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ANNEX 1

ANNEX

to the

COMMUNICATION FROM THE COMMISSION

replacing the Communication from the Commission on

**Harmonized framework for draft budgetary plans and debt issuance reports within the
euro area (COM(2013) 490 final)**

ANNEX. MODEL STRUCTURE AND TABLES TO BE CONTAINED IN DRAFT BUDGETARY PLANS¹

A. MODEL STRUCTURE FOR DRAFT BUDGETARY PLANS

- 1. Macroeconomic Forecasts**
 - 2. Budgetary targets.**
 - 3. Expenditure and revenue projections under the no-policy change scenario.**
 - 4. Expenditure and revenue targets. General government expenditure by function.**
 - 5. Discretionary measures included in the draft budget.**
 - 6. Possible links between the draft budgetary plan and the targets set by the Union's Strategy for growth and jobs and CSRs.**
 - 7. Comparison with latest Stability Programme.**
 - 8. Distributional impact of the main expenditure and revenue measures.**
- Annex: Methodological aspects, including the estimated impact of aggregated budgetary measures on economic growth.**

¹ Provision of data on variables in bold characters is a requirement. Provision of data on other variables is optional but highly desirable. Provision of data for year $t+2$ to year $t+4$ is optional but highly desirable for those Member States concerned by the debt rule of the SGP.

B. TABLES TO BE CONTAINED IN DRAFT BUDGETARY PLANS.

1. Macroeconomic forecasts

Table 0.i) Basic assumptions

	Year t-1	Year t	Year t+1
Short-term interest rate ¹ (annual average)			
Long-term interest rate (annual average)			
USD/€ exchange rate (annual average)			
Nominal effective exchange rate			
World excluding EU, GDP growth			
EU GDP growth			
Growth of relevant foreign markets			
World import volumes, excluding EU			
Oil prices (Brent, USD/barrel)			

1/ If necessary, purely technical assumptions.

Table 0.ii). Main assumptions. Non-exhaustive check list. (Similar information can be provided in different formats)

	Year t-1	Year t	Year t+1
1. External environment			
a. Prices of commodities			
b. Spreads over the German bond			
2. Fiscal policy			
a. General government net lending / net borrowing			
b. General government gross debt			
3. Monetary policy / Financial sector / interest rates assumptions			
a. Interest rates:			
i. Euribor			
ii. Deposit rates			
iii. Interest rates for loans			
iv. Yields to maturity of 10 year government bonds			
b. Evolution of deposits			
c. Evolution of loans			
d. NPL trends			
4. Demographic trends			
a. Evolution of working-age population			
b. Dependency ratios			
5. Structural policies			

Table 1.a. Macroeconomic prospects

	ESA Code	Year t-1	Year t-1	Year t	Year t+1	Year t+2	Year t+3	Year t+4
		Level	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g							
Of which								
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth ¹		---	---					
2. Potential GDP						✓	✓	✓
contributions:								
- labour								
- capital								
- total factor productivity								
3. Nominal GDP	B1*g					✓	✓	✓
Components of real GDP								
4. Private final consumption expenditure	P.3							
5. Government final consumption expenditure	P.3							
6. Gross fixed capital formation	P.51g							
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53							
8. Exports of goods and services	P.6							
9. Imports of goods and services	P.7							
Contributions to real GDP growth								
10. Final domestic demand			-					
11. Changes in inventories and net acquisition of valuables	P.52 + P.53		-					
12. External balance of goods and services	B.11		-					

1/ Please report here the estimated impact on real GDP growth of the aggregated budgetary measures contained in the DBP.

Table 1.b. Price developments

	ESA Code	Year t-1	Year t-1	Year t	Year t+1	Year t+2	Year t+3	Year t+4
		Level	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator						✓	✓	✓
2. Private consumption deflator								
3. HICP								
4. Public consumption deflator								
5. Investment deflator								
6. Export price deflator (goods and services)								
7. Import price deflator (goods and services)								

Table 1.c. Labour market developments

	ESA Code	Year t-1	Year t-1	Year t	Year t+1
		Level	rate of change	rate of change	rate of change
1. Employment, persons¹					
2. Employment, hours worked ²					
3. Unemployment rate (%)³					
4. Labour productivity, persons⁴					
5. Labour productivity, hours worked					
6. Compensation of employees	D.1				
7. Compensation per employee					
			-		
			-		

1/ Occupied population, domestic concept national accounts definition.

2/ National accounts definition.

3/ Harmonised definition, Eurostat; levels.

4/ Real GDP per person employed.

5/ Real GDP per hour worked.

