ECONOMIC NOTES

Economic Bulletin

3/2020

BANCO DE ESPAÑA
Eurosistema

THE 2020 EUROPEAN SEMESTER AND THE SPECIFIC RECOMMENDATIONS FOR SPAIN

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ABSTRACT

The 2020 European Semester has adapted to coordinate Member States' economic policy and to provide an immediate fiscal, economic and social response to the crisis arising from the pandemic. The priority has been to reinforce health systems and support households and businesses, which has required activating the general escape clause from the Stability and Growth Pact and reorienting the recommendations for all Member States. Within the framework of the EU budget and in coordination with the European Semester, on 21 July the European Council created a new instrument – Next Generation EU – that is intended to help fund the recovery of the economies of the Member States in the wake of the pandemic. In October, Member States will have to present reform plans and investment projects, to be incorporated into their national budgets for next year, in keeping with the recommendations for 2020 that are designed to address the challenges deriving from climate change, digitalisation, building up human capital and public sector efficiency.

Keywords: European Semester, macroeconomic imbalances, country-specific recommendations, structural reforms, National Reform Programme, ecological transition.

JEL classification: F5, F6, H6, J8, K2, O4.

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The 2020 European Semester

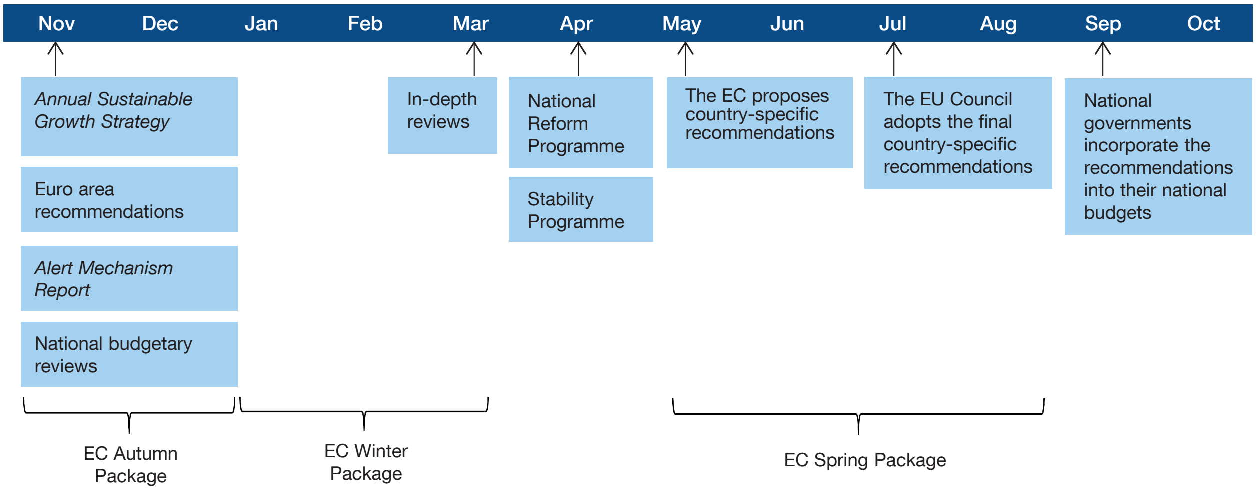
The European Semester establishes a calendar, depicted in summary in Figure 1, for coordinating the economic policy of the European Union Member States. The 2020 European Semester comprises two very different phases, before and after the outbreak of the health crisis. The general guidelines, analysis of macroeconomic imbalances and assessment of the level of compliance with the country-specific recommendations (CSRs) were published before the outbreak of the pandemic and, therefore, reflect the previous situation. By contrast, the Stability Programme Update (SPU), the National Reform Programmes (NRPs) and the CSRs for 2020 were published against the backdrop of the pandemic and essentially reflect the authorities' response and the challenges it poses in the short and medium term.

The first phase began with the Autumn Package, published on 17 December 2019 (see Annex 1), in which the European Commission presented the priorities and guidelines for the following year. In its Annual Sustainable Growth Strategy, the Commission promotes an economy based on stability, justice and fairness, environmental sustainability and competitiveness (for the main characteristics, see Figure A1.1). In turn, in the Recommendation on the economic policy of the euro area, the targets highlighted by the Commission were to reduce external and budgetary imbalances, strengthen training and labour market participation, complete the banking union and the capital markets union and deepen the Economic and Monetary Union. Subsequently, these recommendations were updated to include the challenges arising from the pandemic, as reflected in the country-specific recommendations adopted on 20 July 2020.

The Autumn Package also includes the Alert Mechanism Report 2020 (AMR) which identified those countries where an in-depth review (IDR) was needed to assess whether imbalances are being corrected, are continuing or are worsening (see Table A1.1 for the indicators used). As on previous occasions, the greatest imbalances were observed in the international investment position and in public debt (see Chart A1.1). Spain was one of the Member States that warranted an IDR, on the basis of the AMR indicators shown in Table A1.1, updated as at February 2019. This reveals

Figure 1
EUROPEAN SEMESTER TIMELINE

The European Semester is the cycle during which the European Commission designs and coordinates the Member States' economic policies.



SOURCE: European Commission.

that there were five indicators that crossed the indicative thresholds (the net international investment position, the public and private debt ratios, the unemployment rate and the decline in the participation rate).

In accordance with the European Semester calendar, the Winter Package was published on 26 February 2020 (see Annex 2). In this package, the European Commission presented the country-specific macroeconomic reports, which in the case of the Member States identified in the AMR as having macroeconomic imbalances include the in-depth reviews. According to these reports, the Commission identified nine euro area countries with imbalances, including three with excessive imbalances (Italy, Greece and Cyprus) (see Table A2.1). In general, according to the Commission's assessment of compliance with the recommendations adopted in July 2019, most Member States have achieved only limited or some progress (see Chart A2.1), in keeping with the slow progress recorded in previous years. However, the rate of progress in the adoption of the recommendations has improved somewhat in the countries that presented excessive imbalances.

