Press release

Local Authority Financing Mechanism for paying suppliers

2 March 2012. The Council of Ministers has received a report on the agreement adopted yesterday by the Delegate Commission for Economic Affairs on the financing mechanism that will enable local authorities to pay their suppliers.

The mechanism is aimed at resolving the serious problem among local entities of the non-payment of suppliers and its basic lines will be extended to Autonomous Community suppliers once the legal requirements required to put it into practise have been met.

Threefold objective

The aim of this mechanism is threefold:

- To resolve the serious problem of non-payment of suppliers.
- To inject cash into the productive economy, which will serve to revitalise economic activity, especially among SMEs and the self-employed.
- To resolve the local authority debt problems that prevent their normal operation.

Fundamental pillars

The implementation of this mechanism is based on the following fundamental pillars:

- Immediate payment of suppliers
- Refinancing of local authority debt **over ten years**, with **a two year grace period**, to guarantee the viability of the restructuring. During the grace period, only the interest must be paid.

- Adjustment plan to ensure that the local authorities adopt a sustainable income and expenditure path.
- The interest will be at the Treasury rate plus 115 basis points.

The amount available to local authorities through this mechanism is €20,000 million. A similar sum will be available to the Autonomous Communities.

National Commission for Local Administration

Next Wednesday the National Commission for Local Administration will be holding a meeting at which the local authorities will be told how the mechanism is to work.

Next Tuesday a meeting of the Fiscal and Financial Policy Council will be held at which the Autonomous Communities will be informed of the characteristics of the mechanism, including any specifications that are relevant to them.

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