4 Investment aid and incentives in Spain

With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing a broad range of aid instruments and incentives specially targeted at boosting indefinite term employment, regional investment and research, development and technological innovation (R&D and TI).

Furthermore, since Spain is an EU Member State, potential investors are also able to access European aid programs, which provide further incentives for investing in Spain.

4

Investment aid and incentives in Spain

1. Introduction

With the aim of promoting investment, employment, competitiveness and economic growth, the Spanish State and all other public authorities have been developing and consolidating an extensive and complete system of aid instruments and incentives especially targeted at boosting indefinite-term employment, regional investment and at research, development and technological innovation (R&D&I).

Furthermore, since Spain is an EU Member State, potential investors are able to access European aid programs, which provide further incentives for investing in Spain.

These investment aid measures can be classified as follows:

- State incentives for training and employment.
- State incentives for specific industrial sectors.
- Incentives for investments in certain regions.
- State incentives for innovative SMEs.
- Preferred financing from the Official Credit Institute (*Instituto de Crédito Oficial* or *ICO*).
- Incentives for internationalization.
- EU aid.

Most of the aid that can be obtained from the various agencies depends largely on the specific characteristics of each investment project (*i.e.* the better the prospects of the project, the more possibilities there are of obtaining financing and aid).

Furthermore, the **ICEX-Invest in Spain** website (www.investinspain.org) offers a search engine for public aid and subsidies granted in Spain. Using this tool, companies can gain easy access to updated information regarding the grants available for their investment projects. Also, this same tool now includes an automatic alert system for aid and subsidies tailor-made to each user.

In any case, this Chapter should be read bearing in mind that the declaration and successive extensions of the state of emergency caused by the COVID-19 public health crisis may, in some cases, have entailed the suspension or interruption of the administrative time periods in which certain tenders by public sector entities are to be processed and, accordingly, the related calls for applications for subsidies, aid programs or habitual lines of financing may have been delayed.

On the other hand, the state of emergency has also favored the adoption of exceptional measures aimed at mitigating its economic impact (e.g., extension of execution and justification deadlines, changes in loan repayment schedules, more flexible compliance criteria, etc.), with the ultimate purpose of enabling the beneficiaries of such incentives or aid to perform their related commitments and obligations. Accordingly, in the various categories of investment support measures found in this Chapter, references are made to specific provisions of special significance that have been adopted in the context of the public health crisis.

Bearing the foregoing in mind, and notwithstanding the tax incentives analyzed in other chapters (essentially investment tax credits – for further information go to Chapter 3, section 2 –), the main State incentives for investors are described on the following pages.

2. State incentives for training and employment

These incentives, which form part of the Government's employment promotion policy, can signify important savings in labor costs and are divided into three types:

- Training incentives.
- Employment incentives.
- Local employment initiatives (no time limit).

2.1 TRAINING INCENTIVES

Law 30/2015, of September 9, 2015, regulating the Vocational Training for Employment System in the area of employment, (and previously Royal Decree Law 4/2015, of March 22, 2015, for the urgent reform of the Vocational Training for Employment System in the area of employment), regulates the training incentives system currently in force, with the following main goals: (i) to guarantee that workers, employees and unemployed workers, in particular the most vulnerable, can exercise their right to training; (ii) to contribute effectively to the competitiveness of Spanish companies; (iii) to increase collective negotiation aimed at bringing the offer of training initiatives into line with the demands of the productive system; and (iv) to offer efficiency and transparency in public resources management.

The vocational training for employment system is aimed at companies and workers anywhere in Spanish territory. It is an initiative based on coordination, collaboration and cooperation between the Central Government, the autonomous communities, leading business associations and trade union organizations, and other agents, and it aims to guarantee the unity of the market and ensure that a strategic approach is adopted in relation to training, while at the same time respecting, naturally, the existing distribution of powers in this respect.

Such system is to be financed by the vocational training for employment contributions paid by companies and workers in accordance with the provisions of the annual General State Budget Laws, by the contributions included in the budget of the State Public Employment Service, and by whatever own funds the Autonomous Communities may decide to allocate to it within the framework of their own budgets.

According to the definition provided in Law 30/2015, a training initiative refers to any of the forms of training for employment which are intended to provide an immediate response to the different individual needs and needs of the productive system, and such initiatives should be geared, specifically, towards promoting the acquisition, improvement and ongoing updating of vocational skills and qualifications, favoring training throughout the entire working life of the active population, conjugating the needs of people, of enterprises, of territories and of productive sectors.

Based on this premise, the training initiatives considered eligible for financing within the framework of the vocational training for employment system currently in force must conform to any of the following four types (which are regulated in detail in Royal Decree 694/2017 of July 3, 2017 containing the implementing regulations for Law 30/2015):

- **Programmed training offered by employers to their workers**: Training initiatives that seek to respond to the real, immediate and specific training needs of employers and their workers, able to be carried out directly by employers or entrusted to an external agency accredited and/or registered at the appropriate registry.

- **Training offered by the relevant authorities to employed workers**: Aimed at fulfilling needs not covered by the programmed training offered by employers to their workers. These training initiatives are targeted at employed workers and take the following into consideration: (i) a company's productivity and competitiveness requirements; (ii) the need to adapt to changes at the workplace, and (iii) workers' aspirations for professional promotion and personal development.

- **Training offered by the relevant authorities to unemployed workers**: Training initiatives for unemployed workers in line with individual training needs and with the needs of the production system, aimed at enabling workers to acquire the skills which are required by the job market, thus improving their employability.

- **Other vocational training initiatives (including, inter alia, individual leaves of absence for training and work-linked training)**: Training initiatives aimed at favoring a worker's professional and personal development, while responding to the needs of the labor market.

With respect to **programmed training offered by employers to their workers** and **individual leaves of absence** from work, employers are eligible - for the financing of the costs generated in the provision thereof - for a so-called "*training credit*", of which they may avail themselves through reductions to the corresponding employer social security contributions, applicable in line with the communication by the employer of the completion of the training initiatives provided.

The amount of this training credit will depend on the amount of the vocational training contributions paid in by each company in the previous year, and on the percentage stipulated annually in the General State Budgets Law*, depending on the size of the company, with the guarantee of a minimum training credit linked to the number of employees a company's workforce, which can be higher than the vocational training contributions paid by the company into the social security system. Companies shall contribute with their own resources to the financing of their workers' training with a variable percentage of 5% (for companies with between 6 and 9 employees), 10% (10 to 49 employees), 20% (50 to 249 employees) or up to 40% (250 or more employees).

Finally, it should be noted that the amount of the credit, and therefore the reduction which companies can apply to their contributions, varies according to the type of training provided:

	FEATURES OF THE AID	AMOUNT (ADDITIONAL PROVISION 124 LGPE 2018) *
Own training programs	Reductions in employer social security contributions so that the worker can take part in programs aimed at improving his qualifications.	The result of applying the following percentages, according to number of workers, to the amount paid in the preceding year as employer contributions to vocational training: 100% (between 6 and 9), 75% (between 10 and 49), 60% (between 50 and 249) and 50% (more than 250). For companies with between 1 and 5 workers and for newly formed companies or companies opening new workplaces with new workers, reductions of €420 are established for the first case and of €65 for the second, applied to the number of new workers.
Individual leaves of absence for workers	Reductions in employer social security contributions for companies granting individual leaves of absence for training to their workers.	Equal to the salary costs of the leaves of absence granted, with certain limits established by Ministerial Order (*TAS/2307/2007*)**, according to size of company. As an example, for 2020 the limits will be between the amount equal to the costs of 200 hours, for companies with between 1 and 9 workers, and the amount equal to the costs of 800 hours, for companies with between 250 and 499 workers, increased by another 200 hours for each 500 workers more on the workforce. During 2020, total credits granted under this section may not exceed 5% of the Public State Employment Service budget for the financing of reductions in employer social security contributions for vocational training for employment.

* *The amount of the 2020 reductions had not been stipulated by the date on which this Chapter was prepared, given that the 2020 General State Budgets Law had not yet been approved; accordingly, in principle, the amounts stipulated in the most recently approved General State Budgets Law, i.e. that approved for 2018, could be deemed to have been extended.*

** *According to information obtained from the authorities, until new limits are approved by Ministerial Order, those that are currently in force will continue to be applied, in this case those of Ministerial Order (TAS/2307/2007).*

On the other hand, so that public commitments in this respect can be met and training initiatives aimed at both active and unemployed workers can be carried into effect, Law 30/2015 establishes a system of public subsidies, awarded through a competitive process, in which all training entities which meet the requirements in terms of accreditation and/or registration stipulated in the applicable legislation can take part. In the case of training programs entailing a hiring commitment, the process is open to companies and entities which undertake to formalize the corresponding contracts in the terms stipulated in the pertinent regulations.

The specific conditions to be met to be eligible for such subsidies are established by the Ministry of Employment and Social Economy in the corresponding Order.

Order *TMS*/368/2019, of March 28, 2019, implementing Royal Decree 694/2017 of July 3, 2017, which in turn implemented Law 30/2015 of September 9, 2015 regulating the Vocational Training for Employment System, currently applies to the training initiatives offered by the relevant authorities and their financing, and establishes the regulatory specifications for the grant of public subsidies to be used for said financing.

Pursuant to Order TMS/368/2019, the training initiatives offered by the relevant authorities to employed workers must be implemented through (i) industry-wide training programs; (ii) transversal training programs; and (iii) professional qualification and recognition programs.

The training initiatives offered by the relevant authorities to unemployed workers are to be implemented through (i) training programs offered by the public employment services, aimed at meeting the training needs detected in personalized insertion itineraries, in job offers and in the annual report; (ii) specific training programs targeted at unemployed workers with special training needs or difficulties for their insertion or professional requalification; and (iii) training programs including commitments to hire.

The regulations of Order *TMS*/368/2019 exclude, *inter alia*, training programmed offered by companies to their own workers and individual training leave, which will be regulated and financed pursuant to Law 30/2015, and to Royal Decree 694/2017, mentioned above.

HOW TO GIVEN	AMOUNT
Classroom	€13
Teletraining	€7.5
Mixed	The foregoing units will be applied having regard to the hours of classroom training and teletrainig in the training initiative.

The maximum and minimum limits for each specialization included in the Catalog of Training Specializations will be set by regulation and will include the possibility of adjusting the specific units established by the relevant authorities for their management area*. Nonetheless, until these regulatory limits are set, the following could be considered the maximum general economic units, as set forth in Schedule I of the Order.

* *In this connection, the Cataluña Autonomous Community has approved Decision TSF/578/2020 of March 2, 2020, updating the economic units applicable to the vocational training for employment initiatives targeted primarily at unemployed workers, promoted by the Cataluña Public Employment Service.*

** *The public authorities may increase these amounts by up to 50%, depending on the singular nature of certain training initiatives which, given their specialization and technical characteristics, require greater financing.*

Lastly, training initiatives not related to professionality certificates, targeted at unemployed workers, may include the performance of unpaid work experience at companies, linked to the training initiatives and related to their training content, subject to the execution of an agreement between the company and the training entity. In this context, companies can receive, as a direct concession, additional economic compensation per student per training hour, with a maximum amount of €6.00.

2.2. EMPLOYMENT INCENTIVES

The Spanish Central Government offers an extensive catalog of aid, consisting mainly of **reductions in social security contributions, aimed at promoting new stable or indefinite jobs** (especially for unemployed persons included in groups such as women in general, young people aged 16-30, the long-term unemployed, unemployed persons over the age of 45 and persons with disabilities).

Furthermore, **on an exceptional basis, certain reductions in social security contributions are instrumented for temporary contracts executed with workers with disabilities or with socially-excluded individuals**, (provided that in both cases they are unemployed and registered as job seekers at the Employment Office), as well as with **persons who provide evidence of having been a victim of gender-based violence**.

Where the indefinite-term or temporary contract is part-time, the incentive will be the result of applying to the incentives stipulated for each case, a percentage equal to the percentage of the working day stipulated in the contract, increased by 30% (the result of which may in no case exceed 100% of the total amount, except in connection with incentives for hiring persons with disabilities through special employment centers).

The catalog of aid for the formalization of contracts, the basic parameters of which were just described above, is very extensive, as it varies according to the ample number of types of existing contracts and the specific features of each of them. Most of these incentives are set forth in Law 43/2006, on improved growth and employment, as well as in Law 3/2012, on urgent measures to reform the job market, which, among other objectives, are aimed at rationalizing the system of incentives for hiring under indefinite-term contracts, with a view to correcting some of the inefficiencies detected, in practice, in recent years.

More information on the aid and reductions envisaged for each type of contract may be found at the website of the State Public Employment Service (http://www.sepe.es).

The following is a summary of the main reductions, currently applicable, for the hiring of workers:

A. Incentives for hiring under indefinite-term contracts (pursuant to the provisions of Laws 18/2014, 43/2006 and 3/2012 and to Royal Decree 8/2019)

GROUPS	DESCRIPTION	ANNUAL AMOUNT (€)		DURATION
Beneficiaries of the National Youth Guarantee System*.	Young persons over the age of 16 or under the age of 30 (arts. 88 and 107 of Law 18/2014, of October 25, 2014, approving urgent measures for growth, competitiveness and efficiency).	Full time.	Part time.	6 months.
		1,800	1,350 in the case of working time equal to 75% or 900 in the case of working time equal to 50%.	
Long-term unemployed.	Persons who have been unemployed and registered at the employment office for at least 12 months in the 18 months prior to being hired (article 8 of Royal Decree-Law 8/2019 of March 8, 2019 on urgent social protection measures and to combat job insecurity in relation to working hours) ***.	Full-time.		3 years.
		Men.	Women.	
		1,300	1,500	
		Part-time.		
		Men.	Women.	
		Proportional to the working hours agreed upon in the contract.		
Special situations.	Socially-excluded workers (art. 2.5 Law 43/2006).	600		4 years.
	Socially-excluded workers who have finalized an employment contract with an employee insertion company during the preceding 12 months, and have not worked for another employer thereafter and are hired by an employer that is not an insertion company or special employment center (art. 2.5 Law 43/2005).	Year 1: 1,650 Year 2: 600 Year 3: 600 Year 4: 600		
	Victims of domestic violence (art. 2.4 Law 43/2006)****.	1,500		4 years.
	Victims of gender-based violence (art. 2.4 Law 43/2005)****.	1,500		4 years.
	Victims of terrorism (art. 2.4 bis Law 43/2006)****.	1,500		4 years.
	Victims of human trafficking (art. 2.4 ter of Law 43/2006)****.	1,500		2 years.

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* *This reduction will apply in all cases of workers hired between the time Royal Decree-Law 8/2014, of July 4, 2014 came into force, i.e., October 17, 2014, and June 30, 2016.*

** *For this incentive to be applicable, the company must keep the worker hired in employment for at least three years as from the start of the employment relationship. Similarly, the level of employment at the company reached with the contract entered into must be maintained for at least two years as from the date of its formalization. If these obligations are not met, the amount of the incentive must be refunded.*

NThe above requirements regarding the maintaining of employment levels are not considered breached in cases of termination of the employment contract on objective grounds or due to a disciplinary dismissal - where declared or acknowledged as being justified in either case - nor in cases of termination due to resignation, death, retirement or total, absolute permanent disability or comprehensive disability of the worker, or due to the expiry of the agreed term or the completion of the project or service forming the subject matter of the contract, or termination during the worker's trial period.

*** *Victims of gender-based and domestic violence, of terrorism and of human trafficking, do not have to meet the condition of being unemployed.*

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GROUPS	DESCRIPTION	ANNUAL AMOUNT (€)			DURATION
Persons with disabilities.	In general (art. 2.2.1 Law 43/2006).	Men < 45 years.	Women < 45 years.	Men and women aged over 45.	Throughout the term of the contract.
		4,500	5,350	5,700	
	In case of severe disability (art. 2.2.2 Ley 43/2006).	5,100	5,950	6,300	
Conversion to indefinite.	Conversion of temporary contracts for job creation executed with persons with disabilities, or of training contracts executed with disabled workers into indefinite-term contracts (art. 2.2.1 Law 43/2006).	Men < 45 years.	Women < 45 years.	Men and women aged over 45.	Throughout the term of the contract.
		4,500	5,350	5,700	
		5,100	5,950	6,300	
	Conversions of work-experience, handover and replacement due to retirement contracts into indefinite-term contracts (art. 7 Law 3/2012) *****.	Men.	Women.		3 years.
		500	700		
	Conversion of vocational training and apprenticeship contracts, regardless of the date of execution, into indefinite-term contracts (art. 3.2 Law 3/2012) ******.	1,500	1,800		
	Conversion of contracts executed with socially-excluded workers into indefinite-term contracts (art. 2.6 Law 43/2006).	600			4 years.
	Conversion of contracts executed with Socially-excluded workers who have finalized an employment contract with an employee insertion company during the preceding 12 months, and have not worked for another employer thereafter and are hired by an employer that is not an insertion company or special employment center into indefinite-term contracts (art. 2.6 Law 43/2006).	Year 1: 1,650 Year 2: 600 Year 3: 600 Year 4: 600			
	Conversion of contracts executed with victims of domestic violence into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500			
	Conversion of contracts executed with victims of gender-based violence into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500			
	Conversion of contracts executed with victims of terrorism into indefinite-term contracts (art. 2.6 Law 43/2006).	1,500			

**** *Potential beneficiaries of these reductions are employers with fewer than 50 employees at the time of hiring, including independent professionals and worker-owned enterprises or cooperatives joined by employees as working or business partners, provided that the latter have chosen a social security scheme for employees. In the case of workers hired under work-experience contracts and made available to user companies, said companies will be entitled, on the same terms, to identical reductions where, without a break in continuity, they arrange an indefinite-term employment contract with those workers.*

***** *Starting on January 1, 2017, the social security contribution relief will consist of a reduction, where those hired are workers registered under the National Youth Guarantee System who meet the requirements imposed under article 105 of Law 18/2014, of October 15, 2014, approving urgent measures for growth, competitiveness and efficiency, said reduction being applied on the same terms as those of the reductions stipulated under article 3 of Law 3/2012 (article 3.5 Law 3/2012).*

B. Incentives for hiring under temporary contracts (pursuant to the provisions of Law 43/2006)

GROUPS	DESCRIPTION	ANNUAL AMOUNT(€)				DURATION
Persons with disabilities hired under temporary contracts to foster employment (art. 2.2.4 Law 43/2006).	In general.	Men < 45 years.	Men > 45 years.	Women < 45 years.	Women> 45 years.	Throughout the term of the contract.
		3,500	4,100	4,100	4,700	
	Severe disability.	4,100	4,700	4,700	5,300	
Socially-excluded persons (art. 2.5 Law 43/2006).		500				
Victims of gender-based or domestic violence (art. 2.4 Law 43/2006).		600				
Victims of terrorism (art. 2.4 bis Law 43/2006).		600				
Victims of human trafficking (art. 2.4 ter Law 43/2006).		600				

C. Incentives for hiring under indefinite-term contracts, under temporary contracts or for conversion into indefinite-term contracts through special employment centers (pursuant to the provisions of Law 43/2006)

GROUPS	ANNUAL AMOUNT	DURATION
Unemployed persons with disabilities hired under temporary or indefinite-term contracts through special employment centers (art. 2.3 Law 43/2006).	100% of the employer's social security contributions, including contributions for occupational accidents and sickness and joint collection contributions.	Throughout the term of the contract.

D. Incentives for training and apprenticeship contracts (article 3 of Law 3/2012)

GROUPS	DESCRIPTION	ANNUAL AMOUNT	DURATION
Unemployed persons registered as job seekers with the Employment Office.	For contracts executed after July 8, 2012.	Reduction in employer's contribution to social security for common contingencies, including those relating to occupational accidents and illnesses, unemployment, wage guarantee fund and vocational training, equal to 100% in the case of employers with fewer than 250 employees; and 75% in the case of employers with 250 or more employees (Article 3.1 Law 3/2012).	Throughout the term of the contract, including renewals.
	Regardless of the date on which they are executed.	Reduction in employer's social security contribution of €1,500 per year (€1,800 in the case of women) where training and apprenticeship contracts which have terminated are converted into indefinite-term contracts (Article 3.2 Law 3/2012).	3 years.

* *The employer social security contribution relief stipulated for training and apprenticeship contracts will consist of a reduction, where those hired are workers registered under the National Youth Guarantee System who meet the requirements imposed under article 105 of Law 18/2014, of October 15, 2014, approving urgent measures for growth, competitiveness and efficiency, said reduction being applied on the same terms as those of the reductions stipulated under article 3 of Law 3/2012 (article 3.5 Law 3/2012).*

The above does not preclude the reductions provided for in Order *ESS*/2518/2013 of December 26, 2013, regulating the training aspects of the contract for training and apprenticeship, whereby enterprises may finance the cost of training inherent in this type of contract through reductions in employer social security contributions. The maximum amount of these reductions will be the result of multiplying the economic module in question (face-to-face training: €8/hour; and distance training: €5/hour) by the number of hours equal to 25% of the working hours during the first year, and 15% of the working hours the second and third years.

However, when the persons hired are beneficiaries of the Youth Guarantee System, the reductions in employer social security contributions are increased. In these cases, Order *ESS*/41/2015, of January 12, 2015, establishes that the above-mentioned multiple will be increased to 50% of the working hours during the first year, and to 25% of the working hours the second and third years.

E. Incentives for indefinite-term employment and for independent professionals under Law 1/2015

Article 8 of Law 25/2015, of July 28, 2015, on the second chance mechanism, the reduction of financial burden and other social security measures, consolidated the incentive for indefinite-term employment and for independent professionals which had been introduced by Royal Decree-Law 1/2015, of February 27, 2015, on the second chance mechanism, the reduction of financial burden and other social security measures. This incentive consists of the possibility of reducing the employer social security contribution, in any of its forms, in cases of indefinite-term hiring. In order to be eligible for this incentive, companies must (i) be up to date on the performance of their tax and social security obligations; (ii) they must not have terminated employment contracts in the preceding six months; and (iii) they must execute indefinite-term contracts that entail an increase in the level of employment at the company; and (iv) maintain over a period 36 months not only the level of indefinite-term employment but also the level of total employment attained with such contracts.

The amount of the incentive can be up to €500, over 24 months, in cases of full-time hiring, and it is reduced proportionally based on the percentage of reduction in working time stipulated in each new contract.

Once the aforementioned period has elapsed, companies with fewer than 10 employees at the time they execute the contract qualifying for this contribution relief will be entitled to maintain the incentive throughout the following 12 months, although during this period, they may only apply the reduction up to the first €250 of the contribution base, (or, where appropriate, the relevant amount reduced proportionally, in cases of part-time hiring).

Nonetheless, this incentive will not be applicable to certain employment relationships, such as special employment relationships (senior management, etc.) or to those that affect the spouse, ascendants, descendants and other persons related by consanguinity or affinity, or to the hiring of employees who had been hired by other group companies, among other cases.

Lastly, the application of this incentive will be incompatible with the application of any other social security contribution reduction in respect of the same contract, other than the relief envisaged for hiring beneficiaries of the National Youth Guarantee System or the economic aid to beneficiaries of the Employment Activation Program under indefinite-term contracts.

F. Support for the employment of seasonal workers with indefinite-term contracts in the tourist industry under Royal Decree-Law 7/2020

Pursuant to Article 13 of Royal Decree-Law 7/2020, of March 12, 2020, adopting emergency measures to respond to the economic impact of COVID-19, companies engaging in activities forming part of the tourist industry, as well as the trade and hospitality industries related thereto, will be eligible for a 50% reduction, applicable in February, March, April, May and June, in the employer social security contributions for common contingencies, as well as for items collected with the unemployment, wage guarantee fund *(FOGASA)* and vocational training contributions made for such workers.

To be eligible for this reduction, companies must generate productive activity in February, March, April, May and June and commence or maintain the occupation of seasonal workers with indefinite-term contracts during those months.

This measure will apply throughout Spain from January 1, 2002 through December 31, 2020.

Companies with workplaces on the Balearic or Canary Islands, which generate productive activity in February, March and November of each year and which commence or maintain the occupation of seasonable workers with indefinite-term contract during those months, will be eligible for a 50% reduction, applicable in those months, in the employer social security contributions for common contingencies, as well as for items collected with the unemployment, wage guarantee fund *(FOGASA)* and vocational training contributions made for such workers, as well as in October and December 2019 and February and March 2020, pursuant to article 2 of Royal Decree-Law 12/2019, of October 11, 2019, adopting urgent measures to mitigate the effects of the commencement of insolvency proceedings against the Thomas Cook group of companies.

2.3. LOCAL EMPLOYMENT INITIATIVES (NO TIME LIMIT)

In addition to the incentives to foster employment referred to above, aid and subsidies may also be granted for investment projects aimed at generating economic activity and stable employment which are executed in local and regional areas of Spain, where these are subject to classification by the State Employment Public Service as **investment and employment (I+E) projects or entities**.

The specifications for the grant of this aid are set out in the Order of July 15, 1999 of what was, at the time, the Ministry of Employment and Social Security, which have remained in force in the **context of the new Spanish Employment Strategy 2017-2020** approved by Royal Decree 1032/2017, of December 25, 2017.

In this Employment Strategy 2017-2020, special importance is given to the planning, assessment and monitoring of activation policies for employment based on results. Thus, it comprises a battery of projects and measures aimed at rationalizing the unemployment protection system and providing the National Employment System with key tools, infrastructures and data systems, with a view to modernizing it and enhancing its efficiency and effectiveness. These measures include most notably the following:

- **Improvement of protection systems**: Reinforcement for orientation, training, requalification, intermediation and protection programs for long-term unemployed persons over 50 years of age; and for the integral orientation, training and direct support program for young people without professional qualifications.

- **Reinforcement of support systems and instruments**, with a new frame of reference for public/private and public/public cooperation.

Specifically, under the 2017-2020 Strategy, the then Ministry of Employment and Social Security approved **a Strategic Plan of subsidies for the period 2017-2019**, as a planning instrument for public policy in this area. Nonetheless, at present, a Strategic Plan has not yet been approved for 2020. In this connection, pursuant to the Strategic Plan of subsidies for the 2017-2019 period, prior to April 30, 2020 a report is to be prepared on the degree of progress of the Plan's application and on its effects and the budgetary and financial repercussions of its application in 2019, as well as a report assessing the Plan, to be borne in mind for the preparation and approval of the following Strategic Plan.

The 2017-2019 Strategic Plan included two subsidy lines which basically conform to the specifications of the aforementioned Ministerial Order of July 15, 1999. We refer to (i) subsidy line 1.7: "*Employment Agents and Local Development (EALD)*" and (ii) subsidy line 1.27: "*Enterprise (Axle 5 Autonomous Community Management of funds made available by the State Public Employment Service)*".

Having established this, for a project to be classed as "I+E" and, accordingly, to be eligible for financing as a "local employment initiative", it must meet the following **requirements**:

- A **local Corporation must support the business project by contributing economic and/or material resources**, such as infrastructures or services assisting it in the start-up and management of the business.

- Projects **must provide for the hiring of workers** or the recruitment of new partners in the case of projects involving cooperatives or labor companies.

- **Projects must provide for the incorporation of a new company with a maximum number of 25 employees** at the time of incorporation.

- Projects must relate to a **newly formed enterprise**.

- Projects must be **aimed at the production of goods and/or services which relate to emerging economic activities** or, in the case of traditional activities in the area, goods and/or services which will cover needs not covered by the existing structure.

- Projects must meet **technical, economic and financial viability requirements**.

The **Incentives which may be granted** for projects deemed eligible may take any of the following forms:

- A financial subsidy aimed at the reduction by up to three percentage points of interest rates on loans granted to the company in connection with its incorporation and establishment. The maximum amount of a subsidy of this type will be €5,108 per indefinite-term job created.

- A subsidy for the support of management activities, to help the developer or trader make the decisions needed for the functioning of the enterprise (*e.g.* subsidies for the external contracting of market or technical research, reports, and/or training programs). This subsidy will only be available during the first year after the incorporation of the company and will cover 75% of the cost of the qualifying services up to a maximum of €12,020.

- A subsidy for technical assistance for the hiring of highly-qualified technical experts, covering 50% of total labor costs (including employer social security contributions for a maximum period of one year). This is a one-time subsidy with a ceiling of €18,030.

- A subsidy for each indefinite-term employment contract, amounting to €4,808 for each new worker hired under an indefinite-term full-time contract (or the related proportion of such overall amount in the case of indefinite-term part-time contracts).

- A subsidy for cooperatives and labor companies amounting to a maximum of €4,808 per unemployed working partner recruited on an indefinite-term basis. This subsidy is not compatible with those described in the two preceding points.

All the aforementioned subsidies may be increased by 10% where the main activity is related to certain areas, such as the protection and maintenance of natural areas, new information and communication technologies, waste management, mass transportation, the development of local culture, and the care of children, the handicapped and the aged.

Applications for these incentives must be submitted to the respective Provincial Directorate of the Employment Public Service or the appropriate Autonomous Community body, which are the bodies in charge of their management and which therefore have the task of selecting the projects and granting the related aid.

This aid and these subsidies **are compatible with others granted by other government agencies or public or private entities, although the total amount of the subsidy awarded**, whether taken alone or together with aid or subsidies granted by other public authorities, private or public entities, **may not exceed 80% of the cost of the subsidized activity**.

3. State incentives for specific industries

The Central Government provides financial aid and tax benefits for activities pursued in certain industries which are considered to be priority industries (*e.g.*, mining, technological development, research and development, etc.) in view of their potential for growth and their impact on the nation's overall economy. Additionally, Autonomous Community governments provide similar incentives for most of these industries.

Financial aid includes nonrefundable and partially refundable subsidies, as well as interest relief on loans obtained by beneficiaries, or any combination thereof.

The main official programs supporting the industrial development projects to support innovation currently in force are:

- Research, development and technological innovation.
- Tourist industry.
- Audiovisual industry.
- Other specific industries.

3.1. RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

A) 2013-2020 Spanish Strategy for Science and Technology and for Innovation

Encouraging innovation, technological improvement and research and development projects continues to be one of the priority objectives of the Spanish public authorities, since this is a determining factor of the increase in a country's competitiveness and economic and social development.

Science, Technology and Innovation Law 14/2011, of June 1, 2011, establishes the legal framework for the fostering of scientific and technical research, experimental development and innovation in Spain, founded on a scheme based on the approval of the related Spanish Strategies for Science, Technology and for Innovation, which serve as multi-year reference documents for reaching the statutory objectives and as a basis for the preparation of a State Plan through which to instrument in detail the initiatives required to perform such objectives.

