In general, the Basque GDP per inhabitant, measured in PPP, is 20% higher than that of the European average and is 30 points higher than the Spanish average.
- The provisional data for 2018 suggests that we are improving with respect to the European average.

GDP per capita in PPP



Source: Own preparation with Eurostat data.

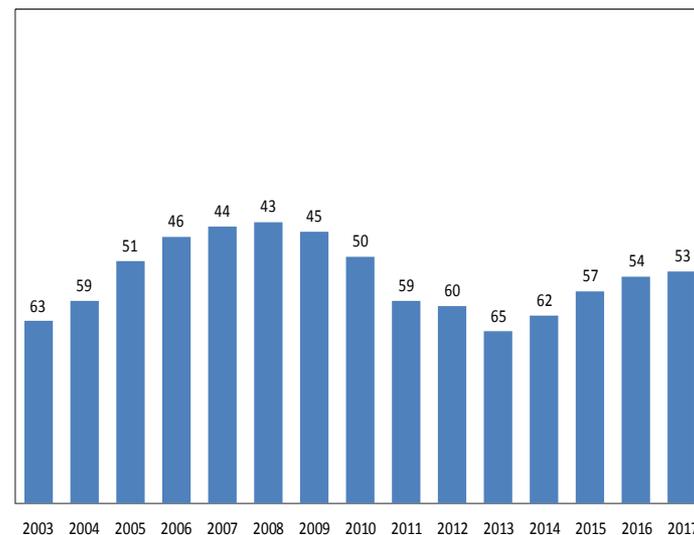


Recovering positions in the European ranking

- In the ranking of 281 European regions (NUT II), the Basque Country was ranked 53rd in 2017.
- Before the crisis, we reached 43rd position and subsequently went down to 65th position. In recent years, we have gone up several positions and the improvement will have continued in 2018.

Ranking of European regions (GDP in PPP)

2000		2008		2017	
1	Inner London-West	1	Inner London-West	1	Inner London-West
2	Luxemburg	2	Luxemburg	2	Luxemburg
3	Hamburg	3	Brussels	3	Southern
4	Inner Londo-East	4	Hamburg	4	Hamburg
5	Vienna	5	Groninger	5	Brussels
6	Stockholm	6	Praga	6	Eastern & Midland
↓	↓	↓	↓	↓	↓
60	Basque Country	43	Basque Country	53	Basque Country
↓	↓	↓	↓	↓	↓
266	Mayotte (FR)	276	Mayotte (FR)	281	Severozapaden



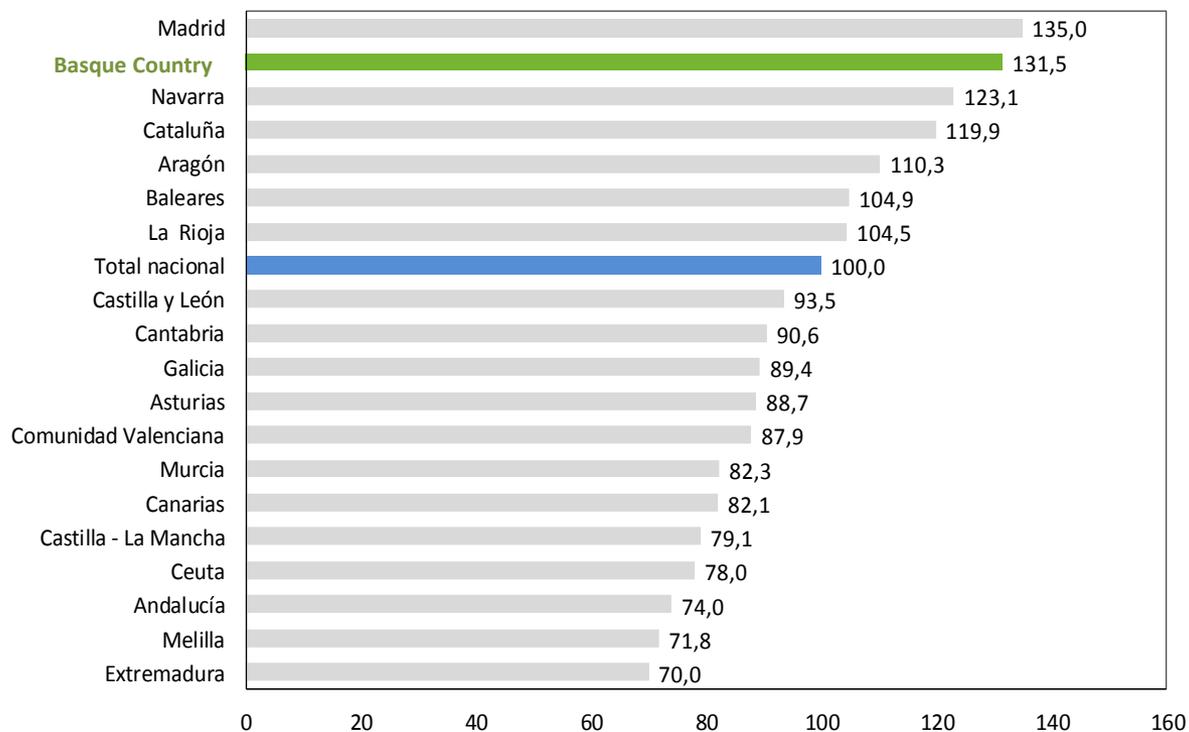
Source: Eurostat. SEC-2010.



The Basque Country is the second most advanced autonomous community

- The data for 2017, the latest published by the INE, clearly shows that we are still in the second position in GDP per capita, behind Madrid.
- The capitals of a European state usually have some advantages over the rest.

GDP per capita in 2017



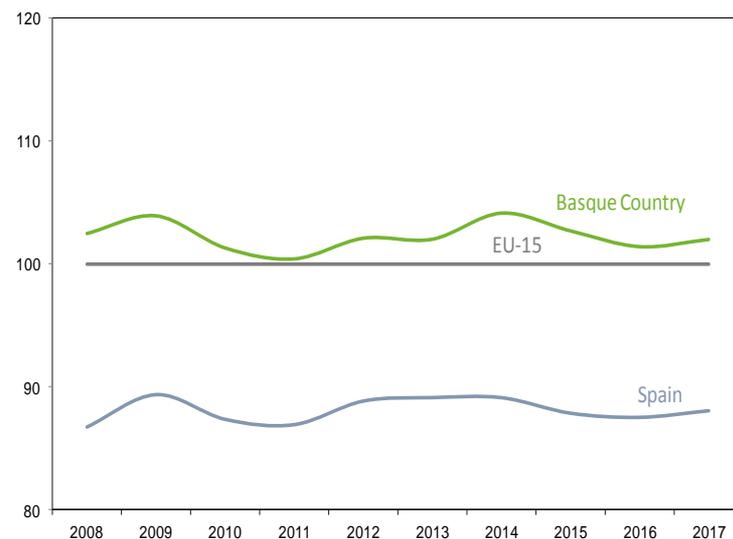
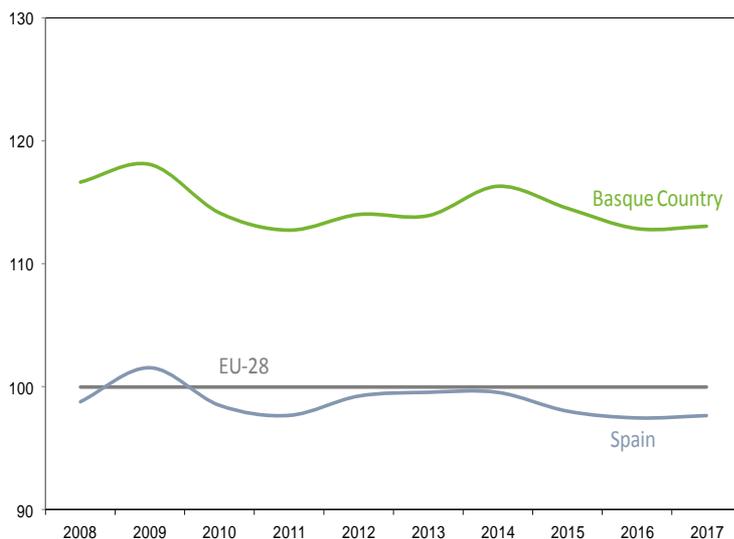
Source: INE. Base 2010. Regional Accounting December 2018.



The Key to Competitiveness: High Productivity

- Productivity per hour worked in Basque Country, also measured in PPP, is significantly higher than the Spanish and European average. If the comparison is made with the most cutting edge Europe (EU-15), a slight loss can be appreciated with the crisis and a subsequent recovery. We are slightly above the average of the most advanced European countries.
- The greater importance of industry in our production structure partly explains this increased productivity as industry is precisely the most productive sector.

Productivity per hour worked



Source: Eurostat and INE.



High productivity beyond industry

- Greater productivity is not exclusive to industry but can also be appreciated in other sectors: construction, primary sector, financial activities, real estate activities, etc.
- By contrast, Basque productivity is worse in information and communications, in professional activities and in artistic activities.

Productivity per hour worked

	Euros			PPP		
	2000	2008	2017	2000	2008	2017
Total	95.5	107.2	102.7	113.1	116.7	113,1
Primary	203.1	179.5	189.4	240.6	195.4	208,5
Industry	96.6	117.1	112.4	114.5	127.5	123,8
Manufacturing	98.1	119.9	111.8	116.1	130.6	123,1
Construction	123.5	152.7	154.8	146.3	166.2	170,5
Commerce and hotel and catering	96.3	106.4	104.0	114.0	115.9	114,5
Information and communications	96.3	94.9	84.4	114.1	103.4	92,9
Financial activities	119.4	151.8	126,5	141.4	165.3	139,3
Real Estate activities	66.8	118.7	174.4	79.1	129.2	192,1
Professional activities	72.0	76.7	80.9	85.2	83.5	89,0
Public Administration	113.6	112.4	101.5	134.5	122.4	111,7
Artistic activities	75.5	85.4	78.4	89.5	93.0	86,4

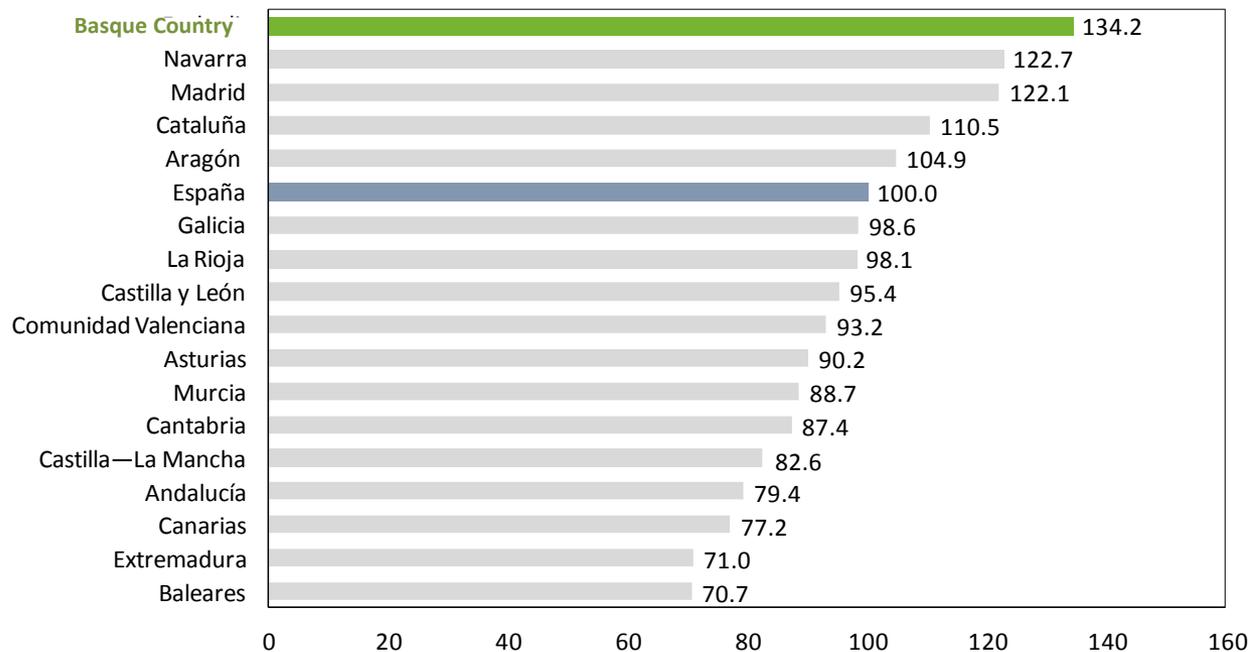
Source: Prepared by the Economy and Planning Department with Eurostat data.



High Competitiveness: Ceprede Regional Indicator

- It is made up of 18 partial indicators classified into 5 large groups: macro-economic aspects, job market, business development, infrastructures and innovation.
- In this indicator, the Basque Country was at the top in four blocks and second in innovation, behind Navarra, in 2018.

Regional competitiveness indicator in Spain



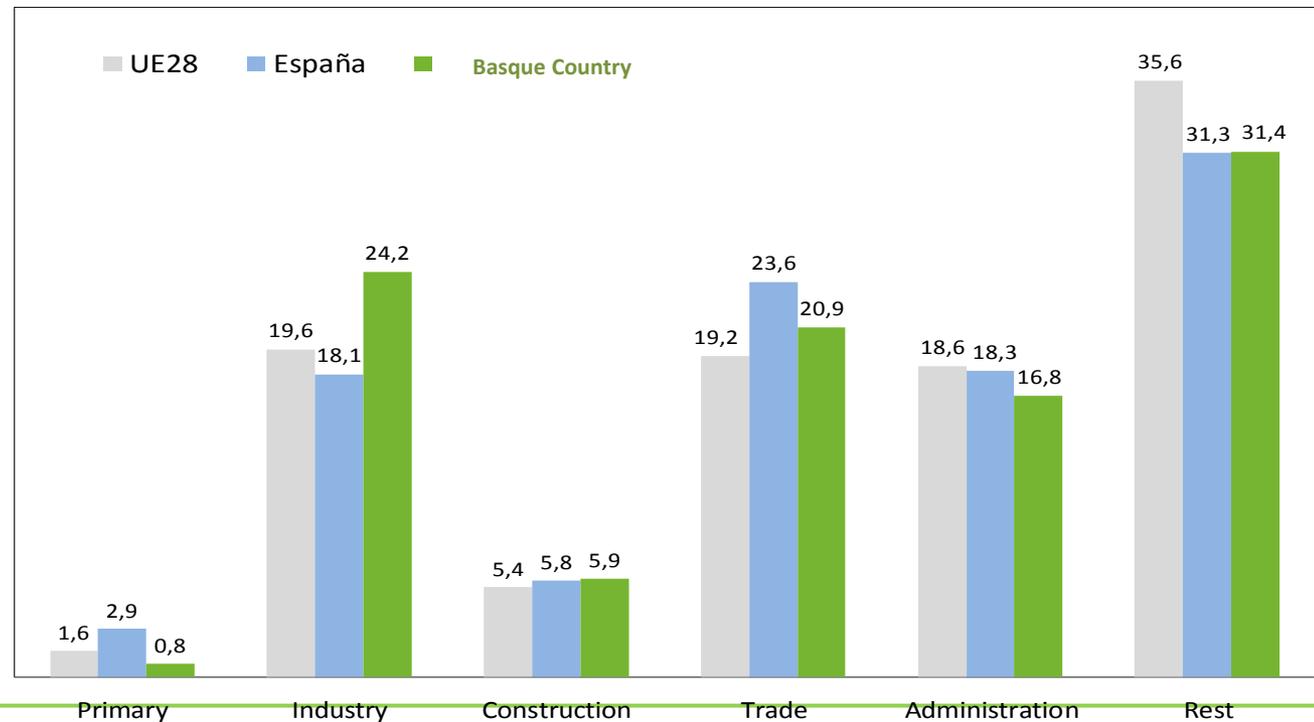
Source: CEPREDE. ISCRE 2018.



