

# ANNUAL REPORT 2020

**ÓSCAR ARCE**

Director General Economics, Statistics and Research

Madrid

13 May 2021



# CHAPTERS

1. **The economic impact of the pandemic**
2. **The Spanish economy post-COVID-19: structural challenges and policies to address them**
3. **The effects of the COVID-19 crisis on the productive sectors in Spain: economic and financial implications**
4. **The spatial distribution of population in Spain and its economic consequences**

# CHAPTER 1: THE ECONOMIC IMPACT OF THE PANDEMIC

1. The behaviour of global and euro area activity
2. The behaviour of economic activity in Spain
3. Economic policies in the short term

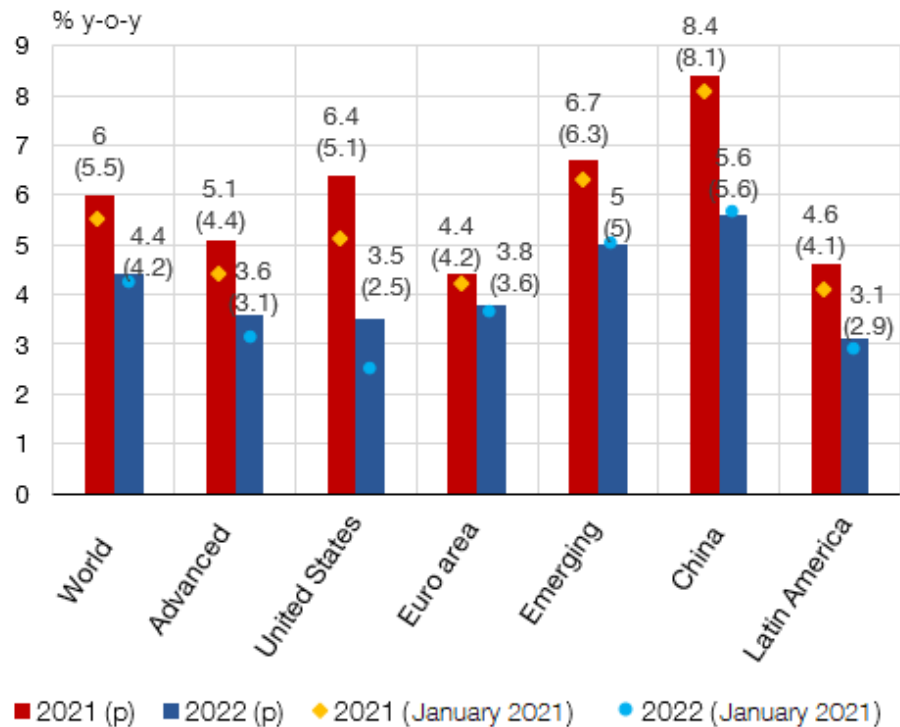
## Boxes

- 1.1 Global epidemiological developments
- 1.2 The EU response to the COVID-19 economic crisis and its new governance challenges
- 1.3 Economic policies deployed to mitigate the liquidity risks of firms and sole proprietors in Spain and their international comparison

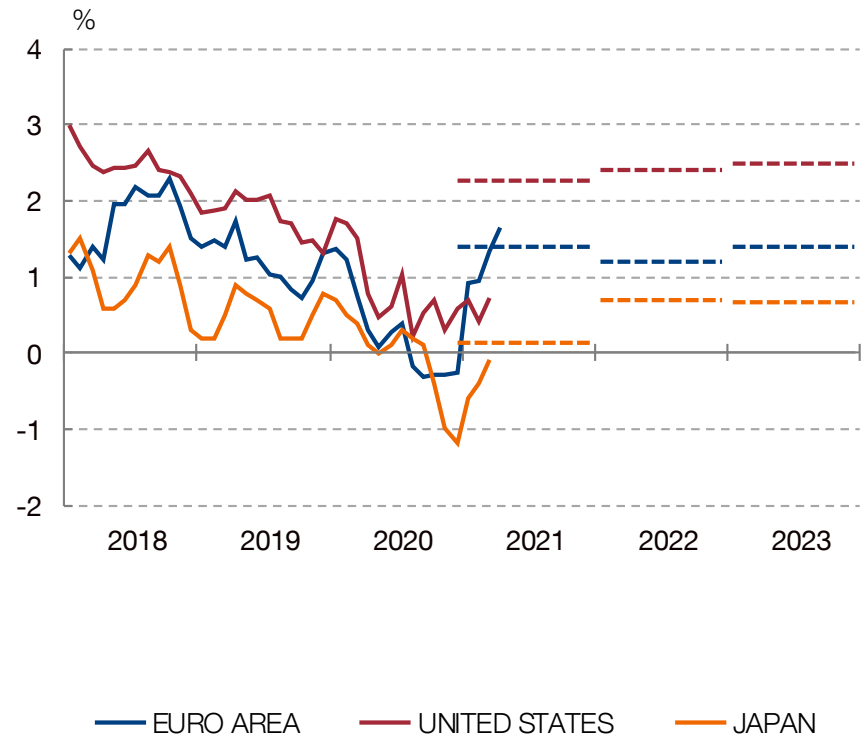
# THE GROWTH OUTLOOK IS IMPROVING, WITH A GRADUAL AND UNEVEN RECOVERY IN EXPECTED INFLATION

- Economic developments and the outlook for recovery are proving uneven across countries, sectors and demand components.
- Despite the increase in some indicators of inflation expectations at end-2020, negative output gaps and high unemployment rates still persist in most of the main economies.

GROWTH FORECASTS (IMF April)



INFLATION IN ADVANCED ECONOMIES  
Monthly developments and annual forecasts

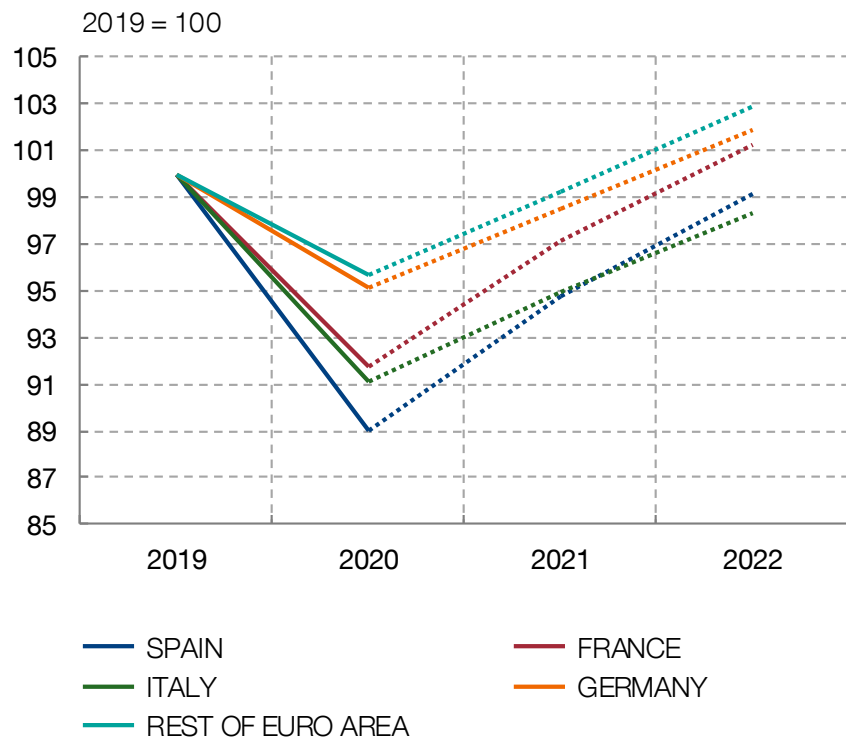


Sources: IMF (WEO, April 2021) and Thomson Reuters Datastream.

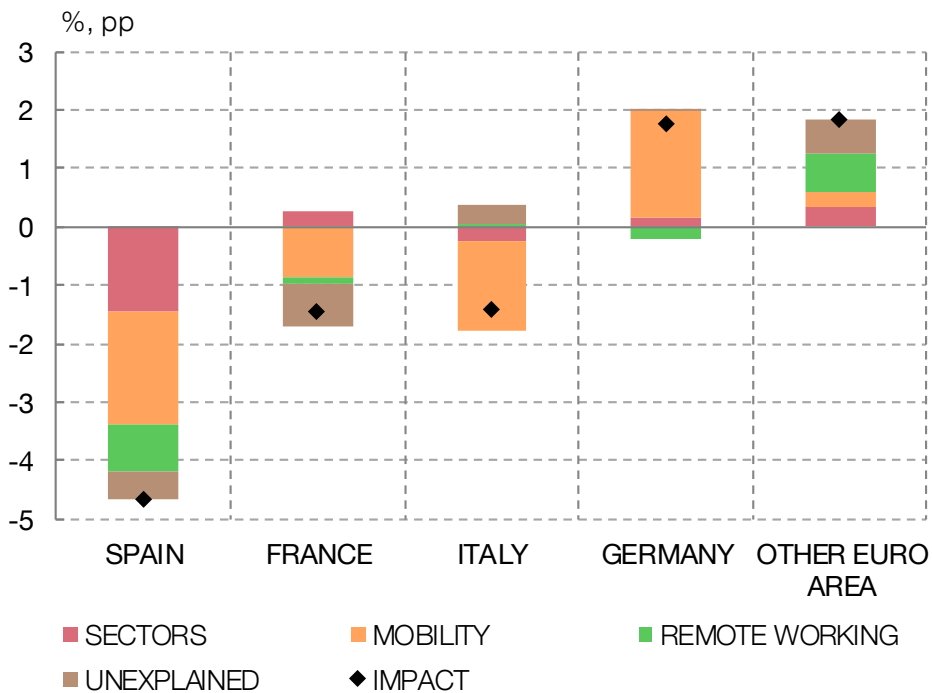
# IN THE EURO AREA, THE IMPACT OF THE CRISIS HAS BEEN UNEVEN ACROSS COUNTRIES

- A more unfavourable course of the pandemic and relatively more stringent lockdown measures are some of the factors that would account for the greater decline in output in France, Italy and Spain, compared with the euro area as a whole.
- Productive specialisation is also expected to have prompted a relatively higher impact of the crisis on economies such as Spain and Greece.

GDP LEVELS IN THE EURO AREA



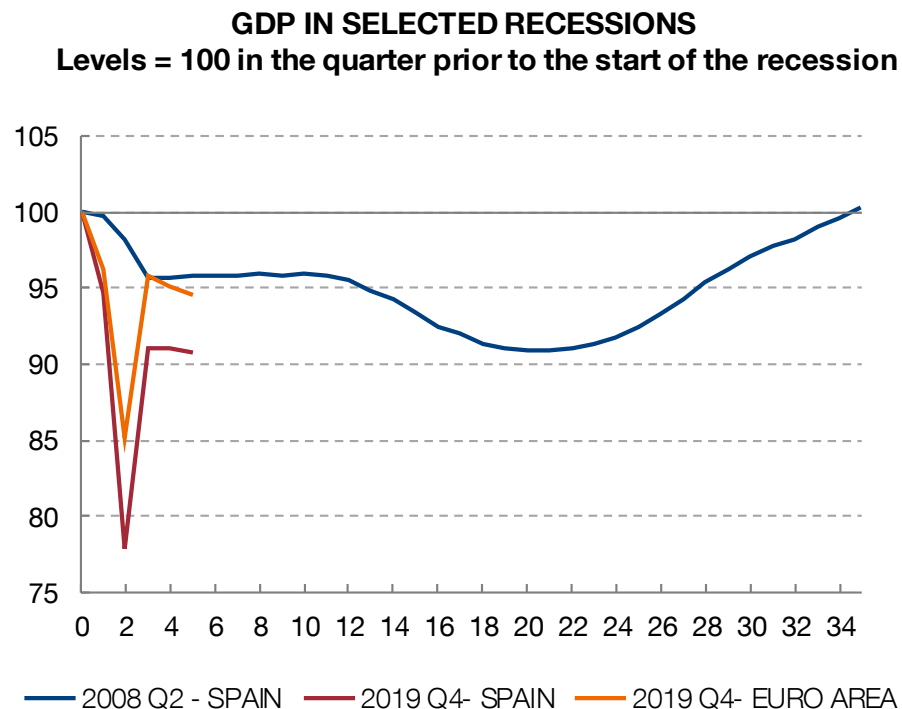
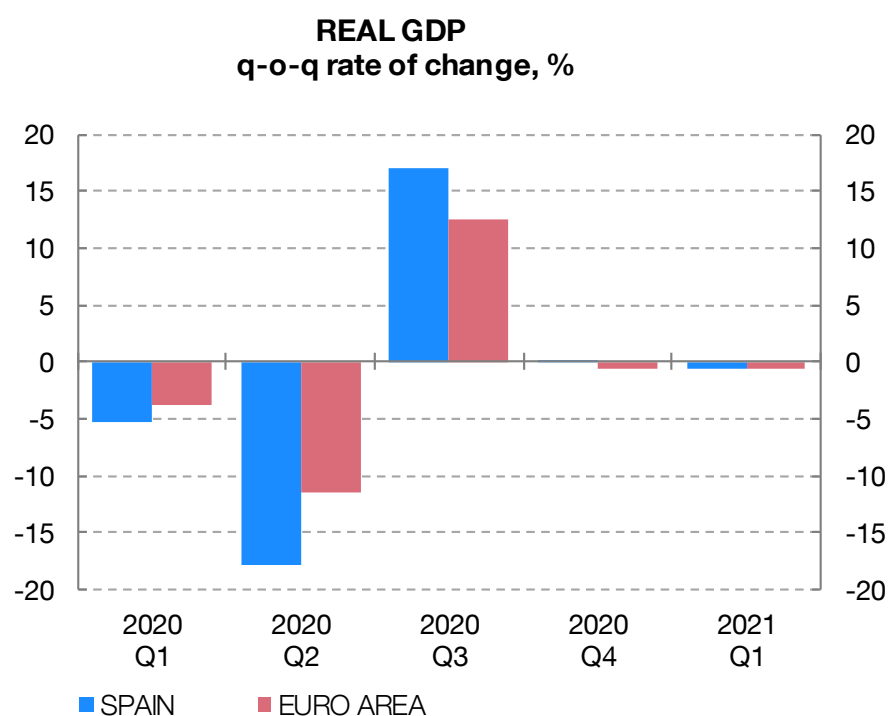
ECONOMIC IMPACT AND CONTRIBUTIONS (DIFFERENCES VIS-À-VIS THE EURO AREA IN 2020)



Sources: Banco de España, national statistics, Eurostat and IMF (WEO April 2021).

