THE AGENDA FOR CHANGE
TOWARDS AN INCLUSIVE AND SUSTAINABLE ECONOMY

February 8th 2019
# THE AGENDA FOR CHANGE

## TOWARDS AN INCLUSIVE AND SUSTAINABLE ECONOMY

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For the last twenty years, Spain has gone through a full economic cycle, registering periods of growth and recession that were more pronounced than in other EU countries, and generating important imbalances leading to strong adjustments in activity, employment and welfare.

After five years of growth and with good prospects for the correction of some inherited imbalances, the year 2018 represents the beginning of a new economic cycle. Therefore, Spain is at a crucial moment to define the parameters that will determine the coming decades to boost structural measures in order to face future challenges and lay the foundations for a sustainable and fair growth in the long-term.

Sociodemographic developments, climate change, digital revolution, technological changes and market globalisation raise serious challenges for the coming years in the economic, social and political arenas. These challenges also offer opportunities to modernise and address structural reforms that will enable increasing the potential of the Spanish economy.

Most challenges are shared at international level. One of the main structural changes experienced by the Spanish economy in recent decades is the clear process of openness to the world. Internationalisation, both of trade and investment, financing or human capital, has gained strength as a key and strategic variable for Spanish companies, underpinning an economy and a society open and integrated in international markets.

This Agenda for Change represents a guide to the Government’s action and is aligned with the reforms included in the United Nations 2030 Agenda for Sustainable Development to foster education, growth and quality employment, innovation, health, education and social welfare, gender equality, respect and integration of diversity, and the sustainability of production and
consumption models. These issues are also addressed in the European Commission recommendations, which urged Spain to take advantage of the current economic situation to "address the pending reforms with a view to making the Spanish economy more resilient and strengthen productivity growth." In particular, the EU recommends actions to improve social services, employment and education, increase investment in research and development, and promote a good functioning of markets and institutions.

Spain has not progressed enough in important areas such as employment, education, innovation or the fight against poverty to achieve the 2020 goals set by the EU in 2009.

Table: 2020 goals of the European Union and current situation

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<th>Expenditure on R&amp;D&amp;I</th>
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<td>Target</td>
<td>74% people aged from 20 to 64 years old</td>
<td>2% of GDP</td>
<td>(-) 10% over 2005 in diffuse sectors</td>
<td>20%</td>
<td>122.6 Mtoe</td>
<td>Lower than 15%</td>
<td>44% people aged from 30 to 34 years old</td>
<td>Lower than 9,386,000 people</td>
</tr>
<tr>
<td>Latest data</td>
<td>65.5% (1)</td>
<td>1.2% of GDP (1)</td>
<td>(-) 15% (2)</td>
<td>17.5% (2)</td>
<td>124.1 Mtoe (2)</td>
<td>18.3% (1)</td>
<td>41.2% (1)</td>
<td>12,236,000 people (3)</td>
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Source: (1) Eurostat; (2) Spanish Office for Climate Change; (3) AROPE. The target for Spain was 1.4 million fewer poor people than in 2008. In 2017, Eurostat statistics indicate that there are 1.4 million people more.

1 The diffuse sectors include activities not subject to the emissions trading scheme. Therefore, they represent those sectors with a less intensive use of energy. The following sectors are part of this category: residential, commercial and institutional; transport; agricultural and farming; waste management; fluorinated gases; sectors not subject to emissions trading.
In this context, economic policy is directed to ensure financial stability, reorient the productive model and actively manage the transition process. An inclusive growth model that reinforces the Welfare State and puts the economy at the service of citizens, leaving no one behind.

Starting with a diagnosis of the Spanish economic situation that identifies both its strengths and the imbalances that must be corrected in the mid-term, the Agenda for Change is part of a proactive economic policy aimed at economic, environmental and social sustainability, identifying structural reforms in six areas: (i) education and training; (ii) protection of natural capital and leveraging the environmental transformation opportunities; (iii) productivity of technological capital through innovation and entrepreneurship; (iv) efficiency and equity of the labour market; (v) territorial vertebration and equal opportunities and (vi) institutional quality and efficiency of the public Administration in its relationship with citizens and companies.

These reforms require actions, programmes and regulatory changes that must be deployed starting now and during the next few years. Some of the actions were already started in the second half of 2018 or were included in the Draft Budget for 2019. In other cases, regulatory changes are required and will be implemented during the current parliamentary term. In any case, success will depend on the involvement of the different levels of public administration, State, Regional Governments and Local Corporations; on the support of citizens and companies; and, ultimately, on the participation and involvement of the entire Spanish society as a fundamental means to give credibility and legitimacy to the reforms implemented.

The objective of these reforms is to take advantage of the favourable current situation to tackle the inherited imbalances, foster mid-term sustainable growth and real convergence with the most prosperous and advanced countries. The aim is to achieve higher rates of potential GDP growth, a productive system with zero
greenhouse gas emissions, and a more egalitarian society with a structural unemployment rate aligned with the European average.

By doing so, Spain will be able to play a key role in the EU’s agenda to steer globalisation towards inclusion and sustainability, foster an open international trade based on transparent and fair rules and be at the forefront of the 2030 Agenda and the fight against climate change. This will consolidate Spain’s reputation, facilitating the competitiveness and global long-term leadership of Spanish companies in high-productivity sectors, intensive in knowledge and technology.
**ECONOMIC POLICY KEYS**

The Spanish economy has just initiated a new long-term economic cycle...

...with a growth path that will moderate as the "tail winds" of recent years wear off.

The Spanish economy has recorded positive growth rates since 2014, greatly exceeding those of the Eurozone and the EU as a whole. After the 3.6% record high registered in 2015, growth has moderated gradually, converging towards a "natural" long-term growth rate that most institutions estimate between 1% and 2%.

After almost a decade with real GDP below Spain’s potential, the Spanish economy regained a neutral position, starting a new economic cycle.

All national and international institutions believe that Spain will maintain its growth rate above other EU countries, moderating as the drivers that boosted the economy in recent years wear off. This is in line with the return to a neutral cyclical position after a long recession, as the "rebound" effect of domestic consumption and investment tends to vanish.

The disappearance or weakening of external "tail winds" that led to exceptionally high rates of economic growth in recent years, such as the monetary stimulus of the European Central Bank, the depreciation of the euro exchange rate and the low prices of oil and...
other raw materials, are contributing to this moderation. Simultaneously, growth is slowing down in the Eurozone and so is the demand from Spain’s main export markets.

This is the right time to implement structural measures to strengthen the potential growth of the economy, with the aim of making it more sustainable and inclusive in the coming decades.

Economic gr0wth in recent years has helped correct important imbalances that appeared during the crisis: the unemployment rate has fallen by more than ten points from the 26.9% peak registered in the first quarter of 2013; the current account balance is positive since then, even with high domestic demand growth rates; the net debtor position of the Spanish economy vis-à-vis the rest of the world has decreased; and investment in residential construction has increased. According to the most recent indicators, this change is taking place in the context of strong competitiveness of Spanish companies, despite the smaller growth of Spain’s main trading partners. Economic growth has been accompanied by very moderate inflation rates, which are expected to remain below 2%, and has benefited from a significant volume of investment and favourable financing conditions in international financial markets.

According to an estimate by the Bank of Spain, in 2015 the monetary policy measures and the oil price drop have had an estimated impact of 0.6% on 2015 GDP respectively (that is, 1.2 p.p. in total). Estimates by the Ministry of Economy and Business indicate that the impact of these tail winds on 2016 GDP growth was similar at approximately 1 p.p.
A relevant part of the Spanish economic recovery has relied on internationalisation, which has also helped Spain correct the current account imbalance and alleviate external indebtedness. In fact, 2018 was the fifth consecutive year in which the Spanish economy simultaneously recorded GDP growth, job creation and external surplus.

However, there are still major imbalances that jeopardise growth sustainability in the mid-term: high unemployment rates, low productivity, high public and external debt, and high inequality.

...thanks to a more balanced pattern in terms of inflation, employment, balance of payments and financial balances
Firstly, Spain has a high level of "structural" unemployment. After several years registering significant economic growth and job creation, the unemployment rate stood at approximately 14.5% by the end of 2018 - the second highest rate in the EU. In addition, youth unemployment rate exceeds 30% and it is the second highest in the EU, while long-term unemployment represents around 40% of the total. This high unemployment rate has remained at the same levels even in an environment of strong containment of wages, which increased by 1.8% on average in the period 2007-2017³.

In the Spanish economy, the unemployment rate is highly sensitive to economic growth, with asymmetric effects in expansions and recessions. Thus, the Spanish economy is usually immersed in severe job destruction processes during recessions, and it becomes the first European employment generator during periods of economic boom. This mostly affects workers with temporary contracts and the most labour-intensive sectors.

³ In comparison to an average increase in labour productivity of 1.2% per year and a growth in corporate income (gross operating surplus) of 10.8% during that same period.
The highly cyclical profile of employment goes hand in hand with a high rate of persistent or "structural" unemployment. Some models estimate the "equilibrium" unemployment rate to stand between 12% and 16% of the labour force, a figure that highly exceeds that of the Eurozone (8.1%). Therefore, the main challenge of the Spanish economy is to reduce this rate, to maintain higher economic growth rates over time without generating imbalances that could lead to a new crisis.

The structural unemployment rate or NAWRU can be defined as the unemployment rate at which there is no acceleration in real wages that does not correspond to an increase in productivity. The Ministry of Economy and Business estimated this rate at 14.6%. Other bodies such as the IMF or the EC place it between 12% and 16% and the most recent estimate from the Bank of Spain sets the NAWRU at approximately 14%.

In recent years, employment has been more stable and sustainable in industry and services, less reliant on construction...

...but it is imperative to reduce the structural unemployment rate in Spain, which doubles that of the Eurozone.

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...but it is imperative to reduce the structural unemployment rate in Spain, which doubles that of the Eurozone.
Secondly, productivity per hour worked in Spain is moderate in comparison to the most developed countries and shows a clear countercyclical pattern, dominated by the evolution of the labour market: productivity improves when employment is destroyed, while it worsens when employment is created. Capital productivity in Spain is low and continues to be far from the most developed countries in volume of intangible assets.

The latter responds to a low investment in human and intangible capital - compared to the high investment in physical capital. Following the fall of investment and innovation levels during the crisis, with rates barely enough to maintain the existing capital stock, investment has been growing robustly since 2014, and exceeded 5% in 2018. Nevertheless, this improvement has not resulted in a substantial increase in apparent labour productivity.

Thirdly, as a result of the crisis and the factors mentioned, potential Spanish GDP has registered a major setback. If during the period between 2000 and 2006 it grew at an average of 3.5% per year, according to the European Commission, that rate fell to 0.7% on average from 2014 to 2018. That is to say, the average potential growth fell in that period by almost 3 points, limiting the ability to continue growing in the future without generating inflationary pressures or other imbalances and, therefore, compromising economic sustainability.
Fourthly, after reaching 100% in 2014, public debt has barely decreased since then, despite the dynamism of economic growth. This has been due to an accommodative and pro-cyclical fiscal policy that has reduced the impact of automatic stabilisers and has even increased the structural deficit. Both the European Commission and the International Monetary Fund pointed out the risks of this strategy, recommending the adoption of measures to place the public debt in a clearly downward trend.

