



2014 Report on the Economic and Financial Plans of the Autonomous Communities

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The Independent Authority for Fiscal Responsibility (AIReF) was founded with the mission of overseeing strict compliance of the budget stability and financial sustainability principles provided for in article 135 of the Spanish Constitution.

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Introduction

In recent years, **the Autonomous Communities (CC.AA) have made great efforts in the area of fiscal consolidation.** In particular, the deficit reduction has been nearly two percentage points of GDP between 2011 and 2013 for the CC.AA as a whole meaning they have been able to bring their net borrowing requirement down in the last year to 1.5% of the GDP.

The report issued to the Government by the Spanish Ministry of the Tax Administration and Public Administrations (MINHAP) last April indicated non-compliance with the budget stability objective on the part of the Autonomous Communities (CC.AA) of Aragón, Castilla-La Mancha, Cataluña, Murcia, Navarra and Valencia in addition to non-compliance with the public debt objective on the part of Aragón, Castilla-La Mancha and Navarra. On the other hand, it indicated compliance with the expenditure rule for all Autonomous Communities.

In the event of non-compliance with the budget stability or public debt objective or the expenditure rule, the Spanish Organic Budget Stability and Financial Sustainability Law (LOEPySF, Spanish acronym) establishes the obligation of submitting an Economic and Financial Plan (PEF, Spanish acronym) which enables compliance with the objectives established for the current and the following year.

The Autonomous Communities' PEF must be approved by the Fiscal and Financial Policy Board (CPFF, Spanish acronym) which must verify the adequacy of the measures included and how well the forecasts fit with the objectives established. In the case of the Autonomous Community of Navarra, the CPFF references must be understood as meaning the Coordinating Commission regulated in article 67 of the Economic Convention between the State and the Foral Community of Navarra.

Within this framework, the Independent Authority for Fiscal Responsibility (AIReF) has drafted this report which, pursuant to the Organic Statute, must be issued and published prior to the presentation of the PEF with said Board. **If any of the recommendations in the report are not followed, the CC.AA.**

affected must publically justify the reasons for not doing so and add this justification to the file.

In an effort to offer transparency, the AIReF published the methodological system used to assess the PEF subject of this report on its website on 9 July this year.

The information included in the plans as well as the complementary data and documentation requested by the AIReF at the meetings held with all of the Autonomous Communities affected **reveals a certain exhaustion of the possible measures to be adopted with short-term economic impacts given the fiscal consolidation efforts made in recent years, in a very unfavourable economic environment.** This situation is evident in the expenditure as well as the revenue areas. In addition, it must be kept in mind that the incidence of the economic cycle on the revenue of those Autonomous Communities' in the common regime comes with a two year lag.

The fiscal situation and the outlook for compliance with budget stability targets in 2014 differ among the various Autonomous Communities. **In these reports, the AIReF evaluates the possibilities of complying with the objective of the Autonomous Communities presenting their PEF and the magnitude of possible deviations from it.** In order to do so, the measures adopted to correct any imbalances detected in 2013 in the expenditure and revenue areas are assessed by their sufficiency, and the consistency of the budget scenario for 2014 is analysed. Finally, recommendations are made on aspects which must be strengthened in these programs.

General Recommendations

In the course of the preliminary work to draft the PEF reports, a number of circumstances were observed which generally limit the scope of the analysis completed on all of the PEF presented. As a result, some recommendations are offered below with a view towards correcting these circumstances during the quarterly follow-up provided for in the LOEPySF:

1. **The economic grounds for the PEF are rather short on details both as regards trends in revenue and expenditure as well as the economic forecasts and sensitivity analyses**, which are part of their mandatory content regulated by article 21 of the LOEPySF. In general, references to the methods and assumptions used are scarce. Moreover, there is a lack of connection between the scenarios expected to show “no policy change” and the measures contemplated in order to comply with the objective.

To this end, the recommendation is to make explicit, in the context of the quarterly follow-up of the PEF provided for in the LOEPySF, the methodology in accordance with which the impact of all variables having an influence on public accounts is evaluated.

This is particularly important because the changes in the execution of the approved budget, which aims to have an influence on the final balance for the year, are determined both by the decisions and policies adopted in the areas of revenue and expenditure, as well as by the impact of variations in exogenous variables, such as the rate of economic activity (GDP), employment and compensation of productive factors, especially wages and interest rates.

2. **There are no specific and detailed calculations to assess the economic impact of the planned measures.**

For this reason, the recommendation is that the calculations and forecasts on which the quantification of the expected economic impact is based, as well as the causes of their revisions, shall be included for each one of the measures in the plans during the quarterly follow-up.

3. **The final budget stability and public debt objectives for each one of the CC.AA. are unknown, as a result of the adaptation of the joint objectives to the Stability Plan approved by the Council of Ministers on 27 July.**

Therefore, it is recommended that the individual budget stability and public debt objectives for each one of the Autonomous Communities be submitted as quickly as possible within the terms established by the LOEPySF, even though the calendar for this year is understood as exceptional, due to the adaptation of the joint objectives of the Stability Plan under the terms already mentioned.

