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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Spain

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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Spain

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹, and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The COVID-19 outbreak has had a disruptive impact on the economy of Spain. In 2019, the gross domestic product per capita (GDP per capita) of Spain was 84,8 % of the EU average. According to the Commission's Spring 2021 forecast, the real GDP of Spain declined by 10,8 % in 2020 and is expected to decline by 5,6 % cumulatively in 2020 and 2021. Longer-standing aspects with an impact on medium-term economic performance include the high unemployment rate and high share of workers on temporary contracts; large stocks of external, private and government debt; structurally low productivity growth; and shortfalls in investment.
- (2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Spain in the context of the European Semester. In particular, in the area of public finances the Council recommended to preserve the sustainability of the pension system, strengthen the fiscal and public procurement frameworks at all levels of government, take all necessary measures to effectively address the pandemic and strengthen the health system's resilience and capacity, sustain the economy and support the ensuing recovery, and, when economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. In the area of employment, the Council recommended to foster transitions towards open-ended contracts, support employment through arrangements to preserve jobs, effective hiring incentives and skills development, and reinforce the capacity of employment and social services, as well as unemployment protection, notably for atypical workers. In the area of education and skills, the Council recommended to improve access to digital learning, reduce early school leaving, improve educational outcomes and increase cooperation between education and business with a view to improving the provision of labour market relevant skills and

¹ OJ L 57, 18.2.2021, p. 17-75.

qualifications, in particular for information and communication technologies. In the area of social policies, the Council recommended to improve support for families, address coverage gaps in minimum income schemes and reduce fragmentation of national unemployment assistance. In the area of investment, the Council recommended Spain to front-load mature public investment projects, promote private investment and focus investment on the green and digital transition, in particular on fostering research and innovation, clean and efficient production and use of energy, energy infrastructure and interconnections with the rest of the Union, rail freight infrastructure, water and waste management and sustainable transport. In the area of business climate, the Council recommended to further the implementation of the Law on Market Unity and ensure the effective implementation of measures to provide liquidity to small and medium-sized enterprises (SMEs) and the self-employed, including by avoiding late payments. Lastly, in the area of public administration, the Council recommended Spain to improve coordination between different levels of government. Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that substantial progress has been achieved with respect to the specific recommendation on taking all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the pandemic, sustaining the economy and supporting the ensuing recovery.

- (3) On 2 June 2021, the Commission published an in-depth review under Article 5 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council² for Spain. The Commission's analysis led it to conclude that Spain is experiencing macroeconomic imbalances, in particular vulnerabilities related to high external and internal debt, both government and private in a context of high unemployment rate and have cross-border relevance.
- (4) [The Council recommendation on the economic policy of the euro area recommended to euro area Member States to take action, including through their recovery and resilience plans, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council recommendation also recommended to strengthen national institutional frameworks, to ensure macro-financial stability and to complete EMU and strengthen the international role of the euro.] [If the Council recommendation is not adopted by the time of the CID adoption, please remove the recital].
- (5) On 30 April 2021, Spain submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of that Regulation, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

² Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

- (6) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094³ in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.
- (7) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, these reforms and investments will mutually reinforce each other and generate positive spillovers across the whole Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

- (8) In accordance with Article 19(3), point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of the Member State concerned into account.
- (9) The green and digital pillars are, together with social and territorial cohesion and gender balance, the key cross-cutting lines of action in the plan and are underpinned by relevant reforms and investments. The green components of the plan include relevant measures to support sustainable mobility, building renovation, biodiversity (including transformation of the agri-food and fishing systems and preservation of ecosystems integrating climate change adaptation), circular economy, water and waste management, energy and transport infrastructures and renewable energy including renewable hydrogen, among others. The green transition is present throughout the plan, from areas such as the modernisation of the fiscal system (which includes measures on green taxation) to measures to support skills and jobs for the green transition. In relation to the digital pillar, the recovery and resilience plan includes a number of components that should contribute directly to the digital transformation of the country with a lasting impact. Substantial investments should support digital infrastructures (including connectivity, cybersecurity and 5G), the process of digitalisation and modernisation of the industry including SMEs, the digitalisation of the public administration including the justice and health systems and the acquisition of digital skills (covering formal education, vocational education and training and lifelong learning).
- (10) Most components in the plan are expected to contribute to the pillar on smart, sustainable and inclusive growth, with a wide array of measures aiming to strengthen competitiveness and productivity, and enhance research, development and innovation. Relevant components in the area of smart, sustainable and inclusive growth include those on industrial policy, support to SMEs, support to the tourism sector and support

³ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23.).

to research, development and innovation. Eighteen out of the thirty components in the plan are expected to contribute specifically to the social and territorial cohesion pillar, with measures reinforcing inter-regional sustainable mobility, educational opportunities in rural areas through digital means, investments in social housing, modernising and strengthening social services and inclusion policies, and modernising active labour market policies. Measures aiming to extend the use of open-ended contracts in the labour market or aiming at more equitable taxation are expected to have a positive impact on social cohesion. In order to build up on the territorial cohesion pillar referred to in Article 3 of the Regulation, the implementation of the Facility should aim to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions in Spain. The contribution of the Recovery and Resilience Facility to the development of the Canary Islands, an EU outermost region with permanent constraints to be addressed by tailored measures, requires particular attention in line with Article 349 of the TFEU.

- (11) Several components in the plan should support the pillar on health, economic, social and institutional resilience. For instance, the components on the reinforcement of the health system and the modernisation of the public administration seek to strengthen resilience in these two areas, while reforms modernising the tax system, including through a more effective prevention of tax fraud, and aiming at more effective spending intend to boost economic and social resilience. Other measures enhance the capacity of the country to preserve its natural capital and to react to natural disasters. The pillar on policies for the next generation is supported through measures in the education system (such as extending the offer of early childhood education and care and of vocational education and training), digital skills (such as measures aimed at tackling the digital gap for vulnerable students) and the labour market (such as a new action plan against youth unemployment). It also envisages the approval of a law on family diversity that includes a review of the family benefits with the objective of reducing child poverty.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

- (12) In accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, addressed to Spain or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (13) The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Spain's plan, notwithstanding the fact that the Member State has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause. Moreover, the recommendation to make sufficient progress towards the medium-term budgetary objective in 2020 is no longer relevant, due both to the lapsing of the corresponding budgetary period and the activation in March 2020 of the General Escape Clause of the Stability and Growth Pact in the context of the pandemic crisis.

- (14) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Spain by the Council in the European Semester in 2019 and in 2020, notably those in the areas of employment, such as labour market segmentation, active labour market policies and capacity of public employment services; education and skills, such as early-school-leaving and labour market relevant skills, including digital; social policies, such as minimum income schemes, unemployment assistance and family support; investment, such as green and digital transition, strategic sectors and research and innovation; business climate, such as law on market unity, late payments and insolvency framework; public administration and public procurement.
- (15) The plan includes legislative reforms to reduce the use of temporary contracts in the private and public sectors, including by simplifying the menu of contracts and generalising the use of open-ended contracts. Reforms and investments in the area of active labour market policies should prioritise vulnerable groups, notably through the action plan against youth unemployment and the rationalisation of hiring incentives. These actions should be supported by the digitalisation of public employment services, with the goal of providing more effective support to jobseekers and workers in transition.
- (16) Based on the experience gathered with short-time work schemes, the plan also aims to set up a new flexibility and stabilisation mechanism to provide internal flexibility to firms and stability to workers in the face of cyclical or structural shocks, with a special focus on training. The mechanism should ensure effective upskilling and re-skilling and facilitate the voluntary mobility of workers, within and across firms, with the view to addressing the country-specific recommendation on preserving employment.
- (17) Several labour market reforms in the plan are still subject to the outcome of the process of social dialogue, and their final design is therefore yet to be determined. These reforms should be part of a comprehensive package that supports job creation and reallocation and addresses labour market segmentation. Milestones should specify that these reforms should be conducted respecting social dialogue and as part of a comprehensive approach that balances the need for flexibility and security in the labour market. This applies in particular to the new flexibility and stabilisation mechanism and to the reform of collective bargaining.
- (18) The creation of 135 000 new places of vocational education and training and the formal accreditation of professional skills acquired through work experience and non-formal training, among other investments and reforms in the field of skills, aim to contribute to the provision of labour market relevant skills and qualifications that should accompany the green and digital transition of the country. In the area of education, the creation of 1 000 service units to support vulnerable students and the implementation of a programme to support and guide low performing pupils aim to prevent early-school leaving. In addition, access to digital learning is expected to be significantly boosted through investments in devices and skills, as well as through the development of online courses.
- (19) The plan includes a reform to further improve the design of the nationwide minimum income scheme and envisages investing in pilot projects to support the social and labour market integration of its beneficiaries through activation pathways. Both measures aim to address the relevant country-specific recommendation. Other reforms

such as the new law on families, the modernisation of social services and the simplification and improvement of unemployment assistance are expected to support addressing long-standing country-specific recommendations on social policies.