Debt/GDP ratio reduction is fundamental to create enough fiscal space to address social and productive spending priorities and to be able to face possible crises in the future.

Finally, in recent years Spain has registered a significant increase in inequality at different levels: wages, income, consumption and wealth, intergenerational, territorial distribution and gender. Even though the unemployment reduction has alleviated to some extent the number of people at risk of poverty or social exclusion in Spain since the recent peak reached in 2014, there are still 12 million people in this situation. On the other hand, a significant part of the labour force faces a situation of low wages resulting in precariousness; some estimates suggest that one in six middle class households faced poverty during the crisis. Previous levels have not been recovered during the growth phase.

In addition, public under-investment in social policies has reduced the redistributive impact of the public sector and has barely mitigated the increase in people at risk of poverty, even amongst children. Since 1990, growth in Spain has become increasingly unequal, and increases of per capita GDP have not led to higher disposable income for households resulting in a noticeable increase in inequality.

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5 From 2014 up to 2017 there has been an average annual deterioration of 0.5 percentage points according to the estimates provided by the European Commission.

6 At-Risk-Of Poverty and Exclusion (AROPE) is calculated based on three components, one referring to the year of the survey (severe material shortage) and two to the previous one (poverty risk and work intensity of the household), therefore data refers, in fact, to two years (mainly to the year of income).
Economic dynamism is therefore a necessary but not sufficient condition to guarantee welfare and a decrease in inequality. The reduction of social gaps cannot exclusively rely on growth and job creation, as highlighted by the precariousness of the labour market and the emergence in Spain of a new figure, the "impoverished workers", as well as the different evolution of wages and corporate income. OXFAM estimates that 13% of working people continue below the poverty line as a result of job insecurity.

Reducing inequality and achieving a fair and inclusive growth is essential not only for political and social reasons, but also from an economic point of view. Reducing inequality contributes to the sustainability of the economic model by softening the intensity of cycles and increasing the capitalisation of the economy, as well as public revenues. Reducing the gender gap contributes to economic growth. Reducing territorial inequalities allows for a more harmonious growth from a sustainability point of view and helps fight depopulation. Adapting the tax system contributes to tax discipline and is key to intergenerational justice.
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<th>Inequality</th>
<th>Human capital</th>
<th>Gender gap</th>
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<td>• Creates social instability</td>
<td>• Contributes to productivity</td>
<td>• Productivity losses</td>
</tr>
<tr>
<td>• Deteriorates investment</td>
<td>• Enables wage increases</td>
<td>• Loss in GDP per capita between 10% and 30% in developed countries</td>
</tr>
<tr>
<td>• Prevents social advancement</td>
<td>• Reduces the poverty risk</td>
<td>• In Spain, a loss in GDP per capita of 15% is estimated</td>
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<tr>
<td>• Reduces consumption</td>
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In short, a responsible and active economic policy must combine tax discipline with measures that enable the reduction of inequality and the increase of potential growth.

These are the three main lines of the Government’s economic policy: to guarantee economic and financial stability, to fight against inequalities and other inherited imbalances and to lay the foundations for sustainable and fair growth in the mid and long term.
THE AGENDA FOR CHANGE

LAYING THE FOUNDATIONS OF A SUSTAINABLE AND FAIR GROWTH
1. LAYING THE FOUNDATIONS OF A SUSTAINABLE AND FAIR GROWTH

Spain has solid economic fundamentals but faces significant external risks: the fall in world trade and the growing trade tensions, financial constraints in emerging economies, the change in monetary policy stance in both sides of the Atlantic and the resulting contraction of liquidity.

In order to face the risks and uncertainties from a well-founded position, it is paramount to maintain economic and financial stability, providing the necessary margin to tackle important economic reforms.

As seen over the past few years, financial stability of the Eurozone is key to guaranteeing a favourable economic framework for growth and real convergence. In this sense, the strengthening of integration mechanisms in economic and fiscal fields are an essential process to complement the single monetary policy. The strengthening of the Economic and Monetary Union is one of the strategic projects to be bolstered in the coming years.

In this context, it is necessary to reduce the inherited budgetary imbalances through of a responsible policy. For this purpose, the Government of Spain proposed, in the Draft 2019 Budget, a public deficit target of 1.3% of GDP, a primary surplus for the first time since 2010 and a reduction of public debt down to 95.4% of GDP. This means a significant reduction from 98.1% of GDP at the end of 2017. Beyond the adjustment achieved by economic growth, the goal is for economic policy to actively contribute to reduce both the public deficit and the public debt for the first time in five years, through a structural adjustment that reinforces financial stability for the future.
Given the relatively low level of public spending to GDP and the need to strengthen social and family policies, budget consolidation cannot include additional cuts in public spending, as pointed out by the International Monetary Fund in a recent report\(^7\). Indeed, while primary public spending represents around 45% of GDP in the Eurozone, in the case of Spain this ratio stands at approximately 38%.

The lack of quantitative margin should not prevent from performing a detailed evaluation of expenditures to redirect resources towards measures or areas with greater effectiveness and efficiency. This should affect both current spending and public investment, including, not only economic profitability into their criteria, but also social profitability; and take into consideration not only the short term, but also the long term and sustainability factors. In particular, it is necessary to review the tax benefits scheme, where evaluation of objectives \textit{ex ante} or \textit{ex post} and an analysis of effectiveness are not currently carried out.

In the institutional area, it is necessary to strengthen the mid-term focus of budgetary policy, improve fiscal co-responsibility among the administrations and reinforce the preventive and corrective mechanisms from deviations from the fiscal objectives.

\(^7\) “2018 ARTICLE IV CONSULTATION”
On the other hand, the ratio of public revenues to GDP in Spain is lower than in other EU countries (38% versus 45% of the EU and 46% of the Eurozone and far from the Scandinavian countries) and it has fallen in recent years with successive tax reforms and as a result of the tangle of tax deductions.

International institutions recommend a structural adjustment aimed at establishing a sound income basis, and laying the foundations for a more balanced and fair system, in order to adapt the tax system to the 21st century. The economy has changed, the digital revolution has taken place and the share in Gross Value Added of wages and business incomes has followed clearly divergent patterns since 2006. As an example, the effective rate paid by companies has fallen, especially for large companies.

In addition, the limited capacity of advanced economies to tax the new sources of wealth and income, or new economic activities - related for example to digital services – has resulted in a marked reduction of the progressivity of fiscal systems, generating competitive advantages for certain activities or operators.

Likewise, it is necessary to adequately address the issue of green/environmental taxation, to generate the right incentives and respond to the new challenges of sustainability in the 21st century. In this area, road transport is one of the sectors that has
contributed the most to pollution growth and Spain’s taxation on fuels is still significantly lower than the rest of EU countries. This taxation should be accompanied by an adequate planning to make the rules of the game predictable, and facilitate adaptation through transitional periods and considers key variables, such as disposable income, inflation or the competitiveness of the economy.

In the case of automotive diesel, the amount of taxes per liter of diesel A is approximately 37% lower than that of France and 30% lower than that of Germany.

*Environmental taxation must reflect externalities, in line with the main economies of other EU countries.*

Source: European Commission
# REFORMS FOR A TAX SYSTEM OF THE 21ST CENTURY

1. **Law on prevention and fight against tax fraud**
   
   Expanding the list of debtors to the Public Treasury, stricter limits for cash payments, prohibition of dual-use "software", creation of a control unit for large estates (wealthowners).

2. **Increase in the progressivity and effectiveness of direct taxes**
   
   Corporate income tax reform, personal income tax reform, taxation on wealth (taxation on properties, capital income).

3. **Adaptation of the tax system to the 21st century economy**
   
   Tax on certain digital services, tax on financial transactions, new green taxation - alignment of taxation with environmental impact.

4. **Leadership in the fight against international tax evasion and avoidance**
   
   Spain will actively promote the fight against these two issues in international fora (G20, OECD), supporting as a rule, and except for justified reasons, with the most ambitious proposals.

5. **Reinforcement of tax discipline mechanisms**
   
   In line with European best practices, strengthen the mid-term focus of budget policy, linking more closely the three-year Stability Programmes with the annual budget process by all public administrations.

   Reinforce the preventive and corrective mechanisms of deficit deviations of Public Administrations at all their territorial levels.

   Establish a mechanism to evaluate public policies and their results, so that the efficiency and effectiveness of their redesign can be assessed if necessary.
In short, the first economic policy key must be to implement an active fiscal policy that combines: (i) the reduction of imbalances with social measures to enable closing inequality gaps and improving the indicators that really reflect the quality of citizens' lives; (ii) the creation of margins for countercyclical action by means of a solid and fair base of public revenues.

But beyond fiscal stability, the economic policy strategy must correct inherited imbalances and respond to future challenges. In short, it consists in reaching the United Nations 2030 Agenda objectives, focused on eradicating poverty and inequality to achieve a sustainable long-term growth. In the Spanish case, in working towards these objectives, the challenges involve mainly four issues: sociodemographic changes, climate change, the digital revolution and Welfare State.

Spain must face important demographic challenges; depopulation, low birth rates and desertion of rural areas

First, sociodemographic changes. Rural depopulation, population aging, the drop in birth-rates or territorial dispersion pose a risk to our coexistence model, territorial structuring and social cohesion. Spain’s population concentrates mainly in the most dynamic medium and large cities and municipalities, while others, with very low population density, show slow economic development and lack of social opportunities resulting in worrying depopulation processes. Territorial demographic imbalances and high levels of unemployment, which are also different depending on the region, suggest that a greater geographical mobility may be desirable.

Aging and the absence of population increase are key factors for the economy’s ability to grow and maintain the Welfare State in the mid and long term. It implies the need for policies that not only increase productivity, but also act on the labour force.
Second, **climate change**. It requires implementing measures both for the fight and prevention of greenhouse gas emissions, and for adaptation to the imminent effects of global warming and the consequent natural catastrophes and desertification.

Third, the **digital revolution and the deep changes in markets with the emergence of global value chains or the collaborative economy**. It has led to new forms of hiring, to changes in the provision of traditional services, to productivity gaps between innovative and non-innovative companies, to the emergence of market dominance positions that modify the competition conditions and to the negotiating powers between companies. The Spanish economy is more open, and therefore exposed to competition and the developments that take place at an international level.

Finally, **Welfare State protection**. A modern Welfare State must encourage the integration of all citizens in a global, open and digital economy and provide the new economy with tools adapted to the needs of the 21\textsuperscript{st} century.
Social protection, traditionally linked to the labour market, should be reviewed in order to cover vulnerable groups that have been left more unprotected in recent decades, such as single-parent families, migrants or young unemployed people. There is a need to develop an adequate social investment framework and make dependency and social-care services more professional. These are increasingly important and have a special impact on women. The institutions and instruments of economic policy must also be adapted in order to maintain the social market economy model and guarantee a fair transition for the affected people.

The Spanish healthcare policy has been one of the successes of the Welfare State, guaranteeing the quality of life of all citizens and creating wealth. Spain enjoys a National Healthcare System of renowned prestige all over the world, with an enviable access system. This contributes not only to GDP growth, but also to the attraction of foreign companies, talent, the return of Spanish emigrants or tourism, among others. At the same time, it increases life expectancy, enables rebalancing inequalities and alleviates poverty situations.

