
CEPCO Proposals for reactivating the Spanish economy after the COVID-19 Health Crisis

23rd April 2020



Confederación Española de Asociaciones de Fabricantes de Productos de Construcción

Table of Contents

INITIAL SCENARIO	5
COVIS-19 SCENARIO.....	6
MACROECONOMIC TARGETS	8
GENERAL QUESTIONS	9
Employment	9
Taxation.....	9
ICO	9
Risk Cover.....	9
Sustainability	10
Environment.....	10
Standardisation	10
Public Sector Contracts Act	11
Digitalisation	11
PUBLIC WORKS RECONSTRUCTION PLAN.....	12
Water Infrastructure.....	12
Energy Infrastructure.....	12
Health Infrastructure	12
Education Infrastructure.....	12
Transport Infrastructures.....	12
CEPCO supports SEOPAN’s companies	13
Speed up construction of works already awarded.....	13
RESIDENTIAL BUILDINGS RECONSTRUCTION PLAN	14
Public social housing plan affordable for long-term renting.	14
Mobilise land available in local authorities and other administrations.	14
Loan with State guarantee	14
Incentive policies: health standards and refurbishment	14
NON-RESIDENTIAL BUILDINGS RECONSTRUCTION PLAN	15
IMPROVEMENT AND REFURBISHMENT RECONSTRUCTION PLAN.....	16
Green VAT for products being improved and refurbished	16
State Plan for energy refurbishment	16
General renovation plans	19
Proposals	20
EXPORT PROPOSALS.....	21
ECONOMIC APPRAISAL OF THE PROPOSALS.....	22
PROPOSED PLAN FOR PAYMENT TO SUPPLIERS AND PRIVATE ARREARS CONTROL	23

First of all, the Spanish Confederation of Construction Product Manufacturers (*Confederación Española de Asociaciones de Fabricantes de Productos de Construcción*), (hereinafter *CEPCO*), wishes to join everybody else in mourning for all the victims of the pandemic, we sympathise with their friends' and relatives' grief and with the suffering of all those who have been affected by the disease in one way or another. Convinced that we will overcome this crisis, we are sending a worldwide message of hope and encouragement that will help each one of us to fulfil our obligations at this moment.

Secondly, we would like to pay tribute to all the professionals who are currently keeping the world as we know it afloat, starting with those working in the health area who are doing everything they possibly can to protect us, and the Police Forces and Civil Protection Authorities, as well as those who are keeping the supply channels open for society at large.

We send our good will and encouragement to all those that occupy public responsibility posts who are cooperating in solving every aspect of the problem, involving our lives as a whole.

Our gratitude to all the people in our Industrial Sector who, working from home or *in situ*, are making a committed effort to keep the country's production system going in our area and pave the way for the future to the extent that this is possible, so that we can emerge from the crisis in as stable a way as possible.

We would also like to give a special thank-you to **CEOE**, **CEPYME** and the Construction Sectors of the **UGT** and **CCOO** Trade Unions. Now, more than ever, it is necessary to march in unison despite any discrepancies.

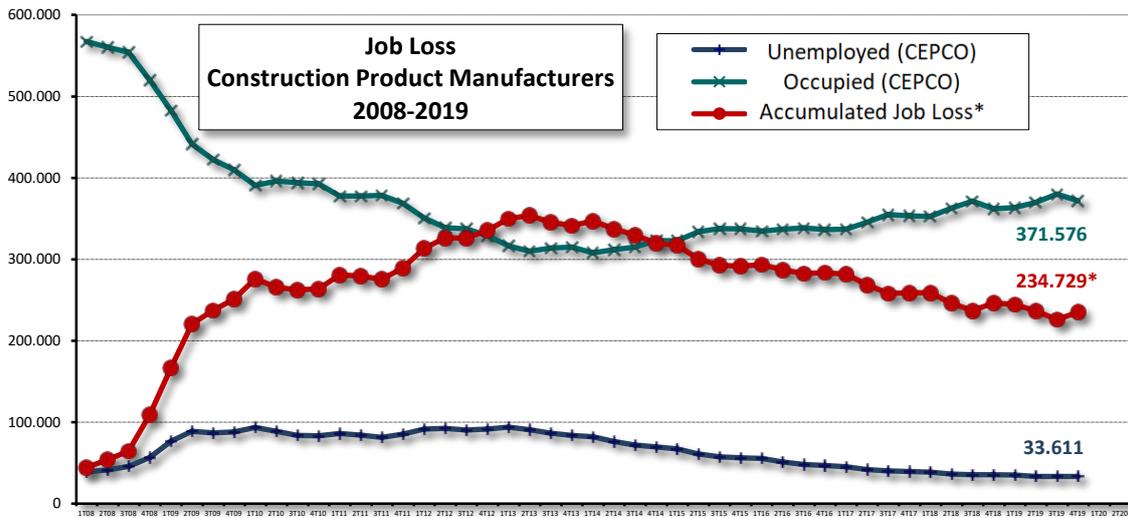
INITIAL SCENARIO

The Construction Materials Industry has been evolving in the following way since the 2008 Crisis:

	<u>No. of industrial jobs</u>	<u>No. of companies</u>	<u>Domestic demand</u>	<u>Exports</u>
2007	600,000	47,039	97,483 MM€	16,215 MM€
2013	300,000	37,683	33,023 MM€	19,619 MM€
2019	371,576	33,560	39,200 MM€	24,842 MM€