Table 1.d. Sectoral balances

	ESA Code	Year t-1	Year t	Year t+1
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	% GDP	% GDP	% GDP
<i>of which:</i>				
- Balance on goods and services				
- Balance of primary incomes and transfers				
- Capital account				
2. Net lending/net borrowing of the private sector	B.9			
3. Net lending/net borrowing of general government	B.9			
4. Statistical discrepancy				

2. Budgetary Targets

Table 2.a. General government budgetary targets broken down by subsector

	ESA Code	Year t	Year t+1	Year t+2	Year t+3	Year t+4
		% GDP	% GDP	% GDP	% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector¹						
1. General government	S.13			✓	✓	✓
1a. Central government	S.1311					
1b. State government	S.1312					
1c. Local government	S.1313					
1d. Social security funds	S.1314					
2. Interest expenditure	D.41					
3. Primary balance²						
4. One-off and other temporary measures³				✓	✓	✓
5. Real GDP growth (%) (=1 in Table 1.a)						
6. Potential GDP growth (%) (=2 in Table 1.a)				✓	✓	✓
contributions:						
- labour						
- capital						
- total factor productivity						
7. Output gap (% of potential GDP)				✓	✓	✓
8. Cyclical budgetary component (% of potential GDP)				✓	✓	✓
9. Cyclically-adjusted balance (1 - 12) (% of potential GDP)						
10. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)						
11. Structural balance (13 - 8) (% of potential GDP)				✓	✓	✓

1/ TR-TE= B.9.

2/ The primary balance is calculated as (B.9, item 1) plus (D.41, item 2).

3/ A plus sign means deficit-reducing one-off measures.

Table 2.b. General government debt developments

	ESA Code	Year t	Year t+1	Year t+2	Year t+3	Year t+4
		% GDP	% GDP	% GDP	% GDP	% GDP
1. Gross debt ¹				✓	✓	✓
2. Change in gross debt ratio						
Contributions to changes in gross debt						
3. Primary balance (= item 3 in Table 2.a)						
4. Interest expenditure (= item 2 in Table 2.a)	D.41					
5. Stock-flow adjustment				✓	✓	✓
of which:						
- Differences between cash and accruals ²						
- Net accumulation of financial assets ³						
of which:						
- privatisation proceeds						
- Valuation effects and other ⁴						
p.m.: Implicit interest rate on debt ⁵						
Other relevant variables						
6. Liquid financial assets ⁶						
7. Net financial debt (7=1-6)						
8. Debt amortization (existing bonds) since the end of the previous year						
9. Percentage of debt denominated in foreign currency						
10. Average maturity						

1/ As defined in amended Regulation 479/2009.

2/ The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

3/ Currency and deposits, government debt securities, government controlled enterprises and the difference between listed and unlisted shares could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

4/ Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.

5/ Proxied by interest expenditure divided by the debt level of the previous year.

6/ Liquid assets are here defined as stocks of AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), AF.511, AF.52 (only if listed on stock exchange).

Table 2.c Contingent liabilities

	Year t	Year t+1
	% GDP	% GDP
Public guarantees		
Of which: linked to the financial sector		

3. Expenditure and Revenue Projections under the no-policy change scenario²

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components.

	ESA Code	Year t	Year t+1
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR		
Of which			
1.1. Taxes on production and imports	D.2		
1.2. Current taxes on income, wealth, etc	D.5		
1.3. Capital taxes	D.91		
1.4. Social contributions	D.61		
1.5. Property income	D.4		
1.6. Other ¹			
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²			
2. Total expenditure at unchanged policies	TE ³		
Of which			
2.1. Compensation of employees	D.1		
2.2. Intermediate consumption	P.2		
2.3. Social payments	D.62+D.632		
of which Unemployment benefits ⁴			
2.4. Interest expenditure	D.41		
2.5. Subsidies	D.3		
2.6. Gross fixed capital formation	P.51g		
2.7. Capital transfers	D.9		
2.8. Other ⁵			

4. Expenditure and Revenue targets

Table 4.a General government expenditure and revenue targets, broken down by main components.

	ESA Code	Year t	Year t+1
General government (S13)		% GDP	% GDP
1. Total revenue target	TR		
Of which			
1.1. Taxes on production and imports	D.2		
1.2. Current taxes on income, wealth, etc.	D.5		
1.3. Capital taxes	D.91		
1.4. Social contributions	D.61		
1.5. Property income	D.4		
1.6. Other ¹			
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²			
2. Total expenditure target	TE ³		
Of which			
2.1. Compensation of employees	D.1		
2.2. Intermediate consumption	P.2		
2.3. Social payments	D.62+D.632		
of which Unemployment benefits ⁴			
2.4. Interest expenditure (=item 2 in Table 2.a)	D.41		
2.5. Subsidies	D.3		
2.6. Gross fixed capital formation	P.51		
2.7. Capital transfers	D.9		
2.8. Other ⁵			

1/ P.11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec).

2/ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

3/ TR-TE = B.9.

4/ Includes social benefits other than social transfers in kind (D.62) and social transfers in kind via market producers (D.632) related to unemployment benefits.

5/ D.29pay + D.4pay (other than D.41pay) +D.5pay +D.7pay +P.52+P.53+NP+D.8.

