



RRF 3rd Payment request – SPAIN

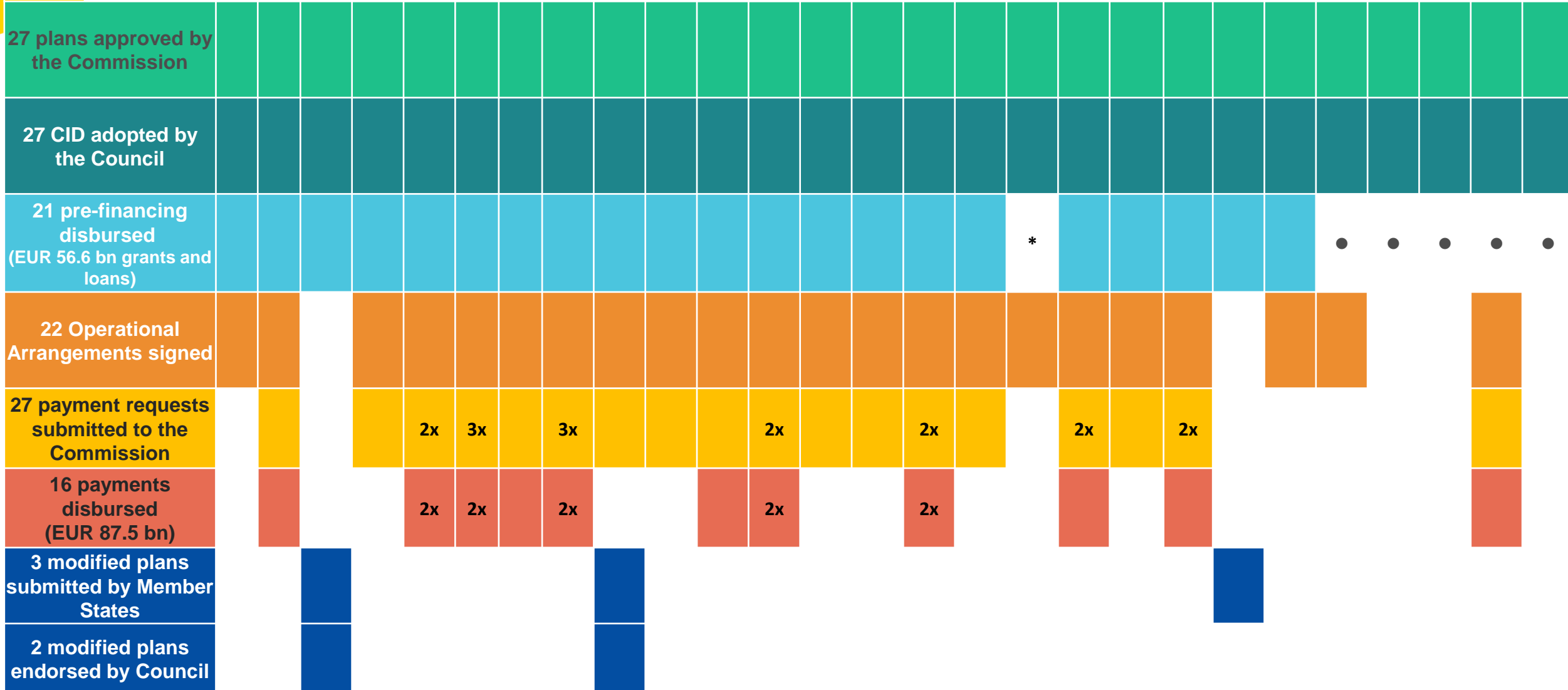
Preliminary assessment by the Commission

EFC meeting- 10/03/2023

State of play on implementation



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* No pre-financing requested.
 • Prerequisite to request pre-financing: CID was adopted by 31 December 2021.