Source: INE, Domestic accounting, ICEX and prepared by the authors

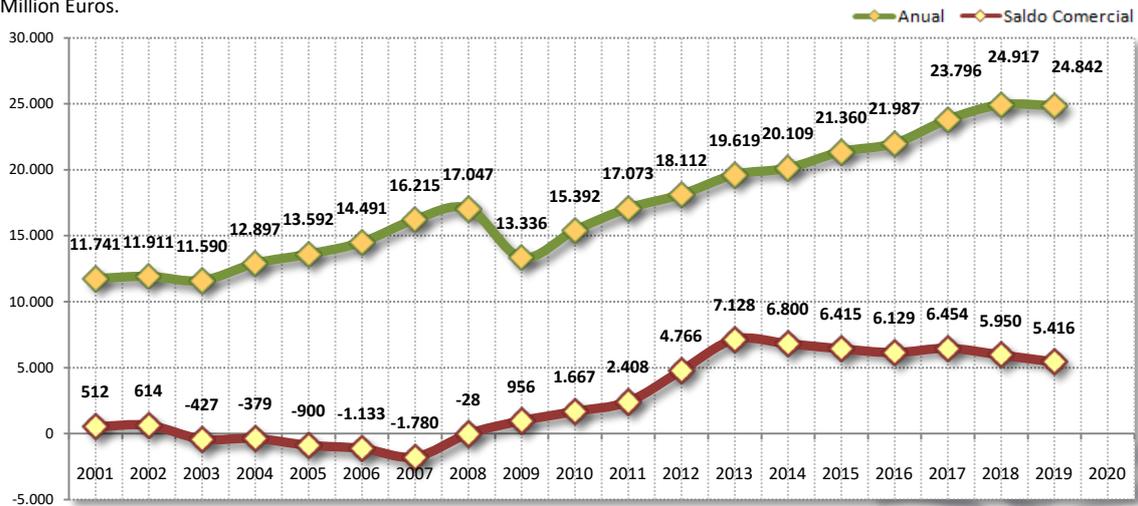
Employment evolution. 2008-2019



Source: SEPE, EPA and prepared by CEPCO

Exports of materials and products for construction. 2001-2019

Million Euros.



Source: Prepared by the authors from ICEX and AEAT

COVID-19 SCENARIO.-

- **Public Works:** a certain hiccup after RD-L 10/2020, but most of the works already awarded have resumed.
- **New residential building construction:** stoppage after 29th March, gradual recovery since 13-14 April.
- **Non-residential building construction:** stoppage after 29th March, recovery up to 70% at present.
- **Improvements and refurbishments:** stoppage since 29th March
- **Exports:** 5 of the 10 main exports destinations for materials from Spain have already been heavily affected by the pandemic. **It is possible that exports will drop by up to one third in 2020.**

National Economic Activities Classification (hereinafter CNAE), exports

CNAE	SECTOR
081 – Extracting stone, sand and clay	Extraction Industries
089 – Extraction industries (not included elsewhere)	
2311 -- Manufacturing flat glass	Glass
2312 – Handling and transforming flat glass	
2314 -- Manufacturing fibreglass	
2331 -- Manufacturing ceramic wall and floor tiles	Wall Tiles and Floor Tiles
2332 -- Manufacturing bricks, roof tiles	Bricks and Roof tiles
232 -- Manufacturing refractory ceramic products	Sanitation and other ceramic products
2342 -- Manufacturing ceramic sanitation equipment	
2351 -- Manufacturing cement	Cement
2352 -- Manufacturing limestone and gypsum	Limestone, gypsum and their elements
2362 -- Manufacturing gypsum elements for construction	
2361 -- Manufacturing concrete elements for construction	
2363 -- Manufacturing fresh concrete	Precast concrete elements
2364 -- Manufacturing mortar	
2365 -- Manufacturing fibre-cement	
2369 -- Manufacturing other concrete, gypsum and cement products	Concrete and Mortar
237 – Stone cutting, carving and finishing	Other concrete, gypsum and cement products
2391 -- Manufacturing abrasive products	Stone
2399 -- Manufacturing other non-metal mineral products	
242 – Manufacturing, piping, tubing, hollow profiles and their steel accessories	Other non-metal mineral products
2813 -- Manufacturing other pumps and compressors	
2814 -- Manufacturing other taps and valves	
2511 -- Manufacturing metal structures and their components	Piping, taps, valves and pumping equipment
2512 -- Manufacturing metalwork	Metal structures
2434 – Cold drawing	Metalwork
2599 -- Manufacturing other metal products not included elsewhere	
273 -- Manufacturing cables and wiring devices	Cold drawing and other metal products
274 -- Manufacturing lamps and electric lighting appliances	
351 -- Producing, transporting and distributing electricity	Electricity and lighting
2059 -- Manufacturing other chemical products not included elsewhere	Producing, transporting and distributing electricity
2223 -- Manufacturing plastic products for construction	Chemical products
1621 -- Manufacturing wooden planks and sheets	Plastics
1622 -- Manufacturing assembled timber flooring	
	Timber

