



Ministry of Finance

Cyprus Draft Budgetary Plan 2017

in accordance to regulation (EU) No 473/2013

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INTRODUCTION

The Draft Budgetary Plan 2017, prepared according to Regulation EU 473/2013, is the first to be submitted by the Republic of Cyprus, after exiting the macroeconomic adjustment programme in March 2016, resulting in the full participation in the regular economic governance framework and procedures. It is noted that Cyprus is in the preventive arm of the Stability and Growth Pact following the abrogation of the Excessive Deficit Procedure by the Council in July 2016.

The DBP 2017 was approved by the Council of Ministers on 18 October 2016 and will be laid before the House of Representatives. The macroeconomic projections underlying the budgetary outcomes have been endorsed by the Fiscal Council.

The format and content of the document are in line with the requirements of the Code of Conduct, and therefore, macroeconomic and budgetary forecasts are presented for the current and forthcoming year, whereas broad categories are also presented for the medium-term. The analysis and forecasts contained in this document are based on the latest available results of 2016, as well as the Budget Bill for 2017 that was submitted to the House of Representatives on 30th September 2016.

1. ECONOMIC DEVELOPMENTS AND OUTLOOK

Developments in 2016

The economy has been exhibiting robust growth since the beginning of 2015, with real growth for 2016 expected to exceed 2.7%, compared to 1.7% in 2015. The better than expected¹ outcome in the economy, together with the gradual restructuring taking place in the banking sector, have created a sustained environment of improved confidence.

During the first half of 2016, the economy grew by 2.7% with all components of demand, except government consumption, contributing positively to growth. Private consumption grew by 2.4%, whereas government consumption contracted by around 1.7%. Investment grew by 19.2%, primarily due to investment in transport equipment while investment in construction also increased by 13.6%. Net export growth was also positive, with exports having grown by 5.3% in the first half of 2016, while imports grew by 4.2%.

From a sectoral point of view, growth in 2016 is particularly driven by the tourism sector, which performed particularly well throughout the year, along with a continued strong growth in the business and professional services sectors. Indicatively, tourist arrivals for the period January-August increased by 19.2%, compared with the corresponding period of 2015 and at the same time, revenues from tourism increased by 14.9% for the period January-July 2016 compared with the corresponding period of 2015. Concerning the business and professional services sectors, the turnover value index increased by 12.8% during the period January-June 2016, compared with the reference period of 2015.

Other sectors that contributed particularly positively to growth are the wholesale and retail trade, manufacturing, construction and transport sectors. Monthly data indicate an increase of 5.9% in the turnover volume index of retail trade during the period January-June 2016, compared to the corresponding period of 2015. Other monthly indicators for the construction sector show signs of a gradual recovery, with demand for immovable property also rebounding slowly but steadily. Specifically, domestic cement sales, a key indicator of activity in the construction sector, showed an annual increase of 29% during the period January-August 2016 compared with the corresponding period of 2015. At the same time, sales contracts for new properties exhibited an increase by 30% during the period January-August 2016 compared to the corresponding period of 2015.

The course of the steady recovery path is reflected in the labour market and consolidates the climate of confidence and stability. The unemployment rate, which began to show a downward trend since the second quarter of 2015, fell significantly in the first half of 2016 by 13.1%. The estimate for the whole year is for an average unemployment rate of 12.5% in 2016.

The deflation observed from the first months of 2013 has started diminishing in magnitude, with the price level in 2016 expected to decline by 0.9%, compared with a decrease of 1.5% in 2015. The developments in inflation in Cyprus are essentially a result of the developments in international oil prices, as is indicated by the inflation levels excluding energy products which is expected to average at -0.1% in 2016, while core inflation which excludes energy and seasonal products is expected to average at -0.5% in 2016.

Prospects for 2017

According to the baseline macroeconomic scenario, the outlook of the economy over the medium term is expected to continue on a positive trend. Domestic demand is expected to recover further, while unemployment is expected to continue to decline. These developments, combined with the improved expectations regarding the investment opportunities provided in the energy and tourism sector, create a positive outlook for the Cypriot economy.

Specifically, the GDP growth rate in 2017 is projected at around 2.8% in real terms. The trends in the labour market are expected positive with employment anticipated to continue to grow in 2017 by 2.0%, while the unemployment rate for

¹ The better than expected outcome refers to a comparison with the April 2015 projections included in the Stability Programme.

2017 is projected to decline further to around 11.0%. Inflation in 2017, based on the latest monthly data and estimates, is expected positive at around 0.5%.

	2015	2016	2017
Real GDP growth (%)	1.7	2.7	2.8
Inflation HICP (%)	-1.5	-0.9	0.5
Unemployment (%)	14.9	12.5	11.0
Employment (%)	0.8	2.2	2.0

Risks to growth

The high percentage of non-performing loans (NPLs) remains the biggest challenge for the banking sector and the economy at large, since the successful strategic reduction in their levels will reduce the additional burden on the profitability of the banks, with all the positive consequences emanating from this for the financial system itself and the economy. It is encouraging that the first positive results from the application of all relevant actions are becoming visible where it is noted that, according to the latest data released from the Central Bank, in the period 31 December 2014 to 31 July 2016 there was an overall decrease in NPFs in the order of €2.7 billion, equivalent to 10.8% of total NPFs.

Assessing risks driven from the Brexit effect, the first indications for the Cyprus economy were more positive than negative, with tourist arrivals from the UK in 2016 being even higher than in 2015. For 2017, the effects are expected to be minimal, but the prospects for the tourism sector give room for adequate robustness in order to counteract any negative trends from the UK market. Further into the medium-term horizon, the effects from Brexit are difficult to assess, since the essential components of the new relationship of the UK with the EU are still unclear.