Significant importance in the industrial sector

- It can be appreciated that the Basque Country has, in proportion, more industry than Spain and the European Union.
- By contrast, we have less services. Among these, it can be highlighted that the public administration (including public and private education, health and social services) has a relatively low percentage.
- The construction adjustment is surprising, reaching 10.3% of the added value in the times of the bubble (2007) and which is now almost at the European level.

Sectoral structure over GVA. 2017



Main Clusters and Industrial Specialisation

ENERGY



68,000 Jobs
€44,000 M

AUTOMOTIVE



36,583 Jobs
€15,004 M

AEROSPACE



12,546 Jobs
€1,755 M

RAILWAY



14,176 Jobs
€2,600 M

MARITIME



14,210 Jobs
€2,150 M.

MACHINERY



5,672 Jobs
€1,180 M

ELECTRONICS & ICT



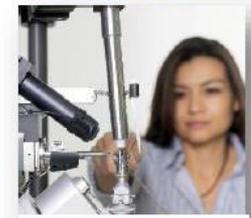
10,840 Jobs
€2,840 M

ECOINDUSTRIES



20,000 Jobs
€4,000 M

BIOSCIENCES



2,700 Jobs
€376 M



Beyond the GDP: Human Development Index 2017

- The GDP per capita is being criticised as an incomplete measure of welfare. For this reason, other indicators are being compiled. One of them is the United Nations human development rate.
- It also takes into account the GDP, life expectancy, years of schooling and literacy rate.
- The Basque Country is among the top 15 countries in the world in this indicator.

Very high human development index

Puesto		%	Puesto		%
1	Noruega	0,953	11	Dinamarca	0,929
2	Suiza	0,944	12	Canadá	0,926
3	Australia	0,939	13	Estados Unidos	0,924
4	Irlanda	0,938	14	Basque Country	0,922
5	Alemania	0,936	15	Reino Unido	0,922
6	Islandia	0,935	16	Finlandia	0,920
7	Hong Kong, China (RAE)	0,933	17	Nueva Zelanda	0,917
8	Suecia	0,933	18	Bélgica	0,916
9	Singapur	0,932	19	Liechtenstein	0,916
10	Países Bajos	0,931	20	Japón	0,909

Source: United Nations Development Programme (UNDP). Human Development Report 2018 and Eustat. Social Indicators. IDH. Data for the Basque Country is provisional.

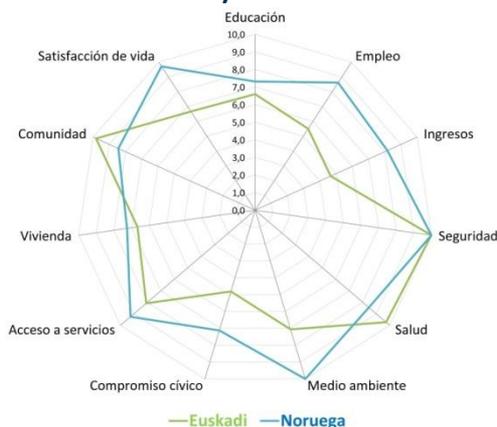


Beyond the GDP: Regional Welfare Index

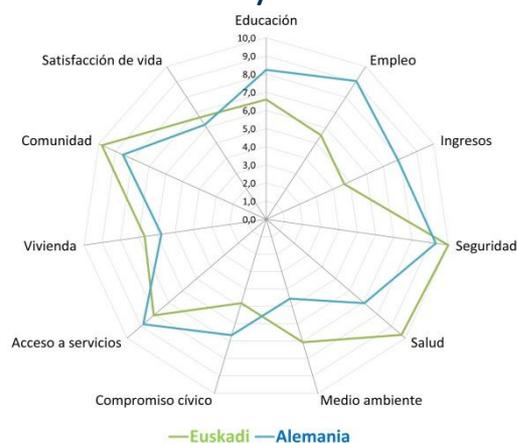
- This indicator bears in mind eleven different fields related to welfare. It is carried out by the OECD.
- In the Basque Country, the data is particularly good in terms of health and safety and community belonging.
- On the other hand, the results are relatively low in income (available income) and in civic commitment (participation in elections). In terms of employment, the result is somewhat modest.
- The two countries that stand out are Australia and Norway.

Regional Welfare Index

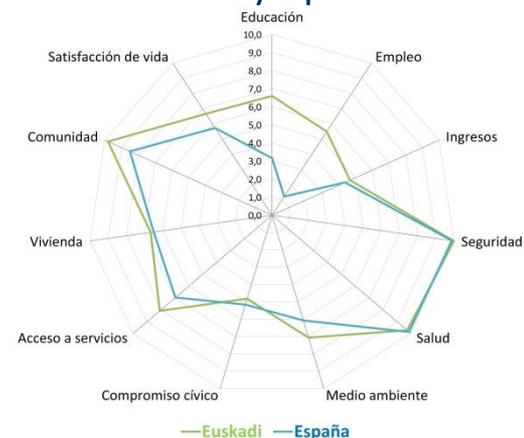
Basque Country- Norway



Basque Country- Germany



Basque Country-Spain



Source: OECD.



Beyond the GDP: Regional Social Progress Index

- This indicator was established in 2016 by the European Commission for the 272 European regions. The Basque Institute for Competitiveness participated in its compilation.
- It includes 50 variables grouped into twelve fields.
- The Basque Country has a leading position in Spain and lags somewhat behind with respect to the European countries.

EU-SPI Regional Social Progress Index

Position	Countries	%	Position	Autonomous Community	%
1	Denmark	79.53	1	Madrid	70.17
2	Finland	79.18	2	Basque Country	69.95
3	Sweden	78.14	3	Navarra	67.91
4	Holland	77.91	4	Cantabria	67.34
5	Luxemburg	71.45	5	Castilla y León	66.92
6	Austria	71.15	6	Asturias	66.35
7	Ireland	71.09	7	Aragón	66.29
8	United Kingdom	70.82	8	La Rioja	66.15
9	Germany	70.65	9	Comunidad Valenciana	64.74
10	Basque Country	69.65	10	Galicia	64.44
11	Belgium	67.80	11	Murcia	63.78
12	France	67.33	12	Cataluña	63.67
13	Slovenia	66.03	13	Canarias	63.61
14	Spain	65.14	14	Extremadura	63.11
15	Estonia	62.98	15	Castilla la Mancha	62.68

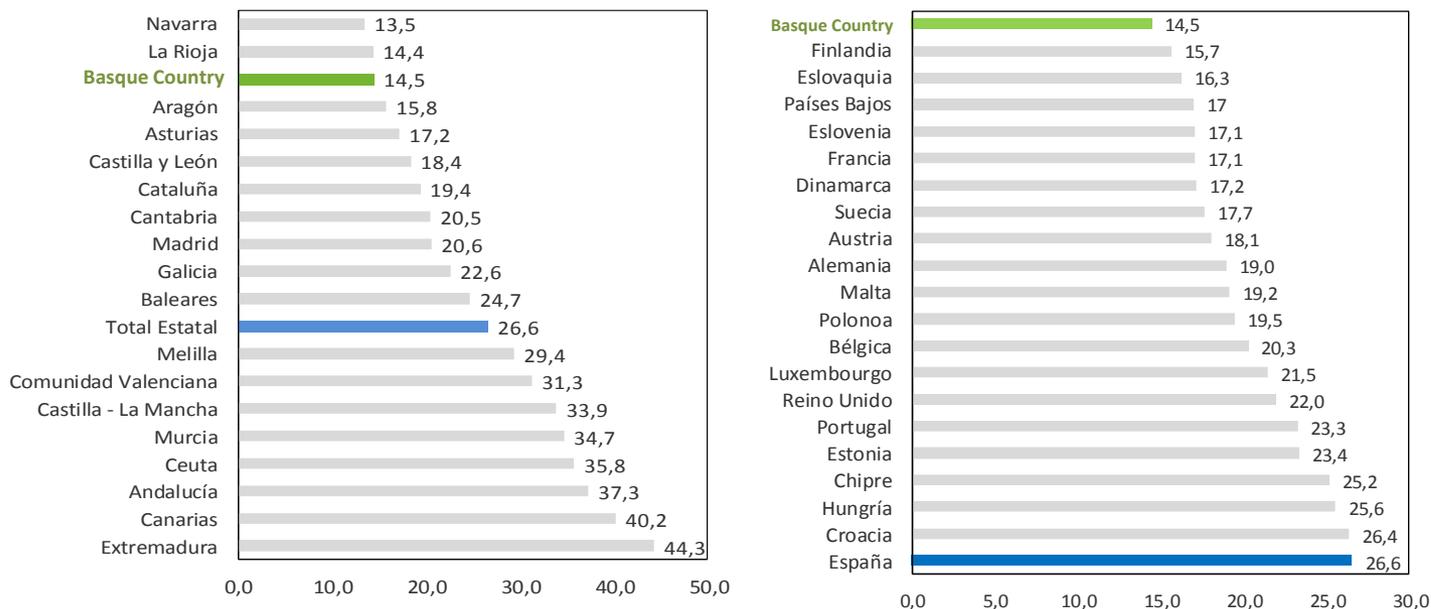
Source: European Commission. Report February 2016.



Beyond the GDP: Risk of Poverty and Social Exclusion

- In this case, the Basque Country and two of the regions most related to our autonomous community: Navarra and La Rioja stand out.
- It is worth highlighting that the Basque Country is in a more favourable position than any European country, Spain is at the opposite end of the ranking.

Risk of poverty and social exclusion rate. 2018 *



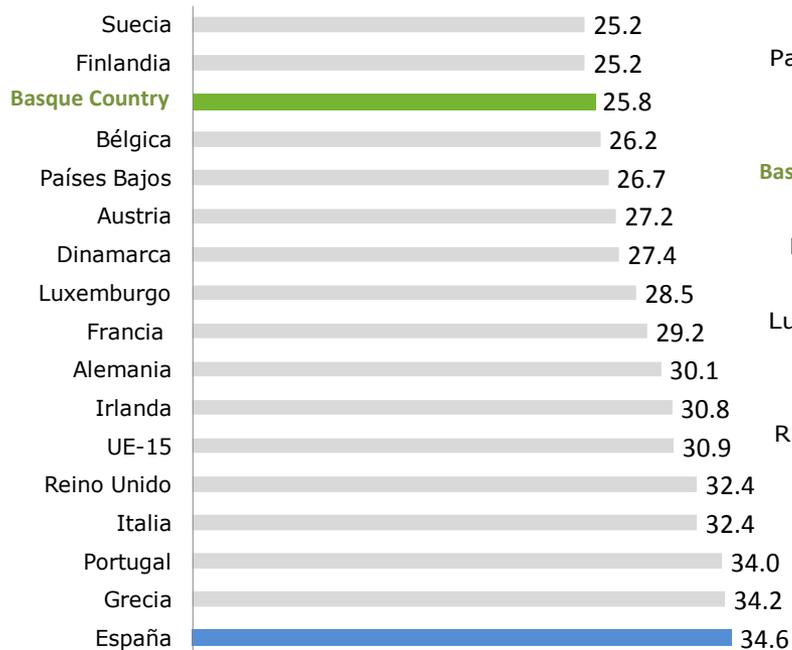
Europe Strategy 2020. (*) Income for the year prior to the interview.
Source: Eurostat.



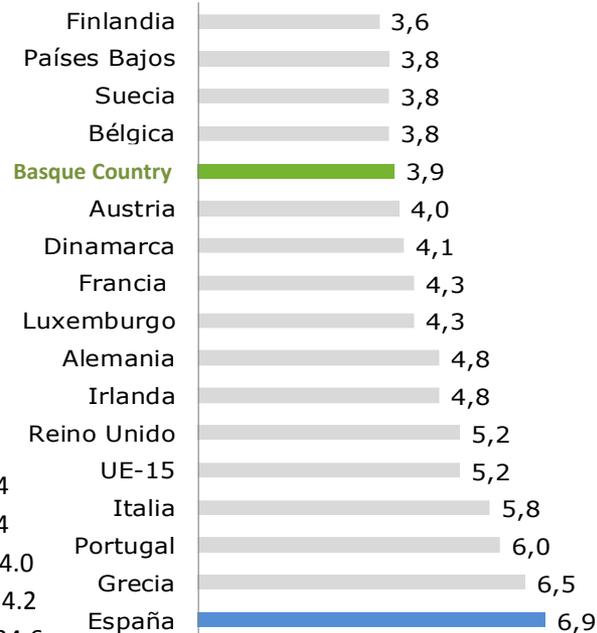
Beyond the GDP: Inequality Indicators. 2016

- The most recent information available places the Basque Country among the most egalitarian regions in Europe, just behind Sweden and Finland (Gini Index) and behind the same two countries and Belgium and the Netherlands (Index S80/S20).
- The position of Spain at the opposite end of the ranking can also be appreciated here.