# THE ECONOMIC IMPACT OF THE PANDEMIC IN SPAIN IS UNPRECEDENTED IN PEACETIME

- GDP underwent an extraordinary slump in the first two quarters of 2020, both in historical terms and on international comparisons.
- Economic activity rose sharply in Q3, but this recovery was interrupted in the final stretch of 2020.
- In 2021 Q1, GDP was 9.4% below its pre-pandemic level, a gap 3.9 pp higher than that observed in the euro area as a whole.

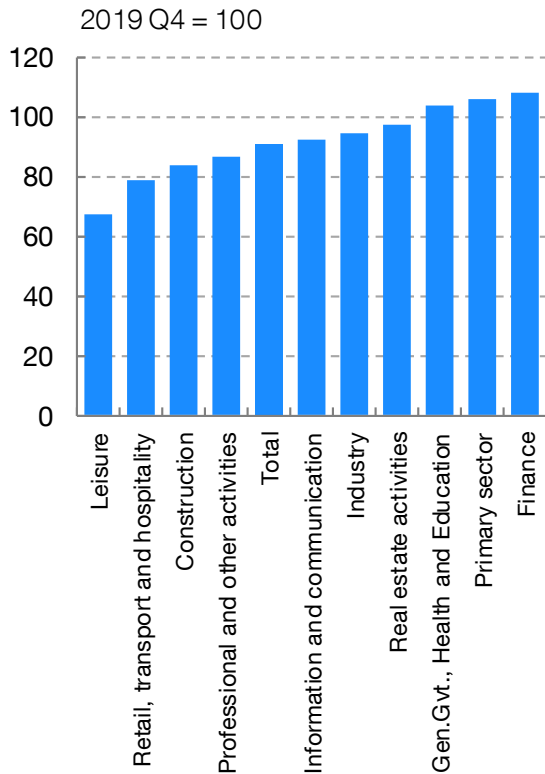


Sources: Eurostat and INE. Latest observation: 2021 Q1 (preliminary figure).

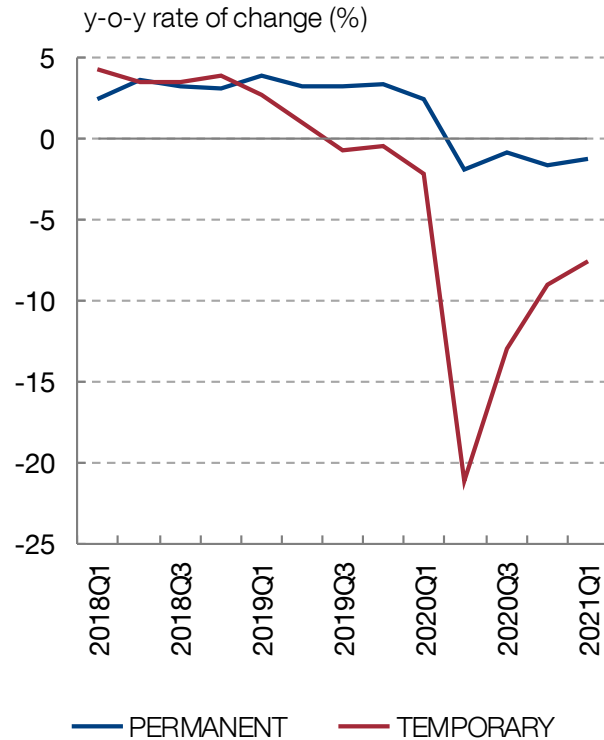
# THE PANDEMIC IS EXERTING A VERY UNEVEN EFFECT ACROSS SECTORS OF ACTIVITY, FIRMS, WORKERS AND PROVINCES

- The effects of the pandemic have been more adverse in the sectors where activity requires greater social interaction (hospitality, leisure, retail and transport), in SMEs, in the groups of more vulnerable workers (younger, temporary and lower-income employees), and in the island and Mediterranean coast provinces.

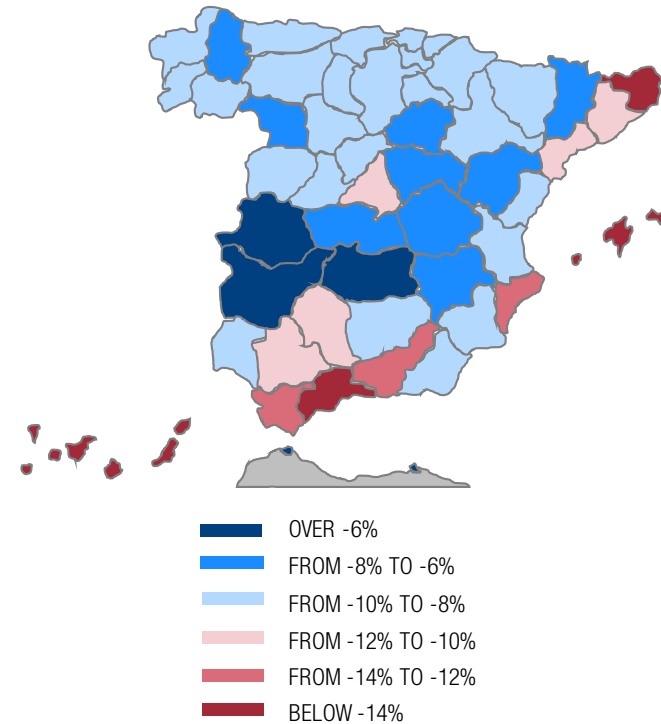
**GVA IN 2021 Q1**



**EMPLOYMENT BY TYPE OF CONTRACT**

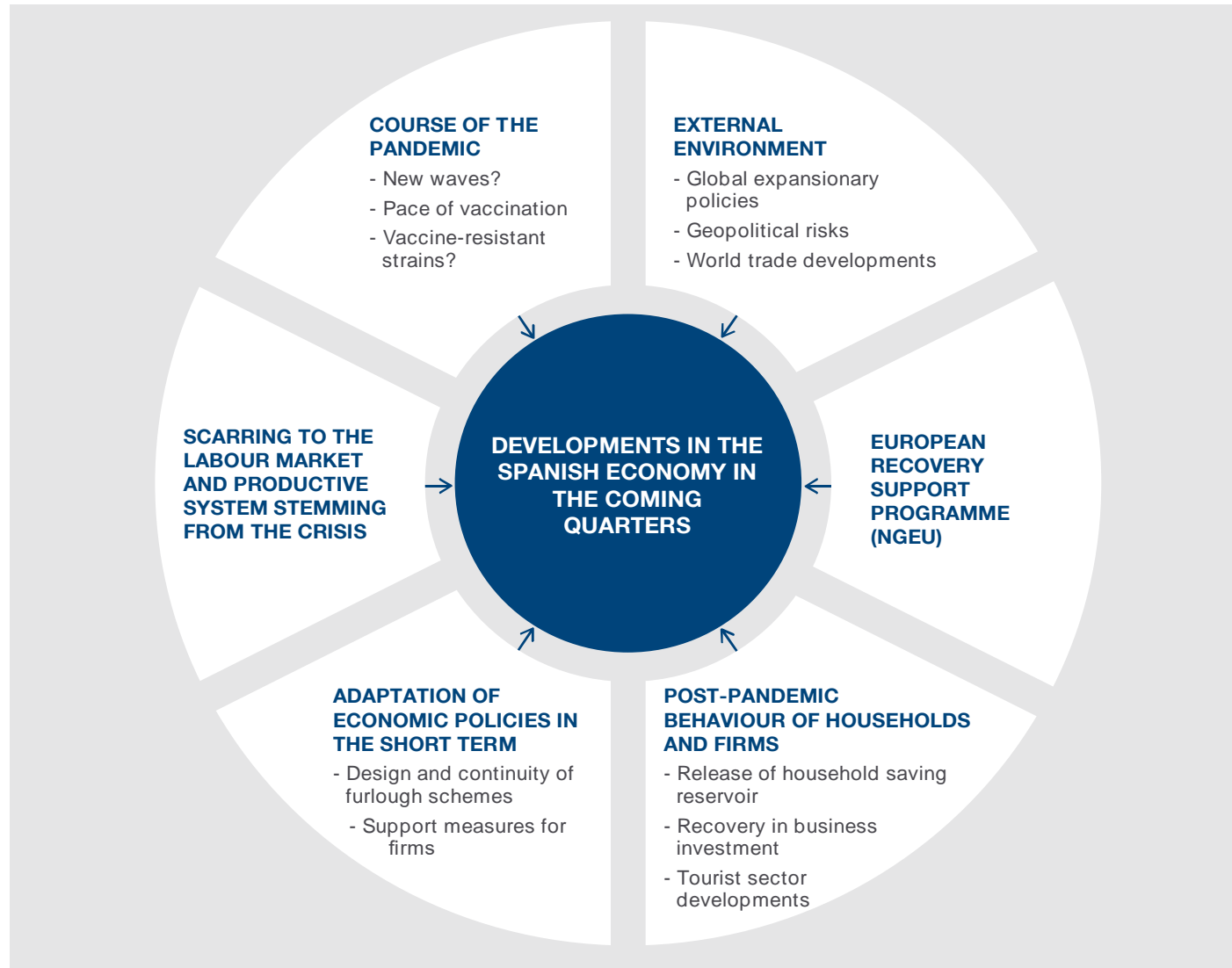


**ESTIMATED DECLINE IN GDP IN 2020, BY PROVINCE**



Sources: Banco de España and INE.

# MAIN FACTORS OF UNCERTAINTY OVER THE FORECASTING HORIZON



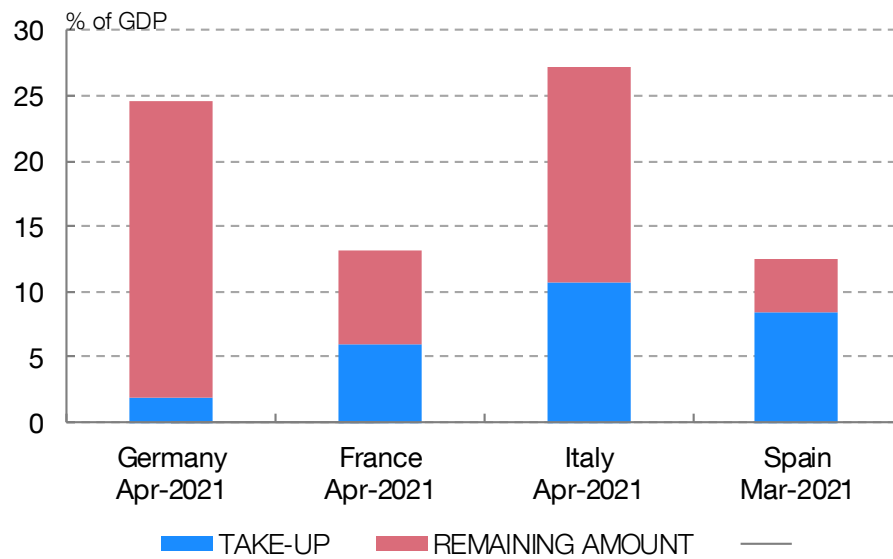
Source: Banco de España.



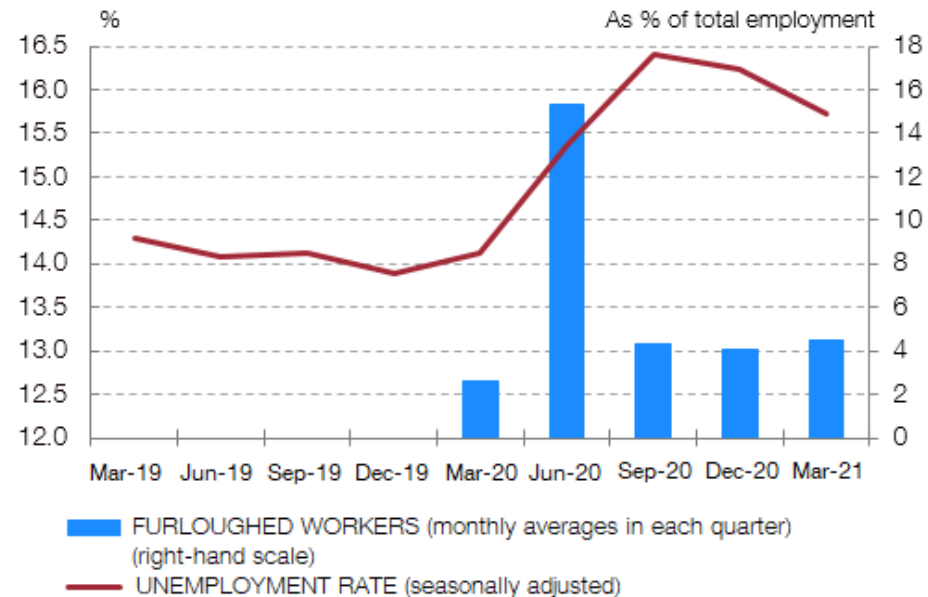
# THE ECONOMIC POLICY RESPONSE WAS SWIFT AND RESOLUTE EUROPE-WIDE AND DOMESTICALLY

- The ECB's monetary policy has been key for maintaining favourable financing conditions and preventing fragmentation in the euro area.
- The measures to protect employment, and to support the most vulnerable households and firms' liquidity have been extended and adapted to the changing circumstances.
- Looking ahead, furlough schemes must continue adapting to the economic environment, pursuing an increasingly focused configuration that is conducive to the necessary reallocation of employment towards the most productive firms and sectors.

