

PRESS RELEASE
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Reports on the main budgetary lines of the Autonomous Regions'
2015 Budgetary Plans and the application of corrective mechanisms

**THE FISCAL AUTHORITY REQUESTS THE
APPLICATION OF PREVENTIVE MEASURES IN
SEVEN AUTONOMOUS REGIONS DUE TO RISK OF
NON-COMPLIANCE WITH THE 2014 DEFICIT**

- There is practical certainty of deviation in the Autonomous Regions of Extremadura, Catalonia, Valencia and Murcia and high risk of deviation in Castilla-La Mancha, Andalusia and the Balearic Islands
- AIReF believes that preventive measures should be applied now to these Autonomous Regions to foster compliance with the 0.7% deficit target for 2015
- Chapter IV of the Law on Budgetary Stability & Financial Sustainability establishes the application of measures when there is risk of non-compliance with the budgetary stability target
- AIReF is requesting the Ministry of Finance & Public Administration to adopt suitable measures. The Ministry must then apply the measures or publicly explain why not



AIReF has just published on its website www.airef.es its Report on the main lines of the 2015 budgetary plans of the seven Autonomous Regions for which Spain's independent fiscal authority is requesting activation of preventive measures established in the Organic Law on Budgetary Stability & Financial Sustainability. Risks of non-compliance with the 1% of GDP deficit target for 2014 have been observed in these regions, which do not have an Economic & Financial Plan in place at present. As a consequence of these risks and with a view ahead to 2015, when the deficit must be cut back to a demanding 0.7% of GDP, AIReF has, for the first time, drawn to the attention of the Ministry of Finance and Public Administration the need to apply mechanisms established in the Law on Budgetary Stability & Financial Sustainability.

According to AIReF estimates, Extremadura, Catalonia, Valencia and Murcia could overshoot the deficit ceiling by more than one percentage point in 2014, while Castilla-La Mancha, Andalusia and Balearic Islands could do so by more than 0.3 percentage points.

AIReF calculations show differences in the risk of non-compliance among these regions:

- In the **Autonomous Regions of Extremadura, Cataluña, Valencia and Murcia** there is "*practical certainty* of non-compliance with the 2014 stability target," the report says.
- In the **Autonomous Regions of Castilla-La Mancha, Andalusia and Balearic Islands**, AIReF rates the risk of non-compliance as "*high*".

On the basis of this analysis, the president of AIReF has requested the secretary of state for Public Administration to activate the preventive measures established in Chapter IV, article 19, of the Organic Law on Budgetary Stability & Financial Sustainability.

AIReF deems that "it would be advisable to apply these preventive measures" given the imminent approach of the year-end and "in order for corrective mechanisms to be put in place without waiting until March next year for evidence of possible deviation".

Under the Organic Law creating AIReF, once the fiscal authority has given the Ministry of Finance & Public Administration a recommendation to activate preventive measures, if the Ministry then decides not to activate them, "detailed reasons shall be provided for not following the recommendation".

The Report on the main budgetary lines of the Autonomous Regions' Budgetary Plans for 2015 is published as a continuation of the Report on the Draft budgets and Main Budgetary Lines of General Government, which AIReF published last 15th October.

In the Report, AIReF pointed out that the 2015 budgetary stability target for the General Government sector as a whole is "very demanding" and warned of possible



risks of non-compliance, including the risk of upward deviation in the Autonomous Regions.

AIReF also announced that it would expand the report with further individualised analyses of Autonomous Regions.

Having obtained more information on the budgetary plans of the Autonomous Regions for 2015 and new data on the implementation of their 2014 plans, AIReF has decided to stagger the presentation of its Report on the main budgetary lines of the Autonomous Regions' Budgetary Plans for 2015, publishing two separate sets of reports.

Today it is publishing the reports on the seven Autonomous Regions where risks of non-compliance have been observed to date. The intention is to avoid delay in activating the preventive measures established in the Law on Budgetary Stability & Financial Sustainability. AIReF will publish the Report on the other Autonomous Regions on 16th December.

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