In line with the foregoing, at the beginning of 2013 the Council of Ministers approved, in a combined document, "*the **Spanish Strategy for Science and Technology and for Innovation***" for the 2013-2020 period, whose essential purpose is to promote the scientific, technological and business leadership of the country as a whole and to increase the innovation capacities of the Spanish company and the Spanish economy, defining in this connection the following **general objectives**:

i. **Recognizing and promoting R&D&I talent and its employability**: With a view to improving the System's R&D&I training capacities, boosting labor market integration and employability of the trained human resources, both in the public and in the business sectors, and facilitating their mobility among public institutions and between such institutions and the private sector for the pursuit of R&D&I activities.

ii. **Fostering excellence in scientific and technical research**: Promoting the creation of knowledge, increasing the scientific leadership of the country and its institutions and fostering the creation of new opportunities which lead to the future development of highly competitive technological and business capacities.

iii. **Boosting business leadership in R&D&I**: Increasing the competitiveness of the productive fabric by increasing R&D&I activities in all areas and, in particular, in those industries deemed to be strategic for growth and job creation in the economies of Spain and its Autonomous Communities.

iv. **Fostering R&D&I activities aimed at meeting the global challenges** currently facing Spanish society.

In order to attain the foregoing objectives, and having regard to the characteristics of the environment in which the agents of the Spanish System for Science, Technology and Innovation are to pursue their activities, six **priority areas of transversal action** were identified: (i) defining a favorable environment which enables the pursuit of R&D&I activities; (ii) specializing and aggregating the creation of knowledge and talent; (iii) stimulating knowledge transfer in open and flexible environments which favor interaction and encourage its conversion into innovative applications, whether commercial or non-commercial; (iv) supporting internationalization and promoting the international leadership of the System; (v) fostering the intelligent specialization of territories with a view to promoting a highly competitive regional framework; and (vi) disseminating a scientific, innovative and enterprising culture throughout society as a whole, with a view to achieving a higher degree of social and institutional acceptance of the entrepreneur.

The structure of the Spanish Strategy for Science and Technology and for Innovations aimed at aligning Spanish policies with the R&D&I objectives pursued by the European Union, defined in the framework program for the financing of *"Horizonte 2020"* R&D&I activities, with a view to intensifying the participation of the agents of the Spanish System for Science, Technology and Innovation in the development of the European Research Space, facilitating access to sources of financing at Community level.

In short, the 2013-2020 Spanish Strategy for Science and Technology and for Innovation, as an instrument used to foster the country's economic growth and competitiveness, defines the conceptual framework used to instrument R&D&I policies in Spain, whose specific initiatives are implemented and instrumented in the related State Plans.

B) 2017-2020 State Plan for Scientific and Technical Research and for Innovation

On December 29, 2017 the Council of Ministers approved the 2017-2020 State Plan for Scientific and Technical Research and for Innovation. Following the State Plan for the 2013-2016 period, this State Plan constitutes the fundamental instrument of the Spanish national government for the pursuit and attainment of the goals of the 2013-2016 Spanish Strategy for Science, Technology and Innovation and the 2020 European Strategy of the European Commission, instrumenting for such purposes the state aid to be used for R&D&I.

This State Plan has the nature of a Strategic Plan pursuant to Subsidies Law 38/2003, of November 17, 2003, and the funds allocated thereunder are granted in accordance with the principles of publicity, transparency, competition, objectivity, efficiency and non-discrimination, and on the basis of a scientific and/or technical assessment performed by specific bodies according to public criteria set forth in the related orders of specifications and calls for aid applications.

The **objectives** of the 2017-2020 State Plan for Scientific and Technical Research and for Innovation are closely related to those of the 2013-2016 period, given that both Plans are associated with the 2013-2020 Spanish Strategy for Science, Technology and Innovation. Nonetheless, they were reviewed and brought into line with the priorities of the Spanish Science, Technology and Innovation System for the coming years, so that the projected initiatives have a greater impact, enhance the efficiency of the resources used and make it possible to exploit the strengths of the System as well as to work toward the elimination of its weaknesses.

In summary, the common denominator of all the goals of this State Plan is to contribute to and bolster the country's scientific and technological leadership and innovative capacities, as essential elements in the creation of quality employment, the enhancement of productivity and business competitiveness, the improvement of the provision of public services and, ultimately, the development and welfare of citizens, including most notably the following objectives: (i) favoring the incorporation and training of human resources in R&D&I; (ii) enhancing the scientific leadership and research capacities of the R&D&I system; (iii) activating private investment in R&D&I and the technological attraction of the production fabric; (iv) boosting the potential and the impact of research and innovation aimed at meeting society's challenges; (v) promoting an open and responsible R&D&I model resting on the company's involvement; and (vi) coordinating synergies and efficiently implementing R&D&I policies and their financing at regional, state and European level.

The initiatives of the national government set forth in the Plan are organized into the following **scheme**:

STATE PROGRAMS			
PROMOTION OF TALENT AND ITS EMPLOYABILITY.	GENERATION OF KNOWLEDGE AND SCIENTIFIC AND TECHNOLOGICAL ENHANCEMENT OF THE R&D&I SYSTEM.	BUSINESS LEADERSHIP IN R&D&I.	R&D&I AIMED AT THE CHALLENGES OF SOCIETY.

State Subprograms	Strategic Actions
• Training. • Incorporation. • Mobility. • Creation of knowledge. • Institutional strengthening. • Research infrastructures and scientific and technical equipment. • Business R&D&I. • Bolstering of enabling technologies. • Health, demographic change and welfare. • Bioeconomy: sustainability of primary and forestry production systems, food security and quality, marine and maritime research and bioproducts. • Safe, efficient and clean energy. • Intelligent, sustainable, connected and integrated transportation. • Climatic change and the use of natural resources and raw materials. • Social sciences and humanities and science with and for society. • Digital economy, society and culture. • Security, protection and defense.	• Connected strategic action for industry 4.0. • Strategic action for health. • Strategic action for economy and digital society.

In the area of **administrative management**, the Plan attributes the management of the financing instruments provided for in the State Programs to the two R&D and IT financing agencies created under Science, Technology and Innovation Law 14/2011: the Center for Industrial Technological Development (*Centro para el Desarrollo Tecnológico Industrial* or *CDTI*) and the State Agency for Research (*Agencia Estatal para la Investigación*) soon to be created.

The Plan also covers the approval of Annual Action Programs as budgetary planning instruments which will detail the initiatives to be carried out during the year, the projected annual funding and the initiative's indicators (management and the attainment of goals).

At the end of the year, all necessary data on each of the previous year's initiatives will be uploaded into the Science, Technology and Innovation Data System, which will produce a definitive map of the initiatives offered, including management and monitoring indicators for each call for aid applications.

Notwithstanding the provisions of each call for applications for the respective programs and subprograms, in general, the aid included in the State Plan has the following characteristics:

BENEFICIARIES	FORMS OF FUNDING
• Individuals. • Public research agencies, pursuant to Science, Technology and Innovation Law 14/2011. • Public and private universities with proven R&D capacity, pursuant to Organic Law 6/2001 on Universities. • Other public R&D centers. • Public and private health entities and institutions related to or assisted by the National Health System. • Certified Health Research Institutes. • Public and private non-profit entities (foundations and associations) engaging in R&D activities. • Enterprises (including SMEs). • State technological centers. • State technological and innovation support centers. • Business groupings or associations (joint ventures, economic interest groupings, industry-wide business associations). • Innovative business groupings and technological platforms. • Organizations supporting technological transfer and technological and scientific dissemination and disclosure.	• Subsidies. • Non-repayable loans. • Partially repayable loans. • Repayable advances.

For more information please see the following website of the Ministry of Science and Innovation (http://www.ciencia.gob.es/).

C) Strategic Action on Digital Economy and Society

This strategic action comprises a set of measures aimed at the progressive adoption of digital technologies and the development of the Information Society with a view to the transformation of the economy and society towards a digital environment that cuts across all sectors of business activity.

Included within this strategic action, led by the current Ministry of Economic Affairs and Digital Transformation, are the measures set out in the Digital Agenda for Spain approved in 2013 and structured into six headings: (i) boosting the roll-out of networks and services to guarantee digital connectivity; (ii) developing the digital economy for the growth, competitiveness and internationalization of Spanish enterprises; (iii) improving e-Government and adopting digital solutions for the efficient provision of public services; (iv) strengthening trust in the digital sphere; (v) promoting the R&D&I system in information and communication technology (ICT), and (vi) encouraging the inclusion and digital literacy and training of new ICT professionals.

The action is set to be implemented through various instruments such as competitive calls for applications for domestic and international aid, agreements with third parties, loans, venture capital, innovative public procurement, awareness initiatives, direct implementation programs and other European financing instruments.

The rules governing the grant of aid in the area of information and communication technology (ICT) and the Information Society, within the context of the strategic action on the economy and society, are contained in Order *IET*/786/2013, of May 7, 2013. The main features of this system of aid are as follows:

- It can take the form of **subsidies, loans or a combination of both**, with maximum financing, in the case of loans, of up to 100% of the eligible cost of the projects or initiatives, with a variable interest rate to be specified in each call for applications and with a maximum **repayment** period of 5 years, including a grace period of 2 years.
- The **beneficiaries** will be enterprises (distinguishing between SMEs, individual micro-enterprises, public corporate enterprises and state-owned business entities), research bodies and business groupings or associations (EIGs, joint ventures, industry business associations and innovation clusters).
- The following will be **eligible for aid**: Industrial research projects (planned research or critical studies aimed at acquiring new knowledge and techniques useful for creating new products, processes or services) and experimental development projects (acquisition, combination and use of pre-existing knowledge and techniques, of a scientific, technological or business nature, for the development of plans, structures or designs of new, modified or improved products, processes or services).

- The **costs eligible for subsidies** are, among others, personnel costs, instrument and material costs, contractual research costs, technical knowledge and patents acquired or obtained under a license and additional overhead costs directly deriving from the project.

D) Center for Industrial Technological Development (*CDTI*)

The *CDTI* (state-owned business entity under the auspices of the Ministry of Science and Innovation) promotes the technological innovation and development of enterprises, its main objective being to contribute to the improvement of the technological level of enterprises through the pursuit of the following activities:

- Technical/economic evaluation and financing of R&D&I projects developed by enterprises.
- Management and promotion of Spanish participation in international technological cooperation programs.
- Promotion of the international transfer of business technology and support services for technological innovation.
- Support for the creation and consolidation of technologically based enterprises.

Notwithstanding the more detailed presentation found on the *CDTI* website (www.cdti.es), the lines available to the *CDTI* for the financing of R&D&I projects include most notably the following:

1) R&D Projects:

This line has the purpose of financing applied business projects for the creation and significant improvement of a productive process, product or services, including both industrial research activities and experimental development.

Six categories of projects are eligible for financing under this line:

- Individual R&D projects, for projects presented by a single enterprise.
- National Cooperation R&D Projects for projects submitted by business groupings (EIGs or consortiums), made up of a minimum of two and a maximum of six autonomous companies.
- International Technological Cooperation Projects, for projects presented by Spanish enterprises participating in international technological cooperation programs managed by the *CDTI* (multilateral, bilateral programs, international programs with certification and unilateral monitoring by this body).
- European Technological Cooperation R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in the following initiatives and projects: (i) Important Projects of Common European Interest; (ii) Joint Technology Initiatives projects, and (iii) Projects deriving from ERANETS (European networks of public agencies dedicated to the financing of R&D&I at national/regional level).
- International Technological Training R&D Projects, related to the boosting of the technological capacity of Spanish companies in order to participate in bidding processes for projects and programs managed by international organizations in which Spain is represented by the *CDTI* and with which the *CDTI* has cooperation agreements (major international scientific-technological facilities and international space programs).
- R&D projects for the development of dual technologies, related to the boosting of the technological capacity of Spanish companies in order to bid in Defense and Security matters.

The minimum eligible budget for these projects of the participating companies is €175,000, the duration required being between 12 and 36 months for all individual projects and between 12 and 48 months for national cooperation projects.

The instruments for financing the projects included in this line consist of partially repayable loans (only a part of the aid granted must be repaid to the *CDTI*), for up to a maximum of 85% of the total budget of the approved project (the company must finance at least 15% of the budget for the project with its own funds). The non-repayable tranche is between 20% and 33% of the loan.

In these projects, the costs eligible for subsidies will be, among others, personnel costs, instrument and material costs, contractual research costs, technical knowledge and patents or certain costs deriving from consulting and equivalent services aimed exclusively at research activities, in addition to supplementary general expenses incurred directly on the research project and audit costs.

Regarding the advances of the aid that can be obtained, the *CDTI* offers a 35% advance of the aid granted, up to a limit of €250,000, without requiring additional guarantees. The loan is repayable within a period of 7 to 10 years, including a grace period of 2 to 3 years.

2) Direct Innovation Line

This financing instrument, directly managed by the *CDTI* and co-financed with Structural Funds through the Research, Development and Innovation Operating Program, under the "de minimis" rules, is aimed at enterprises which carry out technological innovation projects whose objectives cover one or more of the following cases: (i) active incorporation and adaptation of technologies entailing an innovation at the enterprise, as well as processes aimed at improving technologies and adapting them to new markets; (ii) the application of the industrial design and engineering of the product and process for technological improvement; or (iii) application of a new or significantly improved production or supply method (including significant changes in the area of techniques, equipment and/or software).

Projects cannot last less than 6 months or more than 18 months and the minimum eligible budget will be €175,000. The amount of the financing will be 75% of the eligible budget (*CDTI* funds), which can be increased to 85% if co-financed by ERDF funds.

Investments eligible for financing will include the acquisition of new fixed assets which imply a major technological advance for the company carrying out the project, personnel costs, material and consumables, external collaborations, overhead costs and audit costs.

It will be possible to opt for an advance of 35% of the aid granted (up to €400,000) without additional guarantees, or of up to 75% by providing guarantees in respect of the difference which the *CDTI* regards as being adequate.

3) Science and Innovation Missions

This program is aimed at providing support to major R&D-intense strategic initiatives implemented with public-private partnerships, which must have the significant participation of research bodies, technological centers and universities. The purpose of the program is to contribute to the implementation of the following missions: (i) providing safe, efficient and clean energy for the 21st century; (ii) ensuring sustainable and intelligent mobility; (iii) boosting a large, sustainable and healthy agri-food industry; (iv) boosting the Spanish industry in the 21st century industrial revolution; and (v) giving a sustainable response to disease and the needs of an aging population.

Aid granted under this program takes the form of subsidies targeted at large enterprises formed by between 3 and 8 shareholders, of which at least one must be an SME, and headed by a Large Enterprise ("Large Enterprises Mission"), and at SMEs formed by between 3 and 6 shareholders, all of which are SMEs, and headed by a Medium-Sized Enterprise ("SMEs Mission"). The minimum eligible budgets will be between €5 and €10 million (Large Enterprises Mission) and between €1.5 and €3 million (SMEs Mission), with a minimum budget per participant of €170,000, without any participant being responsible for more than 50% of the project's budget.

Industrial research must represent at least 85% of the eligible budget of the Large Enterprises Mission (60% in the case of the SMEs Mission). Also, at least 20% (Large Enterprises Mission) and 15% (SMEs Mission) of the budget must be outsourced to knowledge-generating centers.

The amount of the subsidies can attain the following maximum limits of the eligible budget, depending on the size of the enterprise: 65% Large Enterprise, 75% Medium-sized Enterprise and 80% Small Enterprise. Eligible expenses include staff costs, costs of instrumentation and materials able to be inventoried, costs of contractual research, technical know-how and patents acquired at market prices general expenses and additional operating expenses incurred directly on the project or audit costs.

4) *INNODEMANDA* Program

INNODEMANDA Program is a financing instrument to support the technological offer in innovative public procurement processes convened by the authorities. This program finances an enterprise's innovation costs required in a particular public procurement process, in such a way that the contracting body has more competitive offers, fostering a greater use of innovative products and services by the Administration.

The operation of this program requires a synchronization between the scheduled time of a particular procurement and the time of application, analysis and resolution of the R&D by the *CDTI* required for participation in the tender.

To this end, it is necessary the formalization of a Adhesion Protocol between the *CDTI* and the contracting bodies, specifying, among others, the most significant milestones established in the invitation to tender, as well as the implementation deadlines, conditions and legislation applicable to the financing offered by the *CDTI* for R&D activities.

5) NEOTEC Initiative

The aid under the NEOTEC Initiative finances the start-up of new business projects that require the use of technologies or knowledge developed from a research activity, in which the business strategy is based on the technological development.

Technology and innovation must be competitive factors that help to set the enterprise apart and serve as a basis for its long-term business strategy and plan, with the maintenance of its own R&D lines.

The aid can be used for business projects in any technological and/or industrial area. The 2020 call for aid applications did not admit business projects whose business model was primarily based on services to third parties, without their own technological development.

The aid will take the form of subsidies, and beneficiaries must be innovative small companies.

The maximum budget of the 2020 call for aid applications was €25 million.

6) *CIEN* Strategic Projects

The Strategic Program of *Consorcios de Investigación Empresarial Nacional* (*CIEN*) (National Business Research Consortiums) finances major industrial research and experimental development projects, carried out by business groupings on the basis of effective cooperation and targeted at the performance of planned research in tomorrow's strategic areas with potential international projection.

It also pursues the promotion of public-private cooperation in the area of R&D and, accordingly, requires the appropriate outsourcing of activities (representing at least 15% of the total budget) to research bodies (of which at least one must be public).

The eligible industrial research and experimental development activities are those defined in European legislation on state aid.

Since 2019, applications for *CIEN* projects have been able to be submitted on an ongoing basis, for an entire year.

The aid takes the form of partially repayable loans, for up to 85% of the approved budget, with a maturity period of between 7 and 10 years and a grace period of between 2 and 3 years.

The minimum budget which may be applied for is €5 million, the maximum being €20 million. Similarly, the loan includes a non-repayable tranche equal to 33% of the aid, calculated based on a maximum of 75% of the coverage of the loan.

7) *INNVIERTE* Program

The *INNVIERTE* Program was initiated in 2012 with a view to promoting business innovation through support to venture capital investments in Spanish technologically based or innovative enterprises.

In 2019, as part of this program, the *CDTI* started up a co-investment initiative open to investors regulated by the *CNMV*, such as venture capital companies and investment companies, also including the possibility of supporting professional investors, such as corporate investors.

This initiative, in which *INNVIERTE* accompanies professional private investors in periods of investment, delegating the management of investees to them, is instrumented in two phases: (i) official approval of professional private investors specializing in technology, through the execution of a co-investment agreement between them and *INNVIERTE;* and (ii) joint investment in technologically based companies that are in line with *INNVIERTE's* investment strategy, presented by the approved co-investors pursuant to the co-investment agreement.

8) Multi-regional Operational Program for Intelligent Growth

The *CDTI*, as an ERDF funds manager, designed a regional instrument aimed at boosting the generation of innovative capacities in less developed areas through the funding of experimental development projects carried out by business consortiums: *ERDF INNTERCONECTA*.

With this instrument, the *CDTI* aimed to boost cooperation, on projects targeted at the regions' needs and at generating innovative capacities that foster greater territorial cohesion.

In the 2014-2020 period, calls for aid applications will be co-funded through the Multi-regional Operational Program for Intelligent Growth. The basic requirements for a transaction to be selected are: (i) it must comply with national and Community legislation on European Structural and Investment Funds and on State Aid; (ii) it must be in line with the objectives of the related Operational Program; (iii) it must be in line with the strategy of the National R&D&I Plan; (iv) it must support R&D activities; and (v) it must help to generate a competitive advantage for the enterprises in their respective fields of action and, at the same time, serve to increase the level of technical knowledge in the industry in which they operate.

9) EIB Financing

The European Investment Bank (EIB) granted Spain a loan to serve as support for investment projects carried out by SMEs and mid-and small-cap companies with less than 3,000 workers.

The EIB financing is to be used for loans granted by the *CDTI* to R&D projects with a minimum term of 2 years. Projects of small size and investments with a projected maximum cost of €25 million can be financed, although the EIB's contribution cannot exceed €12.5 million.

Potentially eligible are loans requested by companies established in an EU Member State and which are (i) independent SMEs with less than 250 workers prior to the investment; or (ii) independent mid-cap companies with less than 3,000 workers prior to the investment.

Nearly all economic industries are eligible, save for certain exceptions: weaponry, arms and ammunition production; military or police installations or infrastructures; materials or infrastructures used to limit individual rights or personal freedom; games of chance; tobacco-related industries; activities entailing the use of live animals for experimental or scientific purposes; activities whose impact on the environment cannot be mitigated or compensated; activities that are controversial for moral or ethical reasons; activities whose sole purpose is real estate speculation.

10) *Cervera* Technology Transfer R&D Projects

This financing line is aimed at business research and development projects of an applied nature for the creation or significant improvement of a production process, product or service, which can be shown to have a technological aspect which makes them different from the technologies existing in the market.

The essential characteristic of projects of this type is that they must necessarily be developed by a limited group of technological areas (*Cervera* priority technologies) and state-level Technological Centers must be contracted to perform certain activities in the project.

The *Cervera* priority technologies pertain to 10 main areas: (i) advanced materials; (ii) eco-innovation; (iii) energy transition; (iv) intelligent manufacturing; (v) health technologies; (vi) safety and health in the food chain; (vii) deep learning and artificial intelligence; (viii) advanced mobile networks; (ix) intelligent transport, and (x) the protection of data.

State-level Technological Centers must be given a relevant role in the projects, which cannot represent less than 10% of the total budget approved for the project.

This line of aid consists of partially repayable loans, with financial coverage of up to 85% of the approved budget and a repayment period of 7 or 10 years, including a grace period of between 2 and 3 years. The non-repayable tranche accounts for 33% of the aid and advances equal to 35% of the aid may be obtained, up to maximum of €250,000, without additional guarantees being required.

The minimum project budget is €175,000 and, for individual projects, the duration is between 1 and 3 years.

The items eligible for funding in the case of these projects include staff costs, costs of instrumentation and materials, contractual research costs, technical know-how and patents, certain consulting costs and equivalent services used exclusively for the purposes of the research activity, plus supplementary general costs generated directly by the research project, and audit costs.

11) Internationalization of R&D&I

At international level, the *CDTI* offers support to Spanish enterprises and promotes technological cooperation abroad through various programs aimed at financing cooperation projects and initiatives, including most notably:

- EUROSTARS Program

  The aim of this EU Program is to aid the development of transnational market-based projects by SMEs engaging in intensive R&D activities. It is ultimately about favoring the generation of projects of this nature which represent a break with the technical state of the art and a commercial challenge in such a way as to enable these enterprises to take a significant qualitative leap in their position on the market.

  The mechanisms envisaged for materializing the aid designed under this program are fundamentally the following: (i) creating a sustainable European mechanism to support these organizations; (ii) promoting the creation of economic activities based on R&D findings and introducing products, processes and services on the market more rapidly; (iii) promoting technological and business development and the internationalization of such enterprises; and (iv) securing the public funding of those participating in the projects.

  In Spain, the Ministry of Science and Innovation, through the *CDTI*, is in charge of managing this program.

- ERA–NET

  The ERA – NET scheme consists of a set of European networks of public bodies that provide financing for R&D&I at national level, with the objective of coordinating the research and innovation programs of the European states and regions, and of preparing and carrying out joint calls for aid applications aimed at boosting cross-border research, technological development and innovation projects.

  ERA-NET calls for aid applications comprise an international phase and a national phase, each of which has its own eligibility requirements and application procedures, it being essential to comply with all of them in order to obtain the financing (only projects approved in the international phase of the calls can become candidates eligible to receive *CDTI* financing).

- PRIMA

  On June 13, 2017 the European Parliament approved the creation of *PRIMA-Partnership on Research and Innovation in the Mediterranean Area*, a new research and innovation initiative in the Mediterranean area aimed at fostering a more sustainable management of water, agricultural and agro-food chain systems. Through cooperation-based R&D projects, PRIMA has the goal of developing research and innovation capacities, as well as developing knowledge and common innovative solutions for agro-food and water supply systems in the Mediterranean area, so as to make them sustainable, in line with the Sustainable Development Goals of the 2030 UN agenda.

  The eligible consortium must be formed by 3 entities from three different PRIMA countries, of which at least one must be established in one of the following European States: Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Slovenia and Spain, and at least one other in Algeria, Jordan, Egypt, Lebanon, Morocco, or a third country which shares borders with Israel, Tunisia or Turkey.

  This initiative is broken down into two sections: Section 1 (funded by the PRIMA Foundation) and Section 2 (funded by the national financing bodies of the participating countries). Section 1 has a total estimated budget of €33 million, while that of Section 2 is €38.15 million. The Annual Working Plan for 2020, with information on calls for aid applications, is posted on the initiative's website http://prima-med.org/.

12) COVID-19 aid

Given the declaration of a state of emergency due to the COVID-19 public health crisis, as well as the measures adopted in Royal Decree-Law 8/2020, of March 17, 2020, on extraordinary emergency measures to confront the economic and social impact of the pandemic, the *CDTI* has implemented a number of important actions:

- **Exceptional measure**, to support the maintenance of high value added activities and the creation of capacities for the reactivation of the economy, such as: (i) the exemption of guarantees under partially refundable aid for SMEs and midcaps; and (ii) increased flexibility for refunds of partially refundable and refundable aid.

- **Subsidies** in favor of projects specifically targeted at confronting the public health crisis declared due to COVID-19, which permit short-term implementation and start-up with specific and early results appropriate to the current situation:

  - R&D projects referring to industrial research and/or experimental development activities (research on vaccines, medicinal products and treatments, medical devices and hospital and medical equipment, as well as their efficient production) commencing in 2020 and ending on October, 31, 2021 at the latest.

  - Investment projects for the manufacture of products in response to the pandemic (medical and pharmacological materials, medical devices, hospital equipment, etc.) commencing in 2020 and ending on October 31, 2020 at the latest.

Potential beneficiaries of these subsidies are not only enterprises with tax domicile in Spain, but also Technological Centers and/or Innovation Support Centers. One subsidy will be granted per beneficiary, to be paid in a single payment upon the decision to grant it.

With an initial budget of €12 million, aid will be granted directly, the maximum intensity will be 80% of the eligible budget (with a ceiling of €650,000 in the case of investment projects) and the amount able to be individualized will be determined in view of the real eligible cost of the project, the characteristics of the beneficiaries and the available budget.

The *CDTI* also provides personalized advice to companies and entrepreneurs on the **financing instruments** that are best suited to their R&D&I-related needs and projects. To access this service, interested companies need to fill out an electronic form and attach to it the documentation on the project being submitted to the *CDTI* for its assessment (more information at http://www.cdti.es).

3.2. TOURIST INDUSTRY

Against the backdrop of the European monetary union and economic and social convergence, and in a competitive environment characterized by the globalization of supply and demand and business internationalization, the Spanish tourist industry is seeking to continue to strengthen its leadership position based on quality.

For this purpose, the **Spanish Tourism Plan Horizon 2020** was approved to define the strategy for preparing and adapting the Spanish tourist industry and attaining a balanced increase in the social and economic benefits of tourism.

In the context of this Plan, calls for aid applications were published for number of programs, such as (i) "*Emprendetur Jóvenes Emprendedores*" (*Emprendetur* Young Entrepreneurs) targeted at individuals of less than 40 years of age or new SMEs whose shareholders are, on the average, less than 40 years of age (regulated by Order *IET*/2482/2012); (ii) "*Emprendetur I+D+i*" (*Emprendetur* R&D&I Program), aimed at fostering business projects and models that enhance the innovative potential and competitiveness of enterprises in the tourist industry (regulated by Order *IET*/2481/2012); and (iii) "*Emprendetur Internacionalización*" (*Emprendetur* Internationalization), aimed at fostering the opening of new international tourist markets, or increasing those already existing, as well as exports to third countries of Spanish tourist products and services (regulated by Order *IET*/2200/2014).

In all three cases, the aid took the form of loans, the maximum limit on the aid being €1,000,000 or the company's net worth figure at the time of application. The loans granted had a maximum term of 5 years, including a 2-year grace period, and were subject to a reduced interest rate, set in each call.

The last call for aid applications under *Emprendetur Jóvenes Emprendedores* and *Emprendetur Internacionalización* were published in 2015, while that related to *Emprendetur I+D+I* came to an end in 2017.

The **Sustainable Tourism Strategy for Spain 2030** is currently being processed, its main objective being to redefine the tourist development model so as to redirect the foundation of Spanish tourism toward a model of sustained and sustainable growth, enabling Spain to maintain its global leadership position.

In particular, this new tourism model is based on enhancing competitive capacity and profitability, protecting the natural and cultural values of the different tourist destinations and on the equitable distribution of the benefits and burdens of the tourism activity.

To this end, the Sustainable Tourism Strategy for Spain 2030 is instrumented around 5 strategic areas: (i) **collaborative governance**, setting up participation areas for all public and private actors on the tourism stage, also increasing Spanish influence on international organizations; (ii) **sustainable growth**, aiming to boost a balanced development of the industry throughout Spain, to foster the industry's sustainability, to diversify demand and to reduce the negative externalities of tourism; (iii) **competitive transformation** of the industry, emphasizing public-private forms of partnership, especially to foster digital transformation and the use of technological capacities; (iv) acting on the **tourist area, enterprises and persons**, protecting heritage and making progress on the construction of infrastructures and on the digitalization of all territories, while enhancing the quality and competitiveness of enterprises in the tourist industry (most of which are SMEs) and of jobs in tourism; and (v) working on the **tourist product, marketing and intelligence**, with a view to fostering quality tourism, the diversification of demand (beyond "sun and beach" tourism) and the opening of new markets.

3.3. AUDIOVISUAL INDUSTRY

One of the priority objectives of Cinema Law 55/2007 is to bolster the promotion and development of the production, distribution and showing of films and audiovisual works, as well as to establish terms favoring their creation and dissemination and to adopt measures for the preservation of film-making and audiovisual heritage.

Apart from the tax incentives applicable to the film-making industry, the following are some of the main incentives included in the Cinema Law, as well as in Order *CUL*/2834/2009, of October 19, 2009, and in Order *CUD*/769/2018 of July 17, 2018, setting forth the rules for applying Cinema Royal Decree 1084/2015, of December 4, 2015 (regulatory implementation of Law 55/2007), in connection with the acknowledgement of film costs and producers' investments, the establishment of the terms of reference for state aid and the structure of the Administrative Register of Cinematographic and Audiovisual Enterprises.

In general, motion pictures or other audiovisual works, including those made under the regime for co-production

with foreign companies, which intend to benefit from these incentives, must either have Spanish nationality or be in a position to obtain it by meeting the requirements for access to Spanish nationality pursuant to article 5 of Law 55/2007, of December 28, 2007 (*RCL* 2007, 2384). In this connection, works made by a Spanish production company or a production company from another EU Member State established in Spain, which had previously obtained the appropriate certificate from the competent body, are deemed to have Spanish nationality.

In the case of works made under the regime for co-production with foreign companies, incentives are available only to the Spanish co-producer or co-producer with registered office or permanent establishment in Spain, for the Spanish participation in the co-production.

In fact, one of the obligations imposed, in general, on all beneficiaries is to have their legal residence or establishment in Spain at the time of the actual receipt of the aid.