**TAKE-UP OF PUBLIC GUARANTEE SCHEMES IN THE EURO AREA**  
Cumulative data from March 2020



**FURLOUGHED WORKERS AND UNEMPLOYMENT RATE**



Sources: Banco de España, Bruegel, Eurostat, ICO, INE, KfW, Ministère de l'Économie, des Finances et de la Relance, Ministerio de Inclusión, Seguridad Social y Migraciones, and Sace Simest.

# CHAPTER 2: THE SPANISH ECONOMY POST- COVID-19: STRUCTURAL CHALLENGES AND POLICIES TO ADDRESS THEM

1. **Some effects of the pandemic with potentially lasting implications**
2. **Tools available to the Spanish economy to undertake its structural transformation**

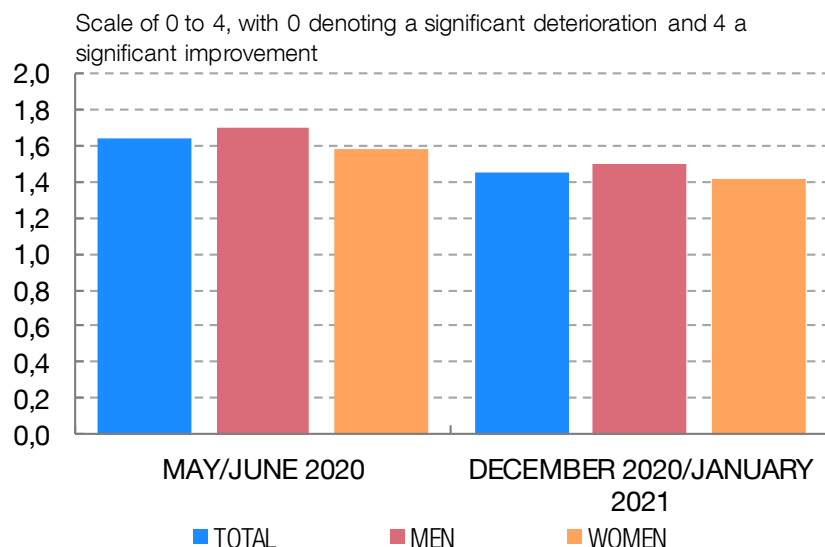
## **Boxes**

- 2.1 **Developments in the real estate market since the start of the pandemic**
- 2.2 **Global trade flows against the background of the pandemic**
- 2.3 **NGEU: An initiative bolstering the EU project**
- 2.4 **Labour market duality and severance costs: a model based on the Austrian fund**

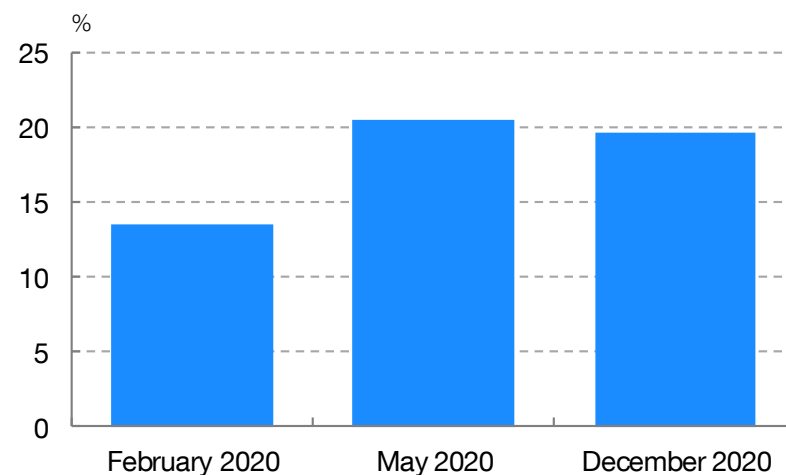
# SOME EFFECTS OF THE PANDEMIC: IMPACT ON HOUSEHOLDS

- The incidence of **health problems** such as depression, anxiety and social isolation has increased in general, especially among women, the main reason being “uncertainty about the future”
- The outbreak of the pandemic drove up labour income **inequality** and possibly uncertainty about future income, especially among the younger population, employees with temporary contracts and lower income groups
- Should they persist, these impacts could pose a **significant challenge for fiscal and economic policy**

## BY GENDER: "HOW MUCH HAS YOUR EMOTIONAL WELL-BEING CHANGED SINCE 14 MARCH?"



## PROPORTION OF INDIVIDUALS WITHOUT INCOME

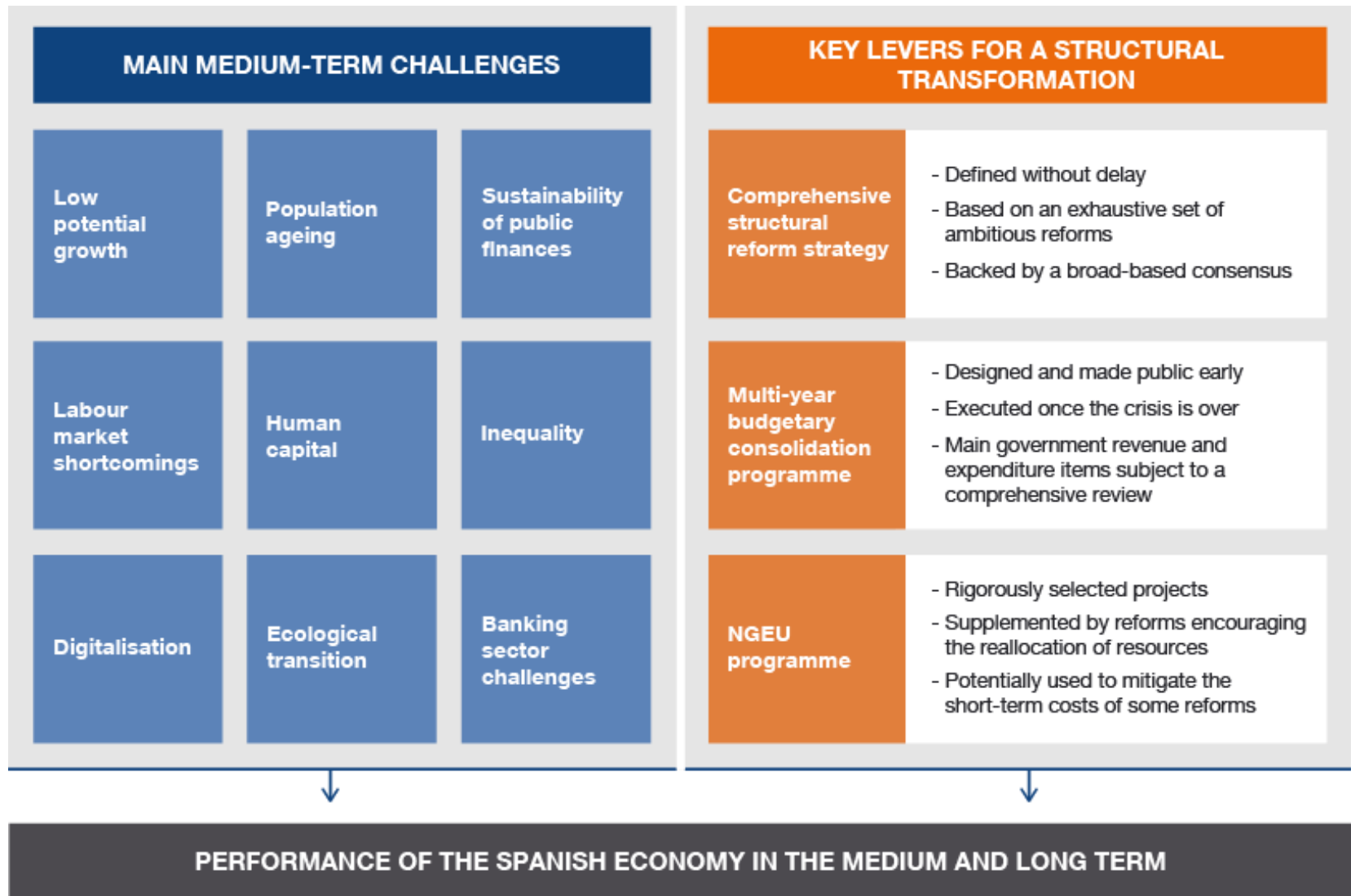


Source: *Encuesta sobre los efectos económicos y políticos de la COVID-19 en España*, Martínez-Bravo and Sanz (2021).

# SOME EFFECTS OF THE PANDEMIC: IMPACT ON POTENTIAL GROWTH

- **The scale and persistence of the effects on potential output will crucially depend on the duration of the shock**
- **Possible adverse effects through the labour market:**
  - Loss of human capital as the duration of unemployment lengthens, especially where sectoral reallocation is necessary
  - Enduring unemployment can have a discouragement effect, reducing the incentive to seek new work
- **Possible adverse effects of the pandemic on capital stock:**
  - The high debt levels of firms that survive the crisis will undermine their investment capacity for some time
- **The channels through which the crisis could affect total factor productivity are numerous (business demographics, adoption of new technologies, NGEU-related projects and changes in international trade), although the net effect is uncertain**

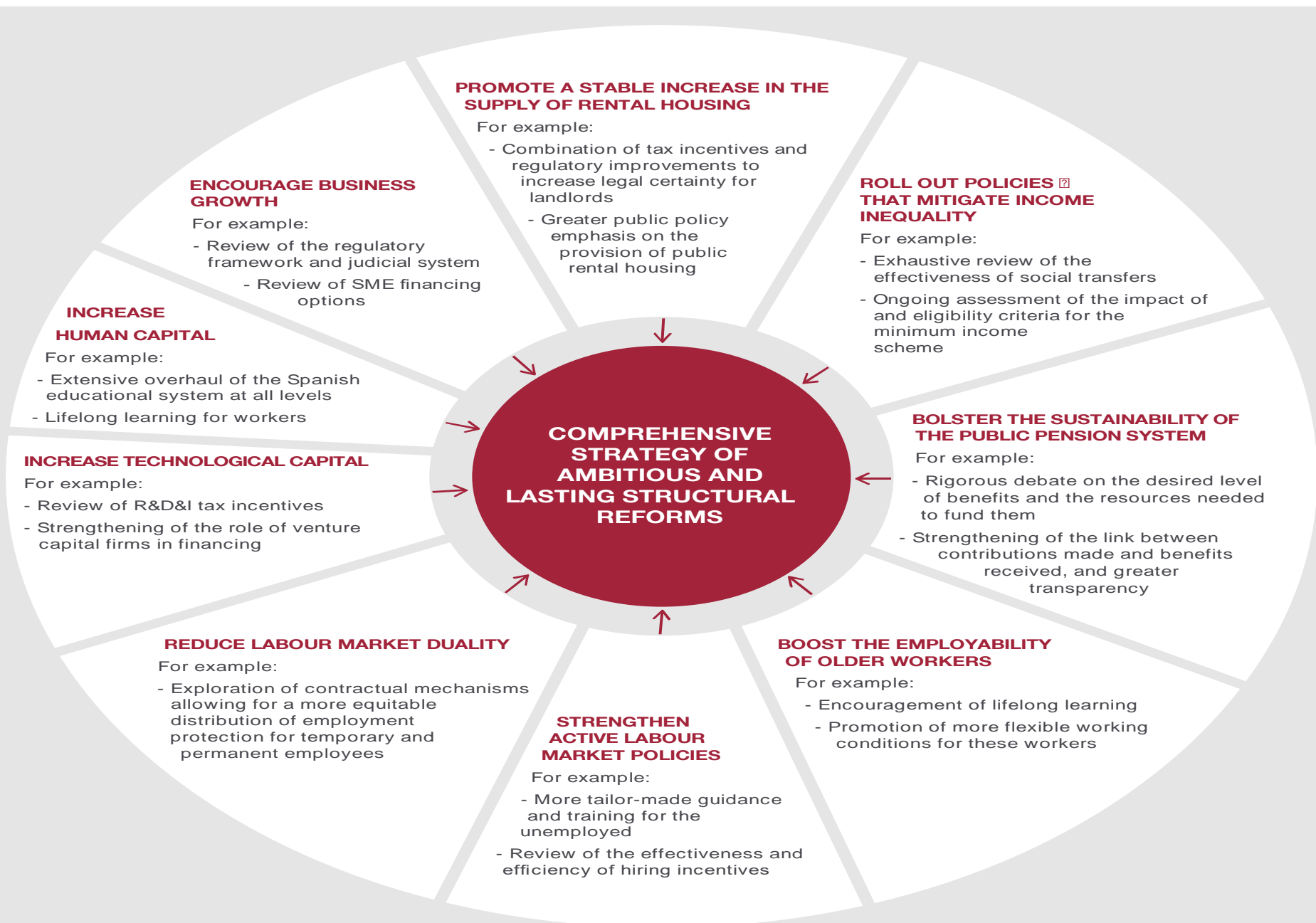
# MEDIUM-TERM CHALLENGES FACING THE SPANISH ECONOMY AND THE KEY LEVERS FOR ADDRESSING THEM



Source: Banco de España.