Table 1a. Macroeconomic prospects

	2015	2016	2017
	rate of change	rate of change	rate of change
1. Real GDP	1.6	2.7	2.8
2. Potential GDP	-1.3	-0.6	-0.3
contributions:			
- labour	-1.0	-0.6	-0.5
- capital	-0.1	0.1	0.2
- total factor productivity	-0.2	-0.1	0.0
3. Nominal GDP	0.2	1.5	3.3
Components of real GDP			
4. Private final consumption expenditure	1.9	2.5	2.5
5. Government final consumption expenditure	1.1	-2.4	1.3
6. Gross fixed capital formation	14.0	7.0	4.0
7. Changes in inventories and net acquisition of valuables (% of GDP)	-0.3	0.0	0.0
8. Exports of goods and services	1.9	3.0	3.2
9. Imports of goods and services	4.0	2.4	2.6
Contributions to real GDP growth			
10. Final domestic demand	3.2	2.3	2.5
11. Changes in inventories and net acquisition of valuables	-0.3	0.0	0.0
12. External balance of goods and services	-1.3	0.4	0.3

Table 1b. Price developments

	2015 (rate of change)	2016 (rate of change)	2017 (rate of change)
GDP deflator	-1.4	-1.2	0.5
Private consumption deflator	-1.9	-1.2	0.0
HICP	-1.5	-0.9	0.5
Public consumption deflator			
Investment deflator			
Export price deflator (goods and services)	-1.9	-1.2	0.0
Import price deflator (goods and services)	-0.5	-0.7	0.2

Table 1c. Labour market developments

	2015 (rate of change)	2016 (rate of change)	2017 (rate of change)
Employment, persons ¹	0.8	2.2	2.0
Employment, hours worked ²	0.7	2.2	2.0
Unemployment rate (%) ³	14.9	12.5	11.0
Labour productivity, persons ⁴	0.8	0.5	0.8
Labour productivity, hours worked	0.9	0.5	0.8
Compensation of employees	-0.2	2.7	3.0
Compensation per employee	-0.9	0.5	1.0

Table 1d. Sectoral balances

	2015 (rate of change)	2016 (rate of change)	2017 (rate of change)
1. Net lending/net borrowing vis-à-vis the rest of the world	-3.6	-3.4	-3.2
<i>of which:</i>			
- Balance on goods and services			
- Balance on goods and services			
- Capital account			
2. Net lending/net borrowing of the private sector	-2.4	-3.1	-2.6
3. Net lending/net borrowing of general government	-1.2	-0.3	-0.6
4. Statistical discrepancy	0.0	0.0	0.0

BUDGETARY DEVELOPMENTS AND TARGETS

BUDGETARY TARGETS

The General Government deficit, including the recapitalization of the Cooperative Credit Institutions, recorded a substantial improvement in 2015, declined to 1.2 percent of GDP, compared to a deficit of the order of 8.9 percent of GDP in 2014. Over the medium term, the government opts for a broadly neutral fiscal stance, which will safeguard the fiscal achievements and the respect of the national MTO.

In 2016, the General Government deficit is expected to decline further and is expected to reach 0.3 percent of GDP, compared to a deficit of the order of 1.2 percent of GDP the year before. The primary surplus of the General Government is expected to register an improvement of 0.3 percentage points of GDP in 2016, reaching 2.3% of GDP compared to a primary surplus of 2.0% of GDP in 2015. In 2017, the budget deficit is expected to record a slight deterioration reaching 0.6 percent of GDP mainly due to the abolition of the temporary contribution on emoluments of public and private sector employees as well as the total abolition of the immovable property tax. Primary balance is expected to be in surplus of the order of 2.0 percent of GDP.

Following the Commission Spring 2016 Forecasts with regards to the potential output, structural balance is expected to be positive in 2016 reaching 0.4% of the GDP, whereas in 2017 it is estimated to be negative of about 1.0% of the GDP. This estimate is negatively biased by the Commission Services' calculations on the output gap of the Cyprus economy.

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

	ESA Code	Year 2016 % GDP	Year 2017 % GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-0.3	-0.6
1a. Central government	S.1311	-0.3	-0.6
1b. State government	S.1312	M	M
1c. Local government	S.1313	0.0	0.0
1d. Social security funds	S.1314	0.1	0.1
2. Interest expenditure	D.41	2.6	2.5
3. Primary balance		2.3	2.0
4. One-off and other temporary measures		0.0	0.0
5. Real GDP growth (%) (=1. In Table 1a)		2.7	2.8
6. Potential GDP growth (%) (=2 in Table 1.a)		-0.6	-0.3
contributions:			
- labour		-0.6	-0.5
- capital		0.1	0.2
- total factor productivity		-0.1	0.0
7. Output gap (% of potential GDP)		-1.4	0.9
8. Cyclical budgetary component (% of GDP)		-0.7	0.5
9. Cyclically-adjusted balance (% of GDP)		0.4	-1.0
10. Cyclically-adjusted primary balance (% of GDP)		3.0	1.5
11. Structural balance (% of GDP)		0.4	-1.0

More specifically, the trend in the output gap is economically counterintuitive, with the estimates indicating that the economy will be operating above its potential in 2017. The positive output gap estimated for 2017 seem to be mainly driven by the NAWRU estimations, indicating a further increase in the NAWRU in 2017 and 2018 and stabilization

thereafter, which cannot be justified by the recent trends in the economy and the labour market. In view of the above, the estimations in the structural developments in the budget balance based on Commission Services' calculations should be interpreted with caution.

The general government gross debt to GDP ratio is expected to marginally decrease in 2016 reaching 108.3% of GDP compared to 108.9% of GDP the year before. Further decrease of 3.1 percentage points of GDP is expected by the end of 2017, attributed both to the "snow-ball" effect, as well as, the primary surpluses.

