Analysis of Debt Limits in the Regional and Local Finance Bills

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The "Occasional Paper" series comprises articles dealing with subjects relating to the mission and duties of the Portuguese Public Finance Council. They are approved by the Senior Board and bear the name of their authors.

Background

The Memorandum of Understanding on Specific Economic Policy Conditionality signed in May 2011 stated that, by the end of the final quarter of 2011, *a proposal to revise the Local Finance Law and the Regional Finance Law would «be submitted to Parliament in order to fully adapt the local and regional financing framework to the principles and rules adopted by the recently revised Budgetary Framework Law, namely in what concerns (i) the inclusion of all relevant public entities in the perimeter of local and regional government; (ii) the multi-annual framework with expenditure, budget balance and indebtedness rules, and programme budgeting; and (iii) the interaction with the function of the Fiscal Council»* (par. 3.14).

During the 2nd review of the Memorandum it was recognised that national bodies needed more time and technical support to complete that task and the date for presenting such proposals was extended to the end of March 2012 for the new Regional Finance Law and to the end of June 2012 for the new Local Finance Law. During the 3rd review of the Memorandum, the date for submitting the two Bills to Parliament was again put back, this time to the end of December 2012. On 27th December 2012, the Portuguese Government submitted to Parliament Bill no. 121/XII for revising the law on the Finances of the Autonomous Regions (hereafter, PPL 121) and Bill no. 122/XII/2.ª for revising the Law on Local Finances (PPL 122).

In September 2012 the Portuguese Public Finance Council published a report with empirical evidence in which it put forward a set of principles to be taken into account when preparing the legislative review.[1] In April 2013 it is expected to publish a second report which undertakes an economic analysis of the Bills currently being discussed at the Parliament.[2]

This article is an additional contribution to that analysis. It focuses on the debt rule laid down in PPL 121 and PPL 122. It gathers and reconciles information from various sources on the scale of current subnational indebtedness and devises a series of numerical simulations. The CFP aims at providing the public with an analysis of the impact of the debt limits being discussed by the Parliament on the gross debt of general government. Section 1 presents the debt indicator set in PPL 121 for the Autonomous Regions and collects data to compute its value in the years 2009 to 2011. Within the limitations of a retroactive application exercise, it points

[1] CFP (2012), *Principles for Revising Subnational Public Finance Laws*, Report No. 2/2012, September, Lisbon: Portuguese Public Finance Council.

[2] CFP (2013), *Analysis of the Legal Proposals for New Subnational Finance Laws*, Report no. 1/2013, April, Lisbon: Portuguese Public Finance Council (forthcoming).

out the position each territory would have in that period in face of the numerical target defined in the bill. Section 2 replicates this structure to PPL 122 and the local subsector. Finally, Section 3 compares the position of each region and the whole of municipalities and municipalised services in terms of the debt indicator set in the bills to their position in terms of the debt indicator that Portugal reports to the Eurostat within the Excessive Deficit Procedure. It assesses, in a retroactive manner, how the compliance with the PPL targets would had impact on the debt stock reported in the most recent years. This section also includes an exercise that evaluates the room available for the remaining public subsectors, under the 60% of GDP cap set in European legislation, in case regions and municipalities exhaust their legal indebtedness capacity defined in PPL 121 and 122.

1. Proposed revision of the Autonomous Regions Finance Law

According to article 39 (1) of PPL 121 the autonomous regions' total demandable liabilities, on 31st December of each year, shall not exceed 1.5 times their average net current revenue collected in the previous three years.

According to the consolidated accounting data for the regional public administration sector, included in the Accounts presented by the two autonomous regions, current revenue from 2006 to 2011 was as shown in Table 1.

Table 1–Autonomous regions current revenue (2006-2011)

Unit: million euros

	2006	2007	2008	2009	2010	2011
Azores (RAA)	775,9	668,2	717,7	689,9	689,8	712,7
Madeira (RAM)	936,5	998,8	965,2	893,6	980,6	1015,0
RAA+RAM	1712,4	1667,0	1682,8	1583,5	1670,4	1727,7

Note: Comma is used as the decimal separator

Source: RAA and RAM accounts (consolidated figures)

This information generally matches the data published by the Directorate-General of the Budget (DGO), which provides a series of information on recent budgetary outturn in the autonomous regions thus allowing us to extend the series to 2012.

