

The digital policies of Next Generation EU

The Next Generation EU (NGEU) European Recovery Programme is centred around three pillars: the economic recovery and strengthening of the health system, the green transition and the digital transformation. Under NGEU, a total of 750 billion euros is due to be mobilised between 2021 and 2023, an unprecedented figure equivalent to 5.4% of EU GDP.^{1,2} In this article, we will focus on the policies that must drive the digital transformation of EU Member States and, in particular, the Spanish economy.

Priority areas of action for digitalisation: a European perspective

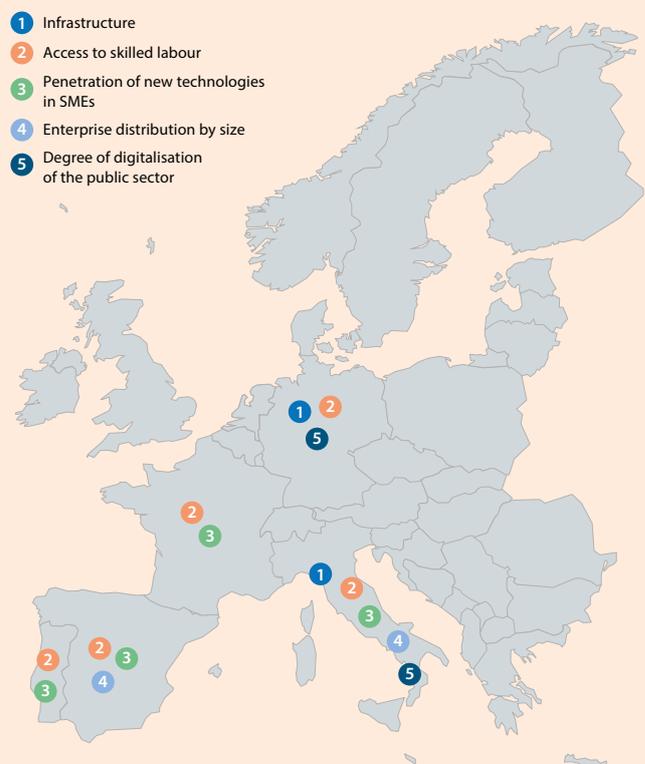
The European Commission (EC) has identified a set of key areas for digitalisation: the quality of digital infrastructure (broadband internet access, the deployment of 5G, etc.), access to skilled labour in the digital sphere, the penetration of new technologies (artificial intelligence or IA, big data, cloud computing, etc.) in small and medium-sized enterprises, the distribution of enterprises by size (the relative weight of SMEs in the productive fabric of the economy) and the degree of digitalisation of the public sector. In the attached map we summarise the main weaknesses in the sphere of digitalisation of the largest EU countries, according to the EC, and therefore the areas in which each of these countries should direct their efforts. As can be seen, the weaknesses that the EC identifies for the case of Spain correspond to those discussed in the previous article of this same Dossier.^{3,4}

A weakness that is common to all the countries is the difficulty in finding skilled labour, and the EC therefore places a great deal of emphasis on policies that boost the training of citizens in new digital technologies. This is a particularly important area for improvement for Spain and Portugal, since both countries lie below the EU average in most digital indicators relating to human capital, as we discussed in the article referred to above.

Another area requiring fairly widespread improvement according to the EC is the use of new technologies by SMEs. The limited use of these technologies (such as cloud computing) is particularly concerning in economies such as Spain, where SMEs account for a large proportion of the productive fabric, as is clear in the analysis performed in the previous article of this same Dossier.

Finally, the case of Germany is worthy of mention. Despite having a notable innovative environment and a high penetration of new digital technologies in the productive fabric of its economy, it has room for improvement in terms of infrastructure, especially due to the low coverage rate of digital networks (broadband and 4G). Moreover, Germany is still below the European average in terms of digitalisation of the public sector, an aspect in which Spain leads the way, just behind Finland.

Areas for improvement in digitalisation identified by the European Commission



Source: CaixaBank Research, based on data from the European Commission (Assessment of Country Specific Recommendations 2020).

1. To be more precise, NGEU will finance payment obligations incurred between 2021 and 2023, but the funds will be distributed over a longer period of time (2021-2026).