4. **There is some uncertainty regarding the transactions which will finally be included in the calculations when verifying compliance with each Autonomous Community's public debt objective, as the Council of Ministers Agreement of 27 June acknowledges the possibility that the MINHAP may establish the existence of circumstances that must be taken into account for debt objective compliance¹.**

In an effort to preserve maximum credibility during the debt monitoring assessment process by limiting any margin for discretion, ***transactions must not be excluded from the debt calculation when verifying compliance with the public debt objectives established*** in virtue of the Council

¹<http://www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/NormativaPresupuestaria/Documents/NORMATIVA%20DE%20ELABORACION/ACM%202015.pdf>

of Ministers Agreement of 27 June. If, exceptionally, a particular circumstance is identified that must be taken into consideration in order to assess said compliance, it should not affect the verification of compliance but rather the consequences.

5. **A significant part of the debt instrumented through the extraordinary financing mechanisms rectifies the debt objective initially established** (increasing it) despite the clear incidence on the Autonomous Communities' financial sustainability. The weight of these transactions can reach a percentage of between 40% and 70% of the net debt increase of the different Autonomous Communities considered.

The extraordinary financing mechanisms should be fully computed within the initial debt limit established.

The existence of an adjustment plan linked to these mechanisms may simplify the content of the PEF, in case of non-compliance, as long as this is published in both the document presented as well as its follow-up and the follow-up is at least quarterly.

6. **There is some uncertainty as to resources to be received by the Autonomous Communities from the financing system.** The 2015 financing system resources are unknown at this time, and the system liquidation for 2014 was communicated by MINHAP after the initial sending of the PEF.

Therefore, it seems necessary to communicate the resources from the financing system (interim payments and liquidation) prior to submission of the PEF for the years included therein.

In general, all CC.AA. should be communicated the resources they could expect from the financing system, irrespective of whether or not they are submitting a PEF, with a schedule and timeline that allows for compliance with their obligations under current regulations on multi-year budget frameworks.

Scope of the Individual Reports

As indicated above, a certain exhaustion has been perceived in the process of adopting measures aimed at continuing to progress towards balancing the budget. In the case of those Autonomous Communities that show a very high debt level, this process is particularly important from a financial sustainability perspective.

In relation to expenditures, the savings expected by several communities are of little economic impact, which in some cases leads to an overall negative amount, due to the partial reversion of measures implemented in prior years. The AIReF recommends that the Working group for the rationalisation and efficiency of public expenditure, constituted at the CPFF held last June, extend its work beyond the conclusions presented at the next Board meeting. The Group should study the current situation in depth as well as the possibilities for reform in areas of particular transcendence due to their impact on the budget stability and financial sustainability of Autonomous Communities’.

In relation to the revenues, the situation is uneven across Autonomous Communities, both in the exercise of their taxation prerogatives and in the initiatives undertaken for asset disposal and management. Each Autonomous Community should analyse the possibilities of making progress in these areas, considering the situation of their own economies and the measures adopted by other Autonomous Communities. It would be highly useful that the MINHAP provides a comparative study of the taxation capacity already exercised by each Autonomous Community and the margin they still have.

On the other hand, several Autonomous Communities argue that, due to lack of development of the basic State regulations, they face problems with the full implementation of some of the measures provided for in the royal decrees on urgent public expenditure rationalisation measures in the area of education (RD 14/2012), and on urgent measures to guarantee the sustainability of the National Healthcare System and improve the quality and security of its benefits (RD 15/2012). The AIReF recommends accelerating the regulatory development necessary to progress with the application of said Royal Decrees.

Finally, it is appropriate to highlight the following aspects that affect the drafting of the individual PEF reports:

Both the information included in the PEFs as well as all of the additional documentation and clarifications provided by the autonomous communities at the request of the AIReF were taken into account.

1. The analysis is limited to year 2014 as there is no information available on the financing system resources for 2015 subject to interim payments and the subsequent settlement, which prevents any type of analysis on the sufficiency of the measures and their adequacy with the scenario presented.
2. Only compliance with the budget stability target is analysed, as the limitations indicated in the following section with respect to the debt make it impossible to assess compliance with the public debt target.
3. The economic aspects of the plan were assessed in the section on general aspects, meaning they are not subject to any individual assessment given the weaknesses indicated in said section.
4. The assessment of compliance with the 2014 budget stability target on the part of the Autonomous Community of Navarre was completed based on the updated PEF submitted for non-compliance with the 2012 budget stability target, which includes measures and an execution scenario for 2014 as well as the complementary information sent.

Report on the Economic and Financial Plan for the Autonomous Community of Aragón

Over the last three years, the Autonomous Community of Aragón has made efforts in the area of fiscal consolidation representing 1.1% of the community GDP², thereby situating the 2013 borrowing requirement needs at 2.06% of its GDP.

Having analysed the draft Economic and Financial Plan (PEF) and the complementary information sent by the Autonomous Community, the AIReF believes it is not likely to comply with the 2014 budget stability target set at 1% of the GDP as of the date of publication of this report. The deviation from this target may be noticeable.

The measures contained in the draft PEF are not sufficient to guarantee a correction of the imbalance recorded in 2013. The projections for the whole year indicated in the budget scenario do not seem to be supported by the budget execution data available to date.

In order to reach the 2014 budget stability target, the AIReF believes the draft PEF submitted by the Autonomous Community of Aragón must further specify some of the measures included and adjust the expected scenario for the whole year, considering the budget execution data for the first semester. This adjustment may make clear the need to adopt additional measures.

The Autonomous Community has submitted **MEASURES** for a sum of 202 million euros, 34 of which are aimed at increasing its revenue and 168 of which are aimed at reducing its expenditure.

