

The opportunity of the European recovery plan

The European recovery plan – Next Generation EU (NGEU) – represents a unique opportunity for Spain. If we play our cards right, our country could receive 140 billion euros over the next few years, half in the form of non-repayable transfers and half in the form of loans. This amount is equivalent to 11% of last year's GDP, meaning that it could represent a flow of resources amounting to 2% of GDP per year for six years (hopefully more at first, when it is most needed, and less towards the end). This is a sufficiently large volume so as to support the short-term economic recovery, but it also provides a huge incentive to transform our economy in the long term. We therefore stand before a unique opportunity to relaunch, reform and modernise the Spanish economy.

What should the European funds be used for? What reforms should accompany the various projects? These are two questions worth considering in depth. In the lines that follow, we just offer five objectives that should be pursued. The best measures can meet several of these objectives at once since, as several examples show, they are not necessarily at odds with each other.

1. Boost the short-term recovery. With GDP expected to fall by around 12.5% this year, there is a need to identify projects that have the capacity to boost multiple sectors and regions and that create as many jobs as possible. Construction is one sector with the potential to meet these requirements and, therefore, play a leading role. Of course, we are not proposing a resurrection of the overinflated construction sector of Spain's past. Refurbishing housing, promoting affordable rental housing and, in the sphere of infrastructure, urban transport or freight rail networks are examples of projects that could be pursued.

2. Particularly benefit the sectors that are hardest hit. The tourism sector is the most obvious case. It is also a sector in which we know that Spain will continue to have a huge competitive advantage worldwide when we overcome the pandemic. We should do everything in our power to ensure that, when it does bounce back, it does so even stronger. For this sector – and others – we could seek inspiration in France's proposal to support the recapitalisation of companies. The amendment to the state aid framework proposed by the European Commission will also provide an opportunity to provide additional support to the hardest hit sectors, which are already heavily indebted, with non-repayable grants.

3. Facilitate the green transition and the digital transformation. The European Commission has rightly highlighted these areas as being key, since they are two challenges that will determine the future shape of our economy. We need to invest not only in adapting to them – for example, by improving the energy efficiency of housing or by digitising the health system and schools – but also in seeking to take a leading role in these transformations by promoting research and the transfer of technology and knowledge between academia and firms.

4. Improve productivity in a sustainable manner. Of course, research is key for this, but so is improving training in general, including child education, compulsory education, vocational training and the continuous training of workers. In the labour market, we have long known that Spain needs to reform its active employment policies and reduce duality. This is also a good time to rethink all those rules (tax, labour, etc.) that penalise the growth of our companies.

5. Develop a governance framework that is appropriate for the recovery plan itself. The process for selecting and monitoring projects should be based on rigorous criteria, with assessments performed by professionals. Under this heading of governance we could also include all the reforms aimed at bolstering the public administration, which needs to be more flexible, agile and have greater technical capabilities. All this will be key to ensuring effectiveness in the selection and implementation of projects in coordination with the private sector.

NGEU is a plan born out of trust between EU Member States and European institutions, although we know that some countries had their doubts. Much is at stake in the coming years. Among the most important elements: whether or not we are worthy of that trust.

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