GUIDE TO BUSINESS IN SPAIN 2022

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This guide was researched and written by Garrigues, on behalf of ICEX, on February 2022.

This guide is correct to the best of our knowledge. It is, however, written as a general guide so it is necessary that specific professional advice be sought before any action is taken.

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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. In this regard, it is also worth noting the particular importance that the "Next Generation EU" Program will have in the coming years as a special funding mechanism aimed at helping the Member States recover from the consequences of the COVID-19 pandemic, of which Spain will be one of the main recipients.

Against this backdrop and as part of Spain's Recovery, Transformation and Resilience Plan finally approved by the EU Economic and Financial Affairs Council (ECOFIN), major public reforms and investments will be undertaken in Spain to accomplish the so-called green and digital transition, strengthen social and territorial cohesion, promote gender equality, and boost private investment with the aim of contributing to the transformation of the current production model into a more resilient and inclusive structure that is better prepared to tackle future crises.

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Investment aid and incentives in Spain

GUIDE TO BUSINESS IN SPAIN 2022

/ 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 ICEX-Invest In Spain 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 the current health emergency caused by COVID-19. This emergency has given rise to the adoption of aid programs and additional incentives aimed precisely at mitigating the adverse effects caused in the various economic sectors of our country.

In this regard, and as will be explained in detail in section 8 of this Chapter, it is particularly important to also mention, when referring to the large number of aid programs and lines described herein, the approval and implementation of the European Recovery Instrument Next Generation Program, together with the new reinforced Multiannual Financial Framework for the period 2021-2027, as part of the measures approved by the European Council to boost the convergence, resilience and transformation of the economy of the Member States by accelerating the twin green and digital transition.

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.

2.1 TRAINING INCENTIVES

Law 30/2015, of September 9, 2015, regulating 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.

However, it should be borne in mind that in accordance with the Government's Annual Legislation Plan for 2022, the Ministry of Employment and Social Economy intends to reform regulations on vocational training for employment within the scope of its powers, in particular to make management processes and the inclusion of new legal instruments more flexible, and also with a view to including digital aspects in the training. This will entail the approval of a new law to replace Law 30/2015 and, as a result, important changes in this area are likely to arise in the short term.

In this case, the vocational training for employment system currently in force 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 as a general rule, 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 - 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).

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 122 LGPE 2022) *
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, for the amount that results from applying the criteria determined by regulations 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 2021, 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.

* 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.

Finally, it should also be taken into account that companies that train those affected by temporary layoff procedures will be entitled to an increase in credit to finance steps in the area of programmed training. The amount of that credit increase, which will vary according to the size of the company, is the figure set out in article 9.7 of Law 30/2015 (ranging from €425 to €320 per person), although it could be updated by regulations.

It should be noted that the Spanish State Public Employment Service, by means of its Decision of April 15, 2020, established, within its scope of management, extraordinary measures to confront the impact of COVID-19 on vocational training for jobs, which have been extended in 2022 by the subsequent Decision of December 9, 2021.

These measures include most notably those relating to the possibility of conducting training entirely through a "virtual classroom" and through a "bimodal" system (which enables the teacher to give the training in person to some of the students while others attend virtually) in training actions that are financed in the training initiative programmed by companies, with a

charge to the loan available for fiscal year 2022, where they are conducted in the in-person mode or the in-person portion of the hybrid or tele-training mode (in addition, in the case of individual leaves of absence for training to enable attendance at the hybrid alternatives mentioned).

It should also be borne in mind that companies that receive social security contribution benefits applicable to temporary layoff procedures must provide training, in the terms established in additional provision forty-four of the revised General Social Security Law, approved by Legislative Royal Decree 8/2015, of October 30, 2015, and additional provision twenty-five of the revised Workers' Statute, approved by Legislative Royal Decree 2/2015, of October 23, 2015.

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, linked to 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 above-mentioned training initiatives for employed workers must be implemented through (i) industry-wide training programs; (ii) transversal training programs; and (iii) professional qualification and recognition programs.

In addition, in the case of unemployed workers, the training initiatives 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 and in job offers; (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.

The maximum and minimum limits of the subsidies that can be granted to finance these training initiatives (of which public or private training entities, accredited and/or registered in the Training Entities Register, may be beneficiaries) 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*. Meanwhile, however, the following maximum general economic units, as set forth in Schedule I of the Order, may be considered:

MODE OF TEACHING	AMOUNT OF THE MAXIMUM ECONOMIC UNITS
In-person	€13
Teletraining	€7.5
Hybrid	The above units will be applied according to the hours of in-person training or teletraining that take place in the training initiative.

* 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, beneficiary 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 exten-

sive, as it varies according to the 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.

It is worth noting that the Council of Ministers recently approved Royal Decree 818/2021, of September 28, 2021, on integrated employment activation programs in the Spanish National Employment system. This Royal Decree establishes the framework in which Active Employment Policies ("PAE") will be developed throughout Spain, through the State Public Employment Service ("SEPE") and the autonomous community governments, according to the scope of their powers, based on the reforms envisaged to encourage active employment policies in the Recovery, Transformation and Resilience Plan, within Component 23 *"New public polices for a dynamic, resilient and inclusive labor market"*, in Reform 5 *"The modernization of active employment policies"*.

However, as occurs with training initiatives, in accordance with the Government's Annual Legislation Plan for 2022, the Ministry of Employment and Social Economy aims to introduce reforms in legislation regulating incentives to hire workers in order to ensure their effectiveness and, as a result, the legislation regulating subsidies and discounts in social security contributions, in particular, the provisions of Law 43/2006, will be reviewed. Important changes in this area are therefore likely to arise in the short term.

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.

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
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** Men / Women 1,300 / 1,500 **Part-time** Men / Women Proportional to the working hours agreed upon in the contract.	3 years
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
	Persons with limited intellectual capacity (art. 2.4 quarter Law 43/2006)**	1,500	4 years

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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			

* 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
The 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, as well as persons with limited intellectual capacity, do not have to meet the condition of being unemployed.

*** 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 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, regulates the incentive for indefinite-term employment and for independent professionals. 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 6 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, in the case of part-time contracts, 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.

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.

E. SUPPORT FOR THE EMPLOYMENT OF SEASONAL WORKERS WITH INDEFINITE-TERM CONTRACTS IN THE TOURIST INDUSTRY, AS WELL AS IN THE TRADE AND HOSPITALITY INDUSTRIES RELATED TO SUCH INDUSTRY

Additional provision 122 of the 2021 State Budget Law establishes, with effect from January 1, 2021 and for an indefinite term, for companies engaging in activities forming part of the tourist industry, as well as the trade and hospitality industries related such sector, which generate productive activity in February, March and November of each year and commence or maintain the occupation of seasonal workers with indefinite-term contracts during those months, the possibility of

applying a reduction in these months of 50% of the employer's social security contribution for common contingencies, as well as for items collected with the unemployment, wage guarantee fund (*FOGASA*) and vocational training contributions made for such workers.

F. MEASURES TO SUPPORT COMMON EMPLOYMENT ACTIVATION PROGRAMS

The above-mentioned Royal Decree 818/2021 on employment activation programs, establishes a series of aid measures, in the form of subsidies, for companies that hire workers in certain circumstances.

Although the subsidies still need to be specified once the conditions of participation have been approved (and their compatibility with other statutory incentives has been verified), the characteristics of the most important subsidies are summarized below:

- Program on integration of people with disabilities into the ordinary labor market (articles 47 to 50 of Royal Decree 818/2021)
    - Incentives to hire people with disabilities under indefinite-term, full-time contracts: Companies in the ordinary employment market that hire, under indefinite-term, full-time contracts, job seekers with disabilities who are registered in the public employment service, can receive a subsidy for each initial indefinite-term contract or transformation of a temporary contract into an indefinite-term, full-time contract, of €5,500 in general (€6,000 if the person initially hired under the indefinite-term contract is a woman, over 45 years of age, or is in any other vulnerable group). This amount may be increased by €2,000 when the workers with disabilities are from employment enclaves, in which case the collaborating company must hire the worker uninterruptedly, and at least three months after the worker has joined the enclave.
    - Subsidies for adaptation to the job position: aimed at financing measures for universal physical, sensory, cognitive and communication accessibility and adequate measures according to the needs of each specific situation, unless such measures involve an excessive burden for the business, and the implementation of personal protection measures to prevent occupational risks among the persons with disabilities who have been hired and the elimination of architectural barriers or obstacles that prevent or make it difficult for them to carry out their functions. The benchmark figure of said subsidy is €1,800 per employee hired for the minimum period established by each public employment service, without it exceeding the actual cost that is evidenced for the adaptation, provision or elimination.
    - Subsidies for supported employment services: Subsidies for individualized guidance and companion actions at work, provided by specialized employment trainers, aimed at facilitating the adaptation in social and employment terms of workers with disabilities, will be aimed at financing the salary and social security costs of the job support entities hiring said trainers. The benchmark figure of those subsidies will be determined according to the provisions of article 8.2 of Royal Decree 870/2007, of July 2, 2007, regulating job support programs as a measure to boost employment of persons with disabilities in the ordinary employment market.
- Program for the occupational integration of people at risk or in a situation of social exclusion (articles 58 to 64 of Royal Decree 818/2021)

  Specialized employment centers, with their own legal personality, registered as such on the relevant register, in which over 70% of the total workforce have disabilities, may receive subsidies (i) for fixed investment that creates employment, (ii) for the salary costs, (iii) for the adaptation of job positions and (iv) for personal and social adjustment services.
- Program for the occupational integration of people at risk or in a situation of social exclusion (articles 58 to 64 of Royal Decree 818/2021)

  Companies that hire participants in integration itineraries in the context of this program (namely, people at risk or in a situation of social exclusion, who are unemployed or in job accessibility companies, who have special difficulties in integrating in the ordinary employment market, as well as people with disabilities who have greater difficulties in accessing the employment market, women who are victims of gender violence, victims of human trafficking and transgender individuals who provide evidence as such in accordance with legislation in force) may take advantage of incentives for hiring participants in integration itineraries in the ordinary employment market.

  Those incentives consist of a subsidy of €7,000 for each participant in an integration itinerary that is hired in the ordinary employment market (€7,500 if the person is a woman, over 45 years of age, or is in any other vulnerable group).

  The public authorities may agree to an increase of up to 10% in the subsidies established in this program, where the beneficiaries are women who are victims of gender violence.
- Subsidies for returning talent (article 67 of Royal Decree 818/2021)

  In the case of persons who return to Spain to sign an employment contract after living abroad, a subsidy in the amount of €5,500 may be received for each full-time, indefinite-term contract signed (€6,000 if the person is a woman, over 45 years of age in the case of persons with disabilities or in any other vulnerable group determined by the public employment service), or €7,000 or €7,500, respectively, if the competent public employment service includes this scenario among those that require greater attention.

The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- Program for equality between men and women (articles 68 to 72 of Royal Decree 818/2021)

  - Incentive to the hiring of women under indefinite-term contracts: companies that hire women, indefinitely, in sectors in which there is a higher concentration of men, and women who have been unemployed for over 24 months due to maternity, adoption, pre-adoptive guardianship, fostering and guardianship on legally-established terms, may receive a subsidy of €6,000. This amount may be increased to up to €7,500 where the persons hired indefinitely are women who are considered particularly vulnerable by the relevant public authority.

  - Aid for a work/life balance and shared work and family responsibilities: Companies may receive the following subsidies where:

    - They adopt, as part of their equality plans, measures to achieve a work-life balance and shared responsibility agreed with workers' statutory representatives or, if there are no such representatives, with the personnel affected by same. A subsidy of €2,250 per year may be granted for each worker that benefits from those measures, up to a maximum of €9,000 per company per year. Aid for each worker is proportional to the period in which the work/life balance is enjoyed if that period is less than one year.

    - The substitute workers who have taken leave of absence or reduced working hours to care for minors, for up to 3 years in the first case and 12 years in the second case, or family members who are dependent or have a serious illness. Individuals hired for such substitution must be registered as unemployed at the public employment services. For each month effectively worked full-time by the person hired for the substitution, part of the salary costs resulting from the contract up to an amount equivalent to the monthly national minimum wage may be subsidized during the period determined by the competent public employment service. This amount may be reduced proportionally if the individual works part-time or for the periods in which the substitution is less than one month.

  The public authorities may agree to an increase of up to 10% in the subsidies established on this program, where the beneficiaries are women who are victims of gender violence.

- Welfare/employment integration program for women who are victims of gender violence (articles 73 and 74 of Royal Decree 818/2021)

  Incentives may be granted for hiring, under indefinite-term contracts, women who are victims of gender violence registered as unemployed in public employment services, consisting of subsidies of €7,500 for each person hired.

- Program to avoid discrimination by reason of age (articles 75 and 76 of Royal Decree 818/2021)

  Incentives may be granted for the hiring under indefinite-term contracts of people aged over 45 who are registered as job seekers in the public employment services, consisting of subsidies of €5,500 for each person hired (€6,000 for women, people with disabilities or in any other vulnerable group), and of €7,000 where that person has been unemployed for a long period (€7,500 for women, people with disabilities or in any other vulnerable group).

/ 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) 2021-2027 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 evolution.

Science, Technology and Innovation Law 14/2011, of June 1, 2011 (the "*LCTI*") 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 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 end of 2020, the Council of Ministers approved, "*the **Spanish Strategy for Science and Technology and for Innovation***" for the 2021-2027 period, whose essential purpose is to promote based on a solid system for generating new knowledge, a productive system that is based on current strengths and is more dynamic and innovative. Overcoming the global crisis caused by COVID-19 and reestablishing a strong national R&D&I system are also urgent actions to which the Strategy attempts to respond. To this end, the following **7 general objectives** are established:

i. Position science, technology and innovation as key areas for achieving the Sustainable Development Goals of the **2030 *Agenda*.**

ii. **Contribute to the EU's political priorities** by aligning with its R&D&I programs, providing support to the agents responsible for the Science, Technology and Innovation System ("SECTI") in order to achieve this objective.

iii. **Prioritize and respond to challenges confronting the national strategic industries** through R&D&I, in order to foster the social, economic, industrial and environmental development of the country.

iv. **Generate knowledge and scientific leadership**, optimizing the position of research staff and institutions, as well as the quality of their infrastructure and equipment. The aim is also to foster quality and scientific excellence, favoring a systemic effect that reaches and benefits a large number of groups, as well as the application of scientific knowledge to the development of new technologies that can be used by companies and to boost society's communication capacity and to influence the public and private sector.

v. **Boost Spain's ability to attract, recover and retain talent,** thereby facilitating professional progress and the mobility of research staff in the public and private sector and their ability to influence decision-making.

vi. Foster the **transfer of knowledge** and to forge **bidirectional links between** science and companies, through the mutual understanding of needs and objectives, particularly in the case of SMEs.

vii. Promote **research and innovation in the Spanish business world**, thereby increasing its commitment to R&D&I and broadening the scope of innovative companies to make the business world more competitive.

With the launch of this Strategy, the aim is to duplicate the sum of public and private investments, until reaching the European average in 2027 (from the 1.24% of GDP in investment in R&D&I recorded in 2018, to 2.12% in 2027).

In order to attain the foregoing objectives, and having regard to the characteristics of the environment in which the agents of the SECTI are to pursue their activities, **14 priority areas of cross-cutting action** were identified:

1. **Budgetary**: Aimed at increasing the budget devoted to R&D&I during the 2021-2027 period, and at providing incentives for private investment, until reaching, as noted above, the EU average, particularly through direct aid (subsidies), and fostering the establishment of suitable lines to facilitate the use of European funds.

2. **Instrumental:** With the goal of developing the instruments and bodies tied to the LCTI in order to increase the provision of advice by experts, simplify and make more flexible the instruments available and adapt them to agents' needs in order to improve the use of resources and strengthen the agents that finance the SECTI.

3. **Coordination:** To supplement in a synchronized manner national and industry policies with other policies at the European, regional and local level.

4. **Governance:** In order to address the development of a governance system and of indicators that facilitate the analysis, monitoring and evaluation of the results as compared to the objectives set.

5. **Capacities:** Aimed at fostering and supporting the generation of scientific and innovative capacities within the public and private SECTI agents in order to boost the aggregation and development of high-level R&D&I centers and promote excellence in scientific and technological infrastructure.

6. **Itinerary:** In order to establish a scientific and technological itinerary for entrance into the R&D&I system that facilitates the promotion and job security of workers and that considers the needs of the country's research and innovation staff, also at private R&D&I centers and companies.

7. **Talent:** In order to craft mechanisms to attract and develop research, technology and innovation talent in companies, industries and R&D&I centers and facilitate the mobility of this staff in the public and private sector.

8. **Promotion:** In order to enhance business innovation and its dissemination across all industries, particularly in SMEs.

9. **Multidisciplinary approach**: In order to foster inter- and multi-disciplinary approaches, boosting and providing support to the cross-cutting use of essential enabling technologies, disruptive digital technologies or deep technologies that enable business and society to advance.

10. **Opportunities**: Aimed at reinforcing national strategic industries, transforming social challenges into business development opportunities and fostering entrepreneurship and investment in private sector R&D&I, and attracting venture capital for innovative enterprises.

11. **Transfer:** To promote the existence of effective channels for the transfer and exchange of knowledge and cooperation between the public and private sector.

12. **Innovation**: In order to enhance value chains around focused innovation systems.

13. **Internationalization:** In order to step up of the internationalization of the SECTI agents through (i) the promotion of participation in international programs such as Horizon Europe and its joint programming initiatives; (ii) international collaboration with the support of scientific diplomacy; (iii) international cooperation for sustainable development; and (iv) the promotion of and participation in international scientific and technological installations and infrastructure.

14. **Social**: In order to boost Spanish society's commitment to R&D&I, encouraging scientific awareness and culture, as well as open and inclusive science and innovation.

In order to implement the objectives and key areas indicated, the Strategy will be carried out in **2 multiyear phases (2021-2023 and 2024-2027)**, each of which will have its corresponding Scientific and Technical Research State Plan, as a tool to implement, materialize and finance the actions and priorities established for the period in question:

- The first phase (2021-2023) would focus on guaranteeing the strengths of the system, giving priority to supporting R&D&I in the healthcare area, and to investing in the green and digital transition, with strategic actions in priority industries and large growth-driving projects.

- The second phase (2024-2027) would be aimed at shoring up the value of R&D&I as a tool to develop a knowledge-based economy.

For more information please see the website of the Ministry of Science and Innovation.

B) 2021-2023 STATE PLAN FOR SCIENTIFIC AND TECHNICAL RESEARCH AND INNOVATION

The 2021-2023 State Plan for Scientific and Technical Research and Innovation ("PEICTI"), included in the 2021-2027 Spanish Strategy for Science and Technology and Innovation, focuses its objectives on strengthening R&D&I in the most strategic sectors following the pandemic: health, green and digital transition, as well as fostering the development and consolidation of the scientific career path.

This State Plan has the nature of a strategic plan for the purposes of Subsidies Law 38/2003, of November 17, 2003, and, accordingly, the funds allocated for its implementation must be granted in accordance with the principles of publicity, transparency, competition, objectivity, effectiveness and non-discrimination. Specifically, actions under the PEICTI include subsidies and loans that may be granted through calls for applications under a competitive process or other direct allocation mechanisms, as well as through the aid granted by the Center for Industrial Technological Development ("CDTI").

The PEICTI is targeted at all agents of the Spanish Science, Technology and Innovation System, both public and private, who are responsible for (i) conducting R&D&I activities; (ii) disseminating and promoting R&D&I results; and (iii) providing R&D&I services for the progress of the Spanish economy and society as a whole. In this respect, the orders establishing the specifications and calls for applications for the PEICTI will determine the beneficiaries to whom the aid is addressed, the participation conditions and eligibility criteria that must be fulfilled, as well as the criteria for evaluating and selecting proposals and the conditions for implementing the aid and monitoring it for scientific-technical and economic purposes.