Gini Index



S80/S20



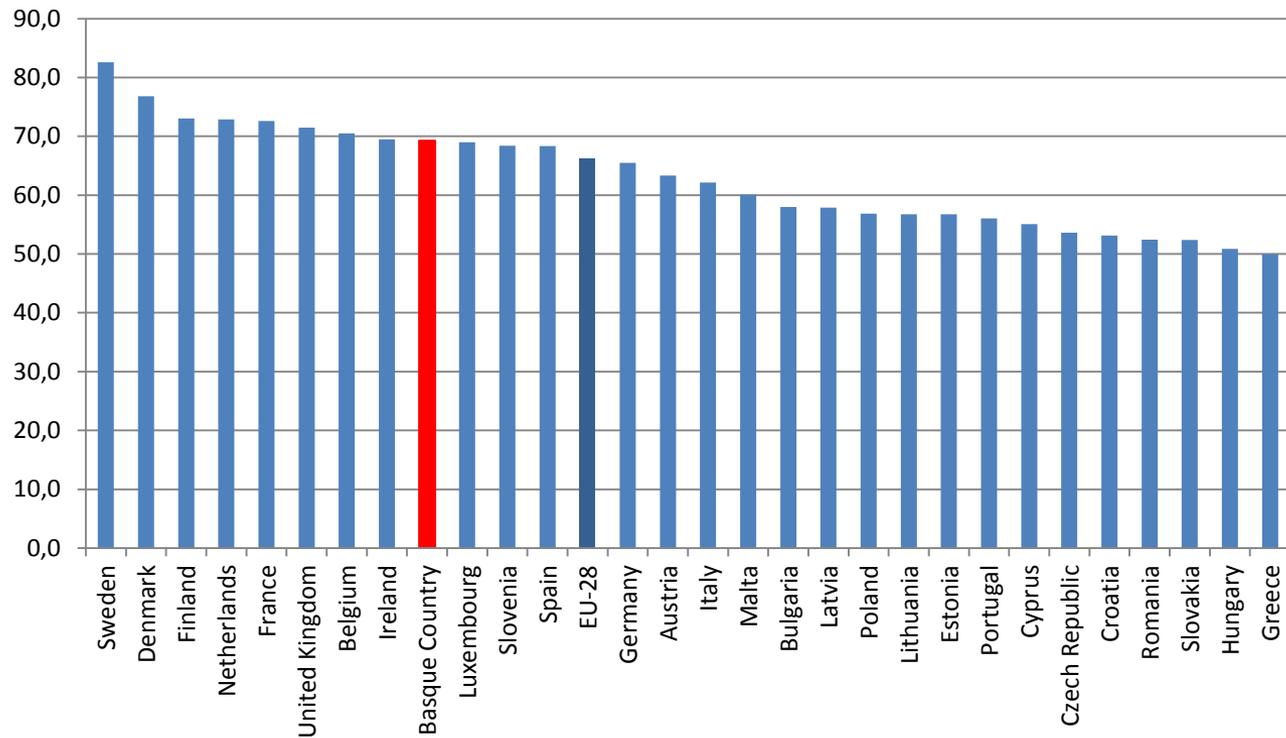
European data refers to 2015 and data for the Basque Country corresponds to 2016.

Source: Eurostat-SILC and EPDS 2016.



Beyond the GDP: Gender equality index. 2015

- Ranks among the top European Countries

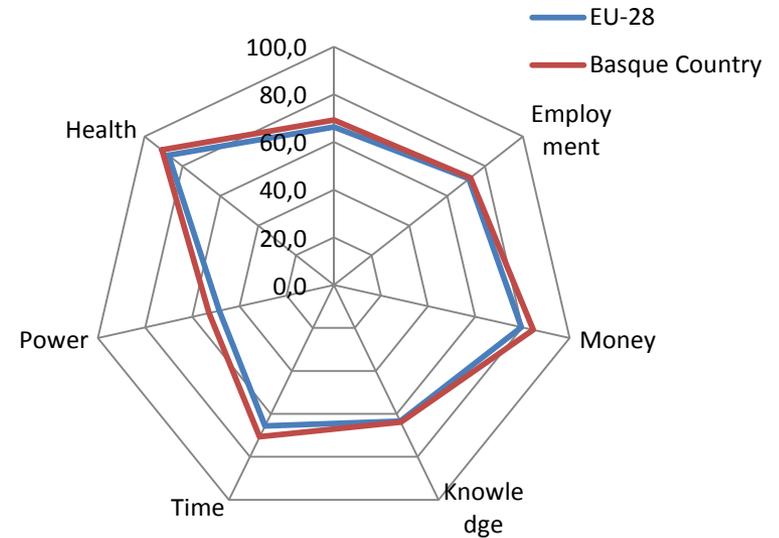
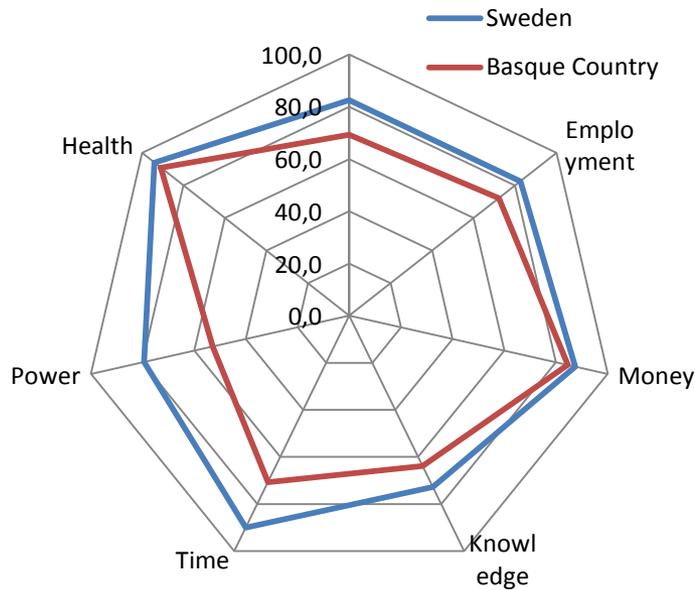


Source: Eustat Basque Statistical Office.



Beyond the GDP: Gender equality by dimensions. 2015

- Above the European average but Power, Time and Knowledge area the main weaknesses compared to the leader Sweden



Source: Eustat Basque Statistical Office.



Europe 2020: Indicators for Europe 2020

	European Union 28	Basque Country	Spain
OCCUPATION			
Occupation rate (20-64 years) (%)			
Total	72.2	70.2	65.5
Women	66.5	66,3	59.6
Men	78.0	74.2	71.5
R+D			
Gross domestic product in R+D (% GDP)	2.07	1.85	1.19
CLIMATE AND ENERGY			
Greenhouse gas emissions, base year 1990=100	77.6	90.6	116.4
Quota of renewable energies in final gross energy consumption (%)	17.0	14.3	17.3
Primary energy consumption, base year 2005=100	90.0	81.2	86.3
Final energy consumption, base year 2005=100	92.9	90.9	84.4
EDUCATION			
Early school leaving rate (18-24 years) (%)			
Total	10.6	5.4	18.3
Women	8.9	5.2	14.5
Men	12.1	5.6	21.8
Level of higher education (30-34 years) (%)			
Total	39.9	46.1	41.2
Women	44.0	57.2	47.5
Men	34,9	36.1	34.8
POVERTY			
Population at risk of poverty or exclusion (union of the following 3) (%)			
Population who live in homes with very low work intensity (%)	10.5	10.2	14.9
Population at risk of poverty after social transfers (%)	17.3	16.4	22.3
Population in a situation of grave material deprivation (%)	6.7	6.4	5.1

Source: Eustat and Eurostat.



Competitiveness: Human Capital. 2017

- Practically half of the Basque population between the ages of 25 and 64 have tertiary studies. This ranks us in first position in Spain and among the most advanced European countries in this variable.
- In the age group of 30 to 34, which is one of the objectives of Europe 2020 (to reach 40%), the Basque population reaches 55%, with a leading position in Europe.

Percentage of the population between the ages of 25 and 64 who have successfully completed tertiary studies

Puesto	Región	%	Puesto	Región	%
1	Inner London - Oeste	71,7	11	Eastern and Midland	50,7
2	Inner London - Este	60,2	12	Flandes	50,7
3	Brabante Valón	57,1	13	Hovedstaden	50,2
4	Warszawski stoleczny	56,7	14	Basque Country	49,7
5	Outer London - Oeste y noroeste	55,0	15	Surrey, East and West Sussex	49,3
6	Berkshire, Buckinghamshire	53,9	16	Utrecht	48,8
7	Outer London - Sur	53,8	17	Cheshire	48,7
8	Escocia oriental	51,7	18	Île de France	47,9
9	Helsinki	51,4	19	Gloucestershire, Wiltshire and Bristol	47,8
10	Estocolmo	51,0	20	Madrid	47,0

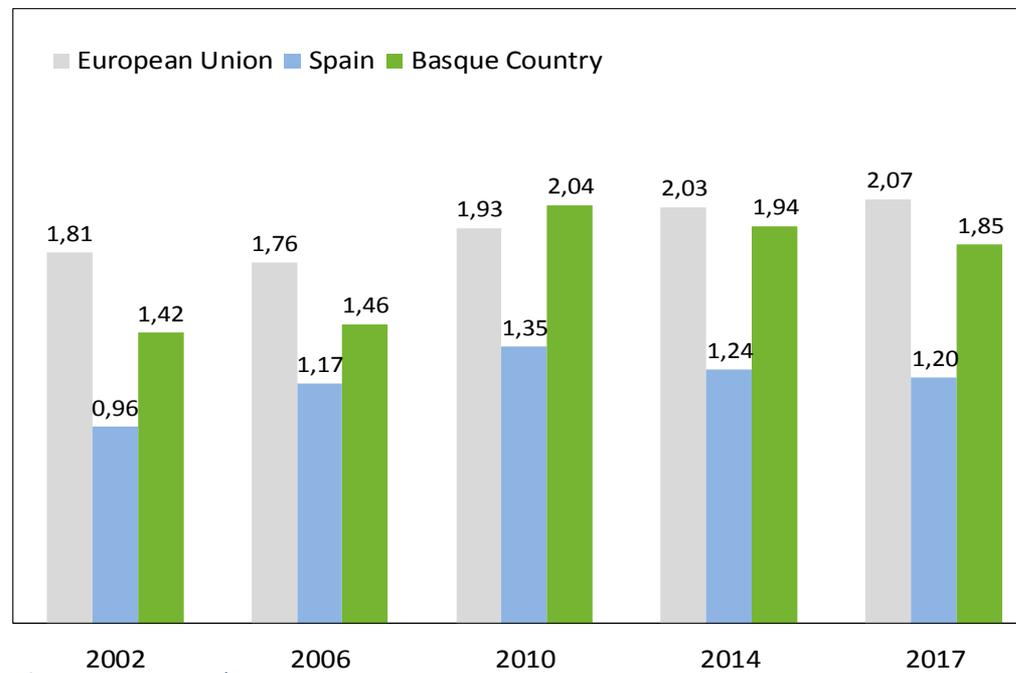
Source: Eurostat.



Competitiveness: R&D Expenditure. 2017

- R&D expenditure has undergone a disappointing evolution in recent years. In 2010, it exceeded the European average, but since then, it has fallen and is now two decimal points behind Europe. However, in 2017 (1.85%) the result was better than in 2016 (1.81%).
- Spain is therefore a long way off the European average like the result for the Basque Country.

R&D Expenditure (% of the GDP)



Innovation Indicators Panel (EIS)

- The Basque Country is among the countries with a high level of innovation (between 90% and 120% of the average). However, it is a long way off the leading countries in innovation (more than 120%), which is headed by Denmark and Sweden.
- It has improved by three hundredths of a decimal point in 2016. It is one of the greatest progressions.
- Spain is in the moderate innovation group (between 50% and 90% of the average).

Basque Country was at the same level as countries with a high level of innovation in 2017

Puesto	País	%	Puesto	País	%
1	Suecia	0,71	11	Francia	0,55
2	Dinamarca	0,67	12	UE-28	0,50
3	Finlandia	0,65	13	Basque Country	0,48
4	Países Bajos	0,65	14	Eslovenia	0,47
5	Reino Unido	0,61	15	República Checa	0,42
6	Luxemburgo	0,61	16	Portugal	0,41
7	Alemania	0,60	17	Malta	0,40
8	Bélgica	0,59	18	España	0,40
9	Irlanda	0,58	19	Estonia	0,40
10	Austria	0,58	20	Chipre	0,39

Source: Eustat. Innovation Indicators Panel (EIS 2018)

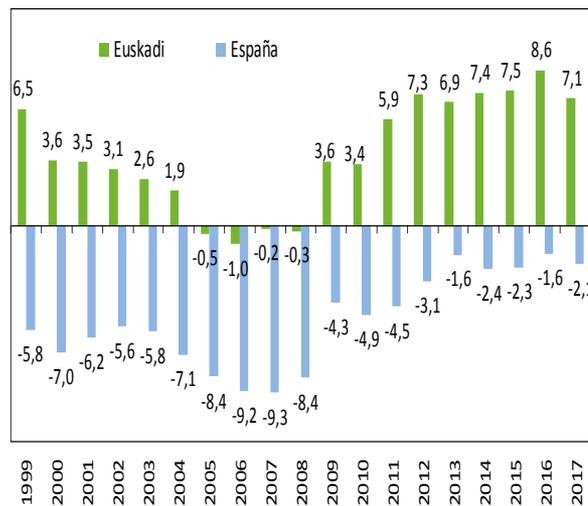


An economy that looks towards the exterior

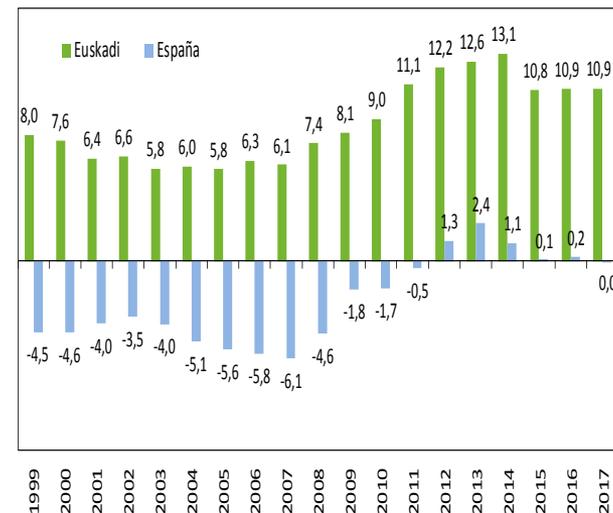
- In 2017, there was once more record exports of goods abroad, selling almost 24 billion euros. The improvement lies in the sale of energy products and in the rest. Record figures have also been reached for non-energetic products.
- The percentage balance of the GDP continues to be very high, compared with the national deficit.
- Record figures have also been obtained in the foreign trade of goods and services (abroad plus the rest of the State), with sales of over 47 billion euros.

Foreign Trade: Trade Balance / GDP

Total Balance



Non-energetic Balance



Provisional data for 2017.

Source: Economy and Planning Department with data from Eustat and the State Tax Administration Agency.



Proximity to foreign markets

- The European countries concentrate almost two thirds of their exports abroad. Furthermore, the Euro-Zone buys more than half of the total.
- France and Germany follow as the main destinations for Basque exports. The United States is gaining in importance.