Overview of the request



24 milestones
5 targets



28 measures
20 reforms and
8 investments



measures generally
implemented by
1st half of 2022



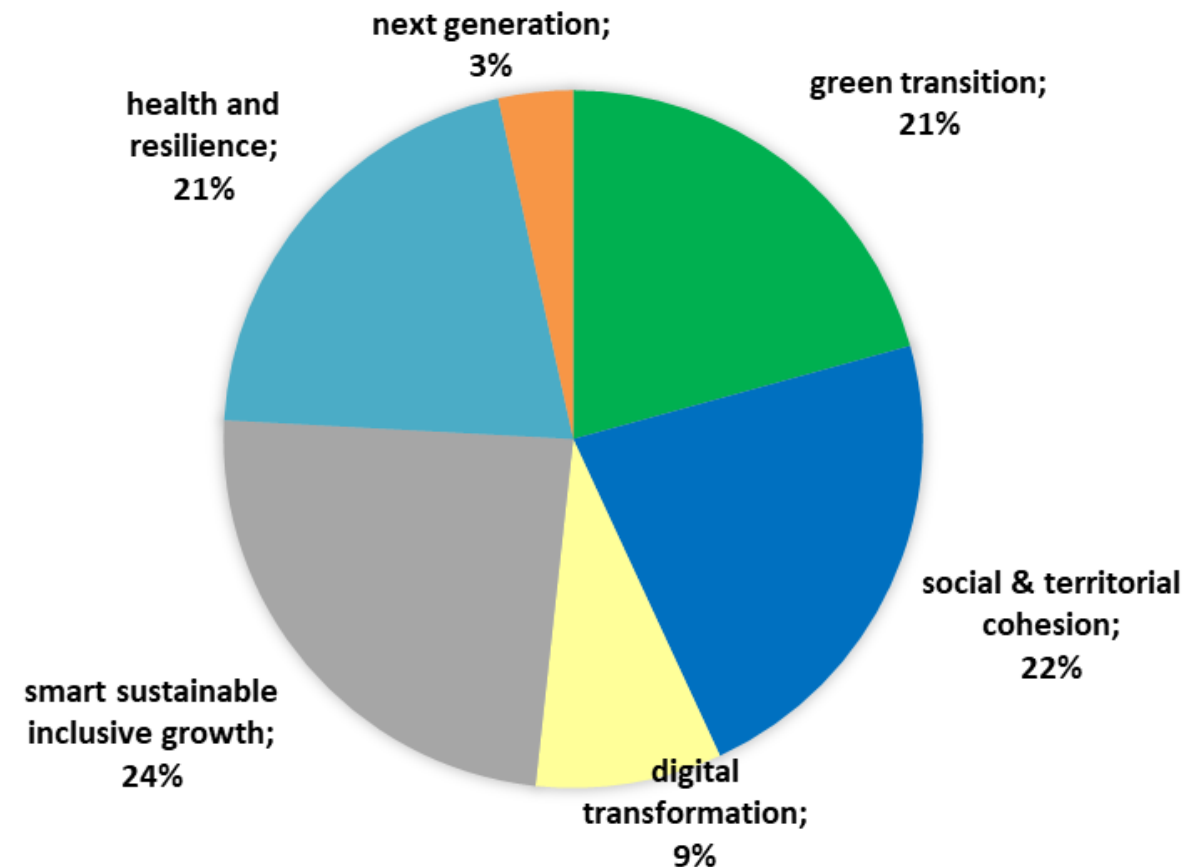
€ 6 bn in grants

Summary of measures under 3rd payment

Examples of Key Measures

- ✓ Reform of the Insolvency Law
- ✓ Reform to modernize Vocational Training System
- ✓ Reforms to prevent Tax Evasion and Fraud
- ✓ Measures promoting renewable electricity
- ✓ Investments in R&D (sustainable transport)
- ✓ Measures to strengthen the resilience of the health sector including the approval of Public Health Strategy
- ✓ Reforms promoting inclusive growth by connecting inclusion policies to minimum income scheme
- **Follow-up on commitments from 1st payment:**
 - Implementation of the Recovery and Resilience Facility Integrated Information System (Milestone #173)

Breakdown by RRF Policy pillar



Green transition

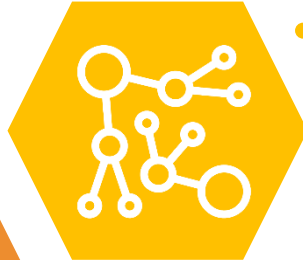
Mobility

- M#2 Royal Decree to regulate public recharging services



Green taxation

- M#390 Analysis of the Vehicle Registration Tax and the Traffic Tax
- M#391 Reform of tax on Fluorinated Gases



Energy and decarbonisation

- M#110 Development of energy communities
- M#115 Support for investments in innovative renewable capacity
- M#124 Regulatory sandboxes (electricity)
- M#130 Regulatory framework for establishing Guarantees of origin for renewable gases

Other measures

- M#65 Set up of the biodiversity knowledge monitoring and management system

¹ These milestones relate to the following policy pillars: “green transition”; and “health and resilience”.