Table 2b. General government debt developments

	ESA Code	Year 2016	Year 2017
		% GDP	% GDP
1. Gross debt		108.3	105.3
2. Change in gross debt ratio		1.1	0.4
Contributions to changes in gross debt			
3. Primary balance (= item 3 in Table 2.a)		2.3	2.0
4. Interest expenditure (= item 2 in Table 2.a)	D.41	2.6	2.5
5. Stock-flow adjustment		0.8	-0.2
p.m.: Implicit interest rate on debt⁵		2.4	2.4

Revenue and Expenditure Projections

On the revenue side, an estimated decrease of about 1.2% is expected for 2016, while in terms of percentage to GDP a decline is estimated down to 38.7% of GDP, compared to 39.8% in 2015, despite the improvement in economic performance, mainly due to the lower than the previous year's Central Bank Dividend by about €0.3 percentage points of GDP. Taxes on production and imports, as well as social contributions are expected to increase by 1.8% and 3.4% respectively, compared to the year before, reflecting both the improved economic performance and labour market conditions.

Table 3. General government expenditure and revenue targets, broken down by main components

	ESA Code	2016	2017
		% GDP	% GDP
General government (S13)			
1. Total revenue target	TR	38.7	38.1
Of which			
1.1. Taxes on production and imports	D.2	15.0	14.8
1.2. Current taxes on income, wealth, etc.	D.5	9.6	9.3
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	8.7	8.6
1.5. Property income	D.4	1.0	1.1
1.6. Other		4.4	4.4
p.m.: Tax burden		33.3	32.7
(D.2+D.5+D.61+D.91-D.995)			
2. Total expenditure target	TE	39.0	38.7
Of which			
2.1. Compensation of employees	D.1	12.8	12.8
2.2. Intermediate consumption	P.2	3.6	3.5
2.3. Social payments	D.62+D.632	14.4	14.1
of which Unemployment benefits		0.5	0.4
2.4. Interest expenditure (=item 2 in Table 2.a)	D.41	2.6	2.5
2.5. Subsidies	D.3	0.6	0.6
2.6. Gross fixed capital formation	P.51g	1.9	1.9
2.7. Capital transfers	D.9	0.0	0.0
2.8. Other		3.2	3.3

In 2017, revenue is expected to increase by 1.8% but exhibit a decline in terms of percentage to GDP to 38.1%. Based on the macroeconomic scenario, taxes on production and imports are expected to further improve by 1.7% compared to 2016, whereas current taxes on income and wealth are estimated to remain broadly unchanged given the termination of the temporary contribution on the private sector's employees' emoluments, as well as the abolition of the taxation on immovable property.

Total expenditure is estimated to decrease by 3.2%, or decrease to 39.0% of GDP in 2016 compared to 40.9% in 2015, mainly due to the recapitalization of the COOP sector of the order of €175mn during 2015. Compensation of employees is expected to decrease by 2.3%, falling as a percentage of GDP to 12.8% in 2016, where social payments, estimated at 14.4% of GDP, are expected to record a y-o-y increase of the order of 2.9% attributed to an increase in pensions. In 2017, expenditure is expected to increase by 2.6%, but as a percentage of GDP decline marginally to 38.7%. This outcome is mainly attributed to an estimated increase in compensation of employees of the order 3.7%, due to both the termination of the temporary contribution on public sector employees' emoluments, as well as the recruitment of additional personnel in security forces.

PUBLIC EXPENDITURE AND REVENUE UNDER THE NO-POLICY-CHANGE SCENARIO AND DISCRETIONARY BUDGETARY MEASURES

On July 2016, the plenary of the House of Representatives voted the reduction of the immovable property tax burden by up to 75% for the year 2016 and its total abolishment thereafter. The fiscal impact of this measure is estimated at 0.3 percentage points of GDP in 2016 and 0.5 percentage points of GDP in 2017. More specifically, under the no-policy change scenario, current taxes on income and wealth would reach 10.0 percent of GDP in 2016, exhibiting a y-o-y growth of about 0.2%, compared to an estimated decrease of the order of 3.2% under the baseline scenario. In 2017, current taxes on income and wealth under the no-policy change scenario would exhibit an estimated y-o-y increase of the order of 3.0%, compared to a marginal y-o-y decrease of about 0.1% under the baseline scenario. This translates into a decline of current taxes on income and wealth of about 0.2 percentage points of GDP in 2017 under the no-policy change scenario, compared to a decline of 0.3 percentage points of GDP under the baseline scenario.

Table 4a. General government expenditure and revenue projections at unchanged policies broken down by main components

	ESA Code	2016	2017
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR	39.0	38.6
Of which			
1.1. Taxes on production and imports	D.2	15.0	14.8
1.2. Current taxes on income, wealth, etc	D.5	10.0	9.8
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	8.7	8.6
1.5. Property income	D.4	1.0	1.1
1.6. Other		4.4	4.4
p.m.: Tax burden		33.3	32.7
(D.2+D.5+D.61+D.91-D.995)			
2. Total expenditure at unchanged policies	TE	39.0	38.7
Of which			
2.1. Compensation of employees	D.1	12.8	12.8
2.2. Intermediate consumption	P.2	3.6	3.5
2.3. Social payments	D.62+D.632	14.4	14.1
of which Unemployment benefits		0.5	0.4
2.4. Interest expenditure	D.41	2.6	2.5
2.5. Subsidies	D.3	0.6	0.6
2.6. Gross fixed capital formation	P.51g	1.9	1.9
2.7. Capital transfers	D.9	0.0	0.0
2.8. Other		3.2	3.3

General government expenditure and revenue projections at unchanged policies broken down by main components as well as details on the measure explained above are presented in Tables 4a and 5a. Government expenditure targets remain unchanged under the no-policy scenario, whereas revenue would exhibit an estimated y-o-y rate of growth of the order of -0.4% and 3.1% in 2016 and 2017 respectively.