Destination of Basque exports

	2008	2010	2012	2014	2016	2018
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
OECD	80.2	75.3	77.8	77.0	80,6	82.4
Euro-Zone	56.9	52.5	51.1	50.5	52.1	51.5
European Union	70.1	64.5	64.4	64.9	66.4	65.6
France	18.0	17.1	17.3	15.9	15.9	15.3
Germany	16.3	15.0	15.8	16.0	16.9	15.0
United Kingdom	6.7	6.0	7.3	6.9	6.5	6.8
Italy	7.1	6.7	5.1	5.3	5.3	4.9
Rest of OECD	15.7	16.3	19.0	18.8	21.4	23.7
USA	3.8	3.6	4.1	4.6	4.7	8.3
Japan	0.4	0.2	0.4	0.2	0.9	0.4
Non-OECD	19.8	24.7	22.2	23.0	19.4	17.6
Russia	1.1	1.0	1.0	1.0	1.0	1.0
China	2.2	2.5	2.2	3.3	2.6	1.8
Brazil	1.8	2.4	1.9	2.0	1.1	1.3
Rest of the world	14.7	18.8	17.0	16.7	14.7	13.5

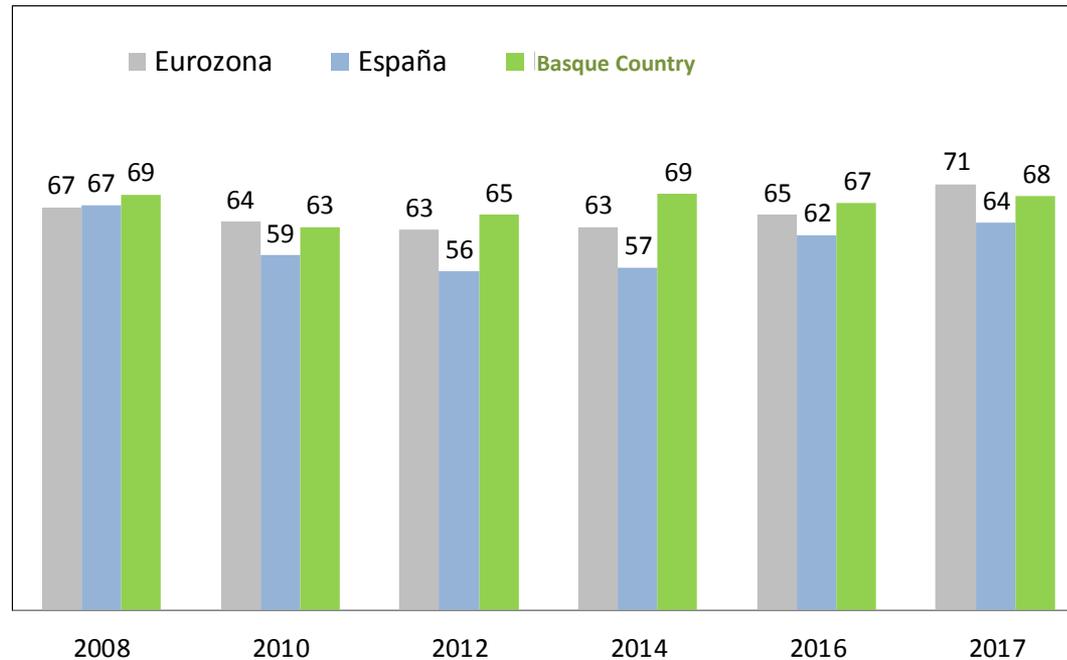
(Resto of OECD = OECD – EU-15).
Provisional data for 2017.



Employment rate is slowly recovering

- The employment rate underwent a significant fall at the beginning of the crisis, going from 69% to 63%. This situation also arose throughout Spain and to a lesser degree in Europe.
- Since then, a recovery process has been followed and it returned to 69% in 2014. In 2017, the rate was 68%.

Employment rate of the population between the ages of 15 and 64



Source: Eurostat.



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International Environment: Growth of the GDP

- In the absence of more precise information, the data available suggests that 2018 was similar to 2017.
- Both the developed and emerging economies moderated their growth by one decimal point, the same as the Basque Country.
- The quarterly evolution shows a clear slowdown in Europe, even greater than that of the Basque economy.

	Year-on-year variation rate					
	2017	2018	2018			
			I	II	III	IV
World Economy	3.8	3.7	4.0	3.9	3.6	---
Developed Economies	2.4	2.3	2.6	2.5	2.2	---
European Union	2.4	1.9	2.3	2.2	1.8	1.4
- Basque Country	2.9	2.8	3.1	2.9	2.6	2.4
- Spain	3.0	2.5	2.8	2.5	2.4	2.4
- Germany	2.5	1.5	2.1	2.0	1.2	0.6
- France	2.3	1.5	2.2	1.7	1.3	0.9
- Italy	1.6	1.0	1.4	1.2	0.6	0.1
- United Kingdom	1.8	1.4	1.3	1.4	1.6	1.3
United States	2.2	2.9	2.6	2.9	3.0	3.1
Japan	1.9	0.7	1.3	1.4	0.1	0.0
Developing Economies	4.7	4.6	5.0	4.9	4.6	---
China	6.9	6.6	6.8	6.7	6.5	6.4
India	6.7	7.3	7.5	7.8	7.2	--
Russia	1.5	1.7	1.7	1.5	1.4	--
Brazil	1.1	1.1	1.2	0.9	1.3	1.1

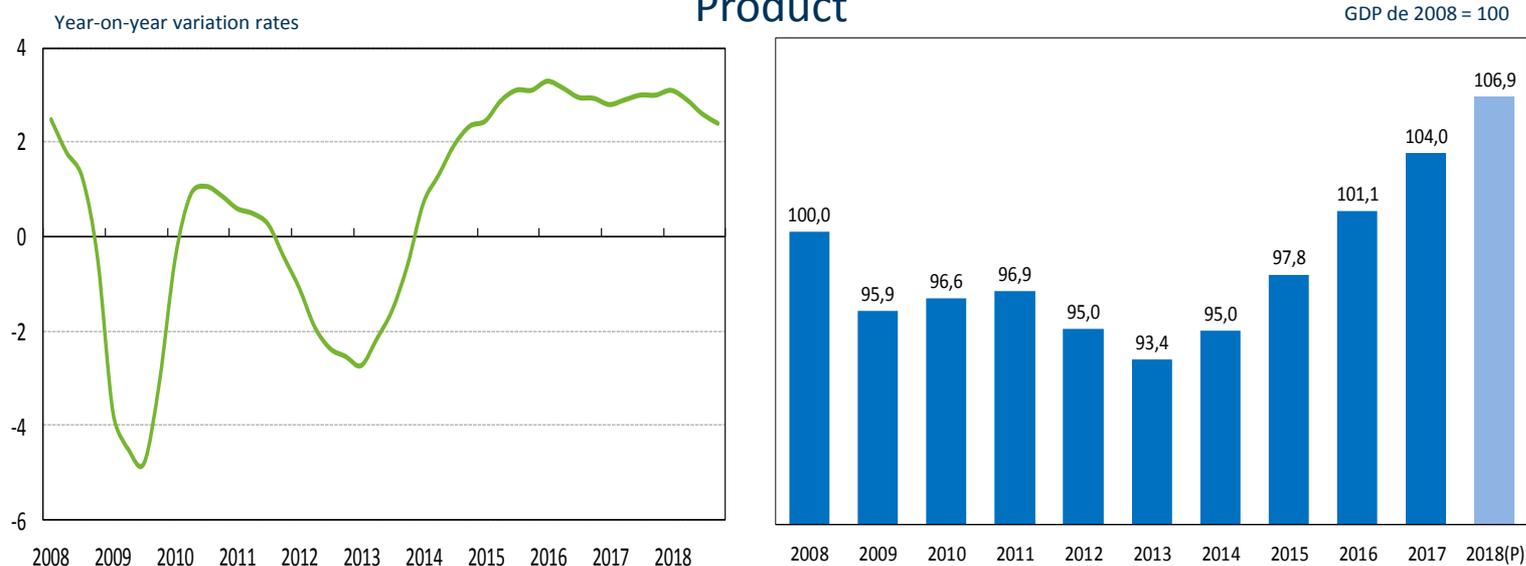
Source: FMI, La Caixa, Eurostat, OCDE y Eustat.



Very slight slowdown of the economy

- The Basque Country has completed five years of recovery and its GDP far exceeds that of before the crisis. More specifically, that of 2018 was 7% above that of 2008.
- However, a slight slowdown in the quarterly evolution can be appreciated.

Evolution of the Gross Domestic Product



Source: Prepared by the Economy and Planning Department with data from Eustat.



Construction joins the upward trend in GDP

- Although the increase in 2018 is only one decimal point less than 2017, the quarterly evolution prevents us from talking about stability in growth. The slowdown is evident.
- Industry underwent a considerable moderation in the second half of 2018, which we think will be temporary.

Evolution of the GDP on the supply side

	2017	2018	2018 variation rates			
			I	II	III	IV
GDP (p.m.)	2.9	2.8	3.1	2.9	2.6	2.4
Primary Sector	6.8	2,3	-3.0	0.8	-4.6	17,1
Industry and Energy	3.1	2,1	3.7	3.1	1.9	-0,2
Construction	3.8	4,3	2.7	4.1	4.8	5,6
Services	2.7	2,9	3.1	2.8	2.7	2,9
Trade, Hotel and Catering and Transport.	4.0	2,8	3.1	2.7	2.5	3,0
Public Admin.. Education and Health	2.2	2,4	2.9	2.3	2.1	2,2
Rest of services	2.2	3,1	3.1	3.0	3.2	3,1
Gross Added Value	2.9	2,8	3.1	2.9	2.6	2,4
Net Taxes on Products	2.8	2,7	3.1	2.8	2.6	2,5

Source: Eustat. Series adjusted for seasonal variation.



Strong boost of internal demand

- The gross capital formation highlighted its dynamism with respect to 2017, favoured by the recovery of construction.
- Private consumption is relaxing its progress to move closer to the increase in employment.
- The foreign balance is neutral. Both imports and exports have suffered a significant loss in the second half of the year.

Evolution of the GDP on the demand side

	2017	2018	2018 variation rates			
			I	II	III	IV
GDP (p.m.)	2.9	2.8	3.1	2.9	2.6	2.4
Final Consumption	2.9	2,4	2.8	2.5	2.0	2,2
Private Consumption	3.0	2,6	2.9	2.6	2.3	2,0
Public Consumption	2.4	1,7	2.6	2.0	1.2	0,8
Gross capital formation	3.3	4,1	3.7	4.8	4.0	4,1
Capital Goods	3.2	4,0	4.8	6.1	2.9	2,1
Other Investments	3.4	4,2	3.0	4.0	4.6	5,2
Internal Demand	3.0	2,8	3.0	3.0	2.5	2,6
Exports	4.7	3,0	6.7	2.9	2.2	0,3
Imports	4.8	3,0	6.4	3.1	2.1	0,6

Source: Eustat. Series adjusted for seasonal variation.

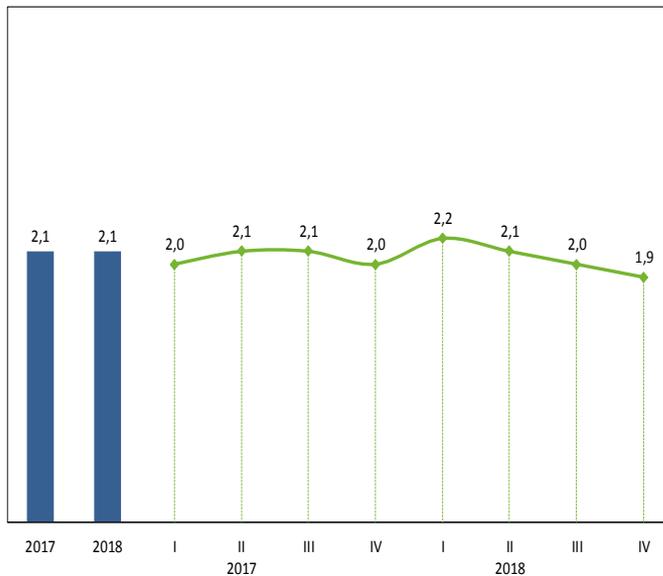


Employment generation is maintained

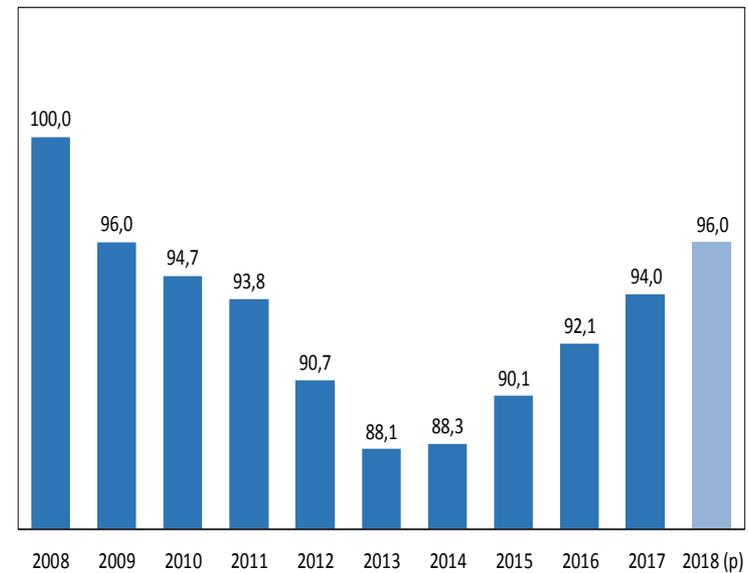
- The generation of employment continues to be important, at around 2.0% However, a slight slowdown in the pace can be appreciated, although it is less pronounced than that of the GDP.
- Just 4% of employment that existed in 2008 has yet to be recovered. In other words, around 40,000 full-time jobs.