Table 2–Regional government budgetary outturn (2009-2012)

Unit: million euros

	2009	2010	2011	2012
Azores				
Current revenue (a)	721,1	687,1	714,6	638,4
Refunds not deducted in payments (b)	38,4	1,7	2,3	0,9
RAA: Current revenue - RNDP (a)-(b)	682,7	685,4	712,4	637,4
Madeira				
Current revenue (a)	895,8	985,3	1015,9	912,6
Refunds not deducted in payments (b)	2,2	4,8	1,0	1,5
RAM: Current revenue - RNDP (a)-(b)	893,6	980,6	1014,9	911,1

Note: Comma is uesed as the decimal separator
Source: DGO, Budget Outturn Summary Report (Jan-2013, Feb-2012 and Feb-2011)

Table 3 calculates the latest average current revenue that is used in the debt rule indicator.

Table 3–Current revenue collected – average to consider in years 2009 to 2013

Unit: million euros

	2009	2010	2011	2012	2013
Azores	720,6	691,9	699,1	697,5	678,4
Madeira	966,8	952,5	946,5	963,1	968,9
RAA+RAM	1687,4	1644,4	1645,6	1660,5	1647,3

Notes: Comma is used as the decimal separator; Each column shows the average of current revenue collected in the previous three years.

Source: CFP calculations based on Tables 1 and 2

Since no accrual accounting data are available on the autonomous regions the value of demandable liabilities can be obtained from the information on the regions' financial debt, as reported under the Excessive Deficit Procedure (EDP), plus the value of non-financial debt.

As for financial debt, and in line with the most recent data issued by the national statistical authority - INE (March 2013), the changes in its value from 2008 to 2012 are given in Table 4.

Table 4–Regional government gross debt (2008-2012)

Unit: million euros

	2008	2009	2010	2011	2012
Azores Regional Government (a)	536,7	600,5	652,5	690,9	723,0
Madeira Regional Government (b)	1848,5	2066,2	3053,3	3735,8	3782,8
Regional Government (a)+(b)	2385,2	2666,7	3705,8	4426,7	4505,8

Note: Comma is used as the decimal separator
Source: INE, *Excessive Deficit Procedure* (2nd Notification 2012 and 1st Notification 2013)

As for non-financial debt, we were only able to obtain figures for 2011 through variable "assumed and unpaid liabilities" reported in Ministry of Finance (2012).[3] Table 5 shows this information combined with the previous one.

Table 5–Estimated demandable liabilities of the autonomous regions (2008-2011)

Unit: million euros

	2008	2009	2010	2011
Azores				
Financial debt	536,7	600,5	652,5	690,9
Non-financial debt [a]	n.a.	n.a.	n.a.	38,0
Demandable liabilities - Azores	536,7	600,5	652,5	728,9
Madeira				
Financial debt	1848,5	2066,2	3053,3	3735,8
Non-financial debt [a]	n.a.	n.a.	n.a.	2054,0
Demandable liabilities - Madeira	1848,5	2066,2	3053,3	5789,8

Note: Comma is used as the decimal separator

Sources: INE (2012), *Excessive Deficit Procedure (2nd Notification 2012), 28 September, Lisbon.* Ministry of Finance (2012), *Strategy for Reducing Payments Due for Over 90 Days* , 20 April, Lisbon.

Other notes:
a. Information relating to Assumed and Unpaid Liabilities (AUPL) on Ministry of Finance (2012). According to this source (note on p. 22), AUPL are, generally speaking, accounts payable, whether or not the payment date is expired and can be seen as an early indicator of payments in arrears.

The change in demandable liabilities from 2010 to 2011 is meaningless because there is a series break in the "non-financial component": no data for years other than 2011 exist, though this does not imply that, in reality, such debt was non-existent before. Under this caveat and based on the above set of information, the debt limits, as well as the respective deviations from the early warning and excessive debt indicators, were calculated, retroactively, as if the rule laid down in the Bill had come into force. Note that it was not possible to calculate these indicators for 2012, since no information regarding the non-financial debt for that year is available.

