



Appearance before the Parliamentary Budget Committee

Fernández Currás: "Guaranteeing the sustainability of the public accounts is the responsibility of each and every one of the public administration services"

- The Secretary of State insisted that this year's public accounts will generate trust, economic growth and employment
- She was emphatic in stating that "Spain must meet and Spain is going to meet its deficit target" of 5.3% this year
- She explained that austerity measures have been adopted in relation to expenses which represent a decrease of 6.7%, in adjusted terms, compared to the 2011 Budget

17 April 2012. The Secretary of State for Budgets and Expenditure, Marta Fernández Currás, confirmed in her speech to the Parliamentary Budget Committee, that guaranteeing the future sustainability of the public

accounts, meeting the public deficit reduction targets of 5.3% of the GDP for this year and 3% of the GDP for 2013 are the responsibility of each and every one of the public administrations, all political parties and all social agents involved in public life.

She made this call for responsibility because "it is essential that we have a firm commitment to budgetary stability from everyone". In her response to the parliamentary groups, she totally rejected that this year's General State Budget has little credibility and is useless in order to exit the crisis. More to the contrary, she was conclusive when stating that this Budget will allow confidence, growth and jobs to be created, which is quite the

opposite to the previous government and its contributions to unemployment, the recession and the lack of confidence. At the same time, she emphasised that we have no other alternative but to comply with the deficit consolidation commitment and was emphatic when stating that "Spain must meet and Spain is going to meet" its deficit target.

Expenditure Control

Fernández Currás explained from an expenditure point of view that necessary austerity measures have been adopted in order for the State to be able to comply with its deficit limit of 3.5% of the GDP, which is €36,976 million. The non-financial expenditure limit included in the General State Budget has decreased to €116,140 million, therefore it is below the €118,565 million ceiling approved by Parliament. "This budget must be used to pay for State obligations from previous years totalling €2,270 million, which reduces the effective expenditure limit for 2012 to €113,870 million and represents a reduction of 6.7% on the State Budget for 2011, in adjusted terms (€122,022 million)".

Lowering those items that enable the provision of services to be guaranteed with considerable savings in resources has also been given priority. Therefore, salaries paid to State public sector workers will be no higher than those paid in 2011. This fact, together with the effect of restrictions on public sector jobs offered in previous years, means there is a reduction of 2.6% in spending on salaries compared to 2011.

However, the forecast increase of 7.9% in expenditure on pensions paid to the non-working population will produce a 1.3% increase in wage costs compared to the previous year because neither standard pensions have been frozen nor those paid to retired civil servants.

Based on this, current expenditure on goods and services falls by 10.7%, while at the same time capital transfers come down by 46.4%. Real investments, excluding obligations from previous years, decrease by 19.6% compared to the 2011 Budget.

"These figures clearly illustrate the effort that this Government has made, and it is asking of public administrations, public sector workers, companies and citizens, to correct the extremely serious misjudgements that have brought our economy to a critical point", said Marta Fernández

Curras, who also requested that political groups make the same effort as demanded by society.

During her speech, she stated that at some point in 2012 Spain will reach stability in its current account balance of payments with the rest of the world, "which means that in 2012 Spain will not need to borrow money from abroad". This is what she announced in her speech to the Parliamentary Budget Committee, where she talked about the General State Budget Bill for 2012 that the Government has presented to Parliament for approval.

She also explained that the fact that Spain is to reach this stability in its balance of payments does not mean that it is not necessary to deal with maturities on external debt but emphasised the fact that the Treasury has already placed nearly 50% of its debt issue planned for the whole year. "This year Spain has liquidity to fulfil its needs therefore any doubts in the markets are unjustified", said Marta Fernández Curras.

In her first speech to Parliamentary groups, Marta Fernández Curras began by emphasising the exceptional nature of the 2012 General State Budget and the difficulties encountered when drafting the document in less than one hundred days. She once again stated that at the close of financial year 2011 all Public Administrations were in the red in national accounting terms, which was the first problem that the Government encountered when taking over and which required immediate action.

The Secretary of State made it clear that "this is not a Budget for eight months of 2012 but for the whole financial year". It is a Budget which has been inspired by principles based on realism, rigour and austerity and what she defined as "an exceptional Budget required by exceptional circumstances in our economy".

Main Achievements

The 2012 General State Budget will enable the State deficit to be cut by more than €17,000 million, representing 1.6% of the GDP, but the austerity effort is much greater. Given that unavoidable expenditure increases exist, such as interest, the financing of Regional Administrations and pensions to the non-working population, the real adjustment that must be made by the State rises to 2.5% of the GDP. Tax consolidation measures will mean an increase of around €12,300 million

and non-financial State revenue will rise thanks to the tax consolidation measures adopted and the effect of settling the financing systems.

"The settlement of the 2010 financing system in net terms will mean a favourable settlement for the Autonomous Communities. For this reason, the State has been making early transfers on account of this settlement since the beginning of the year, in accordance with that agreed at the Tax and Financial Policy Council meeting in January. These transfers, although having temporarily and comparatively deteriorated the State deficit during these first months of the year, have enabled Autonomous Communities to increase liquidity".

Action

In her speech to the Committee, the State Secretary also pointed out that the State Budget is absolutely dedicated to what is urgent and pressing for Spain, to reducing the high deficit found, to recovering our image and to recovering the trust of the European Union and the markets as the best and only way for the country to return to growth and job creation sooner rather than later.

Fernández Curras also stated that, despite the significant reduction in expenditure which is essential for obtaining fiscal consolidation and for obtaining an overall deficit of 3% of the GDP for the Public Administrations in 2013, the Government's objective is to distribute the adjustment burden equally in order to avoid this burden falling on those less advantaged. Therefore, the 2012 General State Budget updates pensions and provides the necessary credit to cover the cost of unemployment. Public sector wages remain the same.

Finally, she emphasised that policies such as training, responsible and joint promotion of research, development and innovation and of course public safety and maintaining infrastructures are among the Government's top priorities.