



Report on the main budgetary lines for 2015 of the Autonomous Region of Navarra

In the two years 2014-2015, the Autonomous Region of Navarra must make a fiscal effort equivalent to 0.2% of its expected regional GDP for 2015. At year-end 2013, the Region's net borrowing was €257m, which is 1.4% of regional GDP. The Council of Ministers has yet to adopt the individual target for the Autonomous Region of Navarra although the scenario adopted by the Region is based on the 2015 stability target set for the Autonomous Regions as a whole. Taking these circumstances into account and using the year-end as a starting point, in order to meet a net borrowing target of 0.7% of regional GDP, it has to reduce its deficit by €126m. The reduction to be made by the Region however, only has to be €32m (representing 0.2% of regional GDP) due to the fact that 2013 was a year of transition and the VAT settlement was paid for 2012 when two systems for the sale of vehicles manufactured by Volkswagen in Navarra were in existence.

The mission of AIReF, the Independent Authority for Fiscal Responsibility, is to ensure strict compliance with the principles of budgetary stability and financial sustainability contained in article 135 of the Spanish Constitution.

AIReF:

José Abascal, 2, 2º floor. 28003 Madrid. Tel. +34 91 010 08 95

email: Info@airef.es. website: www.airef.es

The Autonomous Region of Navarra is deemed likely to achieve its net borrowing target for 2015, which has been set at 0.7% of regional GDP. On the basis of the information available in the main budget lines questionnaire submitted by the Region, facilitated by the General Government Financial Information Centre (Ministry of Finance & Public Administration, MINHAP) and in the draft budget published by the Region for 2015, it is deemed likely that the Region will comply with the 2014 stability target, set at -1% of regional GDP, and with the forecasts for 2015, which means achieving a net borrowing target of 0.7% of regional GDP.

Analysis of compliance with the 2014 budget stability target

The Autonomous Region of Navarra expects to achieve its 2014 stability target with a 0.5% increase in revenues and a 0.4% increase in expenditure in public-sector accounting terms. On the basis of the information facilitated in the main budget lines questionnaires submitted to the Ministry of Finance & Public Administration, by year-end 2014, the Region expects to achieve the stability target set for the year at -1% of regional GDP. This outcome would be obtained by a 0.5% increase in non-financial revenues, driven basically by revenues from capital transfers, and a 0.4% increase in non-financial expenditure, which would basically affect current expenditure, especially current expenditure on goods and services and transfers. Likewise, adjustments in public accounts are expected that would correct the budget outcome and bring down the deficit by an expected €36m in national accounts terms.

The primary deficit expected by the Region is 0.6% of regional GDP in public-sector accounting terms. Expected non-financial interest expenditure (chapter 3 of the expenditure budget) for year-end 2014, accounts for 0.6% of regional GDP.

The measures adopted by the Region for 2014 are expected to have an impact valued at €12m. The Region has reported revenue measures for this year with an impact valued at €7m and expenditure measures valued at €5m concerning personnel expenditure.

The Autonomous Region of Navarra is deemed likely to achieve the deficit target for 2014, which has been set at -1% of regional GDP.

Analysis of the 2015 forecasts

The Autonomous Region of Navarra expects to achieve a net borrowing target in 2015 of 0.7% of regional GDP, with a 4% increase in revenues and a 0.6% increase in expenditure in public-sector accounting terms. The fiscal stability target set for all the Autonomous Regions this year is -0.7% of regional GDP. Although the individual target for the Autonomous Region of Navarra has not been adopted by the corresponding Council of Ministers¹, the scenario submitted by the Region is based on this assumption and it expects to achieve a net borrowing target of 0.7% of regional GDP. This outcome would be achieved with a 4% increase in non-financial revenues, driven basically by greater expected tax revenues, and a 0.6% increase in non-financial expenditure. The main changes in expenditure against 2014 year-end forecasts would come from financial expenditure and investments in property assets. In addition, negative adjustments in the public accounts are expected that would increase the deficit by an estimated €21m in national accounts terms. According to the Region, this would allow it to achieve its net borrowing target of 0.7% of regional GDP.

The primary surplus expected by the Region is 0.1% of regional GDP in public-sector accounting terms. Expected non-financial interest expenditure (chapter 3 of the expenditure budget) for year-end 2015, accounts for 0.6% of regional GDP.

The measures envisaged by the Region for 2015 would have an impact valued at €35m. The Region has reported revenue measures for this year valued at €25m and expenditure measures valued at €10m concerning personnel expenditure.

The Autonomous Region of Navarra is deemed likely to achieve a net borrowing target of 0.7% of regional GDP.

¹ The Autonomous Region of Navarra indicates that it has agreed a 2015 stability target with the State in the Coordination Committee. This target has been set at -0.7% of regional GDP.