[3] Source: Ministry of Finance (2012), *Strategy for Reducing Payments Due for Over 90 Days*, 20 April, Lisbon.

Table 6–Retroactive estimate of regional positions *vis-à-vis* the debt limit contained in the Regional Finance Bill (2009-2012)

Unit: million euros

	2009	2010	2011	2012
Azores				
Current revenue (average previous 3 years (a)	720,6	691,9	699,1	697,5
Debt limit (b)=1,5*(a)	1080,9	1037,9	1048,7	1046,2
Total demandable liabilities (c)	600,5	652,5	728,9	
Deviations:				
Early warning (c)≥(a)	No	No	Yes	
Excessive Deficit (c)≥(b)				
Madeira				
Current revenue (average previous 3 years (a)	966,8	952,5	946,5	963,1
Debt limit (b)=1,5*(a)	1450,2	1428,8	1419,7	1444,6
Total demandable liabilities (c)	2066,2	3053,3	5789,8	
Deviations:				
Early warning (c)≥(a)	Yes	Yes	Yes	
Excessive Deficit (c)≥(b)	616,0	1624,5	4370,1	

Note: Comma is used as the decimal separator; as explained in the text, it was not possible to compute non-financial debt stock in years 2009, 2010 and 2012.
Source: CFP calculations based on Tables 3 to 5

According to the calculations, in 2011 the Azores Autonomous Region would be in a **warning situation** since its demandable liabilities exceed by around 30 million euros the average net current revenue collection for the previous three years. Whilst the Madeira Autonomous Region would be in an **excessive deficit situation** since 2009, as over these three years its demandable liabilities have always been over 1.5 times the average net current revenue collections. The substantial difference between 2010 and 2011 should not be valued because of the break in the non-financial debt series referred to above.

We are aware that article 39 (2) of PPL 121 states that the limit set may be exceeded by loans intended to finance investments aimed at recovering infrastructure damaged by natural disasters, public calamities or other exceptional circumstances, but this exception has not been taken into account in this section by just becoming aware of values for the RAM.[4]

Bearing in mind all the reservations that a simulation of the retroactive application of a Bill involves, the main conclusion to be drawn from Table 6 is that it will be very difficult for a region whose debt in 2011 exceeds the ceiling by more than a factor of four, to meet that limit in 2014, the first year when the law is to be applied.

[4] To be specific, 75 M€ in 2010 and 2011 and 25 M€ in 2012 and 2013, according to UTAO (2013), *Fiscal Impact Analysis of Bill no. 121/XII/2.ª*, Technical Opinion, no. 2/2013, 8 April, Lisbon: Unidade Técnica de Apoio Orçamental (Portuguese Parliament's Budgetary Support Technical Unit).

2. Proposed revision of the Local Finance Law

PPL 122, which sets forth a new Local Finance Law, states in article 52 (1) that total debt from municipalities' budgetary operations may not exceed, on 31st December of each year, 1.5 times their average net current revenue collection in the previous three years. It should be stressed that the debt rule is defined at the individual level, that is to say for each municipality and not to the whole of municipalities. However, article 54 states that a municipality's debt shall include the liabilities incurred by a wide range of entities, which go well beyond the statistical scope of local government, as defined by the European system of national accounts. These entities are: municipalised and intermunicipalised services, intermunicipal entities and municipal associations, local companies and companies partially held by municipalities, cooperatives and foundations, as well as other types of entity controlled or supposedly controlled by the municipality, and associations not solely held by municipalities whose object is to pursue the latter's business and duties. It should be stressed that the debt notion used in PPL 122 includes both the financial debt (Maastricht criterion) and debts to third parties resulting from budgetary operations (for example, arrears in payments to suppliers).

For the purposes of this study it was necessary to obtain relevant information in good time. Both in regard to liabilities and revenues, the available information only refers to the financial dealings of the municipalities' administrative structure in the strictest sense, in other words, it does not include the financial activities of the local business sector nor of other local bodies which, pursuant to article 54 of the Bill, are deemed relevant for debt limit purposes. For time and space sake, the analysis that follows was conducted in aggregate terms (308 municipalities) since the goal was merely to identify signs of concern for the reasonability of the debt rule laid down in PPL 122 and which may back up some of the remarks the Portuguese Public Finance Council made on the subject in Report no. 1/2013.[5]

Note that PPL 122 also lays down a parish level debt rule subject to different conditions. Since municipalities represent over 90 percent of local spending[6] and that there is little data available on parishes, the following analysis only covers the debt rule applying to municipalities.