- (20) The public investment delivered by the plan is expected to mobilise private investment across several sectors, including sustainable and clean energy and transport, building renovation, the agri-food sector, fisheries, and health and key digital technologies, thereby contributing to address country-specific recommendations in the area of investment. Reforms such as the law on business creation and growth, which should foster an early payment culture and remove unnecessary and disproportionate regulatory barriers, are expected to improve business climate. Meanwhile, the adoption of the National Public Procurement Strategy intends to make public procurement more efficient. The plan is also expected to contribute to enhancing the effectiveness of research and innovation policies with measures that seek to reinforce the governance of research and innovation at all levels and reorganise public research undertaken in the universities system and public research organisations, among other measures. Measures also seek to strengthen coordination between the different levels of government, including by ensuring interoperability between central and regional government IT platforms.
- (21) To address challenges in the area of public finances, the plan includes measures with a view to strengthening the governance of the spending review system and commits to implement reforms resulting from previous spending reviews and a tax system reform. The latter should take place after a tax expert committee issues recommendations on how to enhance the sustainability of the public finances and improve efficiency. Within that context, the system of family support should be reviewed with a view to improving its effectiveness. In addition, the plan includes significant measures in the area of healthcare, including investments in high-technology equipment, to support addressing country-specific recommendation on the health system's resilience and capacity.
- (22) Lastly, the plan includes a reform of the pension system with the aim of preserving its adequacy and long-term sustainability. Some of the measures such as a revised indexation system, incentives for late retirement and regulatory changes concerning early retirement should be discussed in the context of social dialogue. The final design of this and other reforms under discussion with the social partners, such as the new mechanism for flexibility and stability in the labour market, should be compatible with the medium to long-term fiscal sustainability of public finances.
- (23) By addressing the aforementioned challenges, the plan is expected to also contribute to correcting the imbalances⁴ that Spain is experiencing, notably with respect to high external and internal debt, both government and private, in a context of high unemployment.

Contribution to growth potential, job creation and economic, social and institutional resilience

- (24) In accordance with Article 19(3), point (c) and section 2.3 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact

⁴ These macroeconomic imbalances refer to the recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2019 and 2020.

(Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

- (25) Simulations by the Commission services show that the plan has the potential to increase the GDP of Spain by between 1,8 % and 2,5 % by 2024⁵. The mix of investments and reforms presented by Spain is set to stimulate economic growth through multiple channels, including by improving total factor productivity, boosting trading capacity and skills, removing barriers to investments and increasing efficiency gains in the labour market. In particular, reforms and investments in the areas of education and skills, digitalisation, research and innovation are expected to make the largest contribution to economic growth and job creation.
- (26) The reforms and investments outlined in the plan have the potential to address significant vulnerabilities of the Spanish economy related to the external sector. For instance, investments in research and innovation, in reskilling and upskilling the labour force and in support to the internationalisation of SMEs can raise business competitiveness. Moreover, investments in renewable energy and energy efficiency can reduce energy imports. The plan partially contributes to tackling the country's existing vulnerabilities from a fiscal standpoint. The envisaged policies aiming to fight and prevent tax fraud and to ensure more efficient public spending, including through reforms in the area of public procurement, and taxation are expected to lay the ground towards strengthening the fiscal and public procurement frameworks. The plan is also expected to effectively reduce territorial disparities through reforms and investments to address the demographic challenge in rural areas and small municipalities, such as dedicated investments to improve energy efficiency in municipalities below 5 000 inhabitants, deploy ultra-fast broadband, boost entrepreneurship in rural areas and support just transition in territories facing challenges deriving from the transition process towards a climate-neutral economy.
- (27) The recovery and resilience plan submitted by Spain includes measures aiming at addressing social cohesion challenges identified in previous country reports and country-specific recommendations to Spain, and monitored through the Social Scoreboard. Specific measures point at addressing vulnerabilities in the social protection system, such as the simplification and improvement of unemployment assistance, the streamlining of the system of non-contributory benefits and the review of the system of family benefits, with a view to reducing child poverty. The full implementation of the national minimum income scheme, adopted in June 2020, should be supported through pilot projects to support the socio-economic inclusion of the beneficiaries of the scheme. Furthermore, the plan aims to strengthen social cohesion and the social protection system by maintaining the purchasing power of pensioners over time in line with practices in other Member States.