In the in-depth review on Spain, the Commission concluded that the macroeconomic imbalances linked to the sustainability of external debt, private debt and public debt were still being corrected, against a backdrop of high unemployment and low productivity gains. The Commission also indicated that Spain faces efficiency problems on account of its low total factor productivity and certain challenges deriving from being one of the countries most exposed to climate change (see

Figure A2.1). In the assessment of the progress made by Spain in the recommendations adopted by the Council on 9 July 2019, the Commission indicated that progress had been limited (see Figure A2.2).

This analysis of the Winter Package, as was the case with the Autumn Package, has been radically altered by the pandemic. The need to take swift fiscal measures to reinforce health systems and support households and businesses required activating the general escape clause from the Stability and Growth Pact (SGP). It also required a comprehensive reorientation of countries' priorities, reflected in their Stability Programme Updates and National Reform Programmes.

In consequence, the Stability Programme Updates and National Reform Programmes included the package of measures implemented to counter the effects of COVID-19 on the economy (see Annex 3). The Stability Programme Update for Spain envisaged that the general government deficit would reach 10.3% of GDP in 2020, 7.5 pp more than in 2019. This is due to rising expenditure and, to a lesser extent, to falling revenue, as a consequence of the measures approved to combat the crisis and of the functioning of the automatic stabilisers. According to the European Commission, this would take the debt-to-GDP ratio to over 115% in 2020 (see Chart A3.1). The National Reform Programme for Spain contains a list of the measures adopted after the outbreak of the pandemic, notably including the new short-time work scheme regulations *("Expediente de Regulación Temporal de Empleo" (ERTE)),* the benefits for the self-employed and the State-guaranteed credit lines. In this emergency setting, the Government embarked on a large package of structural reforms. It is also working on a reconstruction plan that includes a package of investments and reforms in response to the challenges posed by climate change, digitalisation, building up human capital and public sector efficiency, in keeping with the European Semester recommendations. Figure A3.1 sets out the structural reforms established as a priority by the Government, while Table A3.1 shows the measures adopted to achieve compliance with the specific recommendations for 2019. Although, as explained below, the recommendations for 2020 have been reoriented for all countries, the recommendations for 2019 remain valid, as they relate to reforms that are essential to address medium- and long-term challenges, and in consequence the Commission will continue to monitor their progress.

The 2020 European Semester Spring Package (see Annex 4) was reoriented, with new country-specific economic policy recommendations that allowed all the Member States to focus on providing an immediate fiscal, economic and social response to the crisis. Thus, the package includes recommendations common to all or most Member States, covering aspects such as providing fiscal support for national health systems and economic recovery, preserving employment, upskilling and reskilling workers, providing liquidity to businesses (especially SMEs) and promoting investment, while not overlooking the priorities already indicated relating to the

Figure 2
COUNCIL RECOMMENDATION ON THE 2020 NATIONAL REFORM PROGRAMME OF SPAIN

The specific recommendations for 2020 were reoriented to focus on investment objectives that facilitate sustainable and inclusive growth, integrating the green transition and the digital transformation.

CSR	RECOMMENDED MEASURES
CSR 1	— Activate the general escape clause to address the pandemic and support the ensuing recovery — When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment — Strengthen the health system's resilience as regards health workers, critical medical products and infrastructures
CSR 2	— Preserve jobs — Effectively incentivise hiring — Develop skills — Reinforce unemployment protection, notably for atypical workers — Improve the coverage and adequacy of minimum income schemes and family support — Promote access to digital learning
CSR 3	— Effectively implement measures to provide liquidity to SMEs and the self-employed — Avoid late payments by government bodies. — Front-load mature public investment projects — Promote private investment in the green and digital transition, fostering research and innovation, clean and efficient production and use of energy, energy infrastructure, water and waste management and sustainable transport
CSR 4	— Improve coordination between the different levels of government — Strengthen the public procurement framework

SOURCE: European Commission.

digital and energy transition (see Table A4.1 and Chart A4.1). In several countries, recommendations were also made relating to strengthening general government efficiency and improvements in the legal system, labour market and tax system (including combating aggressive tax planning and tax evasion, tax avoidance and tax fraud).

The specific recommendations for 2020 for Spain (see Figure 2) are based on investment goals that promote sustainable and inclusive growth, integrating the green transition and the digital transformation. These recommendations aim to provide an immediate response to the crisis, identifying five major reforms and investment priorities. Some of these recommendations are common to all the Member States, such as supporting the national health system and strengthening the health sector. In addition, the recommendations include preserving employment, addressing the social impact and developing workers' skills, providing support and liquidity to businesses (focused especially on SMEs), ensuring financial sector stability, preserving the single market and ensuring the flow of essential goods. The recommendations were formally adopted by the European Council on 20 July.

Lastly, on 21 July, the European Council resolved to create a new instrument to fund the recovery of the Member States' economies and adapt them to the new digital and environmental priorities. This instrument – Next Generation EU (NGEU) – will be integrated into the European Union budget. To access resources from this fund, Member States shall have to submit reform programmes and investment projects in accordance with the priorities established in the European Semester; approval and monitoring of the correct implementation of this instrument will also be contained within this framework.

Between August and October 2020 the national governments must implement the recommendations, which in this case are particularly linked to exiting the crisis and identifying investment priorities aimed at guiding the economies towards a sustainable and inclusive growth path, integrating the green transition and the digital transformation. Governments must incorporate these investment priorities into their national budgets for next year, thus bringing the yearly cycle of the European Semester to a close.

Main changes to the 2020 and 2021 European Semester

Since the outset of the European Semester in 2011, it has undergone significant change aimed at broadening its content, notably by strengthening the overall euro area dimension, incorporating the European Pillar of Social Rights and intensifying the dialogue between the European Parliament, the national authorities and the social partners.

This year, the European Green Deal has been incorporated, to take into account the environmental dimensional of economic and employment policies. For the first time, the country-specific reports emphasise the challenges and opportunities that the ecological transition presents for the European economies, and in consequence a new section on environmental sustainability has been introduced.