Table 5 a. Discretionary measures taken by General Government

List of measures	Detailed description	Target (Expenditure / Revenue component)	Accounting principle	Adoption Status	Budgetary impact % GDP	
		ESA Code			Year 2016	Year 2017
Immovable property tax	Immovable Property Tax for 2016 will be based on 1980 values but reduced up to 75 per cent on the amount paid the year before; IPT will be abolished as from 1/1/2017	D.5	accrual	adopted	-0,3	-0,5
TOTAL BUDGETARY IMPACT					-0,3	-0,5

DISTRIBUTIONAL IMPACT OF THE MAIN REVENUE AND EXPENDITURE MEASURES

The planned discretionary measures of the government that are potentially relevant for a discussion on distributional effects are the abolition of the temporary contribution of employees in 2017 and the full abolition of the immovable property tax in 2017. It is noted that the biggest impact of the reform of the immovable property tax already occurred in 2016, where a reduction of the immovable property tax burden has been applied reaching 75% in the current year.

Both measures will have a positive effect on disposable incomes but they are not expected to have a large enough effect in order to affect either the income distribution or the Gini coefficient.

3. UNION'S STRATEGY FOR GROWTH AND JOBS TARGETS AND COUNTRY SPECIFIC RECOMMENDATIONS

Cyprus fully participated in the European Semester for the first time in 2016 after successfully exiting the macroeconomic adjustment programme, and in June 2016 received Country Specific Recommendations (CSRs) endorsed by the European Council.

The table below summarises the progress in relation with each one of the CSRs:

Country Specific Recommendation	Progress to date
CSR 1	
Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017.	In structural terms, based on the Commission's Output Gap estimations, the deficit is expected to register a deterioration of 0.7 percentage points of GDP in 2016 and a further deterioration of 1.4 percentage points of GDP in 2017. The developments in the Budget of 2017 that drive the deficit results in 2017 (deficit of -0.6% of GDP compared to -0.3% of GDP in 2016) are driven by the termination of the temporary contribution on employees' emoluments, the recruitment of additional personnel for security forces and the abolition of the Immovable Property Tax. However, the estimated structural balances are driven by the output gap estimations of the European Commission and are interpreted by the authorities with caution, given the economically counterintuitive results for Cyprus.
By the end of 2016, adopt a binding mechanism containing the growth rate of the compensation of public employees.	A relevant Bill has been prepared by the Unit of Administrative Reform of the Presidency, entitled "The State Payroll (Increases, Cost of Living Adjustment and General Salary Increases and Pensions of Officials and Employees of the State Service) Law of 2015". The Bill was approved by the Council of Ministers in August 2015, and submitted for approval to the Parliament in September 2015. In July 2016 the Bill was withdrawn by the government and legally vetted by the Attorney's Office, following remarks raised by various stakeholders, for constitutional compliance. It was subsequently re-submitted to the House of Representatives in August 2016 and is now under consideration by the relevant Parliamentary Committee. The Bill introduces a mechanism that ensures that the level of compensation of employees remains within acceptable fiscal margins by providing for the capping of the overall rate of growth of compensation of employees to that of nominal GDP growth, while taking into account changes in employment, pension outlays and other non-wage related changes. The above mechanism is consistent with the provisions of the Fiscal Responsibility and Budgetary Framework Law. The above mechanism has already been applied and in place for the broader public sector through a collective agreement signed by the Minister of Finance on behalf of the government and trade union representatives.
By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments.	Horizontal reform of the public administration Concerning the public administration reform, six (6) bills and regulations are under consideration in the relevant Parliamentary Committee, governing the management and utilization issues of human resources in the public service concerning, inter alia, new appraisal system, new promotion system and the incentivisation for the secondment of officials of the Public Service and Public Organizations. Implement reform of local governments - The three draft bills concerning the implementation of the Local Government Reform were submitted to the House of Representatives for approval in July 2015. - Due to the Parliamentary Elections that took place on the 22.5.2016 and the dissolving of the House of Representatives before that, the discussions on the draft laws were postponed. The discussions began in September 2016, before the newly formulated Committee for Internal Affairs of the House of Representatives. - The Committee of Internal Affairs of the House of Representatives has set a target for concluding the discussions by the end of October 2016 and submitting the draft bills to the Plenary for approval.