Spain has important assets on which to build a strategy that enables taking advantage of the opportunities.

On the one hand, a sound political, legal and social environment, with a Rule of Law that provides physical and legal security and social stability, both necessary to tackle transformation processes in a positive way. On the other hand, in the economic sphere, an important network of physical and digital infrastructures has been deployed for decades, and Spain counts with a business network integrated by large global companies leaders in their sectors and strong SMEs that resisted the crisis, enjoy growing international projection, self-financing and a great growth potential.
The growing internationalisation of the Spanish business sector is proof of its competitiveness and an important asset for the future. The Spanish openness ratio has been growing since 2009 and has surpassed export-oriented countries such as France and Italy. Besides access to the EU’s large internal market, the geographical location in the Iberian market, close to Africa, and the Spanish language and culture represent important assets and make Spain an excellent point of strategic connection. The attractiveness of a country for foreign investment is increasingly determined not only by its domestic market potential, but also by its ability to become an international business and investment platform, with the regulatory environment being a key element. In this regard, it should be noted that the OECD places Spain as the ninth country in the world with the least regulatory restrictions on foreign capital.
Even though the transformation process of the productive model needs to permeate to the whole economy, there is a number of activities or driving sectors that can play a dynamizing role in the transformation process, given their weight in the economy, their driving capacity for other sectors or their advantages in facing a changing environment.

This is the case of sectors such as healthcare, tourism, sustainable mobility, telecommunications, housing and infrastructure, energy, agri-food, biotechnology or financial services. Likewise, there are cities standing at the forefront of the environmental and digital transformation process (smart cities) and leading companies that can act as a lever to boost the transformation process in the coming years.

In this respect, it is important to point out Spain's beneficial position in the digital transformation, given its dense infrastructure network, the leading position in the deployment of the new 5G technology and its presence in certain key areas, such as high-performance computing, artificial intelligence, enabling technologies, and cybersecurity or fintech, among others.

The network of physical and digital infrastructures, together with the important sector of automobile components and assembly, a powerful sector of renewable energy and water management and treatment, would enable leading a transformation process towards sustainable mobility that will be able to attract investment, generate new jobs and promote the reduction of CO₂ emissions to fight climate change and improve air quality and life in cities. As well as a lead in innovative processes, such as self-driving vehicles.

Investment in healthcare is a driver of development that is measured and reflected in macroeconomic indicators, such as GDP, employment or productivity, as well as in social indicators such as life expectancy or the reduction of inequality. The National Healthcare System has a great capacity to generate economic activity with important effects for the private sector. The quality of the Spanish healthcare sector enables it to become a platform for innovation in the biomedical, pharmaceutical and digital sectors.
Likewise, the needs for renovation of the housing stock to improve energy efficiency, represent a great opportunity for a world-leading engineering and construction sector.

Tourism is of utmost importance for the Spanish economy. It represents 12% of GDP and 14% of employment, with Spain occupying a leading position at an international level.

The agri-food sector has an enormous potential for technological transformation, improving its competitiveness and sustainability and gaining greater efficiency in the use of resources. The same happens with the coast and marine resources in the framework of the new blue economy.

Likewise, recent years have shown the power of social economy companies to maintain and create stable and quality employment. Cooperativism and the social economy, which represent 10% of GDP and 12% of employment, are important elements to achieve a more inclusive and democratic economy, as they generate quality jobs and contribute to a more sustainable growth in environmental terms and support social cohesion.

To support this transformation process, the Agenda for Change includes a set of cross-cutting interlinked actions, with a positive multiplier effect on the economy.

These are structural reforms that, through legal changes and action programmes, try to lay the appropriate foundations for a clear and stable legal framework, a smooth functioning of goods and services markets and a fair labour market, establishing the adequate incentives for a change in the economic paradigm, supporting business development and entrepreneurship.
The programming of European Union Structural Funds should contribute to finance this Agenda. A more strategic use of their possibilities can leverage the national budget resources and focus investments towards future needs and transformative processes. The Structural Funds are mainly concentrated in five sectors that are perfectly interlinked with the action areas of the Agenda for Change: research and innovation; digital technologies; low carbon economy; sustainable management of natural resources; small companies.

The new 2021-2017 Multiannual Financial Framework also offers new opportunities to support financing of the policies included in this agenda. Not only through the Structural Funds or the Common Agricultural Policy, but also through the new instruments and programmes such as Horizon Europe for innovation and science, Digital Europe, the Connecting Europe Facility for trans-European networks, the LIFE environmental programme, Invest EU, successor to the Fund for Strategic Investments (Juncker Plan), or the Structural Reform Support Facility, which Spain has already used to finance actions in the areas of governance and public administration, budget management, business environment and labour market and education.

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<th>STRENGTHS</th>
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<tr>
<td>✓ Institutional and legal security</td>
<td>× Low productivity</td>
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<td>✓ Social stability</td>
<td>× Training and human capital</td>
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<td>✓ Physical and digital infrastructures</td>
<td>× Investment on R&amp;D&amp;I</td>
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<td>✓ Public healthcare system</td>
<td>× Labour market duality and structural unemployment</td>
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<td>✓ Sound business network</td>
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<td>✓ Presence abroad</td>
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<th>OPPORTUNITIES</th>
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<td>➢ Digitalisation</td>
<td>- Demographic change and depopulation</td>
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<td>➢ Environmental transition</td>
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<td>➢ Construction and energy efficiency</td>
<td>- Job insecurity</td>
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<td>➢ Tourism and sustainable Mobility</td>
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<td>➢ Agri-food</td>
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The Agenda for Change includes six areas for reform that are complementary and take effects on each other, focused on (i) education and training; (ii) protection of natural capital and exploitation of the opportunities for environmental transformation; (iii) productivity of technological capital through innovation and entrepreneurship; (iv) efficiency and equity of the labour market; (v) territorial structuring and equal opportunities; and, (vi) institutional quality and efficiency of the Public Administration in its relationship with citizens and companies.

In this context, increasing employees’ skills will result in accumulation of human capital and greater productivity, boosting Spain’s potential GDP with wage levels compatible with maintaining competitiveness. In this same vein, active employment policies and the fight against precariousness, fraud and temporality, will not only have an impact in reducing inequality, but will also favour mid- and long-term growth thanks to increased investment in training throughout the professional life.

In this same line, promoting research, development and innovation will foster technological and intangible capital, as well as productivity. Encouraging the development of a start-up ecosystem will help to take advantage of the opportunities of the digital revolution; and the development of new technologies, such as 5G, will reduce the digital gap among territories and citizens and will promote the creation of quality employment, making sure the whole population benefits from new services and new jobs.

Active management of the environmental transition will allow fulfilling the Spanish objectives on climate change, foster the circular economy, energy efficiency, the transformation of agriculture and the blue economy, as vectors of modernisation. Finally, improving the institutional quality of the Spanish Administration will increase legal security and economic efficiency.

This is the Agenda for Change promoted by this Government, consistent with fiscal discipline and the smooth functioning of markets. A reform plan aligned with the United Nations 2030 Agenda and with the recommendations of different international...
institutions, such as the recently published Annual Growth Survey of the European Commission, which urges to seize the moment to undertake reforms that make EU economies more resilient and inclusive, that reduce inequality, that guarantee a sufficiently progressive and fair fiscal system, and that address three priority areas of economic policy: (i) high-quality investments — including education and human capital, modernisation and decarbonisation of industry, transport and energy; (ii) reforms that enhance productivity, social inclusion and institutional quality, guaranteeing an adequate balance between flexibility and security in the labour market; and, (iii) macro-financial stability and sustainability of public finances.

These reforms require actions, programmes and regulatory changes that must be deployed now and during the next few years. Some urgent actions, for example, in the field of environmental transformation and taxation were already present in the Draft Budget for 2019. In other cases, regulatory changes are required and they will be implemented during the current legislature and continued in the coming years.

The aim is to take advantage of the current favourable economic situation to establish a framework for sustainable growth and real mid-term convergence with the most prosperous and advanced countries.

\textsuperscript{9} https://ec.europa.eu/info/sites/info/files/2017-comm-690_en_0.pdf
THE AGENDA FOR CHANGE

A COMMITMENT TO TRAINING AND HUMAN CAPITAL
2. A COMMITMENT TO TRAINING AND HUMAN CAPITAL

Over the last few decades, the Spanish economy has experienced an intensive growth, but it has not been able to make job creation compatible with substantial improvements in labour productivity. The causes for this slow progress have often been related to education quality and the lack of investment in human capital, that is, with the qualification and continuous training of workers.

Multiple studies recommend two ways to ensure that human capital turns out in productivity improvement. The first way consists of improving educational competences and curbing school failure and dropout to reduce the failure rate down to 15%.\(^\text{10}\) Spain has a rate exceeding 18%, and it is therefore the EU country with the highest school dropout rate according to the indicator published by Eurostat. It is necessary to improve the early-age educational outcomes that prevent the most vulnerable population groups from being trapped in situations of poverty.

\(^*\) The indicator measures the percentage of population between 18 and 24 years old with an educational level below secondary school that has not attended any course in the last 4 weeks, being secondary school the international standard.

Source: Eurostat

\(^{10}\) 2020 goal of the EU.
This demands a **comprehensive and profound educational reform** that includes the following aspects, among others: modernising and reinforcing the teaching profession, with permanent training to face the current uncertain and changing environment; designing an evaluation system of the Spanish educational system in collaboration with the Regional Governments; implementing an educational inclusion plan for students with difficulties; strengthen rural schools; support digital transformation; and improve school coexistence. In addition, it is necessary to give support to innovative pedagogical projects; launch permanent training and mobility programmes in companies and research centres; foster the creation of centre networks; and develop an integrated system of career guidance (education and employment).

**Fighting school failure is key to reduce inequality and increase human capital**
The second way is to adjust training to labour market requirements and ensure continuous training, in order to improve labour productivity, avoid labour exclusion and improve employability of workers. In this context, the reform and strengthening of Vocational Training is one of the strategic lines to be addressed in the coming years, to attract young people and to update workers on a continuous basis in the new professions on which economic growth will depend.

Furthermore, the reform of universities is vital to boost innovation and knowledge, and to recover the talent lost during the crisis in order to be able to take advantage of the opportunities offered by the EU’s research programmes, as well as the "Networks of European Universities".

The deadline to implement the educational measures included in the Agenda for Change is 2025. The main objective for 2025 is that 90% of young people hold, at least, a secondary education degree (A Levels or vocational training); and, at least, 50% of the children population between 0 and 3 years old attend educational centres.
1. **Universal access to Pre-primary Education from 0-3 years old in equal conditions**

   Early education is one of the main actions to fight educational failure of children in more vulnerable situations. In addition, it favours an increase of women getting involved in the labour market and reduces the gender gap.

2. **Education Reform Law**

   Modernisation of the educational model to adapt it to new needs, allow the customisation of training paths to the students’ needs, align Vocational Training with the rest of the system, reinforce training in values and the development of cross-sectional skills (soft skills) as well as the mechanisms of autonomy and governance of schools.