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[5] *Analysis of the Legal Proposals for New Subnational Finance Laws*, report under preparation when this document was completed. Soon to be available at www.cfp.pt.

[6] In 2000, parishes accounted for 7.76 (4.41) percent of effective consolidated local expenditure (revenue), according to Baleiras, Rui Nuno (2005), "Finanças Municipais" ["Municipal Finances"], *in* Presidência da República (ed.), *Desafios para Portugal — Seminários da Presidência da República* [*Challenges for Portugal—Presidency of the Republic Seminars*], Cruz Quebrada (Portugal): Casa das Letras, pp. 365–472 (article) and 473–506 (discussion).

Taking into account these limitations and, according to the data in Carvalho *et al.* (2002),[7] Table 7 shows the changes in municipal revenue from 2006 to 2010.

Table 7–Local government revenue (2006-2010)

Unit: million euros

	2006	2007	2008	2009	2010
Expected revenue	11126,7	11215,2	11572,3	13001,9	12995,1
Revenue received	7256,4	7770,5	8463,7	8899,5	8092,9
Revenue still to be collected at start of year	398,8	542,6	558,8	612,9	651,3
Revenue collected	7001,0	7541,6	7746,9	8198,0	7859,5
Current revenue collected	4955,0	5653,4	5730,0	5745,8	5824,8
Capital revenue collected	2040,2	1876,5	2005,3	2446,2	2025,5
Write-backs not set against payments	5,8	11,7	11,6	6,0	9,2
Closing balance previous year	194,6	228,1	335,8	293,2	166,8
Total revenue collected + opening balance	7195,6	7769,7	8082,7	8491,2	8026,3

Note: Comma is uesd as the decimal separator
Source: Carvalho *et al.* (2012, pp. 40 and 46)

It should be stressed that the time period covered by this source only allows us to calculate the whole of municipalities' debt limit for the years 2009 to 2011, under the rules laid down in this Bill.

An alternative source could be data published by the DGO, which provides more recent information on local government budgetary outturn. However the information from these two sources does not coincide, as can be seen from Table 8.

Table 8–Local government budgetary outturn (2009-2012)

Unit: million euros

	2009	2010	2011	2012 [a]
Current revenue (a)	5763,7	5755,0	5658,0	4509,3
Refunds not deducted in payments (RNDP) (b)	5,9	8,6	13,2	7,2
Current revenue - RNDP (a)-(b)	5757,8	5746,4	5644,9	4502,0

Note: Comma is used as the decimal separator
Source: DGO, Summary of Budgetary outturn (Jan-2013, Feb-2012 and Feb-2011)

Note: Data relating to 256 municipalities (52 municipalities did not comply: Albufeira, Alenquer, Alijó, Aljustrel, Almeida, Amadora, Armamar, Arruda dos Vinhos, Bombarral, Braga, Calheta (São Jorge), Cartaxo, Castelo Branco, Crato, Faro, Funchal, Gavião, Horta, Lagos, Loures, Macedo de Cavaleiros, Marinha Grande, Marvão, Melgaço, Mira, Moimenta da Beira, Montemor-o-Novo, Montemor-o-Velho, Mortágua, Oeiras, Paços de Ferreira, Peso da Régua, Portalegre, Redondo, Santa Cruz, Santa Maria da Feira, Santiago do Cacém, Sardoal, Serpa, Sines, Tabuaço, Tavira, Terras de Bouro, Torres Novas, Valença, Viana do Castelo, Vieira do Minho, Vila de Rei, Vila Pouca de Aguiar, Vila Real de Santo António, Vila Verde, Vouzela)

Given the provisional and partial nature of the figures for 2012 and the existence for earlier years of differences between the sources used, it was decided to compute below (Table 12) the numerical debt limit using the Carvalho *et al.* (2012) figures to compute the average net current revenue collection relevant for the

[7] Carvalho, João, Fernandes, Maria José, Camões, and Jorge, Susana (2012), *Anuário Financeiro dos Municipalities Portugueses — 2010* [*Financial Yearbook of Portuguese Municipalities*], February, Edições OTOC, Lisbon: Ordem dos Técnicos Oficiais de Contas.

years 2009, 2010 and 2011, and the DGO series for the homologous 2012 revenue average.