	- Furthermore, the Minister of Interior has suggested to the aforementioned Committee of the House of Representatives, the gradual decrease in the number of Municipalities, from 30 to 22, in a period of three years. The Minister of Interior has prepared a Roadmap for the implementation of the Local Government Reform, which has already been submitted to the House of Representatives.
By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.	The relevant FRBSL regulations were submitted to the House of Representatives for approval on 9/6/2016 and were approved by the House of Representatives on 7/10/2016.
CSR 2	
By June 2017, eliminate impediments to the full implementation of the insolvency and foreclosure frameworks and ensure adequate resources for the Insolvency Service.	<u>Eliminate impediments to the full implementation of the insolvency and foreclosure frameworks</u> • For the purpose of establishing an effective and fully functional Independent Insolvency Service/Department belonging to the MECIT, the General Secretary of the MECIT has recently appointed a three (3) member Project Team who will undertake to materialize this task. Two (2) members of the Project Team come from the MECIT and one (1) from the Insolvency Service/ Bankruptcies and Liquidation of Companies Section. • Licensing, training and monitoring of the profession of Insolvency Practitioners (IP) are already functioning and today there are 315 provisionally Licensed IPs. • Having streamlined most of the procedures now is imperative for the ISCyp to process the applications and cases and conclude them. For the matter of strategic budgeting and planning specific key performance indicators are designed in such a manner that will include the timing factor for concluding the cases, both for PIAs, DROs, Bankruptcies, Liquidations as well as for the Enforcement of the Insolvency Regime Action Plan. • Technical Assistance is provided to the ISCyp staff from the Insolvency Service of Ireland, under the EC TA Program. • The full completion of the automated IT infrastructure/systems will further accelerate the processes and workflow, since timing is a crucial factor, as well as provide better statistics and management tools. Until the IT System is completed, the ISCyp has proceeded with the introduction and development of complementary IT infrastructure to meet its needs. <u>Ensure adequate resources for the Insolvency Service</u> The actions taken for staffing are as following: • Memorandum of Cooperation with Cyprus Stock Exchange (CSE) - As from June 8th, 2015 two Officers and five Secretarial staff have been transferred from CSE to ISC/B&L Section. • 10 Officers have been appointed as from 1st of September 2016 (5 Lawyers and 5 Economists/ Accountants). The staff of the ISCyp is now 37. The mapping exercise, to analyse the staff and organisational structure, of the Insolvency Service/Bankruptcies & Liquidation Section, recommended that the ISCyp should have a total of [59] staff. Part of the objective of the three members Project Team established for the effective evolution/transition of the Insolvency/ Bankruptcies and Liquidations of Companies Section to becoming an Independent Insolvency Service/Department, is to establish the right staff and Organizational Structure, taking into consideration the above recommendations.
Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. Increase the efficiency and capacity of the court system. Reform the civil procedure law.	<u>Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights</u> Issuance of title deeds: A series of legislative measures were taken by the Ministry of Interior (MOI) for improving the procedure of issuance of certificates/ title deeds. This was achieved by the enforcement of the amended legislation of Streets and Buildings Law in last May, in which exemptions from the obligation to obtain a building permit are included, as well as provisions for criminal responsibility and fines for the major stakeholders involved (owner, designer, supervisor engineer, building contractor). In addition, during last June, MOI has issued a new Ministerial Decree for the unauthorized works in residential developments in order to tackle the main problems, with a view to accelerate the issuance of Certificates and minimizing the issuance of certificates of unauthorized works by the Building Control Authorities (BCAs).

	These measures aimed in the promotion of the private sector participation, by transferring part of responsibility from the BCAs to the architects and engineers, and at the same time to provide the BCAs with the necessary tools for regulating/enforcing the procedures. Furthermore, the MOI will receive technical assistance from the Structural Reform Support Service (SRSS). The project's objective, which is planned to kick-off next November, will be achieved through a comprehensive review of the existing legislative framework and the development of relevant proposals for new legislation. These proposals will aim at the streamlining of the process for application and for the issuance of planning and building permits, and the procedures for assessing the compliance with the regulatory requirements and with the building and planning permit. The proposals shall take into account the type of buildings according to their importance and the magnitude of impact on society and the environment. <u>Transfer of immovable property rights</u> In order to ensure effective transfer of property titles at all times, the Cypriot authorities have committed to promote legislation to deal with non-legacy and new property transactions. The two bills which have been prepared for this purpose have been put on hold due to the strong opposition of the stakeholders involved and the negative opinion given by the ECB for the supervision of Escrow Institutions by the Central Bank of Cyprus. Going forward, written recommendations will be prepared with the contribution of all stakeholders for suggesting amendments to the Special Performance Law and the Law for Trapped Buyers with the recommendations of Central Bank of Cyprus and Ministry of Finance. <u>Increase the efficiency and capacity of the court system</u> • <u>Improvement of the procedures for insolvency of natural persons - Amendment of the court on the insolvency of individuals:</u> The Supreme Court has requested technical assistance from SRSS on the subject. • <u>Contract Execution – Isolation and amelioration of the main obstacles in the processes, in cooperation with the competent authorities:</u> 1. The Ministry of Justice and Public Order has prepared a bill amending the Civil Procedure Law, so as to enhance the legal framework for the implementation of decisions. The provisions of the bill include measures that facilitate the execution of orders relating to seizure of movable property. The bill is still pending at the Law Office of the Republic for legal vetting (filed 02/03/2016). 2. The Supreme Court has appointed a committee to revise the rules on civil procedure. 3. The rules on the compulsory sale have been put into force. The rules on the insolvency of individuals is being amended after and technical assistance from the SRSS. The rules on the insolvency of entities / companies are also being modified. 4. The government is in the process of purchasing an electronic Judicial Administration / Management Information System (E-Justice) through a Strategic Investor, using an open tender procedure. The process is ongoing. 5. The Supreme Court has requested technical assistance through the SRSS in the following areas: general court administration and case management and implementation and use of ICT in the courts. <u>Reform the civil procedure law</u> A bill amending the Law On Civil Procedure with a view to strengthen the legal framework for the execution of court decisions has been prepared. The bill is pending in the Legal Service for legal vetting. The provisions of the bill include measures to facilitate the execution of warrants, on the seizure of movable assets.
CSR 3	
By the end of 2016, take additional, measures to ensure a decline in non-	The tools applied to facilitate the decline in NPLs are already in place and these are: (1) Centralized arrears management systems and dedicated recovery units have