² Fiscal effort excluding the definitive settlement of the autonomous communityal financing system and one-off transactions for 2013.

The main **revenue measures** concentrate, on the one hand, on actions aimed at improving tax processing and efficacy and, on the other hand, at the disposal of investments representing 70.59% and 27.41%, respectively, of the total revenue measures. At this point, it must be indicated that the sale of property has been duly justified with the additional documentation sent by the Autonomous Community and that, according to these data, 75% of the total expected effect has already been realised in the first half of the year.

With respect to **the expenditure measures**, the Autonomous Community has implemented a budget control strategy structured through the Public Management Control Unit created by Decree 77/2014, of 13 May.

Several strategic lines in expenditure restraint have been established which primarily affect operating expenditures and financial costs. Notwithstanding, the primary expenditure measure is a credit retention assessed at 148 million euros (88% of the total expenditure measures), which requires some further specification as concerns the expenditure concepts affected as well as the instrumentation in the budget management process so as to guarantee full application.

With respect to the **BUDGET SCENARIO** expected for the whole year, it was noticed that the Autonomous Community estimates it will increase its non-financial revenue other than its resources from the financing system (interim payments and settlement) by 147 million, just 34 million of which is supported by measures. However, these resources have decreased during the first quarter of the year meaning their evolution does not, to date, support the projections. It would be advisable to revise the scenario in accordance with data collected in the first semester. As far as expenditure measures are concerned, and besides the credit retention indicated in the paragraph above, a decrease of 92 million stands out which is justified by the non-application of the Invigoration Plan in effect exclusively for 2013.

Finally and as concerns the national accounting adjustments, the adjustment for the expenditure recorded in the 413/409 account is expected to be quite lower than that recorded at the close of 2013; the evolution in this area must be subject to follow-up. Moreover, the Autonomous Community indicated that the 2013 closing data are being reviewed, meaning that it is possible for there to be an even greater negative adjustment this year for this concept quantified at 49 million.

ANNEX

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
OBJECTIVITY	X		
CLARITY		X	
SPECIFICITY		X	
INTEGRITY		X	
▪ Content of article 21 of the LOEPySF			
1. Reasons for the non-compliance		X	
2. Projected trends			
3. Description and quantification of and timeline for the measures			X
4. Economic and budget projections			
5. Sensitivity analysis			
▪ Other information		X	

 Assessment in the general section

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

2.1. STABILITY TARGET

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
ECONOMIC VARIABLES			
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
1. Financing system resources (interim payments and settlement)	X		
2. All other financing system resources			X
3. Other tax revenue	X		
4. All other revenue		X	
▪ Expenditure scenario			
1. Personnel expenditures	X		
2. Financial expenditures	X		
3. All other current expenditures		X	
4. Capital expenditures		X	
▪ National accounting adjustments			
1. Tax unlikely to be collected	X		
2. Interest	X		
3. 409/413 account			X
4. Non-implementation	-	-	-
5. All other adjustments		X	

Assessment in the general section

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1. REVENUE

3.1.1. TAX REVENUE

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	-	-	-
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.1.2. NON-TAX REVENUE

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	-	-	-
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE	X		
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2. EXPENDITURES

3.2.1. PERSONNEL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	-	-	-
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT	X		

3.2.2. ALL OTHER CURRENT EXPENDITURES (*)

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	-	-	-
SPECIFICITY			X
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES			X
INDICATION OF THE PROCEDURE			X
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT			X

(*) The measures proposed by the Autonomous Community are mainly supported on a budget credit retention which, although quantified, is not identified on a budget item/sub-item level. The "inadequate" assessment is justified by this circumstance.

3.2.3. CAPITAL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	-	-	-
SPECIFICITY			X
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES			X
INDICATION OF THE PROCEDURE			X
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT			X

(*) The measures proposed by the Autonomous Community are mainly supported on a budget credit retention which, although quantified, is not identified on a budget item/sub-item level. The "inadequate" assessment is justified by this circumstance.

Report on the Economic and Financial Plan for the Autonomous Community of Castilla La Mancha

Over the last three years, the Autonomous Community of Castilla-La Mancha has made very considerable efforts in the area of fiscal consolidation representing 5.6% of the community GDP³, thereby situating the 2013 net borrowing requirement at 2.13% of its GDP.

Having analysed the draft Economic and Financial Plan (PEF) and the complementary information sent by the Autonomous Community, the AIReF believes it is likely to comply with the 2014 budget stability target set at 1% of the GDP as of the date of publication of this report.

The measures contained in the draft PEF may be sufficient to guarantee a correction of the imbalance recorded in 2013, although the budget execution data available to date lead to some doubts about the projections for the whole year indicated in the budget scenario.

In order to ensure the 2014 budget stability target is reached, the AIReF believes the draft PEF submitted by the Autonomous Community of Castilla-La Mancha must revise the expected scenario for the whole year in accordance with the budget execution data for the first semester. The need to reinforce the proposed measures may be apparent from this revision.

The Autonomous Community has submitted **MEASURES** with a negative impact of 15 million euros, 89 of which are aimed at increasing its revenue and 104 of which involve an increase in expenditure (included with a negative sign), which is determined by the consideration of 113 million euros in financial expenditures as a measure of increase. If this effect was discounted, there

³ Fiscal effort excluding the definitive settlement of the autonomous community financing system and one-off measures for 2013.

would be a reduction in non-financial expenditure due to the measures presented totalling 9 million euros.