⁵ These simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon, InvestEU, JTF, Rural Development and RescEU. These simulations do not include the possible positive impact of structural reforms, which can be substantial.

- (28) The plan presents a number of reforms and investments with the potential to contribute to the implementation of the European Pillar of Social Rights, and the Action Plan, endorsed at the Porto Summit of 7 May 2021. They include specific measures aiming to improve the employability of the youth, reduce the rate of early-school leavers and increase further participation of children in early childhood education and childcare, as well as measures to strengthen social protection as described above. The reforms envisaged in the area of active labour market policies include the review of hiring incentives, the reinforcement of adult learning and the reform and digitalisation of public employment services. These are complemented with the reforms in the area of vocational education and training and digital skills, and are expected to improve workers' employability and thus raise the employment rates and reduce unemployment rates. Spain expects that the plan will lead to a relevant reduction of income inequality in the medium-long run, on the back of job creation and job quality, fairer taxation, more effective social protection and significant investments in early childhood education and care, long-term care, social services and social housing.

Do no significant harm

- (29) In accordance with Article 19(3), point (d) and section 2.4 to Annex V of Regulation (EU) 2021/241, the recovery and resilience plan is expected to ensure that no measure for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council⁶ (the principle of 'do no significant harm'). In line with Regulation (EU) 2021/241 and the 'Do no significant harm' Technical Guidance of the European Commission⁷, Spain has provided a complete assessment that no measure for the implementation of reforms and investment projects included in the plan is expected to do significant harm to the environmental objectives.
- (30) By selecting measures that either contribute substantially to environmental objectives, or have no or an insignificant foreseeable impact on environmental objectives, it is expected that many measures in the plan do no significant harm from the outset, such as in education and training, labour market, public administration and culture and sports. The assessment provided for other measures demonstrates that they are designed to ensure compliance with the 'do no significant harm' principle. These measures include broad support schemes that span across sectors and activities, such as in research, development and innovation, and support to industry and to SMEs. Spain has provided evidence and assurances substantiating that the measures should not lead to significant harm to any of the six environmental objectives, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Where needed, Spain has proposed the implementation of mitigating measures or included specific elements in the design of the measures to avoid significant harm, which should be ensured through relevant milestones and targets. This is particularly the case for measures supporting

⁶ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

⁷ Technical Guidance on the Application of 'do no significant harm' under the Recovery and Resilience Facility Regulation, COM (2021) C58/01.

strategic projects covering installations under the EU Emissions Trading System, specific waste treatment activities, irrigation for agricultural production, and broad support schemes ranging across sectors and activities.

Contribution to the green transition including biodiversity

- (31) In accordance with Article 19(3), point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The Spanish recovery and resilience plan includes measures supporting climate objectives for an amount which represents 39,7 % of the plan's total allocation, calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2021-2030⁸ (NECP).
- (32) The recovery and resilience plan includes reforms and investments related to the green transition, with a particular strong contribution to climate objectives stemming from the components on energy renovations in housing and urban areas, sustainable mobility and renewable energy. Doing so, the financial contribution for Spain allows frontloading investments necessary to reach the EU increased climate ambition to reduce net greenhouse gas emissions by at least 55 % by 2030 compared to 1990, towards EU climate neutrality by 2050, as provisionally agreed by the European Parliament and the Council within the framework of the 'European Climate Law'⁹. As regards energy efficiency, Spain's contribution to the EU level target in its integrated National Energy and Climate Plan 2021-2030 is to reduce its primary energy consumption by 39,5 %. The recovery and resilience plan sets the objective of renovating at least 355 000 unique residential dwellings as part of at least 510 000 renovation actions, at least 600 hectares of urban areas, an equivalent of at least 40 000 residential buildings and 690 000 m² of non-residential buildings, at least 26 000 residential buildings in municipalities and urban areas with fewer than 5 000 inhabitants, and at least 1 230 000 m² of public buildings by 31 August 2026. Investments in energy renovations of residential buildings in the plan represent an important share of the public support foreseen in the NECP in this area. They will contribute to the energy saving target by 2030, and to the objective set in the NECP in terms of number of dwellings to be renovated. However, additional public funding will still be needed to mobilise the total volume of investments necessary to achieve the objective set in the NECP for 2030, and to ensure a relatively higher leverage factor to attract private investments. Reforms and investments on renewable energy should increase substantially the development and deployment of renewable energy sources in Spain and contribute towards the achievement of its 2030 renewable energy share target of 42 %, as set out in the NECP. The plan includes support to innovative renewable sources in industry and buildings (close to 4 GW) and to renewable energy in islands. Measures on electricity infrastructure aim at the promotion of smart grids and the deployment of flexibility measures and storage. For this purpose, reforms foresee to establish an enabling framework to facilitate the integration of renewables

⁸ https://ec.europa.eu/energy/sites/ener/files/documents/es_final_necp_main_en.pdf.