3. **Strategic Plan for Dual Vocational Training, incorporating companies with flexible formulas and creating consortiums**

   Involvement of companies of every productive sector in the design of the associated qualifications and training, as well as in students training and update of in teaching staff.

4. **Reforms of the Catalogue of Professional Qualifications to adapt the degrees to labour market needs of the 21st century economy**

   Update, in coordination with the social agents and in collaboration with the private sector, of the current degrees contents (cybersecurity, collaborative and advanced robotics, Big Data and data analysis, 2D and 3D manufacturing, extended reality and virtual reality and connectivity among others...).

5. **Law on Universities**

   Simplification of the procedures for the accreditation of new academic degrees, respecting university autonomy and autonomous regions competences in this area and strengthening the coordination mechanisms among the bodies involved in verification.

6. **New scholarship policy and university fees**

   In order to ensure certainty on the amount of the scholarship at the time of enrolment, the proposal is to reinforce financing instruments for university access, facilitate mobility and accommodation needs of students from rural areas to access university studies.
THE AGENDA FOR CHANGE

BOOSTING ENVIRONMENTAL TRANSITION
3. BOOSTING ENVIRONMENTAL TRANSITION

Following a reduction in greenhouse gas emissions linked to the sharp drop in energy consumption during the crisis, an upward trend started again since 2013, with the exception of 2016. This distances the country again from its unavoidable objectives of 90% over the 1990 levels indicated by Spain’s commitment to the Kyoto Protocol.

Spain’s growth model has been based on a linear economy. This pattern of economic activity is behind several environmental problems. As a result, the loss of biodiversity and the intensive consumption of non-renewable resources is causing the depletion of ecosystems. The latest data published in 2014 indicate that Spain is reducing natural resources and they also show a loss of biocapacity of 2.5 hectares of productive area per person, due to the environmental footprint of human activity. The development of alternatives, such as the circular economy, involves an adequate development of economic and social impact indicators.
Water resources are one of the first evidences of this situation. Water is a scarce resource, and hydrological plans uncover water management issues, both in quantity and quality, which can be aggravated by the effects of climate change. Therefore, water management is essential.

The necessary transformation process of the economy requires an adequate regulatory framework that provides incentives and certainty to the transition process to a low carbon model, with objectives and instruments that enable Spain to improve energy efficiency, promote renewable energy and reduce waste, as well as comply with the Paris Agreement and European commitments. Spain is committed to the 2020 goal of the European Union to achieve a renewable target of 20% of primary energy.

Road transport sector transformation is one of the main elements to be tackled in the coming years, particularly in view of the projections for a strong growth of the demand in the future. It was responsible for 25% of the total greenhouse gas emissions in 2017, as the sector that contributed the most to its growth last year. In this context, it is essential to develop a sustainable management model for high capacity roads and Intelligent Transport Systems in which information and communication technologies are applied to infrastructures, vehicles and users. The aim is, on the one hand, to improve traffic management and create an interconnected and
efficient mobility system that reduces costs and, on the other, the use of other less polluting transport means, such as rail, providing them with a greater reliability, punctuality, safety and efficiency. This strategy, in addition to improving the companies’ competitiveness, will result in greater social cohesion.

An economic growth strategy based on sustainability must include the agri-food and fishing sectors, moving towards a new framework that ensures a sustainable management from a social, economic and environmental point of view. These two sectors play a crucial role as a backbone of territorial and social structure. The development of the agri-food sector is essential to fight depopulation and unite the territory. It requires incentive measures in order to progress in the sustainability of the rural environment, creating opportunities for young people and women. In this sense, the latest available data on the percentage of land used for biological agriculture rank Spain above countries such as Germany or France. However, this percentage continues to be one third of other countries such as Austria, or half the percentage of Italy. On the other hand, it is also necessary to expand fishing possibilities, valuation of catches, and the development of sustainable fisheries close to Marine Reserves.

All these elements must be included in a framework of planning, regulation and incentives to achieve the commitment signed by
Spain in terms of emissions, energy efficiency and renewable energy.

The progress towards high standards in the regulatory or fiscal field in Europe requires establishing measures, in particular measures related to imports, which guarantee that no shift of emissions will take place to other regions (carbon leakage) as well as a level playing field for companies in the global arena. Likewise, the transformation process must ensure a socially fair transition.

The measures included in the Agenda for Change are aligned with Spain’s long-term objectives in the fight against climate change: reducing greenhouse gas emissions by one third by 2030 and reaching a 70% participation of renewable energies in the electrical system that year.

### REFORMS FOR THE ENVIRONMENTAL TRANSITION

1. **Law on Climate Change and Energy Transition**
   Setting greenhouse gas emissions and energy targets becomes the backbone of energy, transport, industrial production and urban policies, while opening an opportunity for the generation of new socioeconomic approaches, ensuring a fair transition.

2. **Integrated national energy and climate plan**
   Main instrument to complement and develop the law, setting forth the paths to follow, defining the energy mix for the period between 2021 and 2030 and giving certainty to existing and future investors.

3. **Circular economy strategy**
   The Strategy will develop aspects such as eco-design, eco-innovation or the reintroduction of by-products and waste as inputs for other production cycles. This will also require new skills in jobs and business. In particular, efficiency measures will be developed for the following sectors: construction, agri-food, tourism, containers, packaging, textiles, electrical and electronic manufacturing.

4. **Self-consumption regulation**
REFORMS FOR THE ENVIRONMENTAL TRANSITION

Regulation of shared self-consumption and simplification of administrative and technical procedures for self-consumption without charges.

5. Creation of the Environmental Damage Compensation Fund

The Fund will be built up from the surcharges in the compulsory insurance policies to the operators that perform economic activities that may damage the environment. The purpose of this Fund will be to extend the coverage of such damages over time, so that, once the insurance expires, the damage will be covered by the Fund for an additional period equal to that in which the policy was in force, with a limit of 30 years.

6. Sustainable mobility plan

Promotion of vehicles with alternative energies, measures aimed at promoting the installation of charging points in urban areas, autonomous car pilot programmes, 2019-2022 Action Programme for the Improvement of Efficiency and Sustainability of the Logistics Chain, review of the toll model for the high capacity road network aimed at ensuring sustainability and efficient use, measures intended at promoting productive and sustainable investments in ports, 2019-2025 Railway Plan, liberalisation of rail passenger transport and other support measures for intermodal transport. This will be accompanied by municipal initiatives on urban mobility and the implementation of best practices. Application of Information and Telecommunication Technologies and the Internet of Things to improve interconnectivity and intermodality.

7. National plan on waste water treatment, sanitation, efficiency, saving and reuse

Rationalisation of water use, in line with the European Directive on Water Quality, in a context of reduction of water resources availability as a result of climate change effects. Irrigation Master Plan to promote investments in facilities and works that improve the availability and sustainable use of water, generating added value and employment.

8. Measures for the sustainability of the agri-food and forestry sectors and the rural environment

Boost the advice to agricultural operations; improvement of the sustainability of livestock production and conservation measures of agricultural land; revision of the Spanish Forest Plan for the management and sustainable use of Spanish forests.
### REFORMS FOR THE ENVIRONMENTAL TRANSITION

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<tr>
<th>9. Blue growth strategy for the sustainability of the fisheries sector and coastal areas</th>
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<tr>
<td>Modification of management plans for the National Fisheries, recovery plans and fisheries management, management plan for marine protected areas, extension of the Sustainable Agreements Network. Action plan in fisheries inspection, reinforcement of international cooperation, National Aquaculture Strategy, support to producers’ organisations and the creation of interprofessional bodies.</td>
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THE AGENDA FOR CHANGE

PROMOTING SCIENTIFIC AND TECHNOLOGICAL PROGRESS
Legal certainty and smooth functioning of markets are key to enhance the creation and development of companies, as well as to boost new processes and investments to accommodate new technologies and move towards a sustainable model. The increase of physical and technological capital requires the maintenance and improvement of the business climate, in order to encourage private investment. This important objective must be compatible with the advances in social matters and the gradual redirection of the growth pattern. Digitalisation makes even more evident that we live in a global and interdependent world.

It is necessary to work with the Regional Governments and Local Corporations to ensure that their regulation and actions contribute to economic dynamism and business growth without establishing unnecessary barriers. The removal of barriers to the establishment and growth of companies, an environment of effective competition, as well as the guarantee of an integrated market are essential for Spanish companies to obtain sufficient scale to generate knowledge, productivity and attractive employment opportunities, which can later be projected abroad. This line of work, traditionally known as "market unity", should ensure an even playing field for companies and professionals who sell their goods or services in different regions, in a way that is strictly compatible with the municipal and regional autonomy, and always in an environment of collaboration with other administrative levels.

Knowledge and innovation are critical factors to guarantee economic growth and boost the competitiveness and productivity of a country. Closing the virtuous circle among a public university of quality and equal opportunities, scientific and technical research and the transfer of knowledge to companies is deemed a priority for a reform agenda that truly places Spanish society and economy on the path towards the future.
In Spain, both public and private R&D&I investment has dropped dramatically during the last economic crisis. Therefore, it is necessary to recover the volume of the science and technology system and the investment in R&D&I to reach levels similar to those of developed countries, with tangible and lasting agreements with all the stakeholders involved. The collaboration between public and private sector is particularly relevant, for example, when speaking about the relationship between University and companies.

According to the latest available statistical data, the ratio of R&D investment to GDP reached 1.2% in Spain in 2017, while the average of the EU-28 is 2.1%. In the last decade, this gap between public and private investment in R&D worsened: while Germany, the United Kingdom, France and Italy increased their investment between 2009 and 2016, in Spain it fell by 9.1%.

The public investment lever in R&D&I is crucial to achieve additional private investment. However, during the years from 2008 to 2013, public expenditure fell to almost insignificant levels and continues at levels well below those reached in 2006.

Technological advances come from basic research. In the mid and long term, introducing imported technology is not the solution to modernise the productive network. Spain must substantially increase its investment in basic science to maintain the current
positive level, stabilising the system from the budgetary and qualified personnel point of view, and encouraging its transfer activity to the productive network.

Even though Spain is still far from the world leaders with regards to digitalisation, the latest data from the Index on Economics and Digital Society published by the European Commission show an improvement and the country ranked 10. Although there are improvements in five categories - connectivity, human capital and digital skills, use of Internet services, integration of digital technology in business and digital public services -, Spain’s main challenge is that of digital skills, in other words, human capital.

Connectivity has become an essential instrument for entrepreneurship and access to new opportunities. Telecommunications infrastructures are crucial to structuring the territory and the society, as well as to lead the new economy.

Spain is in a good starting position in the deployment of fixed and mobile networks and should continue working to ensure affordable access throughout the national geography, especially in rural areas, in order to become the backbone of the territory and to contribute to the transformation of its industry and services.

*Spain builds on a favourable fixed and mobile connectivity, 5G pilot programmes are underway and the country actively participates in the European supercomputing project*
In terms of new technologies, **Spain takes a leading role in the development of the 5G Plan** and participates in EuroHPC, one of the most ambitious European projects to install the new generation of supercomputers, which will enable hosting one of the pre-exascale machines in the National **Supercomputing Centre**, “Barcelona Supercomputing Centre”.