Evolution of Jobs

Year-on-year variation rate



Employment in 2008 = 100



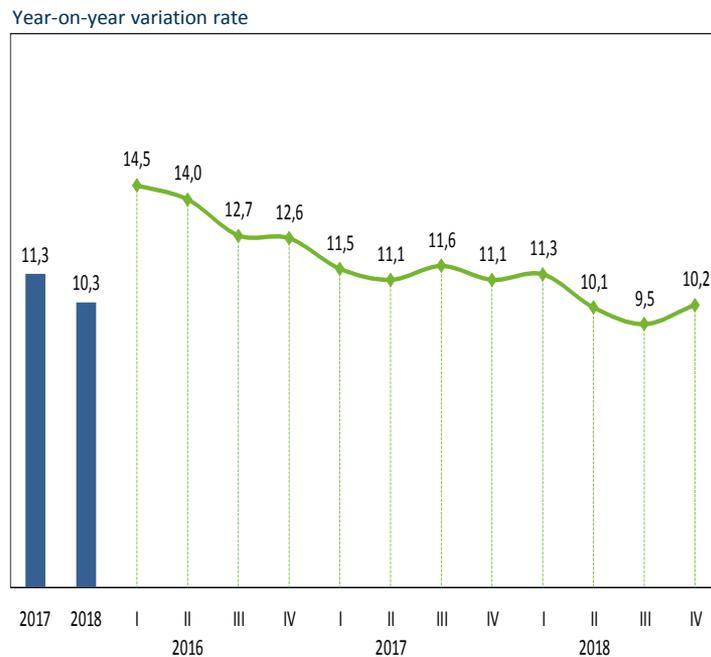
Source: Preparation by the Economy and Planning Department with data from Eustat. Economic accounts



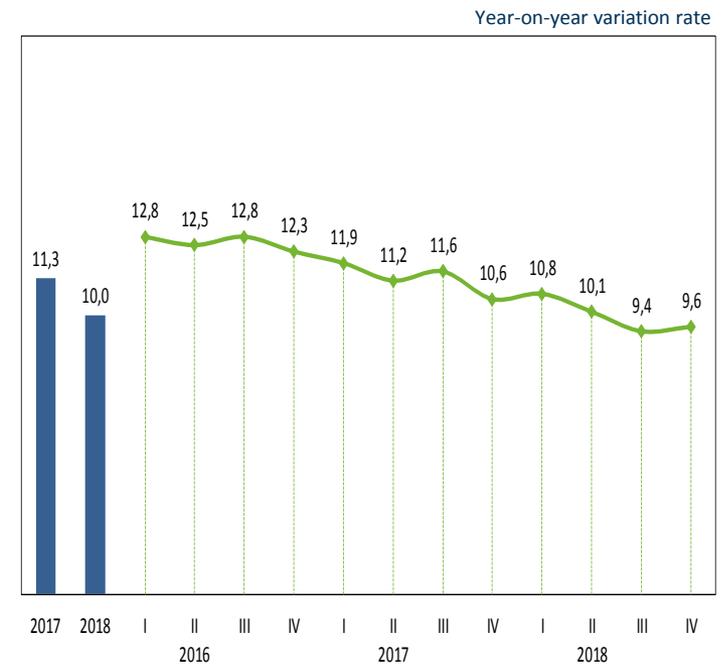
The unemployment rate is being moderated at a good rate

- The unemployment rate is around 10.0% in both surveys.
- The Basque Government's objective of reducing the unemployment rate below 10.0% in the current legislature is close to being fulfilled.

PRA (Eustat)



EPA (INE)



Source: Eustat and INE.

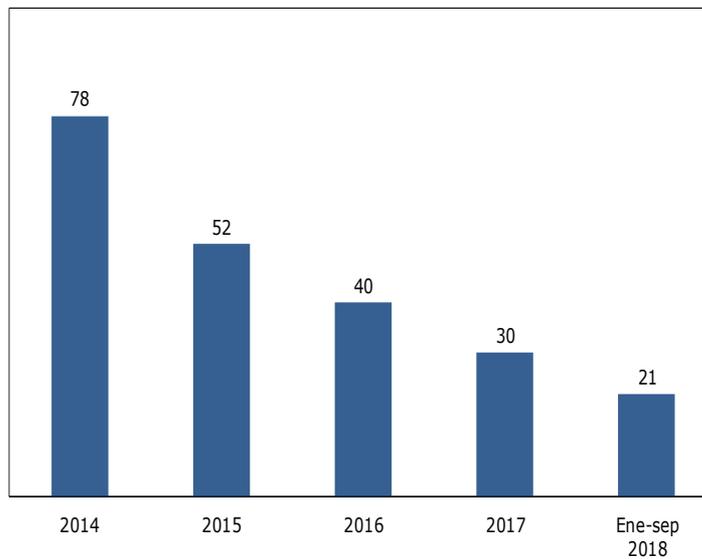


Increased Employment Opportunities

- On one hand, the number of people unemployed will be reduced. On the other hand, the number of unfilled vacancies is increasing. For this reason, the ratio of unemployed people for each vacancy is being rapidly reduced. In the first quarter of 2018, this ratio was 20 unemployed people per vacancy.
- The same ratio for Spain was 34 people per vacancy.

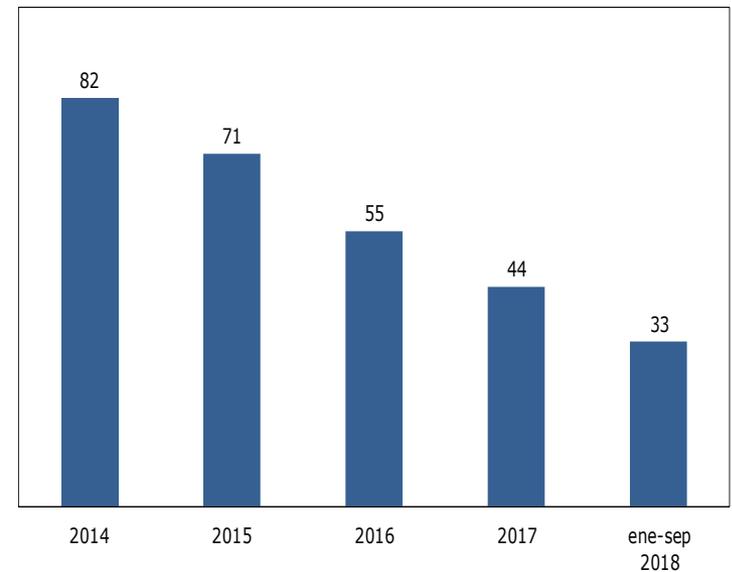
Basque Country

Unemployed people for each vacancy



Spain

Unemployed people for each vacancy



Source: Economy and Planning Department with data from Lanbide and INE.



Risks for the Economy in 2019

- The **trade war**, particularly between the United States and China.
- A more abrupt **slowdown** than expected **in China**.
- High **political risks**: Brexit, European elections.
- **Volatility** in the raw materials markets, such as oil.
- The standardisation of the **monetary policy** in the United States and Europe.



World Economy Forecasts

- In 2019, world growth is expected to be somewhat less than that of 2018, but it will improve in 2020 thanks to the push of the emerging countries.
- The advanced economies will lose momentum over two years, due to the slowdown of the United States.
- The Euro-zone will not register significant variations with respect to 2018.

World Economy Forecasts

	Year-on-year variatioon rates		
	2018	2019	2020
World Economy	3.7	3.5	3.6
Advanced Economies	2.3	2.0	1.7
United States	2.9	2.5	1.8
Japan	0.9	1.1	0.5
United Kingdom	1.4	1.5	1.6
Euro-Zone	1.8	1.6	1.7
Germany	1.5	1.3	1.6
France	1.5	1.5	1.6
Basque Country	2.8	2.3	---
Italy	1.0	0.6	0.9
Spain	2.5	2.2	1.9
Emerging Countries	4.6	4.5	4.9
China	6.6	6.2	6.2
India	7.3	7.5	7.7
Russia	1.7	1.6	1.7
Brazil	1.3	2.5	2.2

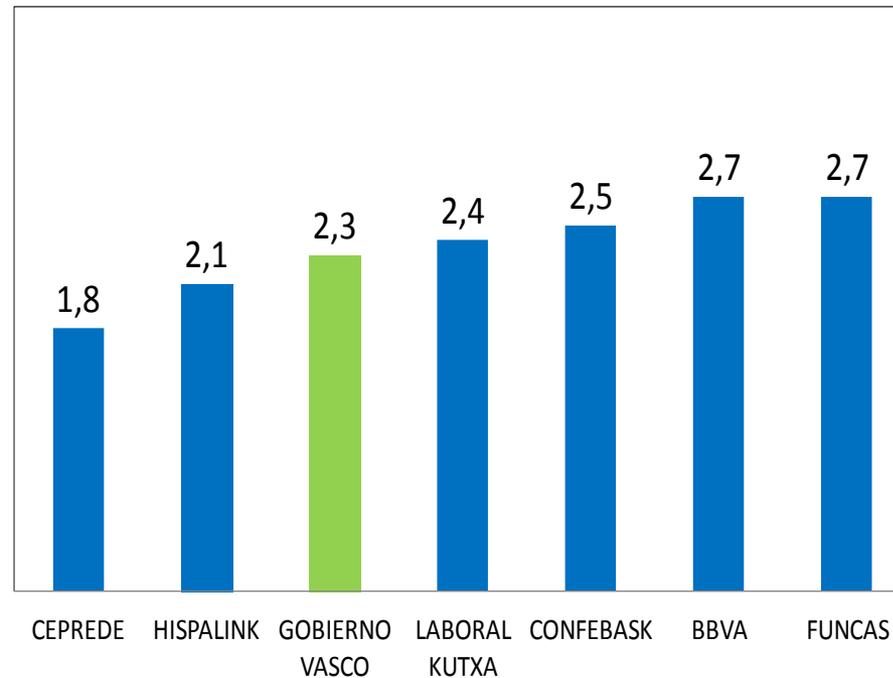
Source: IMF and Economy and Planning Department.



Forecasts by other bodies

- The forecast of the Economy and Planning Department is the most prudent of the results, which are delimited by 1.8% from Ceprede and 2.7% from Funcas and BBVA.
- In the case of BBVA, they estimate 2.3% for 2020.

2019



Source: Economy and Planning Department, CEPREDE (February 2019), BBVA (February 2019), Confebask (December 2018), Laboral kutxa (December 2018), Funcas (November 2018) and Hispalink (December 2018).



Basque Government Forecasts: Demand Perspective

- In the absence of the updating of the forecasts, the calculation for December pointed towards continuity on the path of a gentle slowdown, due to lower momentum in consumption and investment.
- The external balance will hardly subtract one decimal point in the whole of the year.

Evolution of the GDP on the demand side

Year-on-year variation rates

	2018	2019	2019			
			I	II	III	IV
GDP (p.m.)	2.8	2.2	2.1	2.3	2.2	2.2
Final Consumption	2.4	2.1	2.0	2.2	2.0	2.1
Private Consumption	2.6	2.2	2.2	2.3	2.1	2.1
Public Consumption	1.7	1.6	1.3	1.5	1.6	1.9
Gross capital formation	4.1	3.5	3.3	3.5	3.7	3.5
Internal Demand Contribution	2.9	2.5	2.4	2.6	2.5	2.5
External Balance Contribution	-0.1	-0.3	-0.3	-0.3	-0.2	-0.3

Source: Economy and Planning Department (March 2019).



Basque Government Forecasts: Supply Perspective

- By sectors, a slight loss of momentum is expected in the three main activities throughout the year.
- The incognito is industry, affected by questions that may be temporary, such as diesel and the new emissions regulation.

Evolution of the GDP on the Supply Side

Year-on-year variation rates

	2018	2019	2019			
			I	II	III	IV
GDP (p.m.)	2.8	2.2	2.1	2.3	2.2	2.2
Primary Sector	2.3	-9.2	-9.9	-8.5	-9.9	-8.6
Industry	2.1	1.7	1.1	1.9	1.8	2.0
Construction	4.3	3.9	4.5	4.0	3.7	3.4
Services	2.9	2.5	2.6	2.6	2.5	2.3
Gross Added Value	2.8	2.3	2.2	2.4	2.3	2.2
Tax on Production	2.7	1.9	1.9	2.1	2.0	1.9

Source: Economy and Planning Department (March 2019).



Basque Government Forecasts: Job Market

- The still excellent evolution of the GDP will enable net employment to continue being generated this year, although at a slower rate than the 2.0% in recent years. We calculate an advance of 1.5%, compatible with increased productivity of around 0.7%.
- The unemployment rate will go down from the annual average of 10%. The reduction in the number of people unemployed and the arrival of new job seekers will prevent the unemployment rate from rising to the rate of recent years.

Evolution of employment and unemployment rate

	Year-on-year variation rates					
	2018	2019	2019			
			I	II	III	IV
Employment	2.1	1.5	1.7	1.6	1.6	1.4
Unemployment Rate	10.3	9.9	10.4	10.0	9.6	9.8

Source: Economy and Planning Department (March 2018).



Conclusions

- **2018 was yet another good year** from the point of view of the GDP and employment. The former grew by 2.8% and the latter by 2.1%. Around 19,000 net jobs were created.
- **The growth of the Basque GDP was higher than that of the European average**, whereby there was another relative improvement, placing the GDP per capita at around 121% of the European average.
- **Internal demand shows a great deal of dynamism**, compared with a neutral external balance, hardly adding or deducting anything to the increase. Furthermore, the brake on international trade does not help.
- Construction has accelerated its dynamism, whilst **industry has had fleeting problems** in the second half of the year, related to the new emissions and diesel regulation.
- **The main risks for the world economy in 2019** are: the trade war, political tensions, standardisation of the monetary policy, the volatility of oil and doubts with respect to China.
- In a scenario in which the European economies are growing less, **the Basque economy will increase its GDP in 2019 by 2.2%**. This is one of the most prudent forecasts of those published.
- **Employment will increase by 1.5%**, which is equivalent to the generation of around 13,500 full-time jobs.
- **The unemployment rate will be below an annual average of 10.0%**.



Contents 3

1. Features of the Basque economy
2. Current situation of the economy and forecasts
- 3. Sustainability mandate**
4. Financing system, budget, deficit and debt



Sustainability mandate of the Basque Government (1)

The Basque Government has an Agenda Euskadi Basque Country 2030 that reflects the degree of alignment and contribution of the Government Program with the 17 Sustainable Development Goals and 100 targets of the UN 2030 Agenda for Sustainable Development (Agenda 2030).

We see Agenda 2030 as an opportunity for the Basque Country because it is fully in step with our priorities: human development guaranteeing essential services for all, and sustainable growth generating job opportunities to higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by the presentation of Agenda Euskadi - Basque Country 2030.

This Agenda Euskadi Basque Country 2030 represents a decisive step in the determination of the Basque Executive to focus its public policies on the challenges identified in the Agenda 2030 of United Nations. It is the First Agenda Euskadi Basque Country 2030 whose temporal scope covers the period 2016-2020.

It includes 93 of the 175 commitments acquired by the Basque Government in its Government Program, 80 Planning Instruments, 19 Legislative Initiatives and 50 Indicators. An effort that will make it possible to effectively align public policies in Euskadi with this universal Agenda 2030, and make visible the contribution of Euskadi to the implementation of the Agenda 2030 and the achievement of the Sustainable Development Goals.