⁹ Based on the amended Commission proposal (COM(2020)563 final) for a Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 ('European Climate Law').

into the energy system, the deployment of energy storage, as well as demand management and flexibility services. The plan will also invest in renewable hydrogen and contribute to Spain's overall ambition of installing 4 GW of hydrogen electrolysis capacity by 2030 in order to generate renewable hydrogen and up to 200 hydrogen refuelling stations. This should contribute to decarbonise hard-to-abate sectors, such as industry and transport.

- (33) The measures of the plan contribute to Spain achieving its current 2030 target of reducing greenhouse gas (GHG) emissions by 26 % compared to 2005 for sectors under the Effort Sharing Regulation (EU) 2018/842¹⁰, including transport, agriculture, waste and buildings. Investments in sustainable mobility aim at reducing emissions from transport, the sector where GHG emissions continue to grow most. The plan will contribute to Spain's overall ambition of installing 80 000 to 110 000 recharging points and achieving a fleet of at least 250 000 plug-in electric vehicles by 2023. It will also provide incentives to private companies to replace their passenger and freight transport fleets with cleaner vehicles. In addition, the plan will create low emission zones in municipalities and encourage the use of active transport modes such as cycling and walking as well as improve and promote the use of urban public transport, including railway, with the aim of contributing to a reduction of private traffic by 35 % by 2030 and air pollution. The plan also includes investments on the modal shift of freight from road to rail, including the finalisation of 1 400 kilometres of the Atlantic and Mediterranean TEN-T corridors, investment in railway tractor equipment to switch to hydrogen or electricity, and the development of inter-modality hubs and improved access for rail to ports.
- (34) As regards biodiversity, the plan includes measures in line with the new EU Biodiversity Strategy, for instance, to preserve the valuable forest carbon sinks through fire prevention actions and strengthened fire protection, and by increasing CO₂ absorption through enhanced sustainable forest management actions. The investments in the biodiversity conservation of 50 000 hectares by 30 June 2026, including wetlands, and the restoration of ecosystems, with an ecosystem restoration target of 30 000 hectares by 31 December 2024, should also contribute to both climate change mitigation and adaptation. Measures also relate to the protection, conservation and restoration of marine and terrestrial ecosystems and their biodiversity. Moreover, the plan supports ecological connectivity and promotes green infrastructure, including in urban areas.
- (35) Additionally, the recovery and resilience plan includes measures to improve the waste management legislation and is accompanied by investments fostering the circular economy. Measures also aim at improving water management through reducing wastewater leakages and increasing water reuse. The plan also provides for investments in flood risk mitigation and coastal adaptation, in recovering and improving the situation of ground water and aquifers, in water efficiency in agriculture, and in reducing nitrates pollution.

Contribution to the digital transition

¹⁰ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reduction by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