To address these challenges, in January 2020 the European Commission proposed a Just Transition Mechanism to provide funding to Member States, subject to territorial just transition plans being drawn up. To access this funding, one essential condition is that within the European Semester exercise the Commission will analyse the level of compliance with the recommendations, to strengthen the link between progress made in implementing recommendations and funding. New governance regulations have also been introduced that require that Member States draw up an Integrated National Energy and Climate Plan (NECP) for 2021-2030. The NECP will be monitored in the future cycles of the European Semester and is intended to help Europe meet the United Nations' sustainable development goals. Spain's NECP identifies challenges and opportunities across the five dimensions of the energy union (see Figure 3).

Figure 3
SPAIN'S NECP 2021-2030

Challenges and opportunities of the five dimensions of the energy union identified in Spain's NECP 2021-2030.

DIMENSIONS OF THE ENERGY UNION	CHALLENGES AND OPPORTUNITIES
Decarbonisation, including renewables	— The cornerstone of the energy transition, as three out of four tonnes of greenhouse gas emissions are produced by the energy system — Coal-fired power plants will cease to provide energy to the system by 2030 at the latest — 74% of electricity will be renewable by 2030, reaching 100% by 2050
Energy efficiency	— The stipulated minimum target of 32.5% is adopted, but a 39.5% improvement in energy efficiency is expected — Exemplary general government conduct is proposed on the energy saving and energy efficiency front — The Ecological Public Procurement Plan for the central government, its autonomous agencies and social security management bodies (2018-2025) has been drawn up
Energy security	— Reduced dependence, especially on fossil fuel imports — Diversification of energy sources and supply — Preparation for possible supply limitations and interruptions — Increased flexibility of the national energy system
Internal energy market	The aim is to achieve a more competitive, transparent, flexible and non-discriminatory market that is highly interconnected, fostering cross-border trade and contributing to energy security
Research, innovation and competitiveness	The SET-Plan is the pillar of European R&D&I policy on energy and climate, and coordinates innovation and research in low-carbon technologies among participating countries

JUST TRANSITION STRATEGY
The strategy aims to ensure that the EU's transition to climate neutrality is just. It has three pillars: — Just Transition Fund — Just transition scheme under InvestEU — Public sector loan facility

SOURCE: NECP 2021-2030.

Assessment and conclusions

The 2020 European Semester has adapted to the crisis stemming from the pandemic in three dimensions. First, the activation of the general escape clause entails temporary suspension of the recommendations relating to macroeconomic imbalances and the build-up of fiscal buffers. Second, the recommendations have been reoriented, with the common goal for all Member States being to address the immediate needs deriving from the pandemic. Lastly, the European Semester framework will play a central role in the recovery and resilience plans, which will be key to accessing the funding available in the recovery fund. Member States face the challenge of presenting their investment plans and structural reforms within a relatively tight schedule.

To conclude, the emphasis on coordination and funding of the recovery fund and of national policies under the European Semester highlights the lack of a truly European fiscal policy. To mitigate this shortcoming, the European Commission should perhaps design a European macroeconomic stabilisation mechanism, such as a supranational unemployment insurance instrument, and promote European cooperation projects, with the ultimate aim of responding to global challenges such as low productivity growth, digitalisation, population ageing or climate change.

25.8.2020.

Annex 1

Figure A1.1
ANNUAL SUSTAINABLE GROWTH STRATEGY

The European Commission's Annual Sustainable Growth Strategy for 2020 stresses the need for a transition towards a green and climate-neutral economy and towards new technologies, while ensuring that this transition is socially just and fair. Furthermore, it highlights the importance of macroeconomic stability and of deepening the Economic and Monetary Union and, consequently, of strengthening the international role of the euro.

LEAD THE TRANSITION TO A CLIMATE-NEUTRAL CONTINENT	- More investment in sustainable technologies (up to €260 billion/year to achieve the climate goals in 2030). - Press ahead with environmental taxation - Transform the European Investment Bank into a climate bank - Devise a circular-economy strategy
INCREASE PRODUCTIVITY AND BECOME A DIGITAL WORLD LEADER	- Deepen the Internal Market - Implement an innovation and research-based industrial strategy - Capitalise on opportunities in areas such as cybersecurity, artificial intelligence and 5G - Improve education, especially for adult workers - Support growth with structural reforms that increase competitiveness
COMPLETE ECONOMIC AND MONETARY UNION	- Complete the banking union - Relaunch the capital markets union project - Reinforce the international role of the euro - Ensure sustainable public finances
ENSURE A JUST AND INCLUSIVE TRANSITION	- Fully deliver on the European Pillar of Social Rights - Implement a European unemployment reinsurance scheme - Combat gender inequality - Approve a Just Transition Mechanism to support regions affected by the climate strategy - Fight tax evasion so that businesses pay tax where they generate profits

SOURCE: European Commission.

Table A1.1

BASE INDICATORS FOR THE PREPARATION OF THE 2020 *ALERT MECHANISM REPORT (AMR)* (a)

The 2020 *AMR* draws on 14 indicators with figures updated as at 2018. It aims to detect situations that may endanger the stability of each country and of the EU itself.

