



Fitch Assesses Spanish Institutional Framework as Supportive

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Link to Fitch Ratings' Report: Institutional Framework for Spanish Subnationals

Fitch Ratings-Barcelona-23 January 2012: Fitch Ratings says in a newly published special report, that the Spanish Institutional Framework (IF) for subnationals is supportive for the sector.

Although issues such as stability of the funding systems, lack of overall transparency and inadequate resources to match responsibilities still need to be addressed, Fitch is of the opinion that the checks and balances are adequate. In addition, moderate revenue flexibility at the regional level, fiscal equalisation and prudential regulations in place are considered as positive elements. However, the agency's overall assessment of the IF is "neutral".

Tighter control has translated into much greater transparency on the accounts of the autonomous communities and their publication has been more timely. The development of the Budgetary Stability Law has meant that regional budget executions summaries are now disclosed on the Ministry of Finance's website on a quarterly basis.

With the adoption of the new funding system in 2009, the solidarity across the autonomous communities to shared taxes has increased. As much as 75% of the tax collected by the central government is subject to redistribution according to economic and demographic criteria. In the cities, the tax equalisation mechanism lacks transparency and is outdated so there is a substantial funding gap, even for those with a similar socio-economic profile.

The report, entitled "Institutional Framework for Spanish Subnationals" is available at www.fitchratings.com. The report covers topics such as Spain's administrative and legal framework, budget execution and control procedures, budgetary framework, inter-government relations and debt. It is one of a series of Fitch reports examining the institutional frameworks of subnationals in various countries.

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Applicable Criteria and Related Research:

International Local and Regional Governments Rating Criteria - Outside the United States
Assessment of the Institutional Framework for Subnationals

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