



Fund created to finance payment of suppliers

- The system will apply to the debts of local authorities and autonomous communities
- It will inject €35,000 million into the productive economy.
- It is the biggest refinancing operation ever carried out in Spain

9 March 2012. The Council of Ministers has approved the creation of the fund for financing supplier payments, that will enable them to begin receiving payment for outstanding invoices from May. As well as paying off the trade debts of local authorities, it will mean a significant injection of cash into the productive economy.

This tool will also be applied to the outstanding payments of autonomous communities, in line with the agreements reached at the Fiscal and Financial Policy Council meeting on 6 March, and will also help to ensure the organised restructuring of the trade debts of communities and local authorities.

Syndicated bank loan

The payments will be implemented through a syndicated bank loan, with a fund of around €35,000 million (including autonomous communities), the biggest refinancing operation ever carried out in Spain. This syndicated loan will be guaranteed by the Public Treasury which in turn will have the counter guarantee of the local authorities' share of state revenues.

To carry out this operation, the Ministry of Economy and Competitiveness will create the Fund for Financing Territorial Administrations, which will be responsible for channelling the syndicated loan to the local authorities. The loan will be for a term of five years with a two year grace period during which the local authorities will only pay back the interest. Local

authorities will, however, have ten years in which to pay back the loan, with a two year interest-only period, through a refinancing mechanism to be implemented by the financing fund.

The cost of the loan will be equivalent to that of other transactions guaranteed by the State with a maximum surcharge of 115 basis points over the Treasury rate. At present, the interest would stand at around 5%.