

## Spain

### Macroeconomic outlook and forecasts

The pandemic crisis has impacted Spain harshly compared to other EU member states, with a GDP contraction of 11% in 2020 compared to 2019. With Spain ranking first among the OECD members in terms of tourism as a percentage of total GDP and second in terms of employment in tourism, the impact of the pandemic was particularly severe. According to data from the Bank of Spain and the National Statistics Institute, hotels and restaurants, social and cultural services, together with oil refining, were the most affected sectors in terms of a reduction in company turnover with a reduction in turnover of around 55%, 25% and 35% respectively. If forecasts hold true, Spanish GDP will recover the pre-crisis level only by the third quarter 2022, although still 2 pp (percentage points) lower than forecasted before the crisis (winter 2019).

The pandemic crisis disrupted the Spanish labour market, with the employment rate reduced by 7.5% in 2020 and the unemployment rate increasing by 1.5 pp. To cushion the social consequences of the crisis, the Spanish government put in place in 2020 employment support measures and income support instruments for households for a total budgetary effort equal to 3% and 1.3% of GDP respectively. This notwithstanding, the employment rate is not expected to recover until 2024. The increase in unemployment and the fall in incomes due to the crisis are also likely to result in long-term unemployment levels and higher poverty rates. With people at risk of poverty or social exclusion already at 25.3% in 2019 – one of the highest in Europe - the crisis is thus expected to further increase this risk for vulnerable groups.

Overall, Spain fiscal stimulus to address the covid-19 pandemic had a budgetary impact equivalent to 6% of GDP in 2020 and 1% of GDP in 2021. In addition to employment and household support measures, a programme of public guarantees (equal to 13% of GDP) for new bank loans, tax deferrals, and payment moratoria, was put in place to enhance corporate liquidity. As a consequence of the large fiscal effort, the government balance was largely negative in 2020 (- 11% of GDP) and is projected to remain negative in 2021 (- 8.40% of GDP) and 2024 (-3.30% of GDP). At the same time, due to the large government deficit, the severe contraction in GDP, the general government gross debt-to-GDP ratio rose by almost 25 pp from 95.5% of GDP in 2019 to 120% in 2020.

In this context, Spain faces high fiscal sustainability risks in the medium term. The sustainability gap indicators reveal indeed that Spain's structural primary balance would need to improve by 4.9% of GDP in cumulative terms over the five-year period from 2021 to 2027 relative to the baseline scenario to bring the debt-to-GDP ratio to the stability pack value of 60% by 2042. The debt sustainability analysis (European Commission 2021) indicates a gradual return of the structural balance to the forecasted pre-crisis levels. Spain's public debt is projected to stabilize, and slightly decline over the second half of the period, although remaining high (reaching about 117.4% of GDP in 2031).

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This country sheet is part of the research programme on the preparation and implementation of the EU's Recovery and Resilience Facility. Image credit: Vecteezy.com © CEPS 2021

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Table 1. Spain macroeconomic developments and forecasts

	2019	2020	2021	2022	2023	2024	2025	2026
GDP Growth (y-y % change)	2.00	-11.00	6.50	7.00	3.50	2.10	n.a.	n.a.
Employment (% change)	2.3	-7.5	4	2.7	1.1	0.9	n.a.	n.a.
Unemployment rate (%)	14.1	15.5	14.1	13.2	12.7	n.a.	n.a.	n.a.
HICP inflation (% change)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gov balance (% GDP)	-2.90	-11.00	-8.40	-5.00	-4.10	-3.30	n.a.	n.a.
Debt to GDP (% GDP)	95.50	120.00	119.50	115.10	113.30	112.10	n.a.	n.a.

