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RECOVERY, TRANSFORMATION AND RESILIENCE PLAN

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RECOVERY, TRANSFORMATION AND RESILIENCE PLAN FOR THE SPANISH ECONOMY

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INTRODUCTION

Economic context

The health crisis caused by Covid-19 has completely transformed the global economic scene, which is facing an unprecedented crisis. The disruption of international value chains, restrictions in the supply of certain activities, and the drop in demand due to the necessary social distancing and mobility limitation measures have led to an unprecedented recession in most of the world.

In parallel with the spread of the pandemic, economic activity has gone through different phases in different geographical areas and countries; the epicentre has moved from Asia towards the Americas, after severely hitting a considerable number of European countries in the spring of 2020.

As a result of the pandemic containment measures, the European economy entered a deep recession in the first half of this year—the greatest recession since World War Two. According to the European Commission’s estimates, the eurozone economy operated at 25% to 30% below capacity during the period of strictest lockdown. Eurozone GDP is expected to contract by 8.7% in 2020, before recovering at a 6.1% growth rate next year.

In the case of Spain, the economic and social impact has been particularly intense since mid-March, due to the containment measures adopted and to the relative economic weight of the sectors that were most directly affected. In line with the rest of Europe, estimates point to an asymmetrical V-shaped evolution: after a 5.2% drop in GDP during the first quarter, and a 17.8% drop in the second quarter, progressive recovery is forecast up to the end of the year, paving the way for a high growth rate in 2021.

All forecasts will be marked by a high level of uncertainty until an effective cure or vaccine has been found. The impact of the Covid-19 crisis will essentially be determined by the duration and the structural impact of the health response measures worldwide, by the intensity of the reactivation of economic activity.
and employment internationally in the second half of 2020, and by the real and potential growth achieved as of 2021.

Accordingly, an Urgent Action Plan was implemented in March, followed by a Reactivation Plan in June, to accompany the recovery in the second half of 2020. These Plans included measures supporting liquidity, adapting working hours and implementing telework, enabling flexibility and public support for maintaining jobs through furlough and short-time work schemes (ERTES), and sustaining family incomes, focusing in particular on the self-employed and on those groups especially affected by the pandemic. Moreover, sector-based plans have been launched to narrow the production gap in those spheres most affected by mobility restrictions and drops in demand, such as tourism, transport and the automotive industry, which account for a substantial proportion of GDP and exports, and have a considerable knock-on effect on the rest of the economy.

This rapid response has made it possible to mitigate the economic and social impact, saving jobs and guaranteeing that no one was left behind. Unlike previous cycles, the measures adopted enabled adjustments other than layoffs, mitigating the impact in terms of job destruction and preventing more lasting damage that would have jeopardized the recovery. Furthermore, a considerable proportion of Spain’s production capacity has been preserved, thus maintaining income levels that will enable the recovery of consumer spending. On this basis, it is estimated that the promotion of public and private investment may boost growth by up to three percentage points in the next three years.

All of these measures have been bolstered by the measures adopted by the European Union, including the significant short-term financial support provided at EU level. The European Central Bank’s decisive monetary policy action has been key to guaranteeing financial stability in a context of great uncertainty. Moreover, in the fiscal sphere, three new short-term liquidity mechanisms have been adopted to finance national instruments for furlough and short-term work schemes and public and private investment for economic reactivation, thus creating an additional safety net for eurozone countries, enabling them to fund their health response and prevention plans.

However, resistance and reactivation measures alone are not enough to guarantee the full recovery of pre-pandemic GDP, or to correct the significant new or inherited imbalances, or to address future challenges.
Indeed, the negative impact of the health emergency will aggravate some of the significant imbalances that have been weighing down Spain’s economy for decades: a high structural unemployment rate, with particular impact on young people, and a high level of precarious employment, which intensify the significant and growing social inequalities; a high level of debt compounded by a structural public deficit problem; a low level of investment in innovation and lifelong learning; low levels of productivity; insufficient attention to the environmental impact of economic activity; mature industrial and services sectors that are poorly adapted to new technologies and whose business strategies reflect little integration of the risks and opportunities of decarbonisation; an ecosystem of micro-SMEs that find it difficult to grow or to benefit from all the advantages of European integration; and major inter-territorial inequality gaps.

In addition to the short-term shock, the current crisis has accelerated ongoing processes that could have a significant impact on Spain’s economy, society and employment levels if the economic recovery does not focus on modernizing our production model on the basis of a new social contract aimed at the protection of the welfare state, the narrowing of social gaps, and inclusive growth throughout our territory within environmental limits.

If there is no well-defined Recovery Plan, all estimates point to unequal growth in the different sectors. This may lead to widening social and territorial gaps, as well as to a drop in private investment that may be aggravated if the smaller fiscal margin for the coming years entails lower levels of public investment.

Moreover, the greater relative presence of women and youth in the most affected sectors and employment modes, combined with unequal division of household chores, will lead to a particularly negative impact on these two groups. Women and youth were already hit particularly hard in the previous financial crisis, and suffer from high rates of unemployment and precarious employment, as well as from greater difficulties in access to housing.

In particular, the Covid-19 crisis, given its three-fold—health, social and economic—dimension, has had a particular impact on women. Occupations held largely by women are being affected the most by confinement measures and by the health crisis itself, which makes women more vulnerable in the face of economic contraction. Moreover, women continue to carry out most of the household chores and care for dependents, which places them at greater risk and hinders work-life balance. Lastly, it has been observed that gender violence increases under lockdown situations. All of this proves the need to mainstream the gender perspective into the design of actions to tackle the economic and social crisis, thus preventing the deepening of gender inequalities.
Intra- and inter-generational justice makes it crucial to ensure that public debt is aimed at financing future investments, investments that increase productivity and potential growth, that enhance environmental sustainability, inclusion and the quality of life of the population as a whole. To this end, it is necessary to increase the efficiency of public spending and modernise the public administration, so that it can adapt to new realities and respond rapidly to the significant challenges of the future.

The European Union’s response to the crisis: Next Generation EU

The magnitude of the challenge has required a common, EU-wide response. In the short term, providing—via monetary and fiscal policy—an appropriate financial framework for national responses, protecting the proper functioning of the common market so that all companies can operate under the same conditions, and designing common health and safety protocols. In the medium term, launching an ambitious recovery plan, in line with what is required to rebuild our economies in the post-Covid-19 world, starting in 2021.

On 21 July a historic agreement was reached in the European Council to mobilize, in response to this exceptional situation, 750 billion euros, funded through EU debt issuance, and which, together with the 1.074 trillion euros of the 2021-2027 Multiannual Financial Framework, will make it possible to undertake an unprecedented volume of investment in the coming years.

The new recovery plan—Next Generation EU—will enable Spain to mobilize an unprecedented volume of investment. In fact, the agreement of the European Council envisages financing of up to 140 billion euros in transfers and loans over the coming six years, or 11% of Spain’s GDP in 2019.

The mobilization of such a significant volume of resources opens up an extraordinary opportunity for our country, comparable with the processes of economic transformation that stemmed from Spain’s incorporation into the European Communities in the 1980s or the creation of the European Cohesion Fund in the mid-1990s. It will not only enable our country to overcome the crisis and restore prior employment levels: it will also facilitate the modernisation of our economy so as to ensure that this recovery is green, digital, inclusive and has positive social impacts. The structural transformations and reforms implemented will be focused on transitioning towards a climate-neutral economy and society that are sustainable, circular, environmentally friendly and resource-efficient.
RECOVERY, TRANSFORMATION AND RESILIENCE PLAN
The Recovery, Transformation and Resilience Plan is a national project defining the roadmap for the modernisation of the Spanish economy, for the recovery of economic growth and job creation, for a robust, inclusive and resilient economic rebuilding after the Covid-19 crisis, and to respond to the challenges of the coming decade.

The Plan has not been devised from scratch. On the contrary, it draws inspiration from and expands on the UN 2030 Agenda and the Sustainable Development Goals. It also builds upon prior diagnostics and initiatives, as well as upon the numerous legislative and economic measures approved in these past few months with a view to mitigating the impact of the health emergency, and represents a natural continuation of the Urgent Action Plan and the Reactivation Plan already launched by the Government. Ultimately, the Plan seeks to speed up and broaden the scope of the major programme of structural reforms promoted by the Government during the last two years, set forth in the Agenda for Change, laying a solid foundation for future development.