performing loans and accurate valuations of collateral for provisioning purposes.	been established throughout the banking sector, (2) New foreclosure and insolvency laws, which introduce the right incentives for all stakeholders, including creditors and debtors, to negotiate a settlement of liabilities. They also create a safety net for vulnerable groups directly affected by the crisis, (3) Additional legislation to facilitate loan securitisation and the swift transfer of title deeds to contribute towards the asset recovery process, (4) Establishment of the Financial Ombudsman for providing assistance to troubled borrowers facing difficulties repaying their loans, (5) Code of Conduct by Central Bank of Cyprus for Arrears Management in order to assist the loan restructuring procedure of the banks. In terms of supervisory measures, the CBC directives provide for the handling of NPLs in terms of measurement, management and provisioning. Also the CBC has enhanced the supervisory reporting on NPLs and debt restructuring in order to monitor progress closely and take action for banks that do not show sufficient progress. Moreover, the High Level Group on NPLs has issued guidance for consultation, which once it is agreed and issued it will be adopted by the CBC. The guidance covers all aspects on NPLs, including valuations of collateral. Finally, concerning banks with very high proportions of NPLs, the SSM will require the submission of NPL resolution plans which will be monitored for each individual bank.
Increase the range of information available for creditors and enhance the information currently provided to make the credit registry fully effective.	Developments concerning the credit registry concern the development of credit scoring for physical persons, for the development of which identification of data needed is taking place and credit scoring will follow with the assistance of consultants, for which a request has already been issued.
CSR 4	
Remove impediments to investment, notably by implementing the action plan for growth, pursuing the privatisation plan and strengthening the national regulatory authorities.	<u>Implement the action plan for growth</u> The relevant actions for the promotion of investments in the context of the action plan for growth implementation, include the preparation of a bill for the attraction and facilitation of big investments, as well as the review of the policy framework for promoting investments. <u>Pursue the privatisation plan</u> Following the launch of the “Privatisations Programme” in December 2013, the plan has progressed with the Cyprus Ports Authority (Limassol Port) and the Cyprus Airways Trademarks. The privatization plan of the government is proceeding with the following developments: 1. <u>Cyprus Telecommunications Authority (CYTA)</u>: According to Article 12 (2) (a) of the Law on Privatization, the Commissioner on Privatisations submitted to the Ministerial Committee for Privatizations the privatization program for CYTA, which includes all the intermediate stages and the relevant time schedule. The Ministerial Privatization Committee approved the program on March 1, 2016. The beginning of the transaction process for the selection of a strategic partner is subject to the approval of the above bills by the House of Representatives. Subject to this, the privatization of CYTA is estimated to be completed within 9 months from the beginning of the transaction process. The said Bills are pending submission to the House of Representatives once the government manages to achieve consensus on this challenging reform. 2. <u>Cyprus Stock Exchange (CSE)</u>: The process will continue with the recruitment of consultants, in order to: i. Prepare a strategic plan which will provide for the identification, analysis and presentation of feasible private sector participation options in the CSE, which will include recommendations regarding the optimal strategy for the future of the CSE. ii. Prepare, manage, plan and execute all aspects of the transaction for the selection of a strategic partner. The consultants will be appointed in the second quarter of 2016. Subject to the decision of the Ministerial Committee for Privatizations and/or Council

	of Ministers, the process for the preparation of the strategic plan and the selection of strategic partner is expected to be completed within 12 months from the appointment of the consultant. 3. <u>Licensing of the activities of the National Lottery</u>: The tendering process for the selection of a consortium of consultants was completed in April 2016. The choice of the investor / manager for the National Lottery is expected to be completed within 12 months from the start of the contract with the consultant. <u>Strengthen the national regulatory authorities</u> The Cyprus Energy Regulatory Authority (CERA) has completed the selection process for filling four new permanent seats. The CERA budget was published on March 11, 2016, thus allowing the Regulator to immediately proceed with the appointment of successful candidates.
Take measures to increase access to finance for small and medium-size enterprises.	The Ministry of Finance, in cooperation with the Unit of Administrative Reform of the Presidency, is in consultation with the private sector so as to determine the need to promote the development and use of alternative forms of financing. To this end, in May 2016, the Ministry of Finance organized a conference in relation to the "Capital Markets Union", an EU initiative to support the development of investments and alternative forms of financing. The purpose of the conference was to inform about all relevant EU initiatives and to promote a continuous dialogue with relevant stakeholders. In cooperation with the Presidency, other ministries and authorities as well as businesses, the aim is to develop a strategy and action plan on the basis of discussions during the conference and further bilateral / trilateral discussions will be organized in the future.
CSR 5	
Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed.	<u>Strengthening the capacity of Public Employment Services (PES) through the implementation of the project "Further upgrade and modernization of the PES financed by the ESF."</u> Implement during 2016, in the context of the framework of the National Action Plan for Youth Employment 2015-2017, the upgrading and modernization of PES and the operation of EURES: • Employment of Consultancy Services to strengthen the functioning of PES • Training of Employment Officers in PES. • National campaign for decent work for young people. • Operation of "EURES CYPRUS". In addition, the Labor Department plans to implement a new program that will provide grants to private employment companies in order to promote the employment of the young and the long-term unemployed. The grants will be awarded through the application of «Job Placement Voucher» system to temporarily enhance the capacity of the PES. <u>Strengthening the Public Employment Services (PES) to reduce search costs and skills mismatch.</u> (A) The upgrade of the computer system of the PES with the purpose of effective planning and monitoring of services and youth employment programs is underway and expected to be operational by the end of 2016. (B) A project with a budget of € 5.7 mn for upgrading the capacity of the services of the PES is underway and the first step is expected to be completed in the first quarter of 2017. (C) Increase market penetration of the PES through more and better services to job seekers and employers, with a budget of € 0.1 million, expected to start in the first quarter of 2017.
Adopt legislation for a hospital reform and advance with the planned implementation of universal health care coverage.	The relevant bills on the autonomization of public hospitals and the National Health System have been approved by the Council of Ministers on 7/10/2016 and have been submitted to the House of Representatives. On a more general note, the government has recently set a new roadmap for reforms in the health sector, which provides for autonomization of public hospitals by 1 June 2017. As for the National Health System (GHS), the first step will be implemented from June 1, 2019 and relates to outpatient care, while the full-scale implementation of the GHS is

	scheduled for June 1, 2020, for all other areas of health care.
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4. COMPARISON BETWEEN DBP AND THE MOST RECENT STABILITY PROGRAMME

The general government budget balance targets set for the Budget of 2017, are broadly unchanged vis-a-vis the ones presented in the most recent Stability Programme, mostly due to the revision of the macroeconomic scenario. For 2016, the DBP budget balance target is improved by 0.1 percentage points of GDP compared to the SP target, despite the expected decrease in revenue from the immovable property taxation. The upward revision in the estimated economic growth, accompanied by higher than initially expected tax revenues, as well as the improved labour market conditions, offset the impact from the revision of the immovable property taxation for the current year. Under the DBP no-policy change scenario, the deviation from the SP target for 2016 is of the order of 0.4 percentage points of GDP.