Source: Own elaboration, based on Spanish NRRP

### Spanish structural challenges before Covid-19

Spain entered the Covid-19 pandemic after four years of strong GDP growth between 2015 and 2019, accompanied by dynamic job creation. Yet, despite these positive trends, Spain remained characterized by several (though decreasing) imbalances, which touched upon different areas, such as the labour market, product markets, the judicial system, public administration, taxation system and social policies (see Table 2).

for the labour market, the first challenge is represented by high unemployment rates compared to other EU countries, affecting in particular young people and women. For those who work, the high segmentation facilitates job destruction during downturns, makes employment changes highly pro-cyclical and hurts productivity and social stability. In 2019, almost 22% of the Spanish employees worked under a temporary contract (Eurostat data), which was the highest in the EU and twice the EU average. This was also reflected even in the public sector (Bank of Spain, [2019a](#), European Commission, [2018a](#)). At the same time, the Spanish labour market is characterized by weak active labour market policies, which negatively affect the reinsertion in the labour of unemployed or inactive people.

With respect to education and skills, the rate of early school leaving and grade repetition, as well as long school-to-work transition periods are at the heart of the Spain's challenges. In 2018, the rate of early school leavers reached 17.9%, the highest rate in the entire European Union, with the consequence that workers entering the labour market are not sufficiently skilled. According to the OECD's "Better Life Index" on education, only 59% of adults have completed upper secondary education, lower than the 78% average of the OECD. In addition, Spain performed among the worst in terms of adult participation to learning and training.

Productivity growth is affected negatively by regulatory fragmentation and other barriers to firm growth. Spain is one of the weakest performers in [Single Market Scoreboard](#). Regulatory fragmentation and barriers in Spain make SMEs less productive and hamper their ability to expand and benefit from economies of scale. Based on the Doing Business data by the World Bank, indicators are weak with respect to the easiness to start a business, deal with the construction permits and access to credit. This is further aggravated by lengthy proceedings to resolve litigious civil and commercial cases at all court instances ([EU justice Scoreboard 2019](#)). In addition, the Spanish public administration is affected by various challenges, included a complex bureaucracy, inflexibility, regulatory rigidities, and an under-qualified and ageing workforce.

In the area of research and innovation, Spain suffers from under-investment and weak governance. Public investment in R&D declined from 0.65% to 0.54% of GDP between 2009 and



2018, and they are situated below the EU average (0.69%). Private investment in R&D was 0.7% GDP in 2018, 0.6% lower than the EU average ([European Innovation Scoreboard 2019](#)). This may be linked with the low participation of SMEs in innovative projects.

With respect to social outcomes, Spain shows one of the highest shares of people (especially children) at at-risk-of-poverty-rate (20.7%, 3.7 pp above the EU average in 2019) and people in employment at risk-of-poverty (12,9%, 3.5 points above the EU average in 2019). Despite improvements in the pre-crisis years, disposable income inequalities remained one of the highest in the EU and the risk of monetary poverty remained among the highest. In this respect, the low level of family benefits and income guarantee schemes compared to the EU average limit the capacity of social transfers in reducing poverty. Social transfers other than pensions reduced the overall risk of poverty in Spain only by 22.9% in 2018, one of the lowest values in the EU, 10.3 pp below the EU average. In particular, the take up of minimum income schemes was very low and coverage varied significantly across regional differences (EC Country Report [2020](#)).

In addition to the above-mentioned structural challenges, Spain experienced some problems related to the green and digital transition. With respect to the former, water and waste management remain a challenge in Spain, the emission of several air pollutants remains high, the target of 42% of renewables in gross final energy consumption by 2030 is expected to be met only by 2050, and energy renovation of buildings remains a concern. With respect to the latter, Spain is an intermediate performer on the European Commission’s Digital Economy and Society Index (‘DESI’) for 2020. The main problems are represented by a high share of individuals lacking basic or above basic digital skills, an overall low connectivity score, a wide digital gap between urban and rural areas, and an intermediate position regarding the higher education offer of advanced digital skills.

