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# **UNO**

**ADDRESS AND COORDINATION**  
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**GRAPHIC CONCEPT AND DESIGN**  
AR Difusión

**ILLUSTRATION**  
Marisa Maestre

Madrid, May 2021

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# SUMMARY

2022 no. 38

- 4 The **TEAM**
- 
- 9 A **RECOVERY** that **MAKES** us more **RESILIENT**
- 
- 11 **RECOVER** to **TRANSFORM**
- 
- 15 **CONVERGENCE** as a **GOAL** for the **RECOVERY, TRANSFORMATION** and **RESILIENCE PLAN**
- 
- 18 An **ESSENTIAL PARTNERSHIP**
- 
- 21 **FEDERATING** the **RECOVERY**
- 
- 23 The **POWER** and **IMPACT** of **EUROPEAN POLICY**
- 
- 27 **PUBLIC-PRIVATE PARTNERSHIP** for the **ECOLOGICAL TRANSITION**
- 
- 30 **SPANISH FASHION, 'NEXT GENERATION' FUNDS** and the **WAR**
- 
- 33 **SOCIAL, DEMOCRATIC** and **SAFE STATES UNDER** the **RULE** of **LAW**
- 
- 35 **UNO + 1 Interview** of Antón Costas by José Antonio Llorente
- 
- 40 The **RECOVERY PLAN** - A **VISION** of the **FUTURE** for **INDUSTRIAL POLICY**
- 
- 43 A **HUGE LEAP FORWARD** in **ENERGY** and **DIGITAL TRANSFORMATION**
- 
- 46 **LATIN AMERICA:** an **OPPORTUNITY** to **EMBARK** on a **SUSTAINABLE** and **INCLUSIVE RECOVERY**
- 
- 48 **LATIN AMERICA** in a **POST-COVID WORLD**
- 
- 51 The **ARGENTINE POTENTIAL** for **SUSTAINABLE PRODUCTIVE DEVELOPMENT**
- 
- 55 A **MEANDERING ECONOMIC RECOVERY:** **OPTIMISM** and **EXTERNAL THREATS**
- 
- 58 **WHAT** is your **MISSION?**
- 
- 61 **AWARDS** achieved by **UNO**
- 
- 62 **LLYC**

# The TEAM



## Paloma Baena

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## Joan Navarro

**Partner and Vice-Chair of Public Affairs at LLYC.** Partner and Vice-Chair of Public Affairs at LLYC, he is a sociologist and an Associate Professor of Political Science and Administration at UCM. Before that, he was Chief of Staff to the Minister for Public Administration (2004-2006.) He is co-founder of the +Democracia forum and author of "*Lobbying, Gestionar la influencia*" in *Comunicación Política*, published by Tecno 2016; "*Desprivatizar los partidos*" (Gedisa 2019); and "*La democracia en palabras*" (Punto de vista, 2020.) He holds a Bachelor's Degree in Political Science and Sociology from UNED, where he has taken courses in the legal and electoral system of political parties. He also has postgraduate studies in Senior Management (PDG) from IESE- Navarre University. [Spain]

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## Rafael Doménech

**Head of Economic Analysis at BBVA Research and Professor of the Fundamentals of Economic Analysis at Valencia University.** He has been Chief of Staff at the Prime Minister's Economic Office, Director of the Institute for International Economy, a member of the Consultative Board of Valencia University, and associate researcher at the OECD, the European Commission, the Ministry of Economy, and Finance and the Rafael del Pino Foundation. He is an honorary member of the Spanish Economic Association, an advisory member of the MasHumano Foundation, a member of the Advisory Board of the EY - Sagardoy Talento e Innovación Institute, and Director of the Global Economic Observatory of the School of Industrial Organization. [Spain]

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## Fátima Bañez

**Chair of the CEOE Foundation and former Spanish Minister for Employment and Social Security.** She was Minister for Employment and Social Security in the Government of Spain from December 2011 to June 2018; Acting Minister for Health, Social Services and Equality from August to November 2016; Member of Parliament for Huelva in the Lower House of Parliament (2000-2019); Chair of the Foreign Affairs Committee of the Lower House (2018-2019); Member of the Board of Directors of Radio Televisión de Andalucía (1997-2000); and Chair of the CEOE Foundation and Independent Director of Laboratorios Rovi. She is an active member of a number of associations and NGOs, including Women Action Sustainability (WAS,) which aims to boost the commitment of companies, institutions, and society to sustainability. [Spain]



### **Ximo Puig**

**President of the Regional Government of Valencia.** In 2011, he was elected member of the Lower House for the PSOE party in the 10th legislature for the constituency of Castellon. He has been Spokesperson for the Industry, Energy, and Tourism Committee. In 2014, he was elected in open primaries by the party members and supporters as the Socialist candidate for the Presidency of the Regional Government of Valencia. He headed up the list for the PSPV-PSOE at regional elections for the province of Castellon, the constituency for which he was elected Member of Parliament. He was Mayor of Morella from 1995 to 2012. As a journalist, he has worked for the newspaper *Mediterráneo de Castellón*, Agencia EFE, Radio Popular, and Antena 3 Radio. [Spain]

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### **Susana del Río Villar**

**Member of the EU Committee of Independent Experts.** She holds a PhD in Political Science. She won an extraordinary Social Science and Law prize for her doctorate at the European Academy of Arts and Sciences, Salzburg. She is the director of the DBS Integrated European Studies program; Director of the group of experts for the Conference on the Future of Europe; and Academic Advisor to Fide. She is also the Peace Ambassador for the EU Women's Federation for World Peace (WFWP) and has authored three books on European policy and member of the European Commission's Committee of Independent Experts. She was a professor in the master's degree at the Center for Political and Constitutional Studies and Columnist for *El Correo*. Currently, she is Chair of the Basque Tennis Federation's Women and Tennis Committee. [Spain]

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### **Joaquín Mollinedo**

**General Director of Institutional Relations, Communication, and Brand at Acciona.** He joined Acciona in 2008, and in 2011 was appointed Managing Director for Institutional Relations, where he was responsible for regulation, institutional relations, and the media at a corporate level. In 2016, he also became responsible for brand issues at a corporate level. He holds a Bachelor's Degree in Law, and has held positions in the public administration as a lawyer and secretary-general for the regional parliaments in La Rioja and the Region of Madrid, as well as being Head of Research Studies for the General Council for the Judiciary. He was Head of Institutional Relations and Regulation at Amena, a Spanish telecommunications company, and later appointed Company Secretary when it was acquired by France Telecom/Orange. He was also Company Secretary of Vocento. [Spain]

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### **Adriana Domínguez**

**Executive Chair of Adolfo Domínguez.** Born in Ourense, 1976. She holds a Bachelor's Degree in International Business from ICADE (Universidad Pontificia de Comillas,) CESEM (France,) and the Lee Strasberg Theater Institute of New York. She holds a Master's Degree in Creative Thought from Escuela Contemporánea de Humanidades de Madrid. She speaks five languages. She is CEO of the fashion house Adolfo Domínguez. In 2016, she was appointed as a Board member and in July 2017, the Board of Directors delegated all executive powers to her, first as Managing Director, then as CEO in July 2019 and as Executive Chair since May 2020. Since January 2022, she has been President of the Textile and Fashion Observatory of Spain, which combines all the associations and businesses in the sector. [Spain]

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### **Nuno Magalhães**

**Director of Political Context at LLYC Portugal.** He was State Secretary for Home Affairs from 2002 to 2005. After this, he was a Member of Parliament for 14 years, eight of them as President of the parliamentary group CDS-PP. He was also a member of the parliamentary Committees for the Economy, Innovation, and Public Works; Constitutional Affairs, Rights, Freedoms, and Guarantees; Foreign Affairs and Portuguese Communities; and European Affairs. He holds a Bachelor's Degree in Law from Universidad Lusitana de Lisboa, and is a lawyer and university professor. [Portugal]



### Antón Costas

**President of the Economic and Social Council of Spain.** A Technical Industrial Engineer and Economist. A Professor of Political Economy at Barcelona University. Author of *“El final del desconcierto. Un nuevo contrato social para que España funcione,”* *“La nueva piel del capitalismo,”* *“La Torre de la arrogancia. Políticas y Mercados después de la crisis,”* and *“La crisis de 2008: de la Economía a la Política y más allá.”* He is a columnist for the dailies *El País*, *La Vanguardia* and *El Periódico de Cataluña*. On the business side, he is a member of the Boards of Directors of Laboratorios Reig-Jofre S.A., Banco Mediolanum S.A., Grupo Bodegas Terras Gauda S.A., and Barnaclínic S.A. He is also a member of the advisory boards of Grupo Hotusa S.A., Roca Junyent Abogados S.A., Ingeus S.A., and Knowledge Sharing Network (KSNET.) He has also been Customer Ombudsman at Endesa (2000-2005) and Chairman of the Advisory Board of Endesa in Catalonia (2005-2012) as well as director of several companies. On the institutional front, he has been President of the Economic Circle (2013-2016) and was President of the Economic Circle Foundation (2018-2021.) [\[Spain\]](#)

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### Raúl Blanco Díaz

**Secretary-General for Industry and SMEs.** He holds a Bachelor's Degree in Economics from Barcelona University. He is a Professor of Applied Economics at Barcelona University and Professor of Economics at Centro de Estudios Internacionales, as well as Head of Industrial Strategy of the Directorate-General for Industry of the Regional Government of Catalonia. He is Director for Economic Development and Employment at the Local Council of L'Hospitalet de Llobregat. Currently he is Secretary-General for Industry and SMEs, under the Ministry for Industry, Commerce, and Tourism. [\[Spain\]](#)

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### Paz Guzmán Caso de los Cobos

**Councilor for the Economy in the Representation of the European Commission and a member of the Recovery and Resilience Task Force.** She is an expert in public policy and economic development, with more than 20 years of experience in the public, private, and non-profit sectors. Since September 2015, she has been Councilor for the Economy of the European Commission Representation in Spain, and a member of the Recovery and Resilience Task Force. Before that, she worked at the Directorate-General for Economic and Financial Affairs of the European Commission and as a development economist for MIT (J-PAL), Belgian Development Cooperation, and the European Commission. She also holds a Master's Degree in Public Administration from Harvard. She took international economics courses at a post-graduate level at Université Libre de Bruxelles and has a degree in Business Administration from the Autonomous University of Madrid. [\[Spain\]](#)

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### Gemma Sacristán

**Director-General for Business and a member of the Management Committee of IDB Invest.** She is responsible for commercial and investment strategies, and for creating value propositions for clients and partners in the financial, corporate, and energy infrastructure sectors. Before that, she was Head of the Financial Market Division of IDB and formed part of the team that created IDB Invest. Before joining the IDB Group, she worked for 15 years in commercial and investment banking in London, Madrid, and New York. She is a member of the Board of Directors of the company Internet para Todos (IpT) and is a member of the World Trade Organization (WTO) Expert Group on Trade Finance. Gemma has been recognized as one of the fifty outstanding executives in Latin America by the magazine *Latin Trade*. She is a member of the Young President's Organization (YPO) and has been named First Mover Fellow by the Aspen Institute. [\[United States\]](#)



### **José Ignacio López**

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### **Matías Kulfas**

**Argentine Minister for Productive Development.** He holds a Bachelor's Degree in Economics and a Master's Degree in Political Economics. He was Under-Secretary for SMEs and Regional Development of the Ministry of Economics and Production (2006-2007,) Director of Banco de la Nación Argentina (2008-2012,) and General Manager of the Central Bank of the Republic of Argentina (2012-2013.) In 2014, he launched the consultancy firm Idear Desarrollo. Since December 2019, he has been in charge of the portfolio of Productive Development, whose main areas of management are: Domestic and Foreign Trade, SMEs, Entrepreneurship, Industry, Economics of Knowledge, and Mining. [\[Argentina\]](#)

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### **Daniel Schteingart**

**Director of the Centro de Estudios para la Producción (CEP XXI).** Head of the Special Temporary Enforcement Unit "Productive Argentina 2030: Plan for the Productive, Industrial, and Technological Development of Argentina." He holds a Bachelor's Degree and PhD in Sociology, and has a Master's Degree in Economic Sociology. Between 2012 and 2017, he was recipient of a doctoral and post-doctoral grant at the National Council for Scientific and Technical Research (CONICET.) In 2020, he began to work as National Director of Studies for Production (CEP XXI,) whose aim is to carry out analyses of the economic situation, studies, and research on the productive structure. Since March 2022, he has been Head of the Special Temporary Enforcement Unit "Argentina Productiva 2030." [\[Argentina\]](#)

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### **Andrea Villareal**

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### **Jordi Sevilla**

**Senior Advisor, Member of the Advisory Council, and Director of the Economic Context Department.** He is an expert in economics and economic policy. He belongs to the Senior Corps of Commercial Experts and State Economists. He was head of the Office of the Minister for Economics and Finance (1993-1996,) Minister for Public Administrations (2004-2007,) senior counselor at PwC (2009-2015,) head of the economic staff of the socialist candidate for Prime Minister (2015-2016,) and Chairman of Red Eléctrica de España (2018-2020.) He has also been a teacher at Instituto de Empresa (IE) and has published numerous books on economics and politics. He holds a Bachelor's Degree in Economics from Valencia University and is an expert in economics and economic policy. [\[Spain\]](#)







# A **RECOVERY** that **MAKES** us more **RESILIENT**



**José Antonio Llorente**

Founding Partner and Chairman of LLYC / United States - Spain

The recovery in the wake of the pandemic is an enormous challenge that most economies in the world are facing. The end of the toughest phase of COVID-19 has also coincided with Russia's invasion of Ukraine, which has wreaked terrible devastation, including the deaths of tens of thousands of people, along with economic effects such as inflation, a lack of raw materials, and uncertainty in the global markets.