*Optical fibre connectivity is growing*

![Graph showing deployment of new generation networks](image)

Source: National Commission on Markets and Competition (CNMC)

(* FTTH refers to optical fibre network to the household and HFC refers to co-axial cable.*

**Cybersecurity** appears as one of the European Union financing priorities and Spain should seize the opportunity. The country ranks third among the Member States with the largest number of recognised competence centres, and both the National Cryptographic Centre and the National Cybersecurity Institute are good practice models of specialised centres in Europe. It is therefore necessary to double the efforts in this area.

Finally, **artificial intelligence** is noted as one of the disciplines that may have more weight in the technological and social change. This requires a decisive strategy to channel the process from the scientific, business and return to society point of view. There is also a need to find a consistent approach with regards to the public use of "cloud" services.
Another important asset in this field is determined by the significant increase of technology-based emerging companies (start-ups). Start-ups are innovation vehicles that lead to capital attraction and job creation. They are an alternative to traditional career opportunities that must be supported by the development of an ecosystem that favours their creation and expansion.

On the other hand, the industry sector has an important potential to strengthen its position as an economic driver, providing solutions to digitalisation challenges, climate change, circular economy and sustainable mobility, within the framework of the European Union and in view of a growing international competition. In order to support this process of 4.0 Industry, it is necessary to develop the venture capital for Science and Technology, fight against counterfeiting and protect industrial property rights, reduce defaults on payments and support the companies’ internationalisation.

The 2019-2020 action Plan for the internationalisation of the Spanish economy will build on those elements that are considered key as vectors of competitiveness in international markets, in which the promotion of technological sectors and the incorporation of the technological revolution in the traditional sectors particularly stand out. The process should be supported with the search for new markets and the reinforcement of financing mechanisms, with a good articulation of national, European and multilateral instruments.

In addition to horizontal measures, it is also necessary to promote sectoral agendas on car, paper, cement, aeronautics, space, chemistry and refining, naval, steelmaking, wind, pharmaceutical, textile, clothing and fashion, equipment goods, green agri-food and cultural and creative industries. The future of the financial sector will be determined by technological advances, whose development will offer new opportunities to consumers and investors. This will be a challenge for regulators and supervisors, since they will have to match new technologies with an agile and efficient regulation, which does not burden financial innovations, guaranteeing at the same time the due protection to savers and small clients.
Given the importance of the tourism sector and in order to maintain and strengthen its leading position, the General Guidelines of the Spanish 2030 Sustainable Tourism Strategy have been launched. The aim of these Guidelines is to lay the foundations for the transformation of Spanish tourism towards a sustained and sustainable growth model. It will be based on the improvement of the competitive capacity and profitability of the sector, the different natural and cultural values of the destinations and the equitable distribution of the benefits and burdens tied to tourism.

Finally, the digitalisation process has implications on society and individual rights that go beyond economic transformation. An international governance must be developed, a system of digital rights that enables to channel the process and reduce the negative impact in terms of loss of freedom and privacy. Spain can be one of the international leaders in this field thanks to the Digital Future Society programme: a forum for reflection, based on the Barcelona Mobile World Congress, to achieve digital technological solutions that allow an inclusive, fair and sustainable society.

The objective of the measures in this area of the Agenda for Change is to increase investment in R&D&I up to 2.5% of the National Budget and to move towards the European Union objectives of total public and private investment. In addition, the goals in the telecommunications infrastructure sector are the following: 100% of the citizens have access to networks of 30 Mbps by 2020; 100% of schools with public funding of the "Connected Schools" programme have access to ultra-fast networks of 100 Mbps by 2023; to complete the freeing of the 700Mhz band in 2020 and to complete the 5G pilot projects to facilitate commercial uses in 2021.
1. **State commitment to science and R&D&I investment**
   
   Increase R&D&I up to 2.5% of the National Budget and move towards the European Union targets in the field of total public and private investment.

2. **Stabilisation and rejuvenation of the research staff in Public Research Organisms and Universities**
   
   Facilitate the hiring of staff in public research centres through tenders in search for doctors and researchers in companies, improve the teaching career in the Spanish university system, and reduce temporary teaching and research jobs.

3. **Development of the Law 14/2011 on Science, reinforcement of the transfer of knowledge and simplification of the work of researchers in Public Research Bodies**
   
   Strengthen the operation of the research results transfer offices (OTRIS, as per its Spanish abbreviation), promoting applied research, complementing the evaluation of performance with a six-year term of knowledge transfer that includes the application of the researches, patents or the participation in cooperation projects. Review the financial rules applicable to the research activity.

4. **Plan for the deployment of digital infrastructures**
   
   Complete the deployment of networks and lead the implementation of the new 5G mobile technology, the development of applications in pilot and pre-commercial projects, and the use in driving sectors such as healthcare, car, agri-food and tourism, "Smart Cities", mobility and transport, industrial processes, remote surgical interventions, interconnected health, or video games.

5. **Investment in priority technologies**
   
   Promote, with specific programmes, investment in priority multidisciplinary areas and technologies such as the Blue Economy, Personalised Medicine or Artificial Intelligence. Present an ambitious Spanish Strategy of Artificial Intelligence in 2019 and promote the development of Supercomputing in Spain at the forefront of Europe.

   Actively focused R&D&I on disruptive information and communication technologies and with a high driving potential, such as the processing of large volumes of data, processing of Natural Language, Biometrics and digital identity, data management for Personalised Medicine, the blockchain or the "Internet of things", among others.
6. **2030 Agenda for the Industrial Spain**

Adapt the regulatory framework to the new digitalisation and decarbonisation challenges, update the regulation on quality and industrial safety and reduce administrative burdens, encouraging a greater coordination with the Regional Governments while addressing the demographic challenge as a fundamental element of the industrial policy.

7. **2019-2020 Modernisation plan for retail trade**

Implement digitalisation and adaptation to new technologies and changes in consumer habits in local businesses, very labour-intensive.

8. **Promotion of the Spanish Ecosystem of Innovation and support for SMEs - Spain Entrepreneurial Nation Strategy**

Strengthen the role of the Centre for the Development of Industrial Technology as the main catalyst for boosting innovation in Spain. Promote cooperation between small companies and Technology Centres by developing the Cervera Transfer programme. Enable different instruments of financial and technical support for innovation, including public purchase, support for seed money, business angels, development of incubators and accelerators, public-private partnerships and effective mechanisms to boost venture capital. The fight against defaults in payments in commercial operations will be strengthened and the system of fiscal incentives will be reviewed to improve their efficiency, legal certainty and access of SMEs. A specific law will be adopted to support the ecosystem of start-ups with a technological base.

9. **Law on the digital transformation of the financial system**

A Law will be presented to enable the creation of a controlled testing or sandbox space, providing a regulatory and supervisory framework to protect consumers against innovation and to guarantee legal certainty in the sector.


Diversify the geographical areas and sectors of Spanish goods and services exports, modernising and promoting the financial support instruments for internationalisation and introducing sustainability as a cross-sectional element in the internationalisation policy.

11. **2030 Sustainable Tourism Strategy**

Consolidate the position of the tourism sector in Spain based on sustainability and on the implementation of tourism intelligence, in cooperation with Regional Governments and the main economic and social agents of the sector.
THE AGENDA FOR CHANGE

WORKING TOWARDS A FAIR AND EFFICIENT LABOUR MARKET
5. WORKING TOWARDS A FAIR AND EFFICIENT LABOUR MARKET

As already pointed out, the high rate of structural unemployment is the main labour problem in Spain, particularly affecting young people and long-term unemployed people. It has become one of the main vulnerabilities in our country.

The shortcomings of the Spanish labour market are reflected in a deep segmentation between temporary and permanent workers, as well as between full-time and part-time workers, which by introducing unjustified precariousness elements, in turn includes an indisputable gender gap.

The current dualities make labour market adjustments to be mainly carried out via-quantities, hiring temporary workers. The high temporary rate, standing at approximately 25% of the total number of employed people, entails serious problems: increases in inequality and strong disincentives to training investment. All this combines at the expense of the accumulation of human capital, which is vital for long-term economic growth.
While this duality is the result of a set of factors, these can be grouped mainly into two categories: institutional factors, related to the regulation of the Spanish labour market; and economic factors, related to the Spanish productive model. Both have led to the worsening of the labour conditions for segments of the population, particularly young people and lower wage levels.

In this context, the most negative aspects of the 2012 labour reform will be repealed in the short term. In the mid-term, a new 21st century Statute of Workers will be developed, adapting the rules to the current social, economic and productive system. It will consider issues related to workers and self-employed people in order to combine the essential business competitiveness in a globalised economic and productive framework with the recovery of basic labour rights and the role of collective bargaining as a necessary rebalancing element.
On the other hand, Spain must put in place balanced and socially sustainable measures in order to guarantee the long-term sustainability of the Social Security system, which is the basis of the Spanish Welfare State. In recent years, there has been an intensive use of resources from the Reserve Fund due to the loss of income from the Social Security system. This loss of income has been closely related to the collapse of the real estate bubble, that has generated a remarkable job destruction and a process of wage devaluation, especially among the lowest salaries. This situation, in addition to the job insecurity, leads to a problem of financial insufficiency of the system that must be addressed.

The extended life expectancy, together with the low birth rate, partly due to the economic uncertainties, represent a significant
challenge for the future. The demographic evolution leads to an increase in the dependency rate due to the fall of the working-age population, which must be addressed in the coming years. Together with the improvement of work conditions to provide a stable and favourable framework for the development of the vital project of young people, the migration process must be actively channelled, acting on the communities of origin and transit, as well as on the border and in the Spanish territory. Spain must also increase the female activity rate and close the wage gap, and address a process of review and adaptation of the different parameters of the Social Security system that guarantees the social and financial sustainability of the system in the long term. The reforms of the Social Security system require broad social and political consensus in order to be sustained over time. Thus, the Congressional Committee for the Monitoring of the Toledo Pact and the social dialogue provide the optimal framework to address this process, which affects the whole society and is key to intergenerational justice.

In the labour market field, the main objectives in the short-term are included in the 2019-2021 Youth Employment Contingency Plan. In this particular area, the objectives are to reduce the youth unemployment rate by 10 percentage points and to improve the training of young people, especially in digital skills. In the long term, the goal is to reduce the structural unemployment rate down to the European average, improving the employment quality year after year.
REFORMS FOR AN EFFICIENT AND FAIR LABOUR MARKET

1. **Repeal the most negative aspects of the 2012 labour reform**

   The government will work together with the social agents and the Parliament to reach the necessary consensus that will enable the repeal of the most negative aspects of the 2012 labour reform.

2. **Youth Employment Contingency Plan**

   Plan focused on the employability of young people and the improvement of their skills and professional qualification, with measures on professional training, reinforcement of guidance and support by the employment offices, review and promotion of training contracts, promotion of entrepreneurship, and Talent Return Programmes to bring back the young people who left Spain searching for a job and that are extremely necessary for the Spanish economy.

3. **Simplify and rearrange the different types of employment contracts**

   Implementation of three contractual formulas: open-ended, temporary structural and training contracts. Review the system of non-labour internships in companies and redirect graduates with completed studies to paid internship contracts. Simplify and reduce the bureaucratic burden of training and apprenticeship contracts and bring training centres closer to companies in collaboration with social agents and Regional Governments.