The Plan will help rejuvenate our production system. This strategic commitment is based on a principle of revitalization: if we are to prioritise the transformation of our economy, young people must come first. All the lines of action, policy levers and projects of the Plan very clearly take intergenerational considerations into account. The Plan has been drawn up with the direct participation of Spanish youth and their concerns and needs have been factored into all the programmes, both thematically and in the concrete measures. It is this focus that will guarantee the enduring growth potential of the Spanish economy.

This project reflects a vision of the Spain of the future with its sights set on the following country prospects:

- A prosperous and resilient Spain that maintains enduring, robust, inclusive and sustainable growth, that generates stable and quality jobs, and whose economic policy is focused on reducing social and gender inequalities and eradicating poverty throughout the country, in urban and rural areas alike.

- A country that accelerates its technological and digital transformation, strengthening the productivity, skills and connectivity of the entire population.

- A country that is a benchmark for the protection and conservation of the wealth of its natural goods as sustainable assets for its territories and a fundamental element in tackling climate challenges. A country committed to decarbonisation, that invests in green infrastructure, and that abandons fossil fuel energies in favour of a clean energy system, promoting new, safe and affordable developments, ensuring the sustainability of our production model, and fostering adaptation and resilience in the face of climate change.
• A country that **favours the creation and competitiveness of companies**, facilitating their growth, fostering productivity, attracting investment and committing decisively to the internationalization of SMEs and the creation of decent and stable jobs throughout the country, so as to contribute to social and territorial cohesion, to addressing demographic challenges and to stabilizing the population in areas in demographic decline.

• A country that **stimulates the competitiveness of its industry**, overcoming the inertia of the past, modernizing production, strengthening the capacity to generate quality jobs, especially for young people, women and groups underrepresented in the job market; promoting energy efficiency and acting on its commitment to a transition towards a circular economy that favours consumer awareness and fosters more sustainable consumer habits.

• A country that promotes **science and R&D&I** as a crucial component in fostering productivity, employment and the modernisation and transformation of productive, social and environmental processes. This will entail ensuring that technology and innovation reach everybody, everywhere, to harness the potential and opportunities of knowledge applied to socio-economic and territorial cohesion.

• A country that **bolsters its strategic sectors** (agro-industry, biotechnology, materials, construction, tourism, etc.) and that promotes their modernisation, focusing on their reappraisal and sustainable and innovative projection, while prioritizing an alternative, more competitive economic growth and the development of new business and social innovation models.

• A country that believes wholeheartedly in **excellence, universality and equity in education**, that eliminates social and territorial gaps, that incentivizes lifelong learning and believes in talent, promoting entrepreneurship and innovation, the reinforcement of research capabilities, and the attraction and fostering of excellence.

• A country that **recognizes culture as an enduring hallmark of its identity**, as both a yardstick and a source of learning; that promotes its values, its cultural industry and modernises access thereto; that defends the historical-artistic heritage and cultural, material and intangible legacies of its territories, especially in those areas tackling rural exodus and depopulation.

• A country that **supports and protects self-employed workers** and that incentivizes and promotes the **social economy**, as a sector that contributes to more inclusive and sustainable growth, creating stable, quality jobs.
• A country that promotes **healthy municipalities, from large metropolitan areas to the smallest municipalities**, through urban regeneration, better use of resources, the implementation of renewable energies and the establishment of sustainable mobility aimed at restoring spaces to pedestrians and at guaranteeing the physical connectivity of those living in the most depopulated, remote or disperse areas, as well as at strengthening electromobility and promoting the installation of charging infrastructure throughout the territory.

• A country that **believes in its young people and offers them opportunities**, acting to reduce youth unemployment, refocusing education and qualifications to the needs of a dynamic and changing job market entailing new challenges and demanding new professions and specializations, adapted to the needs and potential of its regions, especially in rural areas and in those areas affected by the flight of young talent.

• A country that **promotes the quality and efficiency of public administrations** and public services, fostering public trust through accessibility and a capacity to respond rapidly. A country that cares about the quality of the services provided in the small population hubs and municipalities of rural Spain at risk of depopulation.

• And, lastly, a country that **protects the most vulnerable** by adopting an equal rights-based approach as regards health, social issues and future opportunities. An approach that addresses the gender gap, defends social cohesion, decisively tackles the demographic challenge to guarantee territorial cohesion, and with a commitment to individuals, to **leaving no one behind**.

This Recovery, Transformation and Resilience Plan will entail a significant volume of public and private investment in the coming years. This investment, necessary to relaunch the Spanish economy and accelerate the transformation of the production model towards sustainable and inclusive growth, will be financed by **Next Generation EU**, the European Recovery Fund. Specifically, this Fund will **enable Spain to obtain financing of up to 140 billion euros**, of which around 72 billion will be disbursed in the form of transfers and the rest as loans.

In turn, these funds will be channelled to Spain through two of the main instruments comprising the European Recovery Fund: the Recovery and Resilience Facility and **REACT-EU**.

• The first of these instruments, the **Recovery and Resilience Facility**, comprises the bulk of the resources of the European Recovery Fund, and will allow Spain to
obtain more than 59 billion euros in transfers during the period 2021-2023. These funds, in accordance with the stated purpose of the Facility, will be used to facilitate the reforms and investments necessary for a lasting recovery, to improve the country’s economic and social resilience and to support EU Member States’ green and digital transitions.

- **REACT-EU**, the second of the two major instruments of the European Recovery Fund, will provide Spain with access to about 12 billion euros. This instrument supplies additional funds within the framework of the Cohesion Policy, subject to specific conditions and with greater flexibility in their management, in support of measures in response to the pandemic, with particular emphasis on the fields of health and education, and at paving the way for a recovery towards a green and digital economy. The programming and implementation of the REACT-EU funds will be carried out in collaboration with and through the Autonomous Communities.

The Government aims at mobilizing the transfers, worth almost 72 billion euros, in the first three years (2021-2023), to maximize their impact on the rapid reconstruction of the economy, and subsequently use loans to complement the funding of ongoing projects. In addition, Spain will be allocated more than 79 billion euros from the structural funds and under the Common Agricultural Policy for 2021-2027.

Public investment needs to bring Spain in line with the ratios of other advanced OECD countries are estimated at 6% of GDP per year for the next three years. The Plan includes public investment of up to 140 billion euros in the period 2021-2026, stimulating significant private investment and raising the potential growth rate of the Spanish economy above 2%. The concentration of measures in strategic, future-oriented areas is aimed at reducing structural unemployment, increasing productive investment, boosting job creation and company growth, accelerating business reorganisation and the development of networks, fostering technological dissemination, promoting the training and advancement of human capital, facilitating the generation of knowledge and its transfer to the productive process, improving income distribution, lowering barriers to market entry for innovative companies and contributing to increased productivity in key factors for future prosperity. In these areas, “green” activities represent 37% of the total investment, followed by digitisation, with 33%.

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1 Public investment in Spain currently stands at 2% of GDP, which is approximately 60% of the OECD average and far less than that of the countries investing the most, where it is nearly 6% of GDP.

2 These percentages refer to the resources of the Recovery and Resilience Facility.
In view of the urgency of the situation, these investments and reforms will be launched from 2020 with the resources available at the national level. Full implementation will not take place until 2021, when the projects and programmes will be scaled up through the new EU funding mechanisms. Furthermore, relevant actions started from 1 February 2020 onwards may also be eligible for EU funding. As many of the reforms set out in this Plan are already underway and important milestones have been met, additional funding could begin to flow from the middle of next year, as soon as the new EU instruments entry into force.

The Recovery, Transformation and Resilience Plan is in line with Spain’s 2021-2023 Draft Budget Plan and will be reflected in the proposed General State Budget for 2021. This Budget will include 27 billion euros chargeable to the expected transfers from the EU budget through the new financing instruments, in particular from the Recovery and Resilience Facility and REACT-EU.

The response to the current crisis requires a significant increase in public debt. The actions that have already been implemented, together with the planned investments, represent a significant increase in public spending and a fall in tax revenues. These factors, in conjunction with the effects of the automatic stabilizers, will result in a higher deficit and an increased public debt-to-GDP ratio in 2020. Therefore, it is imperative to take advantage of the recovery and to transform the economy in a way that will increase productivity and potential GDP, so that steady growth can be achieved and financial sustainability and resilience reinforced in the short, medium and long term, thus increasing the well-being of society as a whole. Once the path of sustained growth has become consolidated and the pre-crisis level of GDP recovered, it will be necessary to undertake medium- and long-term fiscal consolidation measures to correct the structural deficit.

