Press release

Financial and Fiscal Policy Council

The Fiscal and Financial Policy Council approves ambitious stability targets for the Autonomous Regions

- The Autonomous Regions will only be allowed a deficit of 0.7% in 2013, 0.1% in 2014 and a surplus of 0.2% in 2015, which will be mandatory

- Several regions are warned of the risk of failing to comply with the target deficit of 1.5% for this year. This is the first step towards implementing the measures set out in the Stability Act

- The Government is pressurising the regions to eliminate their public companies before the end of the year after finding numerous delays in compliance with the Reduction Plan for the Regional Public Sector

- The Council declares the Economic and Financial Plan of Asturias fit for purpose after introducing the changes requested by the Executive

12 July 2012. The Fiscal and Financial Policy Council widely approved an ambitious set of budget stability targets for 2012-2014. These new targets set a deficit of 0.7% for 2013, 0.1% for 2014 and a surplus of 0.2% for 2015 for the regions.

The new targets are:

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Year	New Scenario	Previous scenario (April 2012 Stability Programme)
2013	- 0.7% GDP	- 0.5% GDP
2014	- 0.1% GDP	- 0.3% GDP
2015	+ 0.2% GDP	+ 0.0% GDP

The Minister of Finance stated that at present, "the Government is guaranteeing that Spain will meet its stability target and that all the regions will meet theirs". He also said that "the regions will comply with the deficit regardless of their political affiliations, and these targets will help restore confidence in the markets", as well as being mandatory.

These targets have been approved with broad support from 12 regions, while only 4 voted against and 2 abstained.

The Autonomous Regions will also be required to follow the same information policy requested by the European Commission from Spain. This means that the regions have to provide a biannual scenario (2013-2015) with the budget situation of the Autonomous Region adjusted to the new stability targets.

Risk warnings

The Fiscal and Financial Policy Council, after examining the information provided by the regions regarding the degree of compliance with the Economic and Financial Plans (PEF) approved on 17 May and examining the available data, has decided to warn several regions that they run the risk of failing to meet the deficit target of 1.5% GDP set for 2012.

The Minister of Finance and Public Administrations, Cristóbal Montoro,

stated that from now on and over the course of the next week, bilateral meetings will be held in order for the necessary measures to be adopted to comply with the 1.5% target.

This warning is the first step towards implementing the measures set out in the Budget Stability and Financial Sustainability Act for administrations that spend more than their revenues. From now on a one-week hearings process will be opened with these regions for them to clarify their information or adopt the necessary measures to reduce their deficit. If the current deviation continues or the necessary adjustments are not agreed, the Council of Ministers will approve the launch of the coercion process set out in article 25 of the Stability Act.

The Government has brought forward the first monitoring of the implementation of the Economic and Financial Plans of the Autonomous Regions, as the original date in late September would leave it with little time to react if it should have to adopt additional measures.

In today's meeting, the Autonomous Regions agreed to submit the budget execution to the Ministry of Finance and Public Administrations on a monthly basis beginning in July, giving it immediate knowledge of the economic situation of the regions, which will be a very important step forward in the transparency of the accounts of Public Administrations.

Finally, the CPFF has declared the new Economic and Financial Plan drawn up by the Principality of Asturias as fit for purpose, as it contains measures to enable the region to meet its target deficit for 2012, which was rejected by the CPFF meeting on 17 May.

Pressure to reduce public companies

During the CPFF meeting, the Government noted the failure of the Autonomous Regions to comply with the agreement adopted on 17 January to reduce the publicly owned business sector. The regions agreed to report each quarter on the execution of the restructuring plans set out for each region.

Little progress was made in the first quarter in the process of streamlining the regional public company sector, with only two entities being reduced, and the minister insisted on the need to accelerate this process from now until the end of the year.

Another of the matters dealt with was the new financial instrument of the regions. The minister said that a fund would be established to meet certain payments due, conditional on new reforms in their budgets.