When the eligible activity is to be carried on jointly by various legal entities, in order to obtain the status of beneficiaries they must form a grouping of companies that will act through a designated representative entity with power of attorney to act in the name and for the account of all members of the grouping, not only for the purpose of submitting the aid application and the supporting documentation, but also for the performance of the obligations resulting from the grant of the aid and its justification. The grouping can therefore not be dissolved until the statutes of limitations on recovery action and on the infringements envisaged in the General Subsidies Law have lapsed.

The structure of the aid system is as follows:

CREATION AND DEVELOPMENT		
LINE OF AID	**ELIGIBLE FOR AID**	**MAXIMUM AMOUNT (€)**
Scriptwriting of full-length motion projects.	Projects for the preparation of full-length motion picture scripts which comply with the terms of the call for aid applications.	€40,000 per project with a maximum of 15 grants of aid per call.
Development of full-length motion picture projects.	The expenses need to develop the projects (improve the script, search for locations, identification of cast, initial sales plans, etc.).	It cannot exceed €150,000, provided that such amount does not exceed 50% of the budget for developing the project or of the producer's investment. The cost of the aid will be discounted from the cost of the motion picture when determining the producer's investment (significant data for other forms of aid).
Cultural and non-regulated training projects.	Projects which are capable of enriching the Spanish audiovisual panorama from a cultural standpoint: (i) investigations or publications with particularly relevant content for the Spanish cinema and audiovisual industry or (ii) specific programs aimed at training the public.	The call will establish the maximum amount which may not exceed 60% of the project's budget. Receiving this aid is compatible with other public aid or subsidies.

PRODUCTION			
LINE OF AID		**ELIGIBLE FOR AID**	**MAXIMUM AMOUNT (€)**
Production of full-length motion pictures projects.	General.	Projects with proven cultural nature in a position to obtain Spanish nationality.	The maximum amount of the aid will be established in the call, within the annual credit allocated to the aid, which can be up to €1,400,000, provided that this amount does not exceed 40% of the cost acknowledged to the full-length motion picture by the Institute of Film-making and Audiovisual Arts (*Instituto de Cinematografía y de las Artes Audiovisuales* or *ICAA*). A minimum of 8% of the budget will be reserved for animation projects that attain the minimum points established in the call. The part of the credit not used, if any, will again be transferred to the general line.
	Selective.	Projects (i) of special cinematographic, cultural or social value; (ii) for a documentary; (iii) incorporating new producers, (iv) or of an experimental nature.	The call for aid applications will stipulate the maximum amount of the aid which, within the annual credit used for them, can be up to €500,000, provided that such amount does not exceed 40% of the project's cost recognized by the *ICAA*. Not less than 15% and not more than 25% of the annual credit must be reserved for projects for a documentary. Of the rest, a minimum of 8% must be reserved for animation products, and up to 10% may also be reserved for experimental projects. In the case of experimental projects, the maximum amount of the aid per project can be equal to the percentage of the cost acknowledged by the *ICAA* related to the applicable maximum intensity.
Production of TV movie and documentary projects.		TV movie and documentary projects which are longer than 60 minutes and shorter than 200 minutes, and which are not to be shown in movie theaters, provided that, among other requirements, they are filmed on photochemical medium or high definition digital medium. For a project to be eligible for aid, there must be a contract or a statement of interest in the project from one or more radio or television broadcast service providers.	Calculated by applying the appropriate percentage, according to different tranches, to the amount of the budget (which cannot be less than €700,000), with maximum annual credit of €300,000, provided that such amount does not exceed the independent producer's investment or 50% of the budget.
Production of animated series projects.		Animated series projects. For the project to be eligible for aid there must be a contract or a statement of interest in the project from one or more radio or television broadcast service providers.	It cannot exceed €500,000 for budgets exceeding €2,500,000, and €300,000 for budgets of lower amounts. In both cases, said amounts cannot exceed the independent producer's investment or 60% of the budget.
Production of short film projects.		Short film projects.	Its amount can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum aid intensity. Compatible with aid for the production of completed short films, although the sum of the two types of aid cannot exceed the maximum ceiling of €70,000 per beneficiary film.
Production of completed short films.		Completed short films.	Its amount can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum aid intensity. Compatible with aid for the production of short film projects, although the sum of the two types of aid cannot exceed the maximum ceiling of €70,000 per beneficiary film.

OTHER AID			
LINE OF AID		**ELIGIBLE FOR THE AID**	**MAXIMUM AMOUNT (€)**
Distribution of Spanish, Community or Latin American films.		Distribution of full-length films and series of short films, where, in the case of foreign films, less than 2 years have elapsed since they opened in the country of origin, which were destined for distribution in movie theaters, their opening complying with the conditions established in the call.	The aid may subsidize up to 50% of the cost of the making of copies, subtitling and dubbing, advertising and promotional expenses, anti-piracy measures and the technical means and resources invested in order to prepare the film for persons with disabilities. For the purpose of this aid, the aforesaid costs cannot be subsidized where they have been acknowledged, in whole or in part, as an expense attributed to the producer. Nonetheless, the maximum amount of the aid cannot exceed €150,000 per full-length beneficiary film or group of short films. In any case, the amount received by a company within the same budgetary year cannot exceed 20% of the amount to be used in said year for this line of aid.
For the preservation of cinematographic heritage.		Making of duplicates necessary to guarantee the preservation of cinematographic and audiovisual works and their original media, for the production companies or owners of films which undertake not to export for at least 10 years the original negative of the films and. among other requirements, deposit the related medium with the Spanish Film Library.	The maximum amount of the aid cannot exceed €6,000, and the amount of each grant of aid cannot exceed 50% of the cost of making such duplicates as are necessary to perform the preservation function.
For promotion.	For the participation of Spanish films in festivals.	Participation of films that have or are in a position to obtain Spanish nationality in festivals and award ceremonies of recognized prestige.	To be determined in each call for aid applications. The call will stipulate the eligible expenses, between those inherent in the Spanish film's participation in the events for which it was selected or to which it was invited and the minimum percentage that must necessarily be used for advertising expenses, as well as, within what is available in the budget, the total amount to be used for such aid and the maximum amounts for each one of the festivals and, as the case may be, sections and for each award. The aid cannot exceed the cost incurred by the producer on its participation in the festival or on competing for the award.
	For the organization of film festivals and competitions in Spain.	Organization and holding of film festivals or competitions of recognized prestige in Spain, and which devote special attention to the programming and dissemination of Spanish, EU and Latin American cinema, animated films, documentaries and short films, provided that at least two consecutive editions of those festivals or competitions have been held in the three years preceding the date of publication of the call for aid applications.	To be determined in each call for aid applications. The aid cannot exceed 50% of the budget submitted for their organization and holding.
For the production of audiovisual works using new technologies.		Production of audiovisual works which use new technologies in the audiovisual and cinematographic field and are distributed using any electronic means of transmission which allows for the broadcast and receipt of both image and sound other than as transmitted for movie theaters, television or domestic videos.	The maximum amount of the aid cannot exceed €100,000, provided that such amount does not exceed 50% of the project's budget.

Please note, however, that according to information furnished by the Ministry of Culture and Sports, various amendments to Order *CUD*/769/2018, of July 17, 2018 and to Royal Decree 1084/2015, of December 4, 2015, mentioned above, are currently being prepared and, therefore, the characteristics of the aid described could be changed on the medium-term. According to the available public information, one of the most notable features of the legislative reform consists of what is known as the "*50/50 Action Plan*", aimed at favoring a larger and better incorporation of women in the audiovisual sector, including measures such as the reservation of 35% of the aid budget for films directed by women.

Notwithstanding the foregoing, we cannot forget that the *ICAA* is authorized to set up cooperation agreements with banks and other credit institutions with a view to facilitating and extending the financing of production, distribution and projection activities, technical industries and the video-making sector and for the development of infrastructures or the technological innovation of those sectors.

This financing alternative is materialized in various types of aid:

- Aid for reducing interest on loans granted for production aimed at facilitating cinematographic production activities for production companies which had not received aid for the production of full-length motion picture projects.
- Aid for reducing interest on loans granted for distribution and dissemination as film, video and via internet, or the technological renewal of these sectors.
- Aid for reducing interest on loans for the financing of film projection and post-production infrastructures used by enterprises, laboratories, studios and the production and post-production technical industry.

Lastly, please note that, in order to confront the economic impact caused by the COVID-19 public health crisis, a number of contingency measures were approved for companies in the cultural industry by way of Royal Decree-Law 17/2020, of May 5, 2020, including measures specifically in support of film-making and audiovisual arts, which in turn include most notably the following:

- Extension of the time period for the performance of obligations imposed on the beneficiaries of general and selective aid for the production of full-length motion picture projects and of aid granted to short film projects during the 2016-2019 period.
- Greater flexibility for the performance of certain obligations that were to be performed in 2020, for beneficiaries of general and selective aid for the production of full-length motion picture projects in relation, inter alia, to the number of cinemas in which the audiovisual works are to be premiered, as well as the time period in which to commence filming.
- Transitional extension, until cinemas reopen, of the definition of a film's "commercial premiere", so that it can mean premieres via television audiovisual communication services, electronic communication services that broadcast television channels and program catalogue services.
- On an exceptional basis, possibility for the interested party to request the payment of 50% of the general aid granted for the production of full-length motion picture projects, without having reported the commencement of filming to the *ICAA* or to the competent autonomous community body.
- Grant of direct subsidies to the owners of cinemas that are duly registered in the Register managed by the *ICAA*, to be used to defray, *inter alia*, expenses incurred on complying with the health and safety measures imposed on them (staff risk prevention plans, etc.) or holding promotional campaigns for the recommencement of activity. The amount of this aid will be linked to the number of screens that each cinema has (with a minimum of €8,000 if it has a single screen and up to €32,000 if it has more than eight).

3.4. OTHER SPECIFIC INDUSTRIES

3.4.1. Mining

3.4.1.1. Aid for risk prevention and mining safety

Regulations governing the mining sector are established in Order *IET*/227/2015, of October 28, 2015, which sets forth the specifications for the grant, by competitive procedure, of aid for risk prevention and mining safety in the area of sustainable mining, for non-energy mining activities.

The aim of the subsidies regulated in this Order is to encourage the development of projects related to mining safety (from the standpoint of investment and training) carried out by non-profit enterprises and entities, for the purpose of helping to reduce mining accidents in Spain and, by extension, to attain sustainable growth in the industry.

The call for aid applications for projects and actions under the aforesaid Order for the year 2020 was made in the Decision of October 28, 2019 of the Secretariat of State for Energy.

Accordingly, and without limitation, suffice to say that this most recent call for aid applications deems projects carried out in Spain in the area of non-energy mining and targeted at the areas of (i) significant investments in safety at benefit mines and establishments and (ii) training programs, to be eligible for financing.

Potential **beneficiaries** of this aid could be private enterprises and groupings of such enterprises, provided that they hold the title to the mining public domain covered in the project and do not pursue their activity in the coal-mining industry (and are therefore not affected by the regime related to state aid aimed at facilitating the closing of uncompetitive mines). Non-profit institutions can also be beneficiaries of this aid, in which case they will not have to hold the title to the mining public domain, it being sufficient for them to provide evidence that they have a lawful interest relating to the mining activity.

The **amount** of this aid will consist of a percentage of the approved eligible investment and varies according to the following scheme:

- Aid for significant investments in mining safety: The minimum amount of the aid granted will be €12,000, while the maximum amount cannot exceed 20% of the eligible costs. Nonetheless, this maximum amount is envisaged only if applicants are SMEs and micro-enterprises, and is reduced to 10% of the eligible costs in the case of medium-sized enterprises. In the case of large enterprises, the maximum aid cannot exceed 5% of the eligible costs.

- Mining safety training projects: The intensity of the aid will be at least €4,000 and may equal (i) up to 100% of the cost of the accepted eligible investment, where the applicant is a non-profit institution; (ii) up to 50% of the cost of the eligible investment in the case of large enterprises; (iii) 60% in the case of medium-sized enterprises; and (iv) 70% in the case of SMEs and micro-enterprises. The eligible investment cost is calculated, in this type of aid, having regard to approved classroom hours approved and attendance of the complete courses described in the project. The respective calls for aid applications will stipulate not only the maximum hourly unit cost per worker and per hour and the maximum and minimum number of students per course, but also the maximum eligible cost per student and per project.

In the specific case of aid for training activities projects, the following restrictions will be imposed:

- If the projects are submitted by mining enterprises or groupings of mining enterprises, the amount cannot be higher than €100,000 per enterprise or grouping and project.

- A single enterprise cannot receive more that €200,000 of aid for training in this area within a period of three consecutive fiscal years (de minimis aid).

Lastly, please note that the beneficiary of the aid granted under either of the two lines explained above must make the investments between the date of the aid application and a date not later than four months after the notification date of the decision granting the aid.

3.4.1.2. Action Framework for Coal Mining

The series of measures in support of coal mining and mining areas is set out in the Framework Agreement for a Fair Transition in Coal Mining and the Sustainable Development of Mining Areas for 2019-2027, executed with the Ministry of Ecological Transition. This Framework Agreement, which has been in force since December 31, 2018, bears in mind the current situation in the industry following the end of the aid granted to cover losses in the mines pursuant to EU requirements and in line with the current energy transition process.

Thus, the main objectives of this Framework Agreement would be the following:

i. To reactivate economic growth and encourage alternative development in mining areas in order to achieve their structural transformation, economic recovery and social welfare.

ii. To increase the flexibility of the conditions laid down for businesses that wish to continue to extract coal as from 2019 and that have to return the aid received in accordance with Council Decision 2010/787/EU, of 10 December, 2019 on State aid aimed at facilitating the closure of uncompetitive coal mines.

iii. To maintain lines of aid to encourage the creation of business projects aimed at generating employment and providing support for the creation of related infrastructures that enable workers that have become unemployed due to the closure of the mine to regain employment.

iv. To design specific measures to train workers in the coal mining industry and maintain aid that helps to cover the exceptional costs linked to closure set forth in EU legislation.

Although in some cases the bases and the related regulatory implementation required for application have not yet been approved, the Framework Agreement instruments the following principal lines:

1. Aid for exceptional costs incurred by coal businesses:

   This line of aid, envisaged for the period 2019-2025, is directed at mining companies included in the Plan for the Closure of Uncompetitive Coal Mines in the Kingdom of Spain in accordance with the aforesaid Decision 2010/787/EU.

   It includes two types of aid:

   a. Social aid for workers in coal production units.

      This aid have already been specifically implemented by Royal Decree-Law 25/2018, of December 21, 2018 on urgent measures for a fair transition of the coal mining industry and the sustainable development of coal mining areas and, where not expressly regulated in this law, by Royal Decree 676/2014, of August 1, 2014 establishing rules on aid due to employment costs aimed at covering exceptional costs related to plans for the closure of production units in coal mining businesses.

      In particular, Royal Decree 676/2014 sets forth the direct grant of aid to companies that are pursuing or have pursued an activity related to coal production, to enable them to cover certain costs incurred on termination of their workers' employment contracts as a result of the closure of coal production units used for the generation of electricity included under the aforesaid Closure Plan.

      The purpose of this aid is to alleviate the social and regional consequences of the closure of mines and is projected to cover labor costs for older workers and compensated resignation.

      In addition, the Framework Agreement provides for other social aid aimed at workers affected who do not meet the requirements to access the above-mentioned aid.

b. Aid of an exceptional nature aimed at covering the costs of closure of the production units and offsetting the environmental impact.

The Framework Agreement implements this aid in order to cover the work/measures included in the restoration plans that have been authorized in advance by the competent mining authority. Eligible for this aid are mining companies that have requested authorization from the competent mining authority for: (i) the Project to Definitively Abandon the Facilities; (ii) the Project for the definitive Closure of the Facilities, and which meet all other statutory requirements to be able to qualify for this aid.

The Framework Agreement also includes the possibility of adopting measures in support of workers in the industry that continue mining after December 31, 2018 in the production units of the companies included in the Closure Plan of the Kingdom of Spain and which intend to close between 2019-2025.

Other measures are also established for workers in the industry such as (i) restoration activities; (ii) job vacancy services; (iii) social aid for workers in processes of reviewable total disability.

2. Measures to revive mining areas:

In accordance with the Framework Agreement, the following measures can be implemented under this line of aid:

a. Measures to revive coal-mining areas aimed at financing new business facilities and extending existing ones.

Individuals who must pursue the activities on which the grant of this aid is based, who must live in the areas affected by the restructuring and modernization of the coal mining industry qualify for this aid.

Specifically, investment projects which generate employment in the area of economic activity that may receive aid, are eligible for finance, provided the following conditions are met:

i. Business projects with an investment in excess of €100,000, which undertake to create 3 or more job positions and which also meet the other requirements of the Framework Agreement.

ii. Aid to small investment projects under the following conditions:

- Minimum amount of €30,000 and a maximum of €500,000, with minimum undertakings to create employment.
- Fall within any of the economic activities that are eligible for finance, provided that they are carried out in any of the municipalities included in the territory covered by the Plan.

b. Aid for alternative development in mining areas.

The development of infrastructures located in the municipalities affected by closures of the coal mining industry are eligible for this aid.

At present, aid aimed at boosting the development of mining areas is regulated by Royal Decree 675/2014, of August 1, 2014, regulating the direct grant of aid aimed at fostering the alternative development of coal mining areas, through the development of infrastructure projects and restoration projects in areas that have been degraded as a result of mining activities.

Autonomous communities, municipal councils and other local entities included in the geographic area of the Royal Decree, in accordance with Annex I of same, are eligible for this aid.

The timeframe envisaged for this aid is until 2023, although in accordance with the regulation of the Framework Agreement, the material execution of the actions that can be financed may be extended until 2027.

The Framework Agreement establishes, in addition to the aid to revive mining areas referred to above, that mining areas may qualify for other additional measures defined in the Plan for Urgent Action in Fair Transition, which must be agreed upon between the autonomous communities, local entities and social players.

3.4.2 Industrial investment

The process of adapting certain traditional industrial sectors to new forms of production, against a backdrop of processes to rationalize and modernize the business segment, has caused severe losses in the productive fabric and a significant elimination of jobs.

In an effort to mitigate and, to the greatest extent possible, avoid such noxious effects on the industrial fabric as a whole and, in particular, on the areas most affected by the aforesaid adaptation process, the Ministry of Industry, Trade and Tourism has been launching support initiatives with a view to promoting, regenerating or creating the industrial fabric.

The current initiative is Order *ICT*/1100/2018 of October 18, 2018, setting forth the **specifications** for the grant of financial aid for industrial investment in the context of the public policy on reindustrialization and strengthening industrial competitiveness, which regulates the grant of aid for initiatives in strategic industrial sectors under the aforesaid policy (*REINDUS* Program), which was amended by Order *ICT*/768/2019, of July 11, 2019, with respect to, inter alia, the requirements imposed on applicants, assessment criteria and grounds for repayment.

The specifications bring the criteria of former Reindustrialization Programs into line with that of Programs for the Development of Strategic Industrial Sectors, placing special interest in enterprises which incorporate advanced technologies in their processes and products, create qualified jobs with the greatest possible contribution of added value and, in short, contribute to increasing the country's export base.

The last call for applications for this type of aid, for the entire national territory, was published in 2019 in the Order of September 19, 2019 of the Secretariat-General of Industry and of SMEs, without it having been possible to confirm, having regard to the information furnished by the Ministry of Industry, Trade and Tourism, when the new call for aid for 2020 will take place.

Although the aforesaid Order containing the call is focused on aid for projects and actions targeted at reindustrialization and boosting competitiveness, carried out throughout Spain, it includes, following the resolutions adopted by the Industry and SME Sectorial Conference on March 25, 2019, a group of municipalities classed as "priority areas" and, accordingly, the execution of projects in one of those areas will give the project more points. The financial support that these projects could receive, in general, is instrumented through **long-term loans**, with the following types of actions eligible for financing:

- Creation of industrial establishments: Considered as the start-up of a new production activity anywhere in Spain.
- Relocation: Understood as changing the location of a prior production activity to anywhere else in Spain.
- Improvements and/or modifications of production lines: Understood as investing in equipment that enables the modernization of existing production lines or which generates the implementation of new production lines, in industrial establishments that are already in production at the time of the application.
- Productive implementation of Connected Industry 4.0 technologies: Understood as investing in the acquisition of fixed tangible assets in industrial establishments that are already in production at the time of the application, in order to:

  1. Implement hybrid solutions of the physical and digital world (intelligent systems, low-end and embedded systems, sensors, wearables, e-tags, virtual reality and 3D printing, robotics and unmanned vehicles in the industrial establishment) in production processes that generate at least one full production line.
  2. Manufacture the systems defined in the above point.
  3. Implement physical network infrastructures for digital connectivity of production processes that move towards the «Internet of Things».

Merely replacing the machinery and/or part of the components or auxiliary production elements, as well as repairs and maintenance are excluded from these definitions.

In this regard, the Order setting forth the Specifications clarifies that industrial investments arising from any of the above typologies have to be technically viable according to current state or situation of the technology at industrial scale.

Potential **beneficiaries** of the aid will be any company with its own legal personality, duly incorporated in Spain (provided that it does not form part of the public sector), which pursues or is planning to pursue a productive industrial activity (specifically, referring to activities under Section C Divisions 10 to 32 of the National Classification of Economic Activities), to be selected by competitive procedure.

The following are **eligible expenses**:

- Investments for the creation and relocation of industrial establishments:
  - Expenses incurred on civil works: Tangible investments in development and piping, expressly excluding land.
  - Building expenses: Tangible investments for the acquisition, construction, expansion or fitting out of industrial premises, as well as installations and equipment not directly related to production).
  - Production apparatus and equipment: Acquisition of fixed tangible assets directly linked to production, excluding external transport elements.

  The sum of the civil works and building items may not exceed 70% of the total eligible budget.
- Investments in relation to improvements and/or modifications of production lines:
  - Civil works expenses (tangible investments in development and piping, expressly excluding land).
  - Building expenses (tangible investments for the acquisition, construction, expansion and fitting out of industrial premises, as well as installations and equipment not directly related to the production process).
  - Production device and equipment expenses: acquisition of fixed assets directly related to production, excluding external transportation elements.
  - Production process engineering expenses: expenses of own staff and external collaborations required to design and/or redesign processes directly linked to the above-mentioned devices and equipment. Any form of civil engineering or consultancy associated with the management and processing of the financing requested is expressly excluded.

  The sum of the civil works and building items may not exceed the budget of devices and equipment linked to production. In addition, production process engineering expenses may not exceed 30% of the acquisition cost of the production devices and equipment. Own staff costs within this item will be limited to 5% of the budget for the acquisition of production devices and equipment.
- Investments regarding the productive implementation of «Connected Industry 4.0»:
  - Civil works expenses: Tangible investments in development and piping, expressly excluding land.

- Building expenses: Tangible investments for the acquisition, construction, expansion and fitting out of industrial premises, as well as installations and equipment not directly related to the production process.

- Production device and equipment expenses: Acquisition of fixed tangible assets directly related to production, excluding external transportation elements; and acquisition of specific software for hybrid or digital connectivity solutions in production processes.

- Production process engineering expenses: Expenses of own staff and external collaborations required to design and/or redesign processes directly linked to the above-mentioned devices and equipment. Any form of civil engineering or consultancy associated with the management and processing of the financing requested is expressly excluded.

The sum of the civil works and building items may not exceed the budget of devices and equipment linked to production. In addition, production process engineering expenses may not exceed the acquisition cost of the production devices and equipment. Own staff costs within this item will be limited to 15% of the budget for the acquisition of production devices and equipment.

- The financed actions must be executed from January 1 of the year of the related call, up to the **maximum time limit** of 18 months from the date of the grant decision.

- The minimum **eligible budget** for the investments is set in each call for aid applications (in 2019 it continued to be €100,000), the maximum amount of the funding to be granted will be 75% of the budget considered eligible.

  Additionally, for enterprises without significant historic accounts (according to the definition given for such purpose in Schedule I of the Order), the loan in which the aid is materialized cannot exceed three times their demonstrable equity. In all other cases, the limit is set at five times the applicant's equity (as shown in the accounts submitted for assessment), notwithstanding the fact that each call for aid applications can stipulate proportions lower than those indicated in both cases.

  The maximum amount of the loan to be granted is subject to the risk exposure accumulated at the company with the Directorate-General of Industry and of the SME. In the case of companies without significant historic accounts, the maximum risk exposure may not exceed three times its last equity, and five time for all others.

- The **interest rate** applicable to the loan granted was established for the 2019 call at 1%.

- The repayment period of the loan will be, in general, 10 years, with a 3-year grace period, over which the loan is to be repaid in equal annual installments once the grace period ends.

- Finally, the grant of the loan will require the creation of a guarantee, the amount of which will be equivalent to the loan percentage granted plus the same percentage of the total financial interest accrued and will be determined according to the classification obtained by the applicant according to the methodology described in Annex II of Order *ICT*/1100/2018, in accordance with the following table:

CLASSIFICATION CATEGORY	PERCENTAGE GUARANTEE TO BE GIVEN ON THE LOAN GRANTED PLUS THE FINANCIAL INTEREST ACCRUED
Excellent (AAA-A)	10%
Good (BBB)	41%
Satisfactory (BB)	70%

Although the provision of guarantees is a prerequisite for the grant of the loan, on an exceptional basis and in response to the situation caused by the COVID-19 public health crisis, in connection with loan applications submitted in answer to the 2019 call, the guarantees required from applicants can be provided, pursuant to Royal Decree-Law 11/2020, of March 31, 2020, after the concession decision and before the payment of the loan. The period in which to provide guarantees will end on November 3, 2020 but, should they not be provided in the period granted, the beneficiary will forfeit the right to collect the loan.

Similarly, with respect to projects that were being executed when the state of emergency was declared (in Royal Decree 464/2020, of March 14, 2020), special methods have been established for scaling cases of breach (pursuant to Additional Provision 17 of Royal Decree-Law 11/2020 referred to above). Along the same lines, all beneficiaries of reindustrialization loans already granted will be allowed to request the modification of the approved repayment tables over a period of two and a half years after Royal Decree 463/2020, of March 14, 2020, entered into force, provided that the COVID-19 public health crisis has given rise to periods of inactivity at the beneficiary, to a reduction in the volume of its sales or to interruptions in the supply of the value chain. Modifications of the repayment table, which must be expressly authorized by the body that issued the concession decision, could consist of an extension of the maximum repayment deadline or the maximum grace period (if no amount of the principal has yet fallen due) or other analogous modifications, provided that the maximum level of aid intensity and the risk level existing when the loan was granted are maintained.

3.4.3 Pharmaceutical industry

In a Decision of May 11, 2017, the Government Delegate Committee for Economic Affairs approved the initiative to Boost Competitiveness in the Pharmaceutical Industry or *PROFARMA* (2017-2020). This is a joint initiative with what were the Ministry of Industry, Trade and Tourism, Ministry of Science and

Innovation and the Ministry of Health and Consumer, with the goal of boosting the competitiveness of the pharmaceutical industry in Spain by modernizing the industry and fostering activities that contribute more added value (such as investments in new industrial plants and in new technologies for production as well as through fostering research, development and innovation).

PROFARMA's commitment to modernizing the industry entails:

- For national enterprises, seeking wider markets through internationalization, incorporating the use of new technologies in their production processes and in research, development and innovation processes, and improving the focus of their lines of research.
- For multinational enterprises, increasing their commitment to developing the industrial structure, boosting their investment effort not only in infrastructures and production activities, but also in R&D&I in Spain, and significantly improving the commercial balance.

The achievement of the general goal of *PROFARMA* is visible in the attainment of the following specific objectives:

- Increasing the total investments made in Spain by enterprises participating in *PROFARMA*, placing special emphasis on increased investments in the assets used in production and in research and development.
- Increasing R&D&I expenses.
- Increasing jobs in activities related to R&D&I, as well as in production and quality control.
- Investing the deficit of the commercial balance of enterprises included in *PROFARMA*.
- Increasing current R&D expenses over sales to the National Health System.

It is in this context, that the Decision of July 6, 2017 by the Secretariat-General of Industry and the SME was issued, which carries out a multi-year call for aid applications for 2017, 2018, 2019 and 2020. Applications may be submitted for the 2020 call from April 1 through May 29[1].

Eligible for inclusion in *PROFARMA* are enterprises in the pharmaceutical industry, located in Spain, which manufacture or market medicinal products for human use and which pursue pharmaceutical R&D&I activities in Spain. Participation in *PROFARMA* requires the enterprise to submit to an assessment aimed at its subsequent classification and qualification by the Coordination Committee in charge of the program's management, having regard to the enterprise's efforts to achieve the program's general goal and specific objectives, and in view of its industrial, economic, R&D&I and other resources and results.

Accordingly, **enterprises will be classified in three Groups** (A, B and C) depending on (i) whether or not they have their own pharmaceutical production plant and (ii) on the significance (or lack thereof) of the research activity they pursue. Equally, **the Coordination Committee will assign** them a qualification (excellent, very good, good and acceptable) depending on the assessment and points obtained in accordance with the criteria stipulated in the regulations.

The classification and qualification proposal of each of the pharmaceutical enterprises that participate in the *PROFARMA* program will be forwarded to the Secretariat-General of Industry and the SME of the Ministry of Industry, Trade and Tourism, for the final decision to be adopted.

At the end of each year of the *PROFARMA* (2017-2020) program, the progress made on the aforesaid goals and objectives will be measured using the following indicators:

2017-2020 GOALS				
INDICATORS	2017 CALL	2018 CALL	2019 CALL	2020 CALL
Investment in R&D	€46 million	€48 million	€50 million	€52 million
Investment in production	€260 million	€265 million	€270 million	€275 million
R&D&I expenses	€1,100 million	€1,125 million	€1,150 million	€1,175 million
R&D&I related jobs	4,250	4,300	4,350	4,400
Production related jobs	13,000	13,100	13,200	13,300
Commercial balance	€-3,500 million	€-3,350 million	€-3,200 million	€-3,050 million
% current expenses in R&D / NHS sales	15%	15.5%	15.6%	15.9%

1 Nonetheless, please note that this time period has been suspended for the duration of the state of emergency declared by Royal Decree 463/2020, of March 14, 2020 (pursuant to Additional Provision Three of said royal decree), and will be resumed at the time it is declared to have ended.

4 Investment aid and incentives in Spain

4. Incentives for investments in certain regions

4.1 GRANTED BY THE STATE

Regional incentives are financial subsidies granted by the Spanish State to productive investment projects carried out in previously-determined regions of Spain to promote the pursuit of business activity in those areas. The aim is to help alleviate existing territorial imbalances and to reinforce the endogenous potential for development of regions with a lower level of growth. The State administration grants such aid in accordance with the demarcation of eligible areas and maximum aid intensities stipulated by the European Commission for regional aid. The functions relating to regional incentives are attributed to the Directorate-General of European Funds, under the Secretariat of State of Budgets and Expenses of the Ministry of Finance.