The **revenue measures** include 58 million in revenue that is expected to be received for prior year settlements relating to the Property and Legally Documented Transactions Tax collected by the Autonomous Community of Madrid which actually correspond to the Autonomous Community of Castilla-La Mancha. Of the 31 million remaining, the main measure is the disposal of investments representing a revenue increase of 25 million euros as of the close of the year. Documentation on property sales has been provided, although the performance seen in the first quarter of the year and the effect of this measure on the prior fiscal year pose some uncertainty as to the final effects.

The **expenditure measures** include the expected increase in financial expenditures already noted at 113 million euros as well as the expected increases in current and capital transfers totalling 61 million.

With respect to the **BUDGET SCENARIO** expected for the close of the year, it was observed that the Autonomous Community estimates it will increase its non-financial revenue other than its resources from the financing system (interim payments and settlement) by 328 million, 89 million of which is supported by measures. The rest of the variation is justified by the reversion of two *one-off* transactions that took place in 2013, the effect of which is valued at 294 million euros (IDAIMA-Tax on Certain Actions with an Impact on the Environment Ruling and higher VAT due by the company GICAMAN).

As far as the expenditure scenario, the Autonomous Community expects a decrease in non-financial expenditure totalling 113 million euros after considering the effect of obligations recorded in non-budgeted accounts. Said decrease is partly justified by an expected non-execution of credits in the rest of the year assessed at 210 million euros. Detailed documentation has been provided in relation to this estimate, specifying the nature of the expenditures affected. Notwithstanding that, the budget items and the instrumentation in the budget management process must be identified so as to guarantee their full application. To this end, it must be highlighted that the Autonomous Community has a monitoring and action plan to implement effectively this measure.

ANNEX

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
OBJECTIVITY		X	
CLARITY	X		
SPECIFICITY	X		
INTEGRITY			
▪ Content of article 21 of the LOEPySF			
6. Reasons for the non-compliance	X		
7. Projected trends			
8. Description and quantification of and timeline for the measures			X
9. Economic and budget projections			
10. Sensitivity analysis			
▪ Other information	X		

 Assessment in the general section

2. HOW THE projections FIT WITH THE TARGETS

2.1 STABILITY TARGET

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
ECONOMIC VARIABLES			
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
5. Financing system resources (interim payments and settlement)	X		
6. All other financing system resources		X	
7. Other tax revenue	X		
8. All other revenue		X	
▪ Expenditure scenario			
1- Personnel expenditures		X	
2- Financial expenditures		X	
3- All other current expenditures		X	
4- Capital expenditures		X	
▪ National accounting adjustments			
6. Tax unlikely to be collected	X		
7. Interest		X	
8. 409/413 account		X	
9. Non-implementation		X	
10. All other adjustments		X	

Assessment in the general section

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1 REVENUE

3.1.1 TAX REVENUE

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.1.2 NON-TAX REVENUE

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE	X		
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2 EXPENDITURES

3.2.1 PERSONNEL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	X		
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2.2 PHARMACEUTICAL AND AGREEMENT EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2.3 ALL OTHER CURRENT EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2.4 CAPITAL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

Report on the Economic and Financial Plan for the Autonomous Community of Catalonia

Over the last three years, the Autonomous Community of Catalonia has made considerable efforts in the area of fiscal consolidation representing 2.7% of the community GDP⁴, thereby situating the 2013 net borrowing requirement at 1.96% of its GDP.

Having analysed the draft Economic and Financial Plan (PEF) and the complementary information sent by the Autonomous Community, the AIReF believes it is not likely to comply with the 2014 budget stability target set at 1% of the GDP as of the date of publication of this report. The deviation from this target may be noticeable.

The measures contained in the draft PEF are not sufficient to guarantee a correction of the imbalance recorded in 2013 and the projections for the whole year indicated in the budget scenario do not seem to be supported by the budget execution data available to date.

In order to reach the 2014 budget stability target, the AIReF believes the draft PEF submitted by the Autonomous Community of Catalonia must be complemented with the introduction of additional measures and the expected scenario for the whole year must be adjusted in accordance with the budget execution data for the first semester.

The Autonomous Community has submitted **MEASURES** totalling 2.318 billion aimed at increasing its revenue. The expenditure measures contemplated in the PEF have no effect in the current year as they involve consolidating the personnel measures adopted during the previous year.

⁴Fiscal effort excluding the definitive settlement of the autonomous community financing system and *one-off* transactions for 2013.

The main **revenue measures** consist of the disposal of current investments and administrative concessions with an expectation of higher revenue in the amount of 2.097 billion euros. Justifying documentation of the assessment and the transactions involved with these measures has been provided, although the implementation in the first quarter of the year and the state of completion of the transactions reveal some degree of uncertainty with respect to the full implementation of the effects during the year, a third of which may be carried over to 2015.

With respect to the **BUDGET SCENARIO** expected at the close of the year, it has been observed that the Autonomous Community estimates it will increase its non-financial revenue other than its resources from the financing system (interim payments and settlement) by 1.525 billion, with the expected effect of the measures adopted totalling 2.318 billion, implying that the effect of the measures adopted is compensated by the evolution in the other revenue items.