The funding for actions under the PEICTI comes from Spain's General State Budgets and may also originate from other financing sources including such European funds as the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), other EU financing and co-financing funds, such as Horizon Europe, the European Investment Bank and the funds originating from the Recovery and Resilience Facility, particularly, those included in the Spanish Recovery, Transformation and Resilience Plan (RTRP). Resources originating from other authorities at the local, autonomous community or international level, as well as the equity of the beneficiary institutions and co-financing from other entities, may also be used.

In brief, the key aims of the PEICTI are to: (i) improve the management model, establishing target-based financing; (ii) foster generational replacement, seeking to attract talent by developing a scientific career path; (iii) boost research along strategic lines (top-down); (iv) place a special focus on health and cutting-edge medicine; (v) establish a joint design between the central government and the autonomous community governments of the so-called Supplementary Plans; (vi) give priority to implementing the European Research Area; and (vii) step up incentives for transfers, strengthening the link between research and innovation, to help convert scientific advances into viable and profitable business models.

As regards the structure of the Plan, it comprises 4 State Programs along with 13 State Subprograms, which pursue 13 specific objectives:

STATE PROGRAMS (SP)	STATE SUBPROGRAMS / SPECIFIC OBJECTIVES (SOS)
SO to address the priorities of Spain's environment	Internationalization (SO1) Territorial Synergies (SO2) Strategic Actions (SO3)
SO to foster scientific-technical research and its transfer	Knowledge Creation (SO4) Knowledge Transfer (SO5) Institutional Strengthening (SO6) Scientific-Technical Infrastructure and Equipment (SO7)
SO to develop, attract and retain talent	Training (SO8) Hiring (SO9) Mobility (SO10)
SO to catalyze business innovation and leadership	Business R&D&I (SO11) Innovative Growth (SO12) Public-Private Partnership (SO13)

It should be noted that the State Subprogram of Strategic Actions (SO3) implements the following six strategic actions under the corresponding thematic clusters previously prioritized in the 2021-2027 Spanish Strategy for Science and Technology and Innovation: (i) health, (ii) culture, creativity and inclusive society, (iii) security for society, (iv) digital, industry, space and defense, (v) climate, energy and mobility, and (vi) food, bioeconomy, natural resources and environment.

The Plan also provides for the approval of Annual Action Programs as budget planning instruments that set out the actions to be taken during the year, the planned annual financing and the indicators for monitoring such actions.

The following table included in the Plan contains a breakdown of the ordinary budget envisaged in the 2021-2023 period for the various state programs and subprograms, including the special supplement of funds expected to be obtained from the RTRP:

	BUDGET (€ MILLION)		
	Annual subsidies 2021, 2022, 2023	Annual loans 2021, 2022, 2023	RTRP 2021-2023
SUM OF THE STATE PROGRAMS	**2,858 *85**	**1,437**	**6,062**
STATE PROGRAM TO ADDRESS THE PRIORITIES OF SPAIN'S ENVIRONMENT	**787 *85**	**425**	**3,133**
State Subprogram for Internationalization	76	-	187
State Subprogram for Territorial Synergies	-	-	200
State Subprogram of Strategic Actions (SA1 – SA6)	711 *85	425	2,746
SA1: Health***	2		140
SA2: Culture, creativity and inclusive society	17	-	-
SA3: Security for society	-	-	-
SA4:Digital, industry, space and defense	647 *85	425	2,554
SA5: Climate, energy and mobility	-	-	50
SA6: Food, bioeconomy, natural resources and environment	45	-	2
STATE PROGRAM TO FOSTER SCIENTIFIC-TECHNICAL RESEARCH AND ITS TRANSFER	**978**	**341**	**1,605**
State Subprogram for Knowledge Creation	523	35	420
State Subprogram for Knowledge Transfer	51	300	450
State subprogram for Institutional Strengthening	65	6	477
State Subprogram for Scientific-Technical Infrastructure and Equipmentfico-Técnico	339	-	258
STATE PROGRAM TO DEVELOP, ATTRACT AND RETAIN TALENT	**436**	**-**	**378**

	BUDGET (€ MILLION)		
State Subprogram for Training	234	-	13
State Subprogram for Hiring	168	-	365
State Subprogram for Mobility	34	-	-
STATE PROGRAM TO CATALYZE BUSINESS INNOVATION AND LEADERSHIP	**657**	**671**	**946**
State Subprogram for Business R&D&I	138	415	180
State Subprogram for Innovative Growth	54	256	60
State Subprogram for Public-Private Partnership	465	-	706

* Cash delivery with consideration.

** RTRP. 2021-2023 Spanish Economy Recovery, Transformation and Resilience Plan.

*** Actions known as "SA in Health" in the previous PEICTIs, in the 2021-2023 PEICTI have been included in the STATE PROGRAM TO FOSTER SCIENTIFIC-TECHNICAL RESEARCH AND ITS TRANSFER and the STATE PROGRAM TO DEVELOP, ATTRACT AND RETAIN TALENT.

C) 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, the lines available to the *CDTI* for the financing of R&D&I projects include most notably the following:

4
Investment aid and incentives in Spain

1) R&D Projects:

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

6 categories of projects are potentially for financing under this line:

- Individual R&D projects, presented by a single enterprise.
- National Cooperation R&D Projects submitted by business groupings (EIGs or consortiums), made up of a minimum of 2 and a maximum of 6 autonomous companies.
- *CIEN* (National Business Research Consortiums) projects of significant scope and aimed at conducting planned research in future strategic areas with a potential international impact (the main financing elements of which are detailed below in a separate section).
- International Technological Cooperation 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: (i) Important Projects of Common European Interest; (ii) Joint Technology Initiatives projects, and (iii) Projects deriving from *ERA-NETS* (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 and €5,000,000 in the specific case of *CIEN* Projects, the **duration** required being between 12 and 36 months for all individual projects and between 12 and 48 months for national cooperation projects, and 36 and 48 months for **CIEN** 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 10 to 15 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 emerging 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 the improvement thereof; or (iii) application of a new or significantly improved production or supply method (including relevant 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 seeks to provide support to pre-competitive collaborative research, led by enterprises, in order to: (i) conduct significant research that proposes solutions to Spanish society's cross-cutting and strategic challenges; (ii) enhance the knowledge and technology base on which Spanish enterprises rely to compete; and (iii) foster public-private partnerships.

The aim of the program is to contribute to the development of the following missions: (i) sustainable, smart and efficient agricul-

ture for the 21st century; (ii) secure, efficient and clean energy for the 21st century, (iii) to boost Spanish industry in the industrial revolution of the 21st century; (iv) circular economy with polymer composite waste recycling and recovery technologies; (v) information security, privacy and cybersecurity; (vi) sustainable and smart intermodal transportation; (vii) to boost tourism by harnessing technological possibilities; (viii) advancement of and technological training for the biopharmaceutical industry in the field of advanced therapies, vaccines and targeted therapies; and (ix) to foster high-performance computing.

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 1 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").

In the 2021 call for aid applications, which was already included among the actions of the National Recovery, Transformation and Resilience Plan approved at that time, the minimum eligible budgets were between €5,000,000 and €10,000,000 (Large Enterprises Mission) and between €1,500,000 and €3,000,000 (SMEs Mission), with a minimum budget per participant of €170,000, without any participant being responsible for more than 60% of the project's budget. Industrial research must represent at least 60% of the eligible budget of the Large Enterprises Mission and 35% 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 in the 2021 call for aid applications could attain the following **maximum limits** of the eligible budget, depending on the size of the applicant enterprise: 65% Large Enterprise, 75% Medium-sized Enterprise and 80% Small Enterprise.

Eligible expenses included staff costs, costs of instrumentation and materials able to be inventoried, costs of contractual research, technical know-how and patents acquired at market prices overhead 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 an **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 2021 call for aid applications, which was financed with funds fro the Recovery and Resilience Facility, 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 2021 call for aid applications has been €36,460,000, based on subsidies of up to 70% of the budget of the action and subject to a maximum subsidy of €250,000 per beneficiary, and the **minimum budget** eligible for financing has been €175,000 per project. In addition, **eligible expenses** have included, among others, investments in equipment, expenses relating to staff, materials, external collaborations/advisory services, etc.

6) *CIEN* Strategic Projects

The Strategic Program of *Consorcios de Investigación Empresarial Nacional* (*CIEN*) (National Business Research Consortiums) finances, as noted above, 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. Each consortium must be made up of a minimum of 3 and a maximum of 8 companies, at least 2 of which must be autonomous companies and at least 1 must have SME status.

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).

Industrial research activities must exceed 50% of the total budget.

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 (with a fixed interest rate of 1-year Euribor) for up to 85% of the approved budget (the company must finance 15% of the project budget with equity), with a maturity period of between 7 and 10 years and a grace period of between 2 and 3 years. 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.

The **minimum budget** which may be applied for is €5,000,000, the maximum being €20,000,000. The **minimum eligible budget** must be €4,500,000 per project and €175,000 per company, and no company can exceed more than 70% of the eligible budget. The expected duration of the project must be between 36 and 48 months. Lastly, beneficiaries may obtain advances equal to 35% of the aid, subject to a limit of €250,000, without having to provide any additional guarantees.

7) *INNVIERTE* Program

This program seeks to promote 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 **2 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.

In 2021, the objective of this initiative was also extended to **private equity vehicles specialized in the transfer of technology** with sufficient critical mass to be able to promote the projects in which they invest in the different business development stages that occur during their growth. This initiative seeks to encourage investment vehicles to target very early stages of business development, taking into account, in turn, that they must have sufficient funds to be able to accompany investees as they reach the milestones established in their business plans until an exit opportunity arises that allows the investment vehicle to obtain a return on the investment undertaken. As a final result of the selection process, *INNVIERTE* will acquire a commitment to investment in the private vehicles proposed by each of the managers selected.

8) Direct Expansion Line (LIC A)

This program is aimed at boosting innovation in certain Spanish regions, improving the capacities of companies that propose investment plans that help them to grow. Specifically, the program designs aid for initial investments and for initial investments in favor of a new economic activity, with a view to driving the growth of innovative companies.

Beneficiaries must have their tax domicile in Spain and must undertake an investment project in one of the regions assisted by the program.

The **minimum and maximum eligible budgets** within this line of aid, with a call for applications that is ongoing throughout the year, must be between €175,000 and €30,000,000 and have a duration of 6 to 18 months. The following can be financed through the program: projects belonging to all of the productive activities that qualify for aid, except for those excluded by the current legislation (steel, coal, naval construction, synthetic fibers, fisheries, agriculture, etc. industries). In addition, investments must be maintained in the beneficiary area for at least 5 years in the case of large companies and 3 in the case of SMEs.

The project financing instruments envisaged in this line are **partially repayable loans,** subject to the maximum amount of 75% of the total budget of the approved project (the company must finance at least 25% of the project budget with equity or external financing free of any type of public aid). The repayable tranche of the loan will be 5% (in the case of funds from the CDTI) or 10% (in the case of funds from ERDF), calculated based on a maximum of 75% of the approved budget. A fixed interest rate equal to 1-year Euribor + 0.5% will apply to these loans and they will be repaid within a 9-year term, with a 1-year grace period from the conclusion of the project.

In these projects, the acquisition of new fixed assets entailing an innovation and improvement in capacities at the company that carries out the project, the costs of investing in tangible assets (property, plant and equipment) and intangible assets (patents, licenses, technical knowledge or other intellectual property rights) will be considered **eligible expenses,** among others. In the case of large companies, the costs of intangible assets can only be financed up to the limit of 50% of the total of the project's eligible investment costs for the initial investment.

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 €25,000,000 can be financed, although the EIB's contribution cannot exceed €12,500,000.

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 relating, for example, to weaponry, arms and ammunition production; games of chance, tobacco-related industries, activities whose sole purpose is real estate speculation, etc.

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 10 or 15 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) Technological Program for Sustainable Automotive Industry ("PTAS")

This program seeks to provide support to strategic collaborative R&D projects, led by enterprises, in technologies applicable in the automotive sector, with the aim of: (i) developing components and platforms for electric, plug-in hybrid and hydrogen-powered vehicles, (ii) fostering autonomous driving and connected mobility, and (iii) promoting the adaptation of production environments with secure and robust systems for human-machine interaction in a smart manufacturing environment, aimed at manufacturing components and systems for electric, plug-in hybrid and hydrogen-powered vehicles.

The aid granted under this program consists of **subsidies** targeted at clusters of enterprises made up of between 3 and 8 partners, of which at least 1 must be an SME and led by 1 large or medium-sized enterprise.

In the 2021 call for applications, the **duration** of projects was set at 3 years, starting in 2021, and the **minimum budgets** eligible for funding have been between €5,000,000 and 10,000,000, with a minimum eligible budget per enterprise of €175,000. The amount of the subsidies can be up to the following **maximum limits** of the eligible budget, according to the size of the enterprise: 65% Large Enterprise, 75% Medium-Sized Enterprise and 80% Small Enterprise.

Expenses eligible for subsidies include personnel costs, materials and instruments capable of being inventoried, contractual research costs, technical know-how and patents acquired at market prices, overhead expenses and additional operating expenses arising directly from the project or audit costs.

12) 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 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 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.

  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

  This research and innovation initiative in the Mediterranean area (Partnership on Research and Innovation in the *Mediterranean Area*), approved by the European Parliament, seeks to foster a more sustainable regional management of water, agricultural and agro-food chain systems, in line with the Sustainable Development Goals of the 2030 UN agenda.

  The consortium eligible in each case must be formed by 3 entities from three different PRIMA countries, of which at least 1 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 in Israel, Tunisia or Turkey.

  This initiative is broken down into 3 sections: Section 1 (funded by the PRIMA Foundation) and Sections 2 and 3 (funded by the national financing bodies of the participating countries). Section 1 has a total estimated budget of €33,000,000, while that of Section 2 is €35,540,000 and that of Section 3, in 2020, was €31,000,000.

  The Annual Working Plan for 2022, with information on calls for aid applications, is posted on the initiative's website http://prima-med.org/.

13) COVID-19 aid

In the context of the economic and social impact of the health situation brought about by COVID-19 and of the measures adopted in Royal Decree-Law 8/2020, of March 17, 2020, on urgent and extraordinary measures in this connection, the CDTI implemented several significant response actions, such as granting subsidies to projects specifically aimed at addressing the health emergency, exempting SMEs and mid-caps from having to provide guarantees for fully or partially repayable aid, and making the repayment of such aid more flexible. As of today, the exceptional measures giving SMEs more flexibility when repaying the principal of such partially repayable aid remain in effect.

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

A) SUSTAINABLE TOURISM STRATEGY FOR SPAIN 2030

Against the backdrop of the European Union and the corresponding 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.

Following the approval at the time of the **Spanish Tourism Plan Horizon 2020,** which defined the strategy for preparing and adapting the Spanish tourist industry and attaining a balanced increase in the social and economic benefits of tourism, the future **Sustainable Tourism Strategy for Spain 2030** is currently in the process of being drawn up, 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, according to the information available to date, the Sustainable Tourism Strategy for Spain 2030 is instrumented around **5 strategic areas:**

1. **Collaborative governance,** with the aim of setting up participation areas for all public and private actors on the tourism stage, also increasing Spanish influence on international organizations, with the following lines of action:

   - Bolstering existing governance tools, and authorizing new mechanisms that enable management among the different levels of the public authorities, the private sector and social agents.

   - Developing territorial policy, through agreements between the central government and the autonomous community governments, as well as forums for meetings between the different public authorities.

   - Increasing Spain's international influence through tourism, within the European Union, enabling it to lead the agenda, debates and legislative output, as well as in international bodies.

2. **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, through the following actions:

   - Driving the balanced development of tourism in the territory, taking advantage of the country's diversity and strengthening inland tourism, paying special attention to areas at risk of depopulation.

- Promoting sustainability as a brand value of Spanish tourism, guiding tourism activity toward the circular economy, environmental protection and clean energy use.

- Sustaining demand by combining initiatives that enable demand to be diversified in new markets or segments in traditional markets, and developing new tourism products and digitalizing the sector. Reducing the negative externalities of tourism activity through formulas that balance society's common interest and the interests of companies and destinations.

3. **Competitive transformation** of the industry, emphasizing public-private forms of partnership, especially to foster digital transformation and the use of technological capacities, through such lines of action as:

   - Strengthening the public-private ecosystem supplying – within the scope of operations of each public or private agent – knowledge, programs and resources in this regard.

   - Deploying a digital strategy for the tourism industry, specially targeted at SMEs and destinations, with a view to adapting to the requirements of connected tourism and increasing the efficiency of local public management.

   - Developing the public standards for the digital transformation, establishing a common framework acceptable to public and private players.

   - Fostering the adaptation of existing regulations to the new tourism environment, through the joint work of international, national, autonomous community or local bodies and institutions.

4. 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, based on actions consisting of:

   - Equipping the territory with new capabilities, infrastructure and management resources, thereby enabling a solid and diverse value proposition to be offered throughout the territory.

   - Boosting the quality of Spanish tourism, focusing efforts on improving competitive capacity, productivity, profitability, innovation, inclusivity and sustainability.

   - Promoting higher quality tourism jobs that make it possible, through a suitable certification or qualification, to offer an environment of trust to traders and workers.

5. Working on the **tourist product, marketing and intelligence,** with a view to fostering quality tourism, the diversification of demand and the opening of new markets, with the following lines of action:

   - Enhancing tourism promotion strategies differentiated according to type of source market, enabling Spain to maintain its position in its target markets, while increasing penetration into emerging long-distance markets.

   - Developing a unique, dynamic and competitive value proposition, focused on serving new niches of demand by promoting products and destinations that generate added value and differentiation.

   - Developing a tourism intelligence data-based model, enabling comprehensive management in decision-making through the incorporation of new data sources.

   - Reinforcing the digital marketing strategy that optimizes the impact of investment in advertising.

B) TOURISM INDUSTRY PROMOTION PLAN: TOWARD A SAFE AND SUSTAINABLE TOURISM

In the current landscape, it is important to note the **"Tourism industry promotion plan: toward a safe and sustainable tourism"**, approved by the Spanish government in June 2020 as a specific measure to revitalize the industry following the COVID-19 crisis.

This plan has a total financial allocation of €4.26 billion distributed over the 2020-2024 time horizon and is basically structured around 5 major pillars, namely:

1. **Restoring trust in the destination: for a 360º safe destination**

   To this end, the plan establishes measures consisting of (i) guidelines on how to reduce infection in the tourism industry; (ii) adapting public transportation as a safe mode of transportation; (iii) establishing the "Safe Tourism" logo, to highlight establishments that comply with the guidelines; and (iv) "safe tourism corridor" programs associated with the lifting of border and travel restrictions depending on the different waves of the pandemic.

2. **Measures to revitalize the industry**

   Precisely, the uncertainty regarding the duration of the pandemic and the debt that many tourism companies have been forced to take on have spurred the adoption of new measures to revitalize the industry, including most notably, among others, employment measures, particularly temporary layoff procedures ("ERTEs") due to force majeure events (which were extended in 2021) or certain training, skills development and mentoring programs, for workers in the tourism industry, in subjects like safety, hygiene and vocational retraining ("SCTE Safe Destination" Tourism Host Program, Tourism training program with FUNDAE, Specific plan for retraining and updating of occupational qualifications relating to hospitality and tourism, etc.).

The plan also established various business liquidity and solvency measures aimed at helping companies meet their cash needs, such as:

- ICO guarantee lines.- Royal Decree-Law 8/2020, of March 17, 2020, approved a State Guarantee Line with an allocation of €10 billion aimed at facilitating continued employment and mitigating the economic effects from the health crisis. Against this backdrop, as will be described in greater detail when the privileged lines managed by this body are presented, the plan has established a preferential sub-tranche aimed at the tourism industry in the amount of €2.5 billion.

- Moratorium on the payment of mortgage principal on assets in the tourism industry.- The plan establishes a mechanism that allows for a moratorium of up to 12 months to be granted in financial transactions secured by a mortgage.

- Moratoriums on lease installments for buses used for occasional transport services and Post-COVID-19 commercial incentives to airlines.

