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**REPORT**

# **SPAIN AFTER THE APRIL 28 ELECTIONS**

Madrid, 20 April 2019

## INTRODUCTION AND CONTEXT

Pedro Sanchez, secretary-general of the center-left Spanish Socialist Worker Party (PSOE), took office as Prime Minister on June 1, 2018. He took this position following a censure motion against sitting Prime Minister Mariano Rajoy of the center-right Popular Party (PP). In the nine months that Sanchez has headed the government, legislative activity has been limited to completing a few bills that were already being processed and governing through Royal Decrees, a legislative tool which, according to Spanish law, should be reserved for urgent matters.

### **“Due to the budget bill’s failure Feb. 15, Pedro Sanchez announced elections would occur April 28”**

The 2019 budget was rejected in February, though approving the yearly budget is one of the Spanish government’s most important duties. Its rejection meant the majority who voted for the censure motion could not offer a practical way to complete the legislature. PSOE and Unidos Podemos had signed a bill without the support of the two Catalan independence parties, PDeCAT and ERC.

Dec. 2, 2018, Vox (a party created December 2013) emerged as an influential force in

Andalusia’s parliament, changing the electoral landscape in Spain. This party joined the extreme right in Europe, alongside France’s National Rally party. Its success in Andalusia, Spain’s most populous region, was mainly due to debate on the country’s national identity, brought to the forefront by tensions in Catalonia and immigration. In these elections, a high percentage of voters from the left abstained, opening the door for the three right-wing parties (PP, Ciudadanos and Vox) to put an end to 35 years of socialist governance in the region.

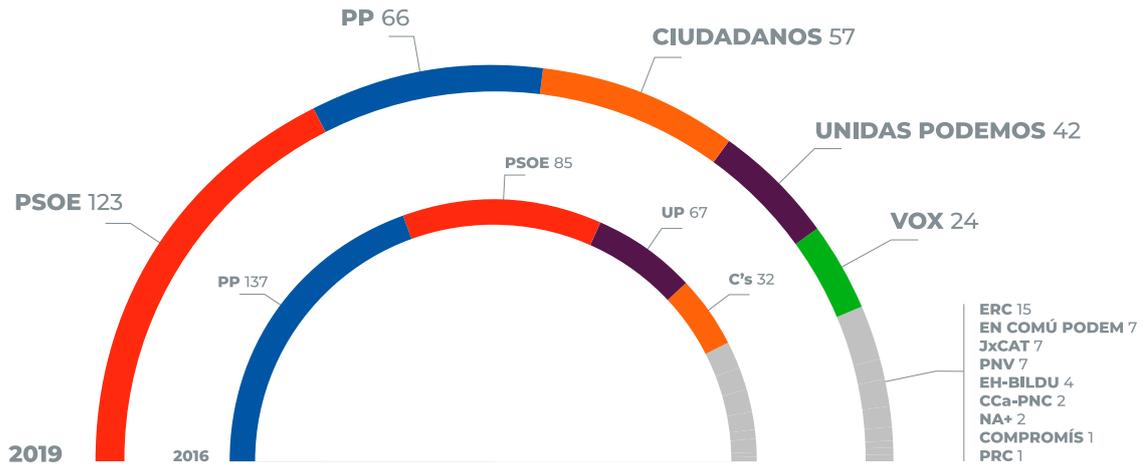
The possibility of seeing similar political shifts on a national level led to a massive mobilization of left-wing voters, who see Vox as a party rooted in Franco’s dictatorial regime. For the PSOE, this particular debate was a convenient distraction from negotiations with Catalonia’s independence parties, another topic that divided voters and could have led to abstention, similar to what occurred Dec. 2.

Due to the budget bill’s failure Feb. 15, Pedro Sanchez announced elections would occur April 28. Two weeks later, March 1, he dissolved Parliament, including both the Congress and Senate.

Even after a long pre-campaign period and the 15 days legally set aside for the election campaign itself, it was unclear whether any party would be able to form a majority right up until election day. April 28, a total of 36,893,976 Spaniards were eligible to vote in an election with no clear foreseeable outcome.

## ELECTION RESULTS

Last April 28, general elections were held in Spain. The election produced the following breakdown of seats in Congress (the chamber with the power to elect the President of the Government).



Party	Members of Parliament	Votes	%
PSOE	123	7,480,755	28.70 %
PP	66	4,356,023	16.70 %
CIUDADANOS	57	4,136,600	15.86 %
UNIDAS PODEMOS	35	3,118,191	11.95 %
VOX	24	2,677,173	10.26 %
ERC	15	1,015,355	3.89 %
EN COMÚ PODEM	7	614,738	2.36 %
JxCAT	7	497,638	1.91 %
PNV	6	394,627	1.51 %
EH-BILDU	4	258,840	0.99 %
PNC	2	137,196	0.53 %
NA+	2	107,124	0.41 %
COMPROMÍS	1	172,751	0.66 %
PRC	1	52,197	0.20 %

In the Senate, the PSOE won an absolute majority. This chamber has less legislative power than Congress, but still has two key legislative responsibilities. The Senate approves the spending cap, a step toward approving the budget and reducing deficit, as required by the European Union, and is responsible for applying Constitutional article 155, which confers the ability to suspend a regional government, as occurred in Catalonia in 2017.