	External imbalances and competitiveness					Internal imbalances						Employment indicators		
2018	Current account (% of GDP) (3-year average)	Net international investment position (% of GDP)	Real effective exchange rate (42 trading partners; deflator: HICP) (% change in 3 years)	Export share (as % of global exports) (% change in 5 years)	Nominal ULCs (2010 = 100) (% change in 3 years)	Deflated house prices (2015 = 100) (annual % change)	Flow of credit to consolidated private sector (% of GDP)	Consolidated private sector debt (% of GDP)	Public sector debt (% of GDP)	Unemployment rate (3-year average)	Financial sector total liabilities, non-consolidated (y-o-y rate of change)	Participation rate (% total population 15-64 years) (3-year change, in pp)	Long-term unemployment rate (% labour force 15-74 years) (3-year, change, in pp)	Youth unemployment rate (% labour force 15-24 years) (3-year, change, in pp)
Limit	-4 / +6%	-35%	±5% (EA) ±11% (non-EA)	-6%	±9% (EA) ±12% (non-EA)	6%	14%	133%	60%	10%	16.5%	-0.2 pp	0.5 pp	2 pp
BE	0.3	41.3	6.9	-1.5	3.7	1.0	0.8	178.5	100.0	7.0	-2.9	1.0	-1.5	-6.3
BG	4.0	-35.2	3.9	13.4	18.3	4.5	3.9	95.0	22.3	6.3	6.8	2.2	-2.6	-8.9
CZ	1.2	-23.5	11.0	11.9	13.5	6.1	5.3	70.7	32.6	3.0	7.4	2.6	-1.7	-5.9
DK	7.5	48.5	2.6	-1.5	4.0	3.5	2.4	199.4	34.2	5.6	-4.7	0.9	-0.6	-1.6
DE	8.0	62.0	5.3	3.1	5.6	5.1	6.6	10.4	61.9	3.8	2.0	1.0	-0.6	-1.0
EE	2.1	-27.7	7.7	0.8	14.3	2.1	3.7	101.5	8.4	6.0	6.9	2.4	-1.1	-1.2
IE	2.3	-165.0	2.3	77.4	-2.8	8.3	-7.8	223.2	63.6	7.0	5.1	0.8	-3.2	-6.4
EL	-2.2	-143.3	3.6	6.9	1.4	1.3	-1.1	115.3	181.2	21.5	-5.0	0.4	-4.6	-9.9
ES	2.6	-80.4	4.1	4.6	0.7	5.3	0.4	133.5	97.6	17.4	-2.2	-0.6	-5.0	-14.0
FR	-0.6	-16.4	4.5	-0.2	2.4	1.5	7.9	148.9	98.4	9.5	1.6	0.6	-0.8	-4.0
HR	2.4	-57.9	4.2	22.9	-2.4	4.6	2.3	94.0	74.8	10.9	4.6	-0.6	-6.8	-18.9
IT	2.6	-4.7	3.3	0.3	2.7	-1.6	1.6	107.0	134.8	11.2	-0.1	1.6	-0.7	-8.1
CY	-4.6	-120.8	1.8	16.6	-0.4	0.2	8.4	282.6	100.6	10.8	0.3	1.1	-4.1	-12.6
LV	0.6	-49.0	4.9	8.6	14.7	6.6	-0.2	70.3	36.4	8.6	-3.0	2.0	-1.4	-4.1
LT	-0.1	-31.0	6.4	3.5	16.5	4.6	4.3	56.4	34.1	7.1	8.2	3.2	-1.9	-5.2
LU	4.9	59.8	3.3	10.7	7.9	4.9	-0.5	306.5	21.0	5.8	-2.0	0.2	-0.5	-2.5
HU	2.1	-52.0	2.0	8.4	12.4	10.9	4.3	69.3	70.2	4.3	-9.2	3.3	-1.7	-7.1
MT	8.9	62.7	4.9	24.0	3.2	5.1	7.5	129.8	45.8	4.1	2.3	5.9	-1.3	-2.5
NL	9.9	70.7	3.2	1.7	3.0	7.4	4.5	241.6	52.4	4.9	-3.3	0.7	-1.6	-4.1
AT	2.2	3.7	4.8	3.9	4.7	2.5	3.9	121.0	74.0	5.5	1.7	1.3	-0.3	-1.2
PL	-0.5	-55.8	0.1	25.8	8.1	4.9	3.4	76.1	48.9	5.0	3.0	2.0	-2.0	-9.1
PT	0.9	-105.6	3.1	9.4	5.3	8.9	-0.1	154.3	122.2	9.1	0.7	1.7	-4.1	-11.7
RO	-3.3	-44.1	-0.7	23.7	33.6	1.8	1.9	47.8	35.0	5.0	3.3	1.7	-1.2	-5.5
SI	5.5	-18.9	2.0	20.4	6.1	7.4	1.3	72.8	70.4	6.6	4.1	3.2	-2.5	-7.5
SK	-2.4	-68.1	2.5	3.2	10.9	5.0	2.0	90.9	49.4	8.1	8.9	1.5	-3.6	-11.6
FI	-1.4	-2.0	3.0	-3.0	-2.6	-0.2	1.6	142.1	59.0	8.3	19.9	2.1	-0.7	-5.4
SE	2.8	10.3	-4.0	-6.3	7.4	-3.0	9.0	200.0	38.8	6.6	-2.9	1.2	-0.3	-3.6
UK	-4.3	-10.5	-13.0	-3.8	7.8	0.7	5.3	169.1	85.9	4.4	-0.6	1.0	-0.5	-3.3

SOURCE: European Commission, 2020 AMR.

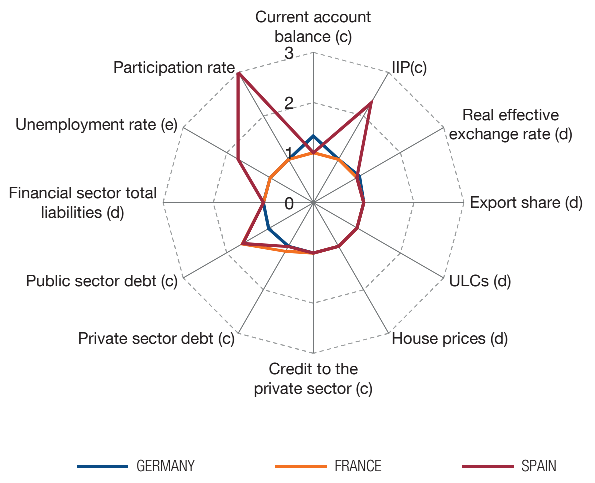
a AT: Austria; BE: Belgium; BG: Bulgaria; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; EL: Greece; ES: Spain; FI: Finland; FR: France; HR: Croatia; HU: Hungary; IE: Ireland: IT: Italy; LT: Lithuania; LU: Luxembourg; LV: Latvia; MT: Malta; NL: Netherlands; PL: Poland; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia; UK: United Kingdom.