Digital transition

Digitalisation

- T#61 Financing of digital investment projects in the fishing sector
- T#57 Acquisition of acoustic probes for research in fisheries



Connectivity

- M#229 Entry into force of the Law on Telecommunications

Modernisation of Cultural Industry

- T#360 Digitisation and promotion of major cultural services

¹ These milestones relate to the following policy pillars: “digital transformation”, “smart sustainable inclusive growth” and “policies for the next generation”

Social & Next generation



M#304 Competence-based curricula for compulsory education and baccalaureate

M#411 Reform of the Social Security contribution system for the self-employed



M#296 Law on the single integrated Vocational Training System

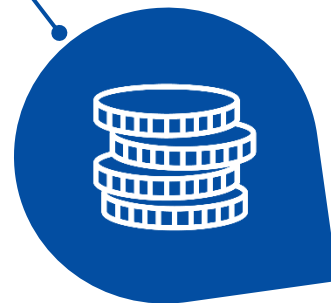
M#350 Improving the take-up rate of the Minimum Vital Income ('IMV') and increasing its effectiveness through inclusion policies

¹ These milestones relate to the following policy pillars: “social and territorial cohesion;” and “policies for the next generation, children and youth”.

Example of measures: Resilience and Growth

Resilient public finances

- M#376 Law against Tax Evasion and Fraud
- M#401 Monitoring report on the implementation of AIReF recommendations to improve quality of public spending.



Business environment

- M#190 Law to reform of the Insolvency Law
- M#254 Reform of the Science, Technology and Innovation Law
- T#270 Support to R&D&I in sustainable automotive
- M#364 General law on Audio-visual Communication



Pension reform

- M#414 Review of the current supplementary pension system



Assessment of Commitments related to RRF Integrated Information System (M#173)

- **Commitment 1:** Improving collection of data related to beneficial owners of certain foreign companies
 - The Tax Agency signed three agreements with the General Council of Notaries, the College of Property Registrars and the Ministry of Justice to access information on beneficial owners (BO) of foreign companies, also through the BORIS EU database, which will access to other MS registers once it is operational;
 - Spain enacted a Ministerial Order that empowers relevant authorities to collect BO data directly from applicants;
 - Spain has issued guidance to strengthen the process for BO data collection for concluded contracts and has sent letters to companies related to payments 1-3 requesting this data when not available in national registers.
- **Commitment 2:** Improving access to the information on beneficial owners for control purposes and perform conflict of interest checks
 - Spain has developed and made operational a risk scoring IT tool called 'MINERVA', that will check risks of conflict-of-interest situations ex ante. The system is available to all entities responsible for the calls.
- On the basis of the evidence submitted, the Commission considers that Spain has ensured continuous compliance with milestone 173 and its obligations under the Financing Agreement with respect to these commitments.