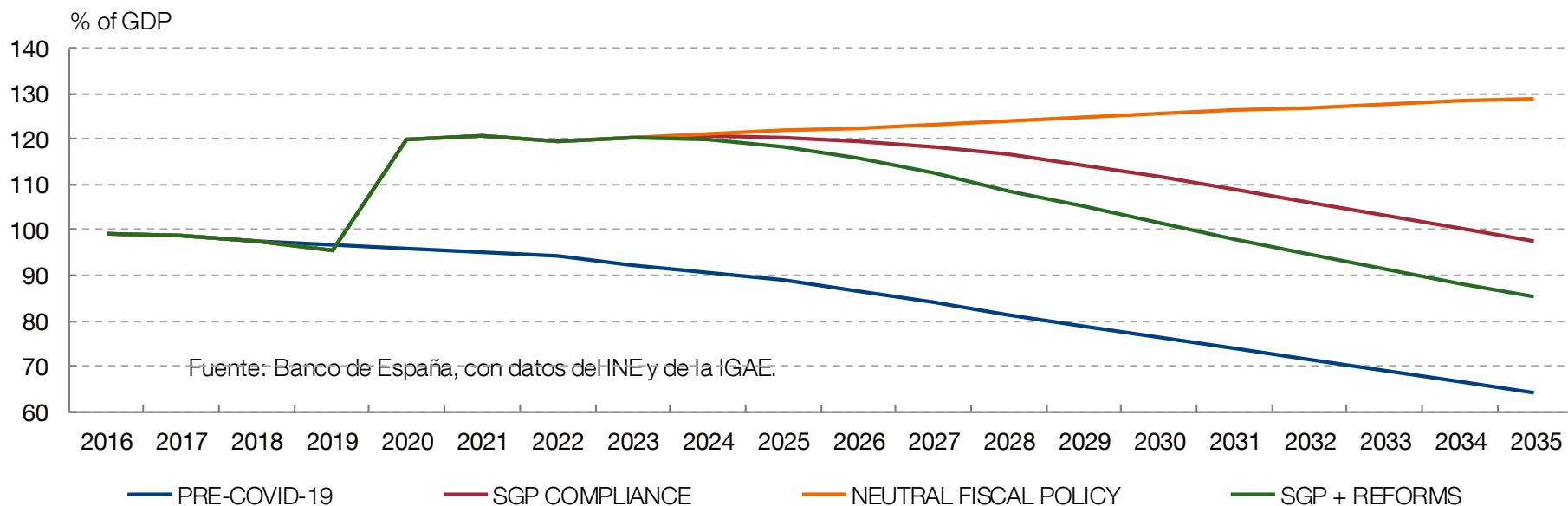
Figure 2.3

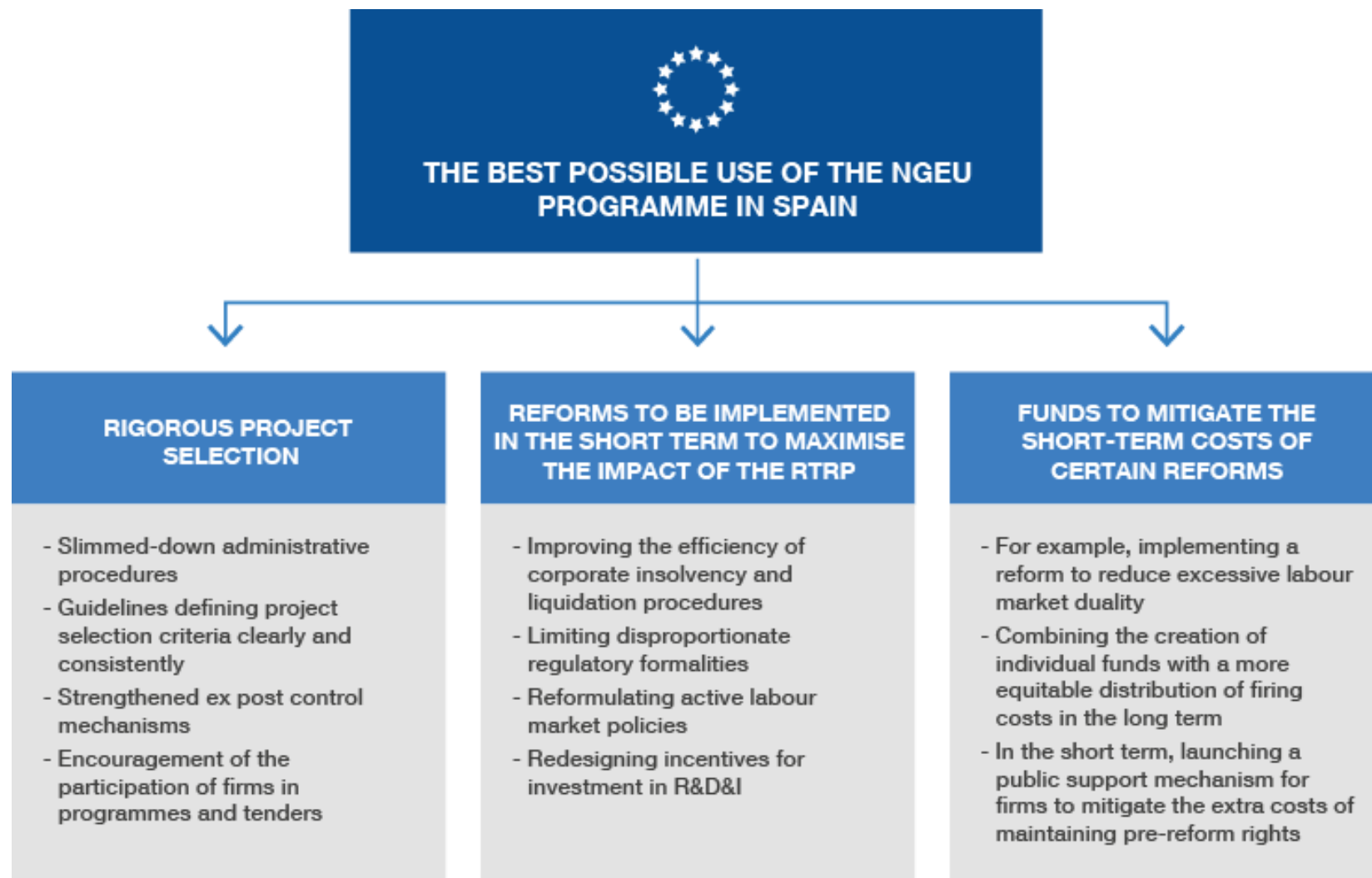
## COMPREHENSIVE STRUCTURAL REFORM STRATEGY



- The much-needed expansionary fiscal policy stance during the current crisis should give way, once the recovery takes hold, to a **restructuring of public finances** that enables the rebuilding of fiscal space
- It would be desirable for the main details of the fiscal consolidation process to be **defined and made public early** to reinforce its credibility
- The decision on how to distribute the fiscal adjustment among the different budget items should be based on a **comprehensive review of all public expenditure and revenue items** and an analysis of the implications of any fiscal policy action in terms of **efficiency and fairness**

**SIMULATED PATHS OF PUBLIC DEBT UNDER THE BASELINE SCENARIO AND UNDER CERTAIN ASSUMPTIONS**







# AN EXAMPLE OF REFORM + NGEU: LABOUR MARKET DUALITY AND SEVERANCE COSTS

- There are large disparities in severance payments, partly owing to the regulatory differences between permanent and temporary employment contracts
- A reform that combines the introduction of individual funds with a review of severance costs as they stand today would mitigate this problem, with no loss of protection for workers and no extra costs for employers
- During the transition period, maintaining acquired rights to severance payments and paying into the individual funds would represent an extra cost, which could be met with public funds stemming, in part, from the NGEU programme

## SIMULATION OF TOTAL COSTS FOR FIRMS OF THE CURRENT SYSTEM OF SEVERANCE COSTS AND OF A MIXED SYSTEM

### COMBINING AN AUSTRIAN FUND AND A REFORM OF SEVERANCE COSTS

€m	Total costs paid by firms under the current system	Total theoretical costs that firms would pay under the mixed system in the long term	Total costs paid by firms under the mixed system in the transition, without the support mechanism (a) (b)	Total costs paid by firms under the mixed system in the transition, with the support mechanism (a)			State contribution to individual funds in the transition to the mixed system, with the support mechanism (d)
				Severance compensation	Contributions to individual funds (c)	Total	
	(1)	(2)	(3)	(4)	(5)	(6) = (4) + (5)	(7)
2013	7.236	6.832	9.868	6.653	536	7.189	2.679
2014	6.809	6.810	9.057	5.651	1.135	6.786	2.270
2015	7.242	7.194	9.267	5.694	1.786	7.481	1.786
2016	6.501	7.044	8.560	4.767	2.529	7.296	1.264
Total period 2013-2016 (e)	27.998	28.010	37.093	23.082	5.979	29.062	8.031

Source: Banco de España, drawing on Social Security General Treasury data (Panel of Data on Firms and Workers, 2013-2016).

# CHAPTER 3: THE EFFECTS OF THE COVID-19 CRISIS ON THE PRODUCTIVE SECTORS IN SPAIN: ECONOMIC AND FINANCIAL IMPLICATIONS

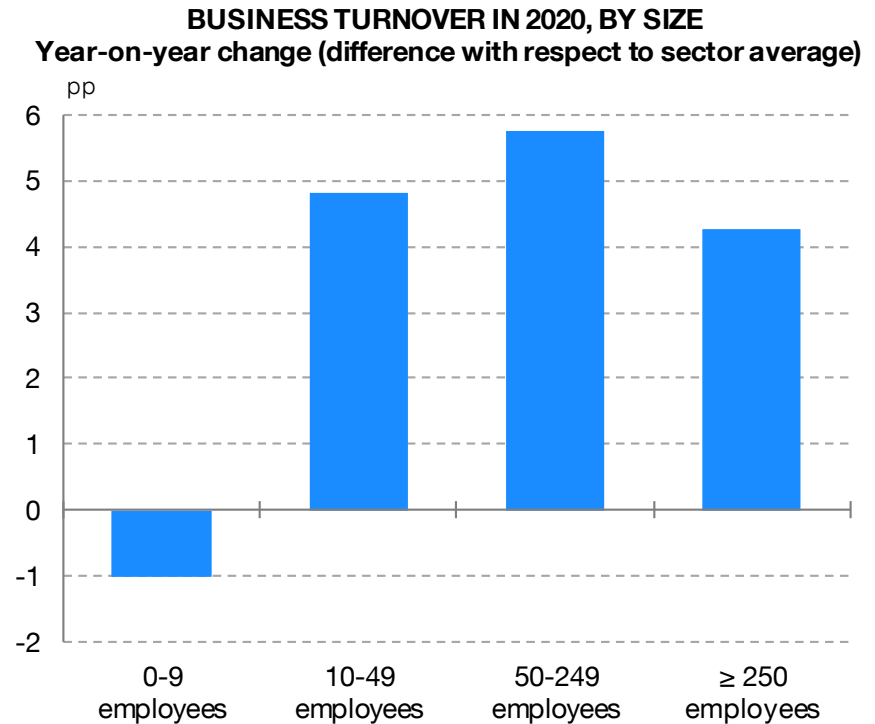
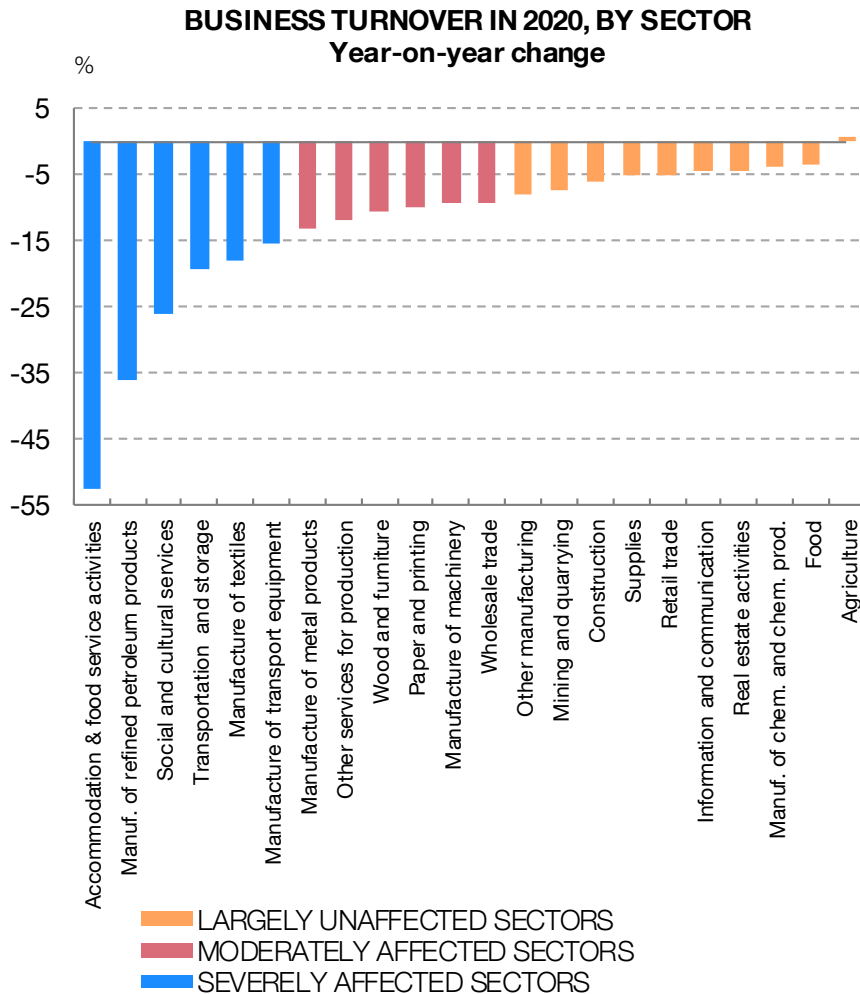
1. Short-term liquidity risks of the productive sectors
2. Firms' financial vulnerability in the medium and long term
3. The economic implications of firms' financial vulnerability and the role of economic policy
4. The impact of the financial vulnerability in productive sectors on deposit institutions

## Boxes

- 3.1. The macroeconomic effect of the viability and solvency problems of firms caused by the COVID-19 crisis
- 3.2. Economic measures approved in Spain during the COVID-19 crisis to shore up business solvency
- 3.3. How the insolvency and pre-insolvency system works in Spain

# THE IMPACT OF THE COVID-19 CRISIS ON FIRMS' ACTIVITY HAS BEEN HIGHLY HETEROGENEOUS

- The decline in revenues has been highly uneven by sector and firm size, and even within each sector and size group.