Our shared experience during these months has taught us many lessons, but they can be summed up in a single message: a far-reaching national accord is a precondition for a strong, sustainable economic recovery that is fair to all. This crucial moment in Spain’s history calls for decisive action and the unity of all political and social agents around a common agenda for the future. All levels of government, together with public and private agents, must take coordinated action if we are to avoid irreparable economic and social damage and, at the same time, benefit from the multiple opportunities presented by the structural changes accelerated by the pandemic, and from the financial capabilities offered by the European Recovery Fund, which is of a scale and quality unmatched in previous crises.
If we are to rise to the magnitude of these challenges, society as a whole must cooperate, with the European institutions, the Government, Parliament, the Autonomous Communities, local authorities and social agents all acting in close coordination. Public-private collaboration is of vital importance to the success of the stimulus projects described in the Plan.

Since the outbreak of the pandemic, many forums and debates have put forward proposals for the economic recovery of our country. One such proposal is that of the Parliamentary Committee for Social and Economic Reconstruction, set up by the Congress of Deputies. The Committee’s conclusions and recommendations were published on 22 July 2020 and have been taken into account in this Plan.

Along the same lines, it is worth highlighting the agreements reached with the main social partners, leading to the signing of the Trilateral Agreement for Economic Reactivation and Employment on 3 July. Social dialogue is a key tool for the articulation of the reforms contained in this Plan.
GUIDING PRINCIPLES FOR A GREEN, DIGITAL, GENDER-NEUTRAL AND COHESIVE SPAIN
Firstly, in order to maximize the economic impact of the Plan, it is necessary to ensure that the resources of the European Recovery Fund are used to promote the transformations that our economy requires and that they increase our growth potential in the medium and long term.

First of all, in order to guarantee the correct implementation of the funds, a governance model must be articulated for the selection, monitoring, evaluation and coordination of the different projects:

- An Inter-Ministry Commission for Recovery, Transformation and Resilience will be created, chaired by the President of the Government and with the participation of the Ministers whose competences are most closely linked to the implementation of Next Generation EU. This Commission will be linked to the Government's Delegate Commission for Economic Affairs, in order to foster synergies and coherence between the formulation of economic policy and the implementation of the Plan. Likewise, to facilitate the effectiveness of this governance tool, a Technical Committee will be created. It will provide technical and legal support to the Ministerial Commission, gathering all the intelligence and capabilities available in the Government Administration at the service of recovery, transformation and resilience.

- In the same way, a Monitoring Unit for the Recovery Plan will be set up in the Presidency of the Government. This Unit, which will provide continuous information to the President of the Government, will carry out a political and strategic follow-up of the Plan to encourage all the actors to work for an efficient absorption of the European funds and the complete use thereof, in coherence with the structural reforms they support.

- The collaboration between the government and the rest of the actors involved in the implementation of the Plan will be fluid and regular. To this end, several high-level consultative forums or councils will be created or activated in the main sectors involved in the plan. These forums will serve as spaces for debate, information sharing, advice and monitoring of programs and projects. Participants will comprise top level representatives of ministerial departments, together with representatives of the private sector, social agents, civil society organisations and the broader civil society.

- The Sectoral Conference on European Funds will be reactivated, with the autonomous communities and cities, which will be led by the Minister of Finance with the aim of channelling the multilevel territorial governance typical of the
Spanish federal system and establishing mechanisms and channels of cooperation and coordination in the implementation of the Plan.

- The implementation of the Plan and the instruments of Next Generation EU will be included in the agenda of the next Conferences of Regional Presidents.

- Local entities will also participate in this governance process.

- Social dialogue between the Government and the social agents will be reinforced, as will dialogue with other strategic sectorial stakeholders, in order to optimize the implementation of the Plan from the different ministerial departments.

- Regular parliamentary control mechanisms will be put in place, through the EU Joint Parliamentary Committee, on the implementation and results of the Plan.

- The human, material and organisational capacities of the competent management centre of the Ministry of Finance (currently the Directorate of European Funds) will be reinforced through an adequate structure and with the adoption of the necessary administrative measures. This structure will be designated as the Authority responsible to the European institutions for the accountability and control of the Recovery and Resilience Facility. Along the same lines, management centres responsible for the implementation/management of funds will be strengthened and public entities or bodies with agile and efficient implementation capacities will be activated to the maximum, notably the Administration’s public entities and agencies, all with the aim of correcting the operational bottlenecks.

- Likewise, and with the aim of having a legal and administrative environment that facilitates the implementation of funds, a Royal Decree-Law will be approved that will reduce the main barriers and legal bottlenecks of the administration for an agile and efficient fund management, while ensuring full compliance with all relevant European Directives and the principles of integrity, transparency and accountability.

Secondly, a good TEMPORARY PLANNING is needed. The urgency of responding to the current crisis calls for the immediate mobilization of a large volume of public investment and, in particular, the acceleration of the transfers provided for in the new EU instruments for the period 2021-2023. The loans will be used in subsequent years according to needs and financing conditions. Likewise, this Plan will be articulated with the implementation of the Regional Development and Cohesion funds planned for the
whole period 2021-2027, in order to guarantee an adequate flow of investment in the beneficiary Autonomous Communities that will contribute to the economic and financial stabilization in the short, medium and long term.

**Thirdly, it is essential to PRIORITISE ten levers**, priority policies that contribute to sustainable and inclusive growth, promoting the decarbonisation of the economy and digitisation. The available resources will be used to significantly increase public investment, given that it has a greater multiplier effect\(^3\). In addition, special emphasis will be placed on programs and projects of European nature to amplify their impact on growth and employment generation, such as European transport corridors, energy interconnections, or projects of common European interest. The strengthening of the European project derives not only from the ambitious response of Next Generation EU, but also from its crystallization in transnational projects that will further increase economic and social ties between Member States and strengthen the Union’s strategic autonomy in key sectors and capacities.

**PUBLIC-PRIVATE COOPERATION** constitutes a fourth indispensable guiding principle to increase the investment capacity of the driver projects and mobilize companies and social agents, reaching the whole productive fabric. Assuming a ratio of private leverage in line with international experience in this type of project, of 1:4 (4 private euros invested for every euro of public investment), the 140,000 million from public sources could multiply their effect by mobilizing a total of up to 500,000 million euros in private sector investment. The use of financial tools, such as public-private investment funds (for research and development, start-ups, or digitisation...), can be useful to coordinate this essential collaboration with the private sector.

**Fifthly, it is necessary to implement an agenda of STRUCTURAL REFORMS, directly linked to the financing of these levers incorporating both investments and regulatory changes** so that the combined action of these two elements maximizes and accelerates the impact of the Plan on the economy as a whole. Thus, in order to full harness the impact of public and private investment, it is necessary to implement regulatory reforms of a horizontal nature that allow for a general improvement in productivity and greater efficiency in public spending, generating a virtuous circle with investment projects.

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\(^3\) Delidi et al. (2019) find multipliers above 2 for Southern European countries. This multiplier is reinforced in times of crisis, as pointed out by Hernández de Cos and Moral-Benito (2013) for the Spanish economy. The International Monetary Fund, for its part, has indicated a multiplier of 2.7 for public investment.
The Plan is structured around FOUR TRANSVERSAL AXES that will provide the backbone for the transformation of the economy as a whole and which the Government has placed at the centre of its economic policy strategy from the outset: ecological transition, digital transformation, gender equality and social and territorial cohesion. These axes will guide the entire recovery process, inspiring the structural reforms and investments that will be implemented, with the ultimate goal of returning on the path to growth, promoting the creation of companies and accelerating the generation of employment.

A Green Spain

The environmental crisis related to climate change and the loss of biodiversity generates huge social and economic costs for households, companies and public budgets, and also increases health and geostrategic risks. The pandemic and its subsequent expansion are further consequences of the loss of biodiversity and global warming. For societal progress to be fair, but also safe and durable, we must incorporate the environmental limits of our planet in our public policies and in our regulation of economic activity and stop the processes of irreversible ecological deterioration. The transformation of the productive model and the incorporation of a new paradigm of environmental sustainability in infrastructures are not only inevitable but also a major source of job creation, innovation, and savings in national accounting and in the trade balance. Modern studies highlight that green investments have a relevant and quick multiplying effect on the economy, in addition to social and environmental benefits.