Table 2. Spain country specific challenges before Covid-19

Policy area	Challenges
Labour market	High share of temporary contracts
	High share of involuntary part-time work and negative incidence of bogus self-employment
	Low female employment and high NEET rate
	Weak active labour market policies
Education and skills	Highest rate of early leavers from education and training in the EU
	Low investment in education, especially tertiary education
	Low level of adult learning
Justice	Lengthy proceedings in civil and commercial litigious cases
Research and innovation	Low investment in research and innovation
	SME participation in innovative projects is low
	No systematic evaluations of public research and innovation policy
Public administration	Low qualification and ageing of personnel
	Weak data management
	Low flexibility and complex bureaucracy
Taxation	Low tax compliance
	Low property taxes
Product market	Restrictiveness and fragmentation of regulation weigh on business environment and prevent companies from benefitting from economies of scale
	High restrictions in retail services
	Regulatory barriers restrict competition in certain professional services.
Social policies	High monetary poverty
	In-work poverty very high
	Weak family benefits and income guarantee schemes
	Fragmentation of minimum income protection schemes



	High healthcare out-of-pocket payments and inefficiencies in the purchase and use of pharmacy dispensed medicines
	Rising number of homeless people

Source: Own elaboration, based on the Country Report for Spain 2020

### The Spanish NRRP: key numbers and timeline

The negative impact of the pandemic crisis together with the pre-crisis structural vulnerabilities has placed Spain amongst the largest beneficiaries of the RRF grants. The Spanish plan was presented by the end of April 2021 and was given a positive assessment by the European Commission on 16<sup>th</sup> June 2021. The Council subsequently approved on 13 July 2021 the implementing decision based on the assessment of the European Commission, thus paving the way to start the disbursement of the financial support. The plan includes investments for a total amount of €69.55 billion, consisting entirely of grants, although the plan indicates that it may apply for loans in the period until end 2023, as allowed under the rules of RRF. In addition, the NRRP includes 102 reforms aimed to address the structural problems of the Spanish economy, including measures to facilitate a quick and smooth absorption of the RRF funds. While the largest number of reforms are concentrated during the years 2021, 2022 and 2023, the main investments will come later, especially in 2025 and 2026 (see Table 3 **Error! Reference source not found.**).

Table 3. Timeline for completion of reforms and investments under Spanish NRRP, by year (% total)

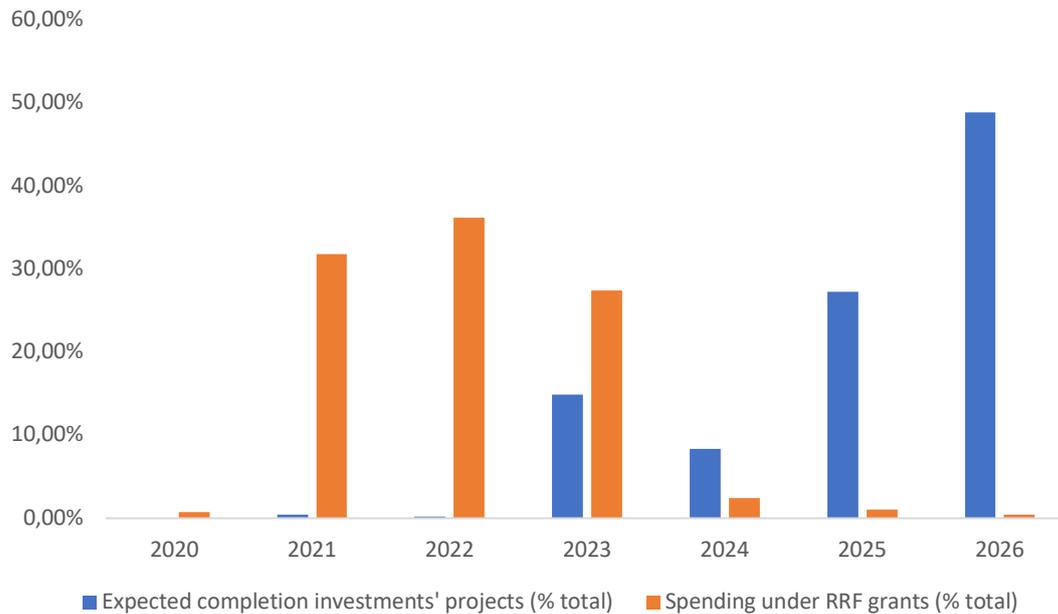
	2020	2021	2022	2023	2024	2025	2026	TOT
RRF Investments' projects [EUR billion]	0	0,3	0,13	10,38	5,81	18,95	33,98	69,55
RRF Investments' projects (% total)	0%	0%	0%	15%	8%	27%	49%	100,00%
RRF Reforms [number]	4	30	35	30	2	0	1	102
RRF Reforms (% total)	4%	29%	34%	29%	2%	0%	1%	100,00%