In order to assess how local government stands in regard to the limit set out in the Bill in question, it is also necessary to explain the notion of "total debt of a municipality's budgetary operations" which, pursuant to article 52 (2), comprises loans, financial leasing contracts and all other forms of indebtedness incurred by that municipality in regard to financial institutions, as well as all other liabilities to third parties resulting from budgetary operations.

According to our interpretation of the provisions of the Bill, that rule corresponds to the notion of demandable liabilities, that is to say, to all liability items in the balance sheet except «Accrued Costs», «Deferred Revenue» and «Provisions for risks and charges». According to the Carvalho *et al.* (2012) data, demandable liabilities (*i.e.*, debts to third parties) saw the following changes from 2006 to 2010 as recorded in Table 9.

Table 9–Breakdown of municipalities' liabilities (2006-2010)

Unit: million euros

	2006	2007	2008	2009	2010
Short-term debts	2188,2	2264,4	2436,8	2879,7	3155,1
Medium- and long-term debts	4448,9	4399,4	4687,5	5140,4	5120,6
Total debts to third parties	6637,1	6663,8	7124,3	8020,1	8275,7
Provisions for risks and costs	134,7	309,6	311,0	763,6	774,8
Cost accruals	194,0	280,3	447,5	468,0	417,4
Deferred gains	3494,0	3895,8	4440,0	4871,0	5299,7
Total non-demandable liabilities	3822,7	4485,7	5198,5	6102,6	6491,9
Total liabilities	10459,8	11149,5	12322,8	14122,7	14767,6

Note: Comma is uesd as the decimal separator
Source: Carvalho *et al.* (2012, p. 106)

As stated above, article 54 of the Bill describes a much wider range of entities to be taken into account when calculating debt. Note that the information available on these entities is scarce or non-existent and does not allow us to calculate the overall value of the debt in line with the Bill. The only information that is available in a systematic manner relates to the liabilities of municipal services for the period 2008 to 2010 as shown in Table 10.

Table 10–Breakdown of municipal services' liabilities (2006-2010)

Unit: million euros

	2008	2009	2010
Short-term debts	76,8	95,0	93,5
Medium- and long-term debts	55,3	53,2	53,4
Total debts to third parties	132,1	148,2	146,9
Provisions for risks and costs	1,7	1,6	1,6
Cost accruals	17,7	21,7	22,4
Deferred gains	349,9	330,0	293,4
Total non-demandable liabilities	369,3	353,3	317,4
Total liabilities	501,4	501,5	464,3

Note: Comma is used as the decimal separator
Source: Carvalho *et al.* (2012, p. 168)

For the most recent period, and using the methodology applied to the Azores Autonomous Region, an estimate of Local Government demandable liabilities was obtained from the information relating to this subsector's financial debt as described in the 1st EDP notice of 2013 and from the value of Assumed and Unpaid Liabilities (AUPL) of all entities making up the subsector. Note that from henceforth the figures presented for the local subsector combine those for the municipalities, in the strictest sense, and the municipalised services, unless otherwise noticed.

Table 11–Estimated Local Government demandable liabilities (2011)

Unit: million euros

	2011
Local Government	
Financial debt	5684,1
Non-financial debt [a, b]	3159,0
Local Goverment demandable liabilities	8843,1

Note: Comma is used as the decimal separator

Sources: INE (2013), *Excessive Deficit Procedure* (1st Notification of 2013), 28 March, Lisbon. Ministry of Finance (2012), Strategy for Reducing Payments Due for Over 90 Days, 20 April, Lisbon.

Notes:

a. Data from Ministry of Finance (2012). According to this source, AUPL are, generally speaking, accounts payable, whether or not the payment date is expired and can be seen as an early indicator of payments in arrears.

b. Encompasses AUPL of a universe that goes beyond municipalities and municipalised services (*e.g.*, includes local companies, parishes, municipal associations, regional tourism bodies) but there is no way of imputing the AUPL to municipalities as PPL 122 requires.