The health crisis caused by COVID-19 has highlighted the need to accelerate the ecological transition, as a key element in the reconstruction phase. The circular economy as leverage for industrial modernisation, the strategic framework for energy and climate as a reference for the transition of the energy system, the management of water and its infrastructures, the resilience of the coastline or the quality of the soil and the good land management are some of the tools that will help to identify the great opportunities and the cautions that we must have in mind in the recovery phase.

The European Commission considers the contribution of the countries to be essential for the fulfilment of the EU goals as a whole. As the European goals to achieve a climate neutral economy are being upwardly revised, we need a legal framework that encourages the achievement of those goals and enables economic recovery and profit maximization in terms of economic growth, job creation and social welfare.
The National Integrated Energy and Climate Plan, submitted to the European Commission in May 2020, provides the guiding framework for this investment and reform program for a fair environmental transition that develops the strategic capabilities of the green economy. In addition, the implementation of the PNIEC will also have an important effect on economic growth, estimated at 1.8% of GDP in 2030, and on a greater creation of quality employment, estimated at 250,000 to 360,000 additional jobs between 2020 and 2030. At the present time, it is essential to accelerate the actions included in the National Integrated Energy and Climate Plan by reinforcing public and private investment to realign the productive model, promoting decarbonisation, energy efficiency, the deployment of renewable energies, the electrification of the economy, the development of energy storage, the circular economy, nature-based solutions and the resilience of all economic sectors. Acting decisively in this area will allow us to boost the economy and employment immediately, while anticipating new demands and ensuring the continued competitiveness of our value chains.

The National Integrated Energy and Climate Plan will be complemented by other important documents and strategies that will constitute the general framework for the transition, such as the circular economy strategy and its sectoral developments, the national climate change adaptation plan, the green infrastructure strategy and the new hydrological planning cycle, or the strategy for the decarbonisation of the economy by 2050. This guiding and regulatory framework is key to implement the European Green Deal, prioritizing the ecological transition within the development strategy.

A Digital Spain

The situation resulting from the COVID-19 has accelerated the process of digitisation in Spain, highlighting its strengths as well as its weaknesses from an economic, social and territorial point of view. During this time, the capacity and resilience of telecommunications networks has become evident, consolidating digital audio-visual services as a mass consumer good, teleworking has significantly expanded and the digitisation of education has received a boost. The need to urgently address the digital transition has also been put on the table, with the aim of guaranteeing the accessibility thereto of society as a whole and promoting the digitisation of business –in particular SMEs and start-ups– and industry, R&D&I, and digital training of the population.

Spain is well positioned to face this process, with several visible strengths. It is a leading country in the deployment of optic fibre networks. The European Commission has also recently recognized Spain's digitisation in the Digital Economy and Society Index.
(DESI), which measures the digitisation of European countries, where Spain is ahead of the rest of large European countries. The Commission also recognizes its prominent position in digital public services.

The dissemination of the digitisation process would have important effects on productivity, growth and job creation, as well as improvements in well-being and access to products and services, as indicated by various studies. According to a report by the International Telecommunications Union (2018), in OECD countries, an increase of 1% in the intensity of digitisation in the country represents an increase in GDP per capita of 0.14%. In Spain, a recent Deloitte study (2019) shows that a 10-point improvement in the DESI index would mean an average increase of one point in the real GDP per capita of Spain. The generalization of teleworking caused by the pandemic is a starting point on which to support this drive for digitisation.

It is critical to support the modernisation of the business fabric, promoting its internationalization, the renewal of technological capital, its adaptation to the ecological transition, and its digitisation. An inclusive and sustainable Digital Transformation must be promoted, supported by infrastructures and services that place people at their core, open new opportunities for companies, reduce the various digital gaps—such as the gender and regional gaps—, and promote reliable technologies that foster an open society and a dynamic and sustainable economy, and that contribute to a European digital sovereignty according to our values. Cybersecurity, the data economy, artificial intelligence and other enabling digital technologies are strategic vectors to drive the second wave of digitisation in Spain.

This digitisation represents a fundamental element to achieve the green recovery of the economy. The digital transformation of society and the economy is the bridge between innovation, productivity and sustainability. It is a fundamental ingredient to achieve the implementation and development of the changes that the ecological transition requires, as well as the development of policies and the implementation of environmental regulations.

Finally, this digital transformation is also configured as a backbone of territorial and social cohesion. Widespread connectivity in all territories will revitalize the areas most affected by depopulation, creating the necessary conditions for entrepreneurship and job creation, as well as to harness the potential of educational, health, social and entertainment telecare, thus contributing to labour mobility throughout the country and to reduce the geographical opportunity gap, especially pronounced in the case of young women, thus reversing population flight among key age groups for demographic sustainability.
In line with the European Digital Strategy, the Spain Digital 2025 Agenda, presented on 23 July 2020, is the roadmap to guide action in this field.

**Spain, a country without gender gaps**

All the analyses predict that the current crisis will have a more negative impact on women and young people, two groups that were especially affected by the previous financial crisis. Indeed, the destruction of temporary employment, the increase in unemployment, the fall in activity in sectors with a greater presence of women, the challenges derived from teleworking and the disruption of education and care systems are likely to result in a widening of the gender gap, as well as in fewer job and life opportunities for young people. This not only has implications for social justice, but it will also affect sustainability, making it paramount that the additional public debt issued in connection to the response to the pandemic be focused on future investments.

This differential effect is coupled with the gender gap, which persists in our country despite the advances made in recent decades. Progress has been very remarkable, and Spain ranks as one of the most advanced countries in certain areas and the most egalitarian in social terms. However, all the statistics confirm an important difference in activity, occupation and unemployment rates, a wide wage gap and notable inequalities in qualitative indicators, such as those related to involuntary part-time work. In addition, women have more difficulties in accessing financing for their projects, continue to be clearly underrepresented in managerial positions, and the gender gap in science, technology and mathematics (STEM) degrees, crucial to have access to the jobs of the future, is widening.

It is necessary to reduce the structural barriers that hinder the equal access of women to the labour market; raise the female employment rate; improve, strengthen and reorganize the long-term care system; increase educational potential and foster equal opportunities, so that long-term growth potential is boosted.

Gender equality is a fundamental factor for growth, not only as an element of justice and social balance but also as a factor of productivity and GDP potential, as it leverages the capacities of 50% of the population and the synergies derived from diversity in making economic decisions. All studies agree on the significant potential growth derived from the full incorporation of women into the labour market, estimated at around 15% of GDP in the case of Spain.
A cohesive and inclusive Spain

Strong and sustainable economic growth cannot be achieved without social cohesion. Reducing inequalities and achieving fair and inclusive growth is essential not only as an ethical or social justice issue, but also for economic efficiency: it contributes to the sustainability of the economic model by dampening the intensity of cycles and increasing the capitalization of the economy and public revenue. The commitment to knowledge, quality education and lifelong learning not only helps to reduce inequalities and promote employability: it brings opportunities and efficiency to our economy, incentivizes the leveraging of economic potential and helps consolidate well-formed and cohesive societies with a higher quality of life for all.

Budgetary stability and social policy, far from being incompatible, are absolutely inseparable if sustainable growth is to be guaranteed over time. In fact, inequality weighs on domestic demand and compromises public spending in the medium and long term, as it requires meeting social needs that would have been avoided with greater equality. Thus, reducing inequalities and achieving fair and inclusive growth is essential, not only for political and social reasons, but also for economic reasons.

The high structural unemployment that our economy suffers requires a new impulse to employment policies, both in quantitative and, above all, in qualitative terms. It involves paying special attention to personalized guidance for beneficiaries, especially young people and women, as well as a greater integration of active and passive policies in line with the best international practices, and a permanent evaluation of the employability and job reinsertion strategies of the public employment services.

Creating quality jobs and reducing inequality contributes to the sustainability of the economic model by dampening the intensity of cycles and increasing the capitalization of the economy, as well as public revenues. The health emergency has also shown the importance of having a solid welfare system with broad coverage, adequate health and care services, as well as efficient public administrations. Digitisation has significant potential in this area, in building capacities and generating savings without compromising service coverage and quality.