3. **Improving tourism destination competitiveness**

The tourism industry needs to adapt to global trends, particularly to digitalization and sustainability, which are changing the traveler profile, how trips are planned and booked, as well as how they are enjoyed and shared. Against this backdrop, the following measures are introduced:

- State Financial Fund for Tourism Competiveness, for funding projects aimed at improving the competitiveness of tourism companies and accelerating their transformation to a more sustainable and digital model.

- Funding aimed at the implementation of projects for digitalization, innovation and internationalization in the tourism industry.

- Tourism Sustainability at Destination Plan Program, with a total budget set at €30 million (until 2022) and, intended for national, autonomous community and local levels of tourism management and aimed at pioneering and rural destinations or inland destinations.

- Strengthening the network of intelligent tourism destinations, based on technological infrastructure and which ensure sustainable development and with a total budget of €75,000,000 for the 2020-2023 period.

- "Fair, labor responsible hotels" program.

4. **Improving the Comprehensive Knowledge Model**

It is considered that the current production and information collection model in relation to the performance and functioning of the tourism industry in Spain should be strengthened and the benefits offered by the digital transformation harnessed. For this reason, a firm commitment is made to a *new tourism information and knowledge system* enhanced by through (i) the **analysis of international demand** by enhancing market information; (ii) the **strengthening of the Tourism Intelligence System for analyzing national supply and demand**; or (iii) the creation of a **tourism data viewer.**

5. **Marketing and promotion**

As key parameters for re-positioning Spain as a safe and sustainable destination, both nationally and internationally, there are plans to launch, among other initiatives, so-called TURESPAÑA 2020-2024 Marketing Plan with the aim of analyzing Spain's situation and image as a tourism destination based on a sociological research study in the main European markets and distant source markets. To this end, it will be endowed with a budget of €33,300,000 for the 2020-2024 period.

All of these initiatives have also received an additional boost as a result of their inclusion in the reforms and investments described in Component no. 14 of the National Recovery, Transformation and Resilience Plan specifically devoted to the modernization and competitiveness of the tourism industry with an anticipated public investment of €3.4 billion over the 2021–2023 period.

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 and in Royal Decree 1084/2015, of December 4, 2015, which approves its regulatory implementation, as well as, among others, in Order CUL/2834/2009, of October 19, 2009, in Order CUD/769/2018 of July 17, 2018, and in Order CUD/582/2020, of June 26, 2020, in connection, for example, with the acknowledgement of film costs and producers' investments, the establishment of the terms of reference for state aid in this area 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. 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.

4
Investment aid and incentives in Spain

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 the capacity 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 and are evaluated on the basis of certain criteria (i.e. originality and quality, the film's viability, etc.).	€40,000 per project.
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.). Projects that have received aid at the script writing stage will be given preference.	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.
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 and it will be paid in a single installment.

PRODUCTION

LINE OF AID		ELIGIBLE FOR AID	MAXIMUM AMOUNT (€)
Production of full-length motion pictures projects.	General.	Projects that meet the general requirements to qualify for beneficiary status (residence or establishment, suitability, relations with creative, artistic and technical staff compliant with applicable rules, reservation quotas, etc.) and that meet the requirements and conditions established by the common rules for general and selective aid (proven cultural nature, certain financial support, universal accessibility measures, etc.).	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 35% will be reserved for projects directed exclusively by women and a minimum of 8% of the total budget will be reserved for animation projects, in both cases, provided that they 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) imade by new film makers, (iv) or of an experimental nature. In addition to meeting the general requirements to qualify for beneficiary status and the requirements and conditions established by the common rules for general and selective aid mentioned above, the projects must evidence a minimum percentage of financing and points. In the specific case of experimental projects, certain requirements are added in connection with the maximum budget, demonstrable experience, and the percentage of the expense which impacts Spain.	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, or €300,000 for coproduction with foreign companies in which the Spanish stake is a minority stake, provided that such amount does not exceed 40% of the project's cost recognized by the *ICAA* (with the possibility of extending it to 70% in the case of audiovisual works considered difficult). Within the annual credit reserved for this line, a minimum of 35% will be allocated to projects directed exclusively by women and not less than 15% and not more than 25% will be allocated to projects for a documentary. Furthermore, a minimum of 8% must be reserved for animation products, and up to 10% may also be reserved for experimental projects and a minimum of 5% for coproduction with foreign companies in which the Spanish stake is a minority stake. These reservations will be implemented provided that the projects attain the minimum points established by the call for aid applications. The portion of the credit that remains unused will be transferred to the general line. 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.

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PRODUCTION		
Production of TV movie and documentary projects.	Projects belonging to independent producers of 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 producer's investment or 50% of the budget.
Production of animated series projects.	Projects belonging to independent producers of 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 radio or television broadcast service providers at the state, autonomous community or EU level.	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 and short firms made by independent producers.	Its amount can be equal to the percentage of the cost acknowledged by the ICAA related to the applicable maximum aid intensity. Aid for the production of short firms based on project plans is compatible with that for completed short films, up to the maximum ceiling of €70,000 per beneficiary film. Within the annual credit allocated to this type of aid, a minimum of 35% will be reserved for short films directed exclusively by women.

OTHER AID		
LINE OF AID	**ELIGIBLE FOR THE AID**	**MAXIMUM AMOUNT (€)**
Distribution of Spanish, Community or Latin American films.	Independent distribution of full-length films and series of short films, mainly in their original versions, where, in the case of foreign films, less than 2 years have elapsed since they opened in the country of origin (in the case of a series of short films, at least 70% of the films making up the series must meet this requirement), which, in general, were destined for distribution in movie theaters with a minimum territorial scope, their opening complying with the conditions established in the call. The films that are the subject of the application must include, as universal accessibility measures, special audio description and subtitling systems that meet the relevant UNE standards.	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, the technical means and resources invested in order to make the films universally accessible to persons with disabilities and the technical means and resources invested for their sustainability. 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 €200,000 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.	Obtainment of media for cinematographic and audiovisual works, in analog or digital format, suited for the preservation of cinematographic heritage in the long term. The producers and owners of such works must undertake not to export such original medium for a minimum period of 10 years, as well as, among other requirements, to deposit the elements preserving the work at the Spanish Film Library.	The total amount will have a ceiling of €6,000, and cannot exceed 50% of the cost of making the necessary preservation duplicates.

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OTHER AID

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.	Each call will stipulate the eligible expenses to be incurred by the production company, 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 by individuals or legal entities acting as promoters 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. Applicants must employ at least one person with a disability the degree of which is above or equal to 33%.	The aid may subsidize the preparation, organization, operation and promotion expenses of the festival or competition, as well as the technical means and resources invested to foster universal accessibility and the twin green and digital transition of the festival or competition. The amount of the aid will be determined in each call for aid applications and may not exceed €250,000. In any event, 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.

In any event, 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.

It is also important to note, in this context, a new aid facility for film financed under the National Plan for Recovery, Transformation and Resilience that has been implemented by the Decision of the Directorate-General of the Institute of Cinematography and the Audiovisual Arts (ICAA) calling for applications for aid for the year 2022 for laboratories and incubators for the creation and for the development of audiovisual projects to be implemented in 2022 and 2023.

The Decision issues a call for applications for aid, under a competitive process, to these laboratories and incubators, by which are meant programs, forums, pitching platforms and residences where professionals and enterprises that previously pass a selection process participate and training, networking and tutoring activities are pursued with the aim of improving the skill and competitiveness of professionals and enterprises in the creative and development processes entailed in audiovisual projects.

It should be noted that this aid has a budget allocation of €9,000,000, and the maximum amount that may be granted to each laboratory and incubator is €500,000 for the two years, 2022 and 2023.

In addition, it is worth mentioning that, with a view to supporting the production of feature and short films in the context of the negative economic impact caused by COVID-19, the above-mentioned Order CUD/582/2020, amended by Order CUD/464/2021, contains several specific measures aimed at relaxing certain rules for the processing and management of aid, such as the following:

- Specific measures (additional provision two)
  - When it comes to evidencing the financing required by means of agreements formalized by the companies applying for aid, the minimum fundraising required of the distribution company can reduced by half, if the year preceding that of the call is 2020, 2021 or 2022, or refers to 2019, at the choice of the applicant company.
  - The reduction in the percentage of expenses that must be allocated to copies, advertising and promotion for the premiere of feature films in movie theaters in Spain, where the premiere takes place in 2021 or 2022 (or already took place in 2020 but the recognition of the cost is requested in 2021), which will be 5% in the case of general aid and from 2% in the case of selective aid. This percentage will be reduced to the minimum limit of 3% in the case of general aid and 1% in the case of selective aid in proportion to the aid received by the project, in accordance with the formula that is established in the respective calls for applications. In addition, the obligation will be considered fulfilled where the above-mentioned expense is equal to or greater than €300,000.
  - The above-mentioned Order also relaxes and modifies the assessment of the applicants' solvency, the percentages of payment of the general aid to feature films based on project plans, the years of prior production of the applicants for selective aid or the periods for assessing the viability of short film production projects.
  - Eligible expenses that have been incurred by companies receiving general and selective aid for the production of feature films as a result of COVID-19 or of measures established to combat it that could not be applied to the project of the subsidy received, whether in whole or in part, are recognized as costs of the film.
- Extension of periods for fulfilling obligations (additional provision three)
  - For the commercial premiere in feature film cinemas of films receiving general and selective aid for the production of feature films based on project plans, which began the premiere in 2020 or which do so in 2021 or 2022 (10-month extension of the maximum period for the purpose).
  - For notifying the Institute of Cinematography and the Audiovisual Arts of the end of the filming and applying for the classification and nationality certificate of the film, where these periods expire in 2021 or 2022 for films receiving general and selective aid for the production of feature films based on project plans and aid for the production of short films based on project plans (5-month extension).
- Streamlining measures (additional provision four)

  It is established that aid for the production of feature films and short films included with the scope of application of the specifications of reference can be financed with funds from the European Recovery Instrument, by applying the proper streamlining measures.

Lastly, it may be noted that a preliminary draft of a new Film and Audiovisual Culture Law is currently passing through parliament and, for now, is in the submission of contributions phase.

3.4. OTHER SPECIFIC INDUSTRIES

3.4.1. MINING

3.4.1.1. Aid for risk prevention and mining safety

The regulations governing aid to the mining sector in the area of risk prevention and mining safety are currently set out in Order TED/1079/2020, of November 11, 2020, establishing the specifications in the context of native and sustainable mining.

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 interested non-profit enterprises and entities, for the purpose of helping to reduce mining accidents in Spain, thereby effectively fostering, by extension, both the ecological transition process and the process of combating the demographic challenge.

The call for aid applications for projects and actions under the aforesaid Order for the year 2022 was made in the Decision of November 10, 2021, of the Secretariat of State for Energy (amended by the Decision of February 25, 2022).

Accordingly, and without limitation, suffice it to say that this most recent call for aid applications deems projects carried out in Spain in the area of mining and targeted at the areas of (i) significant investments in mining safety, including projects aimed at improving health and safety in mining sties, benefit mines and tunnels or galleries in the excavation and shoring phase and (ii); training programs in mining safety, to be **eligible for financing.**

Potential **beneficiaries** of this aid include SMEs that hold the title to the mining public domain to which the project relates or the authorization from the mining authority for the execution project for tunnels or galleries in the excavation and shoring phase, provided that they are not affected by Council Decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive mines (Decision No 2010/787/EU). 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 and that they meet the requirements laid down by the above-mentioned Order.

The aid granted under a competitive procedure and its **amount** will consist of a percentage of the approved eligible investment and varies according to the following scheme:

- Aid for significant investments in mining safety: Only SMEs can qualify for this aid, and the intensity of the aid cannot exceed 20% of the eligible costs in the case of small enterprises and micro enterprises, and 10% in the case of medium-sized enterprises, subject to a minimum amount of €12,000 for the aid granted.

- Mining safety training projects: Only non-profit institutions can apply for this aid. The intensity of the aid may be up to 100% of the cost of the approved eligible investment, tied to hours of instruction evidenced and to the performance of complete courses presented in the project. In any event, the maximum amount granted to a project of this kind is €65,000 per application, whereas its minimum amount is set at €4,000. As limits on this line, it should be noted (i) that the maximum number of eligible hours is 8 hours per course, with a mandatory minimum of 3 hours; and (ii) the maximum permissible cost per worker and hour, and the total cost per worker set in each annual call for aid applications may not exceed €350 under any circumstances.

The above-mentioned call for aid applications for 2022 has set the total amount of the subsidy to be granted as a result of the submitted applications at €2,122,834.46.

3.4.1.2. ACTION FRAMEWORK FOR COAL MINING

The series of measures in support of this industry is set out in the Framework Agreement for a Fair Transition in Coal Mining and the Sustainable Development of Mining Areas for 2019-2027 (Framework Agreement), executed with the Ministry for the Green Transition and the Demographic Challenge.

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 are as follows:

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 the above-mentioned Decision 2010/787/EU 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.

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 Spanish Plan for the Closure of Uncompetitive Coal Mines 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 has 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 (amended by Royal Decree-Law 27/2021, of November 23, 2021, which extended to 2025 the social assistance for labor costs of workers affected by the closure of coal mines and employed in environmental restoration efforts) 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 national 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 or 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 for, as applicable, the project to definitively abandon the facilities or 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 Spanish Closure Plan and which intend to close between 2019-2025.

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

For example, as regards the above-mentioned restoration activities, it is worth noting Royal Decree 341/2021, of May 18, 2021, regulating the direct grant of aid for the environmental restoration of areas affected by the energy transition in the context of the Recovery, Transformation and Resilience Plan relating to projects for areas degraded as a result of coal mining, in the Autonomous Communities of Asturias, Aragón and Castilla y León. The Royal Decree seeks to mitigate the difficult labor and social situation in these areas as a result of the closures and added difficulties resulting from the pandemic caused by COVID-19, by promoting the maintenance of employment, in particular of surplus miners and employees of ancillary enterprises and the creation of economic activity in these territories, thereby contributing to the maintenance of the population and the creation of jobs in the short term.

2. Measures to revive mining areas:

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

Individuals who pursue the activities on which the grant of this aid is based 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 Closure Plan.

iii. Aid for alternative development in mining areas:

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 (i.e., the above-mentioned territories of Aragón, Castilla-La Mancha, Castilla y León, and Asturias), 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.

With the aim of achieving the objectives proposed and implementing the measures established in the Framework Agreement, the following Orders were published on December 31, 2020:

1. Order TED/1293/2020, approving the specifications for the grant of aid aimed at small investment projects that create or maintain jobs, fostering the alternative development of mining areas, for the 2020-2023 period.

The aim of this aid is to encourage individuals and entities to locate small business investment projects in areas affected by the restructuring of coal mining and their surroundings, thereby generating alternative economic activities to coal mining.

Private individuals or legal entities, as well as the groupings of which they form part, tenancies in common and self-employed workers that are going to undertake small business investment projects that create jobs and are located in the municipalities recognized in the Order may be beneficiaries of this aid, which will be granted under a competitive procedure. The list of municipalities recognized by the Order in the above-mentioned Autonomous Communities of Castilla y León, Castilla-La Mancha, Asturias and Aragón has been updated by Order TED/340/2021, of April 8, 2021.

The aid regulated is supplemental to and compatible with other state aid provided that the maximum amount of all the aid does not exceed the projected cost of the investment. In the event of an accumulation of aid received by a project, the overall amount that is considered "de minimis" may not exceed the maximum limit of €200,000 during any period of 3 fiscal years or the period that is stipulated in each call for aid applications.

Projects that apply for aid must meet the following requirements:

- They must have been able to start the investment 1 year before the date of the call for aid applications.
- They must have a minimum amount of €30,000 and a maximum of €500,000 for the eligible investment. Also, 50% of the investment must be executed and at least €30,000 must be invested.
- They must create at least 1 job or maintain workforces equal to or greater than 3 jobs.
- The execution period stipulated by the relevant call for aid applications must be complied with.

Their amount may not exceed the maximum limit of €200,000 if the aid is granted to a single enterprise. To determine the amount, the following criteria will be applied:

- Projects in municipalities hard hit by the coal mining company closure process (Group 1) may receive a subsidy of up to 100% of the maximum intensity limit or of the maximum amount applicable to the municipality in question.
- Projects in the other municipalities affected by the coal mining company closure process (Group 2), however, may only receive a subsidy of up to 50%.

Under this Order, the Office of the Head of the Institute for the Just Transition issued its Decision of April 16, 2021, calling for applications for the aid for that year for small business investment projects that generate or maintain employment, fostering the alternative development of areas affected by the restructuring of coal mining, subject to a cap of €7,000,000.

1. Order TED/1294/2020, approving the specifications for the grant of aid aimed at job creating business projects that promote the alternative development of mining areas for the 2020-2023 period (the list of municipalities included in these areas by Order TED/341/2021 having also been updated).

   The aim and the scope of application of the aid regulated under this Order are the same as those established by Order TED/1293/2020 described in the preceding section, with the difference that the projects are not required to be small in scale.

   Job creating business investment projects belonging to all of the economic activities that qualify to receive aid in accordance with the applicable Spanish and EU legislation, except for the steel, coal, transportation, etc. industries, are eligible for the aid.

   In the case of aid requested by large companies, it can only be granted for initial investments that attract new activities to the above-mentioned areas or for the diversification of existing establishments into new products or new innovative processes.

   The requirements applicable to the projects are similar to those laid down in Order TED 1293/2020, with the following differences:

   - The work that implements the investment must not have started before the application for aid was submitted.
   - The minimum planned investment eligible for a subsidy must be €100,000. Also, at least 50% of the planned investment be executed, guaranteeing at all times a minimum investment of €100,000.
   - Projects covered by the aid must create 3 jobs.
   - Prior to the 6 months following the date of notification of the final decision approving the aid requested for the project, 10% of the investment considered eligible must have been executed and paid.
   - For financing purposes, (i) at least 25% of the total of the eligible costs must be financed by the beneficiary with equity or external financing, free from any type of public aid; and (ii) the enterprise or beneficiary must evidence a financial contribution, via equity or external financing, entailing at least 5% of the eligible investment.
   - The execution period stipulated by the relevant call for aid applications must be complied with.

   To determine the **amount** of the aid, the same criteria defined in Order TED 1293/2020, as mentioned above, will be applied.

   Under Order TED/1294/2020, the Office of the Head of the Institute for the Just Transition issued its Decision of April 16, 2021, calling for applications for the aid for that year for business projects that foster the alternative development of coal mining areas, subject to a cap of €20,000,000.

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.

4
Investment aid and incentives in Spain

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.

Against this backdrop, the Program for Reindustrialization and Strengthening of Industrial Competitiveness **(the "REINDUS" Program)** had been the specific instrument of financial support for the development of strategic industrial sectors until its last call for applications for the year 2019. Currently, it is the **Productive Industrial Investment Support Fund ("FAIIP")**, created by means of additional provision fifty-seven of Law 11/2020, of December 30, 2020, on the General State Budget for 2021 and managed by the state-owned company SEPI Desarrollo Empresarial S.A. SME or SEPIDES (www.sepides.es) which has been accomplishing similar aims, namely, that of fostering industrial development, strengthening competitiveness and maintaining Spain's industrial capacities.

By means of its Decision of June 4, 2021, the Evaluation, Monitoring and Oversight Committee of the FAIIP approved the call for applications for 2021 with an endowment of €600 million applicable to the combined transactions corresponding to the 2021 calendar year, distributed among ordinary loans (up to €300 million, i.e., 50% of the total), participating loans (up to €180 million, 30% of the total) and equity interests (up to €120 million, the remaining 20%). However, the endowment established for 2021 will be maintained for the 20-year term of this mechanism for fostering industrial investment, the main features of which are described below.

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, in the sense of stating up 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, that is, investing in equipment that enables the modernization of existing production or process lines or which generates the implementation of new production or process lines, in industrial establishments that are already in production at the time of the application, expressly including the productive implementation of technologies from the "Connected Industry 4.0" and of actions in the lines aimed at environmental sustainability (reduction in greenhouse gas emissions, reduction in vulnerability to climate change impacts, pollution prevention or introduction of the circular economy in the production process).

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

Projects must be located in Spain and for new projects not yet started, the start of their implementation must take place within not more than 2 years from the date on which the financing from the FAIPP Fund is formalized.

