BRUSSELS—Euro-zone finance ministers on Monday pressed a budget plan on Spain—regarded as a key test of ambitious new rules for the currency bloc—that would allow the government some leeway on its budget deficit for this year but would keep a tough deficit target for 2013.

The plan would mean Spain would still have to embark on a bruising austerity program over the next two years that would cut nearly 6% of gross domestic product off its deficit. The program would be particularly challenging given Spain's contracting economy and 23% unemployment rate, Europe's highest. Ministers said after the meeting that Spain had agreed to consider the proposal.

The dispute over Spain's deficit marks the most important test of new rules designed to give European Union authorities more control over national budgets. The rules, passed after more than a year of painstaking talks, are seen as a crucial piece of Europe's response to the debt crisis, which saw Greece forced to seek a bailout after years of running deficits that exceeded the bloc's limits.

EU officials and other euro-zone governments are wary of allowing Spain similar wiggle room after its deficit last year strayed well above previously agreed targets.

Euro-zone leaders also voiced optimism that ministers would agree on another piece of their crisis response, a boost for the bloc's bailout lending capacity, at a meeting in Copenhagen at the end of this month.

If the euro zone doesn't raise the bailout-lending cap, it risks losing more than $300 billion ($393.5 billion) in new crisis-fighting resources from the rest of the world for the International Monetary Fund. Other governments have said they won't give more money to the IMF without a pledge from the euro zone to boost its bailout capacity. The euro zone has already promised to lend €150 billion to the IMF in hopes other nations also will contribute. The main option under discussion to boost the euro zone's anticrisis "firewall" would raise a €500 billion cap on total bailout lending, officials familiar with the talks said.

"The reinforcement of the euro-area financial firewall is an indispensable element of" the crisis-fighting strategy, EU Economics Commissioner Olli Rehn said after the meeting.

The euro zone's most important crisis-fighting measure has proved to be new three-year loans provided by the European Central Bank to the region's banks. Since the ECB started the program in December, yields on the government bonds of most troubled euro-zone economies have declined—except for Portugal, which some investors believe may eventually have to restructure its debt like Greece.

Ministers gave their final political approval for Greece's €130 billion second bailout after Athens last week completed the major part of a bond swap to reduce its heavy debt burden. But the technical approval for the deal...
will come on Wednesday during a conference call of euro-zone finance ministry officials.

The dispute with Spain marks the new EU system's first confrontation with the perils of attempting sharp budget cuts during a recession. The Spanish government, saddled with a stagnant economy and the bloc's highest unemployment rate, this month said its 2011 deficit was much wider than forecast and that the 2012 deficit wouldn't meet a previously agreed target.

Inflaming tensions with the EU, new Spanish Prime Minister Mariano Rajoy unilaterally declared a new target for this year of 5.8% of gross domestic product, not even close to the old target of 4.4%. That angered officials in Brussels and in other euro-zone governments, who are used to negotiating budget targets in behind-the-scenes talks. After Monday's talks, the new target for this year will be about 5.3%.

Officials said Spain deserved these concessions relating to its old targets because its economy has weakened significantly since the targets were set last year and because the government has passed significant economic overhauls sought by EU authorities.

"Spain has made significant progress," said German Finance Minister Wolfgang Schäuble on his way into the meeting Monday. "This is acknowledged by financial markets. The experience of the past few weeks and months shows that we are on the right path," he said.

Bolstering Spain's case is the fact that a number of other governments are having trouble meeting their deficit targets, most notably the Netherlands, one of the bloc's enforcers of budget austerity during the crisis.

The main forecasting agency of the Dutch government said this month that the Dutch deficit will be 4.5% of GDP both this year and next without further deficit cuts.

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A version of this article appeared Mar. 13, 2012, on page A9 in some U.S. editions of The Wall Street Journal, with the headline: Euro-Zone Ministers Press Spain for a Deal on Deficits.