Source: Own elaboration, based on Spanish NRRP

The completion of the projects goes along with the request for payments to the Commission. Yet, planned expenditure under RRF in Spain is expected to start well before 2025 and 2026. As showed in **Error! Reference source not found.**, 83% of the planned recovery spending under the RRF will take place by 2023. Such difference in timing may reflect the necessary period that new investments' projects require to be implemented.



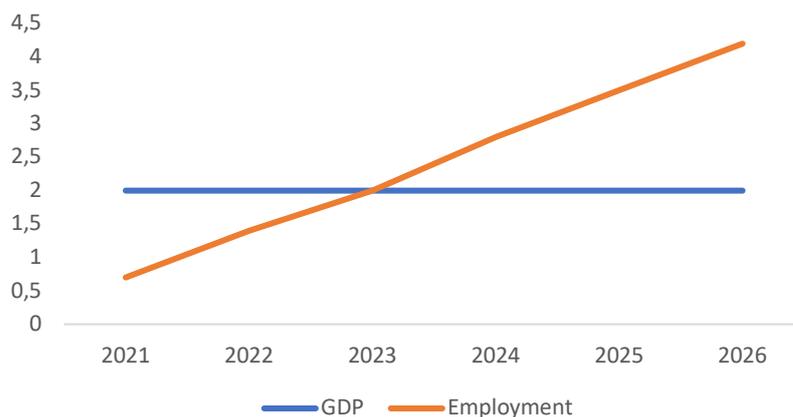
Figure 1. Planned Spanish expenditure financed under RRF grants and expected completion of investments' projects (% total)



Source: Own elaboration, based on Spain Stability Programme (2021, p. 80) and Spanish NRRP (2021)

According to the stylized impact simulations run by the Spanish government with the QUEST macroeconomic model, the NRRP is expected to have a very positive impact on both employment and GDP especially in the medium term (Figure 2). The plan expects a constant increase in the annual GDP growth rate of 2% until 2026 above what it would be compared to the scenario without the NRRP. Regarding labour market, there is an increase in the level of employment, starting with a rise by 1.4 pp in 2022 and a 4.2 pp increase in the following years until 2026.