For 2017, the DBP budget balance target is 0.1 percentage points lower than the one set in the Stability Programme, due to the termination of the immovable property tax as of 1st January 2017, where the revenue loss is not fully compensated by the upward revision in the macroeconomic scenario relative to the Stability Programme.

APPENDIX: TABLES

Table 0 i). Basic assumptions

	Year 2015	Year 2016	Year 2017
Short-term interest rate ¹ (annual average)	-0.02	-0.25	-0.33
Long-term interest rate (annual average)	0.5	0.27	0.44
USD/€ exchange rate (annual average)	1.11	1.11	1.12
Nominal effective exchange rate	-6.79	1.16	-0.15
World excluding EU, GDP growth	3.2	3.4	3.7
EU GDP growth	2.2	1.8	1.9
Growth of relevant foreign markets	1.0	1.9	1.1
World import volumes, excluding EU	0.8	2.2	3.5
Oil prices (Brent, USD/barrel)	52.4	42.4	51.6

1/ If necessary, purely technical assumptions.

Table 1a. Macroeconomic prospects

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
		Level	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g	15,176.0	1.6	2.7	2.8	2.8	2.8
Of which							
1.1. Attributable to the							
estimated impact of							
aggregated budgetary							
measures on economic growth ¹							
2. Potential GDP		15,746.6	-1,3	-0,6	-0,3	0,2	0,7
contributions:							
- labour			-1,0	-0,6	-0,5		
- capital			-0,1	0,1	0,2		
- total factor productivity			-0,2	-0,1	0,0		
3. Nominal GDP	B1*g	17,420.6	0.2	1.5	3.3	4.3	4.9
Components of real GDP							
4. Private final consumption expenditure	P.3	10,396.7	1,9	2,5	2,5		
5. Government final consumption expenditure	P.3	2,550.3	1,1	-2,4	1,3		
6. Gross fixed capital formation	P.51g	2,112.9	14,0	7,0	4,0		
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	255.3	-0,3	0,0	0,0		
8. Exports of goods and services	P.6	9,286.7	1,9	3,0	3,2		
9. Imports of goods and services	P.7	9,426.0	4,0	2,4	2,6		
Contributions to real GDP growth							
10. Final domestic demand		15,060.0	3.2	2.3	2.5		
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	255.3	-0.3	0.0	0.0		
12. External balance of goods and services	B.11	-139.3	-1.3	0.4	0.3		

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

Table 1b. Price developments

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019
		Level	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator		114.8	-1.4	-1.2	0.5	1.5	2.0
2. Private consumption deflator		117.6	-1.9	-1.2	0.0		
3. HICP		100.0	-1.5	-0.9	0.5		
4. Public consumption deflator							
5. Investment deflator							
6. Export price deflator (goods and services)		112.4	-1.9	-1.2	0.0		
7. Import price deflator (goods and services)		113.3	-0.5	-0.7	0.2		

Table 1c. Labour market developments

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017
		Level	rate of change	rate of change	rate of change
1. Employment, persons¹		365.0	0.8	2.2	2.0
2. Employment, hours worked ²		653,933.5	0.7	2.2	2.0
3. Unemployment rate (%)³		62.8	14.9	12.5	11.0
4. Labour productivity, persons⁴		41,575.4	0.8	0.5	0.8
5. Labour productivity, hours worked		23.2	0.9	0.5	0.8
6. Compensation of employees	D.1	7,689.5	-0.2	2.7	3.0
7. Compensation per employee		24.0	-0.9	0.5	1.0

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 1d. Sectoral balances

	ESA Code	Year 2015	Year 2016	Year 2017
		% GDP	% GDP	% GDP
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	-3.6	-3.4	-3.2
<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	-2.4	-3.1	-2.6
3. Net lending/net borrowing of general government	B.9	-1.2	-0.3	-0.6
4. Statistical discrepancy		0.0	0.0	0.0

Table 2a: General government budgetary targets broken down by sub-sector

	ESA Code	Year 2016	Year 2017	Year 2018	Year 2019
		% GDP	% GDP	% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector					
1. General government	S.13	-0.3	-0.6	-0.1	0.7
1a. Central government	S.1311	-0.3	-0.6		
1b. State government	S.1312	M	M		
1c. Local government	S.1313	0.0	0.0		
1d. Social security funds	S.1314	0.1	0.1		
2. Interest expenditure	D.41	2.6	2.5		
3. Primary balance²		2.3	2.0		
4. One-off and other temporary measures³		0.0	0.0	0.0	0.0
5. Real GDP growth (%) (=1. In Table 1a)		2.7	2.8		
6. Potential GDP growth (%) (=2 in Table 1.a)		-0.6	-0.3	0.2	0.7
contributions:					
- labour		-0.6	-0.5		
- capital		0.1	0.2		
- total factor productivity		-0.1	0.0		
7. Output gap (% of potential GDP)		-1.4	0.9	0.6	0.3
8. Cyclical budgetary component (% of GDP)		-0.7	0.5	0.3	0.2
9. Cyclically-adjusted balance (% of GDP)		0.4	-1.0		
10. Cyclically-adjusted primary balance (% of GDP)		3.0	1.5		
11. Structural balance (% of GDP)		0.4	-1.0	-0.4	0.5