Based on this set of information, the debt limits, as well as the respective deviations from the early alert and excessive debt indicators, were calculated retroactively as if the rule laid down in the Bill had been in force since 2009. It should be mentioned that it was not possible to calculate some of the indicators for 2012, since information on non-financial debt was not available.

According to the calculations made, throughout the observed period **municipalities' demandable liabilities have exceeded their average net current revenue in the three previous years**,[8] surpassing one and half times this amount in 2011 (**excess debt** is thus estimated at around 193 million euros). This figure must be read with caution as the Bill implementation would require applying the rule and computing the eventual excess debt on a municipality by municipality basis; such procedure would end up with an amount higher than 193 million euros but, very likely, well

[8] It should be noted that both the numerator and the denominator of the debt indicator are undervalued since it was not possible to find equivalent figures for all of the entities relevant to the total debt limit, as defined in the Bill.

below the numerical target of 8,650 million euros shown in Table 12. The fact that in aggregate terms, and without taking into account the escape clause and entities other than municipalities and municipalised services, the debt ceiling is surpassed when calculated retroactively is not necessarily an outcome of generalised incompliance. Rather **it indicates that there are a number of municipalities that may find it difficult to adapt in the short-term to the new rule laid down in PPL 122 for 2014 onwards**.[9]

Table 12–Retroactive estimate of the whole of municipalities position *vis-à-vis* the debt limit contained in the Local Finance Bill (2009-2012)

Unit: million euros

	2009	2010	2011	2012
Current revenue (average previous 3 years)	5446,1	5709,7	5766,9	5725,6
Municipalities' debt limit (b) = 1.5* (a)	8169,2	8564,6	8650,3	8588,36
Total demandable liabilities (c) [1]	8168,3	8422,6	8843,1	n.a.

Note: Comma is used as the decimal separator

Source: CFP calculations based on Tables 7 to 11

1. For 2009 and 2010, figures are calculated on basis of balance sheet data (municipalities' and municipalised services' debts to third parties). In 2011, figures are calculated on basis of financial debt reported for Local Government in the latest EDP (INE, 2013) and the value of Assumed andUnpaid Liabilities for the entire Local Government subsector (Ministério das Finanças, 2012, p. 22). The latter amount, 3159 M€, comprises 23 M€ from parishes and associations of parishes that could never be imputed to municipalities by article 54 of PPL 122.

3. Differences between the debt notions in the EDP and the Bills

The table below summarises the major results of the application of the limits on regional and local debt laid down in the Bills under review, and compares them with the values of the gross debt indicator used under the Excessive Deficit Procedure (EDP debt)[10]. The debt figures used in this procedure **incorporate only the financial debt component**. The stock difference associated to the two debt rules (national rule, for subnational governments, and European rule, for the whole of national public administrations) will become clear.

[9] Consulted information does not consolidate the accounts of municipalities with those of their municipalised services, and so the current revenue and demandable liabilities figures in Table 12 may overestimate reality. Yet, this possibility is not likely to change qualitatively the above conclusion.

[10] According to INE information, the definition of general government gross debt used in the EDP includes the following debt categories: cash and deposits; short-term and long-term instruments, except shares, excluding financial derivatives; short-term and long-term loans. The INE also explains that under European legislation on this matter, when calculating gross debt: i) commercial debt is excluded; ii) the debt of state companies that are not part of the general government sector is excluded; iii) the debt of municipalities and parishes located in the autonomous regions is recorded in the local government subsector. And it should be stressed that this notion is slightly more restrictive than the definition given in the SEC-95 handbook, which includes: cash and deposits (AF.2), instruments except shares (AF.3), including financial derivatives (AF.34), loans (AF.4) and other debts (AF.7), as well as, in certain cases and on a small scale, shares and other holdings (AF.5) and insurance technical provisions (AF.6).