As indicated, these incentives consist of financial aid to be used to finance investment projects that create jobs, to be executed in areas with the lowest level of development, or in those whose special circumstances so recommend, provided that they entail (i) the startup of a new industrial establishment; (ii) its expansion or (iii) the modernization of an existing industrial establishment.

Although the general regulations for this type of aid are found in Law 50/1985, of December 27, 1985, on regional incentives for the correction of territorial imbalances, and in its implementing Regulations approved by Royal Decree 899/2007, of July 6, 2007, the geographic demarcation of the eligible areas and the specific definition of the maximum financing limits, as well as of the specific industry requirements regarding economic sectors, eligible investments and conditions, are regulated in the respective Royal Decrees demarcating each one of the economic development areas.

Unavoidably, the Royal Decrees demarcating economic development areas have had to be brought into line with the "**Guidelines on regional State aid for 2014-2020**" published on July 23, 2013 in the Official Journal of the European Union, as well as with the "**Regional Aid Map for Spain (2014-2020)**" approved by the European Commission on May 21, 2014.

Indeed, suffice it to recall that within the framework of the Guidelines, the European Commission approves an aid map for each Member State, stipulating the maximum limit of financial aid or subsidies that can be received by investment projects in each region under "regional incentives" during the reference period.

In the context of the mid-term review envisaged in the Guidelines for the year 2016, the Commission published Communication 2016/C 231/01 asking the States to present their proposals for the amendment of their respective regional maps. This was done in the case of Spain on July 28, 2016, when the amendment to the Spanish regional aid map for the period between January 1, 2017 and December 31, 2020 was approved by the Commission in a Decision dated November 7, 2016.

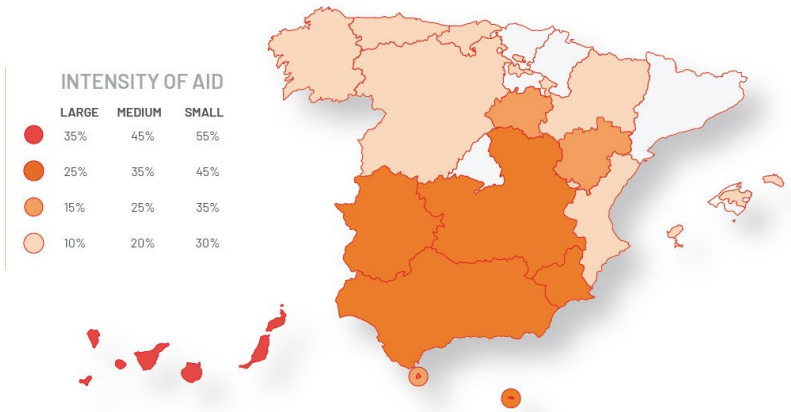
In particular, according to the amended aid map for the Kingdom of Spain, the Spanish region for which the greatest incentives are envisaged continues to be the Autonomous Community of the Canary Islands, with a maximum aid intensity percentage per investment project of up to 35% of the net eligible investment.

The Autonomous communities of Castilla-La Mancha, Extremadura, Andalucía, the Murcia Region, and the Autonomous City of Melilla are other Spanish regions eligible for regional incentives with a maximum aid percentage of up to 25%, since their GDPs were found to have fallen to below 75% of the average for the European Union over the period examined.

Similarly, the provinces of Soria and Teruel continue to feature prominently, with the grant of aid to these regions of up to a maximum intensity of 15% of the net eligible investment being permitted throughout the entire period and, accordingly, through December 31, 2020.

Finally, the maximum aid intensity percentage for the Autonomous Community of Galicia was reduced to 15% of the eligible investment for 2017, and was set at 10% for the sub-period 2018-2020. The maximum intensity of the aid for the Autonomous City of Ceuta, on the other hand, has been reduced to 15%.

MAP OF REGIONAL INCENTIVES (2018-2020)



Source: https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-es/ipr/ir/ia/paginas/incentivosregionalesca.aspx

In any case, during this period the Autonomous Community of Madrid, the Basque Country, Navarra and Cataluña, as well as the municipality of the provincial capital of Valencia, the municipality of Zaragoza and certain municipalities of the Autonomous Community of La Rioja and of the Islands of Mallorca continue to be regarded as regions ineligible for subsidies, pursuant to the state legislation on regional incentives and the Royal Decrees demarcating economic development areas.

As stated, the aforementioned amendments to the regional aid map were incorporated into Spanish legislation through the appropriate amendments to the respective Royal Decrees of demarcation of each of the economic development areas, approved on December 30, 2016.

The Royal Decrees stipulate the maximum intensity of permitted aid (calculated as a percentage of the eligible investment), distinguishing among beneficiaries, according to whether they are large, medium-size and small enterprises, as shown on the following table:

ECONOMIC DEVELOPMENT AREAS	PREVIOUS ROYAL DECREES	NEW ROYAL DECREES 2014-2020		
	ALL ENTERPRISES	LARGE	MEDIUM-SIZED	SME
Canary Islands	40%	35%	45%	55%
Extremadura	40%	25%	35%	45%
Castilla-La Mancha, Andalucía, Murcia*	40%	25%	35%	45%
Melilla	20%	25%	35%	45%
Soria and Teruel / Ceuta	15% / 20%	15%	25%	35%
Galicia	30%	15%	25%	35%
Other Areas + previous category from 2018	From 10% to 20%	10%	20%	30%

* *Castilla-La Mancha, Andalucía, Murcia and Melilla from December 30th, 2016.*

Having regard to the foregoing, the following is an explanation of the main characteristics of the regional incentives analyzed:

4.1.1 Eligible economic sectors

These are stipulated in each Royal Decree demarcating the respective geographical area. The main eligible sectors, however, are, in general, as follows:

- Processing industries and production support services, particularly those which apply advanced technology, pay attention to environmental enhancement and enhance the quality or innovation of the process or the product.

- Industries favoring the introduction of new technologies and the provision of services in the information technologies and communication subsectors.
- Services which significantly enhance trade networks and structures.
- Specific tourist facilities with an impact on development in the area which are innovative, especially in terms of environmental improvement, and contribute significantly to the area's endogenous potential.

4.1.2 Types of eligible investments

The types of investment eligible for incentives are new or first-time use fixed assets, referring to the following investment items:

- Civil engineering.
- Capital equipment, excluding external transportation items.
- In the case of SMEs, up to 50% of the costs incurred on the project's preliminary studies, which could include: planning, project engineering and project management of the projects.
- Intangible assets, provided that they do not exceed 30% of the total eligible investment, are used exclusively at the center where the project is carried out, are able to be inventoried and amortized and are acquired at arm's length from third parties not related to the purchaser.
- Other material investments, on an exceptional basis.

The possibility of including lands as an eligible fixed asset were eliminated by the Regulations implementing the Regional Incentives Law when the regional financing Guidelines for the previous period (2007-2013) came into force.

4.1.3 Eligible projects

- Definition
  - Projects for the creation of new establishments that give rise to the commencement of a business activity and also generate new jobs (which must be maintained for at least two years after the end of the term stipulated in the individual Resolution granting the aid). Projects must have a budget not less than that set as a minimum in the respective Royal Decrees of demarcation (generally, a minimum of €900,000).
  - Project for the expansion of existing activities where they entail a significant increase in production capacity or the commencement of new activities in the same establishment, provided that they entail the creation of new jobs and the maintenance of existing jobs during the same period stipulated in the preceding paragraph.
  - Project for the modernization of the business which meet the following requirements:
    - The investment must be an important part of the tangible fixed assets of the establishment being modernized and must entail the acquisition of technologically advanced machinery which produces a notable increase in productivity.
    - The investment must give rise to the diversification of an establishment's production in order to attend to new and additional product markets or must entail a fundamental transformation of the overall production process of an existing establishment.
    - Existing jobs must be maintained during the aforesaid periods.

    Replacement investments consisting of (i) the technological updating of a machine outfit which has already been depreciated, implying no fundamental change to the product or production process; (ii) the remodeling or adaptation of buildings as a result of the aforesaid investments, in compliance with safety or environmental provisions or by statutory imperative; and (iii) the incorporation of cutting edge technology without fundamental changes to the process or to the product, are excluded.
- Requirements
  - The project must relate to an eligible sector and activity and be located in one of the designated areas.
  - It must be technically, economically, and financially viable.
  - Generally, at least 25% of the investment must be self-financed. However, depending on the features of the project, a higher rate may be required in the Royal Decrees of demarcation.
  - The company developing the project must have a minimum level of equity, which will be stipulated in the individual Resolution granting the incentive and must be maintained through the last day on which the subsidy is in force.
  - The application for regional incentives must be submitted before the investment in question begins to be made. In this connection, the investment will be begin to be made (i) upon the commencement of the construction works entailed in the investment, (ii) upon the first firm commitment for the order of equipment or (iii) any other commitment making the investment irreversible, whichever comes first. The purchase of lands and preparatory work (such as the obtainment of permits and the performance of preliminary viability studies) are not regarded as the commencement of work.

    The applicant must prove to the Autonomous Community, using the standardized form known as the "solemn

declaration of non-initiation of investments", that the investments had not been initiated prior to the filing of the application for regional incentives. The Autonomous Community may also request a notarial certificate as evidence of the foregoing (*acta notarial de presencia*) or perform an on-site inspection of the land, with a view to ensuring that this requirement has been met.

- The aid should serve as an "incentive"—i.e., evidence is given that the applicant undertaking the project would not have done so without the aid. Accordingly, an explanation must be given of the impact that would be produced on the decision to invest or on the decision to locate the investment in the region in question should the regional incentives not be received (for large companies the explanation also requires the submission of documentary evidence).

- The aid applicant must report accordingly, if it has discontinued the same activity or another similar activity in the European Economic Area within the two years preceding the application date, or if it plans to discontinue said activity within two years after completion of the investment for which the aid is requested. In such case, the potential grant of aid will require prior analysis, and prior notice must be served on the European Commission, so that it can decide whether to authorize or to reject its grant.

4.1.4 Types of incentive

The regional incentives available for grant consist of:

a. Non-returnable subsidies for the approved investment.

b. Subsidies for the interest on loans obtained by the beneficiary from financial institutions.

c. Subsidies for the repayment of those loans.

d. Any combination of the foregoing.

e. Reductions in the employer's social security contribution for common contingencies during a maximum number of years, to be determined by regulation, subject to the provisions of the legislation on incentives for hiring and for fostering employment.

In the cases under letters b), c) and d) above, there is also a possibility of regional incentives being converted into a percentage of the subsidy on the approved investment.

The form of incentive most commonly granted, however, is the non-returnable subsidy.

4.1.5 Project assessment

Projects must be evaluated using the methods stipulated in each Royal Decree of demarcation, which will also determine the percentage of subsidy to be granted for each project. Notwithstanding the specific provisions of each Royal Decree, the main parameters to date considered by the relevant bodies are as follows:

- Total amount of the eligible investment.

- Number of jobs created.

- Contribution to the area's economic development and use of its production factors.

- Added value of the project (if newly created) or increase in productivity in other cases.

- Use of advanced technology.

- Location in an area considered a "priority" (defined as such in the demarcation Royal Decree).

4.1.6 Compatibility of different incentives

No investment project can receive other financial aid if the amount of the aid granted exceeds the maximum limits on aid which have been stipulated for each approved investment in the Royal Decrees of demarcation of eligible areas.

Therefore, the subsidy received is compatible with other aid, provided that the sum of all the aid obtained does not exceed the limit established by the Royal Decree of demarcation and EU rules do not preclude it (incompatibilities between Structural Funds).

4.1.7 Application procedure

- Documentation:

  - Standardized application form addressed to the Ministry of Finance, although it must be submitted to the competent body of the corresponding Autonomous Community, which will be in charge of processing it. Submission of the application does not require the approval of a prior call, and interested parties will have until December 31, 2020 to submit their applications.

  - Documentary evidence of the applicant's personal circumstances or, in the case of an incorporated company, its registry data. If the company is in the process of being incorporated, the projected registry data and the data of the developer acting in its name.

  - Standardized explanatory investment project memorandum, together with documentation evidencing compliance with all environmental requirements.

  - Formal declaration, on a standardized form, of other aid applied for or obtained by the applicant for the same project.

  - Evidence of the company's compliance, as of the date in question, with its tax and social security obligations or, as the case may be, authorization from the Directorate-General of European Funds to obtain the certificates to be issued by the State Tax Agency and by the Social Security General Treasury. In the case of a company being incorporated, the obligation will be deemed to refer to the developer.

- Where to submit:

  The appropriate body of the Autonomous Community where the project is to be carried out.

- Agency granting the aid:

  The Government Delegate Committee for Economic Affairs if the eligible investment exceeds €15,000,000.

  In all other cases the Ministry of Finance (in particular, through the Sub-directorate General of Regional Incentives, under the Directorate-General of European Funds).

- Decision deadline:

  The maximum deadline for deciding on applications and serving notice thereof is 6 months from the date on which the application is registered with the Ministry of Finance (although this deadline may be extended).

  If the initial term and, as the case may be, any extended term ends without an express decision have been issued, the regional aid application may be deemed to have been rejected.

  Nonetheless, the decision deadline has been suspended for the duration of the state of emergency declared by Royal Decree 463/2020, of March 14, 2020, given the COVID-19 public health crisis, and will only be resumed when the state of emergency is declared to have ended (pursuant to Additional Provision Three of said royal decree). The same may be said with respect to the deadlines granted to beneficiaries by which they were to take certain steps that had not yet been taken by March 14, 2020.

- Acceptance of the grant of aid:

  Express notice of acceptance of the aid must be served by applicants on the relevant agency of the Autonomous Community, within the first 15 business days after the date on which notice of the individual decision to grant the aid is received.

  If no notice is served by the end of such period, the grant of aid will be rendered null and void by the Directorate-General of European Funds and the dossier will be shelved.

- Submission of decisions at the Mercantile Registry:

  After its acceptance, the beneficiary must file the Decision granting the aid with the Mercantile Registry within one month from the date of acceptance, so that the terms on which the aid was granted can be registered.

  All decisions subsequent to the grant of incentives (extensions, amendments, etc.) must also be filed by the same deadline.

  In general, compliance with this requirement must be evidenced to the relevant Autonomous Community agency within four months after acceptance of the related decision (six months, in the case of a company being incorporated). If evidence is not submitted by the deadline, the Directorate-General of European Funds will render null and void the grant of the regional aid.

4.1.8 Execution of the project and alterations subsequent to grant

Investments may be initiated without having to wait for the final decision to be adopted, provided that applicants have suitably proven, as stipulated above, that such investments had not been initiated before the application was filed. This possibility does not, however, prejudge the decision finally adopted.

In general, subsequent incidents in the project (*i.e.*, alteration of the initial project, change in the locating of the project, etc.) will be resolved by the Directorate-General of European Funds. Nonetheless, if the alteration of the project entails changes in the activity or a variation in the amount of the incentives granted, the amount of the investment approved or the jobs to be created, in excess of the limits set in article 31.1 of the Regulations of the Incentives Law, they will have to be resolved by the same body that granted the aid.

Applications for alteration of the projects must be submitted to the relevant Autonomous Community agency and addressed to the Ministry of Finance, and must specify the conditions which have been altered since the filing of the initial application.

The deadline for deciding on applications and serving notice thereof will be six months following their receipt by the Directorate-General of European Funds. As a general rule, if the administration fails to respond, this can be construed as an affirmative decision. However, when the alteration entails a change in activity, variation in the incentives, in the amount of the incentive approved, or in the job positions to be created, and it exceeds the thresholds established in the aforementioned article 31.1 of the Regulations for the Incentives Law, the absence of a response within the stipulated time must be construed as a rejection of the alteration application.

4.1.9 Payment procedure

Following issue of a report confirming the degree of compliance with the requirements imposed by the relevant agency on the project in question, the beneficiary must file a request for payment of the subsidy (on a standardized form) together with the other required documentation (evidence of performance of tax obligations and obligations to social security, etc.) with the relevant Autonomous Community agency from which it will be referred to the Directorate-General of European Funds.

4.1.10 Payment system

Subsidies may be paid using the following methods:

- Final payment: after the end of the term, the beneficiary may only request payment in full of the subsidy granted or of the part to which he is entitled if there has been any breach.

- Payment in full: during the term, the beneficiary may only request a single payment of the total subsidy after the entire investment has been made and subject to the submission of the related bank guarantee. This payment may only be requested subsequent to the dates of compliance, once each and every one of the conditions imposed on the holder have been verified and prior to the end of the term.

- Payment in part: during the term, the beneficiary may request payments of the subsidy as he justifies the partial making of the investment, provided that this is authorized in the individual decision to grant the subsidy.

For more information, please consult the website of the Ministry of Finance (https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/Paginas/inicio.aspx).

4.2 REGIONAL AID GRANTED BY THE AUTONOMOUS COMMUNITIES

Some Spanish Autonomous Communities also provide similar incentives, on a smaller scale, for investments made in their regions. Only some of these incentives are compatible with EU and State regional incentives. Specifically, if State regional incentives have been applied for in connection with a given project, the limits established in each Royal Decree of demarcation must be taken into account.

In fact, some Autonomous Communities grant investment incentives in areas not covered by state legislation but which are included in EU regional financial aid maps.

Most Autonomous Community incentives are granted on an annual basis, although the general conditions of the incentives do not usually change from year to year.

In view of the impossibility of including a detailed description of the aid granted by each Autonomous Community, we summarize below their main and traditional features (which are generally very similar to those of State regional incentives).

Nonetheless, bear in mind that the incentives granted by the Autonomous Communities have also been affected by the content of the Guidelines on regional State aid and by the limits and maximum aid intensity percentages established in the new regional aid Map amended in 2016, for the 2014-2020 period, and the regulation of these incentives should therefore have been adapted to the new framework established.

4.2.1 Types of project

Opening of new establishments, expansion of activities, modernization and technological innovation. The creation of new jobs is normally required.

4.2.2 Main industries

In general, the main eligible industries are industrial support services, processing industries, tourism, culture, industrial design, electronics and computing, renewable and environmental energies.

4.2.3 Project requirements

They are basically the same as those imposed at State level.

4.2.4 Types of incentive

The main incentives are:

- Nonrefundable subsidies.

- Special conditions for loans and credit.

- Technical counseling and training courses.

- Tax incentives.

- Guarantees.

- Social security relief.

4.3 SPECIAL REFERENCE TO INVESTMENTS IN THE CANARY ISLANDS

The Canary Islands Autonomous Community has traditionally enjoyed a regime of commercial freedom involving less indirect tax pressure and exclusion from the sphere of certain State monopolies. These conditions have given rise to an economic and tax system which is different from that existing in the rest of Spain.

Of course, an attempt has been made to reconcile these special circumstances with the requirements of Spanish membership of the European Union.

In this regard, the Central Government has been increasing flexibility as much as possible in connection with the functioning of regional incentives and localization of investments on the Canary Islands, imposing no further limitations than those stipulated in EU legislation and giving preferential treatment to investments in the peripheral islands by requiring a minimum level of investment lower than that established for the rest of Spain.

These efforts led the European Commission to authorize the creation of the Canary Islands Special Zone (*Zona Especial Canaria* or *ZEC*) in January 2000, with a view to attracting and encouraging the investment in the Canary Islands of international capital and companies which make a decided contribution to the economic and social progress of the Canary Islands. Use of the benefits of the *ZEC* is currently in force through December 31, 2026, and may be extended when authorized by the European Commission (please also see Chapter 3 and www.zec.org).

It is important to note that incentives aimed at upgrading and modernizing the banana and tomato growing and fishing-related industries are also available under the Community Program to Support Agricultural Production on the Canary Islands.

Along these same lines, please note the **Integral Strategy for the Canary Islands Autonomous Community**, approved by decision of the Council of Ministers dated October 9, 2009. The main objectives of this Strategy were implemented in Additional Provision Fourteen of Sustainable Economy Law 2/2011, of March 4, 2011, as a guide for initiatives of the Government and of the General State Administration on the Canary Islands. In particular, under the former Strategy priority was to be given to initiatives connected with the policy to internationalize the Canary Island economy, energy planning, with special attention to renewable energies, ground, airport and port infrastructures, subsidies for goods transport to or from the Canary Islands, the fostering of tourism and the contribution to the development of industrial sectors and of telecommunications on the Canary Islands.

In particular, from the standpoint of internationalization, the *Sociedad Canaria de Fomento Económico,* S.A. (*PROEXCA*) was formed under the Department of Economy, Knowledge and Labor of the Canary Island Government, with a view to fostering the internationalization of the Canary Island enterprise and attracting strategic investments to the Islands. *PROEXCA* acts as an official agent for the promotion of investments on a regional scale, serving companies which seek to invest in the Islands and which offer them high added value and sustainability.

5. Aid for innovative SMEs

Notwithstanding the special treatment usually given to SMEs in the context of the public financing programs or initiatives which have been examined in other sections of this chapter, the following is a list, to be taken as an example, of some lines specifically targeted at entities of this type when they engage, in particular, in innovative activities.

In particular, it is worth mentioning the financing which is offered by the National Innovation Enterprise (*Empresa Nacional de Innovación* or *ENISA)* to small and medium-sized companies through various lines targeted at fostering their formation, their growth or their consolidation.

As an example, we indicate below the main characteristics of some of these lines, although both the availability of funds and the conditions applicable for 2020 will ultimately depend on the budgetary framework finally approved for this year.

- ***ENISA* Young entrepreneurs:** Aimed at stimulating the formation of enterprises backed by young entrepreneurs (not older than 40 years of age), which are provided with the necessary financial resources for SMEs and Startups, so that they are able to make the investments required for the business project during its initial phase, no guarantees require.

  Potential beneficiaries are SMEs (i) which pursue their activity and have their registered office in Spain; (ii) which have their own legal personality and whose incorporation took place not more than 24 months prior to the submission of the application; (iii) which have an innovative business model or one with obvious competitive advantages; (iv) which evidence the technical/economic viability of the project; (v) whose financial statements for the last year ended have been filed with the Commercial Registry or any other appropriate public registry; (vi) the majority of whose capital is subscribed by young entrepreneurs (aged under 40); and (vii) which are active in any area of business activity (other than real estate and finance). Finally, minimum contributions are required from the shareholders (of at least 50%), in the form of capital, depending on the amount of the loan, as is proof of the project's technical and economic viability.

  Eligible investments are those required for the start-up of the business project during its initial phase and, specifically, the acquisition of both the fixed and the current assets required for the pursuit of the activity.

  Aid will take the form of a **participating loan** of **not less than €25,000 and not more than €75,000**, with an applicable interest rate equal to Euribor plus 3.25% in the first tranche and, in the second tranche, variable interest of between 3.0% and 6.0%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid monthly..

  The loan matures after a maximum of 7 years and there is a grace period of not more than 5 years for the repayment of principal.

- ***ENISA* Entrepreneurs:** Aimed at providing financial support to recently formed SMEs and Startups, promoted by entrepreneurs (of any age), so that they are able to make the investments required for the business project during its initial phase, no guarantees required.

  Potential beneficiaries are SMEs (i) which pursue their activity and have their registered office in Spain; (ii) which have their own legal personality and are incorporated as a corporate enterprise no more than 24 months before the application is filed; (iii) whose business model is innova-

tive or has clear competitive advantages; (iv) which have shareholders' equity equivalent, at least, to the amount of the loan; (v) who evidence the technical/economical viability of the project; (vi) whose financial statements for the last year ended have been filed with the Commercial Registry or any other appropriate public registry; (vii) which have a balanced financial structure and management of a professional nature; and (viii) which are active in any area of business activity (other than real estate and finance).

This aid will take the form of a participating loan of between €25,000 and €300,000, at an applicable fixed interest rate equal to Euribor plus 3.75% for the first tranche and, in the second tranche, variable interest of between 3.0% and 6.0%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid quarterly.

The loan matures after a maximum of 7 years and there is a grace period of 5 years for the repayment of principal.

- ***ENISA* Growth:** Aimed at financing projects promoted by SMEs, no guarantees required, which envisage making competitive improvements or executing consolidation, growth and internationalization projects or corporate transactions, based on viable and profitable business models, aimed specifically at achieving any of the following objectives: (i) the competitive improvement of production systems and/or a change in production model; (ii) expansion through an increase in production capacity, technological advances, an increase in the range of products/services; (iii) diversification of markets; seeking out capitalization and/or debt on regulated markets, or (iv) the financing of business projects through corporate transactions.

The requirements to be met by the beneficiary are basically those described for the preceding line, although, for loans approved for an amount exceeding €300,000, the financial statements for the most recent year ended must have been submitted to external audit.

The amount of participating loans granted under this line will range between €25,000 and €1,500,000, repayable in a maximum of 9 years, with a grace period of 7 years for the repayment of the principal. The applicable interest rate is Euribor + 3.75% in the first phase and variable interest, depending on the financial return of the enterprise, with a maximum limit of between 3% and 8%, in the second phase, according to the transaction's rating.

4 Investment aid and incentives in Spain

6. Preferred financing of the Official Credit Institute (*Instituto de Crédito Oficial* or *ICO*)

Consistent with its objective to contribute to economic growth and to the improvement of the distribution of national wealth, the *ICO* cooperates with other national and international bodies and institutions which work for the benefit of industries which, given their social, cultural, innovative or ecological significance, merit priority attention.

Thus, for a number of years the *ICO* has been executing multilateral institutional and/or financial cooperation agreements with similar bodies, Autonomous Communities, ministries and financial institutions with a view to helping Spanish enterprises start up new investment projects.

Notwithstanding other lines intended for certain specific sectors, **the following** are the main *ICO* lines of financing for 2020: (i) Enterprises and Entrepreneurs; (ii) Mutual Guarantee Society Guarantee/State-owned Agricultural Surety Corporation; (iii) Commercial Credit; (iv) Exporters 2020; (v) International Tranche 2020 I "Investment and liquidity"; and (vi) International 2020 Tranche II "Medium and Long-term Exporters" and (viii) International Channel 2020 whose most notable characteristics are:

- ***Línea ICO Empresas y Emprendedores 2020*** (ICO Enterprises and Entrepreneurs Line):

  Independent professionals and public and private enterprises - both Spanish and foreign - who carry on their business activity in Spain may apply for these loans, irrespective of where their registered office for commercial or tax purposes is located and of whether the greater part of their capital is Spanish or foreign.

  They may also be applied for by private individuals, owners' associations (and groupings of such associations) for the renovation of residential properties and buildings or the refurbishment of communal features thereof.

  Transactions are processed directly via credit institutions with which the ICO has executed a cooperation agreement for the implementation of this line.

  The financing (which can take the form of loan, leasing arrangement, renting arrangement of line of credit) may be used for:

  1. Investment projects and/or general requirements of the activity, including liquidity needs to cover items such as current expenses, payrolls, payments to suppliers, purchases of goods, etc.
  2. Technological requirements, in particular, the digitalization projects to promote teleworking set forth in the SME Acelera Program.
  3. Acquisition of new or second-hand fixed assets.
  4. Passenger cars and industrial vehicles.
  5. The fitting-out and refurbishment of installations.
  6. Acquisition of businesses.
  7. The renovation or refurbishment of buildings, communal features and residential properties (VAT or similar taxes included), in the case of owners' associations, groupings of owners' associations and private individuals.

The maximum amount per client and year will be 12.5 million euros, in one or more transactions, while the repayment and grace periods will range between one of the following options:

i. Between 1 and 6 years, with the possibility of a grace period of up to one year for the repayment of principle.

ii. Between 7 and 9 years, with the possibility of a grace period of up to two years.

iii. Of 10, 12, 15 and up to 20 years, with a grace period of up to three years.

The foregoing periods will apply independent of the items that are to be financed.

Regarding the applicable interest rate, the client can choose between a fixed or variable rate. In the latter case, the interest rate will be reviewed weekly by the credit institution in accordance with the provisions of the related financing agreement.

The Annual Percentage Rate (APR) applicable to the transaction comprises the cost of the initial fee applied by the credit institution plus the interest rate, and cannot surpass the following limits:

- For 1-year forward transactions: fixed or variable interest rate plus a 2.30% margin.
- For 2- and 3- or 4-year forward transactions: fixed or variable interest rate, plus a 4.00% margin.
- For forward transactions of 5 or more years: fixed or variable interest rate plus a margin of up to 4.30%.

With regard to fees, it should be noted that credit institutions can charge a fee at the start of the operation, although the cost of such fee plus the interest rate may not exceed the maximum APR which the institution is able to apply based on the term.

Lastly, an early repayment fee may be applied (voluntary –which in general will be 1% of the amount cancelled, if the transaction was executed at a fixed rate, and of between 0.05% and 0.8% if it was executed at a variable rate- or mandatory, in which case it is 2% of the amount cancelled).

Transactions can be executed with the credit institution throughout the whole of the year 2020.

- ***Línea ICO Garantía SGR/SAECA (Sociedad de Garantía Recíproca/Sociedad Anónima Estatal de Caución Agraria) 2020*** (ICO Mutual Guarantee Society Guarantee/State-owned Agricultural Surety Corporation Line):

Independent professionals, public and private enterprises and entities that have a guarantee or surety from a Mutual Guarantee Society or the State-owned Agricultural Surety Corporation, regardless of their registered office or tax domicile or of the nationality of their capital, can apply for these loans to make productive investments inside or outside Spain and/or to cover their liquidity needs.

However, an entity applying for financing to make an investment outside Spain and/or to cover liquidity requirements must be domiciled in Spain or its capital must be at least 30% Spanish owned.

These transactions are processed directly through credit institutions with which the ICO has executed a cooperation agreement for this product, vis-à-vis Mutual Guarantee Societies or vis-à-vis the State-owned Agricultural Surety Corporation.

The financing may be used for:

a. Liquidity needs: In particular, working capital needs to attend to operating expenses, payroll, payments to suppliers, purchase of goods, etc.

b. Productive investments inside and outside Spain:

- Acquisition of new or second-hand fixed assets.
- Passenger cars and industrial vehicles.
- Fitting out and refurbishment of installations.
- Acquisition of businesses.
- Formation of businesses.

The maximum amount that can be applied for is 2 million euros, in one or more transactions per client and year.

The financing may be formalized in the form of a loan, leasing arrangement or line of credit and, when its intended purpose is "Investment", up 100% of the project can be financed. The Mutual Guarantee Society/State-owned Agricultural Surety Corporation may decide the amount of the transaction to be guaranteed, which may be up to 100%.

The client will be able to choose from among various repayment periods and grace periods, depending on the use to be given to the financing:

i. Between 1 and 6 years, with the possibility of a grace period of up to one year for the repayment of principal.

ii. Between 7 and 9 years, with the possibility of a grace period of up to two years.

iii. Of 10, 12 and 15 years, with a grace period of up to three years.

The foregoing will apply independent of the items that are to be financed.

As regards the applicable interest rate, the client may choose between a fixed or variable rate. If the transaction is carried out at a variable interest rate, the rate will be reviewed half-yearly by the credit institution in accordance with the provisions of the financing agreement.