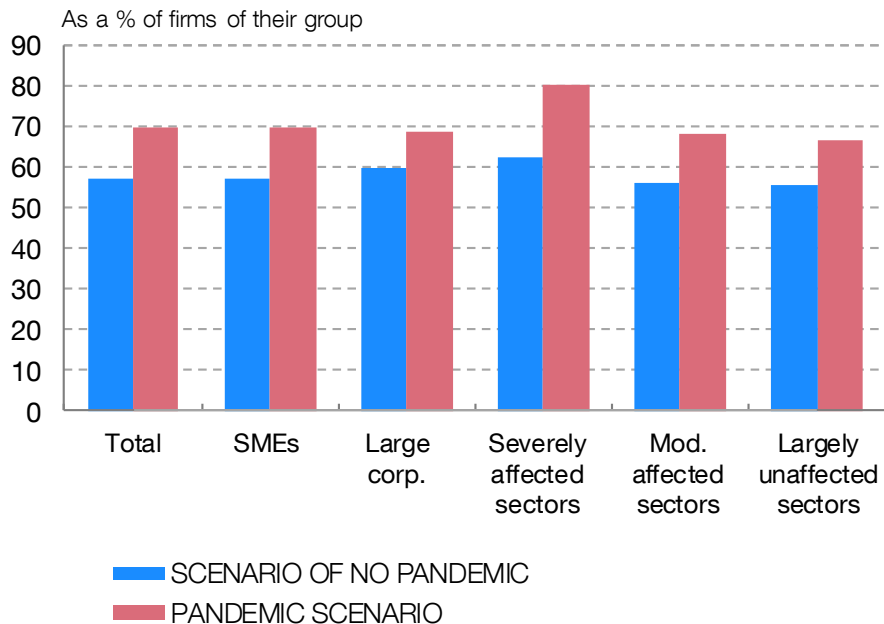


SOURCES: Agencia Estatal de Administración Tributaria and Banco de España.

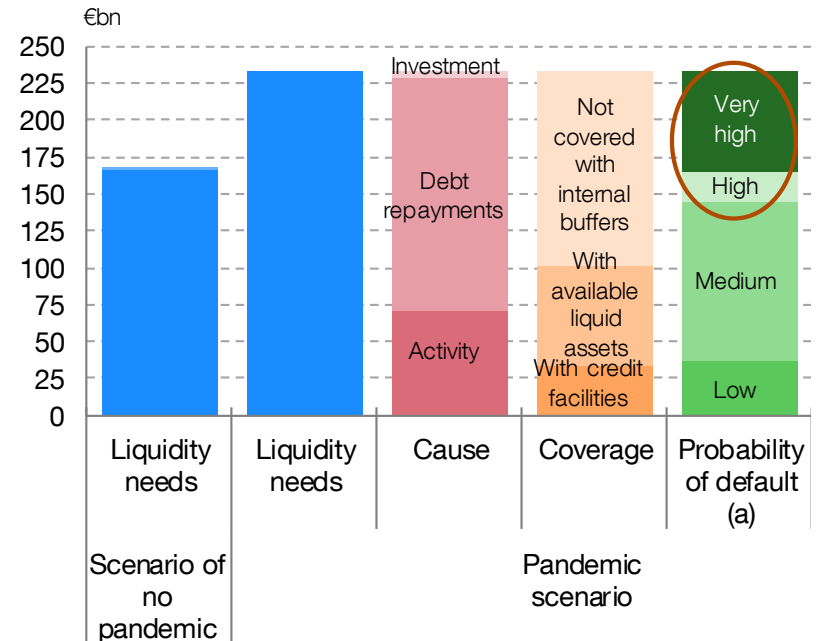
# AT THE START OF THE PANDEMIC, THE PRODUCTIVE SECTORS FACED SUBSTANTIAL LIQUIDITY RISK

- In 2020, the percentage of firms with liquidity needs increased by nearly 13 pp and the volume of these by €67 billion, compared with a counterfactual scenario of no pandemic.
- More than half of the liquidity needs were not covered by liquidity buffers and a significant portion were at firms presenting high credit risk.

**PERCENTAGE OF FIRMS WITH LIQUIDITY NEEDS.**  
2020 Q2-Q4 (a)



**FIRMS' LIQUITY: NEEDS, CAUSE, COVERAGE AND PROBABILITY**



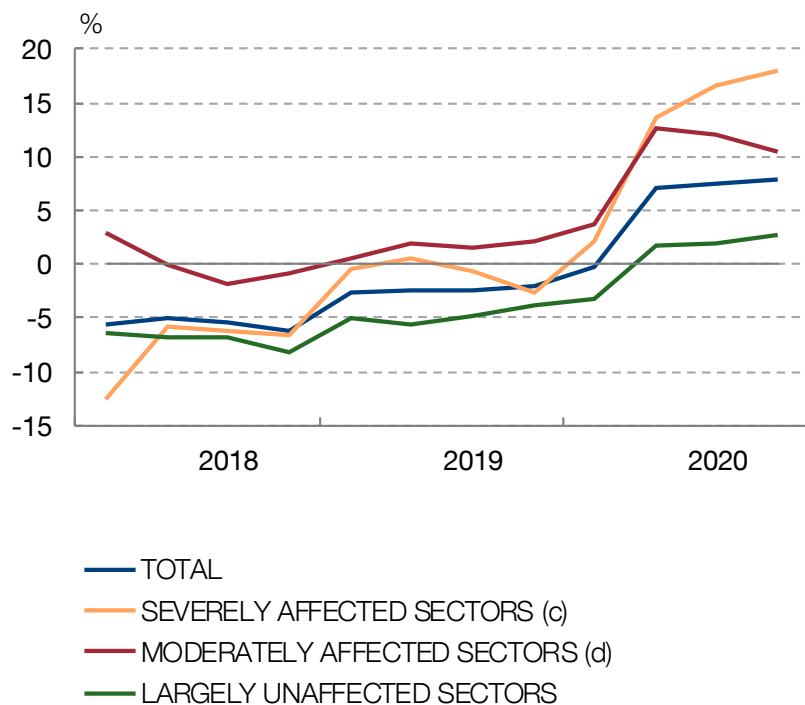
SOURCE: Banco de España.

a. Probability of default is considered very high if it exceeds 5%, high if it is between 3% and 5%, medium if it is between 0.5% and 3%, and low if it is below 0.5%.

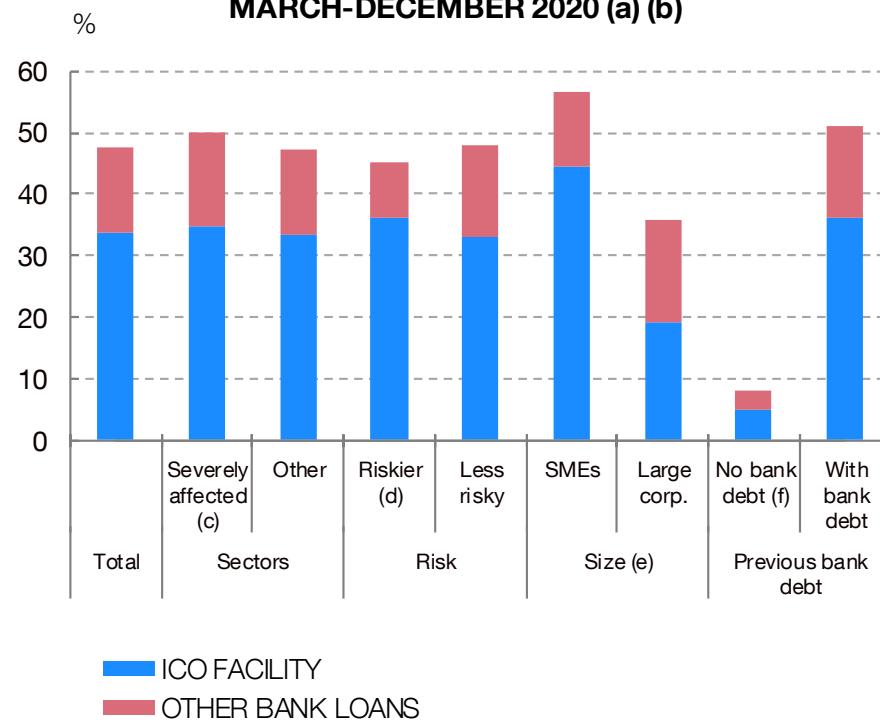
# THE PRODUCTIVE SECTORS COVERED MOST OF THEIR LIQUIDITY NEEDS WITH BANK LOANS

- Credit grew most sharply, in relative terms, in the hardest-hit sectors.
- The ICO guarantee facilities have played a pivotal role.

**LENDING TO PRODUCTIVE ACTIVITIES, BY SECTOR**  
Year-on-year change



**COVERAGE OF LIQUIDITY NEEDS OF NON-FINANCIAL CORPORATIONS BY SECTOR, SIZE AND RISK.**  
MARCH-DECEMBER 2020 (a) (b)

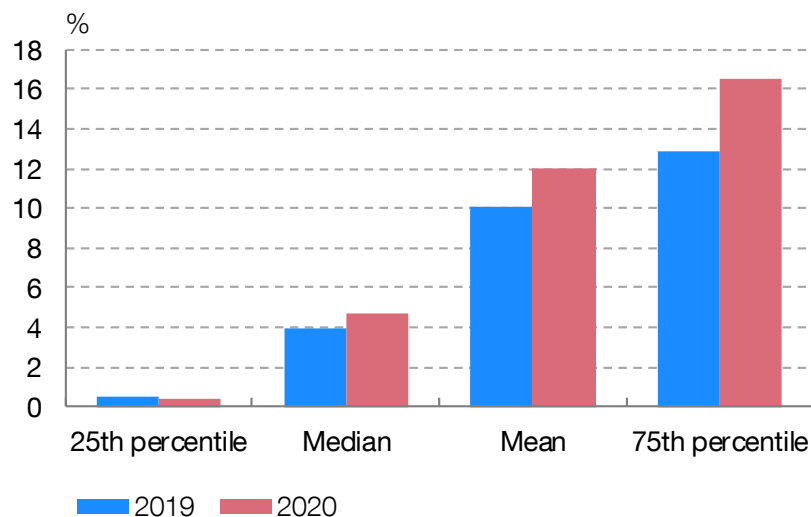


SOURCE: Banco de España.

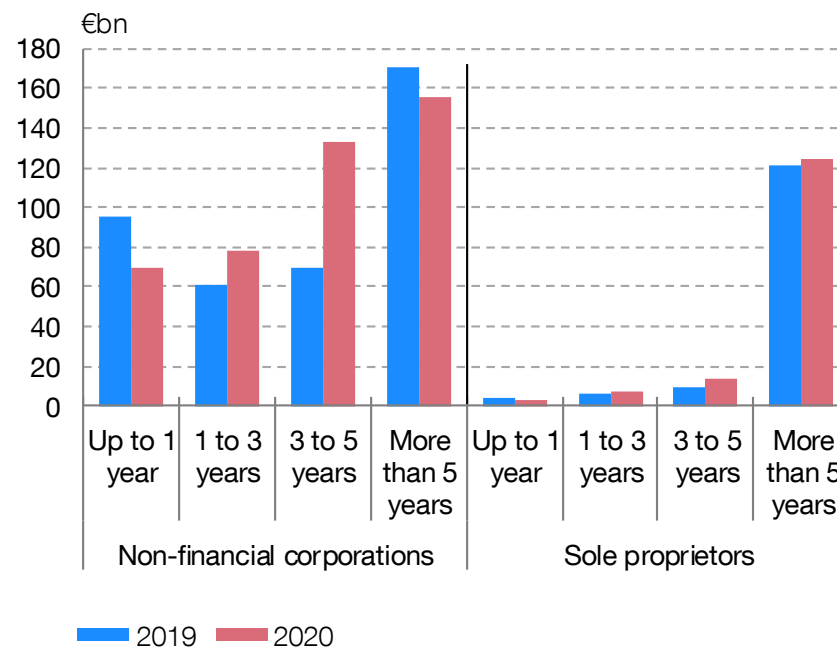
# OVERALL, FIRMS FACE A MORE BENIGN LIQUIDITY SITUATION IN 2021

- However, the liquidity needs of the hardest-hit firms appear to remain relatively high and...
- ...some may have used up part of their liquidity buffers in 2020.
- Therefore, developments in credit supply conditions will have to be followed closely.