1623 -- Manufacturing other wooden pieces and carpentry structures

Countries to which Spain exports Construction Products

Countries	2010	2011	2012	2013	2014	2015	2016	2017	2018	Δ
FR -- France	2,458,954	2,914,493	2,897,625	3,194,248	3,184,812	3,148,444	3,645,480	4,213,403	4,355,783	3.27%
DE -- Germany	1,489,605	1,796,967	1,822,784	1,958,330	2,107,686	2,433,415	2,385,031	2,376,471	2,368,403	-0.34%
PT -- Portugal	1,478,879	1,500,336	1,399,020	1,379,416	1,438,664	1,532,357	1,376,903	1,627,992	1,883,592	13.57%
IT -- Italy	1,312,509	1,162,629	1,209,013	1,103,559	1,078,838	1,233,043	1,409,690	1,588,573	1,742,327	8.82%
US -- United States	552,205	606,001	801,751	782,127	884,954	999,978	1,070,886	1,222,023	1,403,234	12.91%
GB -- United Kingdom	743,412	871,244	946,144	1,163,719	1,246,797	1,443,389	1,484,267	1,348,014	1,394,746	3.35%
MA -- Morocco	516,616	667,258	709,863	789,061	921,438	971,282	1,033,425	1,091,403	957,944	-13.93%
NL -- Netherlands	292,541	328,587	318,493	342,915	381,362	356,473	514,073	568,442	681,185	16.55%
MX -- Mexico	200,568	255,069	288,653	342,682	356,268	366,867	381,341	441,808	503,652	12.28%

Source: Prepared by the authors from ICEX and AEAT

It must be pointed out that, after a sudden stoppage of activity, on 29th March, the Ministerial Health Order dated 30th March and the Interpretative Note from Industry on 31st March, reactivated many of our companies back up to 40-50% of production, this percentage logically varying, on the basis of whether the product was for export or not, and whether or not it was involved in improvements and refurbishments.

PREDICTION 2020

	<u>Nº of industrial jobs</u>	<u>Nº of companies</u>	<u>Domestic demand</u>	<u>Exports</u>
Prediction 2020	300,000	33,000	28,000 MM€	17,500 MM€
Subject to all the current modification variables involving stoppage of economic activity or not, gradual liberalising of lockdown restrictions, etc.				



MACROECONOMIC TARGETS

- **Fundamental:** **keep up individual income level and inject cash into companies.** The rate at which cash is injected is almost more important than the amount.
- **EU Key Factor:** in the 2008 Crisis, the EU helped the Member States to borrow in two ways: improve conditions and give access to those who did not have access. In this case, acceptance of the proposal made by Spain and France is vital, i.e., financing unemployment (the \square 100,000 M SURE Programme already exists) and financing activity and expenditure programmes. Even, reanalyse State aid and enable them to have a shareholding in company capital, which Germany has just been authorised to do.
- **In Spain,** currently one of the epicentres of the pandemic, this situation is even more acute. The CEOE estimates that the original GDP growth forecast for 2020 of +1.6% will fall to between -5% and -9% due to COVID-19 (i.e., a reduction ranging from -6.6% to 10.6% of the GDP, when compared to the initial prediction) and that unemployment will increase by more than half a million persons. In the swiftest recovery scenario, by December activity levels similar to those at the end of 2019 could have been reached, in which case the GDP would rally to 5.2% in 2021.
- As the Small and Medium-Sized Enterprises (CEPYME) state, it is essential to provide certainty and legal and economic security, together with confidence in a future recovery scenario.
- European industrial strategy based upon competitive innovation, ecological transition and industrial sovereignty to be able to manufacture on domestic soils, products and components for the industries and technologies considered to be strategic, reducing their dependence: *The Government aims to create a national industry that can guarantee supplies and sovereignty, in the European framework, but "we must be able to rely on an industry that is strong in all sectors, from a technological and health perspective, because we have seen in this crisis that industry is absolutely necessary".* That is the conclusion reached by the Secretary General of Industry and Small & Medium-Sized Enterprises, Raúl Blanco Díaz.
- **Achieving the Sustainable Development Targets (SDT)** established by the United Nations, so it would be necessary to make significant investments in such areas as Water and Sanitation. **A national agreement over water resources is urged.**
- Encourage the training for the required work force, which is lacking.

GENERAL QUESTIONS

Employment

In the **Employment** area, it is necessary to be accurate when measuring the times for furloughing (ERTE), and any other measure. This is an Industry that is very reluctant to dispense with highly-qualified and trained human resources who have been working for an average of 20 years and 90% with permanent contracts, so more and better employment can be obtained if the settlement takes the form of guarantees, “soft” loans or cover of payment from customers. However, one urgency survey revealed that approximately 50% have applied furloughing (ERTEs) in their firms. **CEPCO supports that the furloughing (ERTE) flexibilisation measures are standard in all the sectors.** An obligation to recover employment as the activity recovers must be established, rather than prohibiting dismissal.

The use or wearing of **PPEs** is widespread in our manufacturing plants. Our Industry is very accustomed to drawing up and complying with occupational risk prevention plans, by common agreement with the workers’ legal representatives. The social distancing measure has been applied more stringently, intensive shifts have been introduced to prevent large groups of workers coming together at meal times, complete separation of shifts, cleaning and disinfecting machines used by more than one person, etc. It is only to be expected that this matter will become increasingly stabilised and applied in the interest of all the workers.

Taxation

Fiscally, requiring workers to pay taxes on a profit prediction like they did last year does not make sense, and neither does it make sense to slow up the VAT rebates. Anything that means being able to **postpone Social Security payments** is direct cash flow for the firm without it being necessary to instrument it financially.