As far as the expenditure scenario, the Autonomous Community expects a decrease in non-financial expenditures once the effect of the obligations recorded in non-budgeted accounts totalling 921 million euros is considered. This reduction is not supported by any measures and the budget execution data available to date do not reflect this downward trend. Notwithstanding that, the fact that the expenditures in 2013 included those financed with earmarked funds not included in the initial budgets for 2013 or 2014 must be taken into consideration when analysing this reduction. These expenditures are added during the budget implementation phase as the financing funds are collected.

Finally and as concerns the national accounting adjustments, a zero adjustment is expected in the expenditure recorded in the 413/409 account, which is not consistent with the evolution of the account movements in the first few months of the year or at the close or prior fiscal years.

ANNEX

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
OBJECTIVITY			X
CLARITY		X	
SPECIFICITY			
INTEGRITY			
▪ Content of article 21 of the LOEPySF			
11. Reasons for the non-compliance			X
12. Projected trends			
13. Description and quantification of and timeline for the measures		X	
14. Economic and budget projections			
15. Sensitivity analysis			
▪ Other information	X		

 Assessment in the general section

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

2.1 STABILITY TARGET

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
ECONOMIC VARIABLES			
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
9. Financing system resources (interim payments and settlement)	X		
10. All other financing system resources	X		
11. Other tax revenue	X		
12. All other revenue			X
▪ Expenditure scenario			
5- Personnel expenditures		X	
6- Financial expenditures		X	
7- All other current expenditures		X	
8- Capital expenditures		X	
▪ National accounting adjustments			
11. Tax unlikely to be collected		X	
12. Interest		X	
13. 409/413 account			X
14. Non-implementation	-	-	-
15. All other adjustments		X	

 Assessment in the general section

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1 REVENUE

3.1.1 TAX REVENUE

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.1.2 NON-TAX REVENUE

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	X		
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE	X		
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT			X

3.2 EXPENDITURES

3.2.1 PERSONNEL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	X		
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT	X		

Report on the Economic and Financial Plan for the Autonomous Community of Murcia

Over the last three years, the Autonomous Community of Murcia has made considerable efforts in the area of fiscal consolidation representing 2.8% of the community GDP⁵, thereby situating the 2013 net borrowing requirement at 3.07% of its GDP⁶.

Having analysed the draft Economic and Financial Plan (PEF) and the complementary information sent by the Autonomous Community, the AIReF believes it is unlikely to comply with the 2014 budget stability target set at 1% of the GDP as of the date of publication of this report. The deviation from this target may be significant.

The measures contained in the draft PEF are clearly insufficient to guarantee a correction of the imbalance recorded in 2013 and the projections presented in the expenditure budget scenario do not seem to be supported by the budget execution data available to date.

In order to reach the 2014 budget stability target, the AIReF believes the draft PEF submitted by the Autonomous Community of Murcia must be deeply revised with the introduction of an ambitious set of measures, and the expected scenario for the whole year must be adjusted in accordance with the budget execution data for the first semester.

The Autonomous Community has submitted **MEASURES** for a sum of 405 million euros, 62 of which are aimed at increasing its revenue and 343 of which are aimed at reducing its expenditure.

⁵Fiscal effort excluding the definitive settlement of the autonomous communityal financing system and *one-off* transactions for 2013.

⁶ Excluded are the extraordinary expenditures due to the Lorca earthquake.

The main **revenue measure** is suspending the allowance to group II in the Tax on Inheritances and Gifts, for which an increase in tax collection revenue of 49 million euros (79% of the total of the revenue measures) is expected. In the first quarter of the year, the measure was 26% implemented although the positive effects were not apparent until the end of the second quarter, according to data provided by the Autonomous Community on tax collected up to 30 June.

As far as the **expenditure measures**, the estimated effect for the whole year totals 343 million euros (457 without considering the reversion of measures adopted during previous years). As such, the Autonomous Community has included the concepts "Measures derived from the Working Group on public spending coordinated by MINHAP" at an amount of 284 million euros and "Retrenchment for the adjustment of SMS expenditures" at an amount of 27 million euros. Both measures require more specifics as to the expenditure concepts affected, as well as how they will be applied in the budget management process so as to guarantee their full application.

With respect to the **BUDGET SCENARIO** expected for the whole year, it was observed that the Autonomous Community estimates it will increase its non-financial revenue other than its resources from the financing system (interim payments and settlement) by 75 million, 62 million of which is supported by measures.

As far as the expenditure scenario, the Autonomous Community expects a decrease in non-financial expenditure once the effect of the obligations recorded in non-budgeted accounts totalling 303 million euros is considered, when the measures adopted are expected to generate less expenditure in an amount of 343 million. Nevertheless and as already noted, the lack of specificity in the measures (311 million) makes it impossible to assess the likelihood of being fully implemented as well as their effects. It would be advisable to revise the scenario in accordance with the data on budget execution in the first semester.

Finally, and as concerns the national accounting adjustments, the Autonomous Community has provided information on the projected non-implementation adjustment as of the close in an amount of 33 million, although the expenditure items affected as

well as the means of implementation in the budget management process must be more specific so as to guarantee full application. Nonetheless, the variation in the total adjustments is mainly justified by the *one-off* transactions that occurred during fiscal year 2013, the effects of which have been felt in 2014. They amount to 198 million euros (the execution of the Aeromur, S.A. guarantee and the inclusion of the company Desaladora de Escombreras, S.A. in the Autonomous Community's public administration sector).