Despite this gloomy background of war, which we hope will end soon, the plans for the economic recovery following two anomalous years of lockdown and restrictions on movement allow us to see some of the paths opening up for public authorities, private companies, and society as a whole. Firstly, as set out in this issue number 38 of UNO, the European Union has deployed a large number of tools designed to not only stimulate troubled economies, but also to speed up two processes that we urgently require: a green transition and far-reaching digitalization. The Next Generation EU Plan, with more than 800 billion euros in investment, will be key to strengthening the resilience of economies that need sound backing to implement reforms and investments. Since our political context is as complex as the economic context, we need to not just recover but also transform.

As Jordi Sevilla sets out in his article, these complexities will not resolve themselves or be resolved by national governments or companies. "We need to find new protagonists

**“The Next Generation EU plan, with its more than 800 billion euros in investment, will be key for implementing reforms that would otherwise have been difficult to undertake”**

and design new means of social intervention able to tackle global and cross-cutting challenges”, says Jordi. These require a new form of cooperation between the public and private sector, which goes beyond the traditional confrontations between governments, companies, and society. These three cornerstones, which are key for the functioning of modern economies and democracies, must learn to cooperate in new ways to create the best regulation possible and to organize social needs and strategies that guarantee growth, employment, and sustainability. Public relations will play an important role in intermediation in this new era. LLYC has modernized itself through the creation of a Next Generation EU Projects unit which adds its understanding of the context with a view towards aligning the business priorities of private national companies with the plans of the European Union, the Government of Spain, and the 2030 Agenda to its traditional public relations activities.

This issue of UNO pays close attention to this new era in which Spain and Europe find themselves and unites the perceptions that politicians and senior civil servants, business owners and analysts, and heads of public relations at LLYC have of this process. However, the process is global and therefore we have also sought out how this develops in other key geographic areas for LLYC such as Latin America, where the pandemic, the price rise, and the path of recovery have their own hallmarks. "Although the horizon is not totally clear, the worst of the pandemic is now behind us," says Gema Sacristán, from the Inter-American Development Bank, in her article. Despite its singular features, the recovery in the Americas will, as in Spain and in Europe, be slower than expected and will require additional efforts.

The global uncertainties are enduring, but some constants are beginning to break through. In this issue, we have tried to highlight one of these certainties: the need to bravely enter a new era of cooperation between the public and the private sector. We seek to align the ambitions of the key sectors of productive and social fabric with the economic "missions" proposed by public institutions. This is a huge challenge, on top of the tragic outbreak of a war that we tried to address with both realism and hopefulness. In these times, we must be able to attract and retain talent, help new emerging leaders, improve the capabilities and employability of citizens, and address tremendous opportunities – as the Next Generation EU plans indicate – in research and innovation. This will help us ensure that the digital and climate transitions can be just,

**“In this issue of UNO, we have tried to reflect on the need to bravely enter a new era of cooperation between the public and the private sector”**

to modernize our productive structure, and to strengthen our security and equality. This issue of UNO is a contribution to this complex process and a call to all our readers to take initiative during this vital moment in which we must recover and transform.

# RECOVER to TRANSFORM



**Paloma Baena**

Senior Director of the Next Generation EU Project Unit at LLYC / Spain



**Joan Navarro**

Partner and Vice-Chair of Public Affairs at LLYC / Spain

**Recover to Transform** stems from the conviction that people, companies, and governments are facing a profound systemic shift that requires new ways of defining and addressing the challenges we face as a society.

From growing economic, political, and social inequalities that stand in the way of the Sustainable Development Goals, to the decarbonization targets that we are fighting to maintain in the midst of a global energy crisis, or the geopolitical battle for technology leadership that will define our future to a great extent, **the risks, challenges, and opportunities that define this decade are highly interconnected and span the globe.**

How can we tackle them? The reality is that we have no certainty as to what the best responses are, and we currently don't have solutions for many of these challenges. We also lack a clear financing mechanism: estimates of the investment needed to tackle the global challenges stand at billionaire figures that are impossible for any country or multilateral organization to mobilize individually.

What the authors of UNO38 agree on is that we will only find the answers if we change the tools we use to find them. This starts with the way we understand the role of the State,

**“We will only find the answers if we change the tools we use to find them, starting with the way we understand the role of the State, the private sector, society and, above all, the interaction between them”**

the private sector, society and, above all, the interaction between them.

**If the State can no longer simply help companies by staying out of their way, companies can no longer exclusively focus on the economic benefit of their actions.** Jordi Sevilla, under the paradigm “missions,” indicates how addressing complex challenges requires clear goals and solutions, capable of mobilizing the resources needed to transform society.

The State and supranational organizations taking on the role of incentivizing, regulating, and guiding private finance toward sustainability has led to growth of more than 30% per annum. This is one of the clearest examples of development under a common, compatible, and mutually beneficial purpose.

**“It is a question of redefining traditional roles, process, and focuses to catalyze solutions toward a common goal: progressing toward a more resilient, inclusive, and sustainable society as a pillar of the recovery”**

One of the global challenges where this collaboration has already been implemented is in climate change. Joaquín Mollinedo reminds us that the National Integrated Energy and Climate Plan (2019) allocated 240 billion euros to energy transition alone. He indicates that based on a clear institutional and directional framework, “the private sector must provide not only an investment effort and capacity for implementation, but also knowledge and innovation, with medium- and long-term goals aligned with the general interest.”

“Those who sign up win” argues Ximo Puig. He points to the Region of Valencia where, “the leading company and the regional government have played the role of catalyst for initiatives: bringing together SMEs and leading companies, interconnecting sectors, and getting everyone involved in the innovation ecosystem”.

Raül Blanco exemplifies this when talking about PERTEs, which provide an incentive “to join projects and consolidate companies of very different sizes that need to work together, so they can contribute their experience in the definition and achievement of a great global project”.

The standpoint of Latin America shared by Gema Sacristán, Matías Kulfas, and Daniel Schteingart, among other authors, shows us the need to “*shift from defensive measures with*

*short-term goals to an agenda of sustainable and inclusive growth.*” This in turn makes collaboration between the private sector and the public sector essential given the current restrictions monetary and fiscal policies place on companies.

Another thing that undoubtedly requires structural reforms is *demonstrated by Rafa Domenech within the framework of the Recovery, Transformation, and Resilience Plan of Spain.* He indicates that “*its effect on the long-term growth potential of the economy will depend on the transforming nature of investment and on their interaction with structural reforms, particularly to what extent they increase the number and quality of jobs, and improve productivity*”.

Fátima Bañez reminds us that if we have exited recent crises, it has been thanks to “the collaboration, dialogue, and a willingness to reach agreements capable of leading to improvements for the common good.” Marilyn Márquez gives us a practical roadmap for the search for these points of agreement and collaboration.

*These and many other reflections from leading authors can be found in these pages. We seek to add a multilateral perspective to them.*

It is more necessary than ever to advance toward common standards and integrated rules between countries that share similar values. Regulatory fragmentation on environmental matters or the digital economy only weaken us and creating uncertainty, lessening shared innovation and undermining our geopolitical positioning in a world in which radically different coalitions are emerging. The joint financing of investment and innovation programs, such as the IPCEI at a European level, will become increasingly more common to tackle the necessary major transformations

on energy and digital infrastructure. This is important even if it sometimes leads, as in the case of the Next Generation instrument, to the issue of joint and pooled debt between countries that do not always agree on other matters.

None of this is utopian. We started to see these allegiances forming in a specific measurable way within the framework of the Next Generation EU instrument and in the response to Russia's invasion of Ukraine. As Susana del Río indicates, "Recovery and transformation are connecting their dimensions to redefine the European project, focused on a united constitutional model."

**“None of this is utopian. We started to see these allegiances forming in a specific measurable way within the framework of the Next Generation EU instrument”**

This boost, which also drives financial incentives, will not be enough by itself. New collaboration models require profound changes beyond external stimuli to become a reality. We need a more open and innovative culture at a public administration level, whereby the transformation of the role of companies as stakeholders in society goes beyond ESG data to form part of the DNA of their corporate governance and mandate to shareholders;

whereby the public-private collaboration mechanisms are not just incentivized but expressly and consistently generated. In short, it is a question of redefining traditional roles, process, and focuses to catalyze solutions toward a common goal: progressing toward a more resilient, inclusive, and sustainable society as a pillar of the recovery.



# CONVERGENCE as a GOAL for THE RECOVERY, TRANSFORMATION and RESILIENCE PLAN



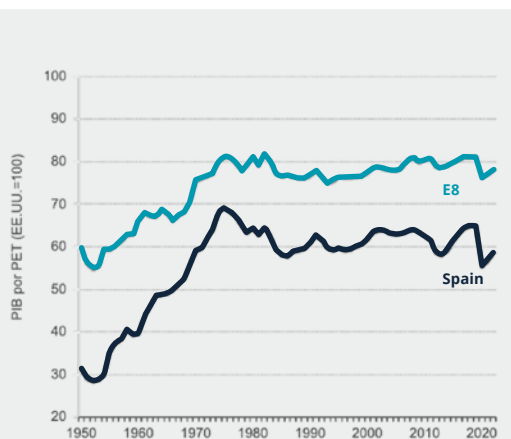
Rafael Doménech

Head of Economic Analysis at BBVA Research and Chair of Fundamental Economic Analysis at the University of Valencia / Spain

The COVID-19 pandemic has once again highlighted several structural weaknesses in the Spanish economy. As shown in Graph 1 below, the gap between Spain and the United States and the most advanced EU countries (E8) in terms of GDP per person of working age has remained relatively stable over the last four decades (almost 40 points off the USA and a little under half that of the E8,) with fluctuations tied to these economies' normal cycling. When in recession, Spain quickly loses the ground it makes toward convergence in periods of expansion.

Following the Great Recession and the sovereign debt crisis, Spain entered a new stage of convergence in which it reduced its per capita income gap with the USA by 7 percentage points and by almost five points with the E8. This was a better level in relative terms than 2007 (during the previous period of expansion.) However the COVID-19 crisis hit Spain harder than the advanced economies being used here as a reference.

**“The pandemic has highlighted some of the structural weaknesses of the Spanish economy. Spain quickly loses in recessions all that it gains in convergence during expansions”**



**Graph 1:**  
GDP per person of working age, 1950-2022.

**Source:** prepared by the author based on OECD and European Commission data. The E8 includes Germany, Austria, Belgium, Denmark, Finland, Netherlands, Sweden and the United Kingdom.



**“The success of the PRTR will depend on the right investments being made, the ambition applied to the reforms that will be approved, and the implementation schedule for those reforms”**

The Recovery, Transformation, and Resilience Plan (PRTR) that was approved in 2021 represents an unprecedented opportunity to boost the convergence process in the Spanish economy beyond its normal cyclical fluctuation. The challenge is enormous for several reasons. The first reason is that, before a full recovery from the pandemic could be achieved, the risk of another crisis stemming from the Russian invasion of Ukraine has emerged. The second is because this convergence process with the more advanced economies must be resumed amid a digital disruption and energy transition process aimed at building economies with neutral greenhouse gas emissions.

The third reason is that the gap in GDP per person of working age can be explained by higher unemployment and lower structural productivity in Spain when compared with the USA and the E8. The latter two reasons explain why the PRTR is aimed at investments that will enable achievement of the digital and environmental targets, and why it is accompanied by conditions that force Spain to adopt a far-reaching series of structural reforms with 30 components.

The success of the PRTR will depend on the right investments being made, the ambition applied

to the reforms that will be approved, and the implementation schedule for those reforms. Based on the complex nature of the plan as it was revealed in 2021, the calls for funding applications, the statements of interest, and the Strategic Projects for Economic Recovery and Transformation (PERTEs,) along with their uptake and implementation have been slower than expected at the end of 2020 in the General State Budget.

Not enough information is currently available to estimate what percentage of these European funds were able to enter the real economy nor is it possible to precisely quantify how much of the 5.1% GDP growth in 2021 can be attributed to the plan. The highly cautious preliminary estimates suggest that its impact would be less than half of one point of growth in 2021. Therefore, the vast majority of implementation and impact from the plan will be concentrated in 2022 and beyond.

An *ex-ante* evaluation of the effects from PRTR investments using simulations in macroeconomic models (see Boscá et al., 2021) suggested that they could eventually contribute a 3% increase in GDP in 2025. This is based on a scenario where Spain is able to execute all the grants potentially available and 50% of the loans. An *ex-post* evaluation of the effects from these investments once they have been made will be more revealing.

Execution will not only depend on the design of the investment projects. The demand from businesses owners and households will also be a decisive factor for many of them, in which leverage from private investment is expected. As we have seen throughout 2021, the existence of production bottlenecks, restrictions in global production chains, and increased stress in the labor market (with sectors and occupations in which the

number of available vacancies is increasing *vis-à-vis* unemployment,) can be expected to impact economic growth. These factors are exacerbated by current inflationary pressures and the energy and raw materials crisis, which could give rise to execution delays, calls for funding applications to be repeated so that demand can meet the offer of available funds, or to the overseas filtration of part of the investments, leading to a lesser impact on GDP owing to increased imports.