Figure 2. NPRR impact on GDP and employment- deviations from baseline scenario



Source: own elaboration, based on Spanish NRRP

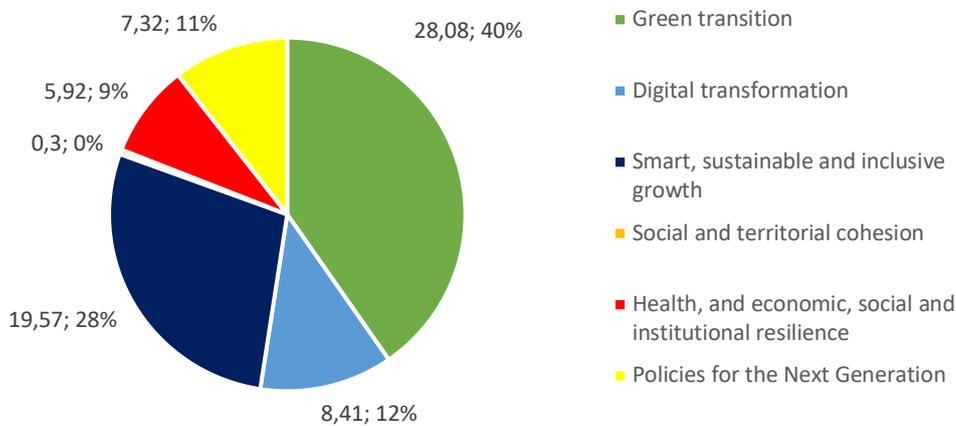
### Investments in the Spanish RRF

In line with the RRF regulation, Spanish investments can be classified on the basis of the objectives included in the 6 pillars of the RRF. What emerges is that *Green transition* pillar (40%) and *Digital transformation* pillar (12%) projects account for close to 52% of the investments. The remaining 48% will go to *Smart, sustainable, and inclusive growth* pillar (28%), *Health and economic, social, and institutional resilience* pillar (9%), and *Policies for the next generation* pillar (11%). With respect to the distribution of the funding across economic activities, the plan



distributes the resources relatively evenly, with the largest share allocated to transport and storage sector (19%), electricity, gas, steam and air conditioning supply (18.5%), professional, scientific and technical activities (11.3%) and education (10%).

Figure 3. Spanish investments by 6 RRF pillars (EUR billion)



Source: Own elaboration, based on Spanish NRRP

A closer look at the breakdown of the ten Spanish missions gives a better understanding of the investments' prioritization (see

Table 4). Among the most relevant projects financed to foster the *green transition* pillar, €3.9 billion are allocated to develop innovative renewable energy sources, integrated into buildings and production processes, including the implementation of the renewable hydrogen roadmap. In addition, €3.4 billion are allocated to support more than half a million energy efficiency renovations in residential buildings to achieve, on average a primary energy demand reduction of at least 30%.

With respect to the *digital transformation* pillar, €3.6 billion are allocated to improve the level of digital skills of the population, the digital transformation of education, and increasing the number of Information and Communication Technology specialists, €3.2 will be invested in the digitalization of the public administration, and €3 billion will be used to support the digital transition of SMEs and the self-employed, €3.4 billion to foster the digital transformation of the tourism sector and €2.5 billion for the programme to boost competitiveness and industrial sustainability.

In order to tackle labour market segmentation and modernize the ALMP, €2.4 billion will be allocated to reduce the use of temporary contracts and improved individual support to jobseekers through digitalising the public employment services, providing training opportunities and better hiring incentive. €2.1 billion and €1.4 billion will be invested respectively in strengthening of the vocational training system and digital transformation of education system. Finally, €0.765 billion are allocated for the Action Plan against youth unemployment, which introduces three innovative programs targeting young jobseekers, including work-based training in public school workshops, a first professional experience in public administrations and professional opportunities for young researchers.

With respect to the distribution of the funding across economic activities, the Spanish plan distributes the resources evenly, with the largest share allocated to Transport and storage (18.9%), Electricity, gas, steam, and air conditioning supply (18.5%), Professional, scientific, technical activities (11.3%) and Education (10.5%).



Another interesting approach to understand the top priorities of the country is to list the 10 top strategic projects in the pillars (Table 4), which offers an insight on the plan's focus.