The maximum annual cost of the transaction will the sum of the amount of the initial fee and the interest rate established by the credit institution, plus the cost of the Mutual Guarantee Society guarantee (without considering the application/opening fee applied to the client). This maximum annual cost may not exceed (i) the fixed or variable interest rate plus up to 2.3% for forward transactions equal to 1 year; (ii) the fixed or variable interest rate plus up to 4% for forward transactions of 2, 3 or 4 years; and (iii) the interest rate (whether fixed or variable) plus up to 4.30% for forward transactions equal to or over 5 years.

The Mutual Guarantee Society/State-owned Agricultural Surety Corporation or the credit institution, as the case may be, may charge an application fee equal to 0.5% of the amount guaranteed. Additionally, the Mutual Guarantee Society may charge a fee based on the amount guaranteed and up to 4% in respect of a mutual society fee, such amount being refundable when the client terminates its relationship with the Mutual Guarantee Society. The State-owned Agricultural Surety Corporation does not charge a mutual society fee.

Finally, the Credit Institution may charge a single fee at the start of the operation and, in the event of voluntary early repayment), a cancellation fee (generally 1% of the amount cancelled when the transaction was formalized at a fixed rate, and between 0.05% and 0,8% when it was formalized at a variable rate). If the early repayment is mandatory, the penalty accruing is 2% of the amount cancelled.

The Mutual Guarantee Society, the State-owned Agricultural Surety Corporation ant the credit institution will evaluate the application for financing and, having regard to the applicant's solvency and the project's viability, may require the provision of guarantees.

Transactions can be executed throughout the whole of 2020.

- ***Línea ICO Crédito Comercial 2020*** (ICO 2020 Commercial Credit Line)

These loans can be applied for by independent professionals and enterprises with registered office in Spain who seek (i) to obtain liquidity through the payment of advances on their billings in respect of their commercial activity within national territory, or (ii) to cover prior production or manufacturing costs of goods or services sold in Spain.

The advance payment of invoices with a maturity of not more than 180 days after the transaction's execution date can be made. Similarly, pre-financing can be provided to meet the business's liquidity needs to cover the costs of production and manufacturing of goods or services sold in national territory. The pre-financing operation must in any event be cancelled prior to formalizing an operation for the payment of advances on billings in respect of assets for which pre-financing was provided.

Transactions are processed directly through credit institutions with which the ICO has executed a cooperation agreement for this product.

Up to 100% of the amount of the invoice can be financed, provided that it does not exceed the maximum amount of 12.5 million euros of outstanding balance per client per year, in one or more installments.

As regards the applicable interest rate, a variable interest rate will be applied, the conditions, dates and settlement method being those agreed upon with the credit institution in the corresponding financing agreement.

As for fees, the credit institution may charge an initial fee at the start of the operation, although the cost of such fee plus the interest rate established may not exceed the maximum APR which the credit institution is able to apply (interest rate plus up to 2.30%). However, no additional fee can be charged to the client, except in cases of voluntary early repayment (in which case a fee equal to 0,05% of the amount cancelled may be charged) or mandatory early repayment (in which case a penalty equal to 1% of the amount incorrectly formalized will accrue).

Transactions can be executed with the credit institution throughout the whole of the year 2020.

- Lastly, given its purpose, the ***ICO* 2020 International, Tranche I "Investment and Liquidity" Line, the lines relating to Exporters 2020 and International 2020 Tranche II "Medium- and Long-term Exporters", and the *ICO* International Channel 2020 line** will be examined in section 7 below, on "Internationalization Incentives".

Lastly, please note that, pursuant to Royal Decree Law 8/2020, of March 17, 2020, a special Line of Guarantees has been approved to help enterprises to confront exceptional circumstances arising during the COVID-19 public health crisis. This Line of Guarantees, of which the first two tranches, each for an amount of 20 billion euros, have already been approved, are to be used to facilitate access to credit and to provide liquidity to enterprises, independent professionals and SMEs.

In particular:

- Tranche One, activated by Resolution of the Council of Ministers on March 24, 2020: 20 billion euros, divided among two subtranches:

  1. Up to 10 billion euros for renewals and new loans granted to independent professionals and SMEs.

  2. Up to 10 billion euros for renewals and new loans granted to enterprises not meeting the requirements to be an SME.

- Tranche Two, activated by Resolution of the Council of Ministers on April, 2020: An additional 20 billion euros for renewals and new loans granted to independent professionals and SMEs.

This second Line of Guarantees for enterprises and independent professionals from the Ministry of Foreign Affairs and Digital Transformation will be managed by the

ICO through the financial institutions granting financing to enterprises and independent professionals with a view to mitigating the economic impact of COVID-19, securing liquidity and covering their working capital needs, with a view to upholding productive activity and employment.

In particular, this Line of Guarantees can be used to cover new loans and other forms of financing, as well as renewals of those already granted by financial institutions in order to attend to financing needs such as (i) the payment of salaries; (ii) outstanding invoices of suppliers; (iii) rent for premises, offices and facilities; (iv) expenses incurred on supplies; (v) working capital needs; and (vi) other liquidity needs, including those arising from financial or tax obligations falling due. This Line cannot, however, be used to finance loan unifications and restructurings or the cancellation or early repayment of existing debt.

Potential beneficiaries of this Line are independent professionals and enterprises in all industries, provided they have their registered office in Spain and have been affected by the economic impact of COVID-19 and that:

1. The loans and transactions were executed or renewed after March 18, 2020.

2. The enterprises and independent professionals:

- Are not in default, in accordance with the files of the Bank of Spain Risk Information Center (CIRBE) as of December 31, 2019.

- **Are not subject to an insolvency proceeding** as of March 17, 2020, either due to having petitioned for an insolvency order or to fulfilling the circumstances referred to in article 2.4 of Law 22/2003, of July 9, 2003, enabling their creditors to petition for the insolvency order.

- **Are not**, where the European Union Temporary State Aid Framework applies, **an "undertaking in difficulty" as of December 31, 2019**, in accordance with the criteria established in article 2(18) of Commission Regulation No 651/2018 of 17 June 2014 declaring certain categories of aid compatible with the internal market.

Financial institutions may request the guarantee for loans and transactions executed or renewed with independent professionals and enterprises between March 18, 2020 and September 30, 2020. Nonetheless, this period can be extended, at all times in line with the EU regulations on State Aid, by Resolution of the Council of Ministers. For more information in this connection, please see the ICO website: http://www.ico.es.

7. Internationalization incentives

Although it is not the aim of this publication to address incentives for Spanish investment abroad, this section is included in view of the obvious interest that Spanish investment abroad has sparked in foreign investors as a platform for international expansion.

In this context, please note that the official financial instruments approved by the Spanish government to provide official support for the internationalization of business are, *inter alia*:

- *FIEM* (enterprise internationalization fund, managed by the Ministry of Industry, Trade and Tourism through the Office of the Secretary of State for Trade).
- *FIEX* (fund for investments abroad, managed by COFIDES).
- *FONPYME* (operating fund for SME investments abroad, managed by *COFIDES*).
- *CRECE + INTERNACIONAL* (line of financing managed by *COFIDES* through *COFIDES*, *FONPYME* or *FIEX* funds).
- *Pyme* Invierte (managed by *COFIDES*).
- Programs for the Conversion of Debt into Investment managed by the Ministry of Economy and Enterprise.
- The *ICO* Internationalization and Support for Exports Lines.

Of all the foregoing financial instruments, particular regard must be had to the *FIEM*, the *FIEX* and the *FONPYME*, as well as the lines promoted by *ICO* in connection with internationalization, such as Línea *ICO-Internacional 2020, Línea ICO-Exportadores 2020* and *Línea ICO-Canal Internacional*.

Certain lines for the financing of specific sectors of economic activity (such as, inter alia, the FINTEC or FINCONCES lines targeted at new technologies industries or infrastructure concession), which had been offered by COFIDES and to which we referred in previous versions of the Guide, are no longer operative. This is because COFIDES has considered it more suitable (in the interest of greater simplification) to offer financing to all enterprises, regardless of the sector in which they operate, through the same lines of financing:

A. *FIEM*:

The *FIEM* is an instrument intended for the direct financing of international contracts for the supply of goods and services or the execution of projects undertaken by Spanish companies in order to support direct investment by Spanish companies abroad. Its aim is to promote export operations by Spanish companies and direct Spanish investment abroad.

The *FIEM* finances (i) transactions and projects of special interest to the strategy to internationalize the Spanish economy; (ii) the technical assistance required by such transactions and projects and (iii) technical assistance and consultancy services of special interest to the internationalization strategy, the objective of which is the preparation of viability, feasibility and pre-feasibility studies, studies related to the modernization of economic sectors or regions, and consulting services aimed at institutional modernization of an economic or regional nature.

In this connection, a transaction or project, technical assistance or consultancy service is deemed to be of special interest to the internationalization strategy where (i) it promotes the internationalization of Spanish SMEs; (ii) it entails the direct investment or exportation of goods and services of Spanish source and manufacture in a sufficiently significant percentage of the financing or (iii) otherwise, where there are circumstances justifying the interest.

In this respect, operations or projects which entail the creation of, or participation in, a productive or concessionaire company or entity (i.e. conduit or special purpose entities, provided that there are Spanish companies investing in them), are eligible for financial support to supplement other sources of public financing.

In any case, the following will not be financed (i) exports of defense, paramilitary and police materials to be used by the armed forces, police forces and security forces or the anti-terrorist services or (ii) projects related to certain basic social services such as education, health and nutrition, unless they have a major ripple effect on internationalization and have a high technology content.

Potential recipients of financing from this Fund are foreign central governments and foreign Public, Regional, Provincial and Local authorities, as well as enterprises, groupings and consortiums of foreign publicly-owned and private enterprises, not only from developed countries but also from developing countries.[1]

In exceptional cases, *FIEM* aid may be granted to international organizations, provided that there is a clear commercial interest, from the point of view of internationalization of the Spanish economy, in the corresponding contribution. In this connection, please note the list of 23 countries which are to be given priority according to the 2020 Guidelines.[2]

The three types of financing offered through the *FIEM* are: financing for trade, financing of concessions and financing of investment projects, of which full details can be found in the information published by the Secretary of State for Trade on its website https://comercio.gob.es/Financiacion_para_internacionalizacion/FIEM/Paginas/fiem.aspx.

B. *FIEX*:

The purpose of the ***FIEX*** is to foster the internationalization and business activities of Spanish companies and, in general, the Spanish economy, through direct investments in minority and short-term interests in the equity of companies located, in juridical terms, outside Spain, specifically through holdings in the capital (equity) or quasi-equity instruments (coinvestment loans, etc.).

The maximum amount of the **financing** is 30 million euros subject to a minimum amount of €250,000.

C. *FONPYME*:

The *FONPYME* is intended to finance direct short-term and minority holdings in the capital stock or equity of Spanish companies located in Spain, for their internationalization, or of Spanish companies located outside Spain, through participative financial instruments. Additionally, according to the provisions of Royal Decree 321/2015, of April 24, 2015, direct short-term and minority holdings may also be acquired in "capital expansion funds" or vehicles with official support, whether already existing or to be established, and in private investment funds, provided that they foster the internationalization of the Spanish enterprise or economy. The maximum amount of the financing is 5 million euros, with a minimum of €75,000 per transaction.

If the project being funded is located in a country in which *COFIDES* can operate, the Fund's participation may be instrumented, if so approved by the Company's Board of Directors and the Fund's Executive Committee, through joint financing with *COFIDES*, using identical or differing financial instruments. Under the joint financing arrangement, different remuneration schemes can be established for each of the support instruments. The percentage of the *COFIDES* funding in transactions funded with *FONPYME* will be decided on a case by case basis by its Board of Directors.

D. *CRECE + INTERNACIONAL*:

This programme, through capital or quasi-capital instruments, finances the establishment in new markets of SMEs and small and mid-capitalization companies, and the growth of such companies in markets in which they already have a presence.

To be eligible, Spanish companies are required to have: (i) an international growth plan; (ii) a controlling interest in the subsidiary; (iii) audited financial statements reflecting revenues of between 10 and 150 million euros and sufficient EBITDA; (iv) a workforce of between 10 and 500 employees; (v) a sustainable financial position, and (vi) sound and verifiable financial projections.

The programme can take various forms, depending on the objective to be fulfilled through the internationalization of the business, namely: *CRECE + INTERNACIONAL* (linked to the company's growth plan), *CRECE + INTERNACIONAL + DIGITA* (involving the digitalization of the subsidiary), *CRECE + INTERNACIONAL + EDUCA* (training of personnel in the target country) and *CRECE + INTERNACIONAL + SOSTIENE* (to promote good practices in the areas of Corporate Social Responsibility and sustainability).

The financing may be between 1 million and 30 million euros, the maximum being up to 90% of the need for investment in assets.

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1 In line with the other measures adopted by the Central Government to help enterprises confront the economic impact of the COVID-19 public health crisis, it provides for the approval of various changes in the FIEM SME Line (created in April 2019 to support the small and medium-sized exporter and to date providing support for more than 21 projects, for an amount of 21.37 million euros). The projected changes, according to the information furnished, are aimed at extending the eligible amount per transaction (from 3 to 10 million euros) as well as increasing the flexibility of repayment deadlines from 8 years up to the maximum set by the OECD Consensus in each case.

2 Priority countries according to the 2020 Guidelines:

- America: Brazil, Canada, Chile, Colombia, the US, Mexico and Peru.
- Asia: Philippines, Indonesia, Uzbekistan, Vietnam, Japan and India.
- Oceania: Australia.
- Africa, Mediterranean and Middle East: South Africa, Kenia, Morocco, Egypt, Turkey, Saudi Arabia, Qatar, the United Arab Emirates and Israel.
- HIPC countries: Ivory Coast, Senegal, Ruanda, Uganda and Tanzania.

E. *PYME INVIERTE* (SME INVEST):

This line offers financing to Spanish SMEs that wish to undertake either a productive investment project outside Spain, with a term of more than 3 years, or a start-up of commercial activities outside Spain. Maximum financing will vary according to the SME's objectives:

- In productive investments, the amounts will vary between 75,000 and 10 million euros and comprise financing of up to 80% of the project's medium and long-term needs. The period of financing will be between 5 and 10 years.
- In start-ups of commercial activities, the investment will range from 75,000 though 1 million euros and will comprise financing of up to 80% of the expenses associated with the enterprise's commercial implementation (expenses incurred on structure, salaries, wages and associated promotional expenses incurred by the subsidiary or branch).

F. *LÍNEA ICO-INTERNACIONAL* 2020 *TRAMO I "INVERSIÓN Y LIQUIDEZ":* (2020 ICO INTERNATIONAL LINE TRANCHE I "INVESTMENT AND LIQUIDITY"

"***Línea ICO-Internacional*2020**" is aimed at Spanish independent professionals and publicly-owned and private entities (i.e., enterprises, foundations, NGO's, public authorities), not only with registered office in Spain but also those in which, despite having their registered office abroad, at least 30% of capital stock is Spanish-owned) which carry out investment projects abroad. It will remain in force for the whole of the year 2020.

The financing can be used for investment projects and/or the general needs of the activity, including:

i. New or second-hand productive fixed assets.

ii. Vehicles and industrial vehicles.

iii. Acquisition of companies.

iv. Creation of enterprises abroad.

v. Technological needs.

vi. Upgrade and reform of installations.

vii. Liquidity: operating expenses, payroll, payments to supplies, purchases of merchandise, etc.

The maximum financing is 12.5 million euros or its equivalent in US dollars (USD) per customer per year, in one or more transactions and may be executed in the form of a loan, leasing arrangement or line of credit.

The repayment period and grace periods are: (i) from 1 to 6 years, with the possibility of a grace period of up to one year for the repayment of principle; (ii) from 7 to 9 years, with the possibility of a grace period of up to 2 years, (iii) or of 10, 12, 15 or 20 years, with the possibility of a grace period of up to 3 years for the repayment of principal.

The APR on the operation may not exceed the following thresholds:

- For operations with a term equal to 1 year: A fixed or variable rate (euros or US dollars), plus up to 2.30%.
- For operations with a term of 2, 3 or 4 years: A fixed or variable rate (euros or US dollars), plus up to 4%.
- For operations with a term of 5 years or more: A fixed or variable rate (euros or US dollars), plus up to 4.30%.

This type of financing may be combined with other aid granted by the Autonomous Communities and other public institutions.

The customer can choose between a fixed or variable interest rate in the currency in which the transaction was executed.

Lastly, with regard to fees, it is to be noted that the financial institutions can charge a fee at the start of the operation, although the cost of such fee plus the interest rate may not exceed the maximum APR which the institution is able to apply to the operation based on its term.

Similarly, credit institutions can apply a voluntary early repayment fee which is generally 1% of the amount cancelled if the transaction was executed at a fixed rate. Where it was executed at a variable rate, a minimum fee of 0.05% and a maximum fee of 0.8% will be applied, depending on the residual life of the transaction on the date on which the repayment is made. In the event of mandatory early repayment, a penalty equal to 2% of the amount cancelled accrues.

G. *LÍNEA ICO INTERNACIONAL* 2020*TRAMO II "EXPORTADORES MEDIO Y LARGO PLAZO"* (2020 *ICO* INTERNATIONAL TRANCHE II "MEDIUM- AND LONG-TERM EXPORTERS LINE")

This financing may be requested by: (i) enterprises with registered office in Spain or with registered office abroad but with "Spanish interest"[3] for the sale of goods or services, with deferred payment, to enterprises with registered office outside Spain; and (ii) enterprises with registered office outside Spain which make purchases of goods or services, with deferred payment, from enterprises with registered office in Spain or with registered office abroad but with "Spanish interest".

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3 The ICO deems there to be "Spanish interest" for such purposes where the following exists:

- Pursuit of business activities or investments in Spain, regardless of the nationality of the shareholder or holder of the financing..
- Pursuit of business activities or investments outside Spain: (i) if the share of the Spanish enterprise in the capital is at least 30% of its capital or (ii) if the supplies, works or services provided by Spanish enterprises entail at least 30% of the total investment in the project.
- Business activities and acquisition of Spanish goods and services by nonresident enterprises.
- Direct or indirect holding of a Spanish company in the capital stock of the foreign company holding the financing.
- Other cases, to be assessed in each transaction having regard to the specific circumstances of the project or of the enterprise.

In any case, the ICO must authorize the existence of "Spanish interest" having regard to the circumstances of the transaction.

In particular, the following items are eligible for financing:

a. Supplier Facility: Financing targeted not only at enterprises with registered office in Spain, but also at those with registered office abroad but with "Spanish interest", for the sale, with deferred payment, of new or second-hand goods or services to enterprises with registered office outside Spain.

b. Purchaser Facility: Financing targeted at enterprises with registered office outside Spain, for the acquisition, with deferred payment, of new or second hand goods or services exported by enterprises with registered office in Spain or with registered office abroad but with "Spanish interest".

c. Supplementary Financing: Financing required by enterprises with registered office outside Spain which acquire goods or services exported by an enterprise with registered office in Spain, the full amount of which was not entirely covered by a Purchaser facility.

The financing may take the form of a loan, with the possibility of disbursement in multiple drawdowns, for a maximum amount of 25 million euros, or its equivalent in US dollars (USD), per customer, in one or more transactions.

The customer may choose between a fixed or variable interest rate in the currency in which the transaction is executed (euros or USD). The maximum annual cost of the operation may not, however, exceed the following thresholds:

- For operations with a term of 2, 3 or 4 years: a fixed or variable rate plus up to 4%.
- For operations with a term of 5 years or more: a fixed or variable rate plus up to 4.30%.

The repayment deadline and grace period may take any of the following forms:

i. Between 2 and 6 years, with the possibility of a grace period of up to 1 year for the repayment of principal.

ii. Between 7 and 9 years, with the possibility of a grace period of up to 2 years.

iii. 10 and 12 years, with the possibility of a grace period of up to 3 years for the repayment of principal.

Lastly, it is to be noted that the credit institution may charge a fee at the start of the operation. It may also apply application costs or arrangement fees of up to 1% for transactions with a term of less than 5 years and up to 1.50% for transactions with a term of 5 years or more. Fees may also be charged for early repayment, whether voluntary (either 1% of the amount cancelled, if the transaction was executed at a fixed rate, or between a minimum 0.05% and a maximum of 0.80% if it was executed at a variable rate, having regard to the residual life of the transaction on the date on which the repayment is made) or mandatory (in which case it would incur a penalty of 2% of the amount cancelled).

Transactions may be formalized throughout the whole of 2020.

H. *LÍNEA ICO EXPORTADORES* 2020: (*ICO* SHORT TERM EXPORTER LINE):

This line of financing may be requested by **independent professionals and enterprises with registered office in Spain** who wish to obtain liquidity through an advance on the invoices from their export activity.

In particular, the financing is related to invoices issued within the framework of a transaction consisting of the final sale of goods and services supplied to a customer located outside Spain or to those with a document agreed with an enterprise that has its registered office outside Spain, evidencing that the purchaser undertakes to acquire goods from the enterprise that has its registered office in Spain, independent of the name and form given to such document. Invoices must be payable not more than 180 days after the transaction's execution date.

Financing is also available in the form of **pre-financing of the company's liquidity needs to cover the production and manufacturing costs of the goods or services to be exported**. This transaction is required to be cancelled prior to the formalization of the transaction consisting of an advance on invoices relating to the goods which were pre-financed.

In both cases, up to 100% of the amount of the invoice or up to 100% of the amount from the sale of the goods can be financed, provided that the outstanding balance does not exceed a maximum of 12.5 million euros per customer and year, in one or more drawdowns.

The APR on the operation will be composed of the cost of the initial fee established by the credit institution plus the interest rate. In no case can the APR exceed the maximum limit established by the *ICO*, currently set at 2.346%.

The interest rate applied to the customer will be variable and, as with the dates and method of payment, will be agreed between the credit institution and the customer within the framework of the agreement formalized.

Lastly, it should be mentioned that the credit institution can charge a fee at the start of the operation, although such fee added to the interest rate set may not exceed the maximum APR applicable to the operation. Also, the client may be charged a fee in the event of mandatory early repayment, equal to 1% of the amount cancelled.

Transactions may be formalized throughout the whole of 2020, this instrument being compatible with other aid received from the autonomous communities or from other institutions.

8. EU aid and incentives

Most European Union incentives (specifically loans and subsidies) generally supplement aid programs financed by the Spanish Government. Such aid is routed through the Spanish public authorities and institutions, as well as through finance entities, which act as intermediaries between the granting of aid and beneficiary. Accordingly, the related applications for subsidies must be addressed to these entities, save in the case of the direct aid under, inter alia, programs to support research, development and innovation (R&D&I) for which applications must be submitted in the respective calls for proposals issued by the European Commission.

The broad range of instruments at the EU's disposal includes, most notably the following:

- European Investment Bank (EIB).
- European Investment Fund (EIF).
- European Structural and Investment Fund.
- The funding policy of the Common Agricultural Policy (CAP).
- European Maritime and Fisheries Fund (EMFF).
- European Union Research and Innovation Programs.
- Community initiatives in favor of corporate finance.

8.1. EUROPEAN INVESTMENT BANK (EIB)

The European Investment Bank (EIB) grants funding with a threefold objective: to boost Europe's potential for growth and employment, to support measures aimed at mitigating climate change, and to foster EU policies in other countries.

On these bases, the EIB funds projects that promote the development of less favored regions and those of common interest to several Member States or benefiting the EU as a whole. They are focused mainly on the following four areas: (i) innovation; (ii) small businesses; (iii) infrastructures, and (iv) climate and the environment.

Additional to the foregoing are projects aiming at promoting and modernizing infrastructure in the health and education sectors may also qualify for EIB support.

The EIB is jointly owned by the EU countries and borrows money on the capital markets. For this reason, the loans it grants for projects that support EU objectives are not considered funded with money coming from the Union budget.

According to information published by the EIB, the total amount of funding contributed by the EIB group in 2019 was €72.2 billion (€63.25 billion from the EIB and €10.23 billion from the European Investment Fund)[5].

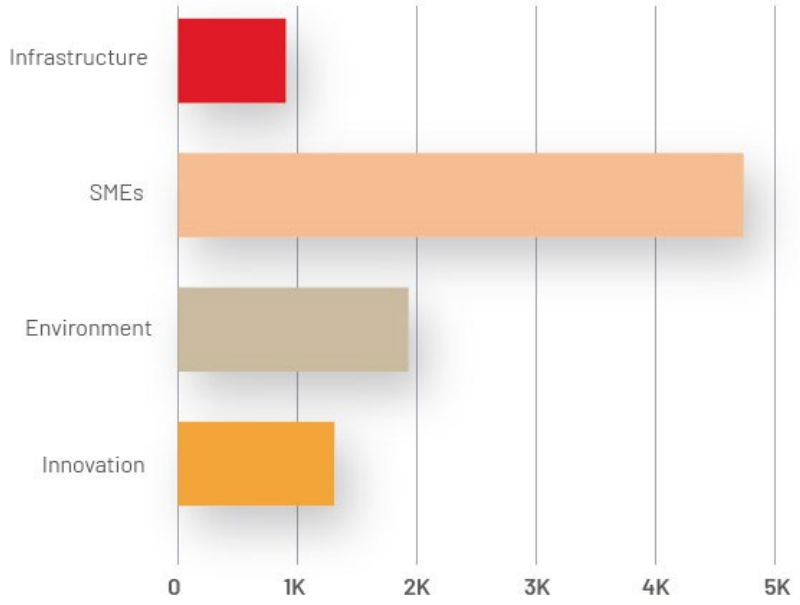
Specifically, the €72.2 billion were allocated to the following objectives:

Innovation and skills	€14.4 billion
SMEs	€25.5 billion
Infrastructures	€15.7 billion
Environment	€16.5 billion

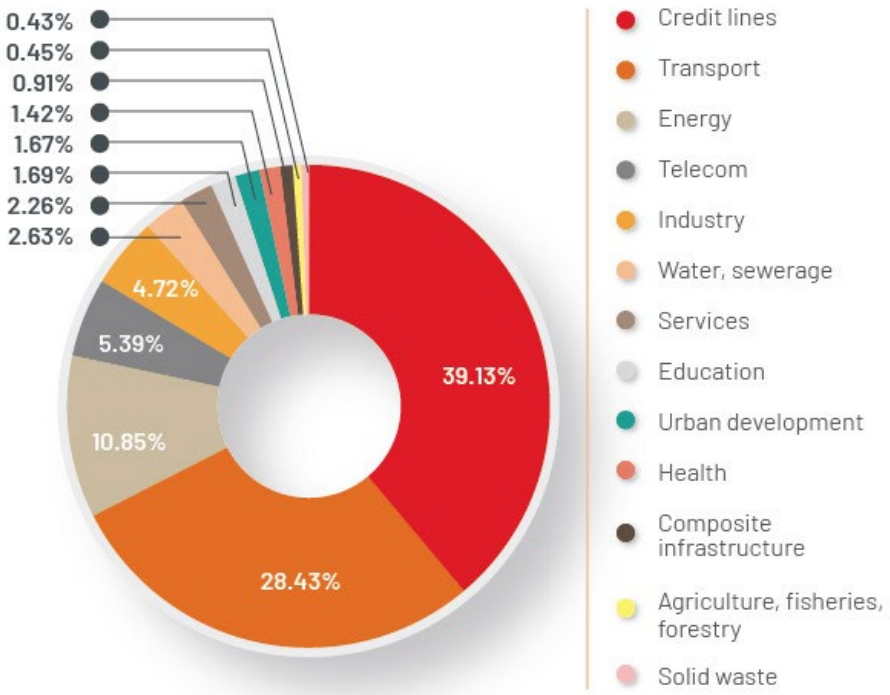
5 For more information, see the following link: https://www.eib.org/fr/events/annual-press-conference-2020.htm

It is to be noted, in particular, that financing from the EIB in Spain during 2019 amounted to €8.966 billion, making it the country which received the second largest amount of funding from the EIB Group[6].

EIB GROUP ACTIVITY IN SPAIN IN 2019 BY PRIORITY



EIB ACTIVITY IN SPAIN BY SECTOR SINCE START OF OPERATIONS



Source: https://www.eib.org/fr/projects/regions/european-union/spain/index.htm

6 For more information, see the following link: https://www.eib.org/en/projects/regions/index.htm

On these bases, the EIB has been offering two types of loans:

8.1.1. Global loans ("Intermediated loans")

Global loans are similar to the credit lines granted to financial institutions, which subsequently lend the funds to the final beneficiaries, so that they can make small or medium-scale investments meeting the criteria set by the EIB itself.

This is the main instrument with which the EIB provides support for SMEs and *MID-CAPs* since, by granting loans to banks or other intermediaries, access to funding is provided indirectly to small and medium-scale business initiatives (although there is no reason why loans of this type should not ultimately benefit large companies, local and national authorities and other public sector entities).

The loans are granted by the EIB to banks or other financial institutions in all the Member States, which act as intermediaries. These financial intermediaries conduct an analysis of the investment, and of the economic, technical and financial viability of each of the projects. They are responsible for granting the loans for small and medium-scale investments and for the administration of such loans.

Specifically in Spain, global loans are routed mainly through, *inter alia, Instituto de Crédito Oficial (ICO), Banco Bilbao-Vizcaya Argentaria (BBVA), Santander, Bankinter, Sabadell, Banco Cooperativo, Kutxabank, Banca March, Laboral Kutxa, La Caixa, Unicaja, Bankia and Banco Popular*.

There are many different types of loans and credits, with varying maturities, amounts and interest rates, but their general terms can be summarized as follows:

- Coverage of up to 50% of the overall investment costs and, in certain cases, up to 100% of the investment with a guarantee from the intermediary bank.
- Grace period: Up to three years.
- Repayment period: To be determined by the financial institution acting as intermediary and the EIB, although it tends to fluctuate between 2 and 15 years.
- Beneficiaries: Local authorities, SMEs (for these purposes, SMEs are deemed to be companies that have less than 250 workers) or MID-CAPs (which have up to 3,000 workers).
- The amount awarded under a global loan may not exceed €12.5 million, including the possibility of working-capital financing.
- Free of fees and other charges, except for minor administrative expenses.

Applications must be filed with financial institutions or other intermediaries.

8.1.2. Loans for individual projects ("Project loans")

The EIB also grants loans for individual projects with a total investment cost above €25 million.

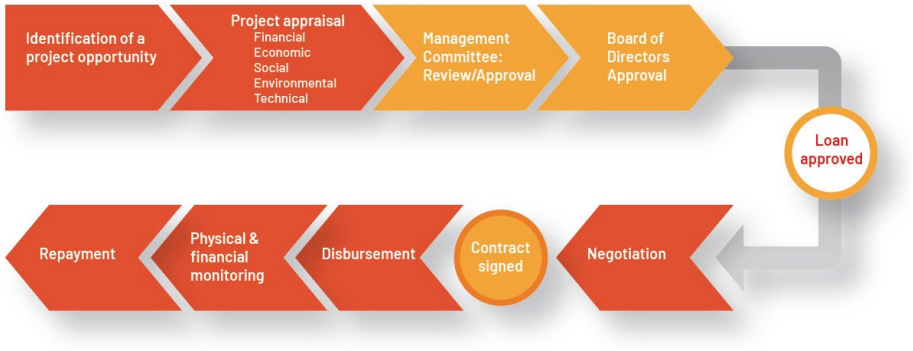
Although the loans can cover up to 50% of the total cost, on average, they tend to cover approximately only a third.