Beyond the reinforcement of the three existing pillars of the Welfare State (education, health and social services), it is necessary to develop the fourth pillar: the care economy. To do so, we need to strengthen the infrastructure of dependency care, long-term care, as well as home care. These actions, which are necessary in a
society with an increasing life expectancy, will contribute to improving the functional autonomy of the elderly and dependent persons and enhance the work-life balance of thousands of families, facilitating access to the labour market among those with dependents and voluntarily lengthening the retirement age, thus contributing to the sustainability of the pension system. All issues related to the financing and management of the System for Autonomy and Dependency Care must be addressed in depth, together with an improvement in the overall functioning of the system to promote changes aimed at the universalization of public dependency care services and the implementation of a person-centric care system.

**Spain’s population is highly concentrated in cities and in some medium and large municipalities, presenting major geographical differences in job opportunities.** In order to promote territorial cohesion, we need to leverage the digitisation and teleworking push to increase the integration of markets and revert the centripetal dynamics of the last decades.

**Some regions present a very significant negative demographic balance for the last decade.** This results in deficiencies that affect economic and social development, such as the lack of basic education, health, culture and social services, an uneven physical and digital communications network, insufficient transportation services, problems of financial exclusion, and the risk of a shortage of basic goods. All of them aggravate the depopulation process and intensify the aging of its population.

It is crucial to address the demographic challenge with policies that overcome gender roles and that promote shared responsibility and the care economy, legal immigration, and the activation of employment and entrepreneurship, particularly of women, in rural areas. In particular, we need to address legislation that makes young people and women more vulnerable, delaying their social and economic emancipation and negatively affecting the birth rate.

**All of this makes it essential to articulate a response that reinforces economic, social and territorial cohesion, resulting in a fairer, more supportive and resilient society** through the reinforcement of the welfare state, the educational system, the promotion of quality employment, a fair taxation system, the closing of social and territorial gaps, rural development and intergenerational justice.
This Plan corresponds to the recommendations of other international organisations and the objectives of the 2030 Agenda, which emphasize employment and quality education, the transformation of production and consumption models, the fight against climate change in the light of the ecological transition and decarbonisation, the digital revolution and innovation, as well as health and social well-being, to achieve inclusive, fair and sustainable growth in the long term.

The Recovery, Transformation and Resilience Plan is structured around ten levers that are urgent due to their capacity to drive activity and employment for the modernisation of our economy and society: (I) urban and rural agenda, the fight against rural depopulation and agricultural development; (II) resilient infrastructures and ecosystems; (III) a just and inclusive energy transition; (IV) an Administration for the 21st century; (V) modernisation and digitisation of the industrial fabric and SMEs, recovery of
the tourism sector and promotion of Spain as an entrepreneurial nation; (VI) pledge for science and innovation and strengthening the capabilities of the national health system; (VII) education and knowledge, lifelong learning and capacity building; (VIII) the new care economy and employment policies; (IX) promotion of the culture and sports industries and; (X) modernisation of the tax system for inclusive and sustainable growth.

This public action agenda will bring security and predictability to private actors, attracting and fostering investment aligned with the mid- and long-term vision of our country, through four strategic axes: green transition, digital transformation, gender equality and social and territorial cohesion.

The ten levers are a part of 30 projects or lines of action that articulate, in a comprehensive and complementary way, the different drivers of structural reform, both regulatory and investment-focused, designed to reach the general objectives of the Plan. Each project or line of action revolves around a challenge or specific objective and includes specific drivers: reforms and investments to enhance natural, technological and human capital, to increase productivity and job-creating growth potential. Besides these final aims, intermediary objectives, the expected results, the number of beneficiaries as well as estimated costs will be also specified.

The priorities of the Plan are completely aligned with the priorities of the European Union and the seven European Flagship Initiatives recently presented by the European Commission in its 2021 Annual Sustainable Growth Strategy. These Flagships Initiatives are the following: Power up: the frontloading of future-proof clean technologies and acceleration of the development and use of renewable energies, in particular renewable hydrogen; Renovate: the improvement of energy efficiency in private and public buildings; Recharge and refuel: the extension of charging and refuelling stations for electric cars; Connect: the fast rollout of 5G to all regions; Modernise: the modernisation and digitisation of government and public administration; Scale-up: the increase in European industrial data cloud and big data capacities and the development of cutting edge, energy-efficient processors; and the adaptation of education systems to support in particular digital skills and vocational training.

Thanks to the commitment and efficiency in the steps taken by the Government and Parliament, the cornerstone elements of some of the most important reforms are already in place. This will allow for immediately setting in motion the financing instruments of the Recovery Fund. Creating an agile and flexible procedure to start implementing the new European mechanisms will be of paramount importance to foster economic recovery and tackle as soon as possible the transformation our growth model.

Finally, the temporal dimension of this Plan requires some mechanisms to guarantee the continuity of reforms and investments over time. In this sense, the
different projects will be implemented over the coming years, with a strong initial boost in the 2021-2023 period, but with a long-term objective that goes beyond a single political term. The establishment of mechanisms of dialogue and participation of social agents, businesses and investors, regional public administrations and all the political parties plays a fundamental role in making sure that this Plan will indeed land its economic objectives and will be implemented consistently throughout the national territory.
Urban and rural agenda, the fight against rural depopulation and agricultural development

Cities play a fundamental role in the socio-economic transformation given their capacity to generate economic activity in the short-term throughout the whole country and have a pull effect for the industry and other key sectors, such as construction services. Hence the need to prepare our cities, towns and villages for the current challenges. This can be done by developing more accessible, sustainable, smart, dynamic and inclusive urban environments, as well as by improving competitiveness in the service sector nationwide and regardless of the population size.
Together with metropolitan areas, the welfare of people living in other environments, such as rural areas, has to be taken into account. Specific measures are therefore needed for underpopulated areas in order to promote professional opportunities and development, ensure equal access to public services and enable population retention, talent attraction and a sustainable use of our resources.

The crisis has also laid bare the importance of having a solid agri-food system and the highest food safety standards. It is a strategic sector meant to play a fundamental role in the recovery, as it already did after the 2008 crisis. This essential sector has allowed our population to have access to a stable food supply in terms of quantity, quality and price during the sanitary emergency. However, the crisis is greatly affecting it. Among the reasons, the restrictions in the hotels and restaurants sector (HORECA), the decrease in demand in the tourism sector, the reduction of disposable income, the increase of production costs and a reduced availability of labour due to safety measures and social distancing. Supporting and increasing the competitiveness of the agri-food sector are essential to maintain population, employment and economic activity in rural areas. They are also essential to keep ensuring reasonable, stable food prices and for the agri-food sector’s strategic contribution to the Spanish trade balance, which is key for recovery. The projects foreseen are, among others:

1. **Action plan to ensure sustainable, safe and connected mobility in urban and metropolitan areas.** It comprises the establishment of low emission zones and a massive deployment of charging infrastructure to encourage the use of electric vehicles, which is expected to bolster the capital goods industry and the development of new business models. It also foresees the reinforcement of public transportation and fleet modernisation with nationally-produced zero emission vehicles, offering attractive transportation alternatives and reducing operating costs for public transportation companies and authorities.

2. **Housing refurbishment and urban renewal plan,** with a special focus on efficiency and the improvement of habitability conditions. It will also tackle the development of green and blue infrastructure and the widespread installation of solar roofs. It will boost the deployment of distributed renewable energy and smart and efficient street lighting, aiming to reduce energy and economic costs for municipalities. It includes an energy transition plan for the emptied Spain, which seeks to promote energy communities, rehabilitation and regeneration, and support for sustainable and accessible energy in municipalities with less than 5,000 inhabitants, as a tool for employment generation and business attraction.
3. **Transformation and digitisation of the supply chain of the agri-food and fisheries system**, with the objective of promoting quality, sustainability and the circular economy, ecological production and seasonal and local consumption, reducing food waste, creating value and jobs around the agri-food and fisheries system, from the primary sector up to commercial distribution, and with a particular focus on rural areas, promoting their economic development and stopping depopulation.
Resilient infrastructures and ecosystems

Infrastructures have the capacity to mobilize large volumes of short-term investment and to generate a structural impact on society and the economy as a whole. The development of nature-based solutions, the reinforcement of adaptation and climate resilience in infrastructure, taking advantage of digital tools to develop early detection and early warning capabilities, especially in coastal and flood areas, and including adaptation measures in vulnerable areas and renaturation and de-construction projects, allow for optimizing investments and increasing the resilience of infrastructure to meet new demands and challenges, while preserving and protecting the natural capital of the country. It includes projects in:

4. Conservation and restoration of marine and terrestrial ecosystems and their biodiversity by mobilizing investments in green infrastructure, to facilitate ecological connectivity and to promote nature restoration programs aimed at leveraging biological diversity and its services, including nature-based solutions. It
will in particular feature a reforestation policy aimed at the sustainable use of forest areas, the fight against desertification, land degradation, and the loss of biodiversity, and to achieve the development of an active policy of climate mitigation and adaptation.