ICO

Loans with an ICO guarantee: including all the CNAEs in our materials Industry at the front of the queue when it comes to granting credit lines means keeping the Spanish economy alive. Not to do this, which is what happened in 2008, would mean bringing to a halt part of the economy that could be operating and at the same time is complying with the health measures. 27% of the companies that have applied for this type of credit have not managed to get it.

Risk Cover

Firms have drastically reduced the risk classification for many of the materials manufacturers' customers, so situations of total non-payment arise causing reliable manufacturing companies to go bankrupt. **There ought to be a public policy of guaranteeing business debt,** as many of the world's economists are pointing out.

Sustainability

Lower the cost of energy as much as possible for 6 months and review the **CO₂ emission rights trading Programme to take into account loss of activity in 2020.**

Environment

This has to be a priority in a country with high pollution levels and with the agreements reached during COP 25 Chile-Madrid. The **Public Sector Contracts Act must be modified** to give top priority to designing, creating and utilising environmentally-friendly materials that lead to the completed works being as environmentally efficient as possible.

Standardisation

The Construction Materials Industry, co-founder of the Spanish Association of Standardisation, UNE (formerly AENOR), of which CEPCO is a member of the Standing Committee, ratified not only their total commitment to quality, industrial safety and the environment, but also clearly pointed out that, **the use of 100% materials that comply with the UNE (Spanish Standards) would have a 25% impact on employment growth and billing in our Industry,** and this would not only not have a major effect on price, but would also have major benefits where safety and economics are concerned, by increasing the reliability and durability of the constructions; maximising the concept of value provided throughout the life cycle of the installations when compared to the price of the product, and all of this without taking into account their performance and recycling once they have reached the end of their useful life cycle.

Everyone has to work with the same rules, so that no kind of technological barrier is created, but the end user, whether private or public, requires maximum quality guarantees. **Market Monitoring has to be consolidated.**

At a time when the whole nation has learnt the value of standardising health material through quality standards, it is unthinkable that the European Commission should question the standardisation of the European Committee for Standardisation-CEN or that of its Members, e.g., UNE in Spain.

Public Sector Contracts Act

The Public Sector Contracts Act must be modified in that direction, establishing more clearly defined and accurate **awarding criteria** in the specifications, with a view to ensuring that the principles of public contracting and the tender budgets are complied with, thus **preventing** the perverse incentive that currently takes precedence, whereby the **economic criterion is disproportionately rewarded**, leading to withdrawals from the award process and subsequent claims for modifications that end up increasing the cost and raising the litigation rate.

In this sense, the European Commission communiqués are useful, such as for example:

- The European Commission communiqué for getting public contracting to work in Europe and for Europe ¹
- The Guidelines regarding bidders and goods from third countries participating in the EU public contracting market ²

Digitalisation

The way to guarantee quality and efficiency in construction involves digitalising the sector and, especially, **as project-country, by digitalising the Construction Materials Industry.** The physical characteristics and benefits of every material, product or system all make an essential contribution, as a whole, to the end result for the works. If heat insulation, soundproofing and sanitary insulation are all designed correctly, the effective and efficient functioning of the technologies within the facilities, safe use, waterproofing and sealing the exterior, can be guaranteed, if the subsequent implementation is correct, and this can be done by relying on the digital information about the products and systems.

Encouraging **working from home** for all the company activities that are essential where it is feasible to carry them out remotely.

Adapting Spanish Industry to Industry 4.0 is under way, but far from complete. Encourage actions that enhance digital activities at companies, in order to keep as much of the production fabric going whatever the situation might be.

Give the Small and Medium-Sized Enterprises (PYMES) tax and financial benefits that will help them to develop and speed up their digital transformation processes.

¹ <https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:52017DC0572&from=ES>

² [https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:52019XC0813\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:52019XC0813(01)&from=EN)

There is clearly an anticyclical element in all the following public investment proposals, and a component that anticipates support for a sector that could be more active than others in the domestic economy. Some of these investments also have repercussions on the efficiency of others, such as tourism or the health sector. All in all, it is a question of acting where acting is possible, expecting to be able to do so later on in other sectors and less in construction.

PUBLIC WORKS RECONSTRUCTION PLAN

Water Infrastructure

As Spain is the European country with the greatest water stress (water demand accounting for more than 40% of the resources), our harnessing Infrastructure is very poor, as is control over losses during conveyance (between 1/4 and 1/3 of the water flowing, and wastewater treatment is also deficient. Sensorisation and monitoring big data plus the utilisation of quality channels can help to greatly improve performance, apart from the infrastructure works required. All of this clearly affects the general public, in the tourism sector, the agricultural sector and in Industry.

Energy Infrastructure

Implementing better *district heating* for housing estates. Increasing our renewable energies capacity. Better energy efficiency for Companies (Housing is a separate issue)

Health Infrastructure

According to the A.T. Kearney Report, for SEOPAN, Spain has 25% less health infrastructure resources than France, Germany or the United Kingdom. In the current situation, the general consensus is that we undoubtedly have to improve this state of affairs, especially if there is to be a new pandemic or a resurgence of this one.

Education Infrastructure

As a State Treaty for Education is necessary, that will be the time to conduct an exhaustive analysis. At present, efforts to complete resources in the emptied Spain areas and improvements in energy efficiency are critical points in the system.