The potential beneficiaries are any commercial company or cooperative with registered office and establishment in Spain, duly incorporated and not belonging to the public sector, which pursues or is going to pursue an activity consisting of industrial production and industrial services, regardless of its size, and which must submit an application for financing via the Fund's website (https://www.sepides.es/fondo_faiip).

The **call** will be **open** until the **funds are used up** and, accordingly, applications will be processed in the order submitted.

The following are considered **eligible expenses**:

- Acquisition of fixed assets:
  - Tangible fixed assets: Expenses relating to (i) civil engineering (investments in urban development and pipelines), (ii) buildings and installations (investments to acquire, build, expand or fit out industrial buildings, as well as their installations), and (iii) production devices and equipment (acquisition of assets directly linked to production or the production process).
  - Intangible fixed assets: Expenses relating to (i) specific software linked to the production process, (ii) patents, licenses, trademarks and the like, and (iii) research and development directly linked to the production process and to production devices and equipment.
- Expenses relating to (i) own staff and external collaborative arrangements required to design and/or redesign processes, directly linked to the devices and equipment in question, (ii) credit rating linked to the application for financing, (iii) audits, during the term of the financing, in the case of companies not subject to statutory audit requirements, and (iv) audits associated with justifying the investment in the context of the financing.

The acquisition cost of the eligible investments and expenses may not exceed the market value under any circumstances. SEPIDES may ask the beneficiary to prove this point by providing the appropriate supporting documentation.

The minimum eligible budget for the investments is set at €200,000, the maximum amount of the funding to be granted will be 75% of the budget considered eligible, provided that the investments in production devices and equipment and specific software linked to the production are at least 50% of the budget.

In addition, the amount of the financing from the FAIIP will be limited to the enterprise's outstanding risk with the Fund, adjusted by the amount covered by first-demand guarantees, being a maximum of 5 times the applicant's duly evidenced equity. In the case of companies that form part of the same consolidated group, this rule extends to the group's consolidated amounts.

The adjusted outstanding risk with the Fund – whether from an enterprise or consolidated group – must be at the most 10% of the cumulative amount of the Fund's budget allocations.

The financing that can be granted out of this Fund cannot, under any circumstances, constitute State aid and, accordingly, will always be granted at a market or higher interest rate/revaluation. Specifically, the applicable interest rate, which will vary according to the rating of each applicant and to the type of loan granted, is set as follows:

- For ordinary loans: 12-month Euribor plus a fixed spread between 1.5% and 4.5%, subject to a minimum equal to the applicable spread.
- For participating loans: A fixed tranche equal to 12-month Euribor plus a fixed spread between 2.5% and 5.5%, subject to a minimum equal to the applicable spread, and a variable tranche linked to activity performance parameters up to 2%.
- For equity interests: Fixed revaluation of between 5% and 8%.

However, a reduction in the interest rate of up to a maximum of 0.5% may be applied, according to the degree of fulfillment of the environmental impact criteria, provided that the percentage score obtained in the evaluation of these criteria exceeds the threshold of 55%, based on the following table:

CRITERION	WEIGHTING (%)
Priority area	50
Job creation	10
Impact on digital transition	20
Impact on green transition	20

The **repayment** period of the loan will, as a general rule, be 10 years, including a possible grace period of 3 years for ordinary loans and for participating loans, and with quarterly repayment installments, without a grace period.

Lastly, the grant of the ordinary or participating loan will require the provision of a bond or **guarantee**, enforceable at first demand, for 10% of the disbursed amount of the financing.

If the financing takes the form of an equity interest in the entity, the term of the transaction will also be a maximum of 10 years although the maximum period until the first term of the sale and purchase of the equity interest is set at 5 years.

Lastly, it should be noted that SEPIDES will **disburse the financing in tranches, conditioning the release of the funds on the fulfillment of the milestones** of the project submitted. These milestones must be expressly established in the financing agreement, and the beneficiary must provide documentation supporting the performance of the activities envisaged in each milestone, which must be certified by SEPIDES before releasing the respective disbursement.

3.4.3 PHARMACEUTICAL INDUSTRY

In its Decision adopted on November 26, 2021, the Government Delegate Committee for Economic Affairs approved the initiative to Boost Competitiveness in the Pharmaceutical Industry or **PROFARMA** for the **2021-2022** period. It is a joint initiative by the Ministry of Industry, Tourism and Trade, the Ministry of Health, and the Ministry of Science and Innovation, and it is aimed at 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).

This modernization entails (i) **for national enterprises**, seeking wider markets through internationalization, incorporating the use of new technologies in their production processes and R&D&I, improving the focus of their lines of research and (ii) **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, improving the trade balance.

In short, the aim is to enable pharmaceutical companies to **progress toward a production model that increases the ability to attract capital and generate stable and quality employment**, contributing positively to the increase in Spain's gross domestic product.

Against this backdrop, the PROFARMA Program seeks **to classify and rate enterprises in the pharmaceutical industry** which apply for inclusion in the program and which manufacture or market medicinal products for human use and which pursue pharmaceutical R&D&I activities in Spain, with the ultimate aim of publicly acknowledging the effort made by such enterprises in alignment with the general and specific objectives of the Program.

As new features of the call for applications for the PROFARMA Program for this period and in line with the new Pharmaceutical Strategy for Europe, adopted on November 25, 2020, the goal is to foster the manufacturing of medicines considered essential or strategic, research, development and manufacturing of new antimicrobial agents to reduce the threat that the development of resistance to antibiotics entails, research, development and manufacturing of medicines for the prevention and treatment of COVID-19, research that better respects animal protection principles, and the development of medicines with a lower environmental impact.

As is customary, it will **fall** to the **Office of the Secretary of PROFARMA** (made up of public officials from the Directorate-General of Industry and of Small and Medium-Sized Enterprises) to carry out the process of **assessment** of the enterprises that decide to apply for the Program according to the criteria established in an assessment guide adopted by the head of the Office of the Secretary General for Industry

and SMEs. The assessment will consider, among other things, both the enterprise's **resources** (existence of a production plant, investment in new plants or expansion of existing plants, existence of a basic or preclinical R&D center, investment in new R&D centers, conduct of clinical trials in Spain, human team dedicated to R&D&I, participation in national and international consortiums, etc.) **and the results** obtained in certain areas (i.e. creation of new jobs, in both manufacturing and research, transfer of technology derived from licensing, improved trade balance, etc.) in the years 2020 and 2021.

Accordingly, and as a result of the assessment conducted, **enterprises are classified in three Groups** (A, B and C) depending on (i) whether or not they have their own pharmaceutical production plant or basic or preclinical R&D center and (ii) on the significance (or lack thereof) of the research activity they pursue. Equally, the head of the Office of the Secretary General for Industry and SMEs will **assign** them a rating (excellent, very good, good and acceptable) depending on the assessment and points obtained in accordance with the criteria and minimum score stipulated in the regulations.

The period for submitting applications for the 2022 call will run from September 14 to October 14, inclusive.

At the end of each year of the PROFARMA program (2021-2022), the progress made in the targets set will be measured using the following indicators:

INDICATORS	2021 CALL	2022 CALL
R&D investment	€40 million	€41 million
Production investment	€340 million	€344 million
R&D&I expenses	€1.25 billion	€1.255 billion
R&D&I employment	5,125	5,150
Production employment	15,200	15,250
Trade balance	€-3.5 billion	€-3.35 billion
% current expenditure on R&D / NHS sales	17.8%	18%

Beyond the PROFARMA Program, it should be noted that the Ministry of Science and Technology signed on March 3, 2021 a **Pact for Science and Innovation** in which a commitment was made that, as a general rule, public funding in R&D&I would regularly increase until reaching 1.25% of GDP in 2030, which would entail reaching 0.75% before 2024. The signatories to the Pact included both agents from the pharmaceutical industry and the National Business Association of the Pharmaceutical Industry *(FarmaIndustria)*.

These aims tie in directly with many of the investments and reforms included in Component no. 17 of the National Recovery, Transformation and Resilience Plan aimed at "Institutional reform and strengthening of the capacities of the national science, technology and innovation system", in its application to the health field and, particularly, with one of the **specific objectives** of the Strategic Economic Recovery and Transformation Project ("PERTE") in Avant Guard Health approved on November 30, 2021, and consisting of **fostering the development of advanced therapies and other innovative or emerging drugs** and facilitating their transfer to clinical practice, through the necessary alliances between the academic and business sectors and the strengthening of the industrial fabric based on the intensive use of knowledge, to which more than **€140 million in public funds** will be allocated between the different lines and programs applicable during the 2021-2023 period.

Lastly, at the European level, mention should be made of the approval, on February 17, 2021, of the **European bio-defense preparedness plan "HERA Incubator" against COVID-19 variants** as a mechanism with which, in the short term, to combat the new COVID-19 variants and, in the long term, to prepare the EU for health emergencies. The plan establishes measures to (i) speed up the regulatory approval of vaccines, (ii) create new advance purchase agreements for medicines, and (iii) study the possible grant of aid for vaccine production, intermediary inputs and infrastructures.

/ 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 and consolidate the pursuit of business activity in those areas and to boost the creation and maintenance of jobs in these 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 state aid. The functions relating to regional incentives are attributed to the Directorate-General of European Funds, under the General Secretariat of European Funds, a new body created with the rank of sub-secretariat within 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 less favored areas whose special circumstances so recommend, provided that they entail (i) the startup of a new industrial establishment; (ii) the expansion of an already established activity or the start of a new one or (iii) the modernization of facilities (provided that it is not a mere replacement investment).

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.

To date, the Royal Decrees demarcating economic development areas currently in force are still in 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. Suffice it to recall that in the context of the health crisis caused by COVID-19, the validity of these provisions was extended to December 31, 2021 by means of the **prolongation and amendment of the Guidelines on Regional State Aid for 2014-2020** (2020/C 224/02) published in the Official Journal of the European Union of July 8, 2020, as well as by the **Decision of the European Commission of September 4, 2020 authorizing the extension of the Regional Aid Map for Spain**, State SA.57997 (2020/N), respectively.

However, following the conclusion of this extension period, the European Commission has approved the **Guidelines on regional State aid for 2022-2027** (2021/C 153/01), which were published in the Official Journal of the European Union on April 29, 2021.

These Guidelines ask the respective Member States to notify the Commission of their new regional aid maps which will apply from January 1, 2022 to December 31, 2027 so that they can be approved by the Commission. The Guidelines also establish the possibility of including changes in the aid maps that were approved for the 2014-2021 period.

For these purposes, suffice it to recall that within the framework of the respective Guidelines on regional State aid in force in each period, the European Commission is responsi-

ble for approving the aid map applicable in each Member State, stipulating the maximum limit of financial aid or subsidies that can be received by investment projects in each regional area or zone under "regional incentives" during the reference period.

By **Order HFP/1479/2021, of December 22, 2021, the Spanish government has published the Decision of the Government Committee for Economic Affairs, extending the period of validity of the Royal Decrees demarcating** Economic Development Areas for the purposes of applying for regional incentive aid (Official State Gazette no. 313, of December 30, 2021). This extension will remain in force "*until the new Royal Decrees demarcating the different areas are approved or those currently in force are amended*".

As the approval of the new Royal Decrees depends on the prior approval of the regional aid maps by the Commission, it is not possible to foresee when the new legislative framework updated to this type of State aid will be available.

Nonetheless, it must be stressed that Order HFP/1479/2021 establishes that any aid that is granted on or after January 1, 2022 will be governed by the legislation that results from the adaptation to the new Community Guidelines.

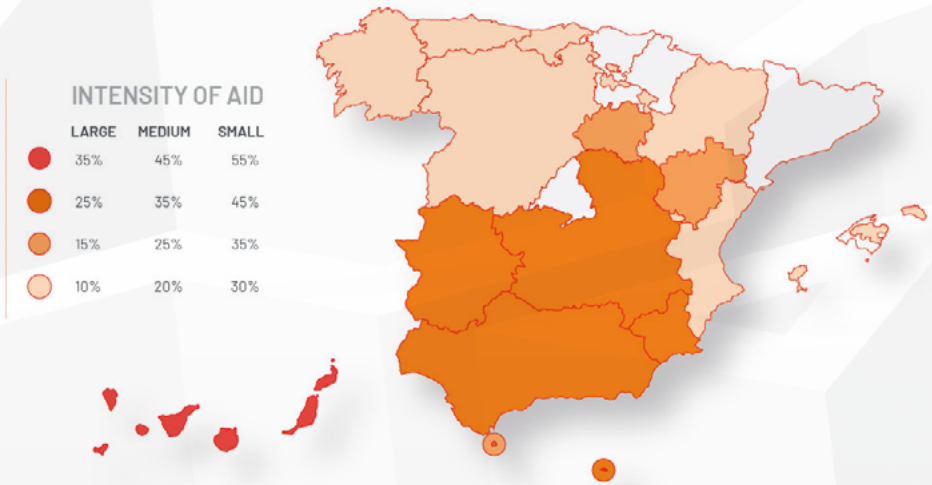
In particular, according to the aid map amended in 2016, which remains transitionally in force, for the Kingdom of Spain, the Spanish region for which the greatest incentives are envisaged during this last stretch of the period of validity continues to be the Autonomous Community of the Canary Islands, with a maximum aid intensity percentage per investment project of up to 35% of the net eligible investment. In this respect, it is worth noting that Royal Decree-Law 20/2021, of October 5, 2021, adopting urgent support measures to repair damage caused by volcano eruptions and for economic and social reconstruction on the island of La Palma, has established additional relief that may be claimed by business projects that are carried out on the island of La Palma, at all times within the maximum limit set by the European Commission for this autonomous community.

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, in the review conducted by the Commission in 2016, 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.

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 (and, therefore, up to the present). 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 extended 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 (in force until the new Royal Decrees demarcating the areas are approved or the existing ones are amended).

4
Investment aid and incentives in Spain

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.

As already noted, these aid intensities must be reviewed in accordance with the new Guidelines on regional State aid for 2022-2027.

Having regard to the foregoing, the following is an explanation of the main current 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 structures.
- Specific tourist establishments and ancillary leisure 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.

In accordance with the regional financing Guidelines for the period (2007-2013), the Regulations implementing the Regional Incentives Law already eliminated, at the time, the possibility of including lands as an eligible fixed asset. This exclusion has been maintained under the subsequent Guidelines on regional aid.

4.1.3 ELIGIBLE PROJECTS

- 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 begun 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 or would have done so in a limited or different way or in another place. 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.

However, the most common type of regional incentive takes the form of an outright 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 considered eligible.
- Number of jobs created.
- Revitalizing nature or 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.
- Inclusion the project of advanced technology, quality systems, environmental measures, R&D&I expenses, etc.
- 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 regional aid originating from other public authorities, 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 an open-ended period to submit their applications on an ongoing basis.
  - 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 head of 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.
- 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.

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 maximum 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 substantially 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 were also affected by the content of the Guidelines on regional State aid and by the limits and maximum aid intensity percentages established in the regional aid Map amended in 2016, for the 2014-2020 period (and its subsequent extension), and the regulation of these incentives should therefore have been adapted to the new framework established and must be adapted again to the regulations resulting from the new EU guidelines for 2022-2027.

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.

As a corollary of these efforts to address the uniqueness of island regions, the European Commission to authorized 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.

The period for using the benefits of the ZEC is through December 31, 2027, although this may be extended if authorized by the European Commission (please also see Chapter 3 and https://canariaszec.com). However, the authorization for registering companies in the Official Register of Entities of the Canary Islands Special Zone has been extended to December 31, 2023, by means of Royal Decree-Law 31/2021, of December 28, 2021.

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.

Among others, we refer to 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, in force in 2022:

- ***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 during the initial phases linked to the formation of SMEs and Startups, so that they are able to make the investments required for the business project at such time, 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 the above-mentioned 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, in particular, 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. An arrangement fee is established equal to 0.5% of the amount of the loan. A fee for early repayment and another fee for acceleration of the loan due to a change in the shareholder structure are also established.

  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,** – based on several factors such as the amount of equity and the financial structure of the company – 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. Provision is also made for the payment of an arrangement fee of 0.5% and of another two additional fees: (i) for early repayment and (ii) for the acceleration of the loan due to a change in the shareholder structure.

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, no guarantees required, projects promoted by SMEs which envisage making competitive improvements or executing consolidation, growth and internationalization projects, 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.

  The requirements to be met by the beneficiary are basically those described for the preceding *ENISA* Entrepreneurs 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. Principal and interest will be repaid quarterly and provision is made for the payment of fees similar to the ones described in the preceding lines.

- ***ENISA AgroInnpulso (ENISA* Agro-Food Innovation Line)** which is aimed at fostering the digital transformation of enterprises in the agro-food sector and the rural environment, endowed for the purpose with funds from the Ministry of Agriculture, Fisheries and Food and linked to the implementation of the National Recovery, Transformation and Resilience Plan.

  Specifically, this financing is available to small and medium-sized agro-food enterprises throughout the value chain, which (i) pursue innovative and/or technology-based activities, with special attention to those with the ability to create jobs for young people and women, and (ii) undertake the necessary investments and carry out their business project basing their activity on generating new products, processes or services.

  Enterprises and projects must comply with the same requirements as those described in the Growth Line above.

  As regards the financing requirements, they are the same as the requirements for accessing the line described above.

  The amount of the **participating loan** granted may range **between €25,000 and €300,000** – depending on several factors, such as the amount of equity and the financial structure of the enterprise – at an interest rate, in the first tranche, equal to Euribor plus 3.75% and, in the second tranche, a variable rate between 3.0% and 6%, depending on the enterprise's financial profitability, according to the rating of the transaction. Interest and principal will be repaid quarterly and the same fees described above will be charged.

  The grant of the loan will not require guarantees additional to those required for the business project.

- Lastly, ***ENISA* Digital Entrepreneurs** is a new line aimed specifically at supporting and fostering digital projects undertaken by female entrepreneurs in order to reduce the gender gap in this area, thanks to funds from the Ministry of Economic Affairs and Digital Transformation, which will allocate €51 million to this area over the next three years as part of the National Recovery, Transformation and Resilience Plan.

  The potential beneficiaries include both newly created SMEs and those which are considering a consolidation, growth or internationalization project, in which one or more women hold a relevant position of leadership or power in the company, either as a shareholder or as a member of the managing body or the executive team.

  In addition, these SMEs must (i) pursue their activity and have their registered office in Spain, (ii) have separate legal personality, (iii) have a business model that is innovative or with clear competitive advantages, (iv) have equity that is at least equal to the amount of the loan, (v) have technical/economic viability in relation to the project, (vi) have filed the financial statements for the last closed fiscal year at the Commercial Registry or at another relevant public registry, (vii) externally audit the financial statements of the last closed fiscal year if they receive a loan in an amount exceeding €300,000, (vii) have a balanced financial and

professional management structure, and (viii) engage in any area of economic activity (except for real estate and finance).

The amount of the **participating loan** that constitutes the aid may range **between €25,000 and €1,500,000** – depending on several factors, such as the amount of the equity and the financial structure of the enterprise – at an interest rate, in the first tranche, equal to Euribor plus 3.75% and, in a second tranche, a variable rate between 3.0 and 8%, depending on the enterprise's financial profitability, according to the rating of the transaction. Interest and principal will be repaid quarterly and an arrangement fee of 0.5% of the amount of the loan must be paid (in addition to other fees for early repayment and acceleration of the loan due to a change in the shareholder structure).

The loan will have a maximum maturity of 9 years and a grace period of 7 years for the repayment of principal.

Lastly, the grant of the loan will not require the provision of guarantees additional to those required for the business project.

/ 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.

Apart from other lines intended for certain specific sectors, **the following** are the main ICO lines of financing for 2022: (i) ICO Enterprises and Entrepreneurs; (ii) ICO Mutual Guarantee Society/State-owned Agricultural Surety Corporation Guarantee; (iii) ICO Commercial Credit; (iv) ICO Red.es Accelerate; (v) ICO Exporters 2022; (vi) ICO International 2022; and (vii) ICO International Channel 2022, whose most notable characteristics are:

- ***Línea ICO Empresas y Emprendedores 2022*** (*ICO* Enterprises and Entrepreneurs Line):

Among others, 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.