Timeline of measures under 3rd payment

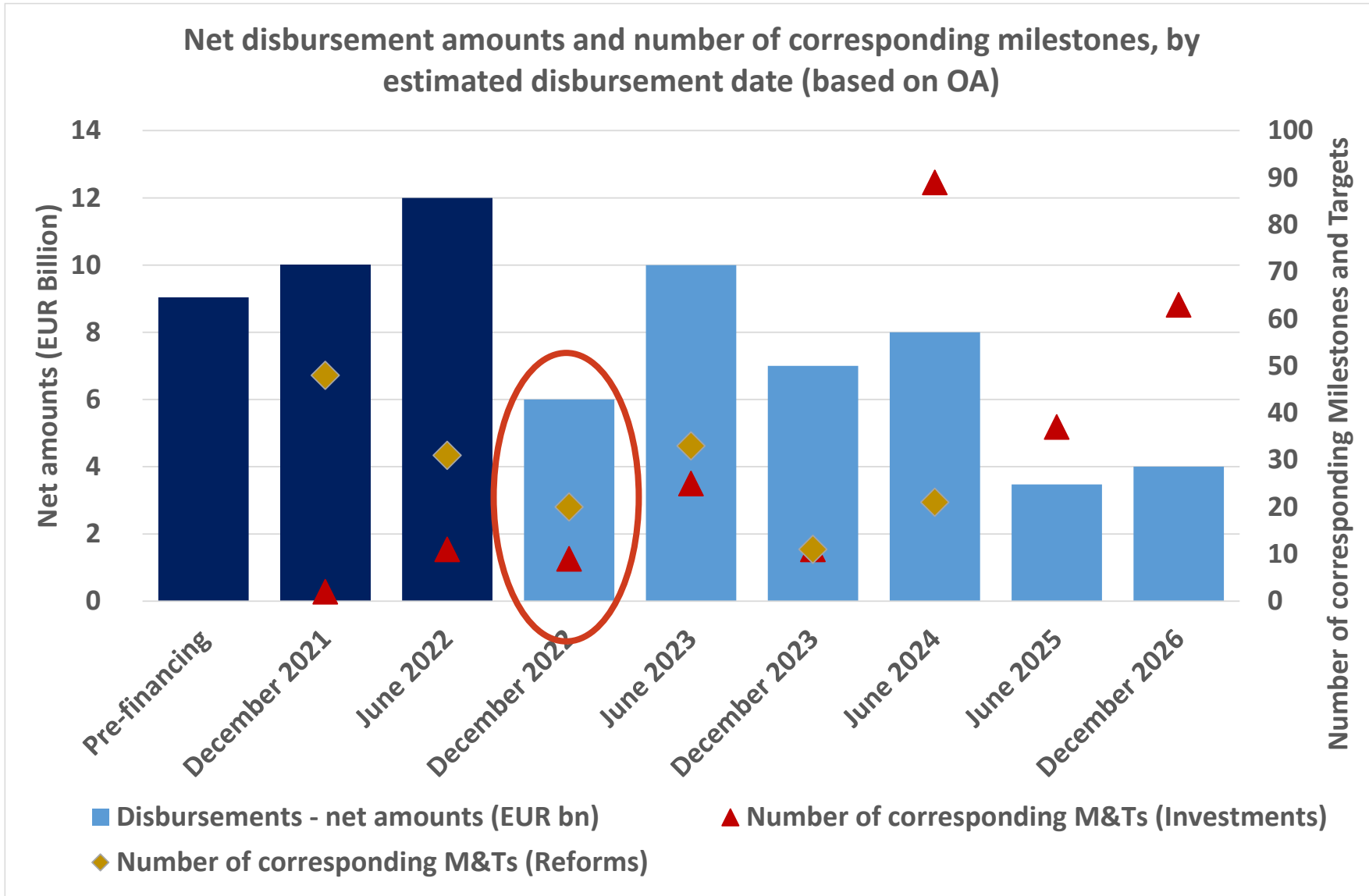
Measures	Payment Request							
	1 2020-Q3 2021	2 Q4 2021	3 H1 2022	4 H2 2022	5 H1 2023	6 H2 2023-H1 2024	7 H2 2024-Q1 2025	8 Q4 2025-Q3 2026
C1.R1	#1		#2					
C3.R6			#45					
C3.I4			#51				#52	
C3.I7		#56	#57					
C3.I11			#61					
C4.I1			#65				#66	
C7.R3			#110			#111		
C7.I1			#115			#116		#117
C8.R4			#124					
C9.R1	#129		#130					
C13.R1		#189	#190	#191				
C15.R1			#229					
C17.R1			#254					
C17.I8			#270					
C18.R2			#274					
C20.R2			#296					
C21.R2			#304				#305	
C22.R1			#314					
C22.R4			#317					
C23.I7			#350				#351	
C24.I3			#360			#361, #362		
C25.R1	#363		#364			#365		
C26.I3			#374			#375		
C27.R1			#376	#377				
C28.R4		#389	#390, #391					
C29.R1	#397, #398, #399	#400	#401		#402			
C30.R3			#411					
C30.R5	#413		#414					

milestone
target

13 out of 28 measures include subsequent milestones and targets in the Spanish RRP

H1* – 1st half of the year, H2* – 2nd half of the year

A disbursement of 6bn would bring the total amount disbursed to-date to 37bn (53% of total grants)



Calendar / Next steps

- *Submission of payment request:* November 11 2022
- *Adoption of Preliminary Assessment:* February 17 2023
- EPC info session: February 21 2023
- EPC discussion: February 28 2023
- EFC discussion: March 10 2023
- Comitology: March 20 2023

N.B. The Commission and Spain have mutually agreed a one-month extension to the timing of the assessment of the payment request

Thank you

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Timeline of Spain's RRP implementation

RRP approval

- RRP submitted on 30 April 2021
- Approved by COM on 16 June 2021
- Endorsed by Council on 13 July 2021
- Financing agreement signed on 6 August 2021
- Operational arrangement signed and published on 10 November 2021

Payments

- Pre-financing paid on 3 August 2022 (€9 bn)
- 1st submitted on 11 November 2021 and paid on 27 December 2021 (€ 10 bn - 52 M&T)
- 2nd submitted on 30 April and paid on 9 August 2022 (€12 bn - 40 M&T)
- 3rd submitted on 11 November 2022 (€ 6 bn – 29 M&T)

Key reform: Reform of the Insolvency Law (M#190)

- Component 13 encompasses **measures to address the challenges that SMEs face with the aim of boosting their competitiveness**. There are 2 reforms, 5 investments and 25 milestones in the component.
- Reform 1 of **improving business regulation and climate measures** includes three milestones:
 - #190 Entry into force of the Law to reform of the Insolvency Law



- **Milestone #190** Entry into force of the Law to reform of the Insolvency Law captures the entry into force of the reform of the law establishing a more efficient second chance procedure for natural persons and special procedures for micro SMEs which reduces the duration and cost and is processed by electronic means.