2. Percentage relative to the GDP of the EU-27 (excluding the United Kingdom) in 2019.

3. See the article «[Spain in the digital race](#)» in this same Dossier.

4. This close connection is not surprising given that the EC's recommendations are based, among other elements, on the results of the DESI, which is published by the Commission itself and is the subject of the analysis of the above-mentioned article.

Spain's digital agenda

After learning the priority areas of action for boosting digitalisation in the major EU countries according to the EC, below we analyse the actions proposed in our economy in particular. More specifically, the Spanish government has presented six plans for promoting digitalisation in our country:⁵

- The SME Digitalisation Plan (which foresees a public investment of around 5 billion euros up until 2023 to accelerate the digitalisation of 1.5 million small and medium-sized enterprises) and the National Digital Skills Plan (3.75 billion euros in the period 2021-2023). Both plans propose actions to improve the Spanish economy's performance in two specific areas: improving human capital and integrating digital technologies into the productive fabric of the economy. In both cases, Spain lies below the European average, so they are key actions.
- The Connectivity Plan (with a public investment of more than 2.3 billion euros up until 2025), which proposes to extend high-speed broadband internet coverage throughout the country, and the 5G Stimulus Strategy (which will mobilise 2 billion in public funds up until 2025) for the deployment of the fifth generation of mobile technology. 5G will be fundamental for facilitating hyper-connectivity and will act as an enabler for other technologies (e.g. the development of Industry 4.0, consisting of interconnected and smart factories, or autonomous vehicles).
- The Digital Plan of the General Government, which foresees an investment of 2.6 billion euros over the next three years to improve the accessibility of public services and promote the digitalisation of areas such as health and justice. This area of action is important for maintaining our economy's leadership in this field and for improving the efficiency of the public sector.⁶
- The National Artificial Intelligence Strategy (with a public investment of 600 million euros in the period 2021-2023), which aims to promote the penetration of this technology in our economy and promote scientific research and innovation in AI. After all, AI is emerging as one of the most important technologies in this new digital age. In order to make the strategy's objective possible, it will first be necessary to develop infrastructure and to train the labour force, as proposed in the previous programmes.

Together, these initiatives entail a mobilisation of 16.25 billion in public investment, of which 15.4 billion will be financed by European funds from the NGEU's Recovery and Resilience Facility.^{7,8} In all, adding other smaller programmes to this amount, the government will allocate 20 billion euros in non-repayable grants from the NGEU to digital capital between 2021 and 2023, as the Minister of Economy signalled in October. This represents around one-third of the total funds that Spain will receive from the Recovery and Resilience Facility (some 69.5 billion euros).

The investment programme is ambitious and aims to promote digitalisation in the main areas identified by the EC, namely, improving the technological skills of the public and promoting the use of new technologies in the business sphere. There will also be significant investment in improving digital infrastructure as a whole and in accelerating the digital transition of the general government. Of course, the success of these plans will largely depend on the effectiveness of the policies envisaged to achieve their objectives. The European scope of NGEU will facilitate the leap towards the digital economy. As explained in the article «[NGEU: a very timely boost for digitalisation](#)» in this same Dossier, new digital technologies (especially AI) have a high capacity to radically transform society and the economy and to boost productivity (these technologies are known as general purpose technologies, or GPTs).⁹ In order for a GPT's potential impact on growth to be deployed, it needs to reach a critical mass. Thus, the fact that the transition to the digital economy is being addressed at the European rather than national level could be key for its success.

Finally, the success of digitalisation will also require further action besides an ambitious investment programme and a critical mass. In particular, it will be necessary to adjust the legislative framework in order to give economic players the flexibility to adapt their productive processes to the new digital environment. In the absence of these flexibility tools, it will be very difficult to harness the growth potential of new digital technologies.

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5. These plans are part of the Digital Spain 2025 agenda, which sets out the main areas of action envisaged by the government in the field of digitalisation. [View the full document here](#).

6. As mentioned earlier in this article, according to the 2020 DESI, Spain is leading the way in terms of digitalisation of the public sector, just behind Finland. It should be noted, however, that being at the top of the ranking does not mean that there is no room for improvement.

7. This facility is the main instrument of NGEU. Spain will also receive 12.4 billion in transfers from the REACT-EU fund (cohesion policies).

8. 15.4 billion represents 1.2% of GDP in 2019, a considerable figure bearing in mind that investment, excluding that for residential housing, amounted to 10.7% of GDP in 2019.

9. Examples of GPTs include the steam engine, the railway and electricity.