Transactions wil be 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 (e.g., liquidity needs: current expenses, payrolls, payments to suppliers, purchases of goods, etc.).
2. Technological requirements, such as, 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. Renovation or refurbishment of buildings, common elements and dwellings (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 a grace period of up to one year for the repayment of principle.

ii. Between 7 and 9 years, with 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% margin.
- For forward transactions of 5 or more years: Fixed or variable interest rate plus a margin of up to 4.30%.

As regards fees, the credit institution may charge a fee at the start of the transaction which, together with the interest rate set by the credit institution, may not exceed the maximum APR that the credit institution can apply to the transaction according to its term.

In addition, where the transaction has been formalized at a fixed rate, a voluntary early repayment fee may be charged which will be 1% of the amount cancelled. On the other hand, where it has been formalized at a variable rate, a maximum fee of 0.50% will be charged, depending on the residual life of the transaction on the settlement date of the repayment.

In the case of mandatory early repayment, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

Transactions can be executed with the credit institution throughout the whole of the year 2022 and the financing obtained will be compatible with any aid received from the autonomous communities and other institutions.

- ***Línea ICO Garantía SGR/SAECA (Sociedad de Garantía Recíproca/Sociedad Anónima Estatal de Caución Agraria) 2022*** (ICO Mutual Guarantee Society Guarantee/ State-owned Agricultural Surety Corporation Guarantee 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 will be 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. In fact, the Mutual Guarantee Society/ State-owned Agricultural Surety Corporation and the credit institution itself to which the application is submittedwill be responsible for studying, processing, approving and/or rejecting the transaction.

The financing may be used for:

1. Liquidity needs and in particular, working capital needs to attend to operating expenses, payroll, payments to suppliers, purchase of goods, etc.
2. 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 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. Of 10, 12 and 15 years, with a grace period of up to 3 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.

As regards fees, the Mutual Guarantee Society or State-owned Agricultural Surety Corporation may charge a study fee of up to 0.50% of the secured amount of the transaction. In addition, the credit institution may charge a fee at the start of the transaction.

In the case of voluntary early repayments, a fee will generally be charged equal to 1% of the amount cancelled where the transaction has been formalized at a fixed rate. A maximum fee of 0.5% will be charged where it has been formalized at a variable rate, depending on the residual life of the transaction on the settlement date of the repayment. In the case of mandatory early repayments, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

The Mutual Guarantee Society may charge the client at the start of the transaction a fee of up to 4% of the secured amount of financing in respect of a mutual entity membership fee which will be returned to the client when the relationship ends. The Statute-owned Agricultural Surety Corporation does not charge a mutual entity membership fee.

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 2022 and the financing obtained will be compatible with any aid received from the autonomous communities and other institutions.

- ***Línea ICO Crédito Comercial 2022*** (*ICO* 2022 Commercial Credit Line)

This credit line can be applied for by independent professionals and enterprises with registered office in Spain who (i) issue invoices arising from firm sales of goods and services to a debtor located within Spanish territory or (ii) have a supporting document agreed with another company with registered office in Spain whereby the purchasing company undertakes to acquire goods from the company applying for the financing.

Specifically, such financing will be used to:

- Obtain liquidity through the payment of advances on their billings in respect of their commercial activity within national territory.
- 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 date of the transaction 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.

The financial institution and the client may execute the financing agreement that the parties freely agree upon.

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.

The credit institution may establish a fee at the start of the transaction which, together with the interest rate set by the credit institution, may not exceed the maximum APR applicable to the transaction. In the case of a mandatory early repayment, a fee of 1% of the amount improperly formalized will be charged as a penalty.

The Annual Percentage Rate (APR) applicable to the transaction will comprise the cost of the initial fee established by the credit institution plus the interest rate. The APR may not exceed the interest rate plus up to 2.30%.

Transactions can be executed with the credit institution throughout the whole of the year 2022 and this financing will be compatible with other aid received from the autonomous communities or other institutions.

- ***Línea ICO Red.es Acelera (ICO Red.es Accelerate Line)***

  The beneficiaries of aid indicated in the calls for applications published by Red.es such as, for example, companies, foundations, associations, professional associations, universities, technological centers and technological innovation support centers, etc., can apply for this financing.

  The financing can used for projects for which the grant of aid by Red.es is approved, in accordance with the rules of the relevant call for applications for aid. By way of example, these include:

  1. Experimental development projects, such as the creation of prototypes, the preparation of pilot projects or the testing and validating of new or improved products, processes and services in technologies such as artificial intelligence, 5G, mass data and information processing, blockchain, robotics, micro/nanoelectronics, 3D printing, digital content (specifically, the making available of data on a mass scale and in reusable formats, video games, audiovisual contents, etc.).

  2. Projects that foster the development, promotion and adoption of digital technologies that can stimulate demand, as well as the development of projects that drive growth and entrepreneurship in the technological field.

  The transactions will be processed directly through credit institutions that partner with the ICO in this product and such credit institutions will decide whether or not to grant the financing. Beforehand, the client must have obtained approval for the project and the related aid at Red.es, on the dates and the terms set in the relevant call for applications.

  The financing will take the form of a loan and may cover up to 100% of the amount of the project (less the amount of any advance payment if requested) with the following repayment and grace periods:

  - From 1 to 6 years with the possibility of a grace period of up to one year for the repayment of principal.
  - From 7 years with the possibility of a grace period of up to 2 years.

  As regards the applicable interest rate, the client can choose between a fixed and variable interest rate. If the transaction was formalized 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 credit institution may charge a fee at the start of the transaction, the cost of which, together with the interest rate, may not exceed the maximum APR that the credit institution may apply to the transaction according to its term. In addition, a fee for voluntary early repayment may be applied equal to 1% of the amount cancelled if the transaction has been formalized at a fixed rate. Where it has been formalized at a variable rate, the credit institution may apply, depending on the residual life of the transaction, a maximum fee:

  - Of 0.05% to transactions with a residual life of up to 2 years.
  - Of up to 0.15% to transactions with a residual life greater than 2 years and less than 5 years.
  - Of 0.40% to transactions with a residual life greater than 5 years.

  In the case of mandatory early repayment, a fee will be charged in respect of a penalty equal to 2% of the amount improperly formalized.

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

  Transactions can be formalized with the credit institution up to March 31, 2024 and the financing obtained will be compatible with the receipt of other subsidies or aid for the same eligible project originating from any government or public entity provided that the regulatory orders or legislation applicable in each case so permits.

  Mention should also be made of the Guarantee Lines also offered by the ICO, including most notably, for 2022, the following: (i) Guarantee Line for independent professionals and enterprises pursuant to Royal Decree-Law 8/2020, and (ii) Guarantee Line for Investment pursuant to Royal Decree-Law 25/2020.

- ***Guarantee Line for independent professionals and enterprises pursuant to Royal Decree-Law 8/2020***

  Pursuant to the provisions of article 29 of Royal Decree-Law 8/2020, of March 17, 2020, the Spanish government approved a special Guarantee Line of up to €100 billion from the Ministry of Economic Affairs and Digital Transformation to facilitate the maintenance of employment and alleviate the economic effects stemming from the recent health crisis caused by COVID-19.

  Specifically, this Guarantee line managed by the ICO seeks to make it easier for enterprises and independent professionals to access credit and liquidity to alleviate the economic effects of COVID-19, thereby guaranteeing liquidity and covering their working capital needs.

  Through the Resolutions of the Council of Ministers of March 24, April 10, May 5 and 19 and June 16, 2020,

the Spanish government has been activating the different tranches of the line in the amount of €20 billion (the first four) and €7.5 billion (the last one), of which €2.5 billion are earmarked for enterprises in the tourism sector and connected activities for SMEs and independent professionals and €500 million are earmarked to cover the acquisition or financial or operating lease by enterprises and independent professionals of land transportation vehicles for professional use.

This Guarantee Line covers new loans and other forms of financing as well as the renewals of loans already granted by financial institutions to meet enterprises' financing needs aimed at covering (i) wage payments; (ii) unsettled invoices from suppliers; (iii) rent for premises, offices and facilities; (iv) utilities expenses; (v) need for working capital; and (vi) other liquidity needs including those arising from financial or tax obligations that have fallen due. However, this Line cannot be used for loan consolidation or restructuring or the cancellation or prepayment of pre-existing debts.

Enterprises and independent professionals from any business sector that have their registered office in Spain and that have been affected by the COVID-19 economic crisis can avail themselves of this Line, provided that:

- The loans and transactions have been formalized or renewed on or after March 18, 2020.
- The enterprises and independent professionals: (i) are not in default according to the files of the Bank of Spain's Risk Information Center (CIRBE) as of December 31, 2019; (ii) are not subject to insolvency proceedings as of March 17, 2020, either because they have filed an insolvency petition, or because the circumstances referred to in article 2.4 of Insolvency Law 22/2003, of July 9, 2003, exist for an insolvency order to be requested by their creditors; or, (iii) where the European Union's State Aid Temporary Framework applies, they do not qualify as a distressed enterprise as of December 31, 2019 in accordance with the criteria set out in article 2(18) of Commission Regulation (EU) No 651/2014 of June 17, 2014 declaring certain categories of aid compatible with the internal market.

Financial institutions can apply for the guarantee for loans and transactions signed with independent professionals and enterprises that are formalized or renewed on or after March 18, 2020. The maximum amount of the loans that can be guaranteed under this line will depend on the limits established in the applicable European legislation on state aid (and, therefore, on whether or not they meet the requirements of Commission Regulation (EU) No. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid or of the Temporary Framework for State aid approved by the European Commission).

The maximum term of the guarantees (not yet released) has been extended from a maximum term of 5 to 8 years following the approval of the Resolution of the Council of Ministers of November 24, 2021. In these cases, the term of the guarantee issued will coincide with the term of the transaction.

Lastly, the period for requesting any of the guarantees described here has been extended to June 1, 2022 by the Resolution of the Council of Ministers of November 30, 2021.

- **Guarantee Lines for Investment pursuant to Royal Decree-Law 25/2020**

Pursuant to article 1 of Royal Decree Law 25/2020, of July 3, 2020, the Spanish government approved a Guarantee Line of €40 billion from the Ministry of Economic Affairs and Digital Transformation in order to secure the financing granted to enterprises and independent professionals aimed mainly at meeting their financing needs stemming from new investments.

Through the Resolutions of the Council of Ministers of July 28, November 24 and December 22, 2020 and May 28, 2021, the Spanish government has activated six tranches of this financing line, of which some will be managed by the ICO.

Specifically:

1. First tranche, endowed with: €8 billion, split into two subtranches:
   - Up to €5 billion to secure the financing granted to independent professionals and SMEs to meet their liquidity needs and, in particular, those stemming from new investments.
   - Up to €3 billion to secure the financing granted to enterprises that do not have SME status to meet their liquidity needs.
2. Second tranche, for an additional €2.55 billion to secure financing transactions for enterprises and independent professionals that are in the execution phase of an arrangement with creditors within an insolvency proceeding, but that are up to date with their obligations in accordance with the arrangement and can prove it with a report from the court or the insolvency manager.

   A subtranche of €50 million is also included to secure issues of promissory note programs on the MARF.
3. Third tranche, endowed with an additional €250 million to secure promissory notes issued on the MARF by enterprises that could not avail themselves of the tranche made available in the first Line since their promissory note program was in the renewal phase.
4. Fourth tranche, endowed with €500 million, aimed at securing the financing granted to SMEs and independent professionals in the tourism and hospitality industry and connected activities to meet their needs stemming from new investments, as well as liquidity needs.

5. Fifth tranche, endowed with €500 million to reinforce the guarantees from CERSA and to increase the capacity of the Mutual Guarantee Societies.

6. And a sixth tranche, in the amount of €15 billion, of which €10 billion will be targeted at SMEs and independent professionals, at non-SMEs and earmarked for guaranteeing financing granted to make investments that support the recovery of the Spanish economy, and for covering their liquidity needs.

Specifically, this Guarantee Line seeks to foster and support the grant of fresh financing to independent professionals and enterprises by financial institutions so that such independent professionals and enterprises can make new investments in Spain, aimed at (i) adapting, extending or renewing their production and service capacities, or (ii) restarting or reopening their business.

The financing obtained by independent professionals and enterprises must be used for one or more of the following purposes: (i) new investment within Spain, including current and capital expenses linked to the investment, provided that the latter are justified, where "new investment" means that made in first-use or second-hand assets, acquired (with first invoice date) on or after July 29, 2020, VAT or analogous tax included; (ii) investment and/or current and capital expenses aimed at extending, adapting or renewing production or service capacities; (iii) investment and/or current and capital expenses aimed at restarting or pursuing the business; (iv) current and capital expenses associated with or aimed at, among others, acquiring, renting, leasing – under a finance or "renting" arrangement – equipment, machinery, facilities, supplies of materials and goods and services related to the investment and/or activity of the enterprise; and (v) billing needs arising, among others, from wage payments, invoices or current maturities of financial or tax obligations. However, this Line cannot be used for loan consolidation or restructuring or the cancellation or prepayment of pre-existing debts.

Enterprises and independent professionals from any business sector that have their registered office in Spain and that have been affected by the COVID-19 economic crisis can avail themselves of this Line, provided that:

1. The loans and transactions have been formalized or renewed on or after July 29, 2020.

2. The enterprises and independent professionals: (i) are not in default according to the files of the Bank of Spain's Risk Information Center (CIRBE) as of December 31, 2019; (ii) are not subject to insolvency proceedings as of March 17, 2020, either because they have filed an insolvency petition, or because the circumstances referred to in article 2.4 of Insolvency Law 22/2003, of July 9, 2003, exist for an insolvency order to be requested by their creditors; or, (iii) where the European Union's State Aid Temporary Framework applies, they do not qualify as a distressed enterprise as of December 31, 2019 in accordance with the criteria set out in article 2(18) of Commission Regulation (EU) No 651/2014 of June 17, 2014 declaring certain categories of aid compatible with the internal market.

Financial institutions can apply for the guarantee for loans and transactions signed with independent professionals and enterprises that have been formalized or renewed since July 29, 2020.

The maximum percentage of coverage of the guarantee varies according to who applies for it:

- In the case of independent professionals and SMEs, the guarantee will amount to a maximum of 80% of the transaction.

- For other enterprises that do not have SME status, the guarantee will cover 70% of the principal of the transaction at the most.

New loans formalized under this guarantee program can be combined with other transactions that already have the State Guarantee in accordance with Royal Decree 8/2020, which should be taken into account by the institutions and clients with respect to eligibility, limits and verification.

Transactions up to €50 million which have been approved by the institution in accordance with its risk policies will be guaranteed, subject to subsequent verifications regarding their eligibility conditions.

Transactions exceeding €50 million will be guaranteed once the ICO has analyzed the fulfillment of the eligibility conditions supplementing the financial institution's analysis.

As for the period for requesting the guarantees, it has been extended to June 1, 2022 by the Resolution of the Council of Ministers of November 30, 2021.

It should also be noted that, in addition to the above guarantee lines granted as a result of COVID-19, the Council of Ministers approved, through Royal Decree-Law 5/2021 of March 12, 2021, a package of measures aimed at making loans that have the State guarantee more flexible, for the renegotiation of enterprises' and independent professionals' debt with financial institutions that comply with the Code of Good Practices regulated under the Resolution of the Council of Ministers of May 11 and the Resolution of the Council of Ministers of November 30.

Lastly, given its purpose, the **ICO 2022 International, Tranche I "Investment and Liquidity" Line, the lines relating to Exporters 2022 and International 2022 Tranche II "Medium- and Long-term Exporters", and the ICO International Channel 2022 line** will be examined in section 7 below, on "Internationalization Incentives".

For more information in this connection, please see the ICO website.

/ 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 the Spanish Development Finance Company – Compañía Española de Financiación del Desarrollo or "*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, Support for Exports Lines, etc.

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 2022, Línea ICO-Exportadores 2022* 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 a fund without separate legal personality, conceived with the sole aim of offering official financial support for the internationalization of Spanish companies and for the implementation of direct investments abroad. To this end, it offers financing for the conclusion of contracts for the export of Spanish goods and services, signed by companies resident in Spain with nonresident customers, as well as for foreign investment projects undertaken by Spanish companies to expand their production capacity or the provision of goods or services, on a concessional or commercial basis, respectively.

Specifically, 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 nature.

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. In addition, projects undertaken in the fossil fuel sector are not eligible for this financing in order to bring an end to financing for coal, oil and gas by the end of 2022.

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 28 countries which are to be given priority according to the 2022 Guidelines.[2]

The Office of the Secretary of State for Trade is responsible for selecting the projects to be financed, drawing up the profiles and viability studies required to analyze the projects, assess financing proposals and oversee the execution and assessment of the projects. For its part, the Official Credit Institute acts as finance agent, formalizing, in the name and behalf of the Spanish government and on behalf of the State, the relevant credit, loan or donation agreements as well as all the financial services relating to authorized transactions financed by the FIEM.

The three types of financing offered through the FIEM are: (i) loans, credits or credit facilities repayable on commercial terms; (ii) loans, credits or credit facilities repayable on concessional terms and (iii) non-repayable financing for investment projects, of which full details can be found in the information published by the Secretary of State for Trade on its website.

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.) in viable private projects abroad in which there is some type of Spanish interest.

The maximum amount of the **financing** is €30,000,000 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 small and medium-sized 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 €5,000,000, with a minimum of €75,000 per transaction.

D. *CRECE + INTERNACIONAL:*

This program, 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) a strategic plan that includes the implementation of internationalization projects in one or more markets (the projects must be technically and economically viable and have a positive impact on the country receiving the investment); (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 that reflect expected growth in revenues and/or employment in the period concerned.

The program can take various forms, depending on the objective to be fulfilled through the internationalization of the business, namely: (i) *CRECE + INTERNACIONAL* (linked to the company's growth plan); (ii) *CRECE + INTERNACIONAL + DIGITA* (involving the digitalization of the subsidiary or

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, several changes were approved in June 2020 with respect to the FIEM SME Line (created in April 2019 to support the small and medium-sized exporter). The main changes consisted of extending (i) the allocation by an additional €100 million, (ii) the amount eligible for financing per transaction from €3 to €10 million and (iii) the repayment period from 8 to 10 years.

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.

subsidiaries of industrial companies); (iii) *CRECE + INTERNACIONAL + EDUCA* (training of personnel in the target country); and (iv) *CRECE + INTERNACIONAL + SOSTIENE* (to promote good practices in the areas of Corporate Social Responsibility and sustainability).

The financing may be between €1,000,000 and €30,000,000, the maximum being up to 90% of the need for investment in assets.

E. *PYME INVIERTE* (SME INVEST):

This line offers financing to Spanish SMEs that wish to undertake either a productive investment project outside Spain with financing needs in the medium or long term (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 €10,000,000 and comprise financing of up to 80% of the project's medium and long-term needs, through ordinary and co-investment loans to the Spanish company, subsidiary or branch abroad. The period of financing will be between 5 and 10 years.

  These investments must be aimed at creating or expanding a company or acquiring a pre-existing company, or at financing non-current assets.

- In start-ups of commercial activities, the investment will range from €75,000 though €1,000,000 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), through ordinary or coinvestment loans to the Spanish company, subsidiary or branch abroad. The maximum repayment period is 3 years without a grace period.

  This financing is targeted at projects that have an income-generating portfolio of customers in the country in which the investment is to be made.

F. *LÍNEA ICO-INTERNACIONAL 2022 TRAMO I "INVERSIÓN Y LIQUIDEZ":* (2022 ICO INTERNATIONAL LINE TRANCHE I "INVESTMENT AND LIQUIDITY")

"***Línea ICO-Internacional* 2022**" 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 2022.

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; (ii) acquisition of companies; (iv) creation of enterprises abroad; (v) technological needs; (vi) upgrade and reform of installations; (vii) investments outside Spain; (viii) acquisition of companies or (ix) liquidity needs: operating expenses, payroll, payments to supplies, purchases of merchandise, etc.