In general, the following are the main characteristics of these loans:

- Public or private investment projects made mainly in the infrastructure, energy efficiency/renewable energies, transport and urban renewal sectors are considered eligible. Nevertheless, research and innovation programs and , in certain cases, medium -capitalization companies with a maximum of 3,000 employees, can also benefit from this form of loan.
- The projects for which an application for financing is presented must fulfil the objectives set by the EIB and be viable from the economic, financial, technical and environmental perspectives. The terms of the financing depend on the type of investment and on the guarantees provided by third parties (banks or banking consortia, other financial institutions or the parent company).
- The loans may cover up to 50% of the total cost of the fundable project; in general, however, the average of the loans granted tend to cover only a third of such cost.
- The interest rate may be fixed, variable, reviewable or convertible (meaning that the calculation formula may be changed during the term of the loan, on certain pre-established dates).
- In some cases, the EIB can apply project evaluation or legal analysis fees, and commitment or non-use fees.
- Most of the loans made by the Bank are denominated in euros (EUR), although they can also operate in other currencies, such as GBP, USD, JPY, SEK, DKK, CHF, PLN, CZK and HUF, among others.
- As a general rule, these loans are repaid in half-yearly or yearly instalments. Grace periods may be granted with respect to the repayment of principal throughout the construction period of the project.

- Operating scheme:

"PROJECT LOANS" OPERATING SCHEME



Source: https://www.eib.org/en/projects/cycle/index.htm

Lastly, an essential role is being played by the EIB in starting up the European Fund for Strategic Investments (EFSI).

The EFSI was created by the European Commission to help meet the objective of mobilizing at least €315 billion in new investments during the 2015-2017 period. Nevertheless, in September 2016, the European Council began to work on a new proposal aimed at extending the EFSI, so as to increase its funding, and bringing the total investment to €500 billion. In fact, Given the success of the EFSI, President Juncker, in his 2016 State of the Union speech, presented a proposal to extend its term and its capacity as an additional boost to investment through the so-called "EFSI 2.0". Regulations (EU) 2017/2392 and (EU) 2015/1017 were approved for such purpose, referring to the extension of the term of the European Fund For Strategic Investments and the introduction of better techniques for this Fund and for the European Investment Advisory Hub, with an investment goal of €500,000 million and an extension of the initial period (2015-2017) for a further three years, *i.e.*, through 2020.

The objectives pursued with this extension and enhancement of the EFSI were: (i) to offer greater transparency; (ii) to use most of the financing for sustainable projects; (iii) to pay greater attention to small projects; (iv) to improve technical support at local level; and (v) to enhance the business environment of the European Union.

In order to meet the objectives pursued with the extension and enhancement of the EFSI, the Commission promoted the creation of the figure of the **national development bank** so that, together with the European Investment Bank and private investors, such banks make an effort, based on their supplementary nature, which makes it possible to reach the objective of the European Investment Plan. In this connection, Spain made available to the ICO, as the as the Spanish national development bank, €1.5 billion for projects that receive financing from the EFSI[7].

In Spain the total funding from the European Fund for Strategic Investments (EFSI) amounts to €10.4 billion and is expected to generate additional investments for an amount of €51.1 billion[8].

More than 111 infrastructure and innovation projects have been approved, funded by the European Investment Bank with the backing of the EFSI.

In connection with small and medium-sized enterprises, 31 agreements have been executed with intermediary banks, funded by the EIF with the backing of the EFSI.

In this context and with a view to preparing the new Community budgetary framework (2021-2017), the Commission is proposing to build on the success of the EFSI model and benefitting from economies of scale by merging all instruments currently available to foster investment in the EU.

In fact, in June 2018 it proposed creating the "InvestEU" programme to bring EU budget financing in the form of loans and guarantees under one roof[9].

According to the proposal, the EU budget would provide a €38 billion guarantee to support strategically important projects across the EU. By crowding in public and private investments, the Commission expects the "InvestEU" Fund to trigger more than €650 billion in additional investment across the EU between 2021 and 2027.

InvestEU is intended to support four policy areas:

- Sustainable infrastructure.
- Research, innovation and digitalization.
- Small and medium-sized businesses.
- Social investment and skills.

7 https://www.ico.es/web/ico/notas-de-prensa/-/blogs/espana-aportara-1-500-millones-al-plan-juncker-a-traves-del-ico/gl

8 Source: https://ec.europa.eu/commission/strategy/priorities-2019-2024/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results/investment-plan-spain_es

9 https://www.consilium.europa.eu/es/policies/investment-plan/strategic-investments-fund/

Lastly, in order to confront the serious economic consequences caused for EU Member States by the paralysis of activity due to the COVIC-19 public health crisis, the EIB Group (made up of the EIB and the European Investment Fund –or EIF, to which we refer below-) has established a €25 billion guarantee fund to deploy new investments with which to respond rapidly to this situation[10].

8.2. EUROPEAN INVESTMENT FUND (EIF)

The EIF is an EU body which specializes in **providing guarantee and venture capital instruments to SMEs for better access to funding**. Its principal shareholder is the EIB itself, although the European Commission and a wide range of financial institutions across Europe also own holdings in its capital stock.

It uses, for its activities, equity capital or funds provided by the EIB or the European Union, the Member States, or other third parties.

It is neither a lending institution nor does it provide subsidies to enterprises or directly invest in them. All of its work is carried out through banks and other financial intermediaries. Moreover, it ensures the continuity required in the management of EU programs and has accumulated extensive experience in this area.

The EIF was created for purpose of fostering EU objectives, particularly in the areas of entrepreneurship, growth, innovation, research and development, employment and regional development. Today, the core mission of the EIF is to provide support to SMEs and grant them access to funding at a time of reduced financing granted by credit institutions. To meet this objective, and according to the needs of each regional market, the EIF designs innovative financial products aimed at its partners.

The work of the EIF can be classed according to the financial products (capital and debt) offered, which include most notably:

- Venture Capital Products: The EIF invests in venture capital funds that, in turn, provide financing to innovative SMEs.
- Debt Products: In these cases, the EIF provides security and credit enhancements to financial intermediaries to facilitate the flow of funds from financial institutions to SMEs.
- Microfinance: The EIF provides financing, security and technical assistance to financial institutions for their microfinance activities.

Indeed, although the EIF mainly uses venture capital instruments as a means of making capital more available to high-growth innovative SMEs, the Fund also offers debt instruments, having found that many SMEs seek financing through this more traditional route. From this standpoint, the EIF offers security and credit enhancements by means of the securitization of credit, in order to improve the lending capacity of financial intermediaries and, as a result, and ultimately, the availability and terms of the debt for the SME beneficiaries.

The forecast volume of investment from the EIF, on April 27, 2020, amounted to approximately 1.707 billion euros[11].

The following table summarizes the main instruments and initiatives promoted by the EIF and the potential beneficiaries thereof:

SELECTED FINANCIAL INTERMEDIARY	WHAT IS AVAILABLE	WHO IS ELIGIBLE?	INITIATIVE
• *BBVA*	• Loans	• SMEs	• *EFSI*
• *Bankia* • *Bankinter* • *Banco Popular Español* • *Banco Sabadell* • *Banco Santander* • *CaixaBank* • *Cajas Rurales* • *Liberbank*	• Loans	• SMEs	• *SME Initiative Spain*
• *Inveready* • • *CERSA* • *LABORAL Kutxa* • *CaixaBank*	• Loans	• Innovative SMEs and small Mid-Caps	• *EFSI* • *InnovFin SME Guarantee Facility*
• *CERSA*	• Loans	• SMEs	• *EFSI* • *COSME - Loan Guarantee Facility (LGF)*
• *Bankinter*	• Loans	• Innovative SMEs and small Mid-Cap	• *InnovFin SME Guarantee Facility*

CONTINUE ON NEXT PAGE >

10 Source: https://www.eif.org/what_we_do/guarantees/news/2020/eib-group-establishes-eur-25-billion-guarantee-fund-to-deploy-new-investments-in-response-to-covid-19-crisis.htm

11 Source: https://www.eif.org/what_we_do/efsi/ipe-efsi-geographies.pdf

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SELECTED FINANCIAL INTERMEDIARY	WHAT IS AVAILABLE	WHO IS ELIGIBLE?	INITIATIVE
• *CERSA*	• Loans	• MSMEs in the cultural & creative sectors	• *CCS GF*
• *Bankinter* • *Deutsche Bank Spain*	• Loans	• Innovative SMEs and small Mid-Caps	• *Risk Sharing Instrument (RSI)*
• *MicroBank*	• Loans	• Social-enterprises	• *EaSI* • *EFSI*
• *MicroBank*	• Loans	• Mobile Master Student	• *Erasmus+ Master Loan Guarantee Facility*
• *Caja Rurales Unidas* • *Cajamar Cooperative Group* • *Colonya Caixa Pollenca* • *Fundaciò Pinnae* • *ICREF* • *Laboral Kutxa/Caja Laboral Popular (ES)*	• Micro-loans	• Micro-enterprises including individuals	• *Progress Microfinance*
• *Laboral Kutxa/Caja Laboral Popular* • *Banco Popular Español* • *ColonyaCaixa d'Estalvis de Pollença* • *Soria Futuro, PLC*	• Micro-loans	• Micro-enterprises including individuals	• *EaSI*
• *Triodos Bank*	• Loans	• Social enterprises	• *EaSI*

Source: http://www.eif.org/what_we_do/where/es/index.htm

8.3 EUROPEAN STRUCTURAL AND INVESTMENT FUND

8.3.1 European Policy for 2014-2020

In line with the "Europe 2020 Strategy", while all regions contribute to the general goal by investing in jobs and growth, the methods and scope of the intervention differ according to the level of economic development of each of them, settling down three categories for such purpose. Based on this premise, regions are divided for this purpose into three different categories:

- The first category relates to "less developed" regions, whose GDP per capita is less than 75% of the average GDP of the EU-27[12], which remain an important priority for EU cohesion policy. The community co-financing rate for this group is capped at 75%-85%.

ELEGIBILITY FOR LESS DEVELOPED REGIONS	
2007-2013	**2014-2020**
NUTS 2 regions whose GDP per capita is less than 75% of the EU avarage.	No change.
Transitional support for regions which would have remained eligible for the convergence objective if the threshold remained 75% of the average GDP of EU-15 and not of EU-25.	Separate category fro transition regions.
Cohesion Fund: Member States whose GNI per capita is less than 90% of the average GNI of EU-27.	No change.
Transitional support to Member States who would have been eligible for the Cohesion Fund if the threshold remained 90% of average GNI of EU-15 and not of EU-27.	Transitional support to Member States eligible for funding from the Cohesion Fund in 2013, but whose GNI per capita exceeds 90% of the average GNI per capita of the EU-27.

- The second category comprises the "transition" regions, which are those whose GDP per capita falls between 75% and 90% of the EU average. In this case, the community co-financing can reach up to 60%.

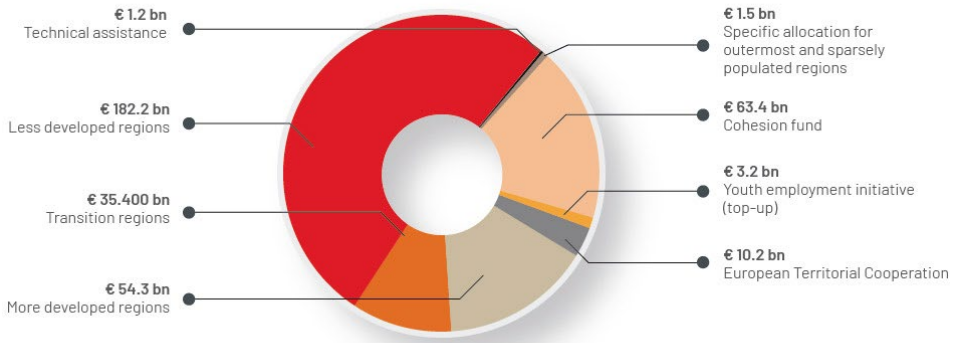
12 Based on figures previous to the entry of Croatia in July 2013

ELEGIBILITY FOR TRANSITION REGIONS	
2007-2013	**2014-2020**
Transitional support for NUTS 2 regions which would have remained eligible for the convergence objective if the threshold remained 75% of the average GDP of EU-15 and not of EU-25 (Convergence phasing-out).	NUTS 2 regions whose GDP per capita is between 75% and 90% of the average GDP of EU-27 with a differentiated treatment for regions which are eligible under the Convergence objective in 2007-2013.
Transitional support for NUTS 2 regions which were covered by Objective 1 in 2000-2006 but whose GDP exceeded 75% of EU-15 GDP average (RCE phasing-in).	

- The last are the "more developed" regions, whose GDP per capita is more than 90% of the average. The co-financing rate may not exceed 50%.

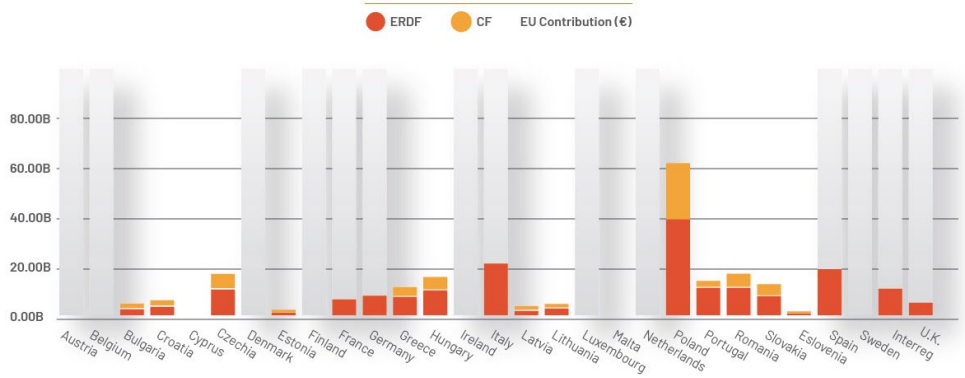
Within this framework, the budget established in the Community cohesion policy is distributed as follows:

COHESION POLICY FUNDING 2014-2020 (€ 351.800 BILLION)

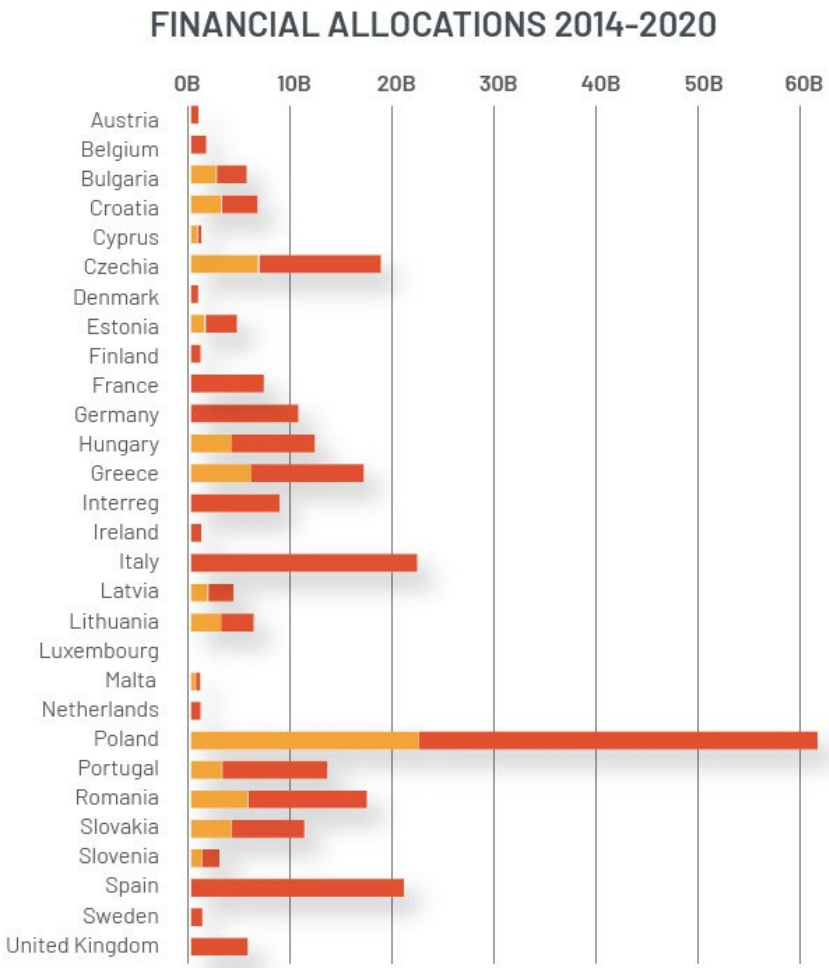


By country, the budget for the 2014-2020 period is distributed as follows:

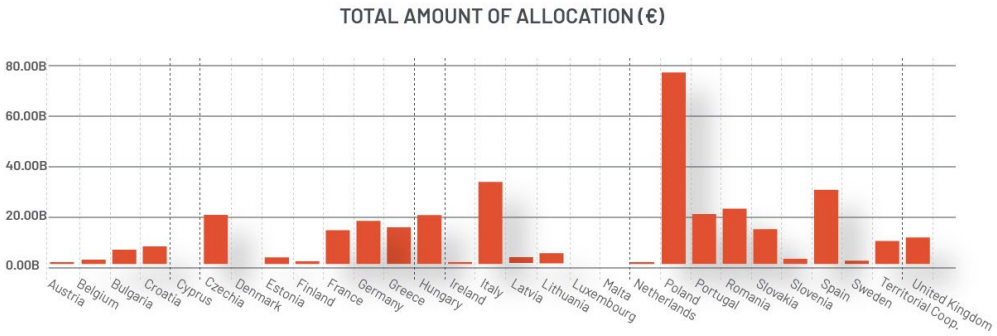
2014-2020 BUDGET DISTRIBUTION BY COUNTRY



Source: http://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_es.pdf



Source: https://ec.europa.eu/regional_policy/en/funding/available-budget/



Source: https://cohesiondata.ec.europa.eu/dataset/Financial-allocations-2014-2020-Available-Budget-b/upfh-jcep

For the new 2021-2027 period, the Union's regional and cohesion policy will focus on five priorities:

- A smarter Europe, through innovation, digitalization, economic transformation and support to small and medium-sized businesses.
- A greener, carbon free Europe, implementing the Paris Agreement and investment in energy transition, renewables and the fight against climate change.
- A more connected Europe, with strategic transport and digital networks.
- A more social Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare.
- A Europe closer to citizens, by supporting locally-led development strategies and sustainable urban development across the EU.

Regional development investments will strongly focus on objectives 1 and 2, while 65% to 85% of ERDF and Cohesion Fund resources will be allocated to the foregoing five priorities, depending on Member States' relative wealth.

The Cohesion Policy will keep on investing in all regions, still on the basis of the 3 categories applied during the 2014-2020 period (less-developed, transition, more-developed). Similarly, the allocation method for the funds is still largely based on GDP per capita, although new criteria are added, such as youth unemployment, low education level, climate change, and the reception and integration of migrants, to better reflect the reality on the ground. Outermost regions are also expected to continue benefitting from special EU support[13].

13 Source: https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/Paginas/inicio.aspx y https://ec.europa.eu/regional_policy/es/2021_2027/.

Lastly, according to available information, the Cohesion Policy will continue to support locally-led development strategies, encouraging local authorities to play a more prominent role in the management of funds. In the same way, the urban dimension of the Cohesion Policy is strengthened with 6% of the ERDF dedicated to sustainable urban development.

Along the same lines, it includes a new networking and capacity-building program for urban authorities known as the "European Urban Initiative".

8.3.2 Common Provisions on the European Structural and Investment Funds (ESI Funds)

Regulation (EU) No 1303/2013[14] of 17 December lays down common provisions applicable to all of the European Structural and Investment Funds (ERDF, ESF, Cohesion Fund, EAFRD and EMFF) and general provisions applicable to some of them, in order to ensure the effectiveness of the ESI Funds and their coordination with one another and with other EU instruments, notwithstanding the specific rules regulating each Fund and which are set out below.

The purpose of this Regulation is to improve the coordination and harmonize the execution of the **Structural Investment Funds** (ESI Funds) to ensure "smart, sustainable and inclusive growth" focused on the attainment of eleven thematic objectives:

1. Strengthening research, technological development and innovation.
2. Enhancing access to, and use and quality of ICT.
3. Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF).
4. Supporting the shift towards a low-carbon economy in all sectors.
5. Promoting climate change adaptation, risk prevention and management
6. Preserving and protecting the environment and promoting resource efficiency.
7. Promoting sustainable transport and removing bottlenecks.
8. Promoting sustainable and quality employment and supporting labor mobility.
9. Promoting social inclusion, combating poverty and any discrimination.
10. Investing in education, training and vocational training for skills and lifelong learning.
11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

To this end, a **Common Strategic Framework** (CSF) is created (which can be reviewed by the Commission where there are major changes in the social and economic situation in the Union), setting a number of common recommendations and criteria for those opting for financing from the ESI Funds.

Based on the foregoing premises, the aim of the Funds is to supplement the financing provided through national, regional and local interventions, in order to deliver the "***Europe 2020 Strategy***", as well as the objectives specific to each Fund. The Member States, in accordance with their institutional, legal and financial framework, and the bodies designated by them, shall prepare and implement programs and carry out their tasks, in partnership with the relevant partners. To this end, each Member State must promote a **partnership** in which, in addition to the competent local and regional authorities, with the participation of the following partners:

- Economic and social partners.
- Other bodies representing civil society, including environmental partners, non-governmental organizations and bodies responsible for promoting social inclusion, gender equality and non-discrimination.

With this premise, the **Partnership Agreement** is the national document prepared by each Member State **for the period between January 1, 2014 and December 31, 2020**, which explains the investment strategy and priorities of the respec-

14 This Regulation was recently amended by Regulation 2020/460 of the European Parliament and of the Council of 30 March 2020, with a view to establishing specific measures to address the "exceptional situation" resulting from the "consequences of the COVID-19 outbreak" (Recital One). In general, these are amendments aimed at providing more flexibility to Member States for compliance with certain conditions or requirements regarding the use of the funds to attend to needs resulting from the pandemic.

Specifically, please note the following examples:

- The ERDF is modified so as to permit the financing of working capital in small and medium-sized enterprises where necessary as a temporary measure to provide an effective response to a public health crisis.
- Member States are given more flexibility for program implementation, as well as a simplified procedure not requiring a Commission Decision for changes for operational programs, the ultimate purpose being to offer greater flexibility with which to confront the COVID-19 outbreak.

In turn, the Commission also approved **Regulation (EU) 2020/558** of the European Parliament and of the Council of **23 April 2020** amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide **exceptional flexibility** for the use of European Structural and Investment Funds in response to the COVID-19 outbreak (OJEU of April 24 2020).

In particular, Member States are given the exceptional possibility of requesting the application, for programs included in the Cohesion Policy, of a co-financing rate of 100% of the expenditure declared in payment applications during the accounting year starting 1 July 2020 and ending 30 June 2021 for one or more priority axes in a program supported by the European Regional Development Fund (ERDF), the European Social Fund (ESF) or the Cohesion Fund (CF).

Please also note that resources available for programming for the year 2020 for the investment for growth and jobs goal may, at the request of a Member State, be transferred between the ERDF, the ESF and the Cohesion Fund (although they cannot affect resources allocated to the Youth Employment Initiative or to the aid for the most deprived under the investment for growth and jobs goal).

Lastly, the resources available for programming for the year 2020 may, at the request of a Member State, be transferred between categories of regions in response to the COVID-19 outbreak.

tive Funds (ERDF, ESF, EAFRD and EMFF) in such State and must be approved by the Commission. Such strategy must be based on a previous **analysis of the current situation of the Member State and its regions**, in particular (i) the disparities existing between those regions; (ii) the opportunities for growth and (iii) the weaknesses of all its regions and territories, focusing on the "**thematic objectives**", which will entail the **identification of the actions** in the State in question **which are to be treated as priorities** by each of the ESI Funds.

In the case of Spain, **the Partnership Agreement for the period 2014-2020 was approved by the European Commission on November 4, 2014**. It establishes as specific objectives of the ESI Funds, in Spain, to **promote the competitiveness and the convergence of all territories**, giving priority: (i) to the thematic areas included in the recommendations given by the European Council; (ii) to those contained in the Position Paper prepared by the Commission[15]; as well as (iii) to those set forth in the **National Reform Program approved by the Council of Ministers on April 30, 2014**.

The Partnership Agreement envisages an investment of 28,580 million euros aimed at financing the entire Community cohesion policy in this country for the period 2014-2020[16], a figure which must be increased by 8,290 million euros to be used for the performance of Rural Development Programmes and 160 million euros intended for the fisheries and maritime sectors.

This financing is to be used to execute the proposals for action described in the Partnership Agreement in connection with each of the thematic objectives listed above, their main priorities being the following:

- **Increasing participation in the labor market and labor productivity**, as well as enhancing **education, training and social inclusion policies**, giving special attention to youth and vulnerable groups.
- Supporting the **adaptation of the productive system toward activities with greater added value**, by increasing the competitiveness of SMEs.
- **Promoting a suitable business environment targeted at innovation** and strengthening R&D&I systems.
- Attaining a **more efficient use of natural resources**.

The material implementation of the Funds, however, requires the approval of the corresponding **Operational Programs** (i) prepared by each Member State in accordance with the terms of the Partnership Agreement and (ii) presented to the Commission for its approval. Each Program will define priorities and proposals for action, specifying the projected investment and breaking it down by each of the years of the period in which it is applied. In the case of Spain, almost all of the Operational Programs were fully operational following their approval by the European Commission and are no in their last year of implementation[17].

Source: https://www.unex.es/conoce-la-uex/centros/eja/archivos/jag/2012/2012_04%20La%20politica%20de%20cohesion.pdf

8.3.3 Funds under the Cohesion Policy: ERDF, ESF and Cohesion Fund

The Funds under the Cohesion Policy include Structural Funds (ERDF and ESF) and the Cohesion Fund, which contribute to enhancing economic, societal and territorial cohesion. The Community cohesion policy pursues two objectives:

- Investment in growth and jobs in Member States and their regions:

  The resources for this objective amounted to 97% of the projected total investment in Spain (approximately 28.58 billion euros) and were allocated as follows:

  a. 2 billion euros to less developed regions (Extremadura).

  b. 13.4 billion euros to transition regions (Andalucía, Canary Islands, Castilla-La Mancha, Melilla and Murcia).

  c. 11 billion euros to more developed regions (Aragón, Asturias, Balearic Islands, Cantabria, Castilla y León, Cataluña, Ceuta, Valencia, Galicia, La Rioja, Madrid, Navarra, Basque Country)

  d. 484.1 million euros as special funding for the outermost regions (Canary Islands).

- European Territorial Cooperation:

  The resources earmarked for this objective represented approximately 3% of the total resources allocated to Spain with a charge to the ESI Funds during the entire 2014-2020 period (i.e., a total of 643 million euros).

  In summary, the articulation of the Cohesion Policy during this new budgetary period was instrumented according to the following scheme:

15 Report on the Position of the Commission Services on the development of a Partnership Agreement and Programmes in SPAIN for the period 2014-2020. October 2012.

16 Including the financing of European territorial cooperation and the allocation for the youth employment initiative.

17 In this line, the ERDF Regional Operational Programs were approved for all of the regions of Spain, as have the Multi-regional and the Territorial Cooperation Operational Programs of the same Fund; two of the ESF Operational Programs have also been approved. Approval has also been given for the Operational Program for Spain of the European Maritime and Fisheries Fund and the EAFRD. Spain no longer has access in this period to the Cohesion Fund.

COHESION POLICY ARCHITECTURE				
2007-2013		2014-2020		
OBJECTIVES		GOALS	CATEGORY OF REGIONS	FUNDS
Convergence	ERDF ESF	Investment in Growth and Jobs	LEss developed regions	ERDF ESF
Convergence phasing out			Transition regions	
Regional Competitiveness and Employment Phasing in				
	Cohesion Fund			Cohesion Fund
Regional Competitivenes and Employment	ERDF ESF		More developed regions	ERDF ESF
European Territorial Cooperation	ERDF	European Territorial Cooperation		ERDF

Based on the foregoing premises, the following is a description of the main characteristics of the Structural Funds (ERDF and ESF) and the Cohesion Fund:

a. European Regional Development Fund (ERDF)

This Fund contributes to the funding of measures adopted in order to **enhance economic, societal and territorial cohesion** by correcting the Union's main regional imbalances, through (i) **sustainable development** and the structural adjustment of regional economies, and (ii) by **restructuring industrial regions in decline and less developed regions**.

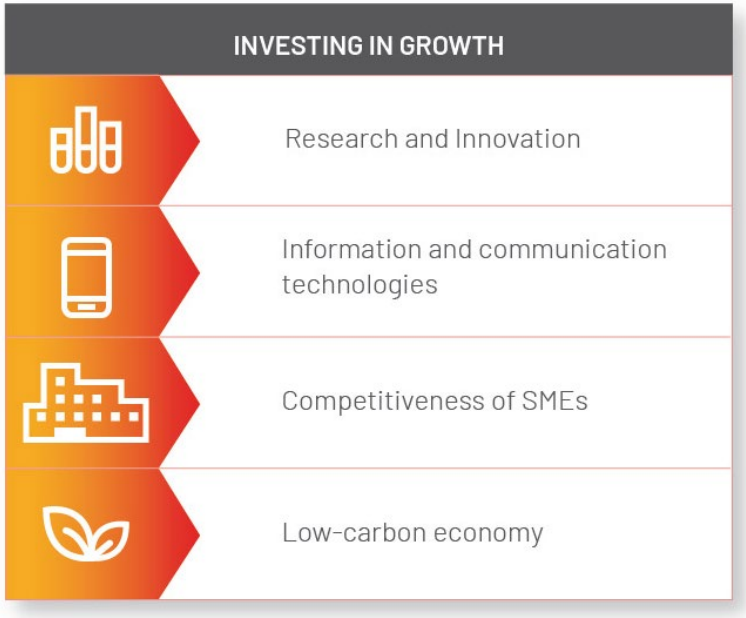
The activities that can be cofinanced by the ERDF are the following:

- **Investments in production which contribute to creating or preserving long-term employment**, through direct aid and investment in SMEs.
- **Productive investments**, independent of the size of the company in question, which contribute to **boosting research, technological development and innovation** and to supporting a shift towards a low-carbon economy in all sectors. Also, where such investment entails cooperation between large companies and SMEs to enhance access to, and use and quality of information and communication technologies.
- **Investments in infrastructures that provide basic services to citizens in the areas of energy, environment**, transportation and information and communication technologies.
- **Investments in societal, health, research**, innovation, business and educational **infrastructures**.
- **Investment in the development of native potential through ongoing investments in capital goods and small infrastructures, including small cultural and sustainable tourist infrastructures**, corporate services, aid to research and innovation bodies and investment in technology and applied research at companies.
- **Interconnection online, cooperation and exchange of experiences between competent regional, local, urban and other public authorities**, economic and social partners and the related bodies representing civil society referred to in article 5.1 of Regulation (EU) No 1303/2013, as well as the performance of studies, preparatory actions and the development of capacities.