Sustainability mandate of the Basque Government (2)

UNITED NATIONS AGENDA 2030		PROGRAMA 2017-2020 GOBIERNO VASCO						
OBJETIVOS DESARROLLO SOSTENIBLE (ODS)	SPHERES OF IMPORTANCE	COUNTRY OBJECTIVES	COMMITMENTS	INITIATIVES	INDICATORS	STRATEGIC PLANS	SECTORAL PLANS	LAWS
17	5	15	175	650	100	15	54	28
1. An end to poverty 2. An end to hunger/food 3. Healthy lifestyle 4. Inclusive education 5. Gender equality	 PEOPLE	20% reduction in poverty Increased life expectancy Higher birth rate School dropout rate <8%. 75% of the population <25 years Basque-speaking Among the top 4 countries in terms of gender equality	65	225	33	Social Services Strategic Plan Health Plan 5th Professional Training Plan 4th University Plan 7th Equality Plan Strategic Agenda for the Basque language	18	10
6. Water and sanitation 7. Sustainable consumption and production 8. Climate change 9. Sea resources 10. Ecosystems	 PLANET	20% reduction in CO2 emissions	10	35	11	4th Environmental Framework Programme	11	3
11. Economic growth and employment 12. Infrastructures and innovation 13. Energy 14. Reducing inequality 15. Cities and urban settlements	 PROSPERITY	Unemployment < 10% 20,000 young people with job experience 125% of the EU's GDP 25% industrial GDP 100 strategic innovation projects Leader in terms of transparency indexes	64	278	51	Strategic Employment Plan Basque Industry 4.0 Industrialisation Plan Basque Science and Technology Plan 2017-2020 Tourism, Trade and Consumption Plan Governance and Public Innovation Plan	16	13
16. Peace and justice	 PEACE	Disarming and dissolving ETA	24	80	3	Co-habitation and Human Rights Plan Public Security Plan	6	2
17. Partnerships / cooperation for development	 PARTNERSHIP	New political status	12	32	2	"Euskadi - Basque Country" Internationalisation Strategy	3	



Sustainability bond framework at a glance

This Sustainability Bond Framework is aligned with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2017. Bonds issued under this framework will promote the UN Sustainable Development Goals Agenda 2030.

The net use of proceeds will be used to finance and/or refinance eligible categories and projects are included in the General Budget and corresponding budgetary programmes of the Basque Government and will always be part of the current budget of the fiscal year of issuance date of each Sustainability bond.

Eligible categories are: Affordable Housing, Access to essential services: Education and Healthcare, Socioeconomic advancement , Employment generation , Renewable Energy, Clean Transportation, Pollution prevention and control, Sustainable water and wastewater management, Terrestrial and aquatic biodiversity conservation, Energy Efficiency and Climate Change Adaptation

A robust project evaluation and selection process will be undertaken by the Basque Government when reviewing the allocation process: the Basque Government Sustainability Bond Committee evaluates their compliance with the defined relevant eligibility criteria

The Basque Government will report on impact on each Sustainability Bond issued within 12 months since settlement date.

Supported by an external review: Sustainalytics has provided with a Second Party Opinion which will be available on the issuer's website as well as the Sustainability Bond Framework.



Sustainability bond framework: use of proceeds (1)

Eligible Categories	Framework	SDG
Affordable Housing	The proceeds will be used to promote and increase the availability and access to social housing in the Basque country	
Access to essential services: Education & Healthcare	<p>Education: proceeds of the bond will be allocated to support public educational programmes for young people between 14 and 25 years old and to support the successful integration of disadvantaged groups in the education system. Disadvantaged group refers to young people in a situation of greater vulnerability because they have not finished Compulsory Secondary Education (ESO).</p> <p>Healthcare: proceeds of the bond will be allocated to projects aimed to guarantee universal access to quality public health care for the citizens of the Basque country (including, but not limited to, vulnerable groups).</p>	
Socioeconomic advancement	Proceeds of the bond will be allocated to projects that maintain and foster the Basque income guarantee model and promote social inclusion in the Basque country	
Employment generation	Proceeds of the bond will be used to support employment generation in the different economic sectors and to finance programmes that support unemployed people in education and training, in order to reduce the unemployment rate below 10% by the end of the term	
Renewable Energy	Proceeds of the bond will be allocated to projects and programmes aimed at promoting the increase of renewable energy in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Euskadi Energy Strategy 2030 ("Estrategia Energética de Euskadi 2030"); Wind, Biomass (waste to energy), Solar Photovoltaic, Geothermal and Marine renewable energy.	



Sustainability bond framework: use of proceeds (2)

Eligible Categories	Framework	SDG
Clean Transportation	Proceeds of the bond will be used to reduce the dependence on fossil fuel transport in accordance with the lines of action included in the Master Plan for Sustainable Transport of Euskadi 2030.	
Pollution prevention and control	Proceeds of the bond will be used to improve the quality of water, air and soil, managing environmental risks and reducing human diseases related to environmental determinants, in accordance with the lines of action set out in the Environmental Framework Programme 2020 and the Biodiversity Strategy of the Basque Country 2030.	
Sustainable water and Wastewater Management	Proceeds of the bond will be allocated to projects and programmes that will support the protection and improvement of the ecological state of water masses; projects and programmes that will support not only the improvements of water quality and its supply, but also the sanitation and urban sewage treatment. Additionally, proceeds of the bond will be allocated to resolve water scarcity, waste minimization of water consumption, or recycling to alleviate sewage water generating.	
Terrestrial and aquatic biodiversity conservation	Proceeds of the bond will be allocated to projects and programmes aimed at promoting protection and restoration of ecosystems in the Basque Country as it is included in the Biodiversity Strategy of the Basque Country 2030.	 
Energy Efficiency	Proceeds of the bond will be used to build a low carbon energy model and anticipate the risks of climate change following the guidelines and lines of action foreseen in the 2030 Euskadi Energy Strategy and 2050 Climate Change Strategy Basque Country (Klima 2050).	
Climate Change Adaptation	Financing of plans of action and activities to reduce the impacts of extreme climatic events in vulnerable areas, such as flood prevention, landslide, impact in coastal areas, etc .	



Sustainability Bond Framework: Process for Project Evaluation and selection & Management Proceeds

Process for Project Evaluation and Selection

- The process to select and to evaluate potential eligible projects and programmes from the General Budget is performed by the Basque Government Sustainability Bond Committee
- This Committee comprises four representatives of the Department of Finance and Economy, and a representative of each of the following departments: Environment, Territorial Planning and Housing; Employment and Social Policies, Health and Education, Economic Development and Infrastructure
- Each Department carries out an ex - ante evaluation of the impact indicators of the projects, in addition to the environmental impact assessment, and other actions foreseen in the regulation

Management of Proceeds

- The Basque Government has internal systems in place to track proceeds of its bonds, and to account for all eligible programmes → the Committee will monitor and prevent any such double allocation of proceeds
- The proceeds of the Sustainability Bond will be allocated to eligible budgetary programmes in the General Budget of the Basque Government, corresponding to the fiscal year of the Sustainability Bond issuance
- The total expenditures required for the eligible programmes will equal or exceed the net Sustainability bond proceeds
- The proceeds from the Sustainability bond issuance will be directly allocated to the eligible projects at settlement. In the event the whole proceeds cannot be allocated, the Basque Government will temporarily keep the unallocated funds in any form of cash or liquidity position or time deposits with banks. This event would be monitored by the Financial Department of the Basque Government's Financial Policy Department and reviewed by the Sustainability Bond Committee



Sustainability Bond Framework: Reporting

Allocation Reporting

the Basque Government committed to report on an annual basis on the allocation of the bond's proceeds, including the total amount allocated and per eligibility category until the proceeds have been fully allocated

Allocation reporting will be available to investors within one year from the date of the Sustainability Bond issuance and annually until the bond proceeds have been fully allocated. The reporting will produce insights into the total amount provided to the various eligible budgetary programmes and the total of each eligibility category. The allocation reporting will be made available on the Basque Government's website .

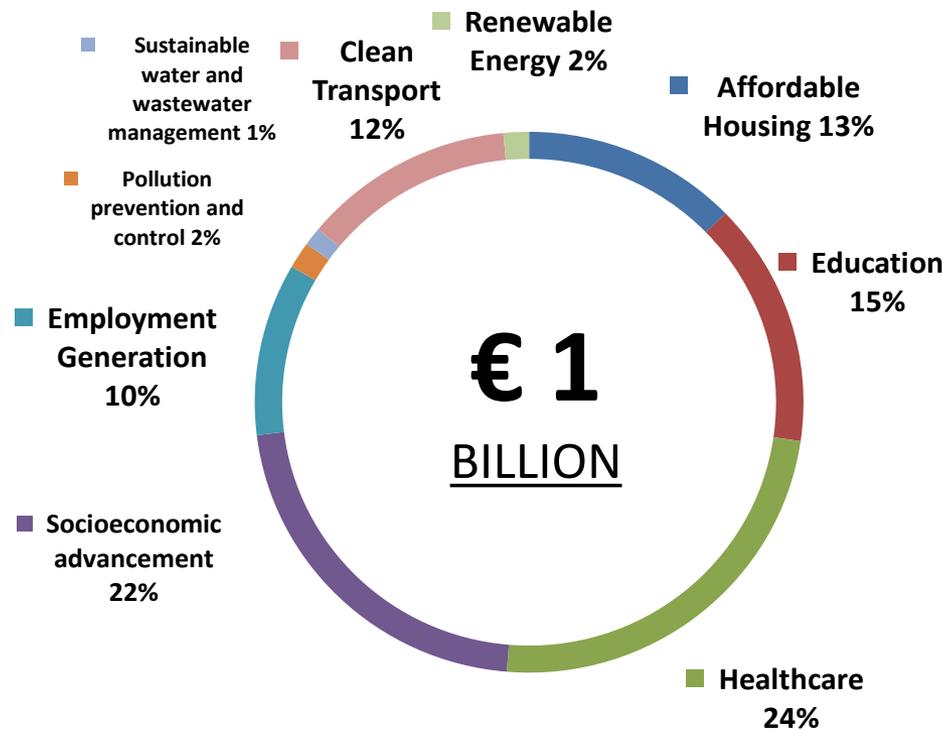
Impact Reporting

- Impact indicators are developed for each eligibility category
- The Basque Government will provide a dedicated Sustainability Bond impact report for investors within one year from the issuance date and annually until the bond proceeds have been fully allocated, with estimates of the main environmental or social impacts or outputs of the eligible programmes, where feasible
- Impact indicators will include avoided CO₂, renewable energy and energy savings as well as poverty rate and school enrolment rate, among others
- Some case studies of projects may be provided to illustrate the positive impact

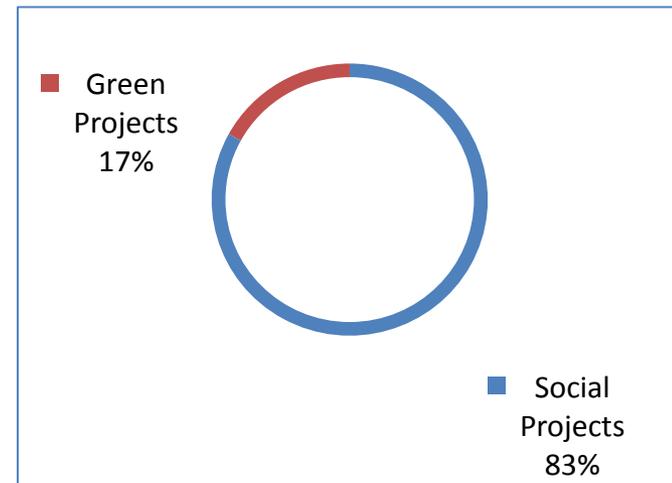


Selected Eeligible Assets for 2019 Sustainability Bond

By Projects



By Category of Projects



Eligible Assets: Social Projects

Affordable housing	127,000,000	Socio-economic advancement	217,500,000
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	68,000,000	Financing of social emergency assistance programmes	27,500,000
Financing of Bizigune programme	20,000,000	Financing of family support benefits	40,000,000
Building of homes to rent	12,000,000	Financing of income security allowance	150,000,000
Aid to refurbish and/or renovate homes and buildings	22,000,000		
Gaztelagun programme	5,000,000	Job creation	103,000,000
Education	146,000,000	Local employment support and development projects – county employment plans	21,000,000
Building and equipping nurseries and primary schools	30,000,000	Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	8,000,000
Building and equipping secondary and vocational training schools	24,000,000	Financing of Lehen aukera programme	3,000,000
Financing of contract-programme and investment University of the Basque Country	9,000,000	Financing of programmes to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	35,500,000
Non-university scholarships	57,000,000	Financing of training programmes – sandwich courses for young people, training for unemployed people	35,500,000
University scholarships	26,000,000		
Health	240,000,000		
Financing of the expenses of running the Basque Health Service: Osakidetza	110,000,000		
Financing of hospital and non-hospital pharmacy expenses	75,000,000		
Healthcare investments – expansion of existing hospitals, health centres, equipment	55,000,000		
		TOTAL €	833,500,000



Eligible Assets: Green Projects

Clean transport	124,500,000	
Supply of new trams	14,500,000	
Construction of new infrastructure – doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as “Topo”]	60,000,000	Financing investment in ETS [Basque train network]
Financing railway operators	50,000,000	Financing 30 m of running costs in ETS and 20 in contributions to the CTB [Biscay transport consortium]
Contamination control and prevention		Financed by the 4421, 5121 and 7311 programmes, for a total of 42 m
Sustainable management of water and waste water		
Conservation of terrestrial and aquatic biodiversity		
Energy efficiency		
Climate change adaptation		
Renewable energy		

	Budget programmes	Total	Elegible
4421	Environmental protection	22,789,407	16,000,000
5121	Hydraulic administration and planning	13,861,952	11,000,000
5131	Rail transport management and infrastructure	182,066,829	124,500,000
7311	Energy (EVE group without SHESA)	26,526,476	15,000,000
		245,244,664	166,500,000



External Review

Sustainalytics

- **The Basque Government engaged Sustainalytics to provide a review of the Basque Government Sustainability Bond Framework and provide a second-party opinion on the alignment of the sustainability bond with the Green Bond Principles 2017 (the "GBP"), Social Bond Principles 2017 (the "SBP") and Sustainability Bond Guidelines 2017, as administered by the International Capital Market Association (the "ICMA") , and the framework's environmental and social credentials.**
- **Sustainalytics held conversations with various members of the Basque Government team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Basque Government's sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.**
- **Sustainalytics conclusion**
 - **The Basque Government intends to issue multiple bonds that finance projects and programmes that address the regions social and environmental challenges and overall contribute to the UN Sustainable Development Goals.**
 - **The eligible categories and target populations are aligned with the Green and Social Bond Principles and Sustainalytics considers the use of proceeds to be impactful given the overlap of the Basque Government's focus on electric transportation, renewable energy and target populations that overlap with particularly vulnerable populations identified by EU strategies. In addition, the Basque Government project selection and evaluation, management of proceeds and reporting is aligned with market practices, including the integration of environmental and social criteria into the Basque procurement policies.**
 - **Based on the above points, Sustainalytics considers the Basque Government's Sustainability bond to be robust, credible and transparent.**



Contents 4

1. Features of the Basque economy
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Financing System

- **The Basque Country's financing system is different to the other autonomous communities in Spain, and it has its own tax system.**
- **Full authority to manage, levy and collect practically all taxes.**
- **Relations between the Basque Country and the Spanish State are governed by the Economic Agreement.**
- **The Basque Country collects and contributes with the relevant quota to the services that the Spanish State continues to provide in this area.**