ANNEX

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
OBJECTIVITY	X		
CLARITY		X	
SPECIFICITY		X	
INTEGRITY			
▪ Content of article 21 of the LOEPySF			
16. Reasons for the non-compliance		X	
17. Projected trends			
18. Description and quantification of and timeline for the measures			X
19. Economic and budget projections			
20. Sensitivity analysis			
▪ Other information	X		

 Assessment in the general section

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

2.1. STABILITY TARGET

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
ECONOMIC VARIABLES			
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
13. Financing system resources (interim payments and settlement)		X	
14. All other financing system resources	X		
15. Other tax revenue	X		
16. All other revenue		X	
▪ Expenditure scenario			
5. Personnel expenditures	X		
6. Financial expenditures	X		
7. All other current expenditures			X
8. Capital expenditures		X	
▪ National accounting adjustments			
16. Tax unlikely to be collected	X		
17. Interest		X	
18. 409/413 account	X		
19. Non-implementation			X
20. All other adjustments		X	

 Assessment in the general section

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1. REVENUE

3.1.1. TAX REVENUE

<u>VARIABLES</u>	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT	X		

3.2. EXPENDITURES

3.2.1. PERSONNEL EXPENDITURES

<u>VARIABLES</u>	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2.2. ALL OTHER CURRENT EXPENDITURES (*)

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY			X
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES			X
INDICATION OF THE PROCEDURE			X
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT			X

(*) The measures proposed by the Autonomous Community are mainly supported on measures deriving from the Working Group on public spending coordinated by MINHAP. The "inadequate" assessment is due to a lack of specificity regarding this measure.

3.2.3. CAPITAL EXPENDITURES (*)

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY			X
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES			X
INDICATION OF THE PROCEDURE			X
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT			X

(*) The measures proposed by the Autonomous Community are mainly supported on measures deriving from the Working Group on public spending coordinated by MINHAP. The "inadequate" assessment is due to a lack of specificity regarding this measure.

Report on the Economic and Financial Plan for the Foral Community of Navarre

Over the last three years, the Foral Community of Navarre has made efforts in the area of fiscal consolidation representing 1.8% of the community GDP⁷, thereby situating the 2013 net borrowing requirement at 1.55% of its GDP.

Having analysed the data for fiscal year 2014 in the updated Economic and Financial Plan (PEF) for 2013, the AIReF believes compliance with the 2014 budget stability target, set at 1% of the GDP at the time of publication of this report is very likely .

The measures contained in the updated PEF may be sufficient to guarantee a correction of the imbalance recorded in 2013, and the projections for the whole year indicated in the budget scenario seem to be supported by the budget execution data available to date.

For 2014, the Foral Community has planned expenditure **MEASURES** totalling 0.5 million euros that affect personnel expenditures. The non-recurrence in 2014 of isolated transactions from 2013 which led to lower revenue for that year and the non-implementation expected by the close of the year justify the achievement of the necessary fiscal effort. In relation to this lack of implementation, specifics are required both as regards the expenditure items affected as well as how they will be applied in the budget management process so as to guarantee their full application.

With respect to the **BUDGET SCENARIO** for 2014, the Foral Community expects an increase in non-financial revenue of 8 million euros as well as a 58 million euro increase in non-financial expenditures once the effect of the obligations recorded in non-budgeted accounts is considered. This is a cautious scenario considering the evolution of the budget execution data available to date, which support the Foral Community's closing projections.

⁷Fiscal effort excluding 2013 *one-off* transactions.

As concerns the national accounting adjustments, the Foral Community has not provided the clarifications requested on the adjustment for taxes unlikely to be collected and the other adjustments section.

In view of the foregoing, and in accordance with the information provided on the measures adopted and projected and the closing scenario estimated by the Foral Community of Navarre, in addition to the exceptions discussed as regards the projected non-implementation by the Foral Community, the conclusion is that it is very likely that it will comply with the budget stability target established for 2014.

Nevertheless, it must be made clear that the Constitutional Court Ruling relating to Foral Law 24/2012 on the Electricity Generation Value Tax dated 26 June 2014 declared said foral law unconstitutional, entailing, as a result, the Foral Community of Navarre must return the sums collected for this tax since its entry into force, which was 1 January 2013. These amounts have not been quantified.

Pursuant to the terms of the Ruling and the provisions of the Economic Agreement between the State and the Foral Community of Navarre, taxes must be agreed in order for the community to collect on them. Given that the sums collected that must be returned and the terms under which the tax is going to be arranged are unknown, the economic impact of these circumstances on the Foral Community's accounts cannot be evaluated.

ANNEX(*)

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
OBJECTIVITY	X		
CLARITY	X		
SPECIFICITY	X		
INTEGRITY			
▪ Content of article 21 of the LOEPySF			
21. Reasons for the non-compliance			-
22. Projected trends			-
23. Description and quantification of and timeline for the measures	X		
24. Economic and budget projections			-
25. Sensitivity analysis			-
▪ Other information			-

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

2.1. STABILITY TARGET

<u>VARIABLES</u>	<u>ADEQUATE</u>	<u>INCOMPLETE</u>	<u>INADEQUATE</u>
ECONOMIC VARIABLES		X	
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
17. Financing system resources (interim payments and settlement)	-	-	-
18. All other financing system resources	-	-	-
19. Other tax revenue	X		
20. All other revenue	X		
▪ Expenditure scenario			
9. Personnel expenditures	X		
10. Financial expenditures		X	
11. All other current expenditures		X	
12. Capital expenditures		X	
▪ National accounting adjustments			
21. Tax unlikely to be collected		X	
22. Interest		X	
23. 409/413 account		X	
24. Non-implementation			X
25. All other adjustments		X	

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1. EXPENDITURES

3.1.1. PERSONNEL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE	X		
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT		X	

(*)Issues not comprising the content of the 2013 PEF were not assessed.

