



Financial and Fiscal Policy Council

Montoro: "Today a fundamental step has been taken for Spain's credibility"

- The Council deemed that the Financial and Economic Rebalancing Plans (PEF) of all the Autonomous Regions, except Asturias, contain appropriate measures to meet the deficit target of 1.5% of GDP in 2012
- Asturias has to develop a new PEF within 15 calendar days, that will be evaluated in a new Council meeting to be held during the first two weeks of June
- The cost-saving and revenue-growth measures contained in the PEFs total 18.349 billion euros, of which 13.071 billion is from cost savings and 5.278 billion from revenue growth
- For the first time the PEFs, which are being published on the Internet today, will be subject to strict monitoring to ensure compliance.

17 May 2012. The Minister of Finance and Public Administrations, Cristóbal Montoro, said, "Today a major step has been taken for Spain's credibility and the reorganisation of the State and our regional model", following the conclusion of the Financial and Fiscal Policy Council (CPFF) in which the Financial and Economic Rebalancing Plans (PEF) of the Autonomous Regions were evaluated.

According to the minister, "Today's Council has been a success all round: for the Government and the Autonomous Regions, for the whole country".

The Financial and Fiscal Policy Council has found that the PEFs of the Autonomous Regions of Andalusia, Aragon, Cantabria, Catalonia, Balearic Islands, Valencia, Galicia, Extremadura, Madrid, Castilla y Leon, Canary Islands, Castilla-La Mancha, La Rioja and Murcia contain appropriate cost-saving and revenue-growth measures to comply with the budgetary stability target of 1.5% of GDP by 31 December 2012.

However, the PEF of the Autonomous Region of Asturias has not been approved by the CPFF because it was considered that the proposed measures did not ensure compliance with the stability targets and Asturias has therefore been required to develop a new PEF within 15 calendar days to be evaluated by a new CPFF meeting to be held immediately thereafter. The submitted plan only contains a description of the legal regulations that have enabled the extension of the budget and the unavailability of loans derived from it.

In the event that this PEF is not submitted, or that the CPFF considers that the measures are still insufficient, the coercive measures of Article 25 of the Organic Law of Budgetary Stability and Financial Sustainability shall be applied to Asturias.

Transparency and monitoring of public accounts

Cristóbal Montoro said, "The implementation of plans and monitoring by the Ministry of Finance will now begin, a key issue to regaining credibility". These PEFs will be the first to be monitored and enforced under the new Organic Law of Budgetary Stability and Financial Sustainability. This means that they will be subject to strict monitoring to ensure their ultimate compliance.

In addition to the monitoring measures, the Organic Law of Budgetary Stability and Financial Sustainability provides preventive, corrective, coercive and enforcement mechanisms that strengthen the budgetary stability targets as "the way to start the economic recovery".

It is worth highlighting the efforts made by the Autonomous Regions, which demonstrates their commitment to budgetary stability, since the package of cost-saving and revenue-growth measures contained in the PEFs totalled 18.349 billion euros (13.071 billion for cost savings and 5.278 billion for revenue growth). For the Minister, "Credibility is not

achieved by an overall figure, but in the day-to-day implementation of the Autonomous Regions' plans".

Better funding of regional and local governments

The Government has shown its support to facilitate the funding of regional and local governments with measures that have increased their liquidity (Supplier Payment Plan, a new line of Official Credit Institute maturities, settlements deferred to 120 months for 2008 and 2009, advances of 50% on 2010 settlements, etc.), but this unconditional support is dependent on a commitment to budgetary stability. The content of the PEFs and their approval or rejection by the Financial and Fiscal Policy Council are the epitome of fiscal and financial conditionality, and of the thorough review of compliance with the budgetary stability rules.