5. **Preservation of the coast and water resources.** It includes investments to reduce the vulnerability of coastal natural spaces and water resources facing the effects of climate change, through restorations and interventions on infrastructures aimed at reducing sensitivity to risks. It also includes actions to boost integrated water management, promoting the coordinated management and development of water, land and related resources, in order to equitably maximize the resulting social and economic well-being, without compromising the sustainability of vital ecosystems. In particular, these actions will focus on nature-based solutions for purification (green filters), sanitation and reuse, optimization of water sector infrastructure, and river restoration and aquifer recovery.

6. **Sustainable, safe and connected mobility.** Transport infrastructures are essential elements for regional development and social and territorial cohesion, as well as for increasing productivity, improving competitiveness and the export capacity of the economy, so it is essential that they are reliable, sustainable, resilient and of high quality. A major plan for the modernisation, digitisation, security and sustainability of key transport and intermodal infrastructures and the development of the main European corridors will be implemented.
A just and inclusive energy transition

The development of a decarbonised, competitive and efficient energy sector enables the mobilization of significant private investment by providing certainty and a predictable regulatory framework. It also harnesses the enormous renewable potential of our country and the existing value chains to strengthen competitiveness in both domestic and export markets. Besides, it facilitates the strategic positioning in rapid growth sectors at global level where Spain can lead. It includes the following projects:
7. **Massive deployment of the pool of renewable sources aimed at developing renewable electrical power** and bolstering the industrial value chain and competitiveness in energy-intensive industrial sectors. It includes a specific sub-plan aimed at the development of sustainable energy in insular territories. More precisely, it includes the **National Strategy for Self-supply** and the integration of renewables in construction and across all productive sectors, favouring the extension of renewable generation throughout the territory, the creation of local employment, the reduction of energy costs for families and companies and a greater potential for the digitisation and electrification of consumption derived from mobility and air conditioning, among others. It also includes the strategic development of renewables still in development or with rising demand.

More specifically, it features a biogas roadmap (favouring waste recovery to obtain sustainable biogas for electricity generation, thermal and mobility uses) and a roadmap for the take-off of offshore wind energy and related support programs for technological development associated with the blue economy (actions will be developed in new renewable energy technologies in the marine field, taking advantage of the employment opportunities and the competitiveness linked to this sector, as well as the enhancement of the Spanish maritime industry and geography). Likewise, energy communities, *start-ups* and innovative initiatives will be promoted, as well as the new dynamics and business models developed in the project.

8. **Electrical infrastructure, promotion of smart networks and deployment of energy storage.** It foresees boosting the deployment and the technological update of electrical energy transmission and distribution networks with a view to the integration of renewable energies, demand management, the development of independent aggregators and distributed energy resources, and the progressive electrification of mobility and the construction sector. It will also foster the deployment of storage technologies to accelerate progress on the path to decarbonisation, while promoting new business models and innovative projects in smart sector integration.

9. **Roadmap for renewable hydrogen and its sectorial integration.** This reflects Spain’s commitment to renewable hydrogen with the aim of decarbonizing the economy, reducing energy costs for industry, the service sector and households, and promoting competitiveness. It includes its development along the entire value chain in an innovative way, the generation of dedicated knowledge and technological capabilities, the promotion of pilot and commercial projects and the accompaniment of sectors that demand hydrogen, decarbonizing the current
consumption of hydrogen of fossil origin and taking advantage of its potential as an energy vector for sectoral integration and support for the electricity system.

10. A Just Transition Strategy to guarantee the preservation of employment opportunities and the creation of economic activity in the territories affected by the energy transition, through support to sectors and groups at risk, so that it contributes to preventing depopulation and the generation of new economic opportunities.
An administration for the 21st century

It is not possible to tackle a true economic and societal transformation without a Public Administration that acts as a driver of technological changes by promoting innovation, accompanying the private sector, activating the various economic sectors and creating new replicable and scalable business models in the whole of the economy. Therefore, a modernisation of the Administration is proposed to respond to the needs of the citizens and the economy, based on improving its efficiency and services.

In order to maximize productivity, this modernisation must be accompanied by a reinforcement of human capital, with training programs, as well as the digitisation of services and the energy transition of the infrastructure and public buildings due to their carry-over effect on the rest of the economy. In particular, it will highlight as a priority area
the modernisation and reform of the justice administration system in Spain, to make it more efficient and effective, offering quality services in the protection of citizens' rights and legal certainty. Likewise, a strategy for the development and reinforcement of cybersecurity in networks, data and communications of all public administrations will be deployed.

11. Modernisation of public administrations, which includes the following main lines of action:

- **Digitisation of the public administration**, both at the cross-cutting level and with five priority driver projects in strategic areas: justice administration, public employment services, public health data, consular management and territorial administration of the State.

- Plan to reinforce and deploy cybersecurity in Public Administrations.

- **Energy transition of the General Administration of the State**, including the energy rehabilitation of public buildings, which will prioritise those buildings with the highest energy consumption or the greatest impact on the economy; the development of sustainable mobility in the Administration itself and the deployment of thermal and electrical installations based on renewable energy sources in public buildings, favouring the implementation of these processes in the buildings of the General Administration of the State in areas in demographic decline.

- **Modernisation Plan for Public Administrations**, in order to improve the efficiency of human resources, reducing the high levels of temporary and precarious employment, as well as making the administration of human resources more flexible. It should also improve administrative procedures, as well as communication and cooperation among the different administrative levels, with special attention to the particularities of small municipalities and depopulated areas, which have scarce human and material resources, and inadequate physical and digital connectivity.

- **Comprehensive Reform and Modernisation Plan of the Justice System.**
Modernisation and digitisation of the industrial fabric and SMEs, recovery of the tourism sector and promotion of Spain as an entrepreneurial nation

To modernise and improve our industrial competitiveness, we need to incorporate and leverage the benefits of digitisation and sustainability across our existing and future business fabric, favouring its energy transition and promoting cross-cutting actions that foster the necessary transformations to guarantee its long-term viability while maintaining employment. On the one hand, we need to support and strengthen those companies that are already well-positioned in sectors such
as renewable energies, energy efficiency, electrification, the circular economy or adaptation to climate change. On the other, it is also about helping align the creation of new companies with new value chains, new products and new markets linked to the global challenges of sustainability, digitisation and the energy transition (renewable value chain and efficiency, innovation in electric mobility, etc.). These emerging markets offer significant employment and business opportunities, as well as the chance to develop value chains across the national territory.

Spain shall also promote cross-border projects and actively participate in projects of common European interest, in order to position the Spanish industry-services ecosystem at the cutting edge in innovation and technological development in key areas for our strategic autonomy, such as cloud systems, microelectronics, satellite communications, or automotive batteries.

Along with this new industrial policy, it is essential to improve the business environment, favour investment, and promote business creation and growth, increasing the size and productivity of SMEs and consolidating our country as a benchmark in supporting entrepreneurship, in particular technology start-ups. This requires a comprehensive approach to attracting, promoting, financing and developing start-up ecosystems, with great potential for innovation, technological development, quality employment and exponential growth. The envisaged measures seek to bring to Spain the best international practices to turn our country into an entrepreneurial nation.

Furthermore, it is also necessary to promote a coherent digitalization plan for the entire value chain in key driving sectors in order to fully leverage the synergies and opportunities of new technological developments and data management. This would include projects that contribute to our goals regarding energy efficiency, decarbonisation of the economy, and the circular economy, in line with the National Integrated Energy and Climate Plan 2021-2030. At the same time, we should also foster the development of tools that support the conservation of natural resources, biodiversity, water resources, the sea, or the meteorological surveillance network.