With these results (after close to 100 percent of votes have been counted), we can offer some conclusions:

- Prime Minister Pedro Sanchez has the best possible situation to run for office again. He increased his party's representation in Congress by 40 seats to more than 120, up from the 84 he achieved in 2016. Even with these new seats, however, he will not find it easy to earn sufficient support in the parliamentary confirmation vote, as he still must secure the vote of the independence parties.



- The Popular Party has suffered a significant loss of votes, losing more than half of its members of parliament (falling from 134 to 66).
- Ciudadanos (center-right liberal) has gained support and is now less than one point behind the Popular Party, with only 8 fewer members of parliament..
- Unidos Podemos (leftist) lost a significant portion of its representation, although the drop has been less than predicted.
- Vox (new conservative right party) has become the fifth-largest parliamentary force, but it is not yet the leading right-wing party, as some predicted it would be.

## POSSIBLE GOVERNANCE SCENARIOS

With apparently irreconcilable positions between parties, vetoes are likely to arise from among the most centrist positions. There are doubts regarding whether new legislature will be able to pass. The election results show blocs with little chance of reaching compromises. If we consider each party's rhetoric to be unchangeable, the potential results for the country's governability would, hypothetically, be:

- A repeat of the censure motion's majority, with PSOE, UP and the necessary nationalist seats. Whether it will be a coalition government or one run by just the PSOE remains to be seen.
- Despite the public rejection of Ciudadanos, a second option could be PSOE and Ciudadanos.
- There is a possibility of new elections this Autumn after an unsuccessful negotiation. Should this happen, it seems likely the outcome would, again, lack a clear majority, and could perhaps strengthen the major parties in each bloc.

It is important to highlight that most of the sources consulted assume there will be no central government until the regional and municipal governments are decided. The pattern of blocs and vetoes will continue until alliances are established in the regions. However, it is likely the PSOE and Unidos Podemos will announce the investiture agreement before the May 26 elections.

In coming weeks, informal talks will begin between party leaders to form a majority before the Congress is constituted May 21. In this negotiation, it is not expected to be complicated for PSOE and Podemos to gain control of the bench or prevent a socialist from becoming



president of the chamber. Regional elections will be held May 26, and they will indicate whether the trend in these elections will continue, or if the right will manage to maintain control of some governmental positions as a counterbalance to the central government. The results in the municipality of Barcelona will be especially relevant. If there is an agreement between left-wing forces, it could open up a new electoral avenue for the Catalan region. Instead of a pact between pro-independence parties, one between ERC, Comuns and PSC could ease relations with the Spanish government.

If an alternative to “Gobierno 1” (PSOE and Unidos Podemos) is finally established, the legislature will still maintain the tensions experienced in recent months. Necessary agreements with nationalist parties will be a key talking point in right-wing parties, which will have to manage discourse against the left-wing government while keeping these next elections in mind.

## CHALLENGES FOR THE NEW GOVERNMENT

In the short term, there are three principle matters the new government must manage:

- A formula that allows it to govern.
- Institutional tensions with the regional government of Catalonia.
- Economic slowdown.

These short-term challenges will influence the management of issues that are unavoidable in the near future. This includes the most bureaucratic legislations, such as the incorporation of European directives into Spanish law and economic challenges related to reorganizing public accounts, which are going through an ecological transition.

The 13th Legislature will be marked by uncertainty, with numerous challenges. The end of the positive economic cycle, gradual rise in interest rates in the Eurozone and less

favorable international economic scenario will define the environment in which this divided Spanish government must operate. A Spanish government that lacks a solid parliamentary majority will have to work in coalition with some key partners (Unidos Podemos) that will want to impose their reform agenda, one in opposition—especially regarding economic matters—to the European Union’s orthodoxy. The outstanding issues are in no way minor, and room for action is more limited than one might think. This new government will have to have initiative, quick reflexes and solid negotiating skills to face these challenges.

In addition to the three short-term challenges mentioned above, there are nine key issues in the medium-term. We analyzed the likelihood of success for the solutions proposed by the main parties for the 13th Legislature on the following issues:

- Labor market, with a focus on reversing the labor reform approved by Mariano Rajoy’s administration.
- Pensions.
- Energy transition.
- Industrial and SME policies.

- A financial system with possible mergers and the re-privatization of Bankia.
- Overhauling regional finances, especially relevant now that regional governments manage social policies, which take up the biggest share of the budget.
- Policy on Europe, with a European Union that needs to renew its budget model and make progress in areas such as energy and fiscal alliances.
- Incorporating European directives into Spanish law, which is currently seriously behind schedule and could lead to heavy fines.
- Spain’s historical legacy, including matters such as the exhumation of Francisco Franco.

In addition to these issues, there are others always on the government’s agenda since its transition to democracy. The government must be prepared to address issues such as the sustainability of the public health system, improvements in education, adapting to the demands of a digital society and the reform and modernization of the justice system.

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