4. **Explore the options to reduce duality maintaining flexibility, favouring the use of the discontinuous permanent contract**

   In order to reduce duality, to deal with the rotation and multiplication of contracts for the same position that transfer the cost of the adjustment to the unemployment benefits system, it is necessary to maintain flexibility by reducing the weight of temporary hiring. Strengthen the control of part-time hiring, especially about the irregular distribution of contracted working time.

5. **Promote the fight against labour fraud**

   Make an intensive use of the new technologies, automating and connecting processes and Big Data from several administrative units and reinforcing the sanctioning system. Focus the efforts on the seasonal or periodic rotation of temporary workers, the fraudulent linking of temporary contracts, unjustified and abusive part-time hiring, and the identification of false self-employed workers. The implementation of the working hours registration. Review the regulations to prevent abuses in subcontractors and multiservice companies, the false self-employed workers and interns.
6. **Rise of the minimum wage**

In order to reduce the market duality, the gender gap and the precariousness of work, the minimum wage has been increased to € 900. The mid-term objective is for the minimum wage to reach 60% of the average salary in Spain, as recommended in the European Social Charter.

7. **Law on gender equality in the labour market**

This Law must guarantee the effectiveness of equal treatment, opportunities and rewards between women and men in employment and occupation.

8. **Improve the efficiency and coordination of active employment policies**

Develop the operational programmes of the Spanish Activation Strategy, including the profiling tool, the improvement of the information system and the best practice programmes, reinforcement of the coordination and efficiency of public employment and social services, supporting public-private collaboration and the implementation of good practices.

9. **Improve training, guaranteeing the market unity in the provision of employment services by training centres and companies**

Promote the supply of free access online training tools for unemployed and employed people, increasing the supply and centralised contracting of courses. Mobilise public training resources (among others, in schools and universities), increasing transparency and quality monitoring of the system. Explore long-term agreements with technology companies to improve online training, evaluation and information systems. These agreements will include improvements in labour intermediation and mechanisms to fight against fraud.

10. **Incentives for active job searching and simplification of welfare aids**

Establishment of incentives in the map of benefits and subsidies to boost active job searching, as well as to reinforce active policies aimed at improving the employability of unemployed people.

11. **In the context of the social dialogue with employers and employees, and the Committee for the Monitoring of the Toledo Pact, reform of the Social Security system to ensure the long-term sustainability of the system**

Measures to increase revenues, review of expenses and protection of certain groups and adapt the different parameters of the system, among others. Together with the reinforcement of the public system, develop the social welfare in companies using complementary pension systems agreed between employers and companies.
## REFORMS FOR AN EFFICIENT AND FAIR LABOUR MARKET

- **12. Gradual implementation of a system that allows individual capitalisation accounts for labour mobility by means of the creation of the corresponding Fund**

  This fund will enable workers to ensure the payment of the amounts accumulated in their favour in the event of unfair dismissal, geographical mobility, for the development of training activities or at the time of retirement. This proposal will be addressed in the framework of the social dialogue, so that its design and approval have the greatest possible consensus.

- **13. Preparation of a new 21st century Statute of Workers**

  A new Statute of Workers will be drawn up in cooperation with the social agents, which will combine the recognition of new workers' rights more in tune with the economic, social and labour reality of the 21st century, with the necessary business competitiveness and the role of collective bargaining as necessary rebalancing element.

- **14. Reforms to ensure an orderly, regular and safe migration**

  On the basis of the needs of the Spanish labour market, the system of circular contracts at source will be reinforced, favouring the positive impact of a well-managed migration policy, in line with the 2030 Agenda, the Global Migration Pact and the European Migration Agenda to ensure an orderly, regular and safe migration.

- **15. Return to Spain Plan**

  A return plan for the new Spanish emigrants, most of them highly qualified, will be approved, favouring the connection with the companies. Modernization and simplification of the procedures for hiring highly qualified workers and entrepreneurs, in order to facilitate the settlement of highly knowledgeable companies in Spain.
THE AGENDA FOR CHANGE

REDUCING INEQUALITY AND PROTECTING THE WELFARE STATE
6. REDUCING INEQUALITY AND PROTECTING THE WELFARE STATE

Rising inequality is one of the main imbalances of the Spanish economy and one of the main challenges, not only from a political perspective, but also from an economic point of view. In 2014, the Gini index reached the highest value of the last two decades (34.7, compared to an average of 31 in the EU). The economic recovery of recent years has had a very weak impact on this indicator, reflecting that the outcomes of the recovery have not evenly reached the whole population. The inequality of disposable incomes is now significantly higher than before the crisis, taking Spain back to the values registered at the end of the 1990s. Thus, the inequality ratio, measured as the quotient of the total income of the 20% richest of the country and the 20% poorest, stands above that of Greece, as an example.

In 2017, Eurostat highlighted that there are more than 12.2 million people at risk of poverty or social exclusion in comparison to the 9.4 million people target of the European Union for 2020. It is evidently urgent to take measures to resolve such a critical situation and the State’s redistributive work has been clearly insufficient to contain the rise of income inequality in Spain.

This situation is particularly serious regarding children, as Spain is the third country in the EU with the highest child poverty rate, after Romania and Bulgaria. More than 60% of children whose parents have a low educational level are at risk of poverty, in comparison to the slightly over 10% in case of households with a higher educational level. In this situation, the share of public spending on GDP for households and children is the second lowest in the European Union (1.3% in 2016, compared to 2.4% on average in the EU).

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11 The Gini index takes a 0 value when equality is perfect and 100 when inequality is complete. The increase in the index values therefore indicates an increase in inequality.

12 28.3% of children lived below the threshold of moderate poverty in 2017, over 21.6% for the population as a whole.
It is not possible to achieve a sound and sustainable economic growth without social cohesion. It is critical to establish strong growth foundations in order to prevent a new spiral of employment destruction being re-adjusted by the most vulnerable workers. Budget stability and social policy, far from being incompatible, are absolutely inseparable if the aim is to guarantee a sustainable growth over time. In fact, inequality jeopardises expenditure in the mid and long term to meet social needs that would have been possible to avoid with greater equality.

It is essential to address the demographic challenge with family policies, co-responsibility, legal immigration, activation of employment and entrepreneurship, particularly for women, in rural areas. Some measures are already being implemented by prioritising measures to support households, the retrieval of the powers of City Councils on gender-based violence and support for victims, care for minors, support for pre-primary schooling of children from 0 to 3 years old and the recovery of universal access to the National Healthcare System. In addition, it is necessary to reinforce the action, at national and European level, in the communities of origin and transit to adequately channel the migratory phenomenon.
Population in Spain is highly concentrated in cities and medium and large municipalities. Out of a population of 46.5 million people, approximately 5.7 million live in municipalities with a population of less than 5,000 inhabitants, and almost 3.9 million people live in municipalities with a population between 5,000 and 10,000 inhabitants. Many of these municipalities have had a very significant negative demographic balance in the last decade and
this may result in deficiencies affecting their economic and social development, such as insufficient transport networks, lack of basic services in education, healthcare and social services, poor communications network, depopulation and ageing of the population.

These factors are the cause of high unemployment rates, lack of economic dynamism, low rate of company creation and young people with a professional future that is poorly adapted to the current society. In addition, some urban environments tend to concentrate situations of poverty in certain neighbourhoods, where unemployment, social segregation and socioeconomic vulnerability and the difficulties in accessing decent housing can exacerbate the situations of social exclusion of residents.

In addition to income and geographic differences, the gender gap is a great burden for economic growth. Women suffer especially from the duality and precariousness of the labour market, as they register higher temporary and partiality rates and, as such, suffer a wage gap that in Spain can reach 20%. Many women are "trapped" in low-wage jobs and register low training profiles in terms of new technologies. In the segment with a higher level of training, there is a scarce presence of women in managerial positions (glass ceiling), female entrepreneurship continues far behind male entrepreneurship and there is a business culture that does not favour their professional growth.

The gender gap reaches 20% and burdens economic growth...
All of this should be corrected, not only with the aim of reducing the wage gap, but also to boost the productivity of the Spanish economy, which is underusing a large part of talent and investment in human capital as a result of gender discrimination.

With this objective, several reforms are being raised to comprehensively address social fairness in the work sphere (Minimum Wage, progressive equalisation of maternity and paternity leave, initiatives to reduce involuntary partiality and temporality, improvement of technological training) and also specific measures are being implemented to increase the participation of women in the labour market, helping to solve the problems they face in practice, promoting co-responsibility and equality of job opportunities, as well as aiming at their greater participation in research.

Some of these measures also contribute to the fight against child poverty, the structuring of the society and improvement of human capital, since the poverty risk rate in minors is largely determined by the level and quality of their parents' employment. Thus, improving the working conditions of adults and their access to quality jobs also has an impact on minors and improves children access to education and training, which will allow them to access new opportunities and improve their social level.

Recently, access to housing has been added to the forms of inequality observed in Spain. Some Spanish cities and municipalities are registering a stress in rental prices that prevents the most vulnerable households from having a decent housing and reduces their disposable income, deepening the situations of vulnerability experienced. In order to alleviate this situation, measures have been identified to reduce the main practical obstacles and administrative barriers that hinder the proper functioning of the market and the activation of supply in areas of higher price stress, especially by promoting social or affordable rent, favouring the use of public-private mechanisms, and mobilising the available public land.
Draft Budget for 2019 includes an important range of measures designed to fight inequality, such as the recovery of the unemployment benefits for people over 52 years old and the implementation of the social security contribution of caregivers, school meal aids or the Minimum Subsistence Income.

The Agenda for Change aims to decisively reduce the gender gap, reduce inequality below the EU-28 average, eradicate extreme childhood poverty, stop the depopulation in areas at demographic risk, favour the rise of birth rates, achieve a 20,000 increase in the public housing stock and increase the social or affordable housing stock from the current 2.5% up to 8% in 2030.

1. **Family support policies**
   (i) Develop the Minimum Subsistence Income, doubling the benefit for dependent children for households in a situation of severe poverty. (ii) School meal aids and school material aids to fight child poverty. (iii) Resources for participation in social, cultural and sports activities and the development of inclusive leisure initiatives during school holidays. (iv) Protect 100% of vulnerable households against situations of energy poverty. (v) Double the funds allocated to City Councils programmes to eradicate gender-based violence. (vi) Aids for reconciliation and rationalisation of working hours.

2. **Policies on gender equality**
   The State Office Against Discrimination in employment and occupation will be created, with special emphasis on gender-based discrimination. It will be integrated in the State Work Inspection and Social Security Body, to monitor equality in access to employment, professional promotion, working conditions, particularly remuneration and access to professional training, both in the education system and for employment. (ii) Measures will be taken to guarantee the presence of 40% of women on the companies' boards of directors, on decision-making bodies on working conditions, on electoral processes, on collective bargaining or on professional agreements as required by European Union directives. (iii) In the coming months, the approval of measures that will be turned into laws will be promoted to address the gender gap in the occupational field.
within the framework of the Strategic Plan for Equal Opportunities.