**“Not enough information is currently available to estimate what percentage of these European funds were able to enter the real economy”**

The impact on the potential for long-term growth by the Spanish economy will depend on the transformative nature of the investments and their interaction with the structural reforms. It will depend especially on the extent to which they can increase the quantity and quality of jobs and improve productivity. For example, a series of reforms that permanently raises employment by 10 points in this decade (the average unemployment rate in Spain was 16.9% from 1980 to 2019, pre-

pandemic, compared with 6.7% in the E8) would enable the GDP per person of working age to rise by 12.4 points in the long term. However, the current labor market reform of 2021 has not been ambitious enough to solve its structural problems and shift toward greater *flexicurity*, as in the case of countries in central and northern Europe. It remains to be seen whether other measures from the PRTR, active labor market policies, or human capital improvements can accelerate and consolidate both convergence in the Spanish rate of employment with more advanced economies and its rate of productivity.

# An **ESSENTIAL PARTNERSHIP**



Fátima Báñez

President of the CEOE Foundation and former Minister for Employment and Social Security / Spain

A little over two years ago, Spanish society was forced to deal with a challenge of unprecedented scope in its recent history. The COVID-19 pandemic hit us hard, took tens of thousands of lives and, for a large part of the population, stopped their personal and professional plans in their tracks.

No living generation in Spain had faced a situation like this before. However, we successfully overcame the challenge through responsibility and laudable solidarity. It was possible because we acted together and were aware that crises evoke both risk and an opportunity to do things differently; to do things better.

Our experience from the previous decade had shown us it could be done. Spain came into 2020 having already passed through a gauntlet that began in 2008 following the collapse of the financial sector worldwide. Two years later, in 2010, uncertainty led to skyrocketing costs for public borrowing, and, for the first time, the sustainability of the Euro was called into question.

In both cases, Spain was one of the countries punished hardest by an economic storm that destroyed millions of jobs and hundreds of thousands of companies. Since then, we have embarked on a long and difficult path of sacrifice and sound judgement. On this journey we learned a valuable lesson: we are stronger together. Coming together equals progress. It would be naïve to think that only governments are responsible for our emergence from that

**“European funds for recovery have become the keystone for the transformation of our economy for the EU and especially for Spain”**

crisis when collaboration, dialogue, and a willingness to reach agreements capable of leading to improvements for the common good were pillars to recovery. The best example can be found in the agreements reached between social stakeholders that allowed jobs and companies to be saved and eventually became key to Spain recovering the confidence of its European neighbors.

The pandemic reaffirmed our dedication to dialogue, coordination, and, above all, the transformational capability of public-private partnership. While the response from Spanish civil society was exemplary from day one, companies exercised their own responsibility by stepping up to find points of consensus with the public authorities and focus their pursuit of solidarity on serving the people. The CEOE Foundation knew the task it faced and rose to the challenge of channeling that corporate solidarity and the various tiers of government.

To that end, in March 2020, we activated the ‘Empresas Que Ayudan’ program and then

the ‘Sumamos. Salud+Economía’ Plan, two cornerstones on which we built a channel to help all the initiatives being promoted by companies, self-employed professionals, SMEs, and large companies reach society.

These efforts were comprised of firstly, bringing material and economic aid to those most in need during the worst months of the lockdown and, subsequently, by providing support for testing and vaccination. More than 25,000 companies were mobilized under the ‘Sumamos’ Plan alone, directly benefiting over one million people. This would not have been possible without the partnership agreements reached with Central Government and 14 regional government authorities accounting for 95% of the Spanish population.

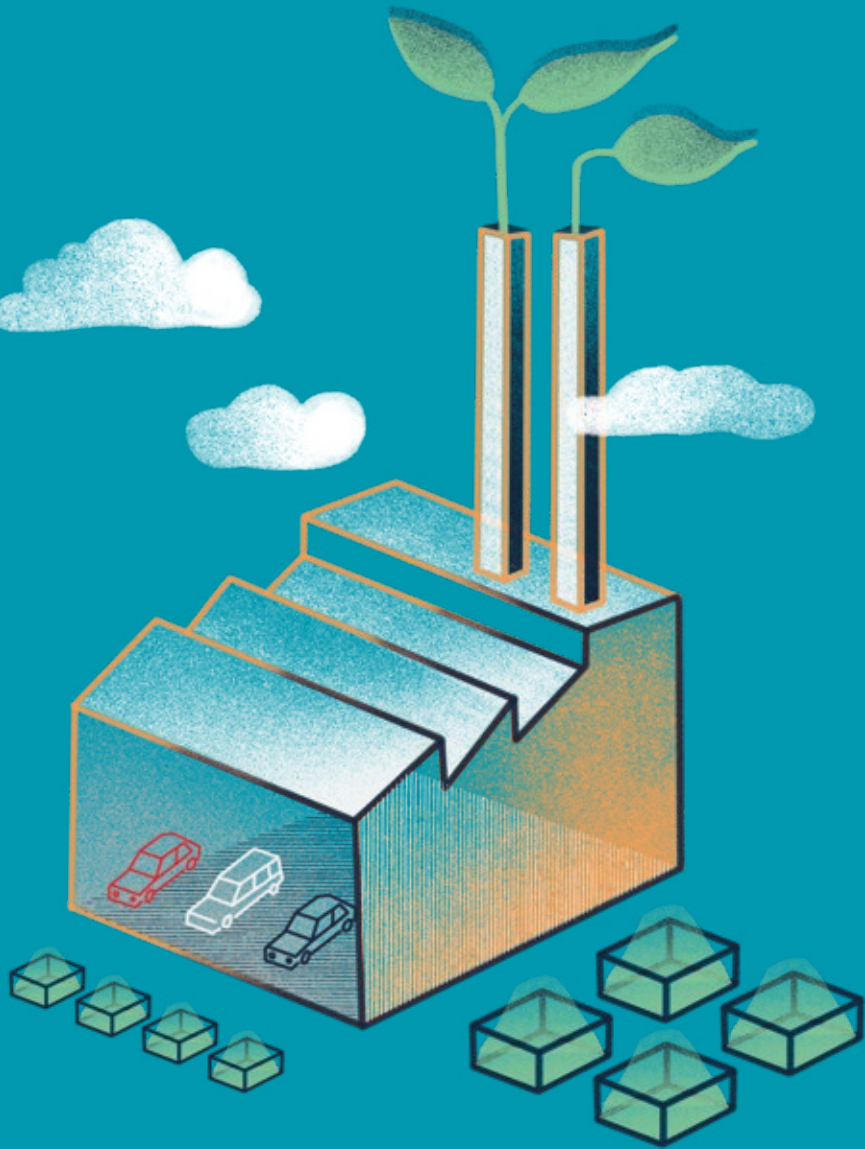
In the same way that I said the crisis brings both risks and opportunities, this pandemic also led to an unprecedented European response. For the EU, and Spain especially, European recovery funds have become the cornerstone for transforming our economy. We are no longer talking about getting over an economic speed bump but rather propelling the economy into the future we want; more technological, more sustainable, more inclusive, and more productive, so that the jobs we create have more added value. Once again, this distribution of funds is accompanied by public-private partnership for implementation. Our country thus has 150 billion euros to shape its future due to a joint effort by public authorities and companies. This partnership should be strengthened for everyone’s best interests.

Meanwhile, we cannot ignore the tragic invasion of Ukraine by Russia. With that in mind, the CEOE Foundation has reactivated the same public-private partnership model in order to respond to the humanitarian emergency caused by the war in Ukraine.

**“Spain has 150,000 million euros at its disposal to shape its future based on the joint work of administrations and companies. It is worthwhile to strengthen this form of cooperation for the benefit of all”**

Spain wants to help the thousands of displaced families who are reaching our borders, and companies have an important role to play in this effort. However, it is not a matter of merely acting in response to social and humanitarian emergency situations. It is a question of doing more. Civil society wants to lead its own process of change, of transformation. The future of our country requires the attraction and retention of talent, as well as skill improvement for the unemployed so they can find quality jobs. These are goals that can only be achieved with the support of companies, which will in turn lead to a boost in competitiveness for the Spanish economy and the prosperity of millions of businesses.

Returning to my initial point; as we learned from the financial crisis, as the pandemic reminded us, and as recently confirmed by the war in Ukraine, teamwork is essential. We can overcome anything we may face and achieve lofty goals when projects are undertaken through dialogue and listening to everyone concerned, because the sum of our good will is multiplied by the people of Spain.



# FEDERATING the RECOVERY



Ximo Puig

President of the Regional Government of Valencia / Spain

“Life can only be understood by looking backward; but it must be lived looking forward.” I underlined this quote when I first read it in a book of aphorisms. It seemed to have been written by Kierkegaard for modern times. We live in a world of war and pandemic on a planet in climate emergency, enveloped in authoritarianism that feeds social discontent and stands on that anti-democratic triple “P” coined by Moisés Naím: Populism, Polarization, and Post-truth. However, certain issues can only be understood by looking backward. When remaining focused on the topic of this article (Recovery,) our rear-view mirror reveals some good news: everything has changed since the Great Recession of 2008.

Compared with the cut-backs, defeatism and ‘every man for himself’ attitude of that time, an intelligent Keynesian approach has emerged within our institutions during this pandemic crisis. Europe is back, and is bringing its best federal spirit, with mutualized debt, the Marshall plan of European funds, and with the purchase and distribution of vaccines. Spain too, through co-governance, has made progress along this path. The challenge is global, but regional government authorities are essential players in a game mainly being disputed on two pitches: job creation and boosting well-being. I will now highlight five major factors in this great economic, technological and environmental transformation, and how we are approaching them in the region of Valencia.

**“Alongside digitalization and sustainability, there is a third pillar of opportunities that Europe is opening up for this decade: resilience”**

**1. Reindustrialization.** After decades of short-sighted offshoring, Brussels is giving us a historic opportunity to reindustrialize under Next Generation EU. Since before the pandemic, we have been working to position ourselves in the critical sectors that the European Commission wants to strengthen. In collaboration with the private sector, that exercise in reflection has produced such initiatives as the Valencian Batteries Alliance to strengthen the automotive value chain; the Valencian Green Hydrogen Strategy to lower energy dependency in core industries, such as tiles; and a drive toward knowledge-heavy sectors, such as aerospace, as an essential complement to our traditional industry. The results can already be seen. The decision by Volkswagen to build a battery gigafactory in Sagunt underpins that path to reindustrialization. On the one hand, it strengthens the foundations of an already existing business fabric. On the other, it puts us on the cutting edge of a technological revolution and turns the Region of Valencia into an innovation center in southern Europe in terms of new sustainable mobility.

**2. New Welfare State.** Along with digitalization and sustainability, there is a third pillar of opportunities being opened by Europe in this decade: resilience. The pandemic forced us to react at two speeds. In response to the initial urgency, we chartered aircraft to bring in medical supplies and boosted hospital capacity. Now we have a structural obligation. We are busy rolling out a new Valencian Welfare State with the biggest investment of this self-governance period to renovate and build hospitals, healthcare centers and socio-health centers (under the Créixer+ and Convivent plans, respectively). We are also focusing on the human factor, with a structural boost to workforces beyond the needs arising from the pandemic. That is the “Improved Normality” we should inherit from COVID.

**3. Public-private partnership.** Social dialogue is the cornerstone of the Valencian Way and leads to one particular strength: stability. It is the foundation that leads to job creation and the generation of wealth that can then be redistributed throughout society. Create first, then distribute; in that order, as we are reminded by Mariana Mazzucato. After agreeing on a roadmap to recovery in the Region of Valencia under the “Alcem-nos” agreements, and defining the Valencian Strategy for Recovery with 410 projects applying for European funds, the Regional Government of Valencia and Valencian companies have already submitted 592 initiatives to the ministerial departments, which would generate almost 13 billion in investments. One important fact: 75% of the initiatives are being promoted by business. Business is leading the way. The Regional Government has played the role of catalyst for these initiatives: bringing together SMEs and leading companies, interconnecting sectors, and getting everyone involved in the innovation ecosystem. Those who join forces will succeed in this decisive decade.

**4. More co-governance.** The pandemic has been a machine for producing federalists. But there is always room for improvement. I therefore have three suggestions for greater shared governance under the Recovery Plan. One: include regional Strategic Economic Recovery and Transformation Plans (PERTEs) to support strategic sectors even if they are hyper-concentrated within one territory, as is the case of tiles in Castelló. Two: give more weight to the autonomous regions in the planning, programming and management of the second block of the Recovery Facility, which starts in 2024. An example of this would be raising the percentage to be managed by regional governments from 50% to 75%. Three: boost autonomous regional participation in the design of PERTEs tied to their territory in order to harness their knowledge and proximity.

**5. It's efficiency, stupid.** This final factor is essential. The image of obstructionist authorities must be replaced by one of cooperative authorities. From the funnel of bureaucracy that multiplies procedures to a public lever that multiplies opportunities. Again, Mazzucato. Here are three legal initiatives launched by the Regional Government of Valencia: one: administrative simplification to expedite management of the European funds; two: a faster roll-out of renewable energies under a specific decree-law to expedite the energy transition in response to the energy emergency; and three: a Reactiva Plan to combat inflation, with grants given to companies and households, and with energy efficiency measures. In this decade, we will be judged on our management professionalism. Unlike the populist movements that simplify complex problems, governments need to effectively resolve those challenges. Management is simply the key. We must understand by looking backward in order to live looking forward.



# The **POWER** and **IMPACT** of **EUROPEAN POLICY**



**Susana del Río Villar**

Member of the EU Committee of Independent Experts / Spain

The European Union is tangibly flexing its political power in the current economic and social transformation. The pandemic and the war in Ukraine are acting as accelerators.

As a constant benchmark in policy drafting, EU institutions are revealing their ability to support decisions to build an EU for the 21st Century. The strength of inter-institutional activity should also be highlighted; the ins and outs that enable these institutions to operate in a synchronized manner to create synergies.

In the face of clichéd criticism about how slowly the EU makes decisions, the people of Europe can now proudly claim that the EU is reacting, deciding, and responding with speed, forcefulness, and visibility.