Table 4. Spain 10 strategic projects financed by RRF

Projects	€ bn	Description	Timeline
Innovative renewable energy sources	3.9	Developing innovative renewable energy sources, integrated into buildings and production processes, including the implementation of the renewable hydrogen roadmap.	Q22026
Digital skills training	3.6	Improving the level of digital skills of the population, the digital transformation of education, and increasing the number of Information and Communication Technology specialists.	Q42025
Digitalization of business	3.55	Supporting the digital transition of SMEs and the self-employed.	Q42025
Energy efficiency residential renovations	3.4	Supporting more than half a million energy efficiency renovations in residential buildings to achieve, on average a primary energy demand reduction of at least 30%	Q22026
Transformation of the tourism sector	3.4	Increasing the digitalization and sustainability of the tourism sector.	Q22025 – Q22026
Digitalization of public administration	3.2	Expanding digital public services for citizens and business, with special focus on the digital transformation of the health, justice, employment, and social services systems.	Q22025 – Q22026
Transformation of urban and metropolitan transport	2.9	Fostering the sustainable and digital transformation of transport services, with the aim of contributing to reduce the use of private vehicles in urban environments by 35% by 2030.	Q42025
Tackling labour market segmentation and modernization of active labour market policies	2.4	Reducing the use of temporary contracts and improved individual support to jobseekers through digitalizing the public employment services, providing training opportunities and better hiring incentives	Q42023 – Q42025
Vocational training	2.1	Reskilling and upskilling the labour force by creating 135,000 new places in vocational education and training.	Q42024
Action Plan against youth unemployment	0.765	Introducing three innovative programs targeting young jobseekers, including work-based training in public school workshops, a first professional experience in public administrations and professional opportunities for young researchers.	Q42025

Source: Own elaboration

### Spain key structural reforms

Spain presented 102 reforms, with the aim to tackle the structural problems of the Spanish economy and, in the same way, contribute to its transformation. The reforms envisaged are expressly related to the general objectives of the plan and, more specifically, to the ten missions indicated in the plan. Table 5 summarises the main reforms included in the Spanish Plan, divided in key policy areas.

In the labour market area, the main reforms include the simplification of contracts to reduce the number of temporary contracts, part time work and regulate traineeship and apprenticeships and the reform of the collective bargaining and subcontracting with the aim of prioritising sectoral agreements and bringing the working conditions of subcontractors to the same level as those of employees in the contracting company. Another of the reforms highlighted in the plan refers to the creation of new instruments to enhance internal flexibility within companies to provide «alternatives to dismissal and high temporality», which aim at establishing as a norm the use of the protection policy of employment deployed during this crisis through the job-protection





		contracts in the public administration (notably healthcare)	
	Modernisation of active labour market policies (ALMP)	Digitization of management systems to be able to apply artificial intelligence to match supply and demand and guarantee a personalized training, retraining and employability itinerary for workers	Q42022
	Permanent mechanism for internal flexibility, job stability and reskilling of workers in transition.	Establishing a permanent scheme to adjust to cyclical and structural shocks, by covering the suspension or reduction of working time through an employment regulation plan. Workers under the new scheme should benefit from training to help them cope with technological or demand innovations and facilitate reallocation between sectors and firms, where adjustments may require them.	Q42021
	Digitalization of the Public Employment Services (PES) for its modernization and efficiency.	Transforming the provision of public employment services and improve their efficiency for citizens and business.	Q42023
Education and skills	National Digital Competences Plan	Providing digital skills training for the general population, digitalise the education system and develop digital skills for learning, provide digital skills for better employability of private workers and unemployed, support the digital skills of public workers, develop digital skills in SMEs and increase the number of ICT specialists.	Q12021
	Law regulating the integrated VET system linked to the National Qualifications System	Law regulating the integrated vocational training (VET) system, incorporating the two current separate vocational training systems, the one in the education system and the one aimed at training for employment.	Q22022
	New organic law on education	Adoption of a new law on education covering early childhood education, compulsory primary and secondary education and baccalaureate	Q12021
	Comprehensive reform of the university system	Promoting access to higher education, adopting the organization of university courses, ensuring good governance of university institutions, and promoting research, transfer and mobility of teaching and research staff and ensuring the quality of university institutions	Q22023
Justice	Justice Plan 2030	The Justice Plan 2030 is structured around three strategic axes: Access to Justice. Consolidation of guarantees and rights, Operational efficiency of the public service Justice and Digital Transformation, increasing territorial cohesion and coordination.	Q42022
Research and innovation	Launch of the National AI Strategy	Setting the framework for the implementation of a trustworthy transparent and inclusive national AI strategy that ensures compliance with fundamental principles and values and takes into account the collective aspirations of citizens.	Q12026
Public administration	Reform for the modernization and digitalization of the administration	Addressing weaknesses in employment policies of the public administrations, strengthen cooperation and coordination among different levels of government, and improve how the central government implements public policies. Finally, it aims to reinforce existing instruments for cooperation among different levels of governments in Spain.	Q42024
Taxation	Adoption of the Anti-fraud Law	Strengthening rules against tax avoidance practices that directly affect the functioning of the internal market.	Q42022
	Modernization of the Tax Agency	Supporting the implementation and annual review of the Strategic Plan 2020-2023 which aims at modernizing the agency provision of services to reduce tax fraud and evasion.	Q42021
	Enhanced assistance to taxpayers	Improving the assistance to taxpayers. A key element of the Tax Agency's strategy for 2020-2023 is to	Q42023