Chart A1.1

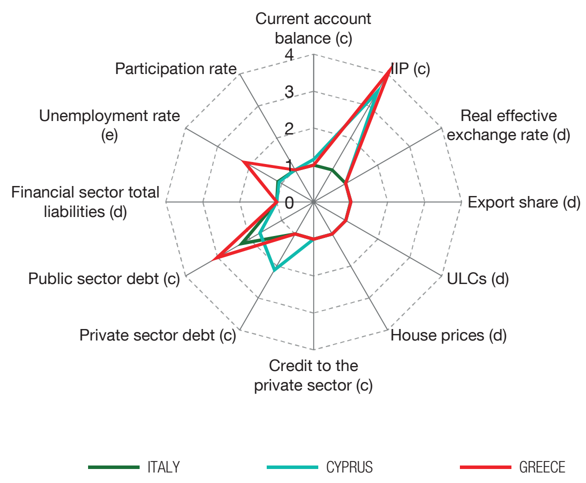
DEVIATIONS OF INDICATORS OF MAIN EU COUNTRIES AND OF SOME COUNTRIES WITH EXCESSIVE IMBALANCES FROM THE RELATED THRESHOLDS (a) (b)

Spain is one of the countries with more indicators above the limits considered excessive: participation rate, net international position, public debt and unemployment rate. However, they only exceed the respective thresholds by a small amount.

1 GERMANY, SPAIN AND FRANCE



2 COUNTRIES WITH EXCESSIVE IMBALANCES IN 2020



SOURCE: Banco de España, drawing on Eurostat data.

a Reference year: 2018.
b Number of times the indicator value exceeds the threshold (threshold value = 1).
c As a percentage of GDP.
d Percentage changes.
e Three-year average.

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Annex 2

Table A2.1

2020 MACROECONOMIC IMBALANCE PROCEDURE (a)

Following the in-depth reviews conducted in February 2020, the European Commission concluded that the euro area countries with excessive imbalances are Italy, Greece and Cyprus.

	Euro area	Rest of EU
In-depth review not required	Belgium, Estonia, Latvia, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia, Finland	Czech Republic, Denmark, Hungary, Poland, United Kingdom
No imbalances		Bulgaria (↑)
Imbalances	Germany, Ireland, Spain, France, Netherlands, Portugal	Croatia, Romania, Sweden
Excessive imbalances	Greece, Cyprus, Italy	

SOURCE: European Commission, February 2020 communication.

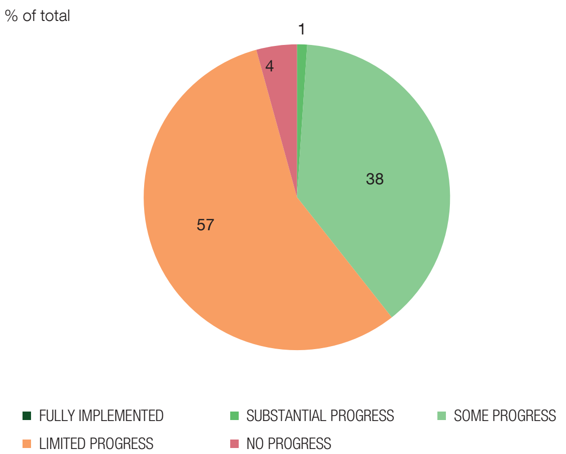
a The arrow indicates an improvement in the country's situation compared with the 2019 European Semester.

Chart A2.1

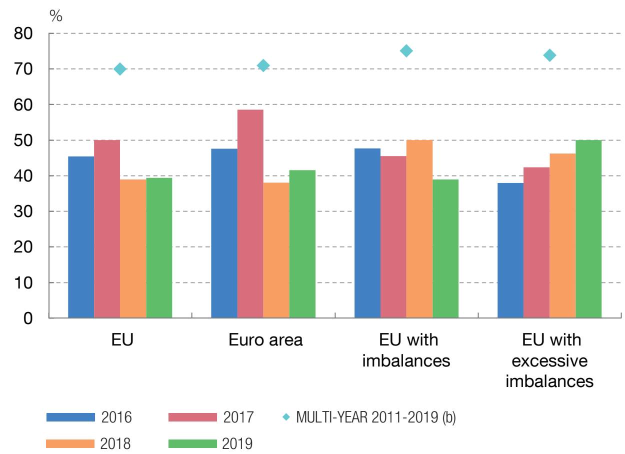
PROGRESS IN COMPLYING WITH RECOMMENDATIONS (a)

The EU countries have made at least some progress in almost 40% of the recommendations for 2019, a similar percentage to 2018. Since the start of the European Semester in 2011, the EU as a whole has made at least some progress in 70% of the recommendations, with somewhat higher compliance in the countries that at some point had excessive imbalances. As in 2018, Spain's overall progress with the recommendations in 2019 was limited.

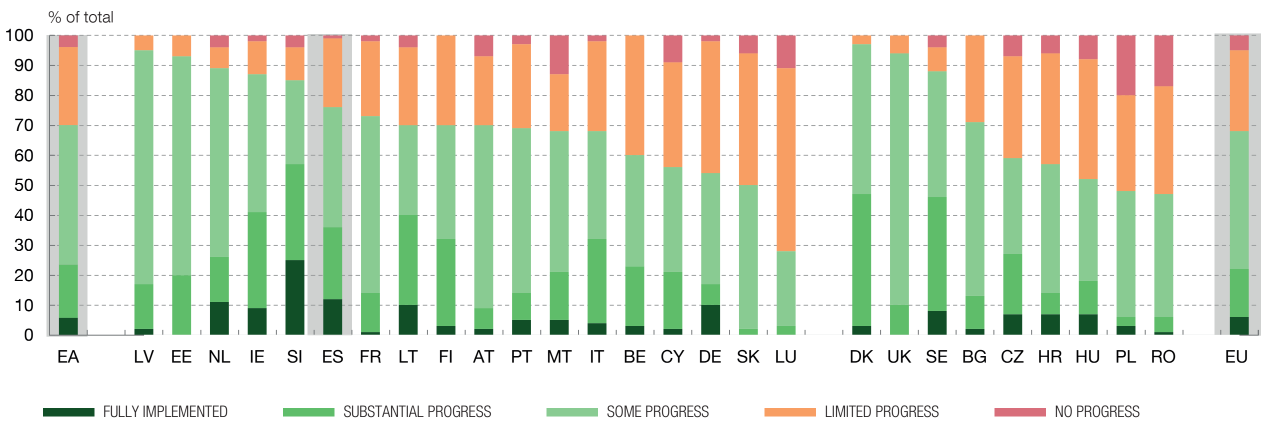
1 EUROPEAN UNION. IMPLEMENTATION OF 2019 RECOMMENDATIONS



2 RECOMMENDATIONS WITH AT LEAST SOME PROGRESS



3 MULTI-YEAR IMPLEMENTATION OF SPECIFIC RECOMMENDATIONS, BY COUNTRY (2011-2019) (b) (c)



SOURCE: European Commission.