Since the outbreak of COVID-19, the representatives of European institutions have been fully aware of the need to green light a European Recovery Plan. At the same time, without any power over health affairs, the European Union was capable of coordinating a European vaccination campaign: a supranational health plan.

Drawing up a European recovery plan means that the EU has entered a new economy-focused process of political action that represents a European milestone unto itself. I believe it can be said that recent and ongoing EU action reflects a strengthening of

**“The European Union is showing its political power in a tangible way in economic and social recovery and transformation”**

European integration processes. At the same time, we can see how synchronized multiple European governments are becoming, with the inward approach being adopted by each Member State. This is where European sovereignty breaks free from the concentric circles of belonging: multiple citizenships and multiple citizenries. In this regard, it should be taken into account that a multilevel EU policy needs to be comprised of policies capable of looking both inwards nationally and outwards at a European level. This needs to happen within a governance model that includes different spaces, times, and political colors.

The recovery funds have been given the name Next Generation EU. Although this name might at first sight perhaps seem to be too explicitly marketing the changes in the EU, time has revealed the sound judgement in concepts based on inter-generational solidarity and shared responsibility.

The funds target two vectors - the European

Green Deal and Digitalization - alongside the cornerstones of equality, growth, and social cohesion.

Rooted in environmental policies, sustainability extends all areas: institutional, political, business, financial, academic, and communicational. Only if sustainability can be applied across the board will society be able to make progress on the major environmental issues of our time.

Economic recovery and transformation go hand-in-hand when identifying the strengths of each company within the business fabric. Both should be considered when establishing a business plan.

When rolling out the first joint European debt, the institutional decision-making process must be observed even when focusing on the inter-institutional efforts I mentioned at the start. EU policy is shaped by seeking consensus and utilizing debate to find cross-cutting solutions.

The war in Ukraine is driving the EU to make decisions that otherwise might not have been brought to the table for years. The responses from the European Union and its positioning on multilateral policy have revealed that the EU needs a genuine external policy. On the chessboard of globalization, the EU is starting its journey toward strategic autonomy by following a compass that points in the right direction. The war in Ukraine is accelerating the achievement of this strategic goal and the EU is already playing, competing, and fighting, live. European geopolitical awakening is a fact.

The threat from Vladimir Putin to our integration model, democracy, and economy is leading to a review and adjustment of

**“The European Union’s responses to the war in Ukraine and its positioning in multilateral politics demonstrate that the EU needs a real foreign policy”**

the parameters that frame the European economy and even more exhaustive monitoring of the European recovery funds.

One milestone that should be highlighted is the mechanism for making receipt of the Next Generation EU funds linked to compliance with the rule of law. This highly political action links receipt of the funds to respect for values declared in the EU Charter of Fundamental Rights, which is legally bound to the Treaty of Lisbon. This achievement brings with it a political intensification of the EU and strengthens its very *raison d’être*.

Recovery and transformation are merging to redefine the European project. Faced with the disintegration that could result from each Member State looking inward on itself and its own interests, the international context increases acceptance that the EU works and that its evolution must be based on high-level debate around the creation of a European fiscal union. Everything is centered on a single European sovereignty in combination with the various national sovereignties. Within this complementarity, it is worth highlighting the reference made to an EU constitutional model rooted in the Constitution of each one of its Member States. It is a constitutional model that is the sum of its various parts.

At the Conference on the Future of Europe, a number of pending issues for the future were underlined. European policy is unfolding to create the genesis, development, and implementation of policy in all areas in both the short and long term. Following in the wake of Robert Schuman, the EU continues its step-by-step approach and, in these tumultuous times, is taking giant strides forward. The European political model is taking another step forward through specific policies that affect its citizens based on de facto solidarity.

The back and forth between an EU decision and the response by each Member State is driving a new policy based on a joint and coordinated response. Citizens must see themselves represented in all these decisions through representational democracy. The integrative power of citizens is vital to the integration process within the European project.

**“The integrative power of citizens is vital to the integration process within the European project”**



# PUBLIC-PRIVATE PARTNERSHIP for the ECOLOGICAL TRANSITION



Joaquín Mollinedo Chocano

Chief Institutional Relations, Communication and Branding Officer at Acciona / Spain

In recent years, Spanish society has shown itself to be increasingly conscious of the importance of preserving natural resources and deal with climate change. There is also a clear understanding of the need for an economic system that guarantees the proper maintenance and regeneration of our planet. For the energy sector, that requires an energy electrification model and a decarbonization of electricity that can guarantee supply security, especially in Spain. The importance of supply security has been tragically highlighted with the war we have witnessed over the last few weeks.

Experience has shown that the ecological transition challenge cannot be tackled by the public sector alone, regardless of capacity or resource volume. Public institutions can steer the process, but the private sector must meet its duty to make the necessary investments in response to the regulatory and economic messages sent out by government authorities. In this necessary division of labor, the public sector must:

- Set its main priorities in line with national climate and environmental targets that, in turn, should reasonably coincide with those set by Europe and the wider international community.
- Influence corporate expectations, particularly guaranteeing the irreversible

**“The private sector should provide the bulk of the investment effort for the ecological transition, with about 190 billion euros”**

nature of the process *vis-à-vis* the enormous risks and costs of inaction.

- Abide by the principles of good regulation outlined in Spanish and European legislation, respecting the criteria of need and proportionality.
- Guarantee the necessary regulatory stability and legal certainty for the investment sectors, which need to promote the transition in order to avoid sending out confusing or contradictory messages that could distort the process and help maintain the *status quo*.
- Guarantee a return capable of stimulating and fostering investment in infrastructure and sustainable technologies. These must enable infrastructures and technologies that will allow changes in conduct associated with the price (there is little point in incentivizing the consumption of clean energies if investment in renewable generation is not promoted; there is little point in promoting

electric vehicles if the infrastructures in place and charging services available are insufficient).

- Make sure that taxation and other fiscal and budgetary policy instruments can guarantee internalization in external climate and environmental prices.
- Establish a pace of transition that can be accepted by society and the economy, but always in line with the urgency of the challenge. The need for transition periods cannot be used as an excuse for delay.
- Manage the social aspects of the process, ensuring reasonable compensation to the most vulnerable groups that may potentially be affected, with a focus on fair transition.

In decentralized unitary states like Spain, proper coordination between the various public authorities is also essential.

The actions by each one must consider the legal framework of the pertinent institutions and should be taken in a harmonized and coordinated fashion that seeks coherence with all aspects of public interest.

Based on that institutional framework, any contribution from the private sector must be based on investment efforts and its ability to execute, as well as knowledge and investment focused on the medium and long-term. The ultimate goal must be for objectives of general interest to be achieved as efficiently as possible within a competitive context that encourages investment.

The figures on necessary investment are high: the Integrated National Energy and Climate Plan (2019) includes 240 billion euros for the energy

**“The ecological transition requires investment in new facilities and infrastructure and, therefore, environmental review processes ”**

transition alone. In line with the division of labor mentioned above, it is estimated that the public sector will need to invest some 50 billion euros (mainly infrastructure and subsidies) while the private sector would need to provide the lion's share of the investment effort at around 190 billion euros. A correct combination of public and private investment will enable forecasts to be realized, especially when the proper design of subsidies and infrastructure is included to guarantee the highest level of encouragement for private investment.

Public-private partnership allows for various legal channels and tools. It is important for the necessary legal instruments to exist and be accessible. Other countries have been applying formulas for some time that, with the necessary safeguards in place, allow for close and constructive collaboration between the public and private sectors. Consider the “open-book” tendering process or the option given to the private sector to propose future projects (“private initiatives”) in areas of public interest and with a sufficient return for the investor. Meanwhile, the mere tendering of ordinary concessions in Spain has become practically unworkable for some time since conditions and obstacles with regulatory requirements of disputable public utility are often imposed.

Finally, the ecological transition requires investment in new installations and

infrastructure, and therefore various environmental review processes. It is essential for these to be undertaken rigorously and seriously: Spain is a country with enormous natural wealth that must be preserved. These processes also need to internalize the environmental impact of the investment in order to prevent climate change. Environmental protection in the medium and long-term is unquestionable. To achieve that, these environmental review processes need to benefit from human and material resources in proportion to the importance and urgency of the climate-environmental challenge, and reasonable processing times need to be guaranteed. We should not equate the rigor

the foundation on which the European climate position was built. Strengthening that foundation for the future will be key to effective and fluid development of the next stage of the ecological transition, which is even more delicate than the last.

**“Public-private partnership must find “the best of both worlds”: a symbiosis of public and private action operating independently but collaboratively”**

needed by these processes to an extension of the time required to complete them; it is possible to conduct demanding environmental reviews in reasonable time periods when the necessary resources are allocated.

In summary, public-private partnership must find “the best of both worlds”: a symbiosis of public and private action operating independently but collaboratively. Each stakeholder should bring their unique skills and abilities to the table so the best possible synergies can be obtained. This has been



# SPANISH FASHION, 'NEXT GENERATION' FUNDS and the WAR



Adriana Domínguez

CEO of Adolfo Domínguez and President of the Textile and Fashion Observatory / Spain

Spain is an international fashion power due to its brands, and the singular nature and strength of its companies. Unfortunately, we currently find ourselves in an uncertain environment due to the accelerated macroeconomic effects caused by the war in Ukraine. Inflation, closed markets, and rising electricity, oil, and logistics costs have changed the economic landscape. The war, and its subsequent economic impact, will have a major effect on income statements. This is especially true following two years of pandemic and a certain kind of economic hibernation.

There is a major challenge ahead for the textile sector. For the first time in its history, the 20,000 companies that make up the sector, of which 86% are SMEs and 12% are micro companies, have united under a single body – the Textile and Fashion Observatory – to offer a unified front to address its transformation.

At Adolfo Domínguez, we have gotten used to navigating troubled waters and coming out of them stronger. We changed our focus from a plan focused on mental resilience to a new plan that addresses the current economic challenges we face. The global difficulties have spurred on change, forced us to adapt and made us an important player in the current economy. We are transforming into a company of the future, one that is modern and human at the same time. In short, we are creating a company that is sustainable.

**“The global difficulties have spurred on change, forced us to adapt and made us an important player in the current economy”**

We have placed our potential positive impact plan at the heart of decision-making, both through the selection and certification of raw materials – the core of our business – and in many other initiatives that accompany this. A good example is the renovation of shops, designed under certain crafted and kilometer zero criteria. We have also developed a project known as *Vístete de árbol* [Dressed from trees,] which focuses on the design of clothes created with the brand *TENCEL™ Lyocell* – which utilizes a plant based fiber.

The European Union (EU) is debating whether to establish new funds that cushion the effects of the war in Ukraine, inflation, and supply shortages. The Government of Spain is considering whether our textile industry deserves a modernizing boost or not. This could be an opportunity to attract the installation of new technologies and clothes recycling plants, with the goal of retaining and increasing employment. This is a move toward the sustainability that we believe in.

In addition, 'nearshoring' (bringing production closer) would drive the creation of new plants and the relocation of productive processes that were globalized in the past. Some major opportunities exist if the Next Generation funds focus on this goal and if the EU is able to tackle the war with new specific contributions. We are facing a chain effect crisis, but one that is different from the coronavirus crisis.

Spain must commit to our sector because it generates and ensures jobs in the country, demonstrating its viability and robustness, and because it generates brands that become the face of the country. The sector is facing some major challenges. We hope that with support for our companies they will be able to adapt to a complex environment that is full of opportunities.

**“We are transforming into a company of the future, one that is modern and human at the same time. In short, we are creating a company that is sustainable”**

40 years on from the *La arruga es bella* [Wrinkles are beautiful] campaign and 25 years on from becoming a sector flagship company on the stock market, we are aware of the importance of adapting to the times. We have adapted to the new habits of our customers, people now dress more informally, and wear gender neutral clothes, changed the way in which we reach the market (using new omnichannels such as sales via WhatsApp and 'social life shopping,') and created new rituals in traditional brick and mortar stores, with more diverse sponsorship by morphology and the positivity of all bodies, with clothes certified to guarantee their traceability and sustainability.



# SOCIAL, DEMOCRATIC and SAFE STATES UNDER the RULE of LAW



Nuno Magalhães

Director of Political Context at LLYC Portugal / Portugal

At the start of this century, just 22 years ago, inspired by Fukuyama, proclaimed to be the “Last Man” in the sociocultural evolution and heir to the “last” form of government – liberal democracy – “Europeans” advanced euphorically toward an increasingly more united Europe, capable of achieving the “lasting peace” that it had proposed, integrating 12 new States from Eastern Europe, enemies just over a little more than a decade before, offering them an economic and State model based on the single currency and even, at least argued then, reunited in a single federation.

Of these three issues, only the latter was not implemented, mainly due to the stubbornness of the French and Irish, who rejected this through national referendums, and the opposition of a United Kingdom always caught on the fence between Europe and the United States, but the victory of this political, economic and social model seemed as daunting as it was inevitable. The fight for the rule of law in the 18th and 19th Centuries and the enshrinement of rights, liberties and guarantees was followed by another fight in the following century which, beyond recognizing the existence of the rights of citizens before the State, was able to proclaim a set of universal principles to which new rights were added, such as health, education, culture and well-being. Accordingly, democratic and social rules of law of liberal Western democracies were created as the “latest generation” model, providing citizens with a quality of life never before seen in the

**“What is true is that the Recovery and Resilience Plans (RRP), now seem, and even before most Member States of the European Union start to apply them, and much less benefit from them, a mere starting point”**

world. Fed up with so much to conquer, the “Europeans” decided to assert their values “both here and overseas”, convinced that the world “only evolves and develops” in the right direction.