Digitisation can also facilitate the management of information and the improvement of environmental knowledge and parameters, the integration and systematization of processes, the modernisation of management, the prevention of climate risks and the provision of comprehensive environmental services.

Finally, tourism is a sector that plays a crucial role in our economy. In addition to representing more than 10% of GDP, it generates important spillover effects on other sectors, so its total effect on overall economic activity and employment is even greater. Sustainable tourism must also support efforts towards a green transition and serve as a driving force to boost local economies in a sustainable way.
12. **Spain 2030 Industrial Policy**, which will seek to foster the modernisation and overall productivity of the Spanish industry-services ecosystem by digitising the value chain and boosting productivity and competitiveness in key strategic sectors for the green and digital transitions. Spain is well positioned in many essential sectors such as telecommunications, construction, transport, automotive, water, waste, renewable energy, power electronics, etc. This strategy includes the following sub-plans: (i) Digitisation plan for four strategic sectors: healthcare, automotive industry, tourism and trade, in addition to agri-food, establishing public-private collaboration mechanisms for the development of technological solutions that increase productivity throughout of the entire value chain of these sectors, in which Spain enjoys a leading position; (ii) Plan for industrial modernisation and sustainability; (iii) Plan to promote the industries driving the green and digital transitions, including projects of common European interest; (iv) Circular Economy Strategy for material efficiency, the harnessing of resources and the competitiveness of economic sectors, especially in strategic sectors such as construction, the textile industry, agribusiness and electronics.

13. **Fostering the growth of SMEs** through: (i) a **plan for the digitalization of SMEs**, with investment in equipment, capacities, platforms and networks; (ii) reform and simplification of instruments to finance their internationalization and the diversification of their international activities towards new markets (Africa and Asia); (iii) **Strategy “Spain Entrepreneurial Nation”**, aiming at fostering the creation and growth of businesses, the development of networks and the adaptability of the economic fabric; and (iv) the **Plan to support the start-up ecosystem**, in order to boost technology-based, innovative industries.

14. **Plan of modernisation and competitiveness of the tourism sector**, aimed at fostering resilience, sustainability, diversification and added value in a key driver of the economy throughout the Spanish territory, paying a special attention to the Balearic Islands, the Canary Islands and the tourist sector in depopulated areas.

15. **Digital Connectivity, cybersecurity and deployment of 5G** networks to guarantee territorial cohesion, fostering technological developments and economic growth building upon the country’s leadership in high-speed networks, 5G development and a business ecosystem revolving around the cybersecurity magnet of the INCIBE, Spain’s Institute for Cybersecurity.
Pledge for science and innovation and strengthening the capabilities of the national health system

National transformations must be grounded on knowledge and science. The health crisis has placed science in a preeminent position, as an essential pillar in the recovery plans and the ability to respond to future crises. It has however also revealed the insufficient funding that science and innovation in general receive, particularly in key strategic sectors such as artificial intelligence, and the need to create a more robust Europe-wide scientific research system, in which Spain must play a leading role.

Our country cannot afford science being sacrificed once again in a crisis of a global scale. The regression in funding provided for R&D&I throughout the last 15 years, along with the economic impact of the pandemic, which will accelerate the obsolescence of the productive fabric, require the implementation of robust measures for the reconstruction and strengthening of Science and Innovation systems. Moreover, the links between universities and businesses should be reinforced through collaborations in research, training and employment preparation schemes.
The Emergency Action Plan for Science, first presented on 9 July, the National Strategy for Science, Technology and Innovation and the Strategic Plan of Spain’s Centre for Industrial Technological Development’s (CDTI) make up the guidelines for action in this area.

The health crisis has brought to light the strength of the Spanish public health system, but also has exposed the challenges and difficulties that it faces when dealing with situations which require rapid response, anticipation and territorial and country-wide coordination. Hence the need to reinforce its capabilities in several key fields in order to better respond to future needs.

16. **National Strategy for Artificial Intelligence**, with the aim to boost the development of AI in the productive fabric, the economy and the data-driven society, promoting the Spanish language and incorporating a human-centric perspective that guarantees the individual and collective rights of citizens.

17. **Institutional reform and strengthening of the capacities of the national system of science, technology and innovation**, to accompany and nourish a sustainable increase in public and private investment in R&D, via: the improvement of R&D&I project calls, human resources and scientific and technical equipment; the renovation of large national research infrastructures and the participation in international infrastructure; reinforcing the regular financing for the CDTI’s projects and evaluation capabilities; the creation of new centres of excellence; the design of new innovation tools and instruments; and the digitisation of the management of R&D&I. Additionally, specific plans will be drafted to drive science and innovation in key priority areas: the green transition, biomedicine and potentiation of innovation and research in health and vaccines, the aeronautical industry, and advanced computation technologies.

18. **Renewal and widening of the capabilities of the national health system.** Redesigning the national health system in order to respond to the needs of citizens and anticipate future challenges by: fortifying strategic analytic and prevention capacities; preserving and stimulating professional talent, improving co-governance, cohesion and efficiency; technological modernisation, equipment renovation and digital transformation; bolstering the strategic reserve of sanitary and pharmaceutical products; advancing the digitisation of and patient access to medical records; and better aligning the industrial sector and health needs.
Education and knowledge, lifelong learning and capacity building

Strengthening human capital is fundamental for the Recovery, Transformation and Resilience Plan to have the desired impact, both for the generation of activity in the short term and for the structural reinforcement of the economy and new working opportunities in the medium and long term. Immediate and coordinated action is needed to strategically tackle the training and education needs of the Spanish society as a whole, reorienting and harnessing the existing talent and abilities of our citizens and encouraging further activity in the field of training and transferable skills. In order to achieve this goal, and in coordination with the economic and social actors, the following projects are proposed to supplement a wide-ranging evaluation and reform of the education system at different levels:
19. **National Plan for Digital Skills** for the entire population, going from the digitalization of primary, secondary and university education to professional upskilling and reskilling, paying special attention to closing the gender gap and providing training opportunities in demographic decline areas.

20. **Strategic Plan for Vocational Training.** It will modernize and make the system more flexible by expanding and resizing education and training possibilities, adjusting it to the needs of productive sectors and the labor market. 200,000 new vocational training openings will be created by 2023, existing programs will be updated and new ones, linked to emerging sectors such as big data, AI, smart industry, sustainable development, robotics, or 3d, among others, will be created. In addition, this strategy will promote the accreditation of basic and professional competence of more than 3,000,000 workers. The promotion of Dual Vocational Training, the implementation of modular and a la carte programs, the transformation of classrooms into applied technology spaces, the creation of the development of entrepreneurship study programs and the promotion of innovation projects in Vocational Training centers or bilingualism are also additional lines of action in this strategy.

21. **Modernisation and digitalization of the education system,** including a strong push for early childhood education (0-3 years), and with measures to move towards a personalized, inclusive and flexible model, that adapts to the needs of each student and reinforces teacher professional development and the teaching career, integrating new educational models and techniques in schools across all regions. Special work will be done on the prevention and reduction of early school leaving and on the improvement of educational results, particularly for students facing more difficulties, with the investment in educational reinforcement and school counseling programs.

We will move forward with the use of digital media through Spain’s digital education plan, ensuring the connectivity of Spain’s network of universities and the adaptation of programs and systems to new technologies, as well as combined and combined distance/face to face learning through the University Digitalization Plan.
The new care economy and employment policies

Improving the functioning of the labour market is a crucial objective for economic and social wellbeing. The combination of a high rate of structural unemployment and the divide between temporary and permanent contracts and between full-time and involuntary part-time employees are structural weaknesses. Moreover, the trend to cut the payroll in times of economic adversity, disproportionally affecting vulnerable workers, is problematic: it not only generates precariousness for those affected, but also decreases the productivity of the economy as a whole, provoking negative dynamics in the labour market that limit equal opportunities and salary growth.