3. **Equalisation of paternity and maternity leave**

   In 2019, fathers will enjoy an eight-week leave -three more weeks than the entitlement currently in force-. This measure, within the framework of the conciliation of private, family and work life, will favour a progressive culture of co-responsibility by means of an equitable distribution of the care of relatives between women and men.

4. **Closing of the Gender Gap in science, technology, engineering and mathematics**

   In the revision of the 2017-2020 State Plan for scientific, technical and innovation research, measures will be adopted with the aim of guaranteeing the participation of women in science at the corresponding levels; creation of the "Women, Science and Innovation" Observatory; promotion of scientific vocations; agreement between the Spanish Foundation for Science and Technology and the Institute for Women to propose an action plan including measures that enable reducing the gender gap in this area; measures to avoid discrimination of the curriculum vitae of female researchers during maternity periods; Programme to attract women's talent towards entrepreneurship.

5. **National Strategy to address the demographic challenge, to fight against depopulation, improve connectivity and support for the younger population**

   Implementation of cross-cutting measures and support for employment, self-employment and collective entrepreneurship projects in rural municipalities at demographic risk within the framework of the Youth Employment Operational Programme of the European Social Fund; coverage of more than 30 Mbps for 100% of the citizens; deployment of networks to guarantee ultra-fast networks of 100 Mbps in Spanish schools; inclusion of the demographic impact on the preparation of laws, programmes and public investments.

6. **Creation of depopulation offices in at least 20 rural areas that require urgent intervention**

   Their role is to accompany people or companies that want to settle in the area, facilitating all contacts and mediation in the process; promote "Rural Innovation Spaces" as well as entrepreneurship, training and assistance for women in rural areas, facilitating their incorporation into the labour market, both
ACTIONS TO REDUCE INEQUALITY AND PROTECT THE WELFARE STATE

as employed by others and as self-employed, and their training in the creation of companies.

7. Measures for the sustainability of the rural environment

Consolidation of the National Forum to address the rural depopulation, support for digital transformation, measures to promote the incorporation of young people and women, including the strengthening of shared ownership of agricultural holdings, training actions for rural professionals and measures of economic diversification; new line of support for women entrepreneurs in rural areas; boosting advice for agricultural holdings; improvement of the sustainability of livestock production and conservation measures for agricultural soils.

8. Housing plan

(i) Make public land available to develop rental social housing. Financial instruments have been implemented through the Official Credit Institute (ICO) and the European Investment Bank in order to promote rented social housing by the main players in the sector (public and private real estate developers and contractors, cooperatives and social economy among others). (ii) Reorientation of the 2018-2021 State Housing Plan to promote affordable rental in coordination with the Regional Governments, with the aim of setting up a social housing or protected housing stock, at the service of public housing policies. (iii) Measures to streamline licensing procedures. (iv) Measures regarding information and transparency to follow up on the information on rental housing offer (prices, availability of social housing or housing stock situation), as well as the demand (socio-economic situation of households, records of applicants or demographic dynamics). (v) Measures to support vulnerable people in eviction proceedings; (vi) Plan to strengthen the agreements between SAREB and Regional Governments and City Councils for social housing.

9. Strategy of fair transition to the new energy model

Urgent action plan, with a specific schedule, for the districts affected by the closure of coal-fired plants and nuclear power stations. The new model that accompanies the decarbonisation of the Spanish productive system will have effects on employment and relevant impact, especially in some regions. For this reason, the Plan will provide the definition of stable, predictable and competitive scenarios for these areas, encouraging the development and investment in innovation and green technologies, promoting the necessary training to meet future needs.
THE AGENDA FOR CHANGE
MOVING TOWARDS A MORE EFFICIENT ADMINISTRATION AT THE SERVICE OF THE CITIZENS
7. MOVING TOWARDS A MORE EFFICIENT ADMINISTRATION AT THE SERVICE OF THE CITIZENS

The quality of regulation and institutions is the basis for ensuring the proper functioning of the markets. The proper functioning of institutions is key to providing a certainty framework of legal certainty to economic activity and social cohesion. The role of the Administration as a service provider must also be constantly under review in order to guarantee efficiency. Regulatory quality and modernisation of the justice administration are essential for the smooth operation of the markets. The European directives, in addition to establishing the principles of necessity and proportionality in the performance of public administrations, have expanded the roles of the regulators. Moreover, a need has been identified to review the institutional architecture in economic and financial areas to strengthen the existing institutions and to adequately realign the competencies among the different bodies, so that the allocation of professionals and specialised technical resources can be rationalised.

Coordination of the administrations is essential to achieve coherent economic policies. This process of review and removal of barriers, just as the other reforms contained in the Agenda for Change, requires a framework of cooperation and coordination with Regional Governments and local corporations. To this end, a new Sectoral Conference on Reforms and Regulation will be created, chaired by the Ministry of Economy and Business, which will also participate, with a full say but without full rights, in the Sectoral Conferences of the different ministries.

Improving Administration efficiency implies more transparency and accountability. This Sectoral Conference on Reforms and Regulation will simultaneously favour market unity, since dialogue and cooperation will allow to share and implement best practices in the processes of authorisations, licenses and administrative management of the services provided by Regional Governments and Local Authorities.

Transparency, accountability and participation are key aspects of the public agenda and a guarantee for the proper functioning of the institutions and to fight corruption. The Government has approved the Regulation of the Law that governs the exercise of the
It is important to strengthen the efficiency of public policies. The spending review programs are a priority for the Government.

As noted above, the lack of quantitative margin in terms of expenditure should not prevent conducting a detailed evaluation of its effectiveness and efficiency and favour readjustments towards those priority measures or areas. In this regard, the Independent Fiscal Authority (AIReF, as per its Spanish abbreviation) is preparing the final conclusions of the spending review for 2018 on various issues, among which it is important to note the pharmaceutical spending, active employment policies, university education scholarships, the promotion of talent and competitiveness and the strategy of the universal postal service provided by the Sociedad Estatal Correos y Telégrafos, S.A. The conclusions of the work will enable to make improvements in the efficiency of spending in the coming years and to address a strengthening of the mechanisms for evaluating public policies. The Statistics National Institute (INE) will develop a new framework of statistical indicators to assess progress in achieving the goals of the United Nations’ 2030 Agenda for Sustainable Development.

In addition to the reinforcement of the institutional architecture, consumer protection mechanisms must be improved. In this sense, the field of action of the National Commission for Markets and Competition (CNMC) must be aligned with the requirements of the European Union regulations. Once there is enough operation experience of the CNMC functioning, its framework of action will be reviewed.

Likewise, it is necessary to streamline the channels for reporting abuses and infringements and especially strengthen the protection of financial services customers.

Finally, the Administration must have an exemplary role in terms of gender equality measures, as well as digital issues in relation to citizens.
MEASURES TO IMPROVE THE ADMINISTRATION

1. **Improve the efficiency of public spending (spending reviews)**
   Development of the 2019 AlReF Spending review Action Plan (fiscal benefits, hospital spending of the National Healthcare System, transport infrastructures and incentives for hiring).

2. **Fight against cartels in public tenders**
   Actions will be initiated to reinforce the fight against cartels in public procurement in order to increase transparency, discourage fraud and compensate for extra costs and damages.

3. **Administration Digitalisation Plan**
   Measures to reduce the digital gap in the use of e-administration by means of developing universal and quality electronic public services that are open, efficient, flexible, inclusive and accessible to all groups.

4. **Towards an open Administration**
   The public sector has abundant data that can be used to improve lives, offer efficient public services and create economic growth. But there is still a certain lack of transparency and access to that public information. Therefore, following the D5 Charter model, progress will be made in the following areas: (i) adoption of standards on the format of information, so that it can be really used by anyone who wants to use it; (ii) obligation to all public administrations, starting with the State, to publish their data on the basis of the established standards.

5. **Strengthening the State’s financial architecture**
   Redirect the Official Credit Institute’s activity in order to reinforce the public interest in its performance; study the creation of a Single Risk Centre with the aim of improving the control of the risks taken by the State with other countries and financial bodies, and increase the efficiency and impact of the different financial instruments to support internationalisation and development aid.

6. **Citizen folder**
   The Citizen folder will bridge the gap between Administration and citizens, facilitating the proceedings from anywhere. In sixteen months, any citizen, no matter where they connect from, will be able to access all the files in progress with any General State Administration body, in a single space on the web (their Citizen folder).

7. **Integration of the principles of good governance and corporate social responsibility in the foundational and business public**
MEASURES TO IMPROVE THE ADMINISTRATION

sector - autonomous agencies, public business entities and state agencies –

There will be an integration of internal ethical codes, anonymous reporting channels by employees, annual submission of corporate governance reports, as well as sustainability reports, paying particular attention to effective equality and full integration of people with disabilities.

8. **Integration of public procurement tenders to fight gender gap, demographic challenge, promotion of SMEs or start-ups and innovative public procurement.**

Inter-ministerial Working Groups to improve the coordination of policies for innovation in the action programmes of the different ministries in the areas of energy and climate, digital transformation and Defence agreements, Centre for Industrial Technological Development and Ministry of Science, Innovation and Universities.

9. **Promotion of transparency**

Several initiatives will be approved in the coming months: publicity of institutional agendas; the regulation implementing Law 19/2013, of 9th December, on transparency, access to public information and good governance, which includes, among other issues, the creation of Transparency Information units, as well as the approval of the IV Open Government Plan.

10. **Reform of the Institutional Architecture of the Regulatory and Supervisory Bodies in the field of economic governance**

White Paper on institutional reform to (i) progress towards a “twin peaks” financial supervision model; (ii) create the Macropрудential Authority - Financial Stability Board; (iii) create the Financial Client Protection Authority; and (iv) strengthen the independence and professionalism in the appointments of the senior positions of regulatory bodies.

11. **Increase the competencies of the National Commission for Markets and Competition in accordance with the European directives on competition and regulation of the electricity and gas sectors**

Transposition of the European Competition Network Directive (ECN+) in the field of the defence of competition and transfer to the National Commission for Markets and Competition of the powers of the electricity and gas systems related to the economic regime and conditions of access to networks.
THE AGENDA FOR CHANGE

NEXT STEPS AND FOLLOW-UP
8. NEXT STEPS AND FOLLOW-UP

The set of measures included in this Agenda for Change aims at broadening the citizen opportunities and improving their living standards in the coming years.

The actions included in this document with budget impact have already been included in the Draft Budget approved on 11th January 2019 by the Council of Ministers.

Other actions involve the implementation of reforms in different fields by means of regulatory changes or the design of action plans on issues of particular relevance. Processing some of these measures has already begun in the last seven months and the rest will be implemented throughout the legislature.

