



Entry into force of the Budgetary Stability Act

## All Spanish public administrations to implement the principle of budgetary stability

- After receiving the Rebalancing Plans, the Government, together with the autonomous regions, will examine and debate and either approve or reject each plan at the next meeting of the Financial and Fiscal Policy Council
- The Ministry of Finance and Public Administrations has published a video explaining the Stability Act on its website

**30 April 2012.** The entry into force of the Budgetary Stability and Financial Sustainability Act on 1 May, one day after it was published in the Official State Gazette (BOE), will make Spain the first country in Europe to establish the principle of budgetary stability as a national law, applicable to all public administrations and companies.

By passing this Act, the first approved by the Spanish parliament this term, the Government has assumed its constitutional duty to coordinate the economic policies of all public administrations. During its passage through parliament, the Act also received the support of nationalist groups and all the autonomous regions and local government bodies.

According to the Secretary of State for Budgets, Marta Fernández Currás, "The main problem affecting Spain's economy is its funding, and this calls for public administrations to rebalance their books as soon as possible in order to make room for entrepreneurial funding".

For Antonio Beteta, Secretary of State for Public Administrations, "This Government has said from the start that it will support all autonomous

regions, because it is the regions that make up Spain, and it has taken major steps to ensure their liquidity: it has brought forward payments on account, it has deferred repayment for 10 years and established an unprecedented payment mechanism for suppliers of local and regional administrations”.

Coinciding with publication of the Act in the official state gazette (BOE), the Ministry of the Treasury and Public Administrations has made a [video explaining the Budgetary Stability Act](http://www.minhap.gob.es/es-ES/Prensa/En%20Portada/2012/Paginas/VideosLeydeEstabilidad.aspx) that can be viewed on its website or via the following direct link: <http://www.minhap.gob.es/es-ES/Prensa/En%20Portada/2012/Paginas/VideosLeydeEstabilidad.aspx>.

### **ALL ADMINISTRATIONS MUST COMPLY**

The new Stability Act will be the standard against which all corrections and justifications of the economic and financial rebalancing plans will be judged at the next meeting of the Financial and Fiscal Policy Council. In these plans, the autonomous regions will have to specify how they intend to comply with the deficit target of 1.5% for 2012.

The process will be one of redrafting, because when the regional governments submitted the preliminary versions of their plans in February and March, many of the final figures required were still unknown. Furthermore, some plans included fictitious estimates made by the previous government due to their failure to present General Budgets.

In its General State Budget, this Government has supplied the autonomous regions with a true picture of the income they can expect to receive from central government in 2012, and the economic and financial rebalancing plans must be drawn up based on these real income forecasts.

Once the rebalancing plans have been submitted, the government will have 15 days to examine them, following which each will be debated and approved or rejected by the government and the regional governments during the next meeting of the Financial and Fiscal Policy Council in mid May. The plans will also be made published.

The government hopes that every regional government will meet the stability targets, and has announced healthcare and educational measures that will help ensure their compliance.

If the measures laid out in a particular plan do not guarantee that deficit targets will be met, the Government will be free to implement the measures set out in the Budgetary Stability Act, already in force, which includes such extreme measures as intervening in the management of an autonomous region or dissolving a local government body.