DISTRIBUTION OF FIRMS' LIQUIDITY RATIO. CBQ (a)



DISTRIBUTION OF BANK DEBT BY MATURITY



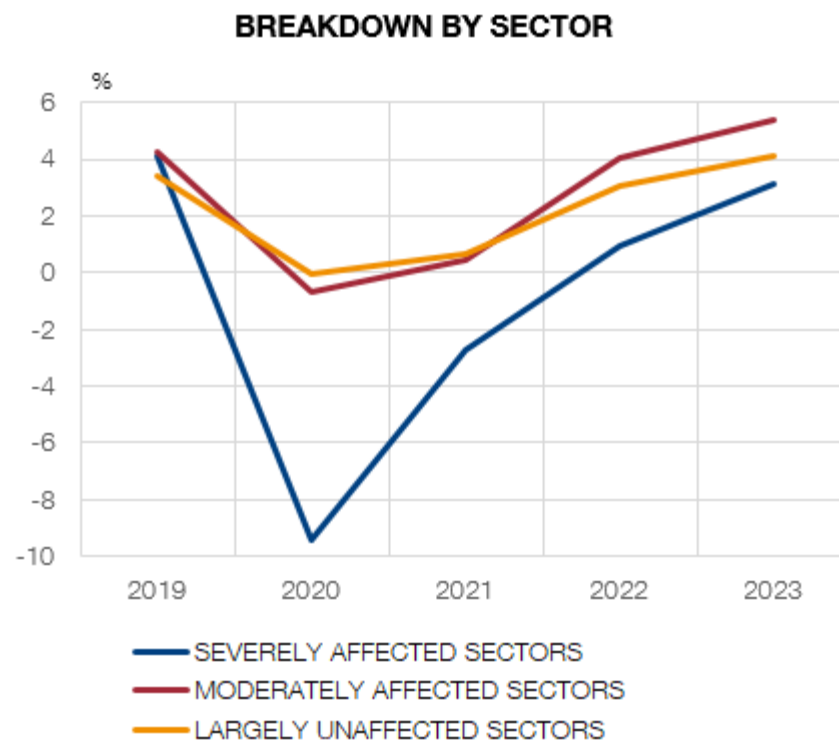
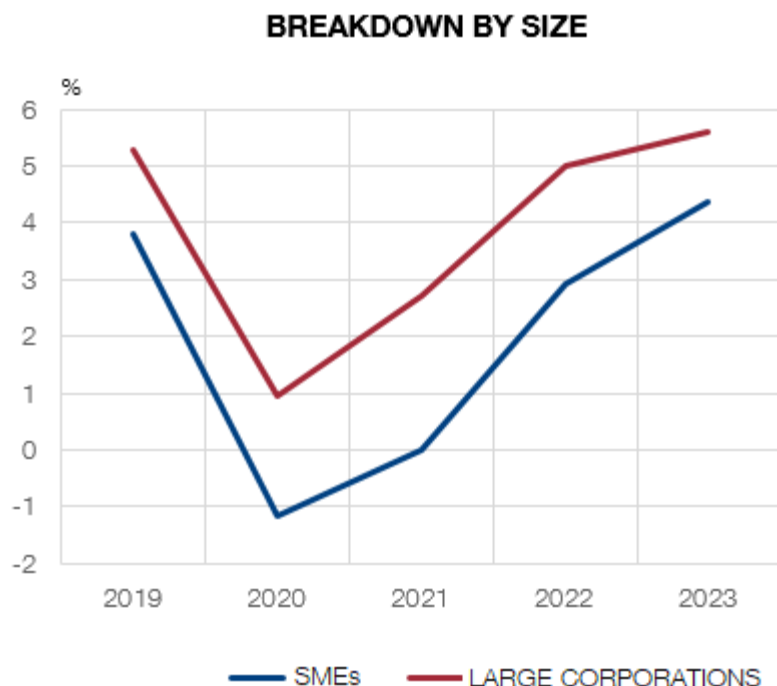
SOURCE: Banco de España.

a. The liquidity ratio is defined as the firm's liquid assets as a percentage of its total assets.

# BUSINESS PROFITABILITY DECLINED SHARPLY IN 2020. A SLOW RECOVERY IS EXPECTED FROM 2021

- In 2020, the decline in profitability appears steeper for SMEs and, above all, for the severely affected sectors.
- Median profitability in the severely affected sectors would remain below pre-crisis levels in 2023.

MEDIAN RETURN ON ASSETS (a)



SOURCE: Banco de España.

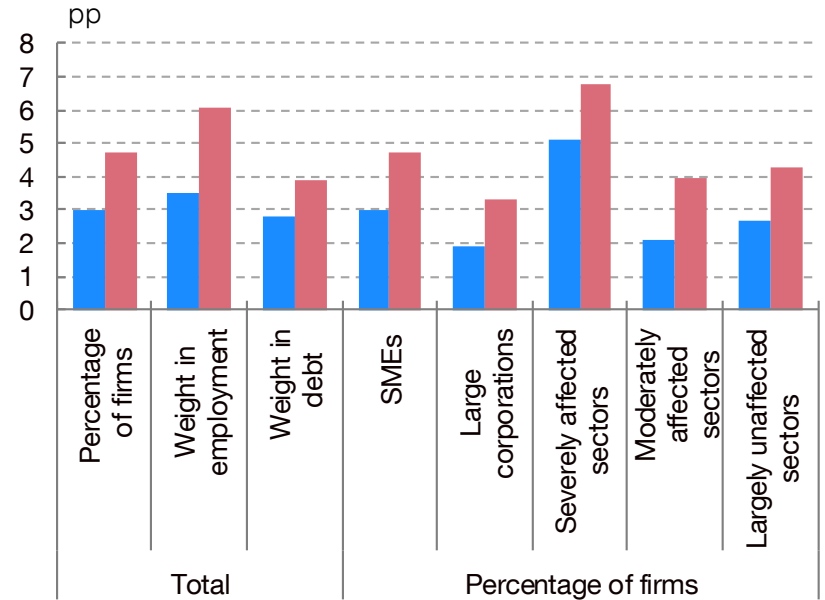
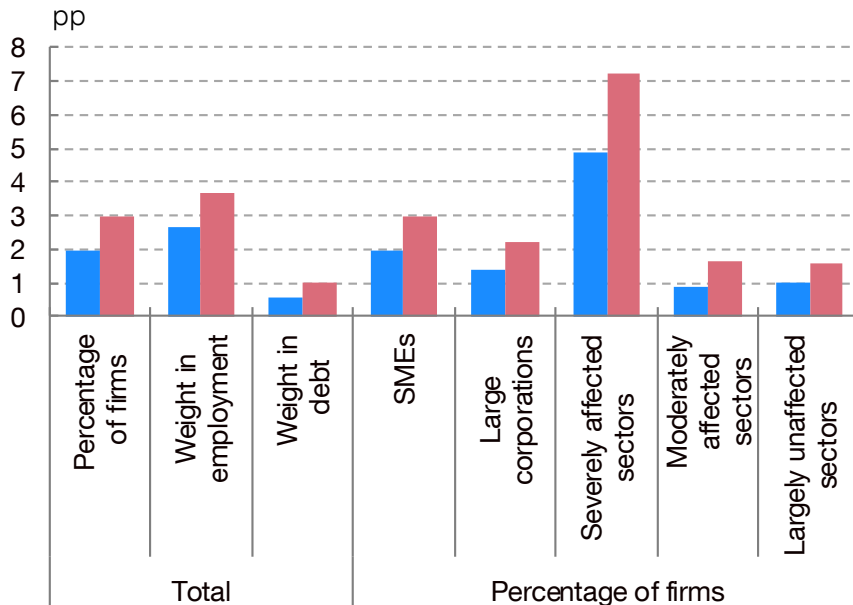
a. Return on assets (ROA) = (Ordinary net profit + Financial costs) / Assets net of non-interest-bearing borrowing. Results obtained based on simulations consistent with the economic developments projected under the baseline scenario of the macroeconomic projections published by the Banco de España in March 2021.

# THE INCREASE IN DEBT AND THE DECLINE IN PROFIT HAS HEIGHTENED THE RISKS RELATING TO VIABILITY AND SOLVENCY

- **Firms at risk of becoming non-viable** are those expected to remain loss-making throughout the time horizon (2021-2023).
- **Overindebted but viable firms** are those whose ratio of net debt to earnings exceeds a certain threshold at the end of the time horizon.

INCREASE, OWING TO THE COVID-19 CRISIS, IN THE PERCENTAGE OF FIRMS AT RISK OF NON-VIABILITY AND IN THEIR WEIGHT IN EMPLOYMENT AND DEBT

INCREASE, OWING TO THE COVID-19 CRISIS, IN THE PERCENTAGE OF VIABLE BUT OVERINDEBTED FIRMS AND IN THEIR WEIGHT IN EMPLOYMENT AND DEBT (a)



■ MORE BENIGN SCENARIO ■ LESS BENIGN SCENARIO

SOURCE: Banco de España.

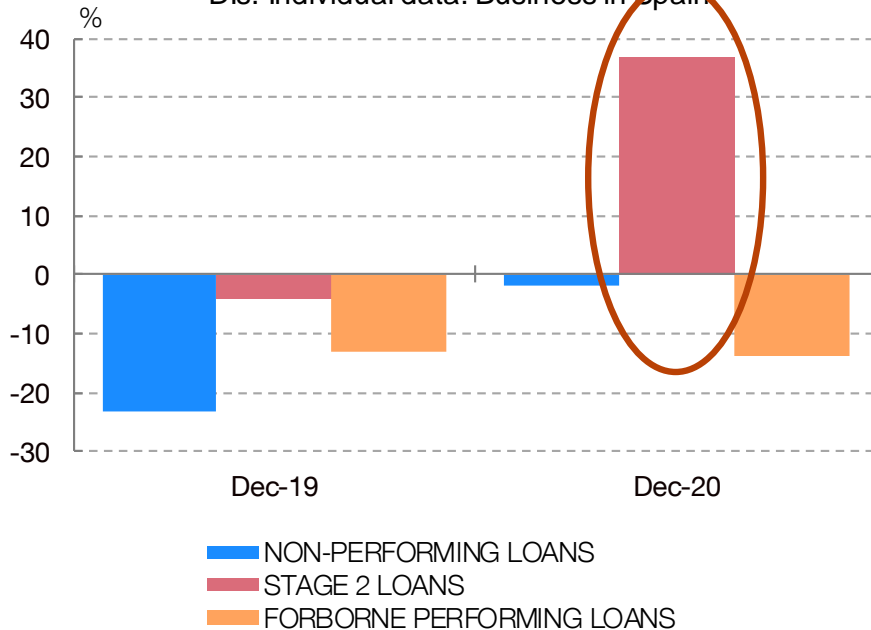
a. Scenarios consistent with baseline scenario (more benign) and severe scenario (less benign) of Banco de España March 2021 macroeconomic projections.  
 b. Overindebted firms: debt ratio > 12, in more benign scenario; > 9, in less benign scenario.



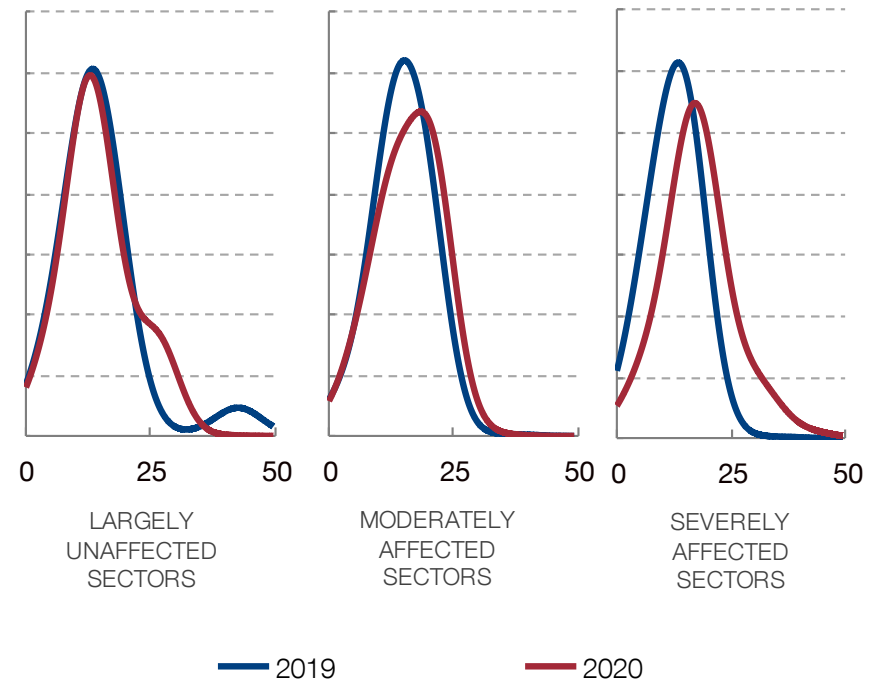
# THE POSITION OF FINANCIAL INSTITUTIONS HAS NOT SUFFERED, THUS FAR, BUT MAY DO IN THE FUTURE

- The measures adopted (public guarantee schemes and moratoria) have curbed the increase in non-performing loans.
- But non-performing loans could rise once the effects of the support measures peter out.
- Latent risks can be observed: a sharp increase in Stage 2 loans, with troubled assets concentrated in the severely affected sectors.

YEAR-ON-YEAR RATE OF CHANGE IN TROUBLED AND FORBORNE PERFORMING LOANS FOR BUSINESS ACTIVITY  
Dls. Individual data. Business in Spain



DISTRIBUTION OF TROUBLED LOAN RATIO BY SECTOR OF ACTIVITY  
Dls. Individual data. Business in Spain



SOURCE: Banco de España.