Transport Infrastructures

It is clear that the time has come to offer the world Port and Airport Infrastructures with a the highest level of safety & security, sanitation control and correct handling guarantees for the benefit of the tourism industry and the

efficient transport of freight and passengers. According to the Spanish Road Association (*Asociación Española de la Carretera*), 1 out of every 13 km of paving shows signs of having deteriorated by over 50%. Secondary routes must be enhanced to the advantage of those regions in Spain that are more sparsely populated.

CEPCO supports SEOPAN's companies

In all their initiatives for private-public collaboration along any of the aforementioned lines, and backs the Spanish Government in adopting the Reconstruction Plans that are proposed.

Speed up the execution of works already awarded

Because the budget has already been allocated in anticipation of the activity.



RESIDENTIAL BUILDINGS RECONSTRUCTION PLAN

Public social housing plan affordable for long-term renting.

Public land must be made available and a Plan for 50,000 homes (each 90 m²) has to be drawn up, in the medium-quality range 500€/m² = □ 2,250 M.

Renting at 250 €/month means recouping public investment in 15 years

If a purchase option is offered as from the 10th year, at 15,000€/home, the public investment will be recouped earlier, at renting and purchasing prices whose residual value per home is clearly affordable.

Meanwhile, employment has been created in two years, bearing in mind the fact that the 2019 figure for private visas was 106,266.

Mobilise land available in local authorities and other administrations.

This mobilisation could occur through public-private management mechanisms, causing the bid to multiply and making the most of the experience of the institutional agents' experience.

Loan with State guarantee

For 10% of the purchase price to buy affordable and social housing. The help-to-buy model in English, as proposed by the APCE. It is necessary to exceed the amount required for a down-payment. We have a selection of young professionals in need of housing who can be the monthly mortgage instalments but cannot afford the 20% down-payment.

Incentive policies: health standards and refurbishment

A policy must be devised that encourages the implementation of measures and improvements that guarantee better health and hygiene standards (ventilation systems, lifts, etc.) and improved or renovation of properties so that they comply with Sustainability criteria (heat insulation, self-consumption, ventilation, etc.) along the lines of the section given over to standardisation of general matters. The tenants have much better benefits in return for a minimum price increase for improved materials,

NON-RESIDENTIAL BUILDINGS RECONSTRUCTION PLAN

In addition to what has been mentioned in the public works building part (Hospitals, Health Centres, Schools, etc.), there is also the Tertiary Sector.

This crisis has shown us two things in the non-residential section:

- The need for improved logistics for sending packages. It requires an aid plan for the logistics operators in public-private collaboration.
- The need to design in a different way, spaces and zones where large gatherings of people occur. We will have to rub shoulders with many people, but not in such relatively confined spaces. This means redesigning all sorts of premises: food distribution centres, shops, businesses, etc.

‘IMPROVEMENT AND REFURBISHMENT RECONSTRUCTION PLAN

Green VAT for products being improved and refurbished

CEPCO, following the example set by ASEFAVE, proposes that a new VAT category be established that is specifically linked to refurbishment and renovation with energy- and water-efficiency criteria in Spanish homes, which could be vital when it comes to achieving the greenhouse gas reduction targets set by the European Union and accepted by the Government. Furthermore, it proposes a reduced VAT for any material involved in refurbishment or renovation, even if it does not lead to such efficiency improvement criteria, as a reward for the developer of such activities.

It would serve to encourage the renovation/refurbishment of buildings to make them more energy efficient in Spain. Acting on buildings constructed before 2001, could prevent 4.8 million tonnes of CO₂ being released into the atmosphere.

It is a proposal that is consistent with the Climate and Environment Emergency Declaration that was recently accepted and approved by the Spanish Government. Its aim is to construct a common future project that is fairer and equitable, which makes the most of the ecological transition opportunities through cross-cutting public policies, which place the general public at the centre. Moreover, the Declaration contains measures that incorporate the climate change variable into economic and consumption policies, amongst others.

In this sense, the EU Member States can currently apply a lower VAT rate. Neighbouring countries such as Portugal or France have used this power to encourage, for example, changing windows in buildings. France, for example, used the Energy Transition Credit Tax (*Crédit d'impôt pour la transition énergétique* (CITE)) Programme, to set VAT at 5.5% for this type of home renovation activity, supplemented by a special line of ‘eco-loans’ at an interest of 0%. The French initiative is a great example of ‘Green Taxation’, which benefits private users through a lower tax rate, leading to **???? (Frase incompleta en el document original)**

Implanting this particular VAT would serve to **fight against unfair competition in this Industrial Sector, and it could be a measure that creates employment.**

State Energy Refurbishment Plan

Background:

Building Energy Efficiency Directive 2018/844 makes it mandatory for the Member States to establish a long-term strategy for supporting the renovation of all residential and non-residential buildings, both public and private alike, to transform them into highly-efficient and decarbonised dwelling stock before 2050. This would amount to an economically profitable transformation, in which existing buildings became Near-Zero Energy Buildings (NZEBS). Furthermore, on 8th May 2019 some recommendations from the Commission (EU) 2019/786 were published, regarding energy efficiency in buildings, which would actively contribute to making the Union energy independent and also have great potential for creating employment.

The aforementioned Directive is being applied in Spain together with other Directives via the **National Integrated Energy & Climate Plan (PNIEC) and its Strategic Environmental Study, the ERESEE**, etc. A committed and ambitious Government energy renovation plan will not only comply with the European Directives, but will also undoubtedly help the country to emerge from the unprecedented crisis caused by COVID-19. It is an activity that will generate domestic demand, provide a great deal of quality employment and will have a positive effect on a large number of associated sectors. It will also be profitable for the Administration.