They were wrong, even in their own “home”. Some Member States pulled out of this process, and the EU was the first to condescendingly acknowledge this, like some of its dangerous “neighbors” and, not even a quarter of a century on, the “times and the winds” seem to have changed. Following an unexpected pandemic which “migrated” from the East to Europe, or to the European Union to be more precise, it reacted in accordance with the Treaties and, unlike what happened at the start of the century and in regard to the so-called PIGS<sup>1</sup>, the distribution of vaccines was centralized and it reacted economically by granting a set of European funds of a scale never seen before, a

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<sup>1</sup> Portugal, Italy, Greece and Spain.

“bazooka”, the name of which, not so often used correctly nowadays, seemed to correspond to the size of the rollout.

Europe offered support, loans were affordable, interest rates and prices were low and everything seemed “to be going well”, as announced. And then, because history seems to obstinately repeat itself, one of the “liberal democracies”, isolated but neighboring, seems to have changed all the plans for success. The Russian Empire “counter-attacked”, and brought with it the uncertainty to the announced century of peace and prosperity. It is true that we live in a digital society in which everything shifts and transforms quickly, but no-one, which benefitted holders of public offices, could imagine the reality we were facing and Europe seems to have gone back 70 years. Economic growth, which had been more or less constant, seems to have definitively eroded and prices are rising, which has not been seen for a long time. This circumstance, like almost everything nowadays, simplified in one word – stagflation – “decreed” the “end of cheap money”, which has sustained our growth over recent decades and seemed to be enough to bear the pandemic. What is true is that the Recovery and Resilience Plans (RRP), approved in mid-2021, now seem, and even before most Member States of the European Union start to apply them, and much less benefit from them, a mere starting point, if not historical documents.

Having reached this point, “playing it by ear” or “living off benefits” from a Welfare State that was created through the efforts and talent of generations of Europeans will surely not be enough and it will be necessary to do much more than just manage the impacts of daily events because more than just fighting rising prices of cereals, energy and fuel, a vision and soul will be required to tackle the challenges that arise. Resisting Europe’s exposure to the Russian economy; integrating millions of people, many of them qualified, who have had

**“Europe provided support and everything seemed to be “going well”, as announced. And then, because history seems to obstinately repeat itself, one of the “liberal democracies”, isolated but neighboring, seems to have changed all the plans for success ”**

to flee the war; raising defense budgets; tackling rises in contextual costs; injecting reproductive investment in the economy and maintaining Welfare States will not be easy. Not for nothing, taxation only goes so far, and many States have already gone beyond this limit, and citizen demands have grown in a costly area – security – which no longer “only” requires weapons, but also energy security, food security, economic security and even cybersecurity and space security. That is why the debate in recent days, particularly in Portugal, does not seem to be so much about the RRP we have, but about the RRP that we ought to have, since the 21st Century, much to our surprise, will not be the century of democratic and social States under the rule of law, but of the construction of democratic, social and safe States under the rule of law...

# UNO + 1 Interview

of Antón Costas by  
José Antonio Llorente



**Antón Costas**

President of the Economic and Social Council of Spain / Spain

**Antón Costas (Vigo, 1949) is one of the most important Spanish economists. He is the author of an extensive work on economic policy, institutional reforms, liberalization processes and the economic and political situation of Spain and Europe, and is a Professor of Economic Policy at Barcelona University. He has also played a leading role in heading up civil society institutions—he was the President of *Cercle d'Economia* (the Economic Circle)—and of official bodies. He is currently the Chairman of the Social and Economic Council of the Government of Spain.**

**In this conversation, we review some of the questions he addressed in his latest book, *“Laberintos de la prosperidad”* (Labyrinths of Prosperity): the potentially creative and beneficial relationship between the market and the State, the need to have good companies that create good jobs, the digital and ecological transformation within the scope of European funds and, above all, the challenges of forging an inclusive economy that he describes as “a new social contract focused on good jobs”.**

**Q. In recent years, some social groups have not only lost prosperity, but the expectations of recovering it. In your latest book, *“Laberintos de la prosperidad”*, you have spoken about renewing the social contract to recover this inclusive prosperity again. What type of social contract do we need to reactivate the economy in a just manner?**

**R.** We need a social contract that combines a vibrant and innovative economy and a just society in a balanced fashion. To achieve that, this social contract must focus on good jobs for more people and in more places in the country. If not, the lack of expectations and opportunities that many people suffer from, particularly in small and medium-sized cities and in the rural world, will lead us into a very conflictive society and toward polarized and authoritarian politics.

The idea of the social contract stems from the response to the following question: what makes a liberal, pluralist society with a market economy system work harmoniously, whereby growth is reconciled with social progress and democracy avoids regressing into barbarism? This is not attained automatically with a market economy.

What is needed is social “glue”—a moral and political commitment from those who are

doing well under the system to those at risk of falling behind or, in many cases, of falling into the gutters of unemployment and zero income, to lead a dignified life and educate their children.

In the past, this glue was the social contract of the postwar world, focused on the redistribution and construction of the three pillars of the current Welfare State. Nowadays, to the extent that inequality and poverty primarily stem from unemployment or poor-quality employment, we need a social contract that focuses on the production stage in which jobs are created and salaries set. This also applies to the pre-production stage, through good education and dual vocational training in which companies have a fundamental and undeniable responsibility.

**Q. Perhaps another of the things we must renew is a vision in the form of the dichotomy of the State and the market. We must imagine new forms of cooperation between the State and the market, between the public and the private sector. How do you see this relationship?**

**R.** This dichotomy is Manichaeic and profoundly disturbing. In a liberal society, market and State are not rival, but are complementary mechanisms. Modern economic development cannot be explained without the combination of both. But not just with both parties. Prosperity has a third pillar: the community. Recently, Raghuram Rajan, the prestigious economist at the University of Chicago and former Governor of the Bank of India, published a book in which he tries to explain the root causes of the profound discontent and polarization that exists in the United States. The title itself is illustrative of the argument it contains: “The Third Pillar. How Markets and the State Leave the Commu-

nity Behind”. In Spain over the last 30 years, we have also forgotten those who have been harmed and relegated throughout the country by the consequences of deindustrialization. We must once again provide opportunities and expectations of progress to communities that live in small and medium-sized cities and in the rural world. To do that, we need industrial policies, innovation and development focused on communities. This is no easy task, but it is essential if we want to once again reconcile growth with social progress.

**Q. There are also another couple of ideas that we have seen for quite some time now as a dichotomy, but which probably aren't: on the one hand, economic efficiency; and on the other, social justice. We now know that both things can and should go hand-in-hand.**

**R.** The idea is that a fairer society can only be achieved at the cost of reducing the efficiency of the economy is another dichotomy frequently used in public and political debate, which we now know to be false. When I studied my bachelor's degree at the faculty, I was made to read and learn the so-called Okun's law: a North American economist who was very concerned about inequality and yet who found, by surprise, that the data he processed in the 1970s showed that there was an inverse relationship between a fair society and economic efficiency. This is the famous image of the pie—whether to distribute it better at the risk of not growing or to grow to later see how to distribute it better. Now, for a little over five years, using better data and statistical techniques than Okun was able to use, we know that this is not the case: a fairer society gives rise to a more efficient, innovative and productive economy. I feel that this is a true “epiphany”—a very important and yet, little known, revelation.



**Q. And part of the problem to be solved is that of employment. The creation of good jobs by companies. How can we manage to recover good jobs, the lack of which is one of the reasons for the feeling of discontent in a large part of society?**

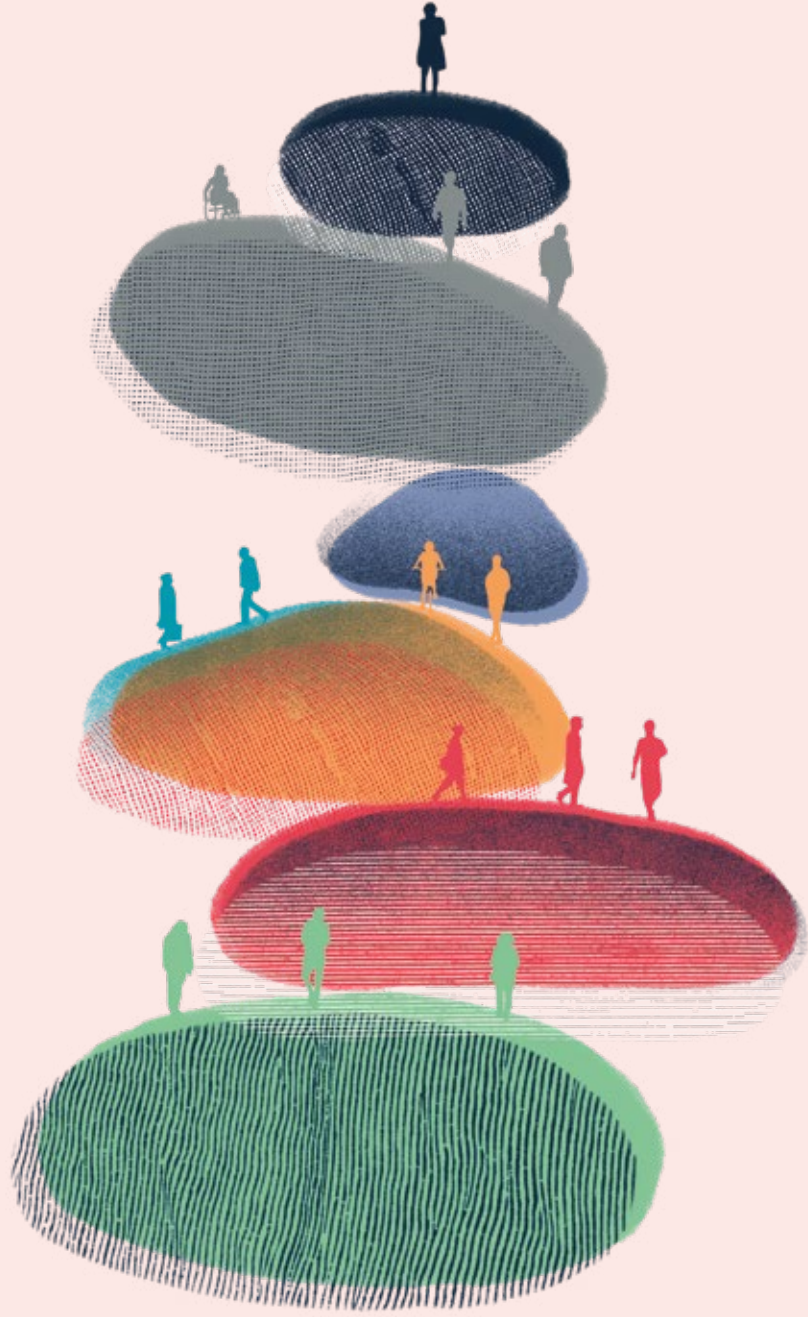
**R.** By committing to the creation of good jobs for more people and in more parts of the country. The question is, who creates jobs? Firstly, good companies. We must promote and encourage the existence of good companies. To achieve that, we must firstly strengthen the innovative capacity and productivity of the broad business fabric, which is Lilliputian in many cases, and of the tertiary sector. Secondly, the number of jobs also depends on the good management of the aggregate demand of the economy, especially in times of recession. In the 2008 recession, we managed this badly, through the so-called “austerity”, and employment and economic activity sank into the black hole of a depression for five years, something unprecedented. In the pandemic recession of 2020, we managed the situation better: employment did not plummet and economic activity was quickly recovered. We must take away the lessons learned from these two experiences. Every time we have managed a crisis badly over the last 30 years and allowed recessions to last for many years, we have added an additional layer to long-term unemployment. I hope we have now learned not to repeat this.

**Q. Now, in the wake of the pandemic, we are entering into a phase that we hope will amount to economic recovery, although the war in Ukraine will significantly hinder this. Moreover, this coincides with two huge transformations: on the one hand, the ecological transformation and, on the other, the digital transformation. What challenges and opportunities do you see in this dual process?**

**R.** If this coincides with a new era of war and prolonged geopolitical conflict and instability in global supply chains and strong fluctuations in the prices of basic raw materials, we will have to find the right balances between the digitalization and decarbonization processes and guarantee the continuity of economic activity and employment.

These are times to recall the maxim of Saint Augustine in his “Confessions”, when he asked the Lord to “grant him a punishment, but not right now”. Something similar will happen with decarbonization. The idea of a “just” digitalization and decarbonization is powerful, but not easy to achieve. Let me once again stress the need for policies focused on those places that particularly cater for the territorial impacts of decarbonization and ensure that what happened in the deindustrialization at the end of the last century does not happen again.

As regards to digitalization, new technologies may be used to replace jobs for humans or to improve the capacity for innovation and productivity of people. There is no fatalism in that. It all depends on the direction we give to the technological change. In my opinion, what is fundamental is to quickly achieve basic digital literacy of society as a whole.



**Q. What opinion does the rollout of novel European tools deserve, such as the European funds? Do you feel this amounts to an example of what we have learned from the lessons of the past and that we can now do things more imaginatively?**

**R.** The decision to create the “Next Generation” European funds is a “Hamiltonian moment” of the EU. By using this expression, I refer to Alexander Hamilton, the First Secretary of the Treasury of the United States in the Government of George Washington, who achieved the assumption of the debts of the individual states following the War of Independence, the issue of the first federal debt and the introduction of industrial, innovation and development policies that forged the great nation that the United States is today.