The pandemic has also highlighted the importance of people-centric approaches and has brought recognition for certain tasks which are indispensable for the correct functioning of society. In this sense, the need to reinforce the care economy, from caring for
dependent and vulnerable persons to elderly care, who have been greatly exposed to the worst of the virus. In this context, it is imperative to articulate a specific plan that puts people at the centre of the economy, valuing what each generation can provide to the wider society and ensuring that no one is left behind nor in the margins of society, while adequately appraising caregiving roles and social services, including the potential to generate jobs. For this to be achieved, this plan includes:

22. **Emergency Plan for the care economy and the strengthening of gender equality and social inclusion policies**, in particular to develop new networks of tele-assistance, modernise dependency care systems and develop new residential infrastructure that facilitates the autonomy of elderly people and dependents, and the reorientation of the long-term caregiving system toward a less institutionalised, more customer-centric model which is better connected with the primary healthcare network. The pandemic has brought to the fore the need to strengthen and modernise social services, promoting innovation and the use of new technologies. Additionally, the “Plan España País Accesible” will promote universal access across all fields, and the “Plan España te Protege” will extend the integral attention and assistance services to all potential victims of all kinds of gender violence.

The system of **reception and protection of asylum seekers** will also be reformed to guarantee that available capabilities are in line with the needs of the system, thereby increasing its efficiency.

- **New public policies for a dynamic, resilient and inclusive labour market**, built upon 3 pillars:
  - **Addressing structural problems in the labour market by permanently introducing internal adjustment mechanisms for businesses to respond to external shocks** (the ERTE scheme), benefiting from the experience accumulated during the pandemic, in order to preserve jobs in face of future adverse shocks for the economy. Furthermore, measures will be taken to reduce excessive temporary and precarious employment, and the number of types of employment contracts will be simplified.
  - **Deep reform of the active employment policies**, developing new instruments for the integration and activation of workers, matching interventions to the specific realities of the labour market and job seekers, and improving the connection with business needs through the establishment of a Fund for the generation of new jobs, all while permanently incorporating the evaluation of the insertion and reintegration strategies of public employment services.
• Boosting labour market insertion policies articulated around the implementation of the National Minimum Income, which will serve to achieve a more inclusive and agile labour market, across all sectors. With the collaboration of the Autonomous Communities and municipalities, a series of “inclusion itineraries” will be implemented, adapted to the different vulnerability profiles of those receiving the National Minimum Income and whose design will allow for permanent monitoring and evaluation. The results obtained regarding the success of these itineraries will also help shape the redesign of the active employment policies.
Promotion of the culture and sports industries

Spain has a rich and varied cultural background. The Spanish language is a particularly vital asset for our future social and economic development. Together with important traditional sectors upon which Spain has great influence—literature, museums, theatre, World Heritage sites and artistry, etc.—, we need to support the initiatives that are being developed in the fields of audio-visual production and videogames, taking full advantage of the opportunities that the new digital economy provides. The cultural sector has an indispensable value in the development of a free and open society and also generates wealth and employment. At the same time, the pandemic
has highlighted its vulnerability and dependence on ticket revenues. It is therefore imperative to implement both reforms and investments to propel its economic role, in both the public domain and as regards civil society and the private sector.

The sport sector has also directly suffered the devastating consequences of the pandemic. Because of this, it is necessary to adopt urgent and extraordinary measures for the reactivation of this economic sector with sustainable development, social cohesion, job creation, the reactivation of rural areas, attention to vulnerable groups, territorial rebalancing and digitalization as guiding criteria. Furthermore, sport will be promoted as an essential factor in preserving citizens’ mental and physical health.

24. Revaluation of the cultural sector, to make progress in patronage support and private support, finalising the “statute of the artist”, boosting tourist and economic activity from emblematic cultural events, protecting Heritage Sites and supporting and reinforcing depopulated areas, thus strengthening the social and economic fabric and cohesion of the country.

25. Spain Audio-visual Hub (including the videogames industry). Positioning Spain as a reference for audio-visual production and the video gaming sector by attracting both investors and talent, simplifying requirements and boosting the ecosystem of businesses and professionals engaged in the production in Spanish and other languages.

26. Development of the sport sector, with the promotion of business forums and meetings, the organisation of major events, the growth of sports tourism, the development of safe and sustainable sports infrastructure, propelling the digital transformation of sports organisations, fostering research in physical activity as a means to improve health, and developing a plan to modernise sport infrastructure and Spain’s network of high performance centres.
Modernisation of the tax system for inclusive and sustainable growth

The economic and social measures already implemented are allowing us to cushion the immediate impact of the health emergency. Yet they entail an important fiscal cost, in addition to the one resulting from the economic cycle through the automatic stabilizers. In particular, current forecasts point to a public deficit of more than 11% of GDP by 2020 and a debt ratio of around 118% of GDP, with
an additional public debt issuance of 100 billion euros. Of these, approximately 40% come from measures to respond directly to COVID-19 and 60% is the effect of stabilisers, as tax revenue figures fell and unemployment spending increased.

This necessary increase in public spending and public debt will be covered by the extraordinary flexibility mechanisms provided for by the Stability and Growth Pact. However, medium-term financial sustainability will require, once sufficiently vigorous growth returns, a return to the path of reducing fiscal imbalances, without jeopardizing the continuity of the investments necessary for a sustainable and resilient recovery and transformation of the Spanish economy.

Numerous reports point to the shortcomings that the Spanish tax system has accumulated over time. Spain has a lower revenue-to-GDP ratio than the European average, a high burden of labour taxation and an insufficient development of environmental taxation. Low VAT collection due to the high use of super-reduced rates, and the need to address the persistent deficit of the pension system, have also been noted. Finally, the Independent Fiscal Responsibility Authority (AIReF) has carried out various spending reviews, among which one on the wide range of corporate tax bonuses and deductions, as well as those related to procurement incentives, are notable examples.

The modernisation of the tax system requires an in-depth analysis of the different tax types, bonuses and international best practices. In order to analyse the various options and submit reform proposals, an expert group for tax reform will be established immediately. As this work goes forward, the following short-term actions will be addressed, aimed at adapting the tax system to the reality of the 21st century, increasing its progressiveness and redistributive character.

27. **Law on measures to prevent and combat tax evasion**, with a set of measures aimed at bringing out the submerged economy and strengthening the collection capacity of the tax system.

28. **Adaptation of the tax system to the reality of the 21st century**. Along with the creation of a Tax on certain digital services and a Financial Transaction Tax, several projects will be launched to improve environmental taxation, together with adjustments to existing taxes to strengthen their effectiveness, eliminate dysfunctions and adapt incentives to boost economic activity and employment. It is a question of sending fiscal and price signals that would direct investment and management towards greater sustainability.
29. Improving the effectiveness of public spending. Boosting spending reviews across all administrations to improve the effectiveness and efficiency of public spending. In addition, the implementation of the AIReF recommendations on tax deductions will be addressed.

30. Sustainability of the public pension system under the Toledo Pact. The Spanish public pension system has been reformed in recent years, with measures that are now coming into force and that will progressively strengthen it. In particular, the 2011 reform made it possible to increase the effective retirement age to above the European average. Within the framework of the Toledo Pact, a number of measures are proposed: (i) incentives to delay the retirement age, adjusting distorting elements in the regulation of early retirements; (ii) revision of the supplementary social security system by promoting its development in the business environment; or (iii) the integration and convergence of the different pension schemes, like those of the self-employed.

International experience shows that lasting and effective reforms in the field of pensions must emerge from the broadest possible consensus. Hence, the Toledo Pact has been convened to reach agreements on major topics across the parliamentary spectrum, with the aim of strengthening the system and adapting it to demographic and social changes, giving certainty to pensioners and workers. The Toledo Pact is a central piece when it comes to providing the certainty that pensioners and workers need and which contributes to making medium-term spending and investment decisions as well as to boosting growth.
### ANNEX

**CHART: PERCENTAGES OF FUND ALLOCATION BY LEVERS IN THE NEXT THREE YEARS***

| **1** Urban and rural agenda, the fight against rural depopulation and agricultural development | 16,0 |
| **2** Resilient infrastructure and ecosystems | 12,2 |
| **3** A just and inclusive energy transition | 8,9 |
| **4** An Administration for the 21st century | 5,0 |
| **5** Modernisation and digitisation of the industrial fabric and SMEs, recovery of the tourism sector of Spain as an entrepreneurial nation | 17,1 |
| **6** Pledge for science and innovation and strengthening the capabilities of the national health system | 16,5 |
| **7** Education and knowledge, lifelong learning and capacity building | 17,6 |
| **8** The new care economy and employment policies | 5,7 |
| **9** Promotion of the culture and sports industries | 1,1 |
| **10** Modernisation of the tax system for inclusive and sustainable growth | - |
| **TOTAL** | **100** |

***These percentages include funds from both the Recovery and Resilience Facility and REACT-EU.