- (36) In accordance with Article 19(3), point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that effectively contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. These measures contribute to the digital objective for an amount which represents 28,2 % of the plan's total allocation, calculated in accordance with the methodology of Annex VII to Regulation (EU) 2021/241.
- (37) The recovery and resilience plan contains investments and reforms that are expected to have a long-lasting impact in the digital transformation of the economic and social sectors and significantly contribute to address the challenges resulting from the digital transition. In particular Spain is expected to invest in areas such as digital skills, the digitalisation of business and the integration of advanced technologies in the business sector. Horizontal actions that benefit the entire economy and population (such as enhanced connectivity) are complemented by targeted actions addressing specific sectors (such as tourism, SMEs, culture and media) or specific segments of population (such as students, civil servants and the unemployed). The plan includes the deployment of the seven strategic plans under the 2025 Digital Spain Agenda: the Connectivity Plan, the 5G Promotion Strategy, the National Artificial Intelligence Strategy, the National Digital Skills Plan, and the Digitalisation Plan for Public Administrations, the Plan for Digitalisation of SMEs and the Spanish Audio-visual Hub Plan. The digital measures foreseen take into account the EU Digital Strategy, the European Industrial Strategy, the EU Skills Agenda, the European Pillar of Social Rights, the European Education Area and the Digital Education Action Plan.
- (38) The plan includes investments to close the digital divide between urban and rural areas and to enable the full potential of 5G connectivity. There are investments foreseen in the deployment of ultra-fast broadband in certain areas lacking this sort of infrastructure, such as rural areas or historic urban centres. 5G network is expected to be deployed along certain parts of the cross-border sections with France and Portugal, along certain parts of the main national transport corridors, in areas not covered by mobile operators, and in certain critical hotspots such as business parks, industrial areas and around focal public services. Connectivity services for vulnerable groups and SMEs are supported to expand the share of people and businesses connected to the internet. The plan includes measures to increase the level of digital skills of the population, targeted measures in the education system (such as digitalisation of education and training of teachers and vocational education), investments on reskilling and upskilling of workers and jobseekers. In addition, the plan includes support for the digitalisation of business and integration of advanced technologies, with specific support for SMEs through the substantial deployment of a 'Digital Toolkit'. Furthermore, the plan includes reforms and investments on advanced digital skills, including artificial intelligence and cybersecurity, which are expected to increase trust on digital services and technologies, and help the adoption of these advanced digital technologies on a lasting basis. Finally, the plan includes a comprehensive package of reforms and investments to improve the digitalisation of the public administration at all levels, with specific consideration of interconnection and interoperability. These cover the justice system, the tax administration, public employment services, digital public procurement, public health, the transport sector, the conservation of ecosystems and biodiversity, coast preservation and water management, and electricity networks.

Lasting impact

- (39) In accordance with Article 19(3), point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Spain to a large extent (Rating A).
- (40) The reforms outlined in the plan are expected to bring about a structural change in relevant policies and in the administration, notably by strengthening the labour market and modernising social protection and by enhancing the functioning of the administration, including through its digitalisation. As regards the labour market, the plan presents a wide array of reforms aimed at tackling unemployment and labour market segmentation, including in the public administration. These measures are expected to bring a lasting impact, notably by promoting quality job creation and helping to reduce the long-standing high unemployment rate, while contributing to reinforce social cohesion in a sustainable manner. The plan also includes relevant reforms in the area of skills, notably digital, with a specific focus on upskilling of the low skilled and on reskilling of the labour force in line with labour market needs. Efforts to modernise and improve the effectiveness of social protection may have a durable effect on supporting higher labour market participation, stabilising income over the economic cycle, improving the social and economic integration of all, and reducing inequalities. The digitalisation of the public administration should be accompanied with measures ensuring that public policies are subject to impact assessments and evaluations, including for expenditure. In addition, the envisaged reforms of the public procurement system and the insolvency framework are expected to support a more effective allocation of funds and assets in the country.
- (41) The recovery and resilience plan contains numerous investments supporting innovation and enhancing the modernisation and competitiveness of the industry, notably SMEs, with a view to bringing about a long-lasting impact. Measures should help Spain embrace faster the principles of sustainability and digitalisation. The full implementation of the investments envisaged in these areas has the potential to place Spanish firms in a better place to compete in the markets that will emerge from the digital and green transition, decarbonise traditional industry and boost a new efficient and sustainable economy. The recovery and resilience plan invests in the energy renovation of buildings in Spain. Moreover, the plan also seeks to contribute to the achievement of internationally agreed decarbonisation and air quality objectives through actions to transform urban environments. All these measures are expected to support the energy transition of Spain and reduce dependency on energy imports in the medium term, while protecting natural capital and ecosystems. The lasting impact of the plan can also be enhanced through synergies between the plan and other programmes financed by the cohesion policy funds, notably by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

