

“NATIONAL STRATEGIC REFERENCE FRAMEWORK”

2009 STRATEGIC REPORT

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DIRECCIÓN GENERAL DE FONDOS COMUNITARIOS

Secretaría General de Presupuestos y Gastos

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SUMMARY OF CONCLUSIONS

The 2009 Strategic Report on the National Strategic Reference Framework responds to article 29.2 of Council Regulation (EC) 1083/2006 of 11 July 2006 laying down the provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) 1260/1999. In particular, the report has been elaborated in accordance with the methodology jointly designed by the General Directorate for Community Funds (Ministry of Economy and Finance) and the Administrative Unit for the European Social Fund (Ministry of Labor and Immigration). The description of the said methodology is set out in the "*Guide for the Follow Up of the 2007-2013 National Strategic Reference Framework*".

Since the approval of Spain's NSRF, two fundamental circumstances have determined the achievement of the NSRF's objectives and the final content and conclusions of the 2009 Strategic Report. These are:

- Ø Delays in the start up of operational programs (OPs).
- Ø A profound economic and social change, marked by an intense economic and financial downturn that will likely affect the normal implementation of funds.

The main conclusions of the 2009 Strategic Report are summarized below.

Spain's socio-economic context has notably changed since the approval of the NSRF in May 2007 and the operational programs in December 2007, as evidenced by the swift shift from a context of strong economic growth and job creation to a situation of economic recession and job destruction.

In this respect, the labor market deserves special attention, as revealed by the socio-economic context analysis. The sharp deterioration in the rate of employment and the intense rise in the rate of unemployment, namely during 2009, are the most worrisome aspects in the socio-economic evolution during the last past months. Reversing the current trend and recovering pre-crisis levels of job creation should be top priorities in economic policy.

Against this backdrop, it must be stressed that the strategy envisaged in Spain's NSRF for the financing of Cohesion Policy interventions is still valid and appropriate. Indeed, to some extent, the strategy contemplated in the said document already anticipated some of the problems that have given rise to the current economic situation and its consequences. Also, it sets out solutions

in line with those of the National Reform Program (NRP), as well as the design of a new growth model for the Spanish economy.

The SWOT analysis shows that Spain's economic weaknesses are basically unchanged. However, the mentioned analysis also reveals that some of these deficiencies have intensified, particularly those related to the labor market, the productive system, R+D+I investment or those related to productivity and competitiveness. New weaknesses have also been detected in the labor market. High unemployment rates affecting workers below 25 years of age, long term unemployment and low levels of qualification of the labor force, represent some of these new deficiencies.

On the other hand, the SWOT analysis unveils that the strengths of the Spanish economy are still relevant at the national and regional level, despite the fact that the strong points of the labor market had to be reformulated in order to adapt them to the new situation of job destruction.

Finally, it must be pointed out that strong financial and budget constraints will most probably diminish the capacity to reinforce the strengths and mitigate the weaknesses of the Spanish economy. Therefore, the different policies will have to be concisely evaluated in order to achieve the most efficient allocation of resources possible, whilst taking into account their scarcity.

The programming of structural funds in Spain during the 2007-2013 programming period has put special emphasis on the knowledge economy, entrepreneurial development, innovation, and investment in human capital. Different international and national analyses of the Spanish economy reveal that the path to follow in order to overcome the current crisis is similar to that envisaged in the programming of the structural funds and the Cohesion Fund.

The main conclusion drawn from the 2009 Strategic Report is that the designed strategy is still valid and appropriate; hence, the initial programming of the structural funds and the Cohesion Fund should be maintained and carried out.

Indeed, the NSRF's objectives comprise the priorities contemplated within the scope of the operational programs, whilst responding, at the same time, to the needs identified in the socio-economic context analysis.

Nonetheless, the economic crisis entails a series of relevant implications that have to be considered when implementing the NSRF:

- Ø First of all, there is an important budgetary contraction at all levels of the Spanish Administration. This fact determines the possibility of funding interventions and, thus, subsequently obtaining EU financing.
- Ø There are several interventions within the main programming priority, such as the Development of a Knowledge-Based Society, that depend on the behavior of private firms. Their lack of demand, due to deteriorating economic results and financial restrictions might affect the attainment of the foreseen results in this field.
- Ø At the same time, as regards the labor market and human capital, an optimal combination of contractual flexibility and active labor policies that offer a prompt response to fight against massive job destruction should be pursued. Long run measures that impinge on aspects such as the strengthening of the educational system, the improvement of population formative levels, and the acquisition of knowledge and skills with a strong technological component, can be fostered too.

Thereby, as a result of the current economic situation and the application of the automatic decommitment rule, some operational programs may have to be modified in order to wholly and effectively guarantee the absorption of EU funds. If the said changes are indeed carried out it should be taken into account that the strategy initially envisaged in the NSRF is still sound. Hence, in subsequent moments of the programming period operational programs that have been modified may have to be equilibrated in order to adjust the initial programming.

In sum, Cohesion Policy in Spain has articulated, through the different funds –ERDF, ESF and CF- a collection of initiatives that respond to structural weaknesses and needs of the Spanish economy, such as those relative to the underdevelopment of the R+D+I sector –especially in the private sector-, too much reliance on highly cyclical sectors as well as on medium and low technological intensive industries, and persistent labor market or educational and formative deficiencies.

Thus, the strategy foreseen in Spain's NSRF is still valid and appropriate in order to respond to these structural needs, as well as to face the difficulties derived from the current juncture; despite the fact that this might require some adjustments like speeding up the implementation of EU funds or reorienting the initiatives through reprogramming.

In order to facilitate the transition towards a sustained economic growth model based on the development of a knowledge economy, the enhancement of the technological content of the productive system, whilst observing the horizontal principles of equal opportunities and environmental protection, special emphasis should be given to the priorities contemplated in the NSRF, as they represent a solid base for future development.