The maximum financing is €12.5 million 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 maximum fee of 0.5% 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 2022TRAMO II "EXPORTADORES MEDIO Y LARGO PLAZO"* (2022 *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".

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 €25,000,000, 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.

The receipt of this type of financing is compatible with any other aid that may be granted by the autonomous communities or other public institutions.

The client may choose between a fixed or variable interest rate in the currency in which the transaction was formalized. If variable, the rate will be reviewed every six months by the credit institution in accordance with what is established in the financing agreement.

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 formalized at a fixed rate, or a maximum of 0.5% 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 2022.

H. *LÍNEA ICO EXPORTADORES* 2022: (2022 *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.

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 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 €12,500,000 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.*

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 2022, this instrument being compatible with other aid received from the autonomous communities or from other institutions.

/ 8 EU aid and incentives

8.1 NEXT GENERATION EU

Against the backdrop of the global health crisis caused by the COVID-19 pandemic and in order to respond to the serious social and economic impacts stemming from such pandemic, the European Council held a special meeting from July 17 to 21, 2020, which resulted in an agreement to approve a raft of extraordinary measures aimed at supporting the recovery of the economy of the European Union and its Member States in this difficult environment.

Accordingly, and coupled with reinforcing the Union's multiannual budget for 2021-2027, endowed with €1,074 billion, the creation of the European Recovery Instrument "Next Generation EU" ("NextGen") was approved. The instrument seeks to mobilize up to €750 billion during the period from 2021 to 2023, of which €390 billion will be structured as non-repayable financial transfers to the Member States, that is, as outright grants, and €360 billion will be earmarked for loans. In short, a total of €1.8 trillion in aid for the recovery of the European economy, representing the largest ever stimulus package financed out of European funds.

Of the €750 billion available to the Member States, Spain is one of the main recipients, with projected aid of around **€140 billion (between non-repayable transfers and loans)**. The mobilization of such a significant volume of resources opens up a special opportunity for Spain, comparable to the economic transformation process that it underwent when it joined the Union.

To fund the recovery, the EU will go to the international debt market thanks to the new possibility provided for in Council Decision 2020/2053, of 14 December 2020, on the system of own resources of the European Union (**"Own Resources Decision"**), which was ratified by all the Member States at the end of May 2021.

The legal basis for the European Recovery Instrument lies in Council Regulation (EU) 2020/2094, of 14 December 2020, the objective of which is to drive the transformation and modernization of the Member States' economies, mainly from the standpoints of the green and digital transition, while also contributing to the recovery and enhanced resilience of the European Union as a whole against future crises.

The measures that the Recovery Instrument seeks to finance are essentially aimed at (i) restoring labor markets and creating jobs; (ii) reinvigorating potential for sustainable growth and strengthening cohesion among Member States; (iii) providing support to businesses affected by the impact of the COVID-19 crisis, in particular SMEs; (iv) strengthening research and innovation as mechanisms to respond to crises; (v) enhancing the Union's preparedness for serious emergencies; (vi) ensuring a just transition to a climate-neutral economy; and (vii) increasing the ability to respond in this context also from the standpoint of agriculture and rural development.

8.1.1 EUROPEAN RECOVERY AND RESILIENCE FACILITY

Structurally, NextGen is made up of 7 individual programs, among which the total budget of the Instrument will be allocated as follows:

- Recovery and Resilience Facility: €672.5 billion.
- REACT-EU: €47.5 billion.
- Horizon Europe: €5 billion.
- InvestEU: €5.6 billion.
- Rural Development: €7.5 billion.
- Just Transition Fund: €10 billion.
- RescEU: €1.9 billion.

4
Investment aid and incentives in Spain

Given its quantitative scope, it is worth taking note of the "Recovery and Resilience Facility" (***RRF)*** which seeks to provide financial aid that enables the Member States to undertake the reforms and investments required to transform their economies in the medium and long terms, in accordance with their respective National Recovery and Resilience Plans. These Plans must be consistent with the national reform programs, with the priorities set for each country in the European Semester for coordinating economic policies ("**European Semester**") and must be aligned with the goals set in the Paris Agreement, the National Energy and Climate Plans, the Just Transition Plans, the Youth Guarantee implementation plans, the operational programs adopted under the Union funds, as well as with the UN Sustainable Development Goals, among others.

The RRF is governed by Regulation (EU) 2021/241, of 12 February 2021, of the European Parliament and of the Council, and its scope of application is structured around the following **6 pillars**:

1. Green transition.
2. Digital transformation.
3. Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs.
4. Social and territorial cohesion.
5. Health, and economic, social and institutional resilience.
6. Policies for the next generation, children and the youth, such as education and skills.

The total amount of the resources allocated to the RRF is broken down into (i) €312.5 billion for non-repayable aid or grants and (ii) €360 million for loans.

One of the distinctive features of this facility is the swiftness with which the resources are intended to be effectively implemented by the Member States: 70% of its amount (roughly €48.7 billion in Spain's case) must be legally committed by December 31, 2022, and the remaining 30% (€20.8 billion in Spain's case) by December 31, 2023. According to the preamble to the Regulation, this is to ensure that the financial aid is effective and is frontloaded in the initial years after the COVID-19 crisis.

As already noted, although most of the resources made available to the Member States to implement their respective National Plans will be structured through non-repayable transfers, the Regulation also envisages the possibility of the aid taking the form of loans, subject, in such case, to the conclusion of a specific agreement with the Commission, on the basis of a duly substantiated request by the Member State concerned. This application should be justified by the higher financial needs linked to additional reforms, in particular for the green and digital transitions, and by a higher cost than the maximum financial contribution allocated to the State concerned via the non-repayable contribution. It will be formalized by means of a loan agreement between the Commission and the Member State concerned, essentially specifying its amount, average maturity, the pricing formula, maximum number of installments and repayment schedule.

In the case of Spain, according to Annex IV of the Regulation, the amount of the non-repayable financial aid (or the maximum financial contribution allocated) is €69,528 million.

In any event, as a general rule, the actual release of the funds to the Member States will take place in installments and will be conditional on the satisfactory fulfillment of the milestones and targets set out in the respective Recovery and Resilience Plans. For this purpose, the Regulation stipulates that States can submit requests for payment twice a year, although States may obtain an advance (pre-financing) of an amount of up to 13% of the financial contribution granted, if they so request when submitting their National Plan and which will be paid within two months after its approval by the Commission.

The above entails that, before the Commission decides to disburse the financial contribution (whether a non-repayable transfer or a loan), it should ask the Economic and Financial Committee for its opinion on the satisfactory fulfillment of the relevant milestones and targets by the Member States on the basis of a preliminary assessment by the Commission. If, exceptionally, one or more Member States consider that there are serious deviations from the satisfactory fulfillment of the relevant milestones and targets, they may request the President of the European Council to refer the matter to the next European Council for examination.

In addition, the Regulation introduces a number of measures linking the possibility of qualifying for the funds offered by the Facility to the implementation of sound economic governance. If a State fails to comply, the Council may, following a proposal by the Commission, suspend all or some of the commitments or payments subject to a maximum of 25% of the commitments or 0.25% of nominal GDP, depending on the specific case.

8.1.2 SPANISH ECONOMIC RECOVERY, TRANSFORMATION AND RESILIENCE PLAN

As noted, to be able to receive the funds from the RRF, Member States must submit a National Recovery and Resilience Plan including a description of the reforms and investments to be undertaken, as well as the measures required to implement them.

In the case of Spain, and after the Spanish government submitted it at the end of 2020, its respective national Recovery, Transformation and Resilience Plan (***"RTRP"***) was approved, following a favorable report from the Commission, by the EU Economic and Financial Affairs Council (ECOFIN) on July 15, 2021, based on the projected allocation of €70 billion through non-refundable grants, to be disbursed mostly in the 2021-2023 period, and a further €70 billion through "soft" loans, to be disbursed after 2023.

Based on these figures, the General State Budget for 2021 established a €27 billion allocation out of NextGen funds, of

which Spain has so far received €19 billion (70%), following the Commission's positive assessment of the fulfillment of the first 52 milestones committed to by Spain under its Plan.

The RTRP is structured around **4 strategic or cross-cutting pillars**, which will form the backbone of the transformation of Spain's entire economy and guide the recovery process, spurring the structural reforms and investments that are implemented. In particular, these pillars are:

1. **Green transition**, as a key element in the reconstruction phase, based on the circular economy as a lever for **industrial modernization**, **the strategic framework of energy and climate** as a parameter for the **transition of the energy system, water management** and its infrastructure, the resilience of the coast or soil quality and sound territory management.

   The objective is to attain a climate-neutral economy, boosting, in keeping with the National Integrated Energy and Climate Plan, public and private investment that makes it possible to reorient the production model, driving **decarbonization, energy efficiency, the deployment of renewable energy sources, the electrification of the economy, the development of energy storage** and solutions based on nature and improved resilience in all economic sectors.

2. **Digital transformation,** ensuring that society as a whole has **access** to **digital environments** and fostering the **digitalization of enterprises** (particularly SMEs and startups) and industry, R&D&I and digital skills training for people.

   To this end, the Plan seeks to support, in keeping with the 2025 Digital Agenda for Spain, the urgent modernization of the business world, driving its internationalization, the renewal of its technological capital and its adaptation as well to the green transition, backing it with infrastructure and services that open up new opportunities for enterprises, reducing digital divides, with reliable technologies that promote a dynamic and sustainable economy, including vectors like cybersecurity, the data economy and artificial intelligence.

3. **Gender equality**, as a key factor for growth and social justice, **reducing structural** barriers that hinder women's access to the labor market on an equal footing and with equal rights, **raising the female employment rate** and strengthening, improving and reorganizing the long-term care system, as well as **increasing educational potential** and equality of opportunity.

4. **Social and territorial cohesion**, promoting **employment policies** in quantitative and qualitative terms, paying special attention to young people and continually assessing **strategies aimed at helping people to enter** and re-enter the labor market, **creating high-quality jobs and reducing inequality.**

   In this area, it is considered necessary to **strengthen the care economy,** based on the dependency system, long-term care and home care, as well as to shore up territorial cohesion ties, harnessing the promotion of digitalization and telework so that it translates into a higher degree of market integration that makes it possible to limit the centripetal dynamics of recent decades.

Based on the above pillars, the draft Plan proposes structuring them into **10 policy levers** that cover up to **30 projects or lines of action,** aligned with the **7 European flagship initiatives** approved by the 2021 Annual Sustainable Growth Strategy, as outlined below:

1. **Urban and rural agenda, fight against depopulation and development of agriculture** (to which 16% of the expected funds would be allocated).

   Based on the **key role of cities** in the economic and social transformation, thanks to their **ability to generate activity in the short term** throughout Spain with a **knock-on effect on industry** and other key sectors such as construction, as well as the need to craft **specific measures for depopulated areas** that facilitate the development of new professional projects and to have a sound agri-food system and the highest food safety standards, this policy lever would include projects such as the following:

   - **Action plan for sustainable mobility**, which is safe and connected to urban and metropolitan areas (low emission areas, mass rollout of charging infrastructure, modernization of clean vehicle fleet).
   - **Housing refurbishment and urban regeneration plan** (intelligent applications in buildings, deployment of solar roofs and distributed renewable energy sources).
   - **Transformation and digitalization of the logistics chain of the agri-food and fishery system** (green production, seasonal and proximity consumption, reduced food waste, value generation in the agri-food system from the primary sector to commercial distribution).

2. **Resilient infrastructure and ecosystems** (to which 12.2% of the assigned resources would be allocated).

   Given the ability of infrastructure to **mobilize large volumes of investment in the short term and to generate a structural impact** on society and the economy as a whole, including high-growth industries at the global level in which Spain can achieve a strategic position, this specific policy would include the following projects:

   - **Conservation and restoration of ecosystems** and their biodiversity (green infrastructure, reforestation, fight against desertification).
   - **Preservation of coastal areas and water resources** (restoration, integral water management, treatment, sewerage, reuse, recovery and optimization of water infrastructure).

- **Sustainable, safe and connected mobility** (modernization, digitalization, safety and sustainability of key transportation and intermodal infrastructure and development of main European corridors).

3. **Just and inclusive energy transition** (to which 8.9% of the total of assigned funds would be allocated).

Trying to take advantage of a decarbonized, competitive and efficient energy sector that makes it possible to maximize Spain's renewable potential and to improve the competitiveness of several sectors of crucial importance derived from the same, this policy would comprise projects such as the following:

- **Mass deployment of renewable generation facilities** aimed at developing this generation technology (renewable generation facilities, own use, integration of renewables into construction and production sectors, biogas, wind, marine, energy communities).

- **Electric infrastructure, promotion of intelligent networks and deployment of flexibility** and storage (technological update of transportation networks and distribution, demand management, storage).

- **Renewable hydrogen road map** and its industry integration (pilot and commercial projects, support to the energy-demanding industries).

- **Just transition strategy** (creation of activity in territories affected by the energy transition).

4. **A Government for the 21st Century** (to which 5% of the total resources assigned to the Plan would foreseeably be allocated).

In order to foster the **updating and improved efficiency and services of the Government,** under this policy in particular, a project would be undertaken to modernize the Government from a broad perspective, which includes, specifically, the **digitalization of the Government** (both at the crosscutting level and in relation to the strategic areas of justice, health, public employment services, public health data, consulate management and territorial administration of the State), the plan to reinforce and deploy **cybersecurity, the energy transition** of the Central Government, **modernization in human resources management,** as well as the **comprehensive reform** and modernization of the **justice system.**

5. **Modernization and digitalization of the industrial fabric and the SME**, recovery of tourism and boost to entrepreneurial Spain (which would take in 17.1% of the resources).

The aim is to s**upport and strengthen Spanish industry already positioned** in sectors like renewable energy, energy efficiency, electrification or the circular economy and, moreover, to **reorient and align the creation of enterprises** in new value chains, **new products and new markets** associated with the huge global challenges considered, driving both cross-border projects and participation in Projects of Common European Interest, in keeping with the plan to digitalize the entire value chain in sectors that drive growth, without ignoring the key role that tourism plays in the Spanish economy.

Against this backdrop, the following projects would be included under this policy lever:

- **Spanish Industrial Policy 2030** aimed at fostering the modernization and productivity of the Spanish industry-services ecosystem, including the following sub-plans: Plan for digitalization of the strategic health, automotive, tourism and trade sectors, for modernization and sustainability of industry, for boosting "green" innovation economies and circular economy strategy.

- **Boost to the SME,** specifically through a specific digitalization plan, with the reform of financing instruments in support of internationalization, and with the launch of the Spain Entrepreneurial Nation Strategy with a view to promoting the creation and growth of enterprises, and to generate a startup ecosystem.

- **Modernization and competitiveness** of the tourism sector in order to bolster the resilience, sustainability, diversification and value added of this key sector of the economy, paying special attention to the Balearic Islands, the Canary Islands and depopulated areas.

- **Digital connectivity**, boost to cybersecurity and **rollout of 5G** to ensure territorial cohesion, driving the technological development and growth of the country based on the country's leading role in high speed networks.

6. **Pact for Science and Innovation and the strengthening of the National Health System** (to which 16.5% of the resources would be allocated).

Assuming that it is not possible to undertake a transformation of the country without basing it on science and knowledge and in light of the shortcomings that the health crisis has revealed when it comes to the level of investment in science and innovation in general, and in some strategic sectors in particular, it is necessary to adopt forceful measures to rebuild and reinforce both the science and innovation system in addition to the capacities of the Spanish public health system in various areas, by means of the following projects:

- **National Artificial Intelligence Strategy** (specifically, by promoting Artificial Intelligence in the production system, the economy and the data society).

- **Institutional reform and strengthening of the capacities of the national science, technology and innovation system** (by reinforcing calls for applications for projects relating to R&D&I, human resources and technical-scientific equipment, reinforcing regular financing for CDTI business projects; creating new

centers for excellence, promoting specific plans in key areas such as biomedicine, health and vaccine research, the aeronautical industry or advanced computing technologies).

- **Renewal and expansion of the capacities of the National Health System** (particularly by reinforcing the strategic capacities of analysis and prevention, the preservation and promotion of professional talent, technological modernization, equipment renewal, the strategic reserve of medical devices and medicines and the promotion of the industrial sector in line with health needs).

7. **Education and knowledge, ongoing training and skills development** (to which 17.6% of the resources would be allocated).

Assuming the importance that the **strengthening of human capital** has on the transformative impact sought by the Plan, as well as the need to strategically **tackle the training of society as a whole**, reorienting and harnessing existing talent and skills, the Plan proposes to undertake a raft of linked projects, such as the following:

- National digital skills plan, including upskilling and reskilling.
- Strategic plan to boost vocational training.
- Modernizing and digitalizing the education system.

8. **New care economy and employment policies** (to which 5.7% of the total resources would be allocated).

Taking into account the need to reinforce the care economy in Spain and, in general, to adapt employment policies, this policy lever would include the following projects:

- **Action plan for the care economy and the strengthening of equality and inclusion policies** (new telecare networks, modernization of dependent person care systems, new care infrastructure).
- **New public policies for a dynamic, resilient and inclusive labor market**, aimed at (i) tackling the structural problems of the labor market in Spain (stabilization of temporary layoff procedures (ERTEs), reduction in temporary employment and job instability, simplification of the types of employment contracts, etc.; (ii) the deep reform of active employment policies (improved connection with business needs); and (iii) the promotion of employment integration policies around the deployment of the minimum living wage.

9. **Boosting the culture and sports industry** (to which 1.1% of the total would be allocated).

Given the essential role that the culture industry plays in generating wealth and employment in Spain, this policy lever envisages providing support to the following projects:

- **Revitalization of the culture industry,** by providing support to patronage and private support that complements public support, boosting tourism and economic activity deriving from emblematic cultural events, heritage protection, support for areas in demographic decline, etc.).
- The creation of the **Spain Audiovisual Hub**, with a view to positioning Spain as a go-to center for audiovisual protection and the videogame industry, by simplifying requirements and bolstering the ecosystem of enterprises and professionals from the sector.
- **Promoting the sports industry,** with the promotion of business meetings, the organization of large sporting events, the promotion of sports tourism, the modernization of sporting infrastructure, and the bolstering of networks of high performance and sports technique centers.

10. **Modernization of the tax system for inclusive and sustainable growth.**

Given the need to adopt measures to modernize Spain's current tax system in order to guarantee the medium-term financial sustainability of its economy following the increase in public expenditure and debt assumed by the country to cope with the situation brought about by the pandemic, the Plan proposes undertaking a raft of initiatives such as (i) the law to prevent and combat tax fraud, with measures aimed at addressing the underground economy and strengthening the tax system's collection capacity; (ii) adapting the tax system to the reality of the 21st century (with the foreseeable introduction of a tax on certain digital services and on financial transactions); (iii) improving the effectiveness of public spending; and (iv) the sustainability of the public pension system under the Toledo Pact.

Given the challenge that the adequate absorption of these funds poses in the tight timeframe imposed by the European Union, the Spanish government approved – on December 30, 2020 – Royal Decree-Law 36/2020, approving urgent measures for the modernization of government and the implementation of the Recovery, Transformation and Resilience Plan. These measures seek **to facilitate the scheduling, budgeting, management and implementation of the eligible initiatives with a charge to the European Recovery and Resilience Instrument (and, in particular, to the RRF) with a view to (i)** crafting a suitable **governance model** for the selection, monitoring, assessment and coordination of the various investment projects and programs linked to the future National Recovery, Transformation and Resilience Plan; (ii) **adopting horizontal legislative reforms** that make it possible to simplify administrative procedures, particularly in the area of public procurement and subsidies; and (iii) ensuring the **utmost efficiency in spending**, while maintaining the safeguards and controls required by the EU legislation.