However, the following activities **are not eligible for funding** under this Fund (i) **disassembly or construction of nuclear power plants**; (ii) **investments aimed at reducing greenhouse gas emissions** pursuant to Annex 1 of Directive 2003/87/EC; (iii) **manufacture, processing and marketing of tobacco and manufactured tobacco**; (iv) **enterprises in crisis**; as well as (v) in general, **investments in airport infrastructures**, unless they are related to environmental protection or are accompanied by the investments necessary to mitigate or reduce their negative impact on the environment.

Although the ERDF Fund contributes to financing the eleven thematic objectives described above, **it is targeted at the priority attainment of Objectives nos. 1 through 4, more related to the business context** (infrastructures, service enterprises, support for corporate activities, innovation, CIT and research) as well as **to the provision of services to citizens in certain areas** (energy, online services, education, health, societal and research infrastructures, accessibility, environmental quality).

EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)



Source: http://ec.europa.eu/regional_policy/sources/docgener/infographic/cohesion_policy_20142020_es.pdf

During the 2014-2020 period Spain has been managing the 22 Operational Programmes co-financed by the ERDF, which represented a budget of €19,408,883,778, pursuant to the Partnership Agreement approved by the European Commission.

Under the Objective entitled **"Investment in growth and jobs"**, the ERDF will use the respective Operating Programmes to support sustainable urban development through strategies which establish measures to meet economic, environmental, climate, demographic and societal challenges with an impact on urban areas, also bearing in mind the need to promote the relationship between the urban and rural environments. For such purpose, at least **5% of the resources of the ERDF assigned at national level will be used for sustainable urban development**.

The Partnership Agreement signed by Spain and the European Commission also includes a specific reference to the attainment of the "Investment in growth and jobs" objective, through which financing will be obtained for a number of proposals targeted at **promoting the development of cities** from a threefold perspective: (i) sustainable city (aimed at enhancing the physical and environmental dimension); (ii) smart city (aimed at enhancing the economic and competitiveness dimension); and (iii) inclusive city (aimed at enhancing the social dimension).

Lastly, under the Objective **"European Territorial Cooperation"**, the ERDF will support:

- **Cross-border cooperation** between adjoining regions aimed at favoring regional development between regions with terrestrial and maritime borders between two or more Member States or with a third country on the Union's outer borders.

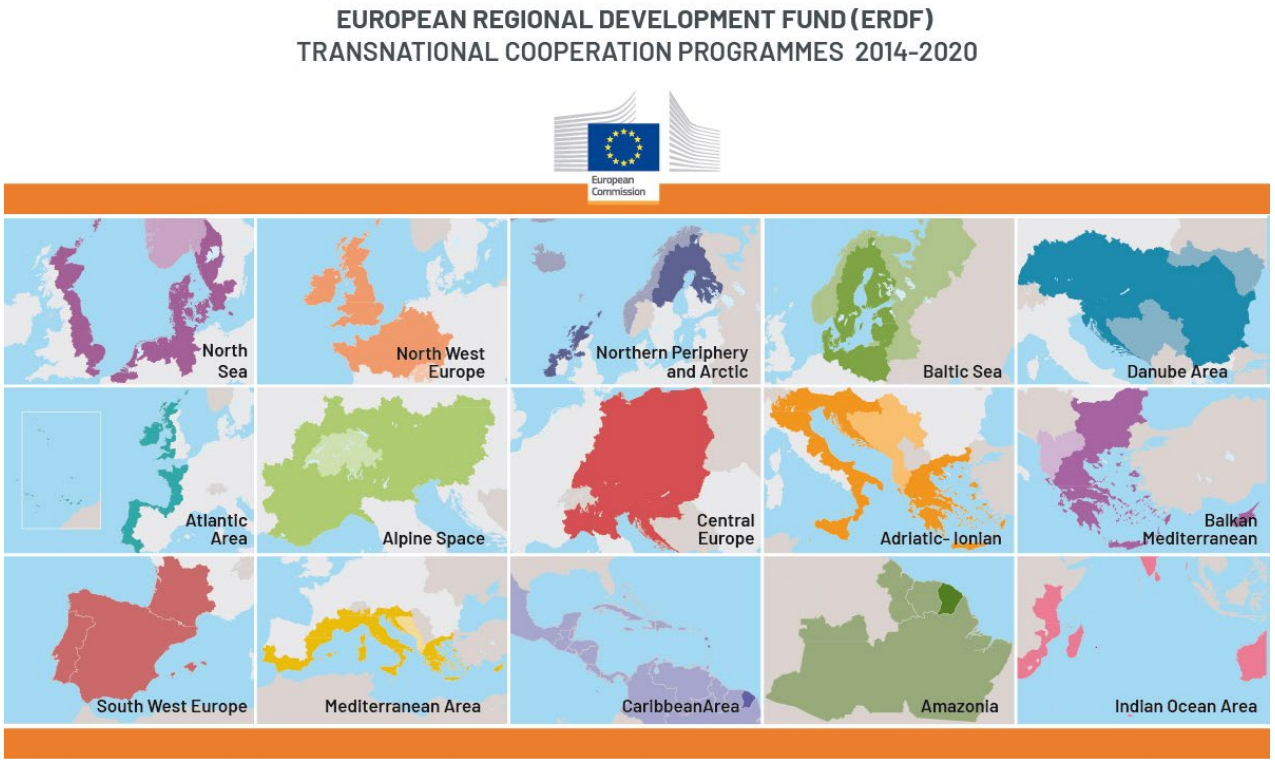
  It is sufficient to indicate, in this connection, that Spain participates in the following cross-border cooperation programs:

  - Territorial Cooperation Programme Spain-France-Andorra (*POCTEFA*) 2007-2013.
  - INTERREG V A Cooperation Programme Spain-Portugal (*POCTEP*) 2014-2020.
  - European Neighbourhood Instrument Cross-border Cooperation Programme (*ENI-CBC*).
  - INTERACT III.

- **Transnational cooperation** in large transnational areas in which national, regional and local partners participate and which also includes maritime cross-border cooperation in the cases not covered by cross-border cooperation, with a view to attaining a higher degree of territorial integration in those territories.

  Spain participates in the following transnational cooperation programs:

  - Madeira-Azores-Canary Islands Territorial Cooperation Programme (*POMAC*) 2014-2020.
  - Atlantic Area European Territorial Cooperation Programme (2014-2020).
  - INTERREG V B MED Programme.
  - Southwest Europe Interreg V-B Transnational Cooperation Programme (*Interreg V-B SUDOE*).



- **Interregional cooperation** to enhance the efficiency of the cohesion policy, its scope of application being the entire territory of the EU.

  Spain participates in the following Interregional Cooperation Program:

  - INTERREG EUROPE.

  For more information on the foregoing programmes, please visit the website of the Ministry of Finance: https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp0713/p/poct/Paginas/inicio.aspx

b. European Social Fund (ESF)

The mission of the ESF is (i) to promote **high levels** of **job quality**; (ii) **improve access to the job market**; (iii) foster the **geographical** and professional **mobility** of workers; (iv) facilitate their **adaptation to the industrial change** and to the changes in production systems necessary to guarantee sustainable development; (v) **favor a high level of education and training** for all and support the transition from education to employment among youth; (vi) **combat poverty, back social inclusion** and (vii) **foster equality between the sexes, non-discrimination and equal opportunity**. The objective of all of the foregoing is to respond to the EU's priorities in matters of improving economic, societal and territorial cohesion.

In short, the Fund **seeks to benefit citizens and, in particular, disadvantaged persons**, such as long-term unemployed persons, disabled persons, immigrants, ethnic minorities, outcast communities and persons of any age living in poverty and social exclusion.

The ESF also provides aid to workers and to enterprises (including agents of the social economy and entrepreneurs) with a view to (i) facilitating their adaptation to new challenges, by including greater suitability of professional qualifications; (ii) fostering good governance; (iii) boosting social progress and (iv) the implementation of reforms, especially in the area of employment, education, training and social policies.

Similarly, the European Parliament, in its Resolution of July 5, 2016, stressed that professional integration is the first step towards social inclusion and that the ESF can therefore be applied to for the financing of measures designed to facilitate the integration of refugees.

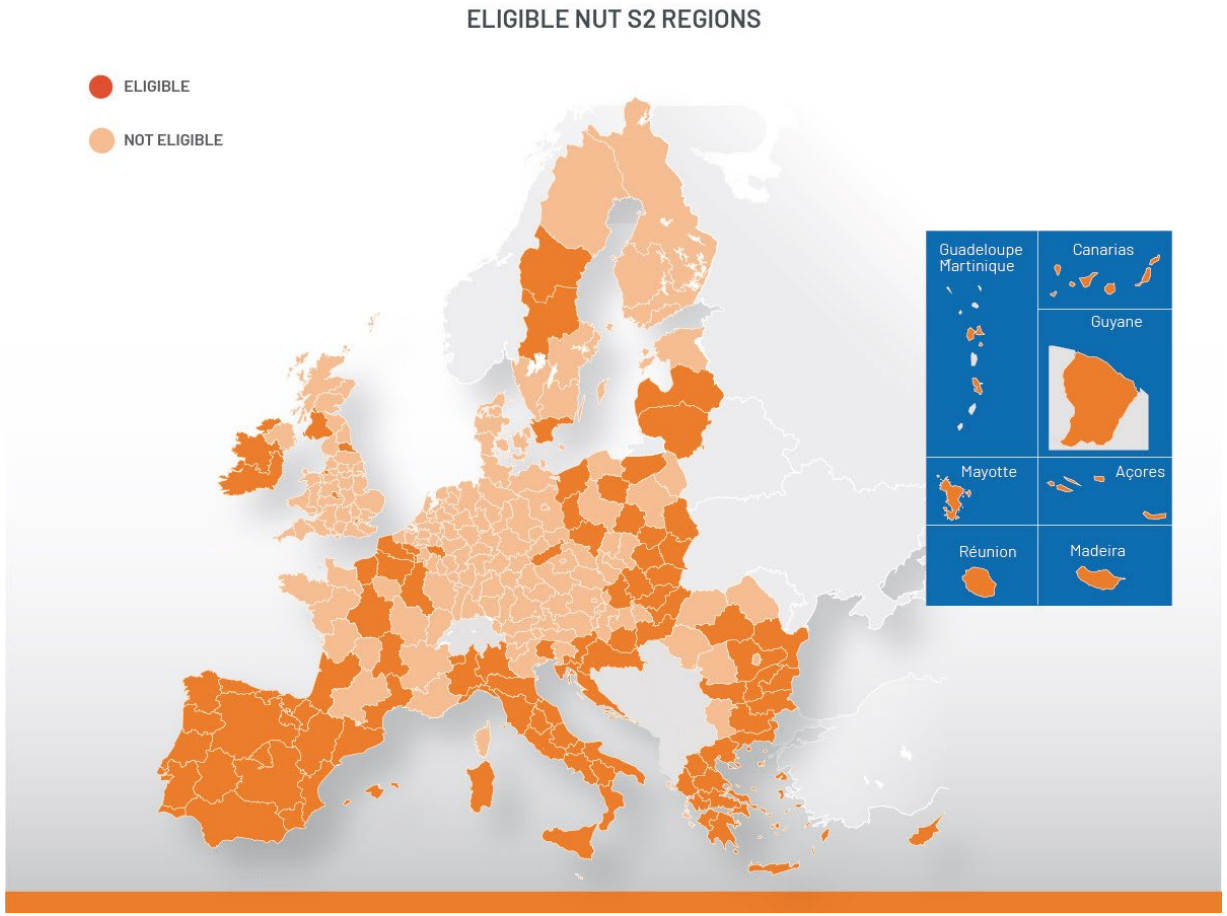
EUROPEAN SOCIAL FUND

Source: http://ec.europa.eu/regional_policy/sources/docgener/infographic/cohesion_policy_20142020_es.pdf

Although the ESF is aimed at attaining specifically the following four investment priorities of the aforesaid eleven "thematic objectives" (i.e., objectives 8 through 11), such as (i) employment and labor mobility; (ii) education, skills and lifelong learning; (iii) promoting social inclusion and combating poverty; and (iv) enhancing institutional capacity], this does not mean that the initiatives supported by the ESF cannot also contribute to the achievement of other Objectives.

According to the terms of the Partnership Agreement executed between Spain and the Commission, Spain has been managing 23 Operational Programmes with ESF with minimum co-financing of 7.6 billion euros (28.1% of the total budgets of the Cohesion Policy), without counting the budget to be used for the Youth Employment Initiative.

The regions eligible for funding under the Youth Employment Initiative are:



Source: http://ec.europa.eu/esf/BlobServlet?docId=435&langId=es

In particular, in connection with the **youth employment initiative**, Spain was allocated an additional 943.5 million euros to be used to back the fight against youth unemployment among youths under 25 years of age who are not integrated in educational or training systems and are inactive or unemployed.

c. Cohesion Fund

The Cohesion Fund is targeted at Member States with GNI (gross national income) per capita of less than 90% of the average income of the EU. The primary objective of the Fund is to reduce the socio-economic disparities among Member States and to promote sustainable development.

The Cohesion Fund allocates a total of 63.4 billion euros to finance projects carried out in the following categories:

- **Trans-European transport networks**: In particular priority projects of European interest identified by the EU. The Cohesion Fund backs infrastructure projects in the context of the "Connecting Europe Facility".

- **Environment**: In this area, the Cohesion Fund will support projects relating to energy or transport, provided that they are clearly beneficial to the environment in terms of energy efficiency, using renewable energies, developing rail transport, enhancing intermodality, strengthening public transport, etc.

As indicated, the Cohesion Fund is currently subject to the same programming, management and supervisory rules as the ERDF and the ESF under **Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013** laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

During the 2014-2020 period, the Cohesion Fund may finance projects and initiatives taking place in Bulgaria, Croatia, Cyprus, Slovakia, Slovenia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, the Czech Republic and Romania. Accordingly, during this period Spain did not receive financing from this Fund.

ANNUAL BREAKDOWN OF COMMITTED CREDITS FOR THE 2014-2020 PERIOD
MILLION EUROS - CURRENT PRICES

2014	2015	2016	2017	2018	2019	2020	TOTAL
36,196	60,320	50,837	52,461	54,032	55,670	57,275	366,791

Source: COM (2015) 320 final. Communication from the Commission to the Council and to the EP on technical ajustment to the MFF for 2016

Source: http://www.congreso.es/docu/pge2016/pge2016/PGE-ROM/doc/L_16_A_A6.PDF

8.4. THE FUNDING POLICY OF THE COMMON AGRICULTURAL POLICY (CAP)

The Common Agricultural Policy (CAP) absorbs around 40% of the total budget of the EU for this period. Despite its heavy budgetary weight, justified in part by its being one of the few sectors whose policy is financed principally by the EU, its importance in economic terms has been reduced substantially over the last 30 years, dropping from 75% to the current 40%. The budget for direct payments assigned to Spain is equal to €29,227,900,000,000, which entails 11.56% of the total.

The financing and functioning of the CAP is regulated under **Regulation nº 1306/2013 of the European Parliament and of the Council, of 17 December 2013**, on the financing, management and monitoring of the Common Agricultural Policy, and repealing Council Regulations (EC) nº 352/78, (EC) nº 165/94, (EC) nº 2799/98, (EC) nº 814/2000, (EC) nº 1290/2005 and (EC) nº 485/2008, which sets up the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD)[18].

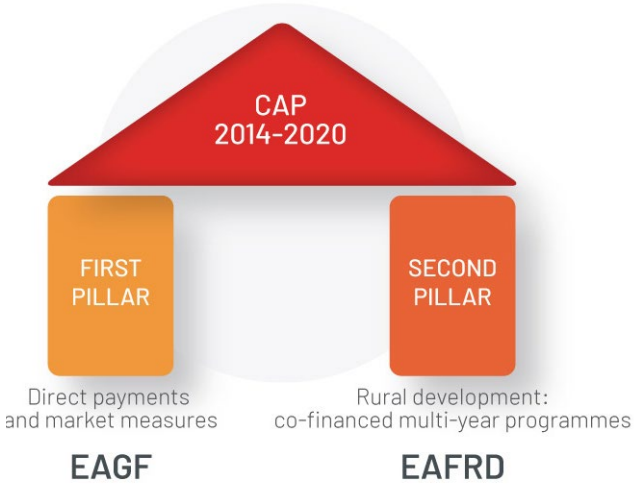
In particular, the CAP for the 2014-2020 period is instrumented around two structural pillars:

- The first pillar, **instrumented through the EAGF**, provides direct support to farmers and funds market measures. **The direct support and market measures are covered in their entirety and, exclusively, by the EU budget**, with a view to guaranteeing **the application of a common policy throughout the single market and with the integrated management and control system**.

18 In order to confront the serious consequences of the COVID'19 public health crisis, the Commission has approved the introduction of certain exceptions to the general rules established in Regulation 1306/2013, in connection with the payment of advances to farmers in order to increase their liquidity during this period. Thus, the amount able to be advanced is increased and Member States are authorized to make direct payments prior to completion of all on-site inspections or controls.

- The second pillar, **instrumented through the EAFRD**, improves the competitiveness of agricultural and forestry industries and **promotes the diversification of economic activity and quality of life in rural areas**, including regions with specific problems, *i.e.* it is primarily intended to support rural development. Member States must co-finance these measures.

THE TWO-PILLAR STRUCTURE IS MAINTAINED



Source: http://www.redruralnacional.es/documents/10182/327903/3_PROGRAMACION_DESARROLLO_RURAL_ESPANA_2014-2020-JzKZbQZb.pdf/998223f9-9059-4405-98cf-e1cd348f503b

The following is a description of the main characteristics of these two Funds:

1. EAGF

In general, the EAGF funds the following **actions**, managed jointly by the Member States and the Commission:

- Measures aimed at regulating or supporting agricultural markets.
- Direct payments to farmers established within the scope of the CAP.
- The financial participation of the Union in the measures taken by Member States to report and promote agricultural products on the Community domestic market and in third countries.
- The financial participation of the Union in the Union school fruit and vegetable scheme referred to in article 23 of Regulation (EU) No 1308/2013 and the measures concerning animal diseases and loss of consumer confidence referred to in article [155] of the same Regulation.

In turn, the EAFRD provides direct funding for the following **expenditure**:

- Promotion of agricultural products, undertaken either directly by the Commission or through international organizations.
- Measures, taken in accordance with Union law, to ensure the conservation, characterization, collection and utilization of genetic resources in agriculture.
- The establishment and maintenance of agricultural accounting information systems.

The Commission provides Member States with the credit necessary to cover the expenses financed by the EAGF, in the form of monthly reimbursements.

2. EAFRD

In the field of local development, consideration must be given to **Regulation nº 1305/2013, of the European Parliament and of the Council, of 17 December 2013**, on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) nº 1698/2005.

In particular, the EAFRD has three basic objectives in the context of the 2020 European Strategy

a. Fostering the competitiveness of agriculture.

b. Ensuring the sustainable management of natural resources, and climate action.

c. Achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

In order to meet these objectives, the EAFRD has six priorities:

- Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas.
- Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests.
- Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests.
- Restoring, preserving and enhancing ecosystems related to agriculture and forestry.
- Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors.

- Promoting social inclusion, poverty reduction and economic development in rural areas.

Pursuant to the Partnership Agreement approved by the Commission for Spain, 18 Operational Programmes will be eligible for co-financing with a charge to the EAFRD, its allocation for the entire period amounting to €8,290,828,821.

According to available information, for the new 2021-2027 budgetary framework, the Commission has proposed a reform of the Common Agricultural Policy which maintains the essential elements of the current policy, but is no longer based on the mere description of the requirements that are to be met by the final beneficiaries of the aid. Rather it is now a policy aimed at obtaining specific results linked to three general objectives:

i. Fostering an intelligent, resilient and diversified agricultural industry that guarantees food safety.

ii. Intensifying environmental care and pro-climate action, contributing to reaching the EU's climate and environmental goals.

iii. Strengthening the socio-economic fabric of rural areas.

8.5. EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

For the 2014-2020 period, a new Fund was created for EU maritime and fishery policies known as the **European Maritime and Fisheries Fund (EMFF) and regulated in Regulation (EU) No 508/2014 of the European Parliament and of the Council, of 15 May 2014** on the European Maritime and Fisheries Fund and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007, and Regulation (EU) No 1255/2011 of the European Parliament and of the Council[19].

Pursuant to the aforesaid Regulation and in line with the "2020 European Strategy" and with the start-up of the Common Fisheries Policy, the Fund pursues the following priorities concerning the sustainable development of fishing and aquaculture activities and connected activities:

- **Fostering environmentally sustainable**, resource efficient, innovative, competitive and knowledge-based **fisheries**, by pursuing the following specific objectives:

  a. The reduction of the impact of fisheries on the marine environment, including the avoidance and reduction, as far as possible, of unwanted catches.

  b. The protection and restoration of aquatic biodiversity and ecosystem.

  c. The ensuring of a balance between fishing capacity and available fishing opportunities.

  d. The enhancement of the competitiveness and viability of fisheries enterprises, including small-scale coastal fleet and the improvement of safety and working conditions.

  e. The provision of support to strengthen technological development and innovation, including increasing energy efficiency and knowledge transfer.

  f. The development of professional training, new professional skills and lifelong learning.

- **Fostering environmentally sustainable**, resource efficient, innovative, competitive and knowledge-based **aquaculture**, by pursuing the following specific objectives:

  a. The provision of support to strengthen technological development, innovation and knowledge transfer.

  b. The enhancement of the competitiveness and viability of aquaculture enterprises, including the improvement of safety and working conditions, in particular of SMEs.

  c. The protection and restoration of aquatic biodiversity and the enhancement of ecosystems related to aquaculture and the promotion of resource-efficient aquaculture.

  d. The promotion of aquaculture having a high level of environmental protection, and the promotion of animal health and welfare and of public health and safety.

  e. The development of professional training, new professional skills and lifelong learning.

19 Regulation (EU) 2020/560 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 508/2014 and (EU) 1379/2013 as regards specific measures to mitigate the impact of the COVID-19 outbreak in the fishery and the aquaculture sector (OJEU of 24 April 2020). The main measures adopted in the context of this Regulation include most notably the following::

- It is possible to use 10% of the resources available from the EMFF under shared management for fisheries control and for the collection of scientific data, for measures related to the mitigation of the COVID-19 outbreak and for the compensation of additional costs in the outermost regions.
- It is possible to support the temporary cessation of fishing activities caused by the COVID-19 outbreak crisis with a maximum co-financing rate of 75% of eligible pubic expenditure, not subject to financial capping.
- The scope of the simplified procedure is extended to include amendments to Operational Programmes related to the specific measures and the reallocation of financial resources thereto to address the consequences of the COVID-19 outbreak.
- The ceiling for support to the production and marketing plans of producer organizations is increased up to 12% of the average annual value of the production placed on the market.
- Member States are permitted to grant advances of between 50% and 100% of the financial support to producer organizations.
- Where necessary in order to respond to the COVID-19 outbreak, the EMFF will be able to grant aid to compensate the storage costs of fishery and aquaculture products. The intensity of the aid is increased up to 25% of the annual quantities of the products put up for sale by the producer organization concerned. Member States will also be able to set trigger prices immediately, where they had not done so prior to the COVID-19 outbreak, so that their producer organizations trigger the storage mechanism.
- EMFF support will also be available for measures to compensate the economic losses resulting from the COVID-19 outbreak for operators in the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions, in particular those resulting from the deterioration in the price of fish or increased storage costs. The Commission should approve, without delay, such measures proposed by Member States.

- **Fostering the implementation of the Common Fisheries Policy** by pursuing the following specific objectives:

  a. The improvement and supply of scientific knowledge as well as the improvement of the collection and management of data.

  b. The provision of support for monitoring, control and for the enhancing of institutional capacity and the efficiency of public administration, without increasing the administrative burden.

- **Increasing employment and territorial cohesion** by pursuing the specific objective consisting of the promotion of economic grown, social inclusion and job creation, and providing support to employability and labor mobility in coastal and inland communities which depend on fishing and aquaculture, including the diversification of activities within fisheries and into other sectors of maritime economy.

- **Fostering marketing and processing** by pursuing the following specific objectives:

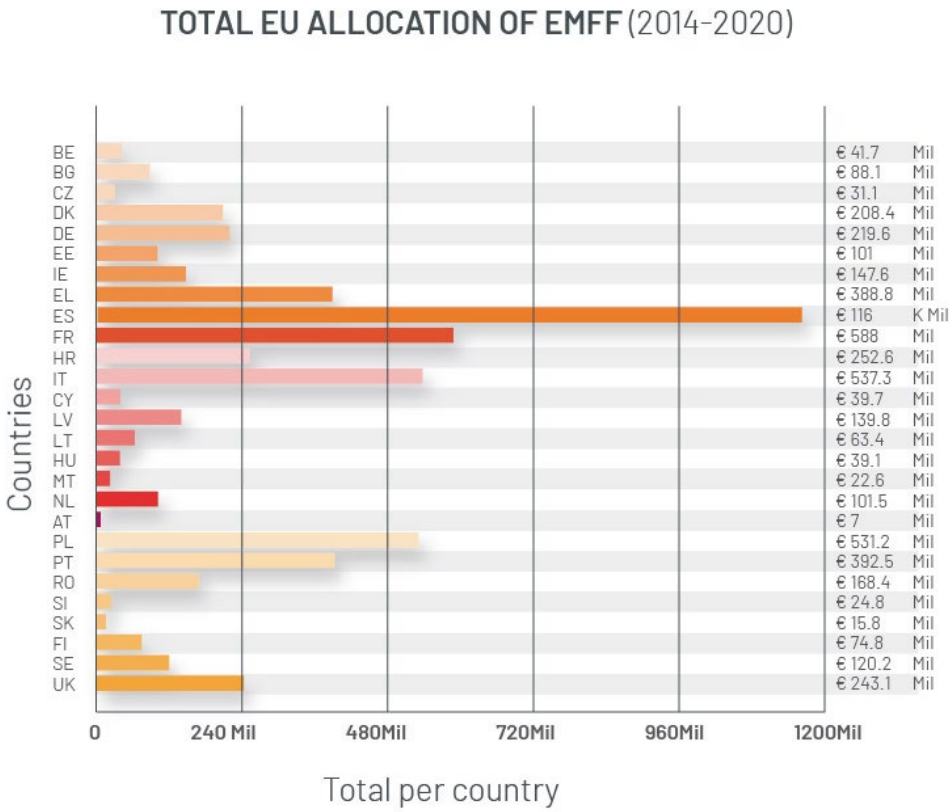
  a. The improvement of market organization for fishing and aquaculture products.

  b. The encouragement of investment in the processing and marketing sectors.

- Lastly, **fostering the implementation of the Integrated Maritime Policy**, *i.e.*, the Union policy whose aim is to foster coordinated and coherent decision-making to maximize the sustainable development, economic growth and social cohesion of Member States. In particular, promoting the developing of maritime industries in the coastal, insular and outermost regions in the Union, through coherent maritime-related policies and international cooperation criteria.

The EMFF had a budget of €5,749,331,600 for the shared management measures, i.e., those taken in cooperation with the Member States and in compliance with the common provisions set forth in Regulation (EU) No 1303/2013.

A breakdown of allocations between the Member States is provided below:



Source: https://cor.europa.eu/en/engage/studies/Documents/Migration%20and%20Integration.pdf

In the case of Spain, there has been a specific Operating Program pertaining to this Fund in force since November 13, 2015, managed by the Directorate-General of Fisheries under the Secretariat-General of Fisheries of the Ministry of Agriculture, Fisheries and Food, with a total budget of €1,161,620,889.

The European Commission is already preparing the EMFF for the new 2021-2027 budgetary framework. In general, the proposal includes a budget of 6.14 billion euros, which will be used to attain the following objectives: (i) to promote sustainable fishing and the conservation of marine biological resources; (ii) to contribute to EU food safety through aquaculture and sustainable and competitive markets; (iii) to enable the growth of a sustainable blue economy and to develop prosperous coastal communities; and (iv) to strengthen the international governance of oceans and to guarantee protected, safe, clean and sustainably managed seas and oceans.

8.6. EUROPEAN UNION RESEARCH AND INNOVATION PROGRAMS

8.6.1. Horizon 2020

The EU has been approving successive multi-year programmes which set out the lines of action of the Community research and innovation policy, allocating considerable economic resources to their performance.

Currently the EU Research and Innovation Programme for the 2014-2020 period is called **"Horizon 2020" and is regulated by Regulation (EU) No 1291/2013 of the European Parliament and of the Council, of 11 December 2013**, as worded following the amendment made by Regulation (EU) No 1017/2015 of the European Parliament and of the Council, of 25 June 2015.

The objective of the programme is to contribute to building a society and an economy based on knowledge and innovation across the Union mobilizing, for this purpose, financing aimed at attaining, over this period, a target of 3% of GDP used to promote research, development and innovation (R&D&I) throughout the EU.

This programme had a total budget of 74,828.3 million euros to finance research, technological development and innovation initiatives and projects with obvious European added value.

Horizon 2020 is based on **three fundamental pillars**:

a. **Excellent Science** (with a budget of 24,232.1 million euros), with the target of raise the level of excellence in European basic science and to ensure a constant flow of quality research with a view to guaranteeing Europe's long-term competitiveness. In order to reach this goal, it will receive support from the best ideas, with a view to developing talent within the Union. It also aims to ensure that researchers have access to priority research infrastructure, making Europe an attractive place for the best researchers in the world.

   It has four specific objectives:

   - **Providing attractive and flexible funding through the European Research Council** (ERC) to enable talented and creative individual researchers and their teams to pursue the most promising avenues at the frontier of science, on the basis of competition at Union level.

   - **Supporting collaborative research** through "*Future and Emerging Technologies*" in order to expand Europe's capacity for **advanced innovation** capable of changing the established research paradigms, in particular, by fostering scientific collaboration across disciplines based on radically new, high-risk ideas, promoting not only the development of the most promising emerging areas of science and technology, but also the structuring of the scientific communities existing Union wide.

   - **Providing**, through *Marie Skłodowska-Curie* (MSCA) actions, excellent and innovative **research training** as well as attractive career and knowledge-exchange opportunities through cross-border and cross-sector mobility of researchers, all in order to prepare them to face optimally both current and future societal challenges.