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 2b. General government debt developments

	ESA Code	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
		% GDP	% GDP	% GDP	% GDP	% GDP
1. Gross debt¹		108.3	105.3	101.7	95.8	90.4
2. Change in gross debt ratio		1.1	0.4			
Contributions to changes in gross debt						
3. Primary balance (= item 3 in Table 2.a)		2.3	2.0			
4. Interest expenditure (= item 2 in Table 2.a)	D.41	2.6	2.5			
5. Stock-flow adjustment		0.8	-0.2	0.7	-0.4	0.1
of which:						
- Differences between cash and accruals ²		0.0	0.0			
- Net accumulation of financial assets ³		0.6	-0.2			
of which:						
- privatisation proceeds		0.0	0.0			
- Valuation effects and other ⁴		0.3	0.0			
p.m.: Implicit interest rate on debt⁵		2.4	2.4	2.6	2.8	3.1

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 2c. Contingent liabilities

	Year 2016	Year 2017
	% GDP	% GDP
Public guarantees	10.2	9.9
Of which: linked to the financial sector	0.0	0.0

Table 3. General government expenditure and revenue targets, broken down by main components

	ESA Code	Year 2016	Year 2017
		% GDP	% GDP
General government (S13)			
1. Total revenue target	TR	38.7	38.1
Of which			
1.1. Taxes on production and imports	D.2	15.0	14.8
1.2. Current taxes on income, wealth, etc.	D.5	9.6	9.3
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	8.7	8.6
1.5. Property income	D.4	1.0	1.1
1.6. Other¹		4.4	4.4
p.m.: Tax burden		33.3	32.7
(D.2+D.5+D.61+D.91-D.995) ²			
2. Total expenditure target	TE ³	39.0	38.7
Of which			
2.1. Compensation of employees	D.1	12.8	12.8
2.2. Intermediate consumption	P.2	3.6	3.5
2.3. Social payments	D.62+D.632	14.4	14.1
of which Unemployment benefits⁴		0.5	0.4
2.4. Interest expenditure (=item 2 in Table 2.a)	D.41	2.6	2.5
2.5. Subsidies	D.3	0.6	0.6
2.6. Gross fixed capital formation	P.51g	1.9	1.9
2.7. Capital transfers	D.9	0.0	0.0
2.8. Other⁵		3.2	3.3

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.

Table 4a. General government expenditure and revenue projections at unchanged policies broken down by main components

	ESA Code	Year 2016	Year 2017
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR	39.0	38.6
Of which			
1.1. Taxes on production and imports	D.2	15.0	14.8
1.2. Current taxes on income, wealth, etc	D.5	10.0	9.8
1.3. Capital taxes	D.91	0.0	0.0
1.4. Social contributions	D.61	8.7	8.6
1.5. Property income	D.4	1.0	1.1
1.6. Other ¹		4.4	4.4
p.m.: Tax burden		33.3	32.7
(D.2+D.5+D.61+D.91-D.995) ²			
2. Total expenditure at unchanged policies	TE ³	39.0	38.7
Of which			
2.1. Compensation of employees	D.1	12.8	12.8
2.2. Intermediate consumption	P.2	3.6	3.5
2.3. Social payments	D.62+D.632	14.4	14.1
of which Unemployment benefits⁴		0.5	0.4
2.4. Interest expenditure	D.41	2.6	2.5
2.5. Subsidies	D.3	0.6	0.6
2.6. Gross fixed capital formation	P.51g	1.9	1.9
2.7. Capital transfers	D.9	0.0	0.0
2.8. Other ⁵		3.2	3.3

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.

Table 4b. General government expenditure by function

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		236,1	1.4	1.1	1.0
1a. of which investments fully matched by EU funds revenue					
2. Cyclical unemployment benefit expenditure¹		n.a.	n.a.	n.a.	n.a.
3. Effect of discretionary revenue measures²		-	-	-	-
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 4c. General government expenditure by function

4.c.i) General government expenditure on education, healthcare and employment

	Year 2016		Year 2017	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education ¹	5.6	14.2	5.5	14.2
Health ¹	2.8	7.0	2.8	7.2
Employment ²	0.2	0.5	0.0	0.1

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		Year 2016	Year 2017
	COFOG Code		
		% GDP	% GDP
1. General public services	1	9.8	9.7
2. Defense	2	1.4	1.4
3. Public order and safety	3	1.7	1.7
4. Economic affairs	4	2.7	2.6
4. Environmental protection	5	0.4	0.4
6. Housing and community amenities	6	2.2	2.2
7. Health	7	2.8	2.8
8. Recreation, culture and religion	8	0.9	0.8
9. Education	9	5.6	5.5
10. Social protection	10	12.0	11.9
11. Total Expenditure (= item 2 in Table 2.c.i)	TE	39.4	39.1

Table 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)	Accounting principle	Adoption Status	Budgetary impact % GDP	
		ESA Code			Year 2016	Year 2017
Immovable property tax	Immovable Property Tax for 2016 will be based on 1980 values but reduced by 75 per cent on the amount paid last year; IPT will be abolished in 2017	D.5	accrual	adopted	-0.3	-0,5
TOTAL BUDGETARY IMPACT					-0,3	-0,5

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 7. Divergence from latest SP

	ESA Code	Year 2015	Year 2016	Year 2017
		% GDP	% GDP	% GDP
Target general government net lending/ net borrowing	B.9			
Stability Programme		-1.0	-0.4	-0.5
Draft Budgetary Plan		-1.2	-0.3	-0.6
Difference		-0.2	0.1	-0.1
General government net lending projection at unchanged policies	B.9			
Stability Programme		-1.0	-0.4	-0.5
Draft Budgetary Plan		-	0.0	-0.1
Difference ¹		-	0.4	0.4