In order to guarantee an adequate compliance and implementation of these measures, the Government's Delegate Committee for Economic Affairs will follow-up the extent of implementation of the proposed measures for a sustainable and inclusive economic growth on a six months basis. Therefore, the first follow-up report will be published before 31st July 2019.
### ANNEX 1: TIMETABLE FOR MEASURES INCLUDED IN THE AGENDA FOR CHANGE

#### Taxation:

<table>
<thead>
<tr>
<th>Measures</th>
<th>Status</th>
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<tbody>
<tr>
<td>Law on the prevention and fight against fiscal fraud</td>
<td>In process</td>
</tr>
<tr>
<td>Tax on specific digital services</td>
<td>In process</td>
</tr>
<tr>
<td>Tax on financial transactions</td>
<td>In process</td>
</tr>
<tr>
<td>Increase in the progressiveness and effectiveness of direct taxes (corporate income tax, personal income tax and taxation on wealth)</td>
<td>2019 DB</td>
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<tr>
<td>New green taxation</td>
<td>2019 DB</td>
</tr>
<tr>
<td>Fight against international fiscal evasion and avoidance</td>
<td>2019</td>
</tr>
<tr>
<td>Tax discipline mechanisms</td>
<td>2019-2020</td>
</tr>
</tbody>
</table>

#### Field 1: Training and human capital

<table>
<thead>
<tr>
<th>Measures</th>
<th>Status</th>
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<tbody>
<tr>
<td>Education Reform Law</td>
<td>In process</td>
</tr>
<tr>
<td>Promotion of universal access to pre-primary education from 0 to 3 years old</td>
<td>2019 DB</td>
</tr>
<tr>
<td>New scholarship policy and university fees</td>
<td>2019 DB</td>
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<tr>
<td>Strategic Plan for Dual Vocational Training</td>
<td>2019</td>
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<tr>
<td>Reform of the catalogue of professional qualifications</td>
<td>2019</td>
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<tr>
<td>Law on Universities</td>
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#### Field 2: Environmental transition

<table>
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<tr>
<th>Measures</th>
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<td>Self-consumption regulation</td>
<td>Approved</td>
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<td>Environmental Damage Compensation Fund</td>
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<tr>
<td>National energy and climate plan</td>
<td>2019</td>
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<tr>
<td>Circular economy strategy</td>
<td>2019</td>
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<tr>
<td>National plan on water treatment, sanitation, efficiency, saving and reuse</td>
<td>2019</td>
</tr>
<tr>
<td>Blue growth strategy for the sustainability of the fisheries sector and coastal areas</td>
<td>2019</td>
</tr>
<tr>
<td>Law on Climate Change and Energy Transition</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Sustainable mobility plan</td>
<td>2019-2020</td>
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<tr>
<td>Measures for the sustainability of the agri-food, forestry and rural sectors</td>
<td>2019-2020</td>
</tr>
</tbody>
</table>

#### Field 3: Scientific and technological progress

<table>
<thead>
<tr>
<th>Measures</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2030 Agenda for the industrial Spain</td>
<td>2019</td>
</tr>
<tr>
<td>Spain Entrepreneurial Nation Strategy</td>
<td>2019</td>
</tr>
<tr>
<td>Start-ups law</td>
<td>2019</td>
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<tr>
<td>Artificial intelligence strategy</td>
<td>2019</td>
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<tr>
<td>Investment in priority technologies</td>
<td>2019-2023</td>
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<tr>
<td>2019-2020 Modernisation plan for retail trade</td>
<td>2019</td>
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<tr>
<td>Law on the digital transformation in the financial sector (sandbox)</td>
<td>2019</td>
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<tr>
<td>Development of the Law 14/2011 on Science</td>
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<tr>
<td>Action Plan for Internationalisation</td>
<td>2019</td>
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<tr>
<td>2030 Sustainable Tourism Strategy</td>
<td>2019</td>
</tr>
<tr>
<td>Stabilisation and rejuvenation of the research personnel in Public Research Bodies and Universities</td>
<td>2019 DB</td>
</tr>
<tr>
<td>Plan for the deployment of digital infrastructures</td>
<td>2019-2020</td>
</tr>
<tr>
<td>State commitment to science and investment in R&amp;D. Target: 2.5% of the GGBs</td>
<td>2020-2022</td>
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#### Field 4: Efficient and fair labour market

<table>
<thead>
<tr>
<th>Measures</th>
<th>Status</th>
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<tbody>
<tr>
<td>Youth Employment Contingency Plan 2018-2021</td>
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<tr>
<td>Rise of the minimum wage</td>
<td>Approved</td>
</tr>
<tr>
<td>Repeal of the most negative aspects of the 2012 labour reform</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Simplify and rearrange the different types of employment contracts</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Favouring the use of the discontinuous permanent contracts</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Promote the fight against labour fraud</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Law on gender equality in the labour market</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Improve the efficiency and coordination of active employment policies</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Improve training by training centres and companies</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Incentives for active job searching and simplification of welfare aids</td>
<td>2019-2020</td>
</tr>
<tr>
<td>New Statute of Workers for the 21st century</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Reforms to ensure an orderly and safe migration</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Return to Spain Plan</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Gradual implementation of a system of individual accounts capitalisation accounts for labour mobility</td>
<td>2020</td>
</tr>
<tr>
<td>Reform of the Social Security system</td>
<td>2019-2024</td>
</tr>
</tbody>
</table>

#### Field 5: Inequality and Welfare State

<table>
<thead>
<tr>
<th>Measures</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of depopulation offices in at least 20 rural areas</td>
<td>2019 DB</td>
</tr>
<tr>
<td>Family support policies</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Policies on gender equality</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Equalisation of the paternity leave to the maternity leave</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Closing of the gender gap in science, technology, engineering and mathematics</td>
<td>2019-2020</td>
</tr>
<tr>
<td>National Strategy to address the demographic challenge</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Measures for rural areas sustainability</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Housing plan</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Strategy of fair transition to the new energy model</td>
<td>2019-2020</td>
</tr>
</tbody>
</table>

#### Field 6: Efficiency of the Administration

<table>
<thead>
<tr>
<th>Measures</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the efficiency of public spending</td>
<td>Annual</td>
</tr>
<tr>
<td>Spending reviews</td>
<td></td>
</tr>
<tr>
<td>Increase of the competencies of the National Commission for Markets and Competition on the electricity and gas sectors</td>
<td>Approved</td>
</tr>
<tr>
<td>White Paper on institutional on Supervisory and Regulatory Bodies reform</td>
<td>2019</td>
</tr>
<tr>
<td>Measures to fight against cartels in public tenders</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Administration Digitalisation Plan</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Towards an open Administration</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Strengthening the State’s financial architecture</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Citizen folder</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Integration of the principles of good governance and corporate social responsibility in the foundational business public sector</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Integration of tenders: gender gap, the demographic challenge, SMEs, innovative public procurement</td>
<td>2019-2020</td>
</tr>
<tr>
<td>Promotion of transparency</td>
<td>2019-2020</td>
</tr>
</tbody>
</table>

(*) 2019 DB: Draft Budget for 2019
### Target 1: End poverty
- Measures to address the gender gap in science, technology, engineering and mathematics fields.
  - "Women, Science and Innovation" Observatory
  - Promotion of scientific vocations
- Agreement between the Spanish Foundation for Science and Technology and the Institute for Women
- Measures to avoid discrimination of female researchers during maternity periods
- Programme to attract women’s talent towards entrepreneurship
- New line of support for women entrepreneurs in rural areas

### Target 2: Clean water and sanitation
- National plan on water treatment, sanitation, efficiency, saving and reuse

### Target 3: Decent jobs and economic growth
- Modernisation plan for retail trade
- Spain Entrepreneurial Nation Strategy
- Start-ups law
- Law on the digital transformation in the financial sector field (socio)to
  - Repeal of the most negative aspects of the 2012 labour reform
  - Youth Employment Contingency Plan
  - Improve the efficiency and coordination of active employment policies
  - Improve training in training centres and firms
  - Rise of the minimum wage
  - Simplify and rearrange the different types of employment contracts
  - Favouring the use of the discontinuous permanent contracts
  - Promote the fight against labour fraud
  - Gradual implementation of a system of individual capitalisation accounts for labour mobility.

### Target 4: Quality education
- Measures to fight against cartels in public tenders
- Administration Digitalisation Plan
- Towards and open administration
- IGO’s activity reorientation of the Single Risk Centre

### Target 5: Gender equality
- Measures to increase transparency regarding information on rental housing

### Target 6: Responsible production and consumption
- National energy and climate plan
- Self-consumption regulation

### Target 7: Decent jobs and economic growth
- Plan for the sustainability of the rural environment
- Strategy of fair transition to the energy model
- Measures to promote the incorporation of young people and women (rural environment)
- Strategy of fair transition to the energy model

### Target 8: Innovation and infrastructure
- Measures to address the gender gap in science, technology, engineering and mathematics fields.
  - "Women, Science and Innovation" Observatory
  - Promotion of scientific vocations
- Agreement between the Spanish Foundation for Science and Technology and the Institute for Women
- Measures to avoid discrimination of female researchers during maternity periods
- Programme to attract women’s talent towards entrepreneurship
- New line of support for women entrepreneurs in rural areas

### Target 9: Industry, innovation, infrastructures
- Social Security system reform
- State commitment to investment in R&D. Up to 2.5% of the GGBs
- Development of the Law 14/2011 on Science
- Stabilisation and rejuvenation of the research personnel
- 2019-2022 Action Programme for the Logistics Chain
- Review of the toll model for the high capacity road network
- Measures intended at promoting productive and sustainable investments in ports
- 2019-2025 Railway Plan
- Liberalisation of rail passenger transport
- Plan for the deployment of digital infrastructures
- Investment in enabling digital technologies and supercomputing
- Investment in priority technologies: blue economy, personalised medicine, and disruptive technologies
- Artificial intelligence strategy
- 2030 Agenda for the industrial Spain
- Application of Information and Telecommunication Technologies and the Internet of Things to improve interconnectivity and intermodality

### Target 10: Peace, justice and strong institutions
- Irrigation Master Plan
- Law on prevention and fight against fiscal fraud
- Personal income tax reform
- Taxation on wealth reform
- Tax on specific digital services
- Tax on financial transactions
- Reforms to ensure an orderly and safe migration
- Consolidation of the National Forum to address the rural depopulation
- Measures to promote the incorporation of young people and women (rural environment)
- Strategy of fair transition to the energy model

### Target 11: Sustainable cities and communities
- Measures for the sustainability of the rural environment
- Autonomous car pilot programmes
- Environmental Damage Compensation Fund

### Target 12: Responsible production and consumption
- Blue growth strategy for the sustainability of the fisheries sector and coastal areas
- Environmental Damage Compensation Fund

### Target 13: Climate action
- Circular economy strategy
- Investment in priority technologies: blue economy, personalised medicine, and disruptive technologies
- Artificial intelligence strategy
- 2030 Agenda for the industrial Spain
- Application of Information and Telecommunication Technologies and the Internet of Things to improve interconnectivity and intermodality

### Target 14: Peace, justice and strong institutions
- Measuring of the efficiency and impact of the financial instruments to support internationalisation and development aid
- Citizen folder
- Integration of the principles of good governance and corporate social responsibility in the public sector
- Integration of public procurement tenders for the fight against the gender gap, the demographic challenge, the promotion of SMEs or start-ups and innovative public procurement

### Target 15: Climate action
- Publicity of the institutional agendas
- Development of the Law on Transparency
- IV Open Government Plan
- White Paper on Regulation of Bodies and Economic Supervision
- Increase of the National Commission for Markets and Competition competencies on the electricity and gas sectors

### Target 16: Peace, justice and strong institutions
- Leadership in the fight against international tax evasion.