Report on the Economic and Financial Plan for the Autonomous Community of Valencia

Over the last three years, the Autonomous Community of Valencia has made considerable efforts in the area of fiscal consolidation representing 2.6% of the community GDP⁸, thereby situating the 2013 net borrowing requirement at 2.33% of its GDP.

Having analysed the draft Economic and Financial Plan (PEF) and the complementary information sent by the Autonomous Community, the AIReF believes it is very unlikely to comply with the 2014 budget stability target set at 1% of the GDP as of the date of publication of this report. The deviation from this target may be substantial.

The measures contained in the draft PEF are clearly insufficient to guarantee a correction of the imbalance recorded in 2013, and the projections indicated in the budgeted revenue and expenditure scenario do not seem to be supported by the budget execution data available to date.

In order to reach the 2014 budget stability target, the AIReF believes the draft PEF submitted by the Autonomous Community of Valencia must be deeply revised with the introduction of an ambitious set of measures, and the expected scenario for the whole year must be adjusted in accordance with the budget execution data for the first semester.

The Autonomous Community has submitted **MEASURES** totalling 1.422 billion euros, 1.507 billion of which are aimed at increasing its revenue and 85 involve increased expenditure (included with a negative sign) as a result of the partial reversion of measures adopted in prior years that compensate the savings expected from other measures.

⁸Fiscal effort excluding the definitive settlement of the autonomous community financing system and *one-off* transactions for 2013.

Notwithstanding that, these **revenue measures** include 1 billion in a "Levelling Fund" which the Autonomous Community expects to receive from the State due to a resolution of the Fiscal and Financial Policy Council. The allocation of this fund has not been agreed upon to date and it cannot really be considered a measure. Of 507 remaining million, the main measures are:

- The disposal of investments totalling 141 million euros. This sales of property was not duly justified with additional documentation and the first quarter performance and the effect of the measure on the previous year do not seem to support the projection for the whole year.
- The creation of a Tax on Bank Deposits, the effect of which is estimated to be 230 million euros, will be subject to an unconstitutionality appeal. The Autonomous Community has not collected any sums for this tax during the first few months of the year. The collection that can be expected as of the close deriving from this tax scheme would be that which corresponds to the fixed rate approved for the entire country, which is expected to be quite well below the figure contemplated in the Plan.

Among its **expenditure measures**, the Autonomous Community has planned measures to rearrange the public sector accounting for 52 million and consolidate the non-availability agreements adopted in the prior year, which would affect the non-financial expenditure by 209 million euros and should be specified as concerns the budget items to be affected.

With respect to the **BUDGET SCENARIO** expected for the whole year, it has been observed that the Autonomous Community estimates it will increase its non-financial revenue other than its resources from the financing system (interim payments and settlement) by 1.707 billion, with the expected joint effect of the measures adopted and the abovementioned Levelling Fund totalling 1.507 billion.

As far as the expenditure scenario, the Autonomous Community expects an increase in non-financial expenditures once the effect of the obligations recorded in non-budgeted accounts totalling 248 million euros, mostly due to the negative effect of the non-application of some of the measures adopted in prior years, the evolution of interest expenditure and the Radiotelevisió Valenciana (RTVV) redundancy plan, is no longer present.

ANNEX

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

<u>VARIABLES</u>	ADEQUATE	INCOMPLETE	INADEQUATE
OBJECTIVITY	X		
CLARITY		X	
SPECIFICITY		X	
INTEGRITY			
▪ Content of article 21 of the LOEPySF			
26. Reasons for the non-compliance		X	
27. Projected trends			
28. Description and quantification of and timeline for the measures			X
29. Economic and budget projections			
30. Sensitivity analysis			
▪ Other information	X		

Assessment in the general section

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

2.1. STABILITY TARGET

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
ECONOMIC VARIABLES			
CONSISTENCY OF THE BUDGET SCENARIO-MEASURES			
▪ Revenue scenario			
21. Financing system resources (interim payments and settlement)	X		
22. All other financing system resources	X		
23. Other tax revenue		X	
24. All other revenue			X
▪ Expenditure scenario			
13. Personnel expenditures		X	
14. Financial expenditures		X	
15. All other current expenditures		X	
16. Capital expenditures		X	
▪ National accounting adjustments			
26. Tax unlikely to be collected		X	
27. Interest		X	
28. 409/413 account		X	
29. Non-implementation	-	-	-
30. All other adjustments		X	

 Assessment in the general section

3. SUFFICIENCY OF THE MEASURES (a table for each one of the defined categories)

3.1. REVENUE

3.1.1. TAX REVENUE

<u>VARIABLES</u>	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	X		
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.1.2. NON-TAX REVENUE