a Multi-year implementation assesses the degree of compliance from the time the recommendations were adopted to February 2020. The European Commission provides the data for the EU and the Member States separately. Estimates for the euro area are made drawing on individual data. The assessment of progress does not include the degree of compliance with the SGP.

b In the multi-year 2011-2019 assessment of EU countries with imbalances or excessive imbalances, the countries at any time in this category from 2011 to 2019 are taken.

c AT: Austria; BE: Belgium; BG: Bulgaria; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; EL: Greece; ES: Spain; FI: Finland; FR: France; HR: Croatia; HU: Hungary; IE: Ireland; IT: Italy; LT: Lithuania; LU: Luxembourg; LV: Latvia; MT: Malta; NL: Netherlands; PL: Poland; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia; UK: United Kingdom; EA: Euro area; EU: European Union.

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Figure A2.1

EUROPEAN COMMISSION'S COUNTRY REPORT SPAIN 2020

In its Country Report Spain 2020, the European Commission sets out the path that Spain should follow to achieve competitive sustainability and address the main investment needs.

SPAIN PRESENTS EFFICIENCY PROBLEMS AND FACES CLIMATE CHANGE-RELATED CHALLENGES

Spain's economic efficiency is low due to:

— Low innovation
— Regulatory fragmentation
— Market barriers
— Labour market segmentation
— Skills gaps

Spain is one of the European countries most exposed to climate change, which poses significant future challenges for:

— Water and waste management
— Energy and resource efficiency
— Emissions and renewable energy

An investment programme focusing on the following points is recommended:

— Fostering skills and research and innovation
— Addressing challenges related to energy, water management, carbon emissions and climate change

SOURCE: European Commission.

Figure A2.2

COMPLIANCE WITH THE EUROPEAN COMMISSION'S SPECIFIC RECOMMENDATIONS FOR SPAIN UNDER THE 2019 EUROPEAN SEMESTER

The European Commission considers that Spain's progress in complying with the recommendations was very modest, leaving structural weaknesses unaddressed.

FULLY IMPLEMENTED	— None of the recommendations
SOME PROGRESS	— Ensuring that employment services and social services have the capacity to provide effective support — A nationwide minimum income scheme has been introduced — Increasing cooperation between academia and business — Energy efficiency — Electricity interconnections
LIMITED PROGRESS	— Fostering open-ended employment contracts and simplifying the system of hiring incentives — Reducing the fragmentation of national unemployment assistance — Combating early school leaving and improving regional disparities — Investing in research and innovation — Achieving a more efficient use of resources — Evaluating research and innovation policies — Furthering the implementation of the Law on Market Unity
NO PROGRESS	— Taking measures to strengthen the fiscal framework — Preserving the sustainability of the pension system

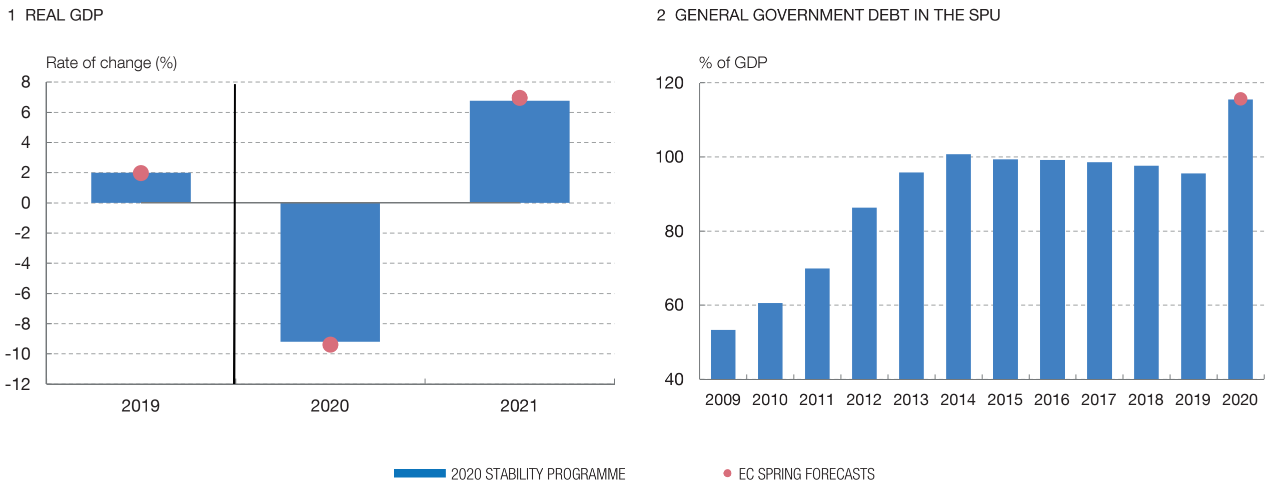
SOURCE: European Commission.

Annex 3

Chart A3.1

2020 STABILITY PROGRAMME

The stability programme anticipated that the general government deficit would amount to 10.3% of GDP in 2020, owing mainly to higher expenditure.



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SOURCES: 2020 Stability Programme Update and European Commission Spring forecasts (AMECO).

Figure A3.1

2020 NATIONAL REFORM PROGRAMME

The structural reforms were prepared against an extraordinary background and are geared towards tackling the COVID-19 crisis.