65% of the building stock in the EU was constructed before 1980. In Spain this figure stands at 55%, i.e., 13,759,266 houses constructed without any regulations regarding energy efficiency, that is to say buildings without heat insulation in their envelopes, which have become major energy consumers.

Benefits of energy renovation:

- Increasing the GDP associated with the economic activity of renovation, both directly and indirectly.
- Increasing the number of jobs in the construction sector.
- Reducing greenhouse gas (carbon dioxide) emissions.
- Reducing the country's energy dependence and thus the energy bill.
- Increasing employment productivity by improving working conditions and quality of life.
- Reducing the cost of health and sickness: a European study conducted in 2012 concluded that every Euro invested in insulating a building's shell amounted to a 0.78 € benefit, by cutting down on occupational absenteeism due to sickness.
- Reduction in energy poverty, more comfortable homes and revaluation of property.
- Improving the air quality in buildings and cities.

- The renovation process can be used to remove toxic substances in buildings, such as asbestos.

Energy renovation plans in Spain. Examples

1.-Renovation plan for walls in the Autonomous Region of Madrid

This Plan was carried out between the end of 2011 and midway through 2012, as part of PLAN E4. It was a direct subsidy plan based on the energy efficiency achieved by the insulation level incorporated into the wall. The findings and conclusions were as follows:

For every one million Euros invested in aid:

- ✓ 45 direct jobs
- ✓ 4.1 M worth of activity generated.
- ✓ 0.34 M per year of energy saved (17 M in 50 years)
- ✓ 635 Tonnes of CO₂ not emitted per year
- ✓ 0.86 M tax return, only in VAT.
- ✓ 0.52 M income in Social Security and Income Tax

2.-IDAE PAREER and PAREER CRECE Plans

The Energy Diversification & Saving Institute (hereinafter IDAE) has been organising the tenders for these integrated renovation plans (from October 2013 until the present time). They include four measures, one of which, “Exterior wall energy renovation” has accounted for between 85 and 90% of the cases and applications for aid. The aid may be either direct or direct plus loan. Half of the applicants have opted for direct aid and the other half have applied for financing. This shows that financing, albeit a problem in some cases, is not generally the critical point. The following are just some of the IDAE’s findings:

- The 1,513 PAREER-CRECE applications have yielded the following:
 - ✓ Energy efficiency improvement for 42,358 households, 8.398 rooms in 41 hotels and 15 residences.
 - ✓ 4.500,000 m² of surface area prepared.
 - ✓ Final Energy Saving of 33,661 toe/year and preventing the emission of 96,204 tonnes of CO₂/year into the atmosphere.
 - ✓ The PAREER-CRECE investment ratio is 9,119 % toe/year
 - ✓ With the aid approved of 181 mill. an investment of 303 mill. has been activated.
 - ✓ The average investment ratio is 200.000 €/application and the average aid ratio is 120.000 €/application.
 - ✓ 48% of the aid approved is direct aid and the remaining 52% is loan.

- ✓ Action taken on the outer walls has already accounted for 88% of the aid, i.e., 159 mill., which meant activating 265 mill. in investments for the period 2014-2018
- The provisional findings for PAREER II (in progress), are as follows:
 - ✓ With an aid of 204 mill. budgeted, an investment of 204 mill. is expected to activate an investment of 348 mill.
 - ✓ The average investment ratio so far is 270,000 €/application and the average aid ratio is 149,000 €/per application
 - ✓ 52% of the aid approved is direct aid and the remaining 48% is loan.
 - ✓ Action taken on the outer walls has already accounted for 95% of the aid, so it is expected that around 194 mill. will arrive, which means activating 323 mill. in investment in the period 2018-2020.

There have been other programmes such as those spawned by the State Housing Plan (*Plan Estatal de Vivienda*) implemented by the Autonomous Regions or Local Councils, but the actions and information about the results are unequal.

Be that as it may, these findings indicate that well-run energy renovation programmes that have been implemented for some time and with guarantees for the sector, are successful, and instead of being regarded as aid and subsidy programmes, they should be considered investments for the State.

General renovation plans

Apart from improvements in energy efficiency, water efficiency and the reduction in greenhouse gas emissions, the rest of the refurbishments and renovations, which usually depend on individuals' initiative, have multiplying effects similar to those explained above.

It must be remembered that we have to prepare the buildings used by the Public Administration and Health Authorities, as well Hotels, etc., to emerge from this crisis while at the same time putting across the image of a safe and quality country to visitors. Any improvement in this sense is crucial at the moment.

Proposals

We believe that a **Comprehensive State Energy Renovation Plan**, spearheaded by the Central Government, has to be one of the essential measures that are adopted to emerge from the crisis that COVID-19 has caused. Domestic and

European experience with similar plans vouch for the short- and medium-term results.

Furthermore, a Renovation Pact on a State level, including the General Renovation Plans, would stabilise the actions, make firms feel secure and give continuity to the works. As has been seen in other European countries, all of this is absolutely essential.

