



At the New Economy Forum Conference in Malaga

## Montoro: "Our main goal is to return to the path of growth and employment"

- Tomorrow at the meeting of the Fiscal and Financial Policy Council, the Government will propose its supplier payment mechanism to all the autonomous communities
- He said that no autonomous community should go to the Council meeting tomorrow with a discourse hinting at relaxation of the deficit target

5 March 2012. The Minister of Finance and Public Administrations, Cristóbal Montoro, gave a speech today at the New Economy Forum in Malaga in which he stated that "our main goal is to return to the path of growth and employment".

With regard to the Fiscal and Financial Policy Council meeting tomorrow, he explained that all autonomous communities will be asked to meet a 1.5% deficit target so "if any communities are not realistic about these figures, it will be because their regional budgets are not based on realistic scenarios and they will have to adapt their budgets to the common public deficit target".

"I am sure that no region will formally ask me to reduce this deficit target or will ask for it to be relaxed because that would not be in the best interests of the region in question or for Spain as a whole" he said.

### Payment of suppliers, a boost to drive companies forward

He also explained that tomorrow at the Fiscal and Financial Policy Council meeting the supplier payment mechanism would be proposed to all the autonomous communities. Montoro highlighted the fact that the government had launched a very important measure to pay off regional administrations' outstanding debts with their suppliers. "This large-scale

financial operation," he said, "will give a boost to many companies and will serve as a stimulus, as these companies are at the forefront of our country's economic recovery".

It is an operation to put public accounts in order, one of the key areas in the government's economic policy. "It is a demonstration of the priority given by this government to ensuring a swift end to job destruction and to creating jobs" pointed out the minister. This will enhance the transparency of the administrations, an essential factor to build confidence in the Spanish economy and to return to growth.

"The government will not abandon local and regional authorities, nor will it demand great efforts at a time like this. Instead it will support them" he said. For this reason the government has approved activation of the State Guarantee for the operation to finance local authority suppliers, which comes to €35,000 million.

The Ministry of Finance will call a meeting of the National Commission for Local Administrations for next Wednesday and at this meeting local authorities will be told how the supplier financing mechanism will work. From this May, suppliers will be able to receive payment for any outstanding invoices relating to works, services or supplies provided before 1 January 2012 for contracts included in the scope of the Public Sector Contracts Act.

The local authorities will take out a loan, with a ten year repayment term and a two year interest-only payment period, and interest at the Treasury rate plus 115 basis points, thanks to the State Guarantee. "This is an injection of confidence and rigour", he said.

He explained that the Decree Law includes a discount to be applied by companies. However, this is not obligatory, it is voluntary and should not be a cause for concern. "The Government has no intention of forcing anyone to pay the deduction. What is important is the €35,000 million injection that the companies will receive," insisted Montoro.

Also at the Fiscal and Financial Policy Council meeting tomorrow, the same mechanism, for a similar amount and with any due specifications, will be explained to the Autonomous Communities.

## **The Budgetary Stability Bill**

The minister also made reference to the Budgetary Stability Bill, submitted to Parliament last Friday, which contains the primary objective of the government's economic policy which is to control the deficit, as budgetary stability and sustainability are key to economic growth and job creation. The Organic Law will form the legal and economic basis of the Government's budgetary policy.