<u>VARIABLES</u>	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY			X
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES			X
INDICATION OF THE PROCEDURE			X
DEGREE OF IMPLEMENTATION			X
SUITABILITY OF THE ECONOMIC IMPACT			X

3.2. EXPENDITURES

3.2.1. PERSONNEL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS	X		
SPECIFICITY	X		
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES	X		
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION	X		
SUITABILITY OF THE ECONOMIC IMPACT	X		

3.2.2. ALL OTHER CURRENT EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE		X	
DEGREE OF IMPLEMENTATION		X	
SUITABILITY OF THE ECONOMIC IMPACT		X	

3.2.3. CAPITAL EXPENDITURES

VARIABLES	ADEQUATE	INCOMPLETE	INADEQUATE
DEGREE OF IMPLEMENTATION OF THE MEASURES FROM PRIOR YEARS		X	
SPECIFICITY		X	
LEGAL-ADMINISTRATIVE CONTEXT OF THE MEASURES		X	
INDICATION OF THE PROCEDURE	-	-	-
DEGREE OF IMPLEMENTATION	-	-	-
SUITABILITY OF THE ECONOMIC IMPACT		X	

Annex: Definition of the Variables Used in the Tables Provided in the Reports for Each Autonomous Community

1. CONSISTENCY OF THE DOCUMENT AND QUALITY OF THE INFORMATION

➤ Objectivity

- Lack of value judgements
- Support from official statistics and estimates.
- Lack of hypotheses based on subjective and very unlikely scenarios.

➤ Clarity

- Comprehensible description of the realities and arguments.
- Support from the text (facts and arguments) in tables and/or clear and comprehensible graphs.
- Structure and driving theme of the document is logical and comprehensible.

➤ Specificity

- The facts and arguments that are described are concrete and they are expressed by means of the adequate presentation of the corresponding data.

➤ Integrity

- The document contains all the information that is to be included in accordance with the LOEPySF and the model PEF in effect.

✓ Minimum content as per article 21 of the LOEPySF

- Reasons for the non-compliance

- The causes included in the PEF are all those that objectively explain the non-compliance incurred.
- Causes are not included that are not objectively related to the non-compliance.

- Projected trends

- Included are projections for all concepts that must be included in accordance with the model PEF.
- The data and situations on which the projections are based are presented adequately.
- The way in which these projections are deduced from the initial assumptions is explained in a comprehensible manner.

- Description and quantification of and timeline for the measures

- The description of and the timeline for the measures are clear and precise.

- The quantification of the measures and budget items affected are completely and clearly outlined.
- **Projected economic and budget variables**
 - The projections that support the PEF arguments are fully and clearly included.
 - The methodology used to produce the projections is explicit.
 - The assumptions on which the projections are based are included in a comprehensible manner in the PEF.
- **Sensitivity analysis**
 - The consequences of the different hypotheses of GDP evolution on the target variables are clearly determined.
 - The calculations used to determine the consequences of the hypotheses on the target variables are clearly explained and supported by data tables.
- ✓ **All other information**
 - All other information requested by MINHAP on the model PEF in effect is included.
 - This information is supported by clear explanations and tables that support the descriptions.

2. HOW THE PROJECTIONS FIT WITH THE TARGETS

➤ **Economic variables**

- It identifies the economic variables on which the budget scenario and its evolution are based.
- It analyzes the impact of its evolution on the budget scenario.
- It backs the estimation methods used and the baseline hypotheses.

➤ **Consistency of the budget scenario with the planned measures**

- It identifies the degree to which the variations in the revenue and expenditures in the budget scenario projected as of the close of the year are justified by the implementation of measures.
- It justifies variations in revenue and expenditures in the budget scenario that do not derive from the execution of measures.
- It backs the estimated national accounting adjustments planned.
- It justifies adjustments due to non-performance and connects it with specific budget applications and the adoption of non-availability agreements, as appropriate.

3. SUFFICIENCY OF THE MEASURES

➤ **The degree of implementation of measures from previous years**

- It clearly reports the implementation or non-implementation of the measures in the previous year.

- It indicates the effect of the measures implemented in the previous year on the target variables.
 - It indicates some justification for not having implemented measures during the previous year either fully or partially.
 - It indicates the status of any measures from the prior fiscal year that have not been implemented and quantifies their effect in the event of changes in the timeline for the implementation of the measures.
- **Specificity**
- The description of the measures is concrete and the level of detail allows for identification and follow-up.
 - The budget concept that reflects the impact of the measures and the organisation or entity whose budget is affected are identified.
- **Legal-administrative context**
- It offers information on the legal or administrative act originating the measure.
 - The legal-administrative coverage provided is what is necessary to ensure implementation of the measure.
- **Indication of the procedure**
- It describes the procedure established for the implementation of the measures with an indication of the different phases thereof.
 - It offers information on the status of the phases pending development.
 - It identifies the competent Administrations that must complete each one of the procedures and establishes the responsibilities of each one of them.
- **Degree of implementation**
- It offers information on the implementation phase each one of the measures are in at the time the plan was submitted.
 - It identifies and backs the milestones associated with the implementation of the measures.
 - It justifies the implementation timeline.
- **Suitability of the projected economic impact**
- It includes a comprehensive assessment of the effect of the measures on the financing capacity or need.
 - It backs the estimation methods used and the baseline hypotheses.
 - It explains the effect of the measures on the intermediate variables that cause an impact on the financing capacity or need.