- (42) In accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan are adequate (Rating A) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.
- (43) The national arrangements for the implementation of the recovery and resilience plan are set out in Royal Decree-Law 36/2020 of 30 December approving urgent measures

for the modernisation of the public administration and the implementation of the Recovery Plan. A Commission for the Recovery, Transformation and Resilience, which gathers all ministers competent for the plan, is in charge of the political guidance and should be chaired by the President of the Government. A new Secretariat-General for European Funds within the Ministry of Finance shall act as the responsible authority for the Recovery Plan. That body should draw up requests for payment to the Commission, once the bodies responsible for the achievement of the relevant milestones and targets declare that these have been met, and the General Comptroller of the central government ('IGAE') provides reasonable assurance of their achievement. In general, the milestones and targets are clear and realistic and the proposed indicators for them are relevant, acceptable and robust. Moreover, the sequencing of milestones and targets is sufficiently clear to allow for payments and monitoring progress and reflects a strong frontloading of the measures, with most of the milestones and targets concentrated in the period between 1 January 2021 and 31 December 2023. Milestones and targets are also relevant for measures already completed which are eligible according to Article 17(2) of the Regulation. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request. An integrated information system should be set up and shared between all relevant administrations.

- (44) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument to assist Member States in the implementation of their plan.

Costing

- (45) In accordance with Article 19(3), point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.
- (46) Spain has provided individual cost estimates for all investments and reforms with an associated cost in the recovery and resilience plan, relying on a number of sources to justify them. These include calls of interest specifically launched for the purposes of the plan, external references provided by international organisations, and procurement contracts referring to similar services or past investments of similar nature, among others. As a result, cost estimates for most of the measures in the plan are deemed reasonable. Spain has used simplified cost options with respect to both flat rates and unit costs. An independent validation with regards to the reasonability of a significant share of the cost estimates in the plan has been provided by the General Comptroller of the central government ('IGAE'). The amount of the estimated total costs of the plan is in line with the nature and type of the envisaged reforms and investments. As a result, cost estimates for most of the measures in the plan are deemed plausible. Spain has provided sufficient information and evidence that the amount of the estimated total costs is not covered by existing or planned Union financing. Finally, the amount of estimated total costs of the recovery and resilience plan is commensurate to the expected national economic and social impact.

Protection of financial interests

- (47) In accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with EU law, including for preventing, detecting and correcting corruption, fraud and conflicts of interests, and for protecting the Union finances in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council.
- (48) The internal control system described in the recovery and resilience plan is based on robust processes and structures, previously developed for the monitoring of the Structural Funds. It identifies the actors and their roles and responsibilities for the performance of the internal control tasks clearly. The Spanish General Comptroller of the central government (IGAE) is the audit body, who will also coordinate the work of the regional bodies. IGAE, together with the internal control units of the different authorities are the main actors responsible for the control and audit of the plan. Altogether, the control system and other relevant arrangements, including for the collection and making available of data on final beneficiaries, are adequate with respect to preventing, detecting and correcting corruption, fraud, conflict of interest when using the funds under Regulation (EU) 2021/241 and to avoid double funding under that Regulation and other Union programmes. A specific milestone should be included in order to ensure the implementation of the integrated information system, including compliance with the obligation to collect and store data on final beneficiaries, contractors, subcontractors and beneficial owners in accordance with Article 22 of that Regulation.
- (49) Spain has indicated that an integrated system for the management and reporting of the milestones and targets is being developed in order to meet specific management and reporting requirements described in the plan. In accordance with Article 20(5), point (e) of Regulation (EU) 2021/241, Spain should implement this measure in order to comply with Article 22 of that Regulation and confirm the status of its implementation with the first payment request by means of a dedicated audit report. The report should analyse any related weaknesses found and corrective actions taken or planned.
- (50) In addition, the establishment of the procedure and format of the information to be provided by the entities of the State, Autonomous Communities and local public sector for the monitoring of projects and the accounting execution of expenditure charged to projects under the plan should be set out as a specific milestone to be fulfilled at the latest by the time of the submission of the first payment request.

Coherence of the plan

- (51) In accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.
- (52) The recovery and resilience plan presents a comprehensive and balanced package of reforms and investments. Measures within components are mutually reinforcing, with all components including a set of well-balanced reforms and investments.

Furthermore, measures are also mutually supportive and complementary across the different components. Finally, the plan proposes a broad set of reforms that should generally facilitate the implementation of all measures in the plan by enhancing sectoral regulation and the business climate. The strengthening of public institutions, with a set of reforms that aim at improving the functioning and interoperability of the public administration, is expected to facilitate the effective delivery of reforms and investments and enhance accountability to the civil society. Measures aimed at supporting strong public sector institutions and systems are also expected to contribute to fiscal health and sustainability. The fact that many of the reforms should be frontloaded to the first two years of the plan, between 1 January 2021 and 31 December 2022, should allow for an effective implementation of investments.