I think that the Next Generation EU funds, the issue of European debt and the new industrial and strategic innovation policies are this “Hamiltonian moment” of the EU. A classical old maxim says that “there is no favorable wind for the sailor who doesn’t know where to go”. The Next Generation EU funds amount to an extraordinarily favorable wind for the transformation of the private economy and the Spanish public sector. We just need to set the course for this transformation.

**Q. In the end, the question is always how can we use the economy, economic ideas and the tools we are given for the common good?**

**R.** My lecturers at the faculty, particularly Professors Fabián Estapé and Ernest Lluch, taught me that, when well-used, the economy is an extraordinary driver of the common good. And I believe that. Governments can do a great deal and do it well for the well-being of people. And the combination of a dynamic and vibrant economy and a just society is the best combination to make capitalism civilized once again, reconciling it with social progress and democracy. This is one of the main tasks pending. And I believe we can do this. As our parents and grandparents did after the Great Depression of the 1930s and World War Two: with a new social contract that now focuses on good jobs.

# The **RECOVERY PLAN** – A **VISION** of the **FUTURE** for **INDUSTRIAL POLICY**



**Raúl Blanco**

Secretary-General for Industry and SMEs at the Ministry of Industry, Trade and Tourism / Spain

The social, economic and health crisis we have gone through and which, albeit with a clear way out, we are still stuck in, has hit Spanish industry and most economic sectors in our country. This crisis has overlapped the trade tensions—primarily, but not only, between the United States and China—and the dilution of multilateralism and global governance. This has been exacerbated by the invasion of Ukraine by the Russian Federation which, as well as the dramatic consequences for the lives and assets of the Ukrainian people, has had an extraordinary direct impact on Europe, the European Union and Spain. And far from being contained, this could even get worse.

In this situation, the European Commission proposed an industrial strategy called “A New Industrial Strategy for Europe” in March 2020 and then, in May 2021, its “Updating the 2020 industrial strategy: Building a Stronger Single Market for Europe’s Recovery”, which incorporates the lessons from the crisis, highlighting the importance of industry to strengthen economic resilience and speed up the twin transitions while maintaining and creating jobs.

The pandemic has clearly shown the strengths and highlighted the weaknesses of our economy and our productive system. It has also shown the problems of external dependence on basic materials and accentuated the overriding need to underpin

**“The pandemic has clearly shown the strengths and highlighted the weaknesses of our economy and our productive system”**

the European and Spanish industrial foundations.

The European Union and Spain must develop regulations that provide greater resilience and robustness to European industry. And they must develop instruments to channel investments that stimulate the competitiveness of industry, modernize its productive fabric, strengthen its ability to create quality jobs, promote its energy efficiency, drive its capacity for innovation and commit to the transition toward a circular economy that fosters a change of habits and conduct that takes consumers into account.

The Spanish industry is facing new challenges and potential difficulties, such as problems in the supply chains. We are facing high inflation and strong hikes in industrial prices and the knock-on effect on end products. And current geopolitical tensions in Eastern Europe are adding complexity, thus calling for the utmost care from all parties.

Faced with this, European and Spanish industry stand on the front line of priority and

are a key vector of the European economic recovery plan—Next Generation EU—which facilitates mass investments to strengthen and bridge industrial value chains and relocate, in a smart and strategic fashion, production in Europe and in Spain while harnessing new opportunities offered by the upcoming drive from new industrial sectors. This must be accompanied by the necessary qualification and human resources training to address these changes.

This instrument should help us tackle the current scenario, in addition to the trade war (of the last Trump administration), a global pandemic (which, in addition to the millions who died, led to the hibernation of our economies and profound social and geostrategic changes) and most recently, a war with a nuclear power (and the main supplier of resources and a good part of raw materials), which has invaded a sovereign nation that was a source of important basic products and raw materials for Europe.

Having embarked on a recovery plan, Europe has taken very important economic measures (together with other countries in the international community) in the form of sanctions and vetoes on the Russian Federation, which will worsen the global economic outlook, whatever they may be.

**“The PERTE are one of the innovative, key elements for materializing support for industry and the transformation of our productive fabric ”**

### **Support and driving programs**

Within this economic framework, and to contribute to the objectives outlined, particularly to strengthening and improving the competitiveness of industry and the modernization of our industrial fabric, the Secretariat-General of Industry and SMEs (SGIPYME) has pushed through a support instrument: the Strategic Projects for the Recovery and Transformation of the Economy (PERTE) as a public-private collaboration scheme for the transformation of our productive model.

The PERTE are one of the innovative key elements for materializing support for industry and the transformation of our productive fabric. This is a scheme based on the concept of Important Projects of Common European Interest (IPCEI)—which are having so much success at an EU level in such fields as batteries, hydrogen and microelectronics. In this concept, public support is channeled into development in a certain field, and interested parties must compete for the support as groups. The process begins with the determination of the different rungs of the value chains that give rise to compliance with the specific objective. Following that, and as can be seen in the terms and conditions of the PERTE VEC, these rungs are grouped together according to their nature, in interconnected blocks that the companies from the group must compete for.

This new concept of public support, which requires effective cooperation between companies and the other agents in the value chain of a certain sector, drives companies to join projects and consolidates companies of very different sizes. This motivates teamwork where companies contribute their experience and dimension with the goal of defining and attaining objectives as a joint yet unique body: the global driving project.

**“The financing of these projects must promote an element that is increasingly more important: open strategic autonomy at a national and a European level ”**

The financing of these projects must promote an increasingly important element: open strategic autonomy at a national and European level. The aim is to boost industrial sovereignty in the internal market, which is the jewel in the crown, for the security, prosperity, and well-being of our citizens.

The Recovery, Transformation, and Resilience Plan thus acts from an economic perspective to address the consequences of the pandemic. This is being done with a view to harnessing the Next Generation EU funds to underpin industrial value chains in Europe with a full European connection and acting to reinforce our industrial capabilities with a view to future threats. We hope that it leaves a legacy that has had little visibility to date: the definitive shift of Spanish industrial policy toward strategic projects with a critical mass and a high technological and territorial impact.

# A **HUGE LEAP FORWARD** in **ENERGY** and **DIGITAL TRANSFORMATION**



**Paz Guzmán**

Senior Economic Adviser, European Commission, Recovery and Resilience Task Force, Representation in Spain / Spain

Europe produced a strong response to the COVID-19 pandemic and has thus emerged as a stronger union to tackle the challenges posed by today's world, including those that stem from the Russian invasion of Ukraine and rising energy prices.

In July 2020, the European Union took another step forward and created Next Generation EU - a Europe-wide fiscal support instrument worth 5% of EU GDP. This step was taken intelligently and courageously, incentivizing the greatest structural transformation of the European economy we have ever seen and guaranteeing a high level of investment aimed at accelerating the green and digital transition. The EU has now become the world's largest issuer of green bonds. The fund, which has been allocated 750 billion euros (at 2018 prices,) is centered around the Recovery and Resilience Facility aimed at financing the investments and reforms agreed upon by Member States through subsidies and loans. The goal is to offset the pandemic's impact and ensure that European societies and economies are more sustainable and resilient, as well as better prepared for the challenges and opportunities provided by the ecological and digital transitions.

Spain's Recovery, Transformation, and Resilience Plan was approved by the European Council in July 2021 and allocated non-refundable subsidies to the value of 69.51 billion euros, almost 6% of Spanish GDP in 2019. Spain expects to invest 27.8 billion euros

**“Spain has passed a Climate Change and Energy Transition Law that establishes the goal of climate neutrality by 2050, including a 100% renewable electricity system”**

in the climate transition between now and 2026, with significant investments in energy efficiency, sustainable transport, renewable energy, biodiversity conservation, and water and waste management. Spain has approved a Climate Change and Energy Transition Act that defines a legally binding climate neutrality target for 2050, including a 100% renewable electricity system.

In terms of digital issues, 19.5 billion euros of investments are intended for the digitalization of the public administration, digital skills and digital inclusion, the digitalization of industry, artificial intelligence, cyber-security, and connectivity. The plan will also invest in economic and social resilience in the country aimed at reducing the high unemployment rate (especially among young people,) reducing the high proportion of workers on temporary contracts and putting a stop to low productivity growth. The plan will therefore invest in promoting effective and inclusive education systems to lower the school drop-out rate. Substantial investments will be made







to improve worker skills and modernize the professional training and education system.

The plan tackles the specific recommendations issued to Spain by the Council in 2019 and 2020, which include the need to improve performance by the labor market, lower the school drop-out rate, increase the capacity for innovation, and make public spending more efficient and sustainable. Some experts believe that the impact on the economy from the promised reforms could clearly be greater than the initial investments made.

The Recovery and Resilience Facility introduces target-based financing, which requires transparency and accountability in the use of its financing. The Council Implementing Decision defines a list of 416 milestones and targets that Spain must meet in order to receive the agreed financing in a series of eight disbursements scheduled between now and 2026. These milestones and targets will enable us to monitor progress made by the reforms and investments. They are clear, realistic, and provide the authorities, civil society, and legislators with information on the goals for the investments and results. In short, the instrument offers a results-based financing framework that enriches the public finance system by encouraging ex-ante assessments of spending programs, the definition of performance indicators, ex-post assessments, and spending reviews on main programs. The Spanish plan mostly adapts this results-based financing philosophy by including measures to make public spending more efficient and sustainable. The spending reviews will help improve the quality and efficiency of Spanish public spending, which will enable it to be steered toward faster growth and spending that is more environmentally friendly.

## **“ Investments worth €19.5 billion are expected in digitalization ”**

For the plan to succeed, it will need to be implemented correctly by all tiers of government. The legislative powers also have an important role to play by approving a large number of laws that appear as reforms in the plan. Civil society and the private sector will also need to get involved. Private investment contributions will make the plan distinctly transformational in nature. The Commission believes that, to finance the transition to net zero emissions, the EU needs to invest around 390 billion euros every year between now and 2030, far above what public investment alone can achieve. Private financing is needed to close that gap. Furthermore, the private sector can improve the regulatory framework by taking part in public consultations and providing feedback on how these frameworks are actualized.

Effective implementation of this plan will enable Spain to make an extraordinary leap forward on the path to energy and digital transformation, improving its human capital as well as its social and economic development. The opportunity to transform exists, the instruments are in place, and the targets have been set. The Russian invasion of Ukraine does nothing more than strengthen the need to implement NGEU and accelerate the green and digital transitions in Europe.

The European Commission will undoubtedly lend its support to Spain on this path to economic recovery and transformation.

# LATIN AMERICA: an OPPORTUNITY to EMBARK on a SUSTAINABLE and INCLUSIVE RECOVERY



Gema Sacristán

Chief Investment Officer at IDB Invest / United States

We are all recovering, slowly. This includes Latin America. The pandemic hit this region hard; a region that, although previously posting apparently solid growth, found that growth to be lacking given how quickly the house of cards came tumbling down. Regional GDP fell by 6.8% in 2020, according to data from CEPAL, which destroyed the social fabric and further widened historic social and economic inequalities.

Fortunately, and although there are still clouds on the horizon, we are leaving the worst of the pandemic behind us. Latin America posted 6.3% growth last year due to a boost in trade, rising raw material prices, and better financing conditions. It all seemed relatively positive until, toward the end of last year, inflation pressure began to emerge, interest rates rose, and bottlenecks reappeared in the supply chain, something that has only worsened since the outbreak of war in Ukraine.

Although the war adds more uncertainty, nothing would suggest we are sinking back into a deep recession like the one we are recovering from. That said, the recovery will be slower than expected and will require additional measures to formulate more solid growth. That growth can only be solidified if it is sustainable, inclusive, and seeks public-private partnership as a way to accelerate progress. Crises have always been an important driving force for change. I am convinced that this pandemic will be no exception if we realize that we face an opportunity to change the way

**“ Latin America grew by 6.3% in 2021 thanks to a boost in trade, higher commodity prices, and better financing conditions ”**

we live and work and make genuine progress toward different economic models.

One of the biggest lessons we learned from the pandemic is that we will get nowhere alone; we need to work together to overcome the major global challenges of climate change, economic and social inequality, the gender gap, poverty and hunger, accessibility to basic services, etc. Teamwork will be essential to address all the challenges and objectives enshrined in the Sustainable Development Goals (SDG) in 2015.

Latin America cannot miss this boat, the urgency of which has only been highlighted by digitalization. For example, let's think about one of the shortcomings brought to light by the pandemic: the low level of investment in health and education infrastructures in the region. We cannot stand by and do nothing. Not in health, nor in education, nor in other basic service infrastructures, such as roads, railway connections, ports and airports, sanitation, energy, etc. Everything that promotes and accompanies development and underpins growth in a country.

We can't ignore the issues of gender equality and financial inclusion. The former underpins society through economic, business, and social integration for half of the population - women. The latter, financial inclusion, is what lets us think about the future, whether that be to set up a small business or simply to finance studies, a better home, another opportunity, etc. All those things that add up to financial security and are important to ending the pockets of poverty that still remain in the region.

We cannot be left behind in the fight against climate change because Latin America is one of the regions most affected by the extreme weather events caused by global warming. We have little to lose and a great deal to gain if we make progress along the path to full decarbonization of our economies, the first stage of which is focused on a net zero emissions target by 2050.

Latin America must step up to harness this opportunity in full. That forward momentum requires decisiveness and a holistic approach capable of shifting from defensive measures with short-term goals to an agenda of sustainable and inclusive growth. For that, collaboration between the private sector and the public sector will be essential. It will be impossible to use either monetary policies (which need to be restrictive in order to contain inflation) or fiscal policies (with almost no room to maneuver following strong public borrowing during these years of crisis and pandemic) to the extent necessary for sustainable and inclusive growth. The competitive nature of the private sector must be harnessed in order to tackle the major challenges we face together and we cannot resolve alone. The lesson learned from the vaccines during the pandemic will light our path.