AMID THE URGENCY TRIGGERED BY THE COVID-19 CRISIS, IMPORTANT STRUCTURAL REFORMS HAVE BEEN INITIATED

— Establishing an efficient data management system in the health system
— Establishing an agile short-time work scheme to improve the functioning of the Spanish labour market and business efficiency
— Promoting teleworking, shift work and flexible working hours
— Promoting digitalisation in the education system
— Promoting the digitalisation of businesses, especially SMEs
— Establishing more efficient public procurement procedures
— Rolling out the digitalisation of the National Public Employment Service
— Rolling out an efficient system for managing social security benefits through mutual insurance companies
— Drawing up a programme for reform of the court system to improve its effectiveness
— Rolling out the digitalisation of the court system
— Developing AI-based apps for mobility management
— Developing a chatbot in Spanish to answer questions from the general public by WhatsApp

SOURCE: 2020 National Reform Programme.

Table A3.1
NRP MEASURES CONTRIBUTING TO COMPLIANCE WITH THE 2019 CSR FOR SPAIN

The 2019 CSRs remain valid and will therefore continue to be supervised by the European Commission as part of the European Semester as they are deemed fundamental to addressing the medium-term challenges.

CSRs	Measures contained in the NRP
1.1 Ensure that the nominal growth rate of net primary government expenditure does not exceed 0.9% in 2020	Activation of the general escape clause within the SGP
1.2 Strengthen the fiscal and public procurement frameworks	Incomplete expenditure reviews and proposal of improvements Implementation of **Law 9/2017 on Public Sector Contracts** to foster a new governance structure
1.3 Preserve the sustainability of the pension system	A reform geared towards realigning the incentives for prolonging working life and fostering employee and private pensions and insurance
2.1 Ensure that employment and social services have the capacity to provide effective support	**Youth employment emergency plan 2019-2021** **Plan to support the long-term unemployed dubbed "REINCORPORA-T"** **Universal social card(Tarjeta Social Universal) to enhance the coordination of social protection** **Social inclusion network 2017-2020** promoted by the European Social Fund
2.2 Foster the transition towards open-ended employment contracts	**Master plan for decent work** 2018-2020 to curb fraud in temporary and part-time hires Repeal of the open-ended employment contract to support small enterprises, the part-time training-based employment contract and the first youth employment contract.
2.3 Improve support for families, reduce the fragmentation of unemployment assistance and address coverage gaps in regional minimum income schemes	Increase the minimum wage to €950/month in 14 salary payments Raise child benefit per child from €291 to €341/year Gradually match paternity leave with maternity leave **National strategy to prevent and address poverty and social exclusion (2019-2023)** **National strategy to address the demographic challenge - currently being debated with the regional governments** **National strategy to address energy poverty 2019-2024** **Programme to promote rented housing supply** **Permanent national guaranteed minimum income scheme**
2.4 Reduce early school leaving and improve educational outcomes, taking into account regional disparities	New **education law** to improve educational skills and address academic failure Universalisation of infant education (0-3 years) to be implemented gradually over an eight-year period **First Strategic Professional Training Plan for the Education System 2019-2022** **Territorial cooperation programmes** to reduce regional disparities on the education front **Youth employment emergency plan 2019-2021**
2.5 Increase cooperation between education and business with a view to improving skills and qualifications, in particular in ICT	Introduction of a **digitalisation module** in all vocational training courses **"Reconoce" system** accrediting key non-formal education skills National qualification validation project making qualifications valid for work throughout Spain Approval under way of the **ACELERA-Talento programme**, containing training on the digital economy and transformation
3.1 Focus investment on fostering innovation	**National artificial intelligence strategy** - pending **Connected industry 4.0 strategy** for the digital transformation of manufacturing **Strategic framework for SME policy 2030** approved by the Council of Ministers geared towards improving SMEs' competitiveness **Facility to foster innovation through demand (Línea FID) for public procurement of innovation using ERDF funds** Preparation of a **national strategy for blue growth** **Strategy to digitalise the agrifood sector, forestry sector and rural areas** **"Acelera-Inteligencia artificial y Tecnologías Habilitadoras" programme** with public support to finance experimental development projects
3.2 Resource and energy efficiency	**Decarbonisation action plan** **National programme to control air polllution** **National energy efficiency plan 2017-2020** to attain 2020 goals **National energy efficiency fund 2014-2020** to boost energy-saving investment in buildings, industry, mobility and public infrastructure **Strategy for secure, sustainable and connected mobility** **Law on sustainable mobility and the financing of urban public transport** **MOVES public support programme** to encourage the purchase of alternative fuel vehicles, the installation of charging-station infrastructure, electric bicycle rentals and workplace transport plans **MOVES Singulares public support programme** for singular mobility solutions Energy efficiency actions as part of the **State Housing Plan 2018-2021** with public support for the rehabilitation, reformation and renewal of housing and energy efficiency enhancement
3.3 Upgrade rail freight infrastructure	Preparation of the rail infrastructure development strategy
3.4 Extend energy interconnections with the rest of the European Union	**Plan to develop the electric power transmission network 2015-2020.** **Plan to develop the electric power transmission network 2026.**
3.5 Enhance the effectiveness of policies supporting research and innovation	**Increase the efficiency of the Spanish science, technology and innovation system** **Stabilisation and recruitment of young research staff** at public research bodies and universities **Pre-doctoral fellows' statute** improving conditions for young researchers **Reform of the appraisal system for civil servants engaged in research** Six-year knowledge-transfer plan to foster the transfer of knowledge to the productive economy
4.1 Further the implementation of the Law on Market Unity	Creation of a **sectoral conference** on regulatory improvement and the business climate fostering the adoption of best practices **Mechanisms for protecting operators** enabling them to lodge complaints when they encounter impediments to their activity

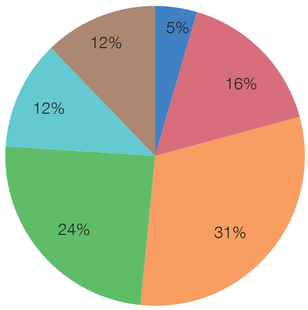
SOURCE: 2020 National Reform Programme.