		improve services to taxpayers with increased use of electronic platforms	
	Reform of tax measures contributing to the ecological transition	Establishment of a tax on the deposit of waste in landfills and incineration plants; the introduction of a tax on non-reusable plastic packaging; the amendment of the tax on fluorinated greenhouse gases; taxes or payments related to mobility such as road tolls and vehicle registration taxes; and the revision of the subsidies for mineral oils used as fuel.	Q22022
	Approval of the Digital Services Tax	Introducing a levy based on the turnover of companies with a net turnover of more than EUR 750 000 000 and income from the provision of certain digital services such as online advertisement and intermediation services in Spain.	Q12021
Product market	National public procurement strategy	Finalizing the implementation of the public procurement reform provided for in Law 9/2017 on public sector contracts	Q42022
Social policies	Reform of the public health system	Establishing a general and integrated framework for the provision of public health.	Q22022
	Reforming the regulation of medicines and improving access to medicines	Updating the Spanish regulatory framework for medicinal products and medical devices by amending the Law on guarantees and rational use of medicinal products and medical devices	Q42023
	Simplification and improvement of unemployment assistance	Extending unemployment protection by filling in some of the coverage gaps of the current system and extending the maximum duration, simplify the system, currently fragmented into several schemes, link the benefit to a personalised activation itinerary and facilitate the transition to social protection when the beneficiary does not return to work and is in a vulnerable situation.	Q42023
	Reform of the Social Security contribution system for the self-employed	Equalising the treatment of workers and self-employed, increase contributions to the pension system and ensure that self-employed receive an adequate pension income.	Q22022

Source: Own elaboration

### Overall assessment on the Spanish NRRP

Despite, the strong GDP growth, and dynamic job creation between 2015 and 2019, Spain entered the Covid-19 crisis with structural weaknesses (see Table 2). The Plan represents a significant effort to address some of the challenges affecting the Spanish economy and, at the same time, defines the growth strategy of the years to come within the framework of Next Generation EU. In this respect the Plan pursues a triple objective: (1) to act as a countercyclical lever to contribute to the momentum of the economy in the short term, (2) to address the major structural transformations of the country in the medium term and (3) transform the growth model towards a more sustainable and resilient model.

The positive aspect of the plan is that it offers a complete diagnosis of the Spanish structural problems. It does propose a series of reforms and investments in line with the priorities which fit those identified in the Country Specific Recommendations for Spain. The relevance of the plan is further increased by its alignment with the objectives set up in the RRF regulations. For instance, the plan intervenes on the reduction of temporary contracts (included in the PA), the reinforcement and modernization of active labour market policies and their connection to the social safety nets. The plan also addresses the existing fragmentation of unemployment protection and improve coverage and adequacy of minimum income schemes and family support.