Equality

- (53) Spain has provided extensive information on the expected contribution of the plan to gender equality and equal opportunities for all and the mainstreaming of those objectives. The recovery and resilience plan has a strong focus on gender balance, which is one of the four cross-cutting lines of action in the plan. There are different measures across the plan with direct impact in reducing the gender gap, such as the promotion of information and communication technologies specialist vocations among women, measures to boost the implementation of pay transparency and gender equality plans in companies, an increase in the offer of early childhood education and care, investments supporting women entrepreneurship and the social and labour integration of women from vulnerable groups.

Security self-assessment

- (54) Spain has provided a security self-assessment for investments in digital capacities and connectivity, in accordance with Article 18(4), point (g) of Regulation (EU) 2021/241. In Component 15 (Digital Connectivity) of the plan, Spain has explained that as part of the two reforms envisaged under the component it will implement the recommendation of the European Commission on Connectivity¹¹ and the law on the requirements to ensure the security of 5G electronic communications networks and services, and this law will include the key recommendations of the European Commission Communication of 29 January 2020 “Secure 5G deployment in the EU — Implementation of the EU toolbox”¹².

Cross-border and multi-country projects

- (55) The Spanish recovery and resilience plan includes measures that should allow for progress on existing cross-border or multi-country projects on transport (TEN-T: rail connections on the Mediterranean and Atlantic corridors and across the Central Pyrenees) and digital connectivity (by means of submarine cables). The plan also includes measures that are expected to facilitate the participation of Spanish firms in potential cross-border or multi-country projects, including on planned Important Projects of Common European Interest in areas such as microprocessors, renewable hydrogen, satellite secure communication and next generation cloud and edge computing.

Consultation process

¹¹ C (2020) 6270

¹² COM/2020/50

- (56) As required by Article 18(4), point (q) of the Regulation (EU) 2021/241, the recovery and resilience plan of Spain includes a summary of the consultation process carried out for its preparation and implementation. In the preparation of the plan, Spain carried out targeted consultations with social partners, stakeholders and advisory councils. Spain also made use of calls for expressions of interest to approach businesses for the design of investments. Through these calls, the authorities collected a wide range of proposals that should serve as the basis of the strategic projects to be supported by the plan.
- (57) To ensure ownership by the relevant actors, it is crucial to involve all regional and local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan. Ensuring a broader ownership for the implementation of the plan would contribute to enhance its effectiveness and expected long-lasting impact. The Recovery and Resilience Facility Regulation recognises that regions and local authorities are important partners for the implementation of reforms and investments. For the implementation of the plan, Spain has set up a new Sectoral Conference for the Recovery, Transformation and Resilience to coordinate regions, local entities and the central government. In addition, existing sectoral conferences in various policy areas should support the implementation as regards specific measures within their area of competence. The plan highlights that social partners will be consulted in the final design of a number of relevant measures announced in the plan, such as the labour market and pension system reforms.

Positive assessment

- (58) Following the positive assessment of the Commission concerning the Spanish recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) and Annex V of that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial support.

Financial contribution

- (59) The estimated total cost of the recovery and resilience plan of Spain is EUR 69 528 050 000. As the recovery and resilience plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is higher than the maximum financial contribution available for Spain, the financial contribution allocated for Spain's recovery and resilience plan should be equal to the total amount of the financial contribution available for Spain.
- (60) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Spain is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Spain should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution without undue delay.
- (61) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom)

2020/2053¹³. The support should be paid in instalments once Spain has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

- (62) Spain has requested pre-financing of 13 % of the financial contribution. That amount should be made available to Spain subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241.
- (63) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1

Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Spain on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2

Financial contribution

1. The Union shall make available to Spain a financial contribution in the form of non-repayable support amounting to EUR 69 512 589 611.¹⁴ An amount of EUR 46 592 869 727 shall be available to be legally committed by 31 December 2022. Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 calculating an amount for Spain equal to or more than this amount, a further amount of EUR 22 919 719 884 shall be available to be legally committed from 1 January 2023 until 31 December 2023.
2. The Union financial contribution shall be made available by the Commission to Spain in instalments in accordance with the Annex. An amount of EUR 9 036 636 649 shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

¹³ OJ L 424, 15.12.2020, p. 1.

¹⁴ This amount corresponds to the financial allocation after deduction of the Spain's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.
4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Spain has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3
Addressee

This Decision is addressed to the Kingdom of Spain.

Done at Brussels,

For the Council
The President