- The Spanish Parliament **adopted the Law 16/2022** of 5th September reforming the recast text of the Insolvency Law which contains provisions relevant for milestone #389.
- The milestone is considered **satisfactorily fulfilled**:
 - The Law transposes **Directive (EU) 2019/1023**, on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt (seventeenth final provision).
 - The reform introduced a more efficient **second chance procedure** for natural persons. The Law provides that any debtor in good faith (entrepreneur or not) can exonerate all their debts, except those that exceptionally and by their special nature are considered non-exonerable.
 - Special procedure is introduced for micro SMEs for both continuation and liquidation of the company, aiming to speed up and reduce the cost of the process.

Key reform: Approval of the Spanish Public Health Strategy (M#274)

- Component 18 is about **measures to improve sustainability and resilience of national health system**. There are 5 reforms, 6 investments and 12 milestones/targets in this component.
- Reform 2 '**Reform of public health system**' includes one milestone: Approval of the Spanish Public Health Strategy (M#274).



- Milestone #274 requires the approval of the Spanish Public Health Strategy by the *Consejo Interterritorial Sanidad*.
- The Strategy shall establish essential lines and priorities to be followed by all health administrations, and ensure equally accessible health care.

- The Plenary Session of the Interterritorial Council approved the Public Health Strategy on 22 June 2022.
- The Strategy will connect different initiatives developed at international level with national policies.
- The target is considered **satisfactorily fulfilled**:
 - The Strategy sets out essential priorities for public health through four strategic lines (LE).
 - It includes measures and actions forming a general and integrated framework for the provision of public health in Spain.
 - The Strategy establishes public health governance and cross-policy coordination mechanisms and health impact assessment of policies as well as promotion of equity in the population's health and well-being to ensure equal access to healthcare.
- The Strategy is valid for five years, with interim evaluations every two years in which the degree of implementation shall be analysed, in accordance with the provision of Law 33/11 on Public Health.

Key measure: Pension reform (M#411 and M#414)

M#411-Reform of the Social Security contribution system for the self-employed

- Basing contributions of self-employed on real income instead of self-chosen contribution base
- The reform should be implemented gradually through increases in the minimum contribution base to allow for adaptation to the new regime



Fiscal impact

- Overall reforms under Component 30 should ensure the financial sustainability of the pension system
- Milestone #411 Reform of the Social Security contribution system for the self-employed is expected to increase overall contributions to the pension system
- Milestone #414 Review of the current supplementary pension system is not expected to have any fiscal impact



M#414-Review of the current supplementary pension system

- The revision of the regulatory framework for the supplementary pension system
- Covering workers without occupational pension schemes in their companies and self-employed without access to second-pillar schemes



Key reform: Minimum Vital Income (M#350)

- Component 23 is about **measures to address structural challenges of Spanish labour market.**

- Investment 7 'Promoting inclusive growth by linking social inclusion policies to the national minimum income scheme ('IMV') includes two subsequent milestones:

- **# 350** Improving the take-up rate of the Minimum Vital Income ('IMV') and increasing its effectiveness through inclusion policies
- **# 351** Evaluation to assess the coverage, effectiveness and success of Minimum Income schemes

- **Milestone #350** requires signing partnership agreements to carry out pathways to improve the take-up rate of the IMV and to increase its effectiveness through inclusion policies.



- Royal Decree 938/2021 sets the legal framework and provides the funding (EUR 109.8 million) for the signature of eight partnerships agreements as part of milestone #350, and additional ten partnership agreements.
- Measures aim at improving the coverage of Minimum Vital Income scheme as an instrument reducing the risk of poverty and social exclusion of most vulnerable social groups.
- In parallel, measures develop different pathways to increase social inclusion of those groups and their inclusion in labour market.

Structure of the assessment

- The **Communication invited the Commission** to:
 - ✓ Endorse the overall preliminary assessment
 - ✓ Authorise ECFIN Director General transmit the assessment to the EFC
 - ✓ Take note that the assessment will be made available to the EP
- The Annex to the Communication presents the **summary of the preliminary assessment of each relevant milestone and target**, including:
 - ✓ Analysis on whether evidence provided by the MS is sufficient and aligned with the Operational Arrangements
 - ✓ Analysis on how the evidence provided duly justifies that the milestone/target is satisfactorily fulfilled
 - ✓ Final Commission preliminary assessment for each milestone/target