8 October 2012

Eurogroup Terms of Reference on Spain

We welcome the comprehensive structural reform programme presented by the Spanish government on 27 September. A preliminary assessment by the Commission indicates that the planned measures are in line with the EU's country-specific recommendations for Spain, and in some areas they go beyond. We encourage the Spanish authorities to continue the reform momentum with resolution. A more detailed evaluation of the programme will be conducted by the Commission and the ECB, in liaison with the IMF. The swift adoption and implementation of these measures will be important for boosting economic growth, bringing down unemployment and enhancing fiscal sustainability in Spain.

We encourage the Spanish government to continue to strictly implement the fiscal consolidation strategy. Compliance with the fiscal targets as set out in the revised recommendation for Spain in the context of the Excessive Deficit Procedure will ensure that Spain's public finances are put on a sustainable path. For the medium-term, fiscal targets will benefit from concrete, credible and permanent measures. We are confident in the determination of the Spanish government to pursue this fiscal strategy and look forward to the Commission analysis of the 2013 draft budget, which is expected to be published on 7 November in the context of the autumn economic forecasts.

The implementation of the financial sector programme is well on track. We believe that the reforms spelled out in the Memorandum of Understanding will contribute to ensuring a return of all parts of the Spanish banking sector to soundness and stability.

We are comforted by the fact that the total capital shortfall of the Spanish banking sector comes out at slightly less than EUR 60 billion, as concluded in the bank-by-bank stress test published on 28 September, which is well below the total financial assistance of up to EUR 100 billion agreed by the Eurogroup in July. The final State aid provided to Spanish banks will be lower than the reported capital shortfall, given measures to be taken by the banks in accordance to their recapitalisation and restructuring plans. Over the course of the next two months, restructuring or resolution plans for banks with a capital shortfall will be presented to the Commission for approval under State Aid rules, with first disbursements of funding foreseen from November onwards.