² Please note that the no-policy change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

Table 4.b Amounts to be excluded from the expenditure benchmark

	ESA Code	Year t-1	Year t-1	Year t	Year t+1
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue					
2. Cyclical unemployment benefit expenditure ¹					
3. Effect of discretionary revenue measures ²					
4. Revenue increases mandated by law					

1/ Please detail the methodology used to obtain the cyclical component of unemployment benefit expenditure. It should build on unemployment benefit expenditure as defined in COFOG under the code 10.5.

2/ Revenue increases mandated by law should not be included in the effect of discretionary revenue measures: data reported in rows 3 and 4 should be mutually exclusive.

Table 4.c General government expenditure by function.**4.c.i) General government expenditure on education, healthcare and employment**

	Year t		Year t+1	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education ¹				
Healthcare ¹				
Employment ²				

1/ These expenditure categories should correspond respectively to items 9 and 7 in table 4.c.ii).

2/ This expenditure category should contain, inter alia, government spending related to active labour market policies (ALMPs) including public employment services. On the contrary, items such as compensation of public employees or vocational training programmes should not be included here.

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG Code	Year t	Year t+1
		% GDP	% GDP
1. General public services	1		
2. Defense	2		
3. Public order and safety	3		
4. Economic affairs	4		
4. Environmental protection	5		
6. Housing and community amenities	6		
7. Health	7		
8. Recreation, culture and religion	8		
9. Education	9		
10. Social protection	10		
11. Total Expenditure (= item 2 in Table 4.a)	TE		

5. Description of discretionary measures included in the draft budget

Table 5.a Discretionary measures taken by General Government

List of measures	Detailed description ¹	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact				
						Year t	Year t+1	Year t+2	Year t+...
						% GDP	% GDP	% GDP	% GDP
(1)									
(2)									
...									
TOTAL									

1/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

Table 5.b Discretionary measures taken by Central Government

List of measures	Detailed description ¹	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact				
						Year t	Year t+1	Year t+2	Year t+...
						% GDP	% GDP	% GDP	% GDP
(1)									
(2)									
...									
TOTAL									

1/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

Table 5.c Discretionary measures taken by sub-sectors of the General Government¹

List of measures	Detailed description ²	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact				
						Year t	Year t+1	Year t+2	Year t+...
						% GDP	% GDP	% GDP	% GDP
(1)									
(2)									
...									
TOTAL									

1/ Please name whether State Government, Local Government and/or Social Security Funds.

2/ Please describe in further detail in case of major fiscal policy reform plans with potential spillover effects for other Member States in the Euro Area.

6. Indications on how the measures in the DBP address CSR and the targets set by the Union's Strategy for growth and jobs

Table 6.a CSR recommendations

CSR number	List of measures	Description of direct relevance

Table 6.b Targets set by the Union's Strategy for growth and jobs.

National 2020 headline targets	List of measures	Description of direct relevance to address the target
National 2020 employment target [...]		
National 2020 R&D target [...]		
GHG emission reduction target [...]		
Renewable energy target [...]		
National energy efficiency target [...]		
National early school leaving target [...]		
National target for tertiary education [...]		
National poverty target [...]		

7. Divergence from latest SP

Table 7. Divergence from latest SP.

	ESA Code	Year t-1	Year t	Year t+1
		% GDP	% GDP	% GDP
Target general government net lending/net borrowing	B.9			
Stability Programme				
Draft Budgetary Plan				
Difference				
General government net lending projection at unchanged policies	B.9			
Stability Programme				
Draft Budgetary Plan				
Difference ¹				

1/ This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures taken between the submission of the SP and the submission of the DBP. Differences are expected due to the fact that the no-policy change scenario is defined differently for the purpose of this Code of Conduct with respect to the Stability Programme.

8. Distributional impact of the main expenditure and revenue measures

In accordance with Article 6(3)(d) of Regulation 473/2013, Member States should provide, to the extent possible, qualitative information and quantitative estimations on the distributional effects of budgetary measures, presented as best fits each Member State's specific measures and available analytical frameworks.

Quantifying the distributional impact of budgetary measures is a challenging task. For this reason no standardized table on this aspect of DBPs is included in this Annex. Quantitative estimations of the distributional impact of budgetary measures could be assessed by computing the expected changes in the Gini index, the S80/S20 indicator or the poverty rates as a result of them. This methodology could represent one possible way forward among others.

Annex to the DBP: Methodology, economic models and assumptions underpinning the information contained in the DBP

Table 8. Methodological aspects.

Estimation Technique	Step of the budgetary process for which it was used ¹	Relevant features of the model/ technique used	Assumptions
Tool n.1			
Tool n.2			
...			

1/ Modeling tools may have been used:

- when doing macro forecasts
- when estimating expenditure and revenue under the no policy change scenario
- when estimating the distributional impact of the main expenditure and revenue measures
- when quantifying the expenditure and revenue measures to be included in the draft budget
- when estimating how reforms included in the DBP address targets set by the Union's Strategy for growth and jobs and CSRs.