The Plan should contain the following considerations:

- **Awareness campaigns,** making the general public aware through constant information in the mass media and with Government involvement.
- **Long-term programmes** (more than 10 years) with aid lines and financing for renovation works.
- **Minimum red tape.** This captures the users' and the sector's trust, technical and bureaucratic criteria are kept standardised and so are the results. The above-mentioned Madrid Region's Wall Renovation Plan, was managed by ANDIMAT, who provided the technical expertise, little red tape and immediate payment of the subsidy, which boosted trust in the sector.
- **Be imaginative with the aid.** Combine direct aid, financing or taxation options, instead of limiting them to one single possibility. Experience has shown us that there are many types of cases and that reaching the largest possible number of homes and citizens is what matters.
- **Special programme for households in an energy poverty situation.** With direct action or action delegated by the Administration and protected with agreements with the sector.
- **It must be possible to measure the results so we can evaluate the best practices.** There has to be a certifying technician who can take responsibility for the consequent energy saving.
- **The Administration must set an example in the buildings it owns and publicise its successful cases.**

Experiences in European countries confirm that building renovation aid programmes are successful in the long term, and that this will speed up citizens' and residents associations' decision-making processes. All of this means that in the long run citizens will become aware and accustomed to investing in constantly improving their homes so that in the future this can be done with no need for aid or incentives.

EXPORT PROPOSALS

The Construction Materials Industry made a huge effort, as can be seen from the second graph in this document, going from □ 13,346 Million exported in 2009 to □ 24,842 Million in 2019, leading to a positive trading balance for Spain of around 0.6% of the GDP.

In this complex international situation, a drop in export figures is already forecast, but a diplomatic-economic effort must be made to try and hold onto the markets that were so difficult to make inroads into in the first place.

Hence the request for a **special ICEX Plan for the Internationalisation of Construction Materials, with multilateral components, especially towards Latin America and Africa.**

ECONOMIC APPRAISAL OF THE PROPOSALS.-

As was indicated in the Section “Macroeconomic Targets”, the European Commission is required to make a special effort to help by financing both the debt of its Member States and activating expenditure policies.

When the various proposals are broken down, it can be seen that the global one **would require increasing by 3% GDP for 3 years** investment in Plan D reconstruction for civil works, Public Social Housing Plan, Refurbishment and Renovation Plan, Non-Residential Building Reconstruction Plan and ICEX Multilateral Construction Product Internationalisation Plan, charged to the European Union Special Funds Plans.

This would mean **500,000 direct jobs and 50% tax return** (actual investment 1.5% more GDP)

There would also be the positive impact on other sectors of the Spanish economy.

PROPOSED PLAN FOR PAYMENT TO SUPPLIERS AND PRIVATE ARREARS CONTROL

This proved to be the best measure taken during the 2008 crisis, because it quickly injected cash without increasing the State debt.

There cannot be Public Administrations with surplus without having paid all their creditors.

For decades, customers have been subjecting the Construction Materials Industry an intolerable and unfair lengthening of the payment deadlines, and this situation is being further aggravated in these times of crisis. **The Main Contractor cannot be allowed to receive advance payments for works certificates without utilising those advances payments to pay their suppliers of material.** Therefore, what is required is implementation of the recommendations issued by the Treasury's Independent Review & Supervision Public Contracting Office of the Treasury, in its first Report on public contracting in Spain:

*"...it would be advisable for the subcontracting information to include when awarding the lot (or contract), what it concerns, **also including the firm responsible for that subcontracting**, especially when one takes into account the fact that with the Public Sector Contracts Act (hereinafter the LCSP), the possibility, and where relevant, obligation, has been included for the contracting bodies to **verify and check that the payments the successful bidders for the public tenders have to make to all the participating subcontractors or suppliers are strictly complied with**.*

*In this sense, the problems that, amongst others, are identified regarding subcontracting are, on the one hand, information about the percentage contracted by the contracting bodies and the potential impact of this on free competition or concurrence at the tenders. And, on the other hand, **the payment, or to put it another way, the lack of payment, to the subcontractors or suppliers by the successful bidder.***

3. Control over the payment of the subcontractors or suppliers. One of the problems transferred to this Office by representatives of the private sector is controlling payment to the subcontractors and suppliers with delays well above what is required of Public Administrations and other contracting bodies with respect to the successful bidders in Act 3/2004, dated 29th December, which establishes measures for combating arrears in trading operations.

In this sense, the LCSP not only contains in Article 217 the possibility of controlling that was set out in the repealed Art. 228 (ii) of the TRLCSP64, it includes a second section establishing that "it will be mandatory for Public

Administrations and other contracting public bodies to check these payments, in the works contracts and service contracts when their estimated worth exceeds 5 Million Euros and in contracts where the subcontracting amount is equal to or greater than 30% of the contract price, with respect to payments to subcontractors who have contractually accepted with the main contractor, the commitment to perform certain parts or units of the works”.

As the standard has made this new requirement and this has caused complaints, the Independent Contract Regulation & Supervision Office (hereinafter OIReScon) has considered it necessary to supervise exactly how this new obligation is being fulfilled by the contracting bodies.

To be specific, the contracting bodies’ obligation consists of requesting, in all cases, a receipt showing compliance with the payments within the legally established payment periods for the subcontractors and suppliers once the provision has been completed, and on considering that obligation a special performance condition, non-fulfilment will be subject to the payment of penalties which can be extracted from the definitive guarantee. Those obligations, as established by the LCSP, must be included in the tender notifications and in the respective specifications or in the contracts.

