



Meeting with Local Authorities

## All Public Administrations commit to budgetary stability

- The Minister of Finance and Public Administrations pushes for the demarcation of administrative powers within the Administrations
- Montoro announces that the deduction will not give priority for the payment of outstanding debts with suppliers

**7 March 2012.** All Public Administrations have given their backing to Budgetary Stability after the National Commission for Local Administrations (CNAL) today ratified the Local Authority budgetary stability target for 2012, which is set at a deficit of -0.3% of GDP.

This commitment to controlling public spending undertaken by the Government will help to generate confidence among international markets and investors, as a step that will enable Spain to swiftly return to growth and job creation.

This commitment to controlling expenditure was seen in the first decision taken by the Government, to approve a non-availability of credit declaration, of €8,914.95 million, and then in the Budgetary Stability and Financial Sustainability Act, to which all the Administrations have committed.

Last Friday, the Council of Ministers approved a new deficit target of 5.8% of GDP for the Public Administrations as a whole, which takes into account the impact of the fall in economic activity in the public accounts whilst maintaining efforts to reduce the structural deficit. In the case of local authorities, the revised deficit target stands at -0.3% for each of the local authorities.

During the National Council meeting, the Government fulfilled its duty to inform local authorities of the new stability target and of the non-financial expenditure limit in the State Budget for 2012, set at €118,565 million.

### **Demarcation of powers**

During the National Council meeting, the Minister of Finance and Public Administrations, Cristóbal Montoro, made a pledge to the representatives of the Spanish Federation of Municipalities and Provinces (FEMP) to reform the Public Administration power structure, with a new demarcation of powers based on the principle of 'One Administration, one power'

According to the minister, the reform of the power structure will help to "prevent overlaps, bureaucracy and inefficiency", which is the cause of a great deal of waste.

### **Paying suppliers**

Montoro announced that the financing operation that will enable local authorities and autonomous communities to pay off their outstanding debts with suppliers "will have enough of a margin to ensure that no-one is left without payment".

Montoro also stated that "suppliers will not be forced to offer deductions", and that other criteria, such as invoice seasoning, will take priority when allocating payments. Through this measure, suppliers will begin to receive payments from 1 May.

Before 31 March, local authorities will have to approve and send to the Ministry, one day later, an adjustment plan that:

- Must show sufficient current income to cover current expenditure and to meet the repayment of credit agreements, including the one being formalised.
- The current income forecasts given must be consistent with the evolution of income actually obtained by the respective local authority in 2009 to 2011.
- It must account for the adequate funding of public services provided either through taxes or public prices, and must therefore include sufficient information on the cost of public services and how they are to be funded.

- It must include a description and a schedule for applying any structural reforms that are to be implemented and any measures to be adopted to reduce the administrative burden on citizens and companies. Additional requirements may also be set by the government's Delegate Commission for Economic Affairs

The credit agreement will be authorised if the plan receives a favourable assessment from the Ministry of Finance and Public Administrations.

Suppliers can check the aforementioned certificate to see if their right to payment is included, and if not, they may request an individual certificate which the local authority is obliged to issue in order for them to exercise their right to collect payment. Local authority suppliers will be able to collect their payment from 2 May.