**“It is necessary to seek the support of the private sector to jointly face the great challenges ahead of us”**

Public-private partnership would also help the world regain trust, one of the most pressing problems for Latin America according to a report by the IADB entitled *“La clave de la cohesión social y el crecimiento en América Latina y Caribe”* [“The key to social cohesion and growth in Latin America and the Caribbean”.] More transparency, more solid institutions, less bureaucracy, more social commitment, more productivity, fewer inequalities, more entrepreneurship, more education, more financial inclusion, more diversity, more and better governance are all things the public desires. The countries that lead the way on these fronts will not only get back off the ground faster but will lay down solid foundations and grow deep roots that will be hard to shake down or trample underfoot. That is the positive aspect of this opportunity. We are moving forward, consolidating our position and pushing toward further progress, making it more difficult to move backwards.

# LATIN AMERICA in a POST-COVID WORLD



**José Ignacio López**

Executive Managing Director and Head of Economic Research at Corficolombiana / Colombia

Latin America was one of the regions hit hardest by the pandemic. The region accumulated the highest number of deaths associated with COVID-19, with Peru heading up the unfortunate list at a global level, with a rate of close to 6,400 deaths per million inhabitants. At an economic level, Latin America was also the region hardest hit, with a recorded fall in economic activity of 6.9% in 2020. The pharmacological measures introduced to combat the pandemic, such as quarantines and mobility restrictions, had a devastating effect on the economy of the region, characterized by a high level of labor informality and an insufficient social protection network.

The region experienced a major economic recovery in 2021 as a result of the vaccination campaigns in various countries that led to resuming a level of activity similar to before the pandemic in certain sectors. However, the normalization of economic activity is far from complete and there are significant differences between countries. Chile and Colombia, for example, recorded higher levels of economic activity by the end of 2021 than before the pandemic, of 4.9% and 2.8%, respectively. In turn, Peru and Brazil recorded slightly positive rates of recovery with a rate of 0.9% and 0.6% in 2021 respectively, higher than two years previously, in 2019. Mexico, Peru, Bolivia, and Argentina however, are still recording levels of production that are lower than before the pandemic.

**“Chile and Colombia recorded higher levels of economic activity by the end of 2021 than before the pandemic, of 4.9% and 2.8%, respectively”**

In this context, assuming that the pandemic has begun its transition to endemic, Latin America is facing a considerable number of challenges in the post-COVID world. The most pressing challenge is related to the acceleration of rising prices for consumers. According to recent surveys, economic analysts expect inflation to rise to 7.8% in Latin America by the end of the year, a significant increase compared with the figure of 3.5% before the pandemic. This rise in inflation, which initially arose due to the imbalance between global supply and demand, but which has now been exacerbated by the war in Europe, could endanger the economic recovery of the region and extend poverty.

The raw material and energy crises associated with the conflict in Ukraine are causing food prices to rise significantly, which are those that weigh the heaviest on the shopping basket of the most vulnerable households. The region suffered a significant setback in the fight against poverty due to the economic crisis in 2021, with an increase of some 30 million people who live on low incomes and a rate of extreme poverty worsened to 13.8% after being at its lowest levels of 8.7% in 2010.

The global rise in inflation and the resulting rise in interest rates in many countries will generate additional pressure on the fiscal accounts of governments in the region that also suffered a major setback during the pandemic due to greater public spending needs and lower public revenue. With lower fiscal space, the governments in the region will have to increase their tax revenue without affecting the economic recovery through progressive taxes, and harness the rise associated with higher prices of raw materials exported. Higher oil and copper prices may help stabilize the fiscal accounts in the region and contribute to the sustainability of social programs if they are effectively harnessed.

The region must also improve its institutional arrangements in terms of public-private partnerships to continue public investment programs in a context of limited resources. The success of public-private partnerships in the infrastructure sector in Colombia should be used as a model that should be extended to other sectors and countries. This may reduce logistics costs and improve efficiency regarding the transport, storage, and distribution of goods. Policies focused on these aspects could become instrumental in creating substantial efficiency gains that cushion the inflationary pressure associated with the higher cost of consumables, particularly in the agricultural sector.

Generating a regulatory environment that incentivizes innovation and digital transformation must become a priority so that the region can continue to improve in terms of digital and financial inclusion. This will lead to progress on financial sophistication so that families have more tools to cushion adverse effects on their income as a result of rising prices for consumers.

**“Economic analysts expect inflation to rise to 7.8% in Latin America by the end of the year, a significant increase compared with the figure of 3.5% before the pandemic”**

Lastly, in this challenging economic situation, the region must seek to strengthen its social protection networks with programs that are effective in protecting the most vulnerable and generate incentives to push these households toward a more formal environment. This can be done through improved conditional transfer programs that includes incentives for the accumulation of human capital.



# The **ARGENTINE POTENTIAL** for **SUSTAINABLE PRODUCTIVE DEVELOPMENT**



**Matías Kulfas**

Minister for Productive Development of Argentina / Argentina



**Daniel Schteingart**

Director of the Centre of Studies for Production (CEP-XXI) / Argentina

Argentina is a country with enormous potential for sustainable social and economic development due to a strong legacy in terms of technological and productive capabilities, its outstanding education system, and its wealth of natural resources and workers. Regrettably, that potential has not been fully utilized and the country has experienced a series of economic crises, instability, and a lack of long-term vision that has limited development.

Today, Argentina is a partially developed country that is emerging from a double crisis: a macro-economic crisis that began in April 2018 following a sharp outflow of financial capital that revealed extensive debt within the public sector, and the crisis stemming from the COVID-19 pandemic.

This double crisis has led us to step up our efforts. Work has been done to resolve an inherited macro-economic crisis through outstanding action by the Ministry of Economic Affairs to restructure debt with private creditors and the International Monetary Fund. This restructuring process returned sustainability to the debt held by private creditors and produced a saving of 37.7 billion dollars for the country, while an extended facilities plan was agreed with the IMF to enable macro-economic reorganization without having to adjust real spending. On the other hand,

**“The Plan Argentina Productiva 2030 seeks to plan the productive, industrial, and technological development for the remainder of the decade”**

the serious effects caused by the COVID-19 crisis led to the roll-out of an unprecedented assistance package that, in 2020, required a fiscal effort and the mobilization of financial resources equivalent to approximately 7% of GDP. A large part of this went toward paying salaries at troubled private companies (through such programs as the Assistance for Work and Production Program and, later, the Productive Recovery Program,) revenue transfers to the sectors hit hardest by reduced mobility stemming from the pandemic (which became known as the Emergency Household Income,) and the increase of financing to guarantee liquidity for companies and the self-employed.

The unprecedented aid package for the production sector in 2020 (which continued into 2021 to a lesser extent due to improvements in the economic situation) was crucial to preventing a production and employment catastrophe. Following the worst of the pandemic, it enabled the economy to



**“Budgetary resources allocated to development policies increased from US\$ 155 million in 2019 to some US\$ 1,443 million in 2021”**

return to an accelerated path of recovery that was mostly driven by industry, but also by agro-fisheries, energy, mining, construction, and knowledge-based services, such as software. This recovery meant that, by the end of 2021, the Argentinian economy had not only recovered the losses incurred during the pandemic but also a major portion of those from 2018 and 2019. In the fourth quarter of 2021, GDP was 3.4% higher than it was in the same period of 2019. Productive investment was a major contributor to this figure with an increase of 29.5% in real terms, one of the best recoveries anywhere in the world. This economic improvement caused the unemployment rate (which had climbed to 13% at the peak of the pandemic) to fall to 7% in the fourth quarter of 2021, the lowest in over five years. This decline in unemployment figures was not caused by the discouragement effect in those actively seeking employment but unable to find it but rather by genuine job creation.

This strong improvement over the course of 2021 was made possible by the mitigation of damages caused in 2020 but also by significant progress in the vaccination process (Argentina posted very high figures compared with the global average, with over 90% receiving one dose and more than 80% fully vaccinated) and the strong weight given to productive development policies within the government's agenda.

The budgetary resources allocated to productive development policies were

significantly boosted from 2019, increasing from \$7.52 billion in that year (some \$155 million from that year) to \$134.98 billion in 2021 (some \$1.44 billion.) This noticeable increase in resources allowed for the recovery of crucial instruments from productive policy, such as accessible financing for the productive sector. To that end, two crucial tools were given a boost: the Guarantees Fund (FOGAR) and the Productive Development Fund (FONDEP.) While the former allows the State to act as guarantor to the bank so that an SME can access a loan (a relatively difficult process in Argentina,) the latter is essential to enabling subsidized lines of credit for long-term investment. With these two instruments, loans were issued to over one million individuals and legal entities in 2020-2022, 250 times more than in 2019. With these two instruments, credit measured in constant terms reached its highest level since 2018 at the end of 2021 and more than half of all loans in the local currency were held by SMEs, the highest proportion to date in the 21st Century.

The industrial policy harnessed other tools besides the recovery of productive credit. They included financing for industrial estates and technology parks (a tool of territorial scope that is also important for productive development in a country with major regional asymmetry such as Argentina;) the promotion of supplier development (through financing to companies that submitted investment projects to become suppliers in certain strategic chains, such as energy, mining, transport, or health, among others;) promotion of the knowledge economy (by sanctioning a new law to promote the sector, which includes IT services, R&D services, nano- and bio-technology, and the satellite and aerospace industry, among others;) training of the population in computational thinking (via the free course entitled Argentina Programs to help people learn to code, which enjoyed unprecedented



success among the public with over 700,000 people signing up initially;) and reduced taxation on the export of manufactured end products (which reached 0%.) The results from implementing these policies can already be seen; in 2021, the manufacturing industry grew by 7% compared to 2019, one of the fastest recoveries in the world. Meanwhile, the knowledge economy has not stopped setting new records month after month; its main driving force - software - accounted for 19% more formal workers between the end of 2019 and the end of 2021.

Besides navigating the trials and tribulations thrown up by the current environment (heavily marked by harm caused by the pandemic,) government policy has been heavily focused on the country's future by opening up new agendas and planning for the rest of the decade. For the first time in Argentina, environmental and gender issues have become structural cornerstones in the management of productive policies. In July 2021, we launched the Green Productive Development Plan, which comprises a series of tools to position Argentina as a key player in the global energy transition by incentivizing the low-carbon hydrogen economy and the development of clean energy suppliers. In 2020, a Gender Cabinet was set up at the Ministry of Productive Development with more than 50 gender-focused initiatives, such as various lines of financing for productive projects led by women. Furthermore, we have worked on preparing regulatory projects to create new productive sectors in Argentina, such as medicinal cannabis, electric mobility, and industry 4.0, all of which have a bright future.

More recently, in March 2022, we launched the Productive Argentina Plan 2030 that aims to organize productive, industrial, and technological development for the rest of the

decade. The plan adopts the "mission-oriented policies" idea developed by the Italian-US economist, Mariana Mazzucato. Her ideas are very much in vogue around the world; she proposes mobilization of the productive, scientific, and technological apparatus to resolve economic, social, technological, and environmental challenges in the 21st Century, ranging from global warming to population health through digitalization, formal employment, and income generation.

One of those ten missions will be to double exports by 2030. Exports are the main source of genuine income for an economy such as Argentina, where almost all of the economic crises in the last eight decades have been caused by problems in the balance of payments.

Another mission will be to develop the green economy in order to accelerate the transition to environmental sustainability. This will be done by expanding and strengthening the Green Productive Development Plan by increasing promotion of the hydrogen economy, national clean energy industrial suppliers, energy efficiency, the circular economy, and the national manufacturing of electric vehicles.

Other missions will focus on promoting national production for health (vaccines, clinical trials, medicinal cannabis, medical equipment, biosimilars, telemedicine,) adapting food production to the 21st Century (based on which our farming sector will become more resilient to climate change and increase the production of proteins and healthy foods,) on equipping our armed forces with national technologies (drones, ships, satellites, and protective clothing, for example,) and modernizing our traditional industrial sectors (to incentivize greater productivity and increased recorded job creation.)

The Productive Plan will also have a specific mission to incentivize digitalization of the productive apparatus and industry 4.0. The development of mining based on strict environmental care is another of the ten missions promoted by the plan. Mining is a highly underdeveloped activity in Argentina (with exports standing at less than one-tenth of those of Chile, with whom Argentina shares the Andes mountain range) and one that will be in ever-increasing demand given that the energy transition will require more minerals.

**“Argentina has been experiencing an increased investor drive in mining, especially in lithium and copper”**

Argentina has been experiencing an increased investor drive in mining, especially in lithium and copper. The industrialization of our primary sector will be strategic and will be based on the development of industrial suppliers in the mining, hydrocarbons, fishing, agriculture, and forestry sectors. A commitment therefore exists to increasing indirect employment, technological development, and income generation tied to our primary activities, which are also fundamental to decentralizing the productive activity that is currently highly concentrated in the metropolitan region of Buenos Aires.

Argentina is emerging from a pandemic crisis, and another left behind by the previous government. It is therefore key plan for the long-term future. Hence the Productive Argentina Plan 2030. We want a developed Argentina with progress for every one of its inhabitants year after year. We want an Argentina that is intelligently integrated in the world and capable of harnessing new opportunities stemming from the global challenges of the 21st Century: climate change, knowledge economy, and growth by the emerging middle class. Argentina has enormous potential, and we are highly optimistic that this potential will start to materialize in the coming years, with visible results for each and every one of the inhabitants of this country.