- **The measures to support liquidity have been effective in averting a surge of bankruptcies. However, the persistence of the crisis has heightened the financial vulnerability of firms and sole proprietors, which poses some risks for the recovery:**
  - overindebtedness limits investment growth; bankruptcies, job destruction and loss of production capacity; in extreme circumstances, the contraction of credit supply.
- **To mitigate these risks, a swift and flexible implementation of the recent measures to support business solvency (RDLs 5/2021 and 6/2021) is required, in order to:**
  - maximise the effectiveness of the funds and minimise the risks of sub-optimal allocation
  - allow for programme recalibration (amount and allocation among tools), if deemed necessary
  - complement these measures with others to encourage private recapitalisations
- **At the same time, debt restructuring mechanisms need to be improved:**
  - encouraging pre-insolvency arrangements and reviewing the role of public sector creditors
  - designing specific insolvency mechanisms for small firms

# CHAPTER 4: THE SPATIAL DISTRIBUTION OF POPULATION IN SPAIN AND ITS ECONOMIC CONSEQUENCES

1. Introduction
2. The distribution of population in rural and urban areas
3. Spanish cities' population dynamics and their causes
4. Some public policy considerations
5. Conclusions

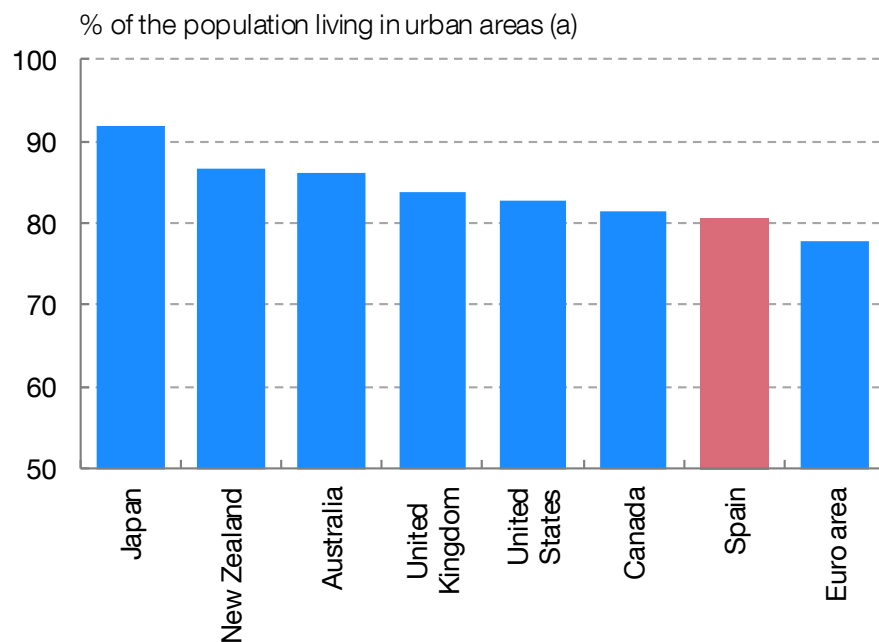
**Boxes:**

- 4.1. The spatial distribution of population in Spain
- 4.2. The rural exodus and the concentration of economic activity in Spain

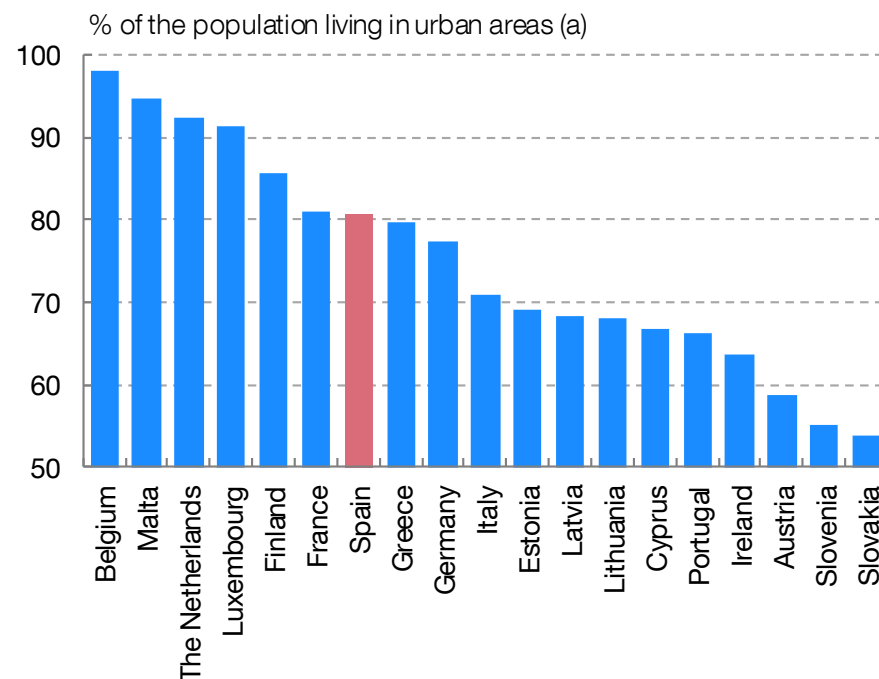
# URBANISATION AROUND THE WORLD

- The percentage urban is high in all developed countries. Globally, the percentage urban and income per capita are highly correlated.
- The euro area has a lower percentage urban than the other developed countries. Spain's is somewhat higher than the euro area average.

GROUP OF DEVELOPED COUNTRIES



EURO AREA MEMBERS

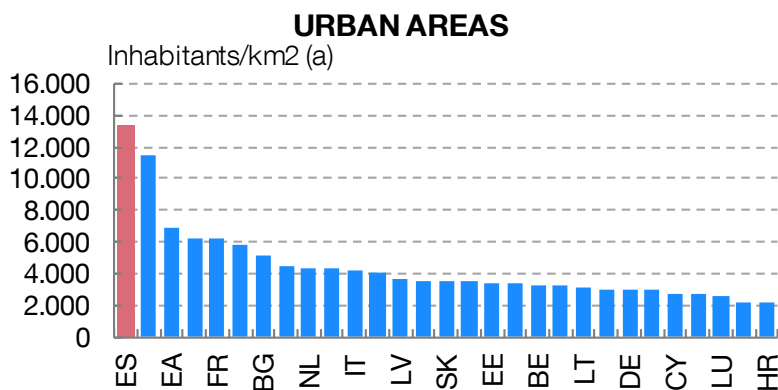


SOURCE: United Nations.

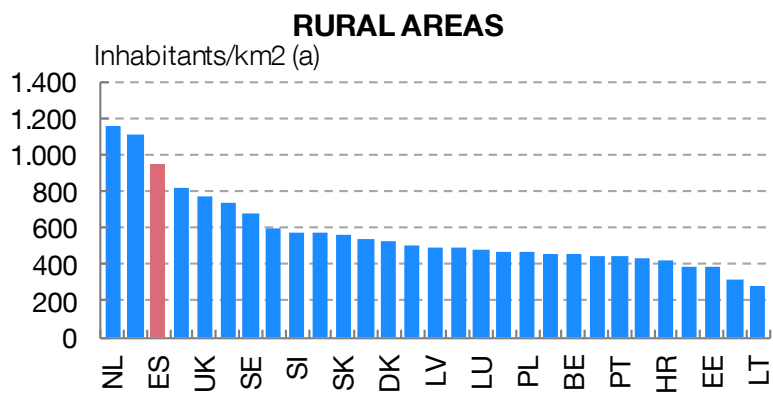
a According to the United Nations definition, urban areas are those municipalities or local administrative units with 10,000 or more inhabitants.

# CONCENTRATION OF POPULATION: THE SPANISH EXCEPTION

- Compared with Europe, the population in Spain is very highly concentrated in both urban and rural areas (left-hand panel).
- In Spain an abnormally high percentage of the territory is uninhabited and this anomaly is not due to geo-climatic factors.



➤ Only 13% of the 1 km<sup>2</sup> cells in Spain are inhabited (red dots on the map).



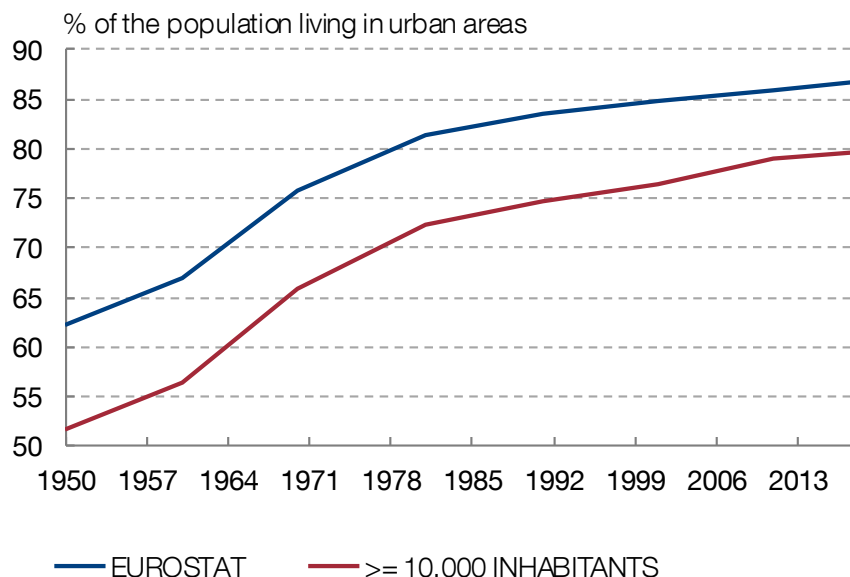
SOURCE: Eurostat.

a The measurement of density considered refers to the population-weighted average number of inhabitants per km<sup>2</sup>. In other words, it captures the average number of people living within a 1 km<sup>2</sup> radius around each inhabitant of a rural or urban area.

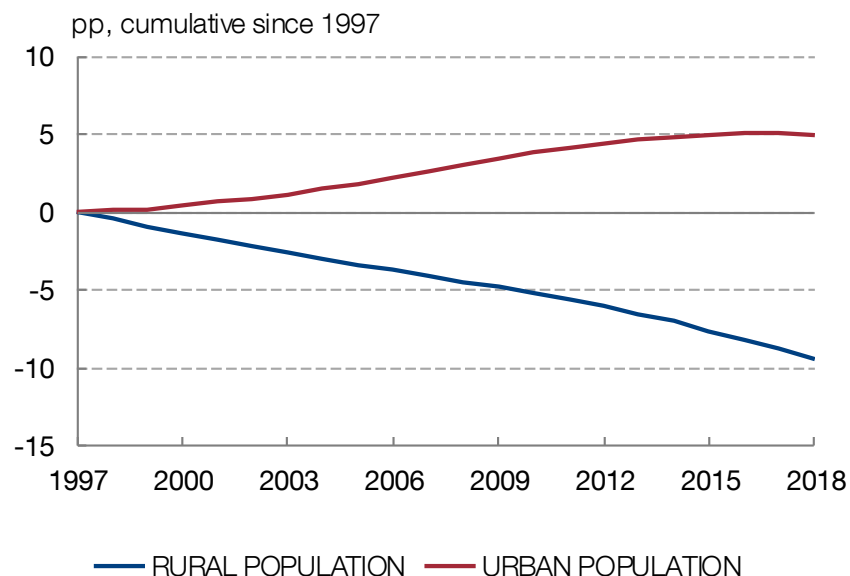
# THE SPANISH URBANISATION PROCESS

- The percentage urban rose significantly between 1950 and the end of the 1980s (rural exodus), but increased at a clearly slower pace from the 1990s onwards, as a result of the differences in natural increase between urban and rural areas.
- The rural-urban inter-provincial migration component was particularly significant during the first stage (1950-1991), but since then it has stood at practically zero.

## PERCENTAGE URBAN. DIFFERENT DEFINITIONS



## CONTRIBUTION OF NATURAL INCREASE



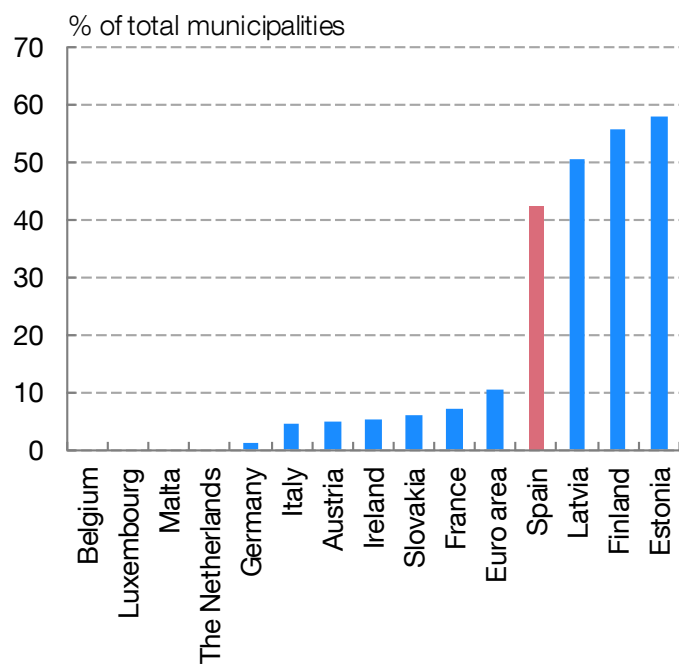
SOURCES: Banco de España and Eurostat.

# MUNICIPALITIES AT RISK OF DEPOPULATION

- A total of 3,403 municipalities at risk of depopulation are identified (42% of municipalities in Spain). This is much higher than the figure for the euro area as a whole.
- They display socioeconomic and orographic idiosyncrasies and have worse access to services than urban municipalities and other rural municipalities.