Notable among the main changes brought about the Royal Decree-Law are the introduction of a new form of public-private partnership through the mechanism of **Strategic Projects**

for Economic Recovery and Transformation (known as "*PERTEs*" by the Spanish abbreviation), regarding as such those projects or group of structured projects that (i) represent a **significant contribution to economic growth** and to the creation of jobs and to the competitiveness of Spanish industry, due to their positive **knock-on effects** in the domestic market and society; (ii) make it possible to **combine knowledge, experience, financial resources** and economic operators to **remedy significant market or systemic shortcomings** and social challenges; (iii) have a **significant innovative character or added value** in terms of R&D&I; (iv) stand out for **their quantitative or qualitative significance** or because they display a very high level of technological or financial risks; (v) **favor the integration and growth of SMEs** and the generation of collaborative environments; and (vi) c**ontribute in a specific, clear and identifiable manner to one or more objectives of the National Recovery, Transformation and Resilience Plan**, as well as to the goals set at the European level in the European Recovery Instrument.

It will fall to the **Council of Ministry to declare a project as a Strategic Economic Recovery and Transformation Project,** and its implementation will be structured, in each case, through as many mechanisms as may be envisaged in the law, respecting at all times the principles of equality and non-discrimination, competition, disclosure, transparency and proportionality.

To date, the Council of Ministers has approved the following PERTEs:

- **PERTE for the development of electric and connected vehicles ("PERTE VEC"),** for the purpose of creating the necessary ecosystem in Spain for developing and manufacturing electric and connected vehicles and making Spain into the European electromobility hub.
- **PERTE for avant garde health**, aimed at fostering fair implementation of personalized precision medicine, promoting the development of advanced therapies and other innovative or emerging drugs, developing an innovative data system and driving forward a digital transformation in healthcare.
- **PERTE for renewable energy, renewable hydrogen and storage ("ERHA")**, with the goal of developing technology, know-how, industrial capabilities and new business that will strengthen the country's leading position in the field of clean energy.
- **PERTE for the agro-food sector**, which aims to strengthen this industry through financing and tools to drive its modernization and digitalization, to contribute to sustainable, competitive and resilient agro-food production, as well as to job creation and to addressing the demographic challenge.
- **PERTE for Circular Economy**, which aims to boost the transition to a more efficient and sustainable production system in the use of raw materials to increase the competitiveness of industrial sectors and companies in general, as well as to ensure greater strategic autonomy for the country. Its ultimate goal is to support the achievement of a sustainable, decarbonized, resource-efficient and competitive economy.
- **PERTE on "New Language Economy"**, which seeks to mobilize public and private investments to maximize the value of the Spanish language and the co-official languages within the global digital transformation process, ensuring that artificial intelligence will "think" in Spanish as a priority and that Spanish-speaking countries and people will play a leading role in growth and creation of quality employment.
- **PERTE for the Naval Industry**, which is conceived as a project based on public-private collaboration and focused on the transformation of its value chain through its diversification towards marine renewable energies and low-emission ships, its digitalization, the improvement of its environmental sustainability and the training of its employees.
- **PERTE for the aerospace sector**, which is conceived as an instrument to boost science and innovation in the aerospace field with the aim of addressing the sector's new challenges, including climate change, global security and the digital transition, among others. In particular, the main objective of this PERTE is to position the Spanish aerospace sector as a key player in relation to the challenges and opportunities arising from the anticipated transformation in the sector, both nationally and internationally.
- **PERTE for the Digitalization of the water cycle**, which is designed as a tool to transform and modernize water management systems, both in the urban cycle as well as in irrigation and industry. With these goals in mind, it is understood that the promotion and application of these new technologies will make it possible to (i) improve the governance and transparency of the integral water cycle, (ii) increase its efficiency, (iii) reduce losses in supply networks and, (iv) advance in the fulfillment of environmental objectives.

As regards the participation of companies interested in joining the PERTEs, RDL 36/2020 set up the State register of entities in this respect ("REPERTE"), as a state instrument for registering and certifying those interested entities. The regulation and operation of the register has been approved by Order HFP/168/2022, of March 7, 2022, which establishes a single, publicly accessible register, the contents of which will be presumed to be accurate and valid and in which any entity (public or private and regardless of its legal nature, territorial area or form of incorporation) may be registered provided that it has been previously cleared by the competent Ministry as entities interested in joining a PERTE.

Broadly speaking, the registration procedure will be carried out in 2 phases: (i) an initial clearance phase, in which the Ministry responsible for a PERTE verifies the interested entities that materially fulfill the technical, economic and legal conditions required to participate in it; and (ii) a second phase of registration itself in which the Ministry in question will notify the Central Government Controller's Office of the clearance decisions actually adopted, so that it can proceed to register them.

Lastly, as regards the specific aid schemes and programs that are taking place as the RTRP is implemented, it may be noted

that, since the second quarter of 2021 the pace of publication, of both regulatory framework orders and calls for subsidies, has increased significantly. New calls for applications for grants and aid linked directly or indirectly to the NextGen Funds can be found practically on a daily basis. Accordingly, to better follow and monitor the calls, it is recommended to take advantage of the continuously updated service that the Spanish government has provided for the purpose on the RTRP's Internet portal (accessible here).

8.2 OTHER AID INSTRUMENTS

Apart from the significant effect that the new European Recovery Instrument will undoubtedly have on the Spanish economy, it is important to remember that the European Union provides States with other resources and funds that can be used to finance the achievement of other objectives considered of interest to the Union. In general, most of this financing (whether in the form of loans or subsidies) supplements the aid programs financed by the Spanish State.

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 directly by the European Commission.

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

8.2.1. 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 **4 areas**: (i) innovation (digital transformation and human capital); (ii) small businesses; (iii) infrastructures (sustainable cities and regions), and (iv) climate and the environment (sustainable energy and natural resources)[4].

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 the information published by the EIB, the total amount of financing contributed by the EIB group (European Investment Bank and European Investment Fund) in 2021 was €94,890 million.[5]

Specifically, the €94,890 million were allocated to the following objectives:

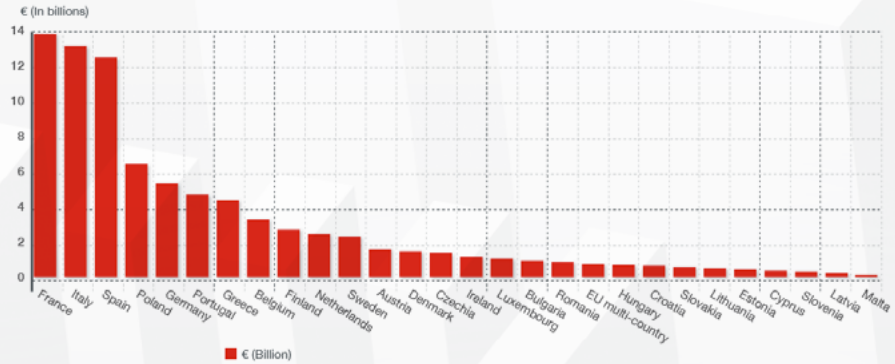
Innovation and skills	€20.7 billion
SMEs	€45 billion
Infrastructures	€13.8 billion
Environment	€15.38 billion

Roughly a third (35%) of all financing contributed by the EIB in 2021 (approximately €33,260 million) was earmarked for the **immediate response to the crisis** caused by the Coronavirus pandemic.

Of that amount, "*the major portion*" was targeted at SMEs, in order to "*avoid insolvency proceedings and job losses*", particularly in countries that "*did not have the budgetary means to adopt massive rescue packages*".

It is to be noted, in particular, that financing from the EIB in Spain during 2021 amounted to €12,271 million (14.72% of the total), making it the third largest recipient in the EU of funding from the EIB Group[6].

FINANCING RECEIVED BY EACH COUNTRY FROM THE EUROPEAN INVESTMENT BANK IN 2021



Source: Annual Press Conference 2022: 2021 Figures Summary (eib.org)

4 https://www.eib.org/en/about/priorities/index.htm

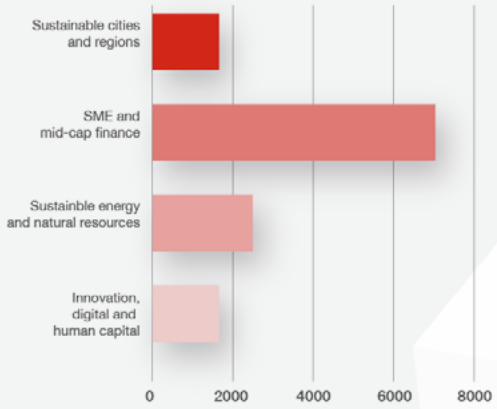
5 For more information, see the following link: https://www.eib.org/en/events/annual-press-conference-2022 and https://www.eib.org/en/publications/activity-report-2021

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

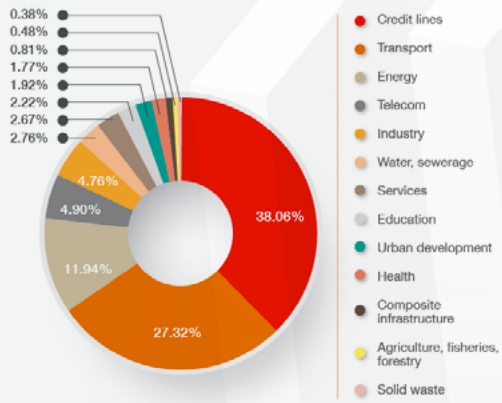
4
Investment aid and incentives in Spain

LAST YEAR'S EIB GROUP ACTIVITY IN SPAIN BY PRIORITY

(In € million, last updated at previous year end)



EIB ACTIVITY IN SPAIN BY SECTOR SINCE START OF OPERATIONS



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

The EIB can lend to both the public and private sectors, supporting small companies (SMEs) through local banks and lending money to innovative start-ups. In addition, mid-cap companies can receive direct support for research and development investments[7].

These loans have the following features:

- Attractive pricing with advantageous funding conditions.
- Long terms, matching the economic life of each project, which can sometimes exceed 30 years.
- Coverage of up to 50% of a project's total cost, with loans starting at €25 million and even lower amounts in some cases.
- Funds to SMEs of up to €12.5 million through intermediated lending partners.
- Financial and technical support for preparation of the project.
- Financing blended with additional sources of investment, such as financial instruments and grants from the EU.
- EIB's financing acts as a quality stamp that helps the project attract additional investors.
- Loans can be secured or unsecured and provide different levels of subordination and can even be contingent on the company's growth.

In general, the EIB offers two types of loans:

8.2.1.1 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 this does not preclude large companies, local and national authorities and other public sector entities from also qualifying for loans this type).

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, Banca March, CAIXABANK, Unicaja, BNP Paribas Leasing Solutions, De Lage Landen International B.V. Sucursal en España, Ibercaja, Institut Català de Finances (ICF), Instituto para la Competitividad Empreserial de Castilla y Leon, Luzaro, Santander Consumer Finance S.A., Unión de Créditos Inmobiliarios, S.A. and Establecimiento Financiero de Crédito (Sole-Shareholder Company)[8].

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.

7 https://www.eib.org/en/products/loans/index.htm
8 Source: https://www.eib.org/intermediarieslist/search/result?country=ES

- 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.

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

The EIB also grants loans for individual projects with a total investment cost above €25,000,000.

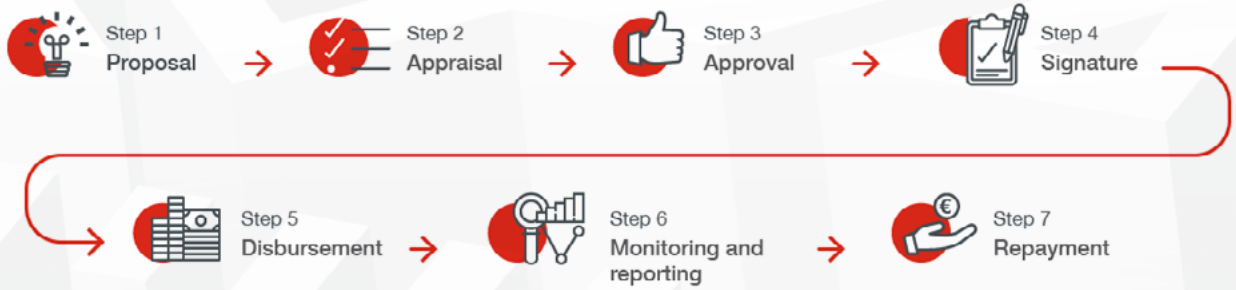
Although the loans can cover up to 50% of the total cost, on average, they tend to cover approximately only a third.

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 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, etc.
- 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.

A project financed by the EIB usually goes through 7 major stages: proposal, appraisal, approval, signature, disbursement, monitoring and repayment.

Operating scheme:



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

Lastly, an essential role has been played by the EIB in starting up the European Fund for Strategic Investments (EFSI). For these purposes, it is worth remembering that 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, which was subsequently extended to 2020 (EFSI 2.0).[9]

9 https://www.eib.org/en/products/mandates-partnerships/efsi/index.htm

Currently, and within the new Community budgetary framework (2021-2017) approved by Regulation 2020/2093, of 17 December 2020, the Commission is proposing to build on the success of the EFSI model and benefitting from economies of scale generated by it by merging all instruments currently available to foster investment in the EU, similarly to what it proposed previously, with the creation of the "InvestEU" program to bring EU budget financing in the form of loans and guarantees under one roof.[10]

Thus, although the last projects were approved by the EFSI's Investment Committee in December 2020, InvestEU gradually became the EU's new long-term funding program over the course of 2021.

This program consists of:

i. The **InvestEU Fund**, which combines the EFSI and 13 other – formerly independently managed – EU financial instruments and is expected to stimulate more than €372 billion of public and private investment.

   It is important to bear in mind that this Fund has a budget guarantee of €26.2 billion, which backs the investment of the European Investment Bank Group and other financial partners. Specifically, the EIB Group will have access to 75% of this guarantee and will act as the main implementing partner for the fund.

ii. The **InvestEU Advisory Hub**, which builds on the success of the European Investment Advisory Hub and acts as the central entry point for project promoters and intermediaries seeking advisory support and technical assistance for the identification, preparation and development of investment projects across the European Union.

   Although the Hub will be managed by the European Commission, the EIB will remain its strategic partner, providing advisory support in all four areas, as well as some cross-sectoral activities, including the continuation of the JASPERS program and support for the Just Transition Mechanism.

iii. The InvestEU Portal, as a database that brings together investors and project promoters, enabling project promoters to reach investors that they may not be able to reach otherwise.

The scope of the financing provided by the InvestEu Fund includes the following 4 main policy areas:

1. **Sustainable infrastructure**, to finance projects in, for example, renewable energy, digital connectivity, transportation, circular economy, water management, waste management and environmental protection infrastructure.

2. **Research, innovation and digitalization**, aimed at promoting, among others, projects in research and innovation, digitalization of industry, artificial intelligence, etc.

3. **Facilitating access to funding for small and medium-sized enterprises (SMEs)**, including capital support for enterprises that were adversely affected by the COVID-19 crisis.

4. **Social investment and skills**, to finance projects in such areas as education, training, housing, schools, universities, hospitals, health care, long-term care and accessibility, social entrepreneurship, migrant integration, refugees and vulnerable people.

To ensure a swift rollout and its local reach, InvestEU will be implemented in conjunction with the EIB and the European Investment Fund (EIF), as well as with other implementation partners such as international financial institutions and national development banks and institutions such as the European Bank for Reconstruction and Development (EBRD), the World Bank, the Council of Europe Bank and national banks.

8.2.2 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[11]:

- Equity products: The EIF invests in venture capital and growth funds, mezzanine funds that support 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.

10 Source: https://www.consilium.europa.eu/es/policies/investment-plan/strategic-investments-fund/ and https://europa.eu/investeu/about-investeu_en

11 https://www.eif.org/what_we_do/index.htm

- Inclusive finance: The EIF provides funding (equity and loans), guarantees and technical assistance to micro-credit providers.

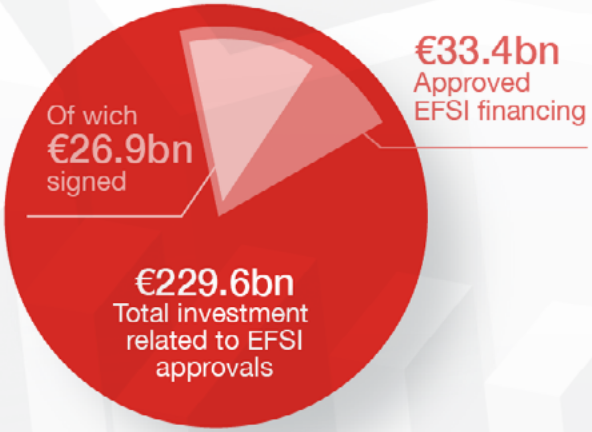
Indeed, although the EIF mainly uses venture capital instruments as a means of making capital more available to high-growth innovative SMEs, the Fund also offers debt instruments, having found that many SMEs seek financing through this more traditional route. From this standpoint, the EIF offers security 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.

EFSI FIGURES

As of 30/09/2021

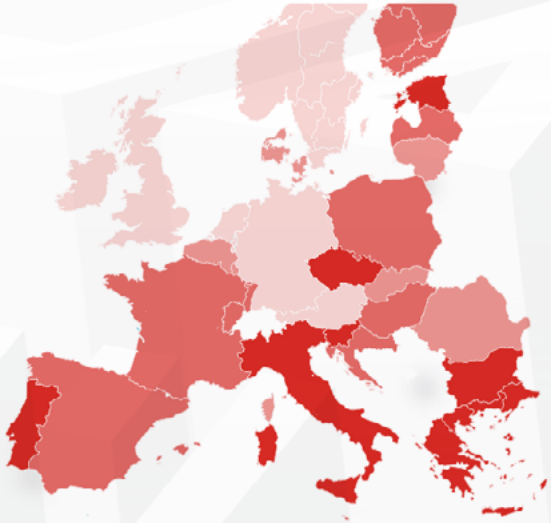
About **1460700** SMEs will benefit from EIF financing-support that will strengthen Europe's economy and create jobs

EFSI INVESTMENT BY SECTOR*



41%	38%	13%	8%
Smaller companies	RDI	Digital	Social Infrastructure

EFSI INVESTMENT RELATIVE TO GDP*



Darker color= higher investment

*based on aprroved operations

Source: EIF.

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
• 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

8.2.3 EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

During the new 2021-2027 period, and notwithstanding what ultimately results from the final approval of the relevant legislative instruments, the Union's regional and cohesion policy will focus on **5 priorities:**

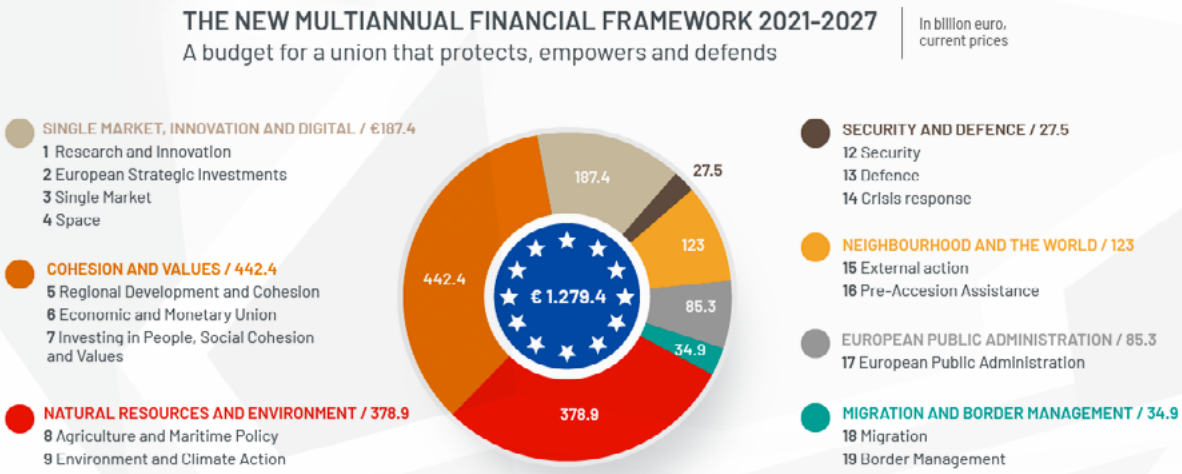
- A **smarter** Europe, through innovation, digitalization, economic transformation and achieving regional connectivity through information and communications technologies.

