



Meeting with the Autonomous Communities

The Fiscal and Financial Policy Council sets the deficit target at 1.5% of their GDP for every Autonomous Community

- The Government offers the regions a large-scale financial mechanism to enable them to pay off their debts with suppliers

6 March 2012. The Fiscal and Financial Policy Council today set the stability target for each of the Autonomous Communities at a deficit of 1.5% of their GDP for 2012. This new target takes into account the impact of the drop in economic activity on public accounts, whilst continuing the endeavour to reduce the structural deficit. It was also unanimously agreed to launch a large-scale financial operation to pay Autonomous Community suppliers.

Autonomous communities will have to adjust their income and expenditure policies in order to achieve the budgetary stability target, agreed by the Council of Ministers on 2 March. The maximum amount by

which they may increase their debt levels to finance the budgetary stability targets for 2012 is 1.5% of the regional GDP of each Autonomous Community.

The Minister of Finance and Public Administrations, Cristóbal Montoro, explained that, taking into account the deviation in the deficit target for 2011 of 2.5% of the GDP (8.5% as compared to the 6% of the GDP initially set), the Government believes it is necessary to revise the stability target, which is also being set under exceptional budgetary circumstances, with the extension to the State budget, and for this reason

new accounts are to be approved for this year. He indicated that "we all have the same aim" which is to reduce the deficit and to ensure there is no lack of funding for basic services for Spanish citizens wherever they live. For Montoro all the regions understand the deficit reduction and only Andalusia is opposed to the measure, in what could be considered a vote against austerity in public spending. The minister pointed out that Spain is reducing its structural deficit and that the government's target is still on the right path to meet the Stability Pact targets.

Paying suppliers

The Government, as it has done for local councils, has put a large-scale financial mechanism on the table to enable autonomous communities to tackle their outstanding debts with suppliers. It is a large-scale financial operation that will constitute a boost to many companies and will also serve as a much-needed stimulus to get the economic recovery underway. It is also an operation to get the public accounts in order, one of the principal areas of the government's economic policy, which, as the minister of Finance and Public Administrations, Cristóbal Montoro, pointed out "is a demonstration of the priority given by this government to ensuring a swift end to job destruction and to creating jobs". The government has approved activation of the State Guarantee for this supplier financing operation, for which a total of €35,000 million has been earmarked for both autonomous communities and local authorities.

The agreement signed today states that the payment obligations must be past due, payable in cash and callable and warns that if the outstanding payment obligations were pending inclusion in a budget, they would need to be included in the budget for 2012. As is the case for local authorities,

outstanding invoices have to have been received by the autonomous regions before 1 January 2012 and must be among the contract types covered by the Public Sector Contract Act.

In the case of the autonomous communities, eligible contracts will include those not covered by the Contracts Act signed by entities providing health, education and social services, by virtue of which an individual or legal entity has provided services or goods to third parties. Autonomous communities who wish to benefit from this extraordinary liquidity mechanism will have to submit the incorporation agreement, adopted by

the competent body in the community, to the Ministry of Finance and Public Administrations before 1 April.

Quarterly review

Following this and before 15 April, the autonomous communities must submit a certified list of their outstanding payment obligations. If the community has cancelled the payment of any debts in instalments, this information must be included on the certificate, giving details of any due dates up to 31 December 2012. Access to this extraordinary financing mechanism will be subject to fiscal conditions, which means that the autonomous community will have to have a favourable report from the Ministry of Finance and Public Administrations. The communities will have to submit an adjustment plan before 30 April, the duration of which will be the established debt settlement period. Compliance with this plan will be assessed on a quarterly basis by the Ministry of Finance and Public Administrations. The financing mechanism may be implemented in time windows up to 31 December, and in each window, the contractor may offer a minimum discount. A maximum overall financing total may also be set for each period so that specific tranches can be established for SMEs and the self-employed. Communities that choose to apply for this mechanism must send the Ministry of Finance and Public Administrations a loan request for the total amount of the credit transferred to banks by their suppliers, which will subsequently be authorised. The financing system resources for common regime autonomous communities will cover any obligations taken out with credit authorities.