# A MEANDERING ECONOMIC RECOVERY: OPTIMISM and EXTERNAL THREATS



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“Everyone has a plan until they get punched in the mouth.” This famous quote by Mike Tyson would seem to echo through these times of uncertainty and external threats. COVID-19 trampled the global economy and sent shock waves through the world’s value chains, economic policies, commodity prices, and more. It was a blow to supply and demand that few managed to avoid. The world responded with fiscal stimuli (in those countries able to do so,) an expansive monetary policy and aid packages, bringing long-term consequences that have yet to be felt.

A number of economies went on to post growth once we got over the worst of the health emergency, although none bounced back to pre-pandemic levels. However, uncertainty reared its ugly face once again at the end of 2021 following the outbreak of new variants. A brief glimpse of recovery faltered in early 2022 due to the economic effects of the Russian invasion of Ukraine. That long-awaited recovery, although still visible on the horizon, will not be achieved without resilience in the plans drawn up by the world’s nations, companies, and governments. Meanwhile, that ever-elusive growth will need to be based on solid foundations to prevent a future collapse.

We can’t expect different results from doing the same thing, and far less so in such shifting environments as the ones we have today. Ecuador is a country that has sent the wrong signals to the world for a long time: investment

**“The Central Bank of Ecuador expects investment to increase 4.9% in 2022 driven by a greater injection of capital in the oil and mining sectors”**

was kept at arm’s length, threats were made to defaults on debts, and some debts were not repaid. A different scenario is being created today that is aimed at recovering national and international credibility, as well as building a framework capable of opening the door to economic and financial transformation.

From an economic perspective, given Ecuador’s restrictions on monetary policy (the US Dollar is the official currency, so printing money to stimulate the economy is impossible,) four factors are currently boosting the economic recovery in Ecuador in 2022: credit trends, oil prices, access to external financing, and the attraction of investments.

## **The Role of Credit in the Recovery**

The revitalization of credit in 2021, which accelerated once economic activities were able to resume, is one of the main reasons for the improved economic performance in 2021 and the expectations for this year. More

## **“Ecuador closed February 2022 with an annual inflation rate of 2.71%, while Peru closed at 6.1% and Colombia at 8%, the highest in the last five years”**

than 6.9 million new credit operations were paid out by private banks between January and December 2021: 13% more than in 2020 (790,000 additional operations.)

In this period, the banking sector placed 25.55 billion dollars into new credit, which represents a 9% increase from 2020 (an additional 2.12 billion,) according to official figures. These numbers reveal the support provided by the banking sector to the country in its recovery process. Issuing new loans to productive sectors and Ecuadorian households has helped maintain and expand businesses, create more jobs, boost productivity, and drive the economic recovery. Furthermore, seven out of ten dollars in the new loans issued between January and December 2021 were given to productive sectors (micro-credits, housing, companies, and SMEs.)

In the first two months of 2022, new loans grew at a pace of 21% per annum and micro-credits are the fastest growing category of loans, with a 50% increase. Two years on from the start of the pandemic, the banking sector in Ecuador is sound and continues to support the recovery process by issuing loans, which has helped the recovery of production, job creation, and the reactivation of consumption in the country.

### **Oil Prices**

Oil prices are expected to continue rising due to recent events in Ukraine, with the barrel remaining above 100 dollars. This is a double-edged sword for Ecuador. On the one hand, it means more revenue for the State Budget. On the other hand, higher prices for oil derivatives and other products are guaranteed by this situation. Ecuador closed February 2022 with annual inflation at 2.71%, while inflation in Peru stood at 6.1% and Colombia at 8%, the highest figure in the last five-year period. The country needs to take advantage of the oil price situation while anticipating a steady energy transition to renewables.

### **Access To Financing**

The option of returning to international markets through bond issues means that the country has an opportunity to attract additional sources of funding to finance works and projects. The last time that Ecuador issued sovereign bonds was in September 2019. The approval of regulatory changes on taxation, investment, and employment, as well as compliance with the agreement reached with the IMF and the reforms put in place, suggest a favorable scenario for returning to the markets, potentially in 2023.

### **Investment**

The Central Bank of Ecuador expects investment to increase by 4.9% in 2022, boosted by a larger injection of capital into the oil and mining sectors. To achieve that, various mechanisms are being proposed to strengthen investment, which accounted for only 1.1% of GDP in the second quarter of 2021.

The Assembly is expected to approve a project to attract investment that seeks to reform the Public-Private Partnerships Act, improve the regulatory framework for duty-free zones, and revitalize the stock market. Another strategy to attract investment is to reduce the tax on the Remittance of Currencies from 5% to 4%. Opening up further private investment in the oil sector is another goal. The delegation of participation agreements is expected to help achieve this goal, in which private companies would invest in exchange for receiving a percentage of any oil production.

Finally, Ecuador is looking to finalize 10 treaties with strategic markets. The closest to be signed is an agreement with Mexico to form part of the Pacific Alliance in 2022.

Despite these four favorable factors, Ecuador has some major challenges to navigate in 2022. Internally, it is imperative that the agreements needed for national governability are reached. Externally, the greatest challenge lies in the impact from a war that has consequences globally. For Ecuador, that impact translates to fewer banana, shrimp, flower, fish, and coffee exports, which amounted to 1.13 billion dollars in the affected area in 2021 (Russia, Ukraine, Armenia, Kazakhstan, and Kyrgyzstan.) This impact is also reflected in higher import prices for raw farming material, mainly supplies and fertilizers, given that 38% of these products were imported from Russia in 2021. Following the appreciation of the dollar, the country will also be less competitive in international markets.

**“This impact is also reflected in higher import prices for raw farming material, mainly supplies and fertilizers, given that 38% of these products were imported from Russia in 2021”**

Like many others, the Ecuadorian economy will need to be prepared to navigate various obstacles along this uncertain path and, despite showing good prospects, to seek alternatives within a shifting environment.

# WHAT is your MISSION?



**Jordi Sevilla**

Senior Advisor, Member of the Advisory Council, and Director of the Economic Context Department / Spain

At this point in the 21st Century, some things have become certain. It is clear that we live in a complex world replete with unforeseen events that can overwhelm national governments. Not even the markets or the private sector can tackle these problems on their own. The only certainty we can find is that nearly everything we learned in the 20th Century has been pushed to one side by a series of social, technological, and natural developments that transcend accepted knowledge.

Globalization, climate change, and artificial intelligence are three vectors for change that are each powerful unto themselves and, when combined, have produced a new context in which the old no longer serves and the new is just around the corner. Never before have human beings had to face such disruptive and all-encompassing challenges that impact us to the point of making us question the very meaning of our existence. Neither traditional public policies nor nationalism stand a chance against these changes, no matter how familiar they may be to us. Pandemics, climate change, the real possibility of transhumanism, and the awareness that we could beat extreme hunger and inequality in the world are concepts that simply do not fit into the classic public/private models. Against those problems, the State is not the problem and the market is not the solution or *vice versa*.

We need to find new protagonists and design new forms of social intervention capable of dealing with challenges that are simultaneously global and cross-cutting for the first time. Strictly speaking, the only concept we could fully rescue

**“If governments establish rules and procedures to separate waste and garbage, but each one of us, individually, does not do it at home, it will be of little use”**

from 20th Century doctrine would be the human rights declared by the UN, applied until their ultimate resolution.

The 21st Century has begun its journey through history blown by four winds: globalization as a means to intertwine the interests of nations while bringing to an end to war and poverty; digitalization as a revolution capable of building and bringing together a single world thanks to the unifying force of the same technology; deregulation, the markets capable of balancing themselves, without crisis and a preference for the minimum state, as pieces of the social edifice instigating growth; and, finally, a conviction that the fight against climate change has begun following ratification of the 1997 Kyoto Protocol by 81 countries.

In just 20 years, those four winds have lifted. The new millennium brought, in 2008, a crisis in the deregulated financial markets that was only addressed through intervention by the State; privacy invasive data technology and surveillance capitalism; a resurgence of blocs (not only technological but also political) around the United States and China, with the recent inclusion of Russia following its war on Ukraine, which has led to its exclusion from the global

economic system; and a demonstration that we are far from reducing CO2 emissions to the required level despite emphatic statements such as the Paris Agreement (2015) and evidence suggesting links between human action, such as deforestation, and the rise of pandemics, such as COVID-19, due to a greater likelihood of animal viruses jumping over to humans.

We need a new paradigm that allows us to understand what is happening and, above all, a new social action model that can effectively tackle the current situation. This model must be able to address when traditional relations break down between the public and private sectors, the individual and the collective. Existing management methods are incapable of dealing with the challenges of the 21st Century. Two examples suffice to prove this point.

Firstly, the challenge for humankind posed by the possibilities offered by artificial intelligence does not fit into the classic State-companies model. This is because it exists beyond the objectives and roles known by the two stakeholders. While companies are receiving the message from their shareholders that stakeholder capitalism is the sole objective, States are being required to modernize their structures and roles in order to adapt to the new responsibilities being demanded of them.

Secondly, it is rather pointless for governments to set rules and procedures on separating waste and rubbish if each one of us, individually, fails to do so at home. Hence, public/private and individual/collective responsibilities must come together differently in view of these new challenges, and both governments and companies need to review their purpose and corporate governance.

Here is where the new proposal from the European Union makes total sense. Inspired by professor Mariana Mazzucato, it seeks to order the collective priorities and organize the strategies and resources used around a concept

of "Missions." This concept brilliantly does away with classic "Public Affairs" as the traditional space for organizing relationships between the public and private sectors. Nowadays, both public and private issues are everybody's responsibility because nobody can tackle them on their own. We saw that with the pandemic, which led to unprecedented cooperation between governments and companies while appealing to individual responsibility for compliance (in addition to the imposition of rules via restrictions.)

The great political discovery of the 21st Century is that social value arises from interaction between the public sectors, private sectors, and civil society, when they have compatible purposes and create mutual benefits as a team. According to the European Commission definition, missions are a new and ambitious instrument that stem from the idea that complex challenges require coordinated inter-governmental efforts, as well as efforts between governments, companies, and individuals, based on clear objectives capable of mobilizing the resources necessary to transform society.

Organizing the management of social issues around the concept of missions requires significant changes in how public and private issues are managed. It also requires a shift in their traditional relationships, in order to launch a new dynamic that moves beyond the old lobbying concepts and activities, or public affairs. A new space for building relationships is emerging for governments, companies, and civil society, in which they must cooperate rather than confront one another as we had seen in the past.

Whoever takes on the role of facilitator in these encounters, with an approach based on "missions," will no doubt provide a great service to the world: a service tailored to the 21st Century.







# Awards

achieved by UNO



COMMUNICATOR  
AWARDS 2020  
*in the category  
Writing*



INTERNATIONAL  
BUSINESS AWARDS 2020  
*Best House Organ (internal publication)  
for General Audience*



SILVER WINNER  
*in the category  
Best House Organ*

## EIKON

EIKON DE PLATA 2016  
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2016 AWARD  
OF EXCELLENCE  
*in the category  
Websites - Magazine*



SILVER WINNER  
*in the category  
Design - Illustration*



GRAND WINNER  
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Best House Organ*

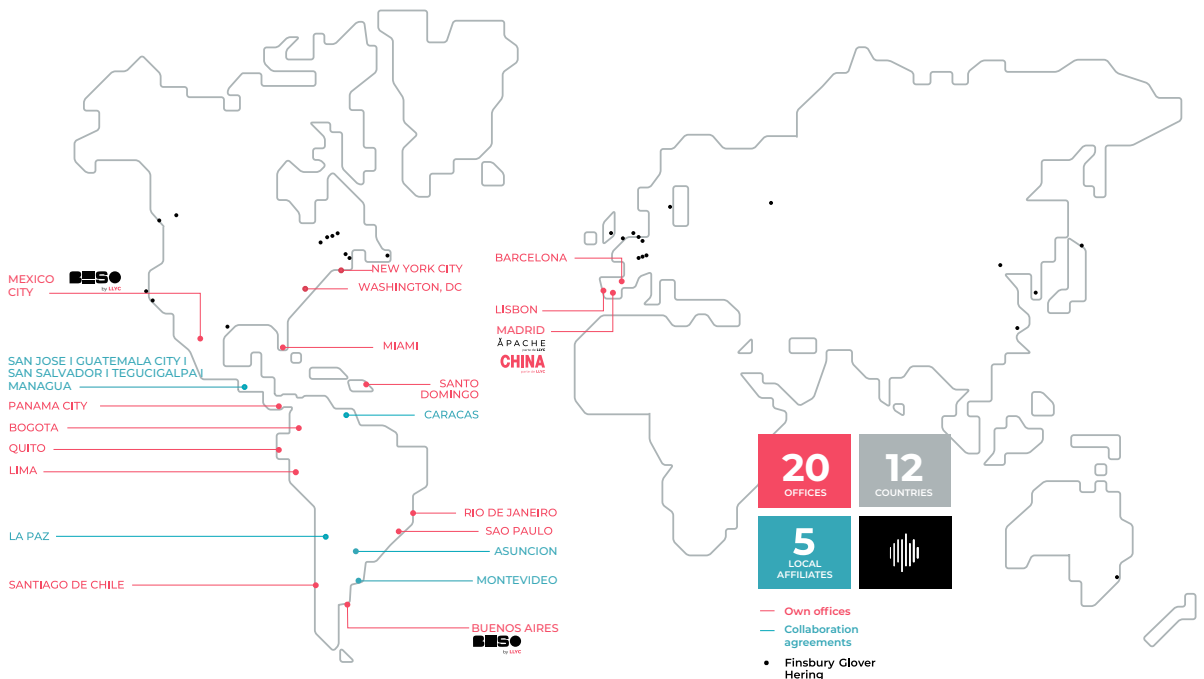
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