As can be seen in Table 13, the weight of subnational debt calculated pursuant to the rules laid down in the Bills rose over the period under review, and it is estimated that it accounted for nearly 9% of GDP in 2011. Over the same period the growth in EDP debt of regional and local government was slower than their total debt growth. In fact while total subnational debt rose by 2.6 GDP percentage points from 2009 to 2011, EDP debt was up by 0.9 GDP percentage points, which shows a **trend for the relative weight of non-financial debt in the total debt of the regions and municipalities to increase over this period**. It should be stressed that the subnational finance laws in force during the period in question, in particular the law covering the regions, exclude from their debt rules certain unpaid short-term debits (non-financial).

Table 13–Debt calculations under the Bills and the Excessive Deficit Procedure (2009-2011)

Unit: million euros

	2009	2010	2011
Regional and Local Finance Bills			
Regional Goverment Debt [a]	2.666,7	3.705,8	6.518,7
Azores debt	600,5	652,5	728,9
Madeira debt	2.066,2	3.053,3	5.789,8
Local Government Debt [ab]	8.168,3	8.422,6	8.843,1
Subnational debt [a]	10.835,0	12.128,4	15.361,8
As % national GDP	*6,4*	*7,0*	*9,0*
Madeira excessive debt [c]	616,0	1.624,5	4.527,1
Municipalities' excessive debt [d]			192,8
Subnational excessive debt [c]	616,0	1.624,5	4.719,9
As % national GDP	*0,4*	*0,9*	*2,6*
Excessive Debt Procedure			
General Government gross debt (consolidated)	**141.055,1**	**162.473,3**	**185.240,7**
As % national GDP	*83,7*	*94,0*	*108,3*
Regional Government gross debt	2.666,7	3.705,8	4.426,7
Azores gross debt	600,5	652,5	690,9
Madeira gross debt	2.066,2	3.053,3	3.735,8
Local Government gross debt	5.858,7	5.871,4	5.684,1
Subnational gross debt	8.525,4	9.577,2	10.110,8
As % nacional GDP	*5,1*	*5,5*	*5,9*
General Government excessive gross debt [e]	**39.937,7**	**58.757,9**	**82.601,8**
Memo items:			
GDPpm [f]	***168.529,0***	***172.859,0***	***171.064,8***
GDPpc of Azores [f]	*3.650,4*	*3.743,4*	*3.701,4*
GDPpc of Madeira [f]	*5.139,6*	*5.207,5*	*5.111,5*

Note: Comma is used as the decimal separator

Source: CFP calculations based on Table 6 and 12 and items contained in *Excessive Deficit Procedure (1st Notification of 2013)*

Other notes:

a. The figures for Debt relate to the estimated figures for "Total demandable liabilities".

b. For 2009 and 2010, figures calculated on basis of balance sheet data (municipalities' and municipalised services' debts to third parties). In 2011, figures calculated on basis of financial debt reported for Local Government in latest EDP and the value of Assumed and Unpaid Liabilities for the Local Government subsector as a whole.

c. Excessive debt was calculated under the rules in the Bill in question.

d. Results from applying the rule to the whole of municipalities. In a municipality by municipality analysis,

e. Excessive gross debt was calculated in line with the limit set in the European legislation (60% of GDP).

f. For 2011, provisional figure.

Finally another simulation was performed to assess the effect that would arise in 2011 if the debt limit laid down in PPL 121 and 122 was fully taken into account for the purposes of EDP debt. The purpose of this simulation is to get a rough idea of the pressure that this situation would cause on the other subsectors, subject to the obligation of assuring the compliance with the 60% of GDP ceiling imposed by European legislation. In that extreme case, under which all subnational debt permitted under the Bills would be solely financial, the EDP debt would increase by around 2,966 M€ (1.73% of GDP) for municipalities and would fall by 1,958 M€ (-1.14% of GDP) for the autonomous regions, in the light of the figures actually seen. Together this would account for an increase in EDP debt of around 1,007.9 M€ (+0.59% of GDP). Under this scenario in which the value of the municipalities and autonomous regions debt would reach 6.49% of GDP, the remainder of general government would be entitled to build up a maximum financial debt of 91,538.2 M€, if Portugal were to comply with the 60% of GDP limit laid down in article 126 of the Treaty on the Functioning of the European Union and Protocol (no. 12) on the Excessive Deficit Procedure.