However, while pro-forma, the plan addresses the weaknesses identified, the overall sustainability and impact over time remain questionable. The plan lacks coherence and focus. For example, the labor market reforms seem to be trying to introduce disjointed reforms that could clash. These



seem to on the one hand introduce measures to provide “flexicurity” while on the other reducing flexibility in the labour market. The investment levels in the areas of education also do not match the large weaknesses in the labour market in terms of lack of skills and entrepreneurial capacity, putting into question the actual impact. The dispersed and limited effort in research and innovation will not help in shifting the economic structure of Spain towards high value-added sectors enough, helping diversification and reducing its exposure to economic crises. To put it bluntly, the labour market proposals seem to try to please conflicting wishes and present elements which have already been tried in the past without positive results. How this mixture will work now is not clear.

The focus on the reforms of the public procurement system and the taxation, as well as the product market reforms is welcome. However, measures in the area of fiscal sustainability and economic diversification are missing, representing a missed opportunity to address some structural problems of Spain. Furthermore, the plan only weakly intervenes in two key areas for economic growth, namely the public administration and the judiciary system.

An aspect that is often hailed as particularly positive in the plan is the alignment with the green and digital objectives of the RRF. In these two areas, the plan in fact includes the most ambitious measures and investments. Of relevance are the measures for the decarbonization of the transport sector, especially the interurban transport networks. In addition, the plan proposes a new regulatory framework for storage and management of demand, and green hydrogen. Particularly convincing is the plan for energy efficiency and the investments in businesses’ digitalization, especially in artificial intelligence.

Overall, the proposed interventions can be expected to be realizable since the plan is accompanied by a detailed timeline of the different steps to adopt the reforms and complete the investments, and a clear reference to the responsible actors that will be in charge of the implementation. Yet, for some reforms the envisaged intervention is limited to the adoption of non-binding guidelines, as in the case of the education reforms, or to the establishment of expert groups to study a possible legislative act, which thus create a lack of clarity on the actual intervention. More importantly, the lack of prioritization of reforms and investments and the lack of a centralized governance of the projects, for which different ministerial actors are made responsible, negatively affect the effectiveness of the intervention. This is particularly problematic in the case of the public administration and justice reforms, which are key for the funds’ absorption and for private investments attraction but will be implemented respectively only by end of 2024 and end of 2022.

A second concern of the plan regards the efficiency of the proposed measures, which is expected to change significantly across policy areas. The plan proposes a large number of investments covering nearly every possible area or concern. This leads to a lack of focus and a very dispersed use of the financial support. Many interventions are very limited in time and financially small, raising questions on the actual impact of the expenditures for the longer term. How will the programmes be continued, or the benefits sustained? In many areas the persistence of the benefits of the programmes over time are questionable.

Concerns arise with respect to the tertiary education reform, whereby the funds allocated for scholarships will finance an insufficient number of students in need and for a short period. Similarly, the reform of the unemployment benefits will cover only a minor part of the young unemployed.

The efficiency of the plan is further reduced by the misalignment between investments and reforms. Since investments are not always accompanied by adequate reforms, the risk is – in the best scenario – to create the condition for a temporary economic stimulus, while – in the worse



scenario – to aggravate fiscal deficit. This is the case, for instance, of the public administration or the Public Employment Services investments which are not accompanied with reforms.

Finally, in some areas, the lack of specificity in the reforms is particularly worrying. Even though the plan focuses much on young people and intergenerational justice, there are no reforms in the area of pensions that allow progress towards their sustainability. The programme avoids addressing fiscal sustainability and does thus not address the need to limit the debt burden on future generations. Likewise, in the area of depoliticization of institutions and appointments, independence of regulatory bodies and economic authorities or modernization of the civil service career, progress is very timid. To conclude, details are missing on the new green taxation, which is key to generating incentives for investments in this area.