In such cases, the successful bidders will send to the contracting public body, when the latter so requests, a detailed list of the subcontractors or suppliers participating in the contract when their participation is confirmed, together with the subcontracting or supply terms and conditions for each one of them, and this must be directly related to the payment deadlines. Furthermore, they shall, on request from the contracting public body, submit a receipt showing compliance with the payments to those subcontractors or suppliers once they have completed their provision within the payment periods legally established in Article 228 and in Act (Ley) 3/2004, dated 29th December, where this applies to them. These obligations, which will be included in the tender notifications and in the sets of specifications or in the contracts concerned, are considered to be essential performance conditions, whose non-fulfilment, apart from the consequences envisaged by the legal system, will involve the imposition of the penalties contained for that purpose in the specifications”.

*Furthermore, in view of the lack of information on the platforms about the implementation of contract or the payments arising therefrom, it has not been impossible to obtain this information, so **it would only be possible to obtain it by accessing information systems that contain the performance phase of the contract concerned, or by referring directly to the contracting body.***

All in all, it is not possible to supervise (or control, where applicable) this point systematically and automatically, without there being an adaptation of the

information systems and without the due diligence of the contracting body when publishing the information.

*In this sense, it would not only be necessary for the amount or percentage eventually subcontracted to be expressly indicated, but also to **include in the records all the information and documentation needed to accredit payment to subcontractors and suppliers. However, neither is this aspect expressly contained in the LCSP, although it is highly recommendable that it should be.***

So, if we analyse Article 217 of the LCSP, it clearly establishes:

- *What: the obligation to ask for the receipt indicating that the payments have been made*
- *When this must take place: once the service has been completely provided*
- *The consequences of non-compliance: possible imposing of penalties and these being taken from the definitive guarantee in the same proportions.*

Such clarity makes it recommendable for the Public Administrations and any other contracting bodies to compulsory include, the receipt required from the successful bidder concerning payment to the subcontractors and suppliers.

If this receipt is included, this will make it possible for this to be controlled when the contract is received, and, so, when the contracting body gives the go ahead for the works, supplies or service, and all of this will be consistent with the procedural moment indicated in the aforementioned Article 217 of the LCSP.

*In this sense, **it would appear advisable to recommend not only the inclusion of the checking of the receipt for payment to subcontractors and suppliers, in the basic requirements to be carried out by the contract controller in the public sector, in application of Articles 152 and 147 of Ley 47/2003, dated 26th November, the Budget Act, but also to apply it in the Autonomous Regions in compliance with the Finance or Public Finance Acts,** which regulate, where necessary, the taxation of basic requirements or the possibility of establishing it, locally, and in compliance with Section 2 of Article 13 of Royal Decree 424/2017, dated 28th April, which regulates the internal system for internal control over Local Public Sector bodies, regardless of whether there has been an agreement beforehand at the Plenary Session of the Local Body about the controlling of the taxation system. In any case, the points established at the Cabinet Meeting Agreement, will be considered to be in force at all times.*

Therefore, it would be the Bodies responsible for the economic-financial control. i.e. the Intermediations, that would control, as well as controlling the rest of the verifiable matters at the “partial delivery and settlement” phase (or its equivalent), that the contracting bodies have correctly checked that the subcontractors and suppliers have actually been paid, and paid before the payment deadline.

To be consistent with Section 2 of Article 217 of the LCSP, such a check would be limited to the service and works contracts where the subcontracting accounts for 30% or more whose estimated value exceeds 5 Million Euros.

This control would make it possible to obtain data and information concerning compliance, and, so, it would enable the user to monitor and analyse such data in order to assess the possibility of increasing the sphere of application to the second paragraph of Section 2 of the aforementioned Article 217 of the LCSP. None of this would affect any other supervisory actions that the empowered bodies might choose to take in this sense, such as the OIREscon, for example.

Apart from what is stated in the preceding paragraph, what is set out in the contents of Additional Provision 51 of the LCSP concerning direct payment to the subcontractors must not be forgotten. This provision enables the contracting body to envisage the possibility of being able to make the payments directly to the subcontractor on the main contractor's account.

It would seem consistent with this provision, to recommend to the contracting bodies that in those contracts subject to the obligations to check payments mentioned in Article 217.2 of the LCSP, that they should regulate in the sets of specific administrative clauses, expressly and adapted to the purpose of the contract:

- On the one hand, the potential penalties associated with non-compliance with those payments.*
- On the other hand, the possible direct payment to the subcontractor or supplier, whether this is directly, or in a subsidiary way to the non-payment by the main contractor”.*

CEPCO endorses the conclusions reached by the OIREsCON and its comments, foreseeing the need to apply its suggestions to contracts worth less than 5 MM €

With respect to private contracting, **the implementation of electronic invoicing and the supervision of VAT accrual** are necessary controls that the Administration must implement to resolve this serious, unfair, distressing and anti-economic matter.

About CEPCO

The Confederación Española de Asociaciones de Fabricantes de Productos de Construcción (CEPCO), is composed of 15 of the major National Associations of Construction Product Manufacturers, each one representing a group of materials. This means that in 2020, the Confederation represents the interests of 4,000 Companies, 34,000 indirectly, and over 370,000 workers, 13% of Spanish Industry, and with exports amounting to \square 25,000 Million in 2019, 8.75% of the Spanish economy.



Mineral Wools



Waterproofing



Precast Concrete



Insulating Materials



Prepared Concrete



Casting



Wall Tiles and Ceramic Paving



Windows and Walls



Plastic Products



Gypsums



Aggregates



Steel



Natural Stone



Bricks, Roof Tiles and Baked Clay



Cement