Collection 2018 and forecast 2019

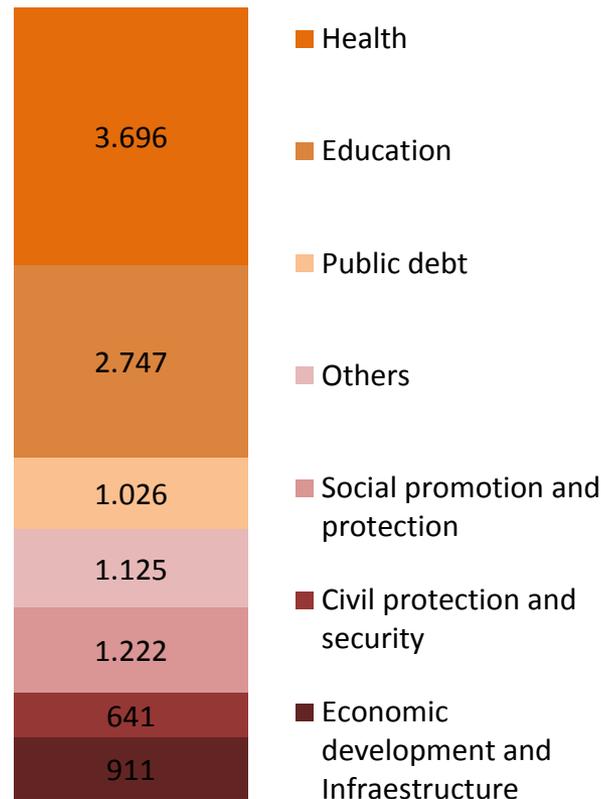
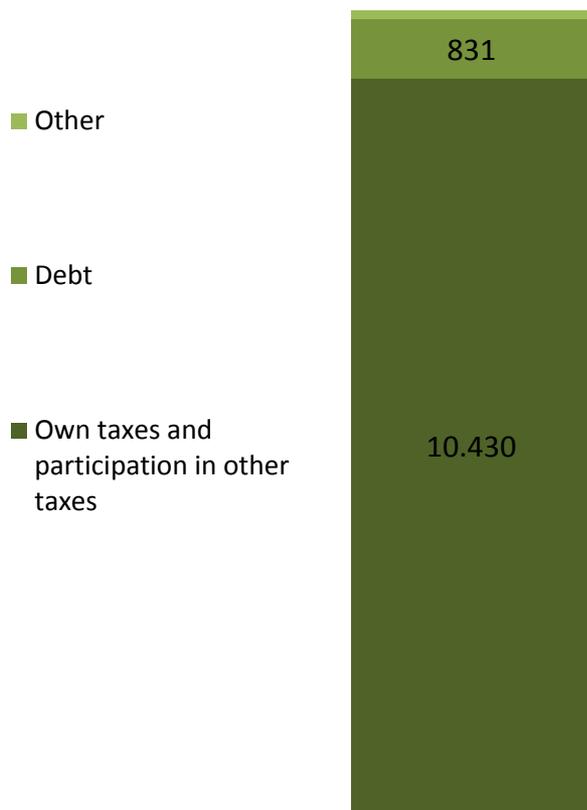
		(Million euros)
DIRECT TAXES	2018	2019
Personal income tax	5,407,3	5458,6
Corporation tax	1,476,0	1299,6
Wealth tax	184,8	170,1
Inheritance and gift tax	132,0	135,4
Other direct taxes	92,3	97,2
<u>Total Direct Taxes</u>	<u>7,292,4</u>	<u>7160,9</u>
INDIRECT TAXES		
Value Added Tax	5835,9	6015,6
Excise duties	1,421,6	1637,6
Hydrocarbons	906,7	1100
Manufactured tobacco products	373,1	394,2
Alcohol, fermented beverages and intermediate products	49,8	48,3
Beer	24,2	25,1
Electricity	67,8	70
Property conveyance tax	160,0	166,5
Document duty	46,9	47,9
Other indirect taxes	106,1	115,8
<u>Total Indirect Taxes</u>	<u>7570,5</u>	<u>7983,4</u>
FEES AND OTHER REVENUE	<u>118,5</u>	<u>121,0</u>
<u>TOTAL AGREED TAXES</u>	<u>14,981,5</u>	<u>15265,4</u>



Basque Government 2018 Budget (*)

REVENUE (Mill. €) 11386

EXPENDITURE (Mill. €) 11.367



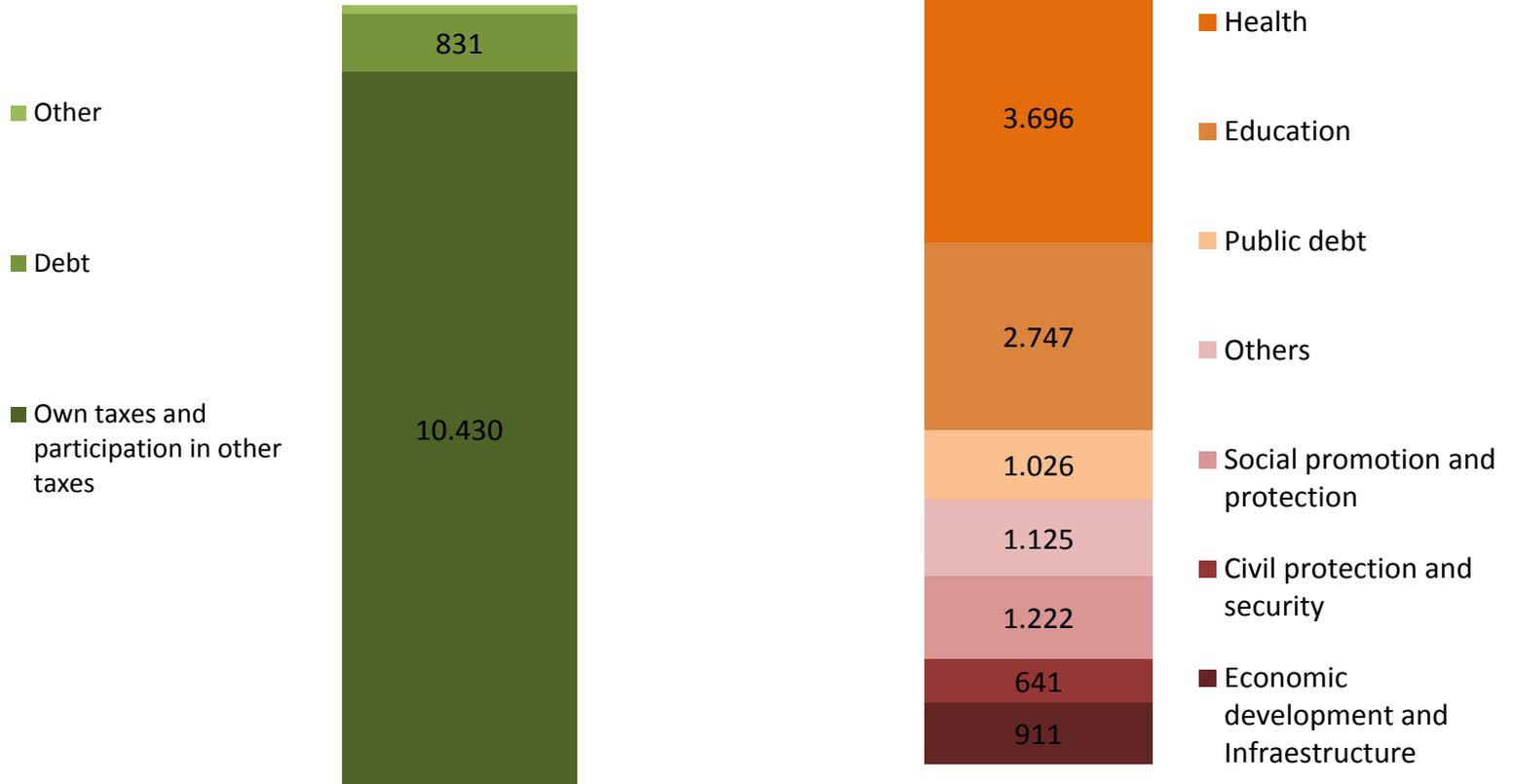
() In 2019, the 2018 budget has been extended.*



Basque Government 2019 Budget (*)

REVENUE (Mill. €) 11.386

EXPENDITURE (Mill. €) 11.367



() In 2019, the 2018 budget has been extended.*



From Deficit to surplus

- ✓ The Basque Country has shown strict fiscal discipline, meeting all the set deficit objectives.
- ✓ From 2017 onwards it has registered a surplus

Basque Country							
Public deficit over GDP							
							Forecast
2012	2013	2014	2015	2016	2017 (*) Surplus	2018 Surplus	2019 Surplus
-1.46%	-1.15%	-1.01%	-0.68%	-0.62%	1.50%	0.68%	0.20%

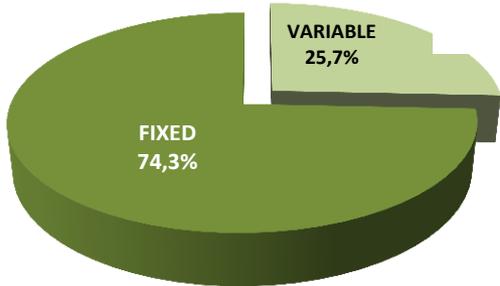
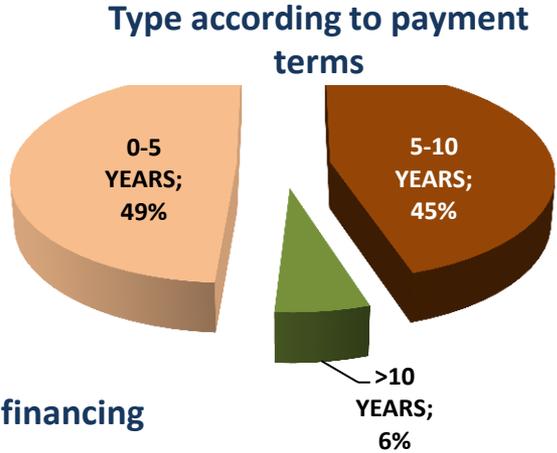
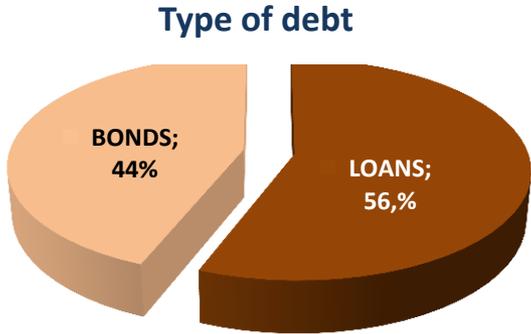
* Includes Agreement over the “Concierto Económico”



Current debt

Debt as of 31/12/2018 (Thousand €)	
Loans	5,112,344
Bonds	4,021,939
Total debt	9,134,283
% GDP (forecast)	13,6%

Financing needs 2019 (Mill. €)	
Gross issues	831
Net issues	0



AVERAGE COST (%)	AVERAGE LIFE (years)
1,82%	5,15

Source: Basque Government.



- 1. To regularly issue sustainability bonds in upcoming years of around 500-600 M€**
 - To expand the investor base with sustainable bonds
 - To strengthen liquidity
- 2. To increase the average maturity of the debt by issuing lower amounts at a longer period**
- 3. To diversify funding, by combining issues and loans**



Basque Government 2018 €500m Inaugural 10yr Sustainable bond



1.45% due April 2028

On 5th June 2018, HSBC acted as Joint Bookrunner on the highly successful inaugural Sustainable 10y transaction for the Basque Govt

The deal represents the first transaction from a Southern European borrower in the aftermath of the Italian political crisis and the issuer's comeback to Benchmark Euro capital markets

The transaction was preceded by an extensive European Roadshow, which along with the SRI angle resulted in a outstanding international participation accounting for 66% of the total allocation

Strong demand of EUR 1.6bn allowed Basque Government to print at SPGB+15 bps, the tightest spread vs. Bonos achieved by a Spanish region in a public benchmark and -5 bps inside IPTs

The deal consolidates HSBC's #1 position in the Spanish Public Sector and Sustainable Capital Markets and it is a testament of strong perception of Basque Country among the international investor community

Summary Terms & Conditions

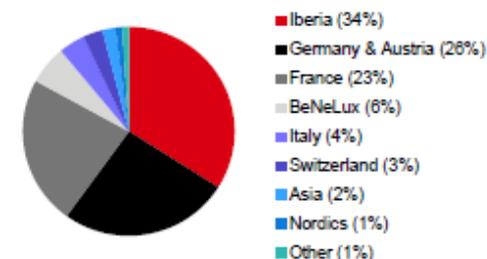
Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 th June 2018
Settlement:	15 th June 2018
Maturity:	30 th April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICMA
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price / Yield:	99.346% / 1.522%
Denominations:	EUR 1k + EUR1k
ISIN	ES0000106619
UoP:	Allocated to a mix of beneficial environmental and social projects according to the Basque Government Sustainable Framework ¹
HSBC Role:	Joint Bookrunner

Execution highlights

- On Tuesday, 5th June, Basque Government launched its inaugural EUR 500m 10-year Sustainable Bond at SPGB 1.4% 04/2028 +15 bps
- Basque Government announced the mandate on 16th May 2018 to meet investors across Paris, Frankfurt, Dusseldorf, Madrid and Bilbao, allowing the issuer to present its Sustainable Framework¹ along with its 2030 agenda which advances UN Sustainable Development Goals and UN 2030 Agenda for Sustainable Development
- Books were officially opened at 14:30h CET on Monday 4th June with IPTs of SPGB 1.4% 04/2028 +20 bps following a 2-day execution strategy
- Demand was strong from the outset, enabling the issuer to set price guidance at SPGB 1.4% 04/2028 + 19 bps with EUR 750m of bids
- With the book growing at a good pace throughout the morning, a sharp 5 bps move vs. IPTs was taken to land at +15 bps supported by EUR 1.6bn orderbook
- International distribution was extremely well diversified with German & Austrian accounts (26%) leading the way, followed by France (23%), BeNeLux (6%), Italy (4%), Switzerland (3%) and Asia (2%)
- Asset Managers and Insurance & PF dominated the allocation with 82% combined, complemented by Banks & PB (16%) and CB & Ols (2%)