   - **Developing and supporting** excellent **European research** infrastructures and assisting them to contribute to the European Research Area by fostering their innovation potential, attracting world-level researchers and training human capital, and complimenting these initiatives with the related Union policy and international cooperation.

2. **Industrial Leadership** (with a budget of 16,466.5 million euros). This line has a twofold aim: (i) speeding up the development of the technologies and innovations which serve to create tomorrow's businesses, and (ii) helping innovative SMEs to grow into world-leading companies. It has three specific lines:

   - **Leadership in enabling and industrial technologies**, provides specific support for **research, development and demonstration** (and, where appropriate, for standardization and certification), on information and communications technologies (ICTs), nanotechnology, advanced materials, biotechnology, advanced manufacturing and processing and space. Emphasis is placed on the needs of users in all these fields, promoting enabling technologies able to be used in multiple sectors, industries and services.

   - **Access to risk finance**, aims to overcome deficits in the availability of debt and equity finance for R&D and innovation-driven companies and projects at all stages of development. Thus SMEs have available to them a group of financial intermediaries to which they may apply for capital, guarantees or counterguarantees for their R&D projects. The development of Union-level venture capital is also fostered with the equity instrument of the "*Programme for the Competitiveness of Enterprises and SMEs*" (currently the COSME programme).

3. **Innovation in SMEs**, provides tailored support to SMEs, with a view to stimulating all forms of innovation, targeting those with the potential to grow and internationalize across the single market and beyond. In particular, under the "Horizon 2020" programme at least 20% of the funding budgeted for the areas "Leadership in enabling and industrial technologies" and "Societal Challenges" is allocated to SMEs, which means that, throughout the period, approximately 7.6 billion euros was made available to them, distributed as follows:

   - 7% through the **SME Instrument** (a total of approximately 2.7 billion euros).
   - The remaining 13%, through the strategies of each Challenge or Technology where SMEs are involved in their **"normal" collaborative projects**, either with SME-targeted calls for applications or through more or less relevant topics, all of which Is aimed at encouraging SMEs to participate in projects.

The **"SME Instrument"** is 3-phase scheme of funding aimed at supporting SMEs showing a strong ambition to grow, develop and internationalize, through an innovation project with a European dimension. The Programme has 3 phases which cover the complete innovation cycle:

- **Phase 1: Concept and assessment of feasibility (Optional)**: SMEs receive funding of €50,000 per project for an assessment of the scientific or technical feasibility and commercial potential of a new idea (concept test) in order to develop an innovative project. A positive result of this assessment will allow them to access funding through the following phases.

  This phase has a term of approximately 6 months.

- **Phase 2: R&D, demonstration and market replication**: This phase supports Research and Development focused on demonstration activities (testing, prototype, scale-up studies, design, innovative processes, products and services, performance verification, etc.) and the analysis of their possible implementation and commercial development.

  The R&D projects selected could obtain funding of up to 2.5 million euros (although this amount could be increased up to 5 million euros for health-related biotechnology projects)

  This phase has an approximate term of between 1 and 2 years.

- **Phase 3: Commercializing**: This phase does not provide direct funding (apart from support activities), but rather aims to facilitate access to private capital and to environments enabling innovation. Links are to be established with access to risk finance.

Each phase is open to all SMEs and the transition between one phase and another is immediate, provided that evidence has been given of the need to receive additional funding based on the success of the previous phase.

SME INSTRUMENT 3-PHASE SCHEME - HORIZON 2020

Source: https://www.horizon2020.es/instrumento-pyme-consejos-basicos-para-su-solicitud/

The SME Instrument has the following characteristics differentiating it from collaborative projects:

- Each thematic or societal challenge of Horizon 2020 has at least one "topic" or theme for the SME Instrument with an open content in the context of each technology or societal challenge.
- SMEs are the only ones able to apply for the aid, although projects may be submitted together with entities of any type, which may be subcontracted.
- The formation of a previously-defined minimum consortium is not required. The SME is free to choose the consortium most suitable to its needs, and may even go it alone, but it is important to remember that European added value is a fundamental selection criteria.
- It functions with various call dates per year submission deadlines per year, both for Phase 1 and for Phase 2.
- SMEs which have received funding in Phases 1 and/or 2 will have priority access to the financial instruments made available under the "Access to Risk Finance" programme.
- All SMEs participating in the SME Instrument will benefit from a coaching scheme associated with the Instrument.

- A "Seal of Excellence" has been created to set apart projects which were evaluated as satisfactory but have not yet been able to access funding under the "SME Instrument", and thus to provide them with access to other alternative sources of funding.

4. **Societal Challenges** (with a budget of 28,629.6 million euros), aimed at researching the major issues affecting European citizens. This line of action focuses on the following six areas essential to achieve a better life:

   1. Health, demographic change and wellbeing.
   2. Food security, sustainable agriculture and forestry, marine, maritime and inland water research and the bioeconomy.
   3. Secure, clean and efficient energy.
   4. Smart, green and integrated transport.
   5. Climate action, environment, resource efficiency and raw materials.
   6. Europe in a changing world: inclusive, innovative and reflective societies.
   7. Secure societies: protection of the freedom and security of Europe and its citizens.

The focus of all activities must be based on responding to the challenges facing society, including basic or applied research, technology or innovation transfer, targeting political priorities without predetermining the technologies or solutions which will have to be developed. Emphasis is placed on bringing together a critical mass of resources and knowledge of different fields, technologies, scientific disciplines and research infrastructures in order to meet the challenges. The **activities must cover the complete cycle, from research through to placement on the market**, emphasizing activities relating to innovation, such as pilot projects, demonstration activities, testing banks, support for public contracting, design, innovation promoted by the end user, social innovation, technology transfer and assimilation of innovations by the market.

BREAKDOWN OF THE BUDGET FOR *"HORIZON 2020"*	
I-EXCELLENT SCIENCE, OF WHICH:	24,232.1
1.-European Research Council (ERC).	13,094.8
2.-Future and Emerging Technologies (FET).	2,585.4
3.-Marie Sklodowska Curie actions.	6,162.3
4.-Research infraestructures.	2,389.6
II-INDUSTRIAL LEADERSHIP, OF WHICH:	16,466.5
1.-Leadership in enabling industrial enabling and industrial technologies.	13,035
2.-Access to risk finance.	2,842.3
3.-SME innovation.	589.2
III-RETO DE LA SOCIEDAD, DE LOS CUALES:	28,629.6
1.-Health, demographic change and wellbeing.	7,256.7
2.-Food security, sustainable agriculture and forestry, marine, maritime and inland water research and the bioeconomy.	3,707.7
3.-Secure, clean and efficient energy.	5,688.1
4.-Smart, green and integrated transport.	6,149.4
5.-Climate action, environment, resource efficiency and raw materials.	2,956.5
6.-Europe in a changing world - inclusive, innovative and reflective. societies.	1,258.5
7.-Secure societies – protecting freedom and security of Europe and its citizens.	1,612.7
IV.-SPREADING EXCELLENCE AND WIDENING PARTICIPATION.	816.5
V.-SCIENCE WITH AND FOR SOCIETY.	444.9
VI.-NON-NUCLEAR DIRECT ACTIONS OF THE JOINT RESEARCH CENTRE (JRC).	1,855.7
VII.-THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT).	2,383
TOTAL	**74,828.3**

Source: Annex II "Breakdown of the Budget" of Regulation 1291/2013.

With respect to funding, most of the activities are instrumented as **competitive tenders** in "Horizon 2020" managed by the European Commission with **pre-established priorities in the respective working programmes** which are previously published.

The calls for proposals have, in general, **fixed launch and closing dates** (generally comprising between three and four months)[20] and can refer to a certain priority and/or area of action of "Horizon 2020".

Based on these premises, the Working Programme of "Horizon 2020" approved by the Commission for 2018-2020 has focused its interest on the following priorities:

- Increased investment in R&D for sustainable development and climate.
- Integrated digitalization in all technological industries.
- Strengthening of international cooperation in R&D.
- Cybersecurity.
- A boost, through the creation of the appropriate framework, for the creation of new markets resulting from new digital technologies and new business models.

The approval of this Program entailed the startup of the pilot phase of the **European Innovation Council**, endowed with 2.7 billion euros and comprising the calls for aid applications of the SME Instrument. This Program is characterized by having a topical focus that is totally open, of Rapid Access to Innovation and of FET Open, in addition to various awards.

Another new feather is the introduction of **a pilot program for the financing of projects with a fixed amount**, changing the focus of the financial control to the scientific-technical contents of the projects. This pilot has focused on two topics, one, on Health and the other on NMPB - nanotechnologies, advanced materials, biotechnology and advanced manufacturing and processing.

In general, any European enterprise, university, research center or legal entity that wishes to develop a R&D&I project, provided that its content is consistent with the lines and priorities stipulated in any of the pillars of "Horizon 2020" may participate in the calls.

To be able to participate in most of the actions included in this programme, it is developed through **consortium projects**, which must involve at least three independent legal entities, each one established in a different EU Member State or associated state.

Nonetheless certain exceptions are provided, such as (i) research initiatives "*on the frontiers of knowledge*" of the European Research Council (ERC); (ii) coordination and support initiatives and (iii) mobility and training initiatives, in which legal entities or individuals can participate on an individual basis.

In any case, the working plans or programmes under the calls for proposals may stipulate terms additional to those mentioned above, depending on the nature and objectives of the initiative in question.

Lastly, in order to apply for funding for any R&D&I project a proposal must be submitted in a previously published call for proposals. Calls for proposals, as well as all documents related thereto, in which submission deadlines and forms are indicated, are posted on the **participant portal** made available on the website of the European Commission, through which participants can access to the electronic system for submitting proposals.

Normally a potential participant in "Horizon 2020" has two forms of taking part in a proposal: (i) based on his own idea (either as coordinator of the project or by participating individually in the instruments which so permit); or, on the contrary, (ii) by participating in a consortium led by a third party.

Schematically, the basic steps to take from the time the idea arises until the project becomes a reality would be:

STEPS TO TAKE: FROM IDEA TO PROJECT

Source: http://eshorizonte2020.cdti.es/recursos/doc/Programas/Cooperacion_internacional/ HORIZONTE%202020/29236_2872872014135311.pdf

20 Aware of the difficulties resulting from the situation created by the COVID-19 public health crisis across Europe, the Commission has extended the closing dates for the submission of proposals linked to calls for proposals that would normally have closed between March and April of this year. Furthermore, in connection with any projects benefitting from the Horizon 2020 program now being implemented, in which any projected action cannot be taken due to the public health crisis, the possibility of claiming the existence of force majeure and its effects can now be analyzed on a case-by-case basis.

For more information on "Horizon 2020" as well as on the calls for proposals, please check the Participant Portal and the "Horizon 2020" online manual posted on the website of the European Commission (http://ec.europa.eu/research/participants/portal/desktop/en/funding/index.html).

The European Commission is already preparing the next European Union Investment and Innovation Program, which will be known as "Horizon 2021-2017". This Program has a budget of approximately 100 billion euros, and is structured around three pillars: (i) excellent science; (ii) global challenges and European industrial competitiveness; and (iii) innovative Europe.

8.6.2. Other Research and Innovation Programmes

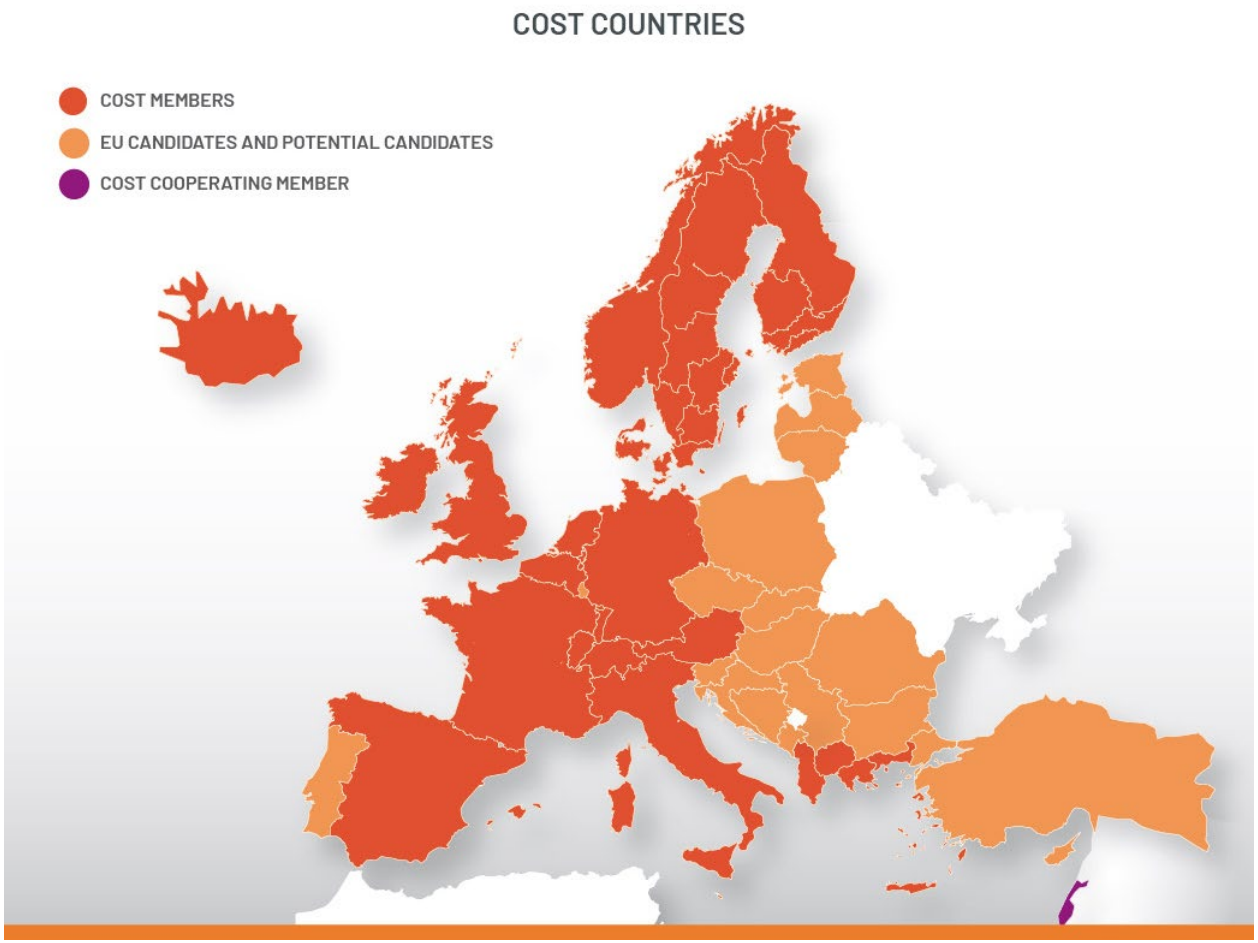
Parallel to "Horizon 2020", the European Commission also extends R&D&I funding opportunities through other additional programmes of significance in the context of the European Research and Innovation Strategy.

This section includes two programmes with differentiated objectives and targets.

Specifically, the **COST** (*European Cooperation in Science and Technology*) programme, initiated in 1971 and one of the oldest European framework programmes supporting cooperation among scientists in all of Europe in different areas of research, and the **EURATOM**, (*European Atomic Energy Community*) programme, which arose under the Treaty of the same name, with a view to coordinating the research programmes of Member States in the peaceful use of nuclear energy.

- **COST Program**

  The COST (European Cooperation in Science and Technology) programme is the first, and one of the largest, intergovernmental network for the coordination of scientific and technical research at European level, and currently involves 38 countries and Israel as a cooperating State. It also has a multitude of reciprocity agreements (including Australia, New Zealand, Argentina, Mexico, Brazil, the US, China, Japan and South Africa).



Source: https://www.cost.eu/who-we-are/members/

The programme is targeted at researchers who work (i) in universities and research centers, regardless of size, both public and private, in any of the 38 COST countries or Israel; (ii) in any technological or scientific field; and (iii) provided that they have an original and innovative idea.

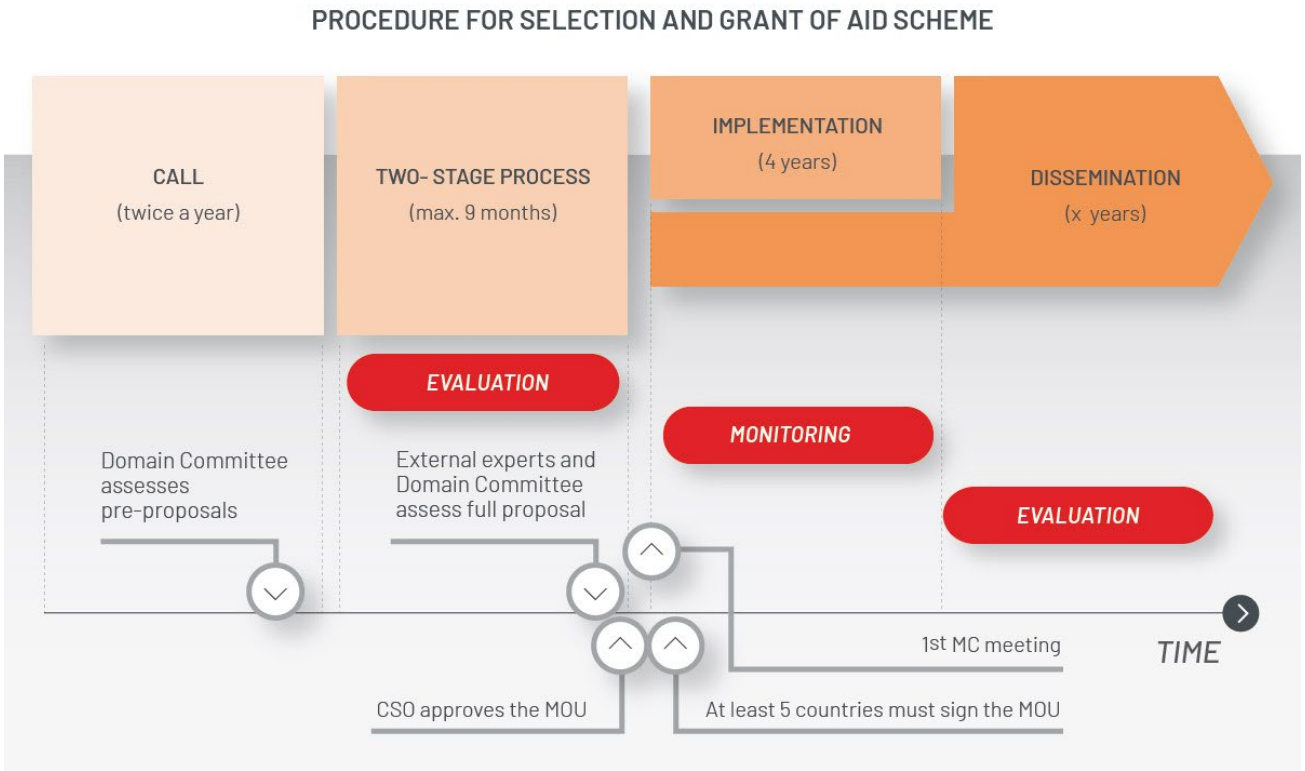
Its objective is to strengthen scientific and technical research in Europe, financing the establishment of cooperation and interaction networks between researchers who organize themselves around a specific scientific objective.

The programme functions through networks known as **COST Actions**, which are established at the initiative of researchers without pre-defined thematic priorities. **At least seven participants** from different COST countries must join together in order to apply for an Action, at least four of which must be from COST Inclusiveness Target Countries.

The projects selected will receive funding for activities previously established in the joint working programme – with a four-year term – from among the following:

- Scientific meetings of working groups.
- Workshops and seminars.
- Short-term Scientific Missions (STSMs).
- Training workshops and scientific conferences.
- Dissemination publications and activities.

COST calls for proposals are permanently open, with two submission deadlines per year (spring and autumn). The procedure for selection and grant of aid is carried out in accordance with the following scheme.

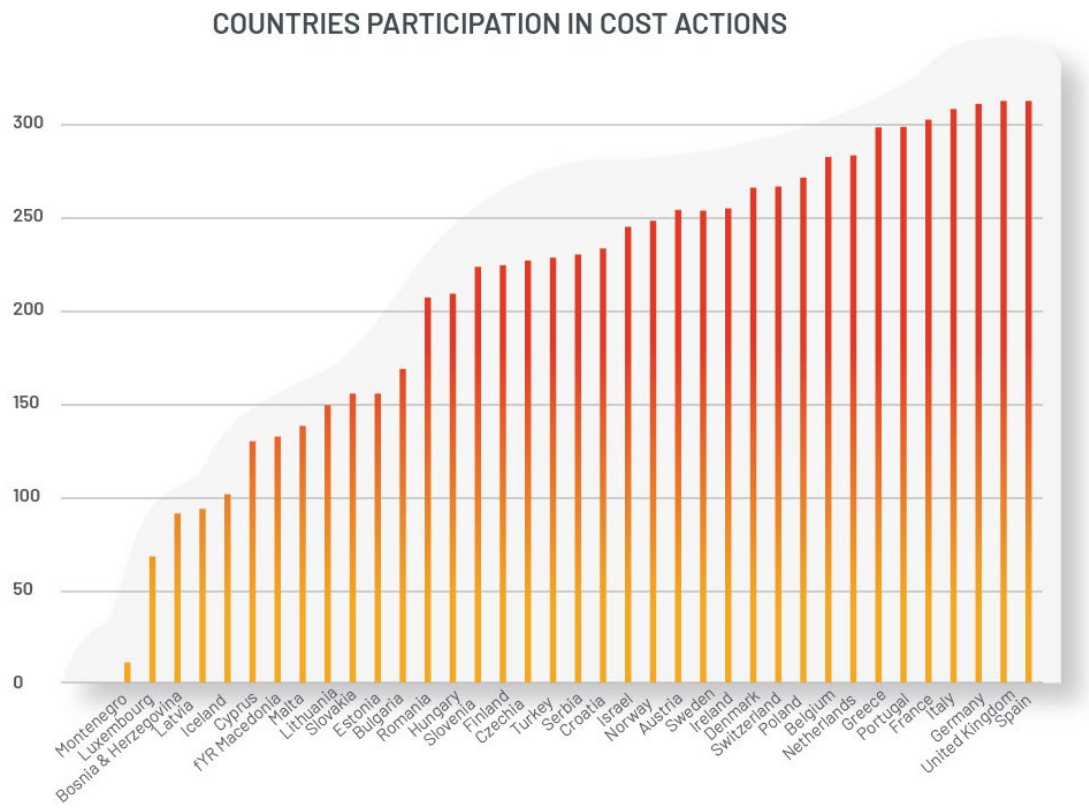


Source: http://eshorizonte2020.es/content/download/23551/278009/file/Presentación%20COST%20junio%202013.pdf

Spain is one of the countries which is most active in COST, since it is present in more than 300 actions, approximately, which makes it number three in the ranking of countries with the highest number of participants.

The representative of Spain in the COST program (delegate in the committee of senior officials, CSO, and COST National Coordinator, CNC) is the Ministry of Science and Innovation through the Subdirectorate-General of International Relations.

Each country's participation in COST actions:



Source: https://www.slideshare.net/seenet/european-cooperation-in-science-and-technology-cost-actions-maria-moragues-canovas

- **EURATOM program**

  EURATOM energy research activities are carried out under the treaty with the same name, which in 1957 established the European Atomic Energy Community (EURATOM). EURATOM is legally separated from the European Community and has its **own Framework Research and Training Programme**, that is managed by the common Community institutions and regulated in **Council Regulation (Euratom) 2018/1563 of 15 October 2018** on the Research and Training Programme of the European Atomic Energy Community (2019–2020) complementing the Horizon 2020 Framework Programme for Research and Innovation.

  Although Member States retain most competencies in energy policy, whether based on nuclear or other sources, the EURATOM Treaty has achieved an important degree of harmonization at European level. It legislates for a number of specific tasks for the management of nuclear resources and research activities.

  The general Objective of the EURATOM programme, with a budget of €770,220,000 for the full period (2014-2020) is to pursue nuclear research and training activities with an emphasis on continuous improvement of nuclear safety, security and radiation protection, all with a view to contributing to the long-term decarbonization of the energy system in a safe, efficient and secure way.

  This objective is implemented through:

  - Indirect actions targeted as:
    - Supporting safety of nuclear systems.
    - Contributing to the development of safe, long-term solutions for the management of ultimate nuclear waste.
    - Supporting the development and sustainability of nuclear expertise and excellence in the Union.

- Supporting radiation protection and development of medical applications of radiation
- Moving towards demonstration of feasibility of fusion as a power source.
- Laying the foundations for future fusion power plants.
- Promoting innovation and industrial competitiveness.
- Insuring availability and use of research infrastructures of pan-European relevance.

- Direct actions focused on:
  - Improving nuclear safety.
  - Improving nuclear security.
  - Increasing excellence in the nuclear science base for standardization.
  - Fostering knowledge management, education and training.
  - Supporting the policy of the Union on nuclear safety and security.

EURATOM is a Program supplementary to "Horizon 2020" since both have the same rules on participation. Under "Horizon 2020" there is also a possibility of carrying out trans-actions within the EURATOM programme and between the EURATOM programme and "Horizon 2020" through co-funding and externalization.

8.7 COMMUNITY INITIATIVES IN FAVOR OF CORPORATE FINANCE

The Community initiatives aimed at favoring corporate finance include most notably the COSME programme and the Gate-2Growth initiative:

- **COSME Programme:**

The **COSME** (*Competitiveness of Enterprises and Small and Medium-sized Enterprises*) programme is an EU programme aimed at improving the competitiveness of enterprises, with special emphasis on small and medium-sized enterprises, during the 2014-2020 period, now ending.

COSME helps entrepreneurs and small and medium-sized enterprises to begin to operate, access financing and internationalize, in addition to supporting the authorities in the improvement of the business environment and boosting economic growth in the European Union. It is regulated **in Regulation (EU) nº 1287/2013 of the European Parliament and of the Council, of 11 December 2013**, establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014-2020) and repealing Decision nº 1639/2006/EC.

COSME had a budget of approximately €2.3 billion and supplemented the policies implemented by the Member States themselves in their support of SMEs, helping to strengthen the competitiveness and sustainability of the Union's enterprises and encouraging entrepreneurial culture.

The programme's objectives are:

- To improve access to finance for SMEs, in the form of equity and debt through financial intermediaries.
- To improve access by enterprises to markets, in particular within the Union: In particular the Enterprise Europe Network will provide support services aimed at facilitating the expansion of enterprises, inside and outside the European Union, funding international industrial cooperation with a view to reducing the differences between the EU and its main commercial partners.
- To improve the general conditions for the competitiveness and sustainability of SMEs, including those pursuing their activity in the tourist industry.
- To promote entrepreneurship and business culture: To develop the entrepreneurial abilities and attitudes, especially among new entrepreneurs, youth and women.

In addition to supporting internationalization, competitiveness and entrepreneurial culture, COSME is, above all, a financial instrument which will make it possible to improve a SME's access to financing, since at least 60% of the programme's total budget (€1.4 billion) is earmarked for this purposes.

The allocation of these funds is managed by the intermediary entities and bodies of each country that have been previously selected by the EIF. These bodies will be in charge of launching the financial products they have selected, in order to offer them to the SMEs, and will also develop the financial instruments contained therein.

The promotion and dissemination of COSME among the business sector depends on the active participation of the nearly 600 members of the "Enterprise Europe Network", distributed throughout the entire territory of the European Union. In addition to furnishing information on European financing available to SMEs, members help enterprises to develop their businesses on new markets and to license new technologies.

In Spain there are 9 nodes which provide support throughout the national territory:

- GALACTEA PLUS: Galicia; Principality of Asturias; Cantabria and Castilla y León.
- Basque Enterprise Europe Network: Basque Countr
- ACTIS: La Rioja; Navarra; Aragón; Castilla La Mancha and Extremadura.
- Enterprise Europe Network Madrid: Madrid Autonomous Communit.

- CATCIM: Cataluña
- SEIMED: Valencia and Murcia.
- IB SERVICES: Balearic Islands.
- CESEAND: Andalucía.
- Enterprise Europe Network CANARIAS: Canary Islands.

For more information on the COSME programme and the calls open in Spain, see the following websites:

- https://ec.europa.eu/growth/smes/cosme/
- http://www.ipyme.org/es-ES/UnionEuropea/UnionEuropea/PoliticaEuropea/Marco/Paginas/Convocatorias-programa-cosme.aspx
- https://een.ec.europa.eu
- https://eshorizonte2020.es/mas-europa/otros-programas/cosme

- **InvestorNet - Gate2Growth initiative**

The **InvestorNet - Gate2Growth** initiative (www.gate-2growth.com) is a one-stop shop for innovative entrepreneurs seeking financing. It also offers investors, intermediaries and innovation service-providers, a community for sharing knowledge and good practice.

The initiative has incorporated all knowledge acquired through the implementation of previous pilot programs, some of the most noteworthy of which are the I-TEC project, the LIFT project and the FIT project.

One of the most notable characteristics of this initiative is that it acts as a meeting point for innovative entrepreneurs, innovation professionals and potential investors. **InvestorNet – Gate2Growth** aids innovative European companies with the processes of marketing, internationalization and financial growth, by:

- Being a **partner in commercialization and value chain modeling**.
- **Consulting in** term-sheet and shareholder agreement **negotiations**.
- **Raising capital for high-tech ventures** and public-private partnerships.
- **Finding strategic partnerships for investments** from universities and research institutions.
- Conducting master class in "How to Attract Investors" "Horizon 2020 SME Instrument" & "Train the Trainers in How to Attract Investors".

Many projects have been executed within the framework of the InvestorNet - Gate2Growth initiative, including most notably the following:

- SLIM: Sustainable low impact mining solution for the mining of small mineral deposits based on advance rock blasting and environmental technologies (2016-2020).
- RUBIZMO: Replicable business models for modern rural economies (2018-2021).
- LIBERATE: Lignin biorefinery approach using electrochemical flow (2018-2021).
- CIRCLES: The control of microbiomes-tailored circular actions to enhance food systems (2018-2023).
- DEEP PURPLE: Conversion of diluted mixed urban bio-wastes into sustainable materials and projects in flexible purple photobiorefineries.
- GO GRASS: Grass-based circular business models for rural agri-food value chains (2019-2023).
- SEALIVE: Circular economic strategies and advanced bio-based solutions to keep land and sea free from plastics contamination (2019-2023).
- NewTechAqua: New technologies, tools and strategies for a sustainable, resilient and innovative European Aquaculture (2020-2023)

Lastly, it should be noted that, in addition to the initiatives described above, other specific business financing initiatives, according to activity sector, are also available at Community level.

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ICEX

INVEST IN SPAIN

GARRIGUES

June 2020

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