Annex 4

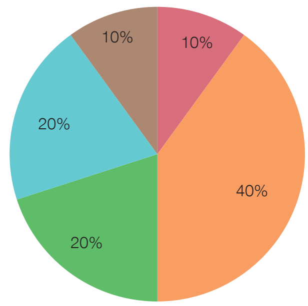
Chart A4.1
COUNTRY-SPECIFIC RECOMMENDATIONS FOR 2020 (a)

The EU CSRs for 2020 include measures for the recovery from the pandemic and a greater emphasis on investment needs. As a result, structural policy recommendations remain high (24% of the total). Also significant are those aimed at the labour market, education and social policies (31%). In Spain, these two groups of recommendations cover 60% of the total, while those concerning public finances and taxation disappear.

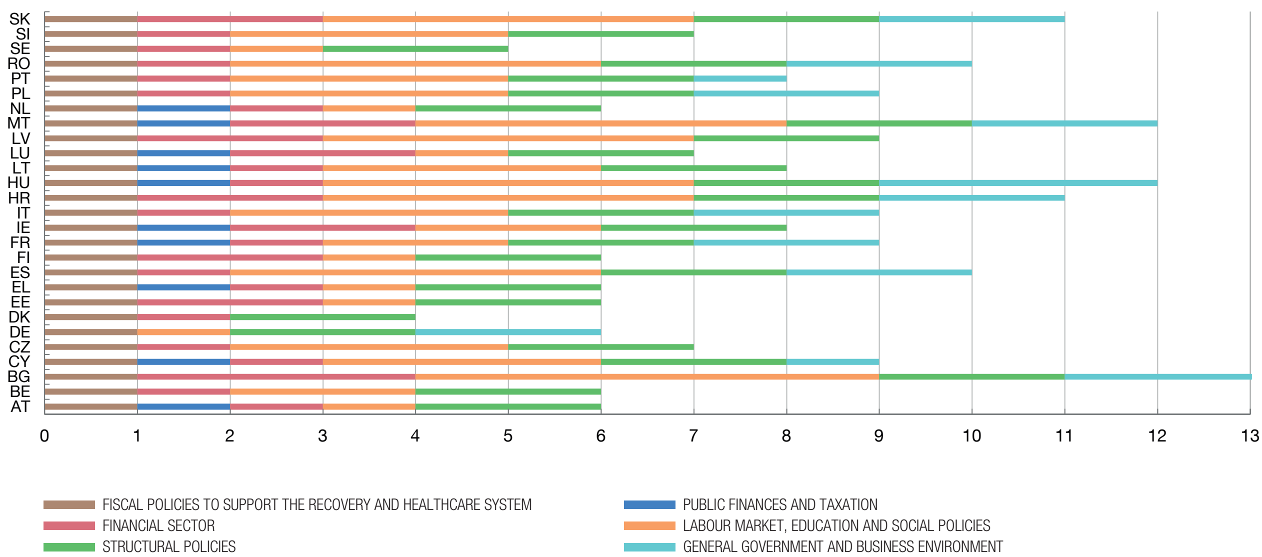
1 EUROPEAN UNION



2 SPAIN



3 RECOMMENDATIONS FOR THE EU COUNTRIES, BY POLICY AREA (b)



SOURCE: European Commission.

a The charts show the number (or the percentage) of recommendations in 2020 by policy area, according to the classification used by the European Commission.
b AT: Austria; BE: Belgium; BG: Bulgaria; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; EL: Greece; ES: Spain; FI: Finland; FR: France; HR: Croatia; HU: Hungary; IE: Ireland; IT: Italy; LT: Lithuania; LU: Luxembourg; LV: Latvia; MT: Malta; NL: Netherlands; PL: Poland; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia.

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Table A4.1

SPECIFIC RECOMMENDATIONS FOR 2020 BY COUNTRY (a) (b)

		AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	IE	IT	HR	HU	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK
Fiscal policies to support the recovery	Strengthen the recovery and the health system	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Digital and energy transitions	Digital and energy transitions	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Social policies	Minimum income			■							■					■												
	Social protection and unemployment assistance			■	■				■		■				■	■	■	■		■	■	■	■	■	■		■	■
	Housing													■														
Education and skills	Access to education	■		■		■																		■	■			■
	Upgrading skills		■	■	■	■	■				■		■	■	■	■		■		■					■	■		■
	Education quality																■				■							■
	Education inclusiveness																				■							
Finance and banking system	Provision of liquidity and financing to SMEs	■	■	■	■	■			■	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■		■	■
	Promotion of investment	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
	Supervision			■																								
	Anti-money laundering regulations			■				■	■			■		■					■	■	■	■				■		■
	Removal of constraints in market regulations															■												
Public administration	Reduce red tape			■			■						■															
	Efficiency			■			■				■		■		■	■					■				■			
	Insolvency framework			■																								
	Public procurement/tenders										■						■											
	Court system				■										■	■					■		■	■				■
	Involvement of stakeholders																■						■		■			■
	Proportional emergency measures																■											
Labour market	Active labour market policies		■	■		■						■					■	■	■	■								
	Preserve employment										■													■				
	Support jobseekers												■															
	Strengthen institutions															■												
	Flexible employment agreements				■										■					■			■		■		■	
	Short-time work schemes									■							■				■		■				■	
Public finances and taxation	Taxation	■			■								■	■			■	■	■		■	■						
	Public finances									■																		

SOURCE: European Commission.

a The shaded areas denote the specific recommendations for each country.
b AT: Austria; BE: Belgium; BG: Bulgaria; CY: Cyprus; CZ: Czech Republic; DE: Germany; DK: Denmark; EE: Estonia; EL: Greece; ES: Spain, FI: Finland; FR: France; HR: Croatia; HU: Hungary; IE: Ireland; IT: Italy; LT: Lithuania; LU: Luxembourg; LV: Latvia; MT: Malta; NL: Netherlands; PL: Poland; PT: Portugal; RO: Romania; SE: Sweden; SI: Slovenia; SK: Slovakia.