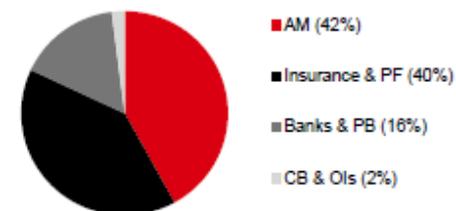
Distribution by Geography

% of allocation



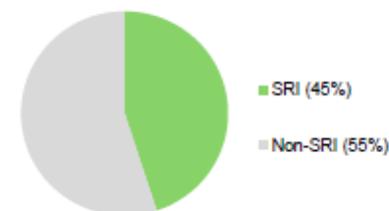
Distribution by Investor Type

% of allocation



Dedicated and committed SRI

% of allocation



Rating: Above the Sovereign rating by S&P and Moody's

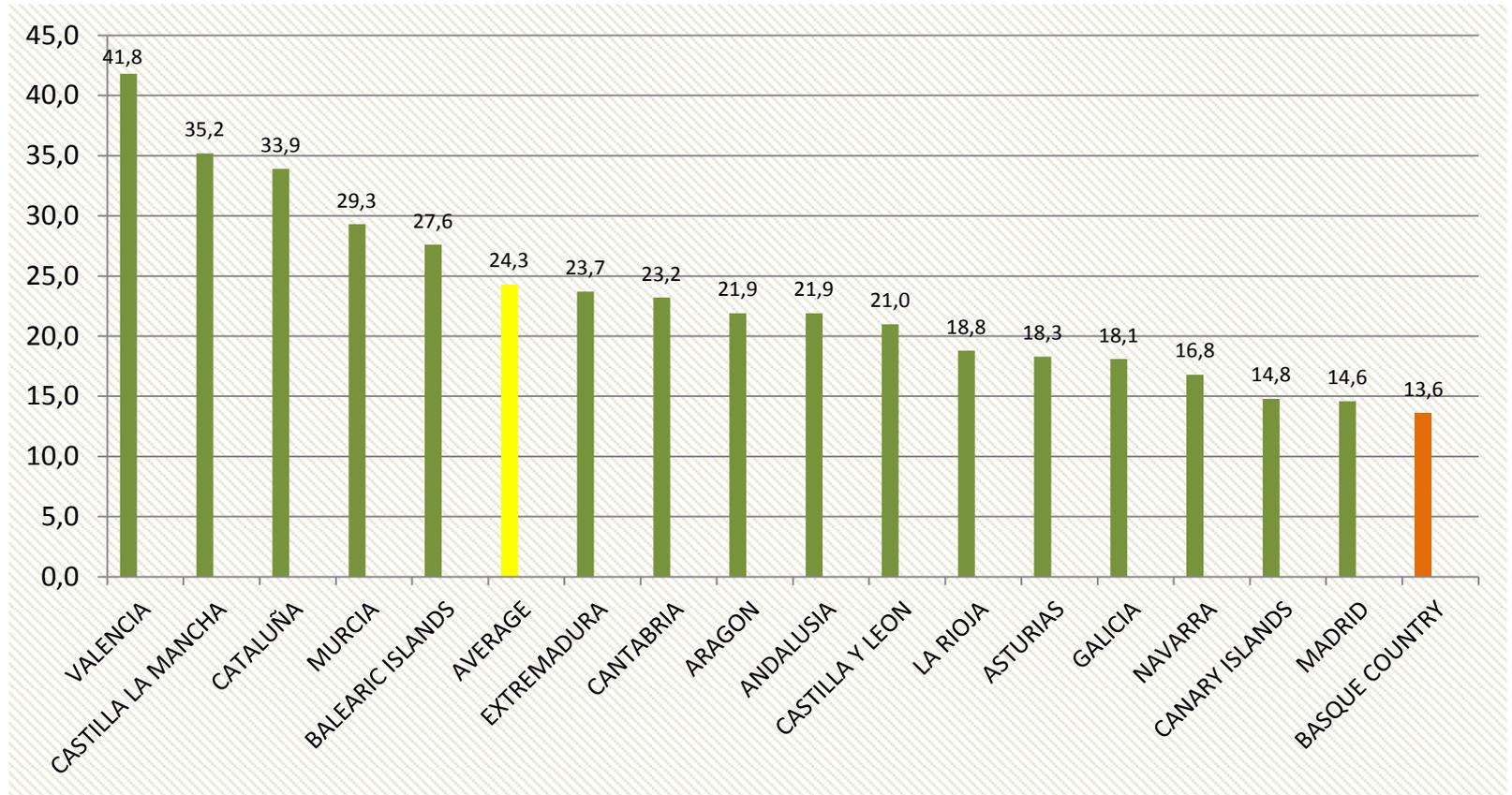
- The rating agencies place a very positive value on its government management policies and fiscal autonomy, as well as its diversified economic base and long-standing industrial cultures.

Current rating		
Agency	Basque Country	Spain
Moody's	A3 (stable outlook)	Baa 1 (stable outlook)
S&P	A+ (positive outlook)	A- (positive outlook)
Fitch	A- (stable outlook)	A- (stable outlook)

Source: S&P, Moody's and Fitch.



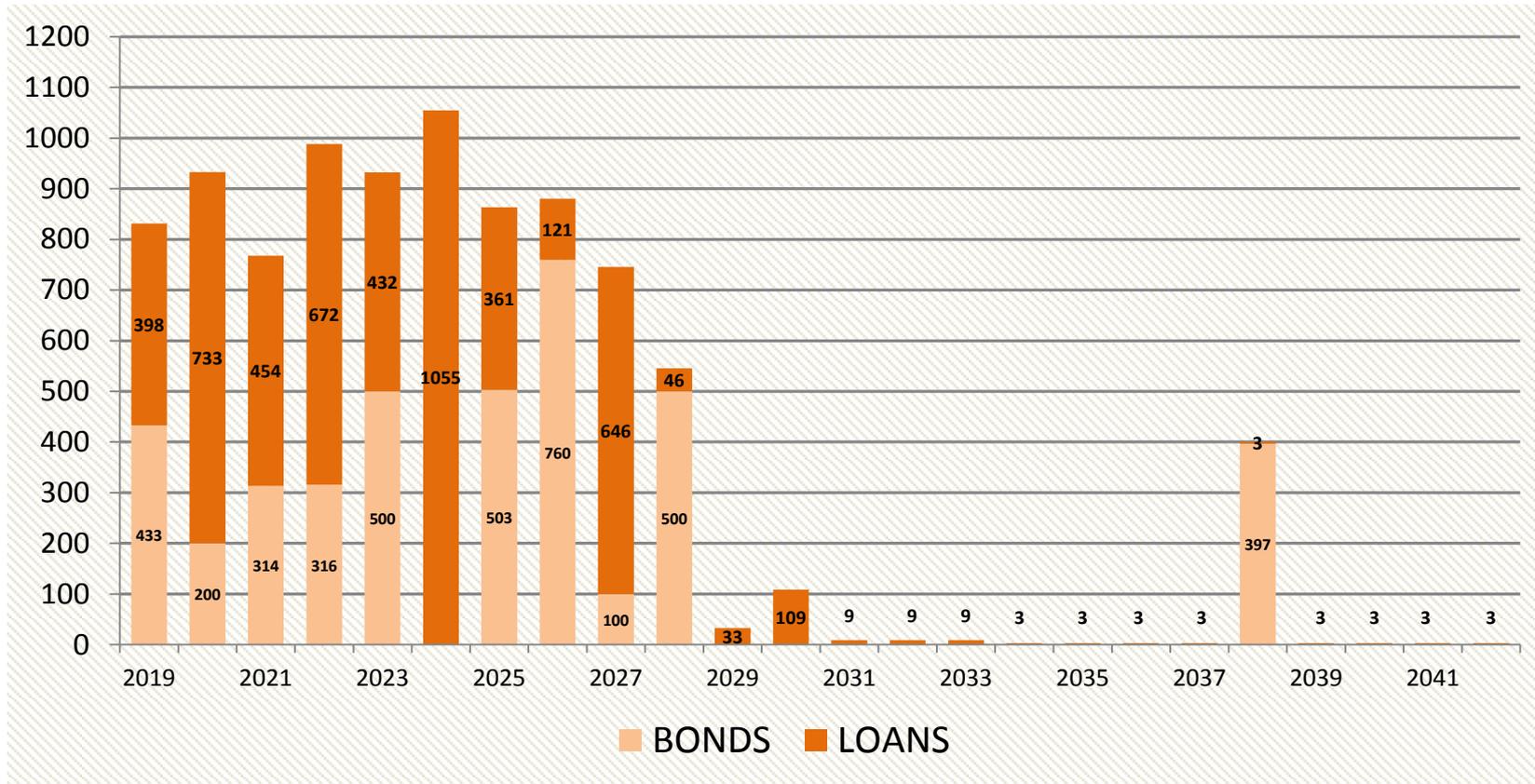
Comparisons between Autonomous Communities Debt (EDP)/GDP



Source: Bank of Spain.



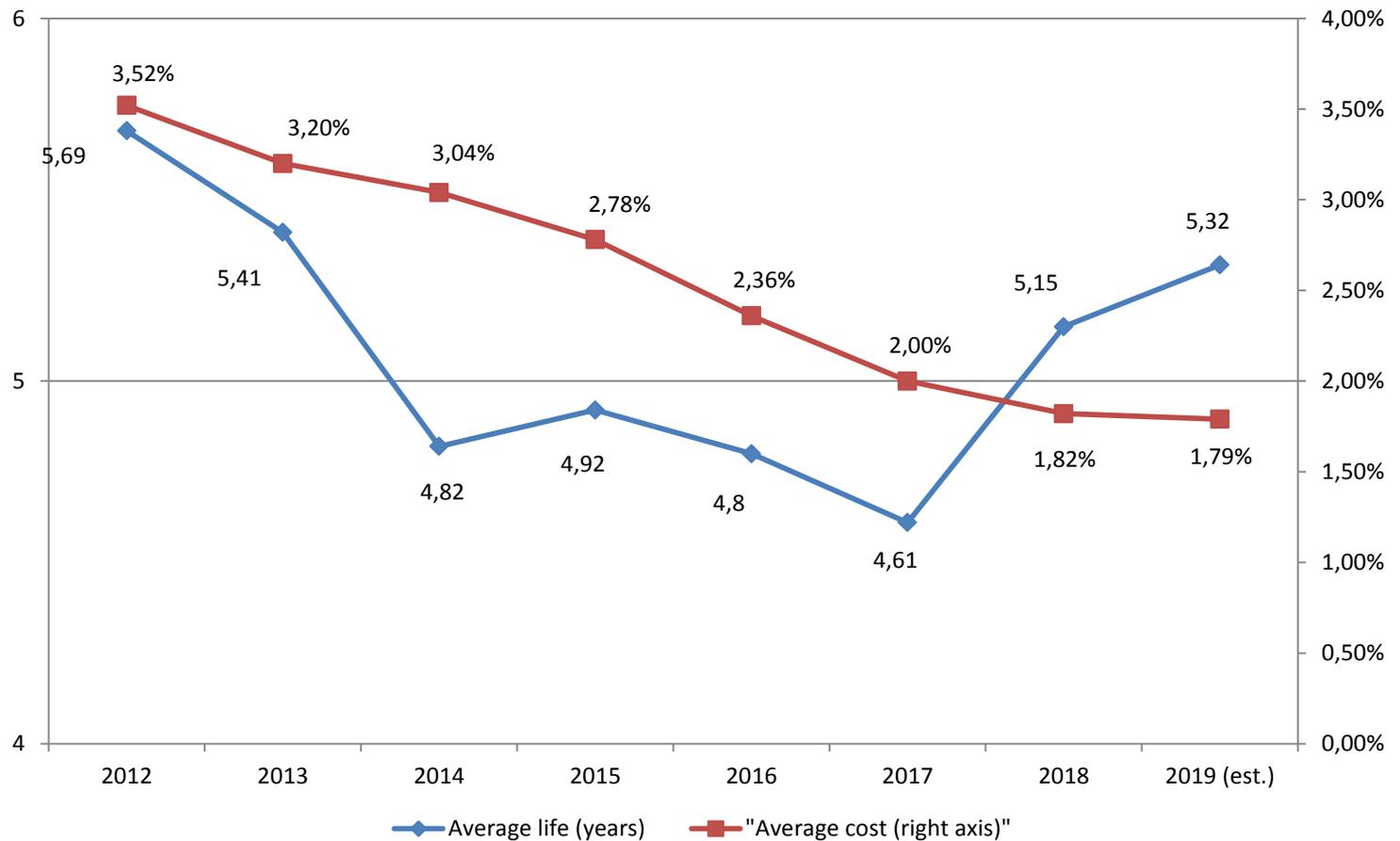
Maturity profile as of 31/12/2018



Source: Department of Finance and Economy



Average life and Average cost



Public Debt in the Basque Country

- Issues in circulation on 31/12/2018

Issue data

ISIN code	Date Issue	Issue volume	Coupon (%)	Maturity	Issue rate
ES0000106437	28/10/2009	433,247,000	4.150	28/10/2019	Fixed
ES0000106528	26/03/2013	200,000,000	4.900	26/03/2020	Fixed
ES0000106510	20/04/2011	313,500,000	6.375	20/04/2021	Fixed
ES0000106593	18/04/2017	315,639,000	0.600	30/04/2022	Fixed
ES0000106544	13/04/2015	500,000,000	1.250	13/04/2023	Fixed
ES0000106445	07/01/2010	502,800,000	4.600	07/01/2025	Fixed
ES0000106551	16/03/2016	569,726,000	1.750	16/03/2026	Fixed
ES0000106577	30/12/2016	190,000,000	1.466	30/12/2026	Fixed
ES0000106585	16/03/2017	100,000,000	1.703	30/04/2027	Fixed
ES0000106601	28/02/2018	397,027,000	2.500	28/02/2038	Fixed
ES0000106619	15/06/2018	500,000,000	1,450	30/04/2018	Fixed



The debt of the Basque Country is subject to the same regulation as the State debt

Article 135 of the Constitution states ... " Loans to meet payment on the interest and capital of the State's Public Debt shall always be deemed to be included in budget expenditure and may not be subject to amendment or modification as long as they conform to the terms of issue."

In terms of Organic Law Article 14.5 of the Law on Financing of the Autonomous Communities states: "The public debt of the autonomous communities and the securities of an equivalent nature issued by them shall be subject, to the same rules and shall enjoy the same benefits and conditions as the Public Debt of the State".

Article 14 of the Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability provides: "The payment of interest and principal on the debt of public administrations shall have absolute priority over any other expenses" .



Contents



The Basque Government

Mr Pedro María Azpiazu, Minister of Finance and Economy

Mr Alberto Alberdi, Deputy Minister of Economy, Finance and Budget

Mr Francisco Javier Arnaez, Director of Financial Policy

Mr Jordi Campás, Director of Economy and Planning

Mr Hernando Lacalle, Director of Budget Management

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Thank you for your attention

EUSKO JAURLARITZA



GOBIERNO VASCO

OGASUN ETA EKONOMIA
SAILA

DEPARTMENT FOR FINANCE AND
THE ECONOMY