## MUNICIPALITIES AT RISK OF DEPOPULATION

(a)



## DIFFERENT CHARACTERISTICS OF RURAL MUNICIPALITIES

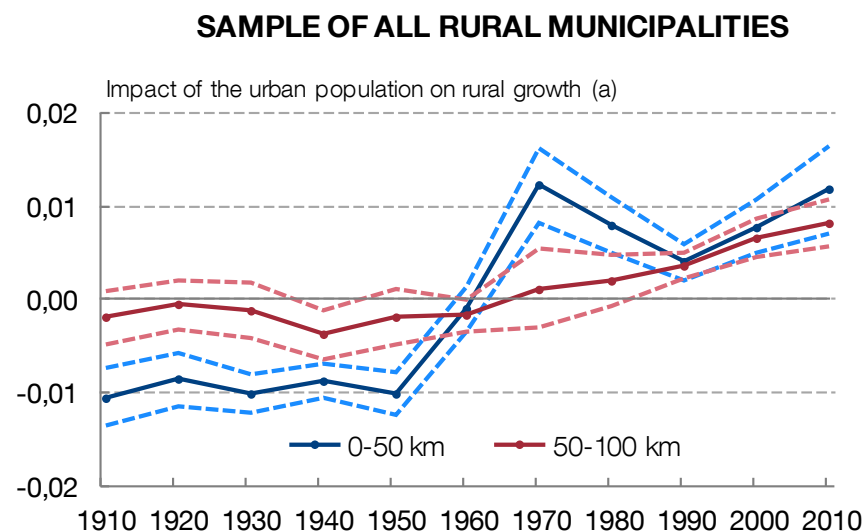
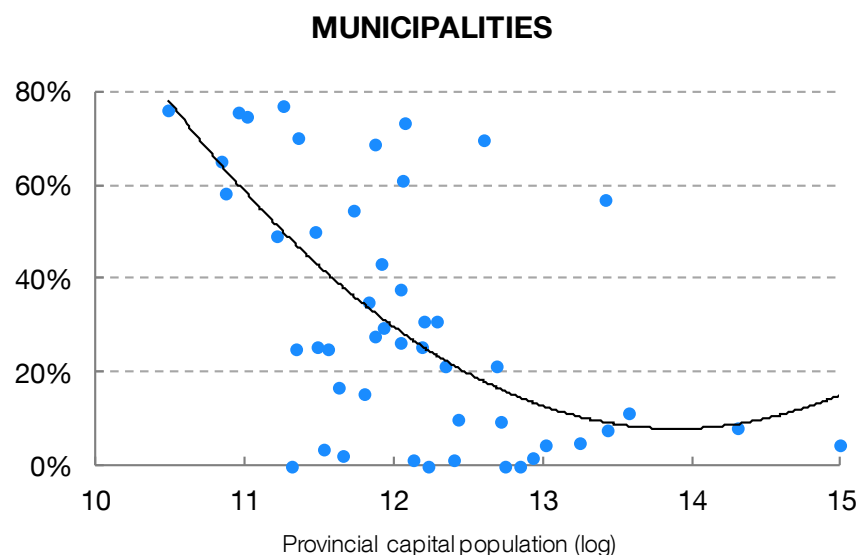
	All	Urban	Rural	Rural (not at risk)	Rural (at risk of depopulation)
Population in 2018	5794,26	47974,56	1258,50	2072,21	319,96
Dependency ratio	0,51	0,23	0,53	0,37	0,72
Share of female population (%)	44,46	48,75	44,00	46,22	41,44
Share of foreign population (%)	8,33	13,48	7,74	9,22	5,81
Distance to provincial capital (km)	44,14	32,71	45,36	40,69	50,75
Distance to coast (km)	126,75	65,41	133,33	107,28	163,34
Height above sea level (m)	676,81	323,92	714,72	572,78	877,94
Temperature (°C)	12,95	15,47	12,68	13,60	11,63
Share of agriculture in employment (%)	7,15	3,01	7,66	6,12	9,84
log income per capita	9,20	9,19	9,20	9,20	9,20
House prices (€/m <sup>2</sup> )	1132,32	1571,56	1058,27	1160,42	822,77
Property tax (rate)	0,58	0,68	0,57	0,60	0,54
Road tax	86,85	117,81	83,52	90,04	76,52
log debt per capita	3,39	5,87	3,12	3,98	2,20
Protest vote (%)	18,25	23,50	17,69	18,69	16,53
Regionalist vote (%)	11,33	11,94	11,27	17,49	4,09
Distance to basic services (km)	20,60	2,15	22,59	13,76	32,03
Distance to other services (km)	24,73	8,40	26,49	19,21	34,88
Broadband coverage (100 MBps)	26,30	82,75	20,22	33,46	4,96
No bank branch (%)	53,34	0,00	59,07	42,06	78,70
Number of municipalities	8116,00	788,00	7328,00	3925,00	3403,00

SOURCES: Banco de España and Eurostat.

a Municipalities at risk of depopulation are defined as those with negative population growth between 2001 and 2018, a negative natural population balance since 2001 and a population density below 12.5 inhabitants per km<sup>2</sup>.

# CITIES AS A DRIVING FORCE FOR THE RURAL WORLD

- The provinces with a higher incidence of municipalities at risk of depopulation are those with a smaller provincial capital.
- Rural municipalities neighbouring urban centres have displayed greater momentum as commuting costs have fallen.
- Over recent decades, internal migration from smaller urban areas to big cities has contributed to the lower momentum of rural municipalities surrounding smaller urban areas.



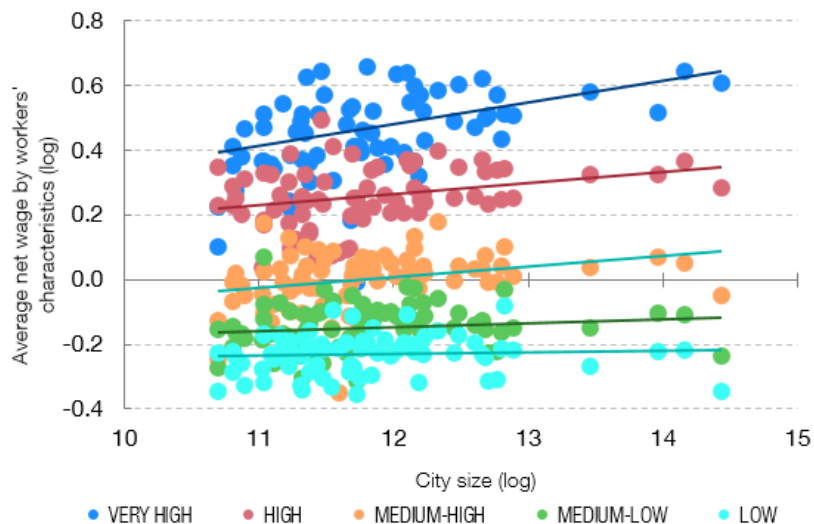
SOURCES: Banco de España and INE.



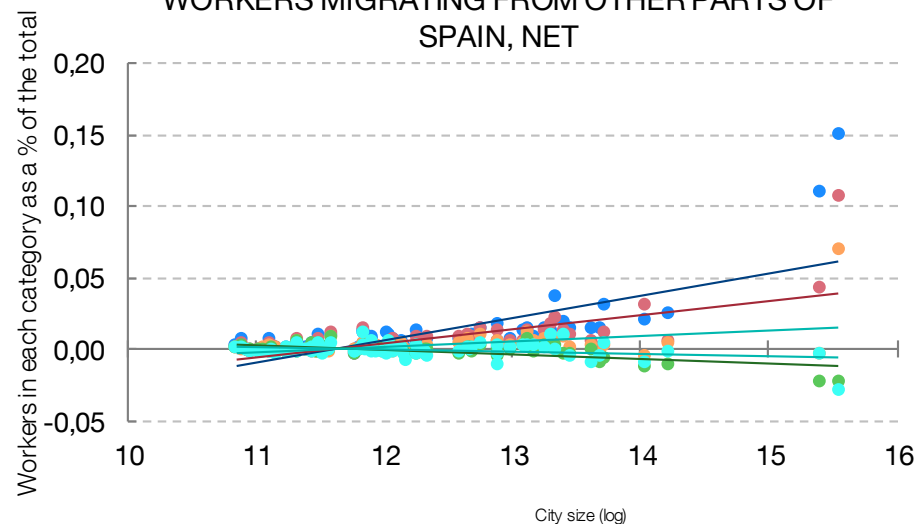
# CONCENTRATION OF HIGH-SKILLED EMPLOYMENT IN BIG SPANISH CITIES

- The wage premium associated with city size is the main driver of migration towards large urban areas over the last two decades, particularly for workers in high-skilled occupations.
- This premium disappears for workers in low-skilled occupations when wages are adjusted to reflect purchasing power in each city. Indeed, over the period 2005-2018, the largest urban areas recorded a loss of workers in low-skilled occupations.

SKILL LEVEL BY CONTRIBUTION GROUP (a)



WORKERS MIGRATING FROM OTHER PARTS OF SPAIN, NET

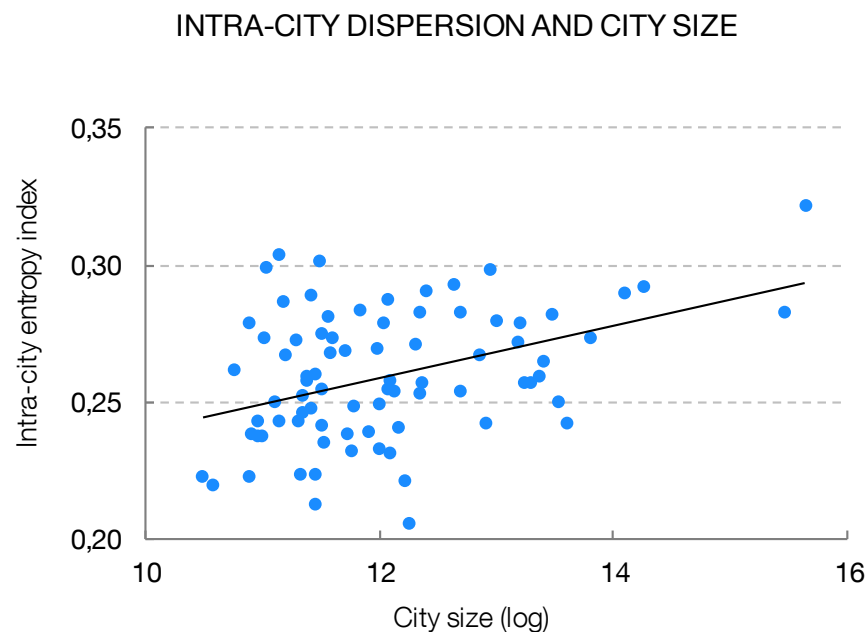
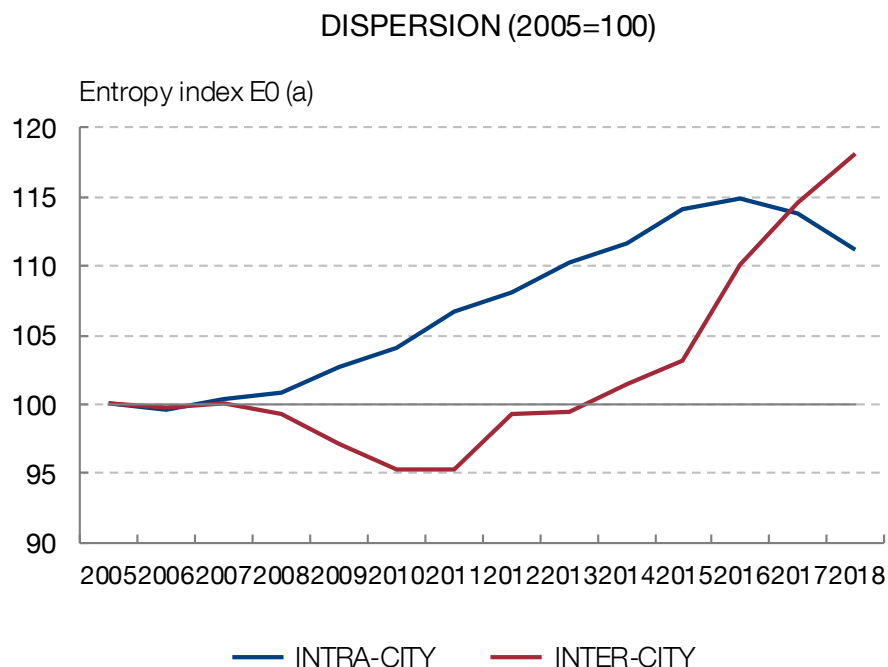


SOURCES: Banco de España and social security administrative labour records (MCVL).

a Each dot denotes the fixed city-group effect drawing on a regression on observable characteristics (education, experience and sector of activity) of the log wage of each worker and a set of fixed city-skill group effects. These fixed effects capture the average wage of workers in a city and their skill group, after stripping out the composition effects. Skill levels are considered very high for contribution group 1, high for groups 2 and 3, medium-high for groups 4 to 6, medium-low for groups 7 to 9 and low for group 10.

# INTER- AND INTRA-CITY LABOUR INCOME DISPARITIES

- **Between 2005 and 2018 labour income dispersion increased both within and between the different cities.**
- **Larger urban areas have higher levels of labour income dispersion.**



SOURCES: IEF-AEAT and Banco de España.

a Drawing on the data contained in the 2005-2018 Personal Income Tax Samples (Muestras IRPF 2005-2018 IEF-AEAT (Declarantes)) a Theil entropy index (mean log deviation) is constructed to break down the aggregated index into two components: one that proxies labour income dispersion between persons filing income tax returns in each city (within) and another that captures dispersion between average labour income in different cities (between). The first component (within) explains 97% of the degree of dispersion. For more details, see Shorrocks and Wan (2005).

- **Place-based public policies account for a significant part of public budgets.**
  - 33% of the EU budget goes to economic, social and territorial cohesion policies.
- **These policies may be considered redistributive policies since their aim is a more equitable distribution of resources.**
  - They may reduce regional disparities. However, they may sometimes also entail efficiency losses.
- **Possible actions may combine:**
  - policies that adapt to depopulation (maintaining a minimum level of services that ensures inhabitants' welfare) and
  - policies that aim to mitigate it, to curb the demographic decline and encourage development in the medium term.

- **Digitalisation, population ageing and the energy transition not only pose new challenges, but also opportunities for developing the rural world:**
  - **Digitalisation.** The digital gap between rural and urban areas could warrant investment in broadband networks in the former, to grant access to digital services and remote working for their inhabitants, and to e-commerce channels for their firms.
  - **Demographic challenge.** The rural world offers advantages for the provision of some services (residential services, leisure, etc.) demanded by the silver economy.
  - **Energy transition.** Projects linked to the development of highly innovative alternative energy sources present an opportunity for rural and smaller urban communities.
- **Some successful international experiences can serve as benchmarks. Upon review, some elements to be considered emerge, such as:**
  - A comprehensive, lasting strategy built on broad consensus.
  - Greater financial independence, clearly distributed powers and collaboration between municipalities in pursuit of synergies.
  - Clearly defined, measurable ex ante objectives and an ex post assessment of the effectiveness and efficiency of the policies in this area with a view to enhancing their design.

THANK YOU FOR YOUR ATTENTION