- 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, enhancing mobility with strategic transport and digital networks.
- A more **social and inclusive** 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 fostering the sustainable and integrated development of all types of territories and local initiatives.

To achieve these aims, 65% to 85% of ERDF and Cohesion Fund resources will be allocated, 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[12].

Likewise, 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. the urban dimension of the Cohesion Policy is stepped up 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".



Source: https://www.robert-schuman.eu/en/european-issues/0551-multi-annual-financial-framework-2021-2027-democratic-illusion-do-we-stop-or-carry-on

8.2.3.1 Common provisions on the European Structural and Investment Funds (ESI Funds)

The basic rules governing the ESI Funds are contained in **Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021** laying down common provisions on the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Just Transition Fund (JTF) and the European Maritime, Fisheries and Aquaculture Fund (EMFAF) and financial rules for those and for the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) and the Instrument for Financial Support for Border Management and Visa Policy (BMVI).

Each Fund also has its own regulation: ERDF (Regulation (UE) 2021/1058), ESF (Regulation (EU) 2021/1057), JTF (Regulation (EU) 2021/1056), and EMFAF (Regulation (EU) 2021/1139), which lay down the specific rules supplementing those laid down in the Common Provisions Regulation.

As in previous periods, the programming for the ESI Funds for the new 2021-2027 framework also requires the preparation and approval of the respective Partnership Agreement and the corresponding Operational Programs.

The **Partnership Agreement** is the national document prepared by each Member State, which explains the investment strategy and priorities of the respective Funds (ERDF, ESF,

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

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 2021-2027 period is still in the process of being prepared.**

The Partnership Agreement must be prepared under the principle of partnership and multi-level governance, and in accordance with Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.

According to the information published by the Directorate-General of European Funds of the Ministry of Finance and Public Service, in preparing the Partnership Agreement between Spain and the Commission, all of the pertinent partners were consulted, namely:

- General partners: Which includes economic and social agents, representatives of civil society, such as environmental agents, NGOs, and partners responsible for promoting social inclusion, fundamental rights, the rights of disabled persons, gender equality and non-discrimination and research institutions and universities.
- Regional partners: Autonomous communities and cities.
- Sectoral partners: Ministries and entities of the Central Government that oversee the different policies and the Spanish Federation of Municipalities and Provinces ("FEMP").
- Thematic networks: Environmental Authorities Network ("RAA"), Low-Carbon Economy Network ("REBECA"), R&D&I Public Policies Network and Urban Initiatives Network ("RIU").
- Other Funds: European Social Fund Plus (ESF+), European Maritime, Fisheries and Aquaculture Fund (EMFAF), the Just Transition Fund (JTF) for the 2021-2027 period, Asylum, Migration and Integration Fund (AMIF), Internal Security Fund (ISF), Instrument for Border Management and Visa Policy (BMVI).

In fact, at the time of preparation of this guide, the Subdirectorate-General of Programming and Evaluation of European Funds of the Ministry is still in the process of gathering contributions from the interested parties.

However, it may be recalled that under the previous Agreement (2014-2020), the specific objective of the ESI Funds in Spain was 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[13]; as well as (iii) to those set forth in the **National Reform Program** approved in 2014.

That Partnership Agreement envisaged an investment of €28,580 million aimed at financing the entire Community cohesion policy in this country during the period 2014-2020[14], a figure which included an additional €8,290 million to be used for the performance of Rural Development Programs and €160 million intended for the fisheries and maritime sectors.

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

- **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**.

As already noted above, the material implementation of the Funds also 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 Spain, however, the Operational Programs for the 2021-2027 period have not been prepared yet.

8.2.3.2 Funds under the Cohesion Policy: ERDF, ESF+, Cohesion Fund and Just Transition Fund (JTF)

The Funds under the Cohesion Policy include Structural Funds (ERDF and ESF+), the Cohesion Fund and the Just Transition, which contribute to enhancing economic, societal and territorial cohesion.

- 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

13 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.

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

the structural adjustment of regional economies, and (ii) by **restructuring industrial regions in decline and less developed regions**.

The new ERDF Regulation for the 2021-2017 period maintains its two fundamental goals: "Investment for jobs and growth" and "European territorial cooperation".

It also maintains its traditional priorities such as support for innovation, the digital economy and SMEs delivered through a smart specialization strategy, and a greener, low-carbon and circular economy[15].

However, the new cohesion policy also introduces a list of activities that are not to be supported by the ERDF, including the decommissioning or construction of nuclear power stations, airport infrastructure (except in the outermost regions) and some waste management operations (e.g. landfill).

For the 2021-2027 programming period, around €200.36 billion has been allocated to the ERDF (including €8 billion for European Territorial Cooperation and €1.93 billion of special allocations for the outermost regions). Less-developed regions will benefit from co-financing rates of up to 85% of the cost of the projects, whereas co-financing rates for transition regions and for more-developed regions will be up to 60% and 40% respectively.

Over the 2021-2027 period, Spain will receive **€23,539 million from the ERDF**, which will be distributed via **19 Regional Programs** (1 for each autonomous community and city) and **one Multi-regional Program**, which will serve as the main instrument for planning the Central Government initiatives to be financed via this Fund[16].

Accordingly, based on the provisions of article 108 of the Common Provisions Regulation, the following regions may be differentiated:

- Less developed regions: Regions whose GDP per capita is less than 75% of the average GDP per capita of the EU-27, which in Spain includes the autonomous communities of Andalucía, Castilla La Mancha, Ceuta, Extremadura and Melilla.
- Transition regions: Regions whose GDP per capita is between 75% and 100% of the average GDP per capita of the EU-27, and which, during this period, corresponds to the autonomous communities of Asturias, Balearic Islands, Canary Islands, Cantabria, Castilla León, Galicia, La Rioja, Murcia, Valencia).
- More developed regions: that is, regions whose GDP per capita is above 100% of the average GDP per capita of the EU-27, which in Spain corresponds to Aragón, Cataluña, Navarra, Madrid, Basque Country.

- European Social Fund (ESF+)

The specific objectives of the ESF+ during the 2021-2027 period include:[17]

- Supporting the policy areas of employment and labor mobility, education and social inclusion, namely by helping to eradicate poverty, and thereby contributing to the implementation of the European Pillar for Social Rights.
- Supporting the digital and green transitions, job creation through Skills for Smart Specialization, and improvements to education and training systems.
- Supporting temporary measures in exceptional or unusual circumstances (e.g., financing short-time work schemes without requiring them to be combined with active measures, or providing access to healthcare, including for people who are not immediately socio-economically vulnerable).

- Cohesion Fund

The Cohesion Fund will continue to support projects under the 'Investment for growth and jobs' goal, mainly for environmental and transport infrastructure projects, including trans-European networks (TEN-T).

In addition, the Cohesion Fund will support two specific objectives of the new cohesion policy: a greener, low-carbon and circular economy (PO2); and a more connected Europe (PO3).[18]

- Just Transition Fund

The Just Transition Fund is a new financial instrument within the Cohesion Policy which aims to provide support to territories facing serious socio-economic challenges arising from the transition towards climate neutrality. It is conceived as a specific instrument to facilitate the implementation of the European Green Deal, which aims to make the EU climate-neutral by 2050.

Specifically, the Just Transition Fund is a key tool for supporting the territories most affected by the transition towards climate neutrality and for preventing an increase in regional disparities. Its main objectives are to alleviate the impact of the transition by financing the diversification and modernization of the local economy and by mitigating the negative repercussions on employment. In order to achieve its objective, the Just Transition Fund supports investments in areas such as digital connectivity, clean energy technologies, the reduction of emissions, the regeneration of industrial sites, the reskilling of workers and technical assistance.

15 More information at https://www.europarl.europa.eu/factsheets/en/sheet/95/el-fondo-europeo-de-desarrollo-regional-feder-

16 https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/Paginas/inicio.aspx

17 More information at https://www.europarl.europa.eu/factsheets/en/sheet/53/el-fondo-social-europeo-plus

18 More information at https://www.europarl.europa.eu/factsheets/en/sheet/96/el-fondo-de-cohesion

The Just Transition Fund is implemented under shared management rules, which means close cooperation with national, regional and local authorities. In order to access Just Transition Fund support, Member States have to submit territorial just transition plans. These plans outline the specific intervention areas, based on the economic and social impacts of the transition. In particular, these plans have to take account of expected job losses and the transformation of the production processes of the industrial facilities with the highest greenhouse gas intensities[19].

The Just Transition Fund has an overall budget of €17.5 billion for 2021-2027. Futhermore, €7.5 billion will be financed under the multiannual financial framework and an additional €10 billion will be financed under NextGenerationEU.

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

The Common Agricultural Policy (CAP) absorbed around 40% of the total budget of the EU for the 2014-2020 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 in that period 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 17 December 2013, of the European Parliament and of the Council,** on the financing, management and monitoring of the Common Agricultural Policy.

As a result of the health crisis brought about by COVID-19, the reform of the 2020 post CAP did not take place in the 2021 campaign, given that, for example, the approval of its new multiannual financial framework has been delayed. For this reason, Regulation 2020/2220, of 23 December 2020, has amended Regulation 1306/2013, in order to lay down certain transitional provisions governing its operation in 2021 and 2022. In this regard, a reserve of €400 million has been established at EU level and the CAP legislative framework is set to be reformed over the course of 2022 for implementation from January 2023 onward.[20]

Against this backdrop, in Spain the government has approved Royal Decree 41/2021, of January 26, 2021, which establishes specific provisions governing the application of the CAP in Spain for these two years. According to estimates by the Council of Ministers, this will ensure that Spanish farmers and cattle breeders can receive around €7.2 billion in aid in each of these two years[21].

Accordingly, if the new CAP does not enter into force, the legal framework will continue to be essentially the one that was applied during the previous period, instrumented essentially around two structural pillars:

1. The first pillar, **through** the European Agricultural Guarantee Fund **(EAGF),** providing direct support to farmers and funding market measures 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.**

2. The **second pillar,** through the European Agricultural Fund for Rural Development (EAFRD), improving the competitiveness of agricultural and forestry industries and **promoting the diversification of economic activity and quality of life in rural areas,** including regions with specific problems, based on measures co-funded with the Member States.

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.

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 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.

19 More information at https://www.europarl.europa.eu/factsheets/en/sheet/214/fondo-de-transicion-justa

20 In this connection, the European Commission has already submitted for consideration proposals for a Regulation establishing rules on CAP Strategic Plans (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0392&from=EN); a Regulation on the financing, management and monitoring of the CAP (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0393&from=EN); and a Regulation establishing a common organization of the markets in agricultural products (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0394&from=EN).

21 https://www.mapa.gob.es/es/prensa/ultimas-noticias/el-gobierno-aprueba-el-real-decreto-que-dar%C3%A1-continuidad-a-las-ayudas-de-la-pol%C3%ADtica-agraria-com%C3%BAn-(pac)-en-2021-y-2022/tcm:30-555565

2. EAFRD

In the field of local development, consideration must be given to **Regulation 1305/2013, of 17 December 2013, of the European Parliament and of the Council,** on support for rural development throught EAFRD[22].

In particular, the EAFRD has **3 basic objectives:**

1. Fostering the competitiveness of agriculture.
2. Ensuring the sustainable management of natural resources, and climate action.
3. 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 **6 priorities:**

1. Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas.
2. Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests.
3. Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests.
4. Restoring, preserving and enhancing ecosystems related to agriculture and forestry.
5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors.
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

In accordance with Regulation 1305/2013 mentioned above, the Union aid intended for rural development was €8,297,388,821 for the 2014-2020 period, with €1,320,014,366 earmarked for 2021 and €1,081,564,825 for 2022. This is notwithstanding the resources intended for the recovery of the agricultural sector and rural areas of the Union as a result of the effects of the COVID-19 crisis, which amount to €212,332,550 for 2021 and €505,351,469 for 2022.

According to available information, for the post 2020 budgetary framework, the Commission has proposed a reform of the Common Agricultural Policy for the 2023-2027 period, 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 **3 general objectives:**

1. Fostering an intelligent, resilient and diversified agricultural industry that guarantees food safety.
2. Intensifying environmental care and pro-climate action, contributing to reaching the EU's climate and environmental goals.
3. Strengthening the socio-economic fabric of rural areas.

These overall objectives are in turn broken down into nine specific objectives, based on the three sustainability pillars and complemented by the cross-cutting objective of modernizing the sector by fostering knowledge, innovation and digitalization in rural areas.

For more information on the progress of the new CAP as well as the Strategic Plan that Spain has proposed for the new CAP framework, please see the website of the Ministry of Agriculture, Fisheries and Food.[23]

8.2.5. EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

During 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 15 May 2014, of the European Parliament and of the Council**[24]. Specifically, in Spain, there was an 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.

22 Regulation (EU) 2020/872, of 24 June, and Regulation (EU) 2020/2220, of 23 December, have amended Regulation 1305/2013 in order to introduce certain transitional measures in response to the COVID-19 health crisis and to implement them in 2021 and 2022. In addition, Delegated Regulation (EU) 2021/399, of 19 January 2021 and Delegated Regulation (EU) 2021/2017 of 15 April 2021, have amended the annexes to said Regulation 1305/2013 as regards the amounts of Union support for rural development in the years 2021 and 2022.

23 https://www.mapa.gob.es/es/pac/post-2020/default.aspx

24 By means of 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, including most notably the following measures:

- 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 Programs 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, increasing the intensity of the up to 25% of the annual quantities of the products put up for sale by the producer organization concerned.
- It will be possible to compensate the economic losses resulting from the 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).

For the new 2021-2027 budgetary framework, the **European Maritime, Fisheries and Aquaculture Fund Regulation (EMFAF)** has been approved to replace the former EMFF, and is governed, in general, by Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 and, specifically, by Regulation (EU) 2021/1139 of the European Parliament and of the Council of 7 July 2021.

In particular, the EMFAF includes a budget of €6,108 million, which, in accordance with article 3 of Regulation (EU) No. 2021/1139, will be used to pursue the following **priorities**:

1. **Promote sustainable fishing and the conservation of aquatic marine biological resources,** by fostering:
   - Economically, socially and environmentally sustainable fishing activities.
   - Energy efficiency and reducing CO2 emissions through the replacement or modernization of engines of fishing vessels.
   - The adjustment of fishing capacity to fishing opportunities in cases of permanent cessation of fishing activities and contributing to a fair standard of living in cases of temporary cessation of fishing activities.
   - Control and enforcement, including fighting against IUU fishing, as well as reliable data for knowledge-based decision making.
   - A level-playing field for fishery and aquaculture products from the outermost regions.
   - The protection and restoration of aquatic biodiversity and ecosystems.
2. **Contribute to EU food safety through aquaculture and sustainable and competitive markets,** including the following support measures:
   - Sustainable aquaculture activities, especially strengthening the competitiveness of aquaculture production, while ensuring that the activities are environmentally sustainable in the long term.
   - Initiatives aimed at marketing, quality and added value of fishery and aquaculture products, as well as processing of those products.
3. **Enable the growth of a sustainable blue economy and to develop prosperous coastal communities**, through both the sustainable development of local economies and communities through community-led development and through the collection, management and use of data to improve knowledge of the status of the marine environment.
4. **Strengthen the international governance of oceans and to guarantee protected, safe, clean and sustainably managed seas and oceans,** establishing maritime surveillance and cooperation mechanisms between coastguards.

8.2.6. EUROPEAN UNION RESEARCH AND INNOVATION PROGRAMS

8.2.6.1. Horizon Europe

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

The EU Research and Innovation Programme for the 2014-2020 period was called **"Horizon 2020" and was regulated by Regulation (EU) No 1291/2013 of the European Parliament and of the Council, of 11 December 2013.**

The objective of the program was none other than 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 program 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 was based on **three fundamental pillars of** (i) Excellent science, to increase the level of excellence in European basic science and ensure a steady flow of quality research to ensure Europe's long-term competitiveness; (ii) Industrial leadership, to speed up the development of technologies and innovations that underpin tomorrow's new technology and help innovate European SMEs to grow into world-leading companies; and (iii) Societal challenges, focused on researching big issues affecting European citizens.

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

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

To be able to participate in most of the actions included in this program, it was developed through **consortium projects,** which had to involve at least 3 independent legal entities, each one established in a different EU Member State or associated state.

At present, the Horizon 2020 Program has concluded and has been replaced by the European Union Investment and Innovation Framework Program, which is known as "Horizon Europe" and will cover the years 2021-2017. This Program is governed by Regulation (EU) of the European Parliament and

of the Council of 28 April 2021, and its Specific Program whereby it is implemented is established by Council Decision (EU) 2021/764 of 10 May 2021.

Horizon Europe is endowed with a total budget of €94,076 million, which entails a budgetary increase of roughly 50% compared to Horizon 2020, making Horizon Europe the biggest research and innovation program ever proposed.

According to the Regulation (EU) 2021/1695, the **general objective** of Horizon Europe will be (i) to deliver scientific, economic and social impact by investing in research and innovation, in order to strengthen its scientific and technological bases and boost its competitiveness, including that of its industries; (ii) deliver on the Union's strategic priorities and (iii) address global challenges, including sustainable development objectives.

In particular, the program has the following **specific objectives:**

- To support the creation and diffusion of high-quality new knowledge, skills, technologies and solutions to global challenges.
- To strengthen the impact of research and innovation in developing, supporting and implementing Union policies, and support the uptake of innovative solutions in industry and society to address global challenges.
- To foster all forms of innovation, including breakthrough innovation, and strengthen market deployment of innovative solutions.
- To optimize the Program's delivery for increased impact within a strengthened European Research Area.

To this end, according to the Regulation (EU) 2021/1695, Horizon Europe will be structured into **four pillars and budgets:**

1. "***Excellent science***", which has a budget of €23,546 million and comprises (i) the European Research Council, for pioneering research conducted by the best researchers and teams; (ii) the Marie Skłodowska-Curie Actions, to provide researchers with new knowledge and skills through mobility and training; and (iii) research infrastructure.
2. ***"Global Challenges and European Industrial Competitiveness***", which has a budget of €47,428 million and consists of the following clusters: "*Health*", "*Culture, creativity and inclusive society*", "*Civil security for society*", "*Digital, industry and space*", "*Climate, energy and mobility*", and "*Food, bioeconomy, natural resources, agriculture and environment*", as well as non-nuclear direct actions of the Joint Research Center (JRC).
3. ***"Innovative Europe"***, which has a budget of €11,937 million and will comprise (i) the European Innovation Council, to support innovations with breakthrough and market creating potential; (ii) European innovation ecosystems, aimed at connecting regional and innovation actors; and (iii) the European Institute of Innovation and Technology (EIT), aimed at bringing key actors (research, education and business) together around a common goal for nurturing innovation.
4. ***"Widening Participation and Strengthening the European Research Area"***, which has a budget of €3,212 million and includes (i) widening participation and spreading excellence; and (ii) reforming and enhancing the European R&I system.

In diagram form, the structure of Horizon Europe is as follows:

Source: https://ec.europa.eu/info/sites/info/files/research_and_innovation/ec_rtd_he-presentation_062019_en.pdf

The **main new features** introduced by Horizon Europe stem from some of the lessons learned from the interim evaluation of Horizon 2020, such as the following:

- The European Innovation Council, will take on a greater role to support innovations with breakthrough and disruptive nature and scale-up potential that are too risky for private investors. To this end, provision is made both for (i) grants from early technology phase to proof of concept;

and (ii) grants from proof of concept to the pre-commercial phase; and (iii) grants and blended finance from pre-commercial phase to market and scale-up phase.

- Fostering the execution of research and innovation missions, to relate EU's research and innovation better to society and citizens' needs, with better visibility and impact. These specific missions will be programmed within the *"Global challenges and European industrial competitiveness"* pillar.

- The strengthening of international cooperation, opening the program to association with third countries and territories that have (i) good capacity in science, technology and innovation; and (ii) the commitment to an open market economy within a predetermined legislative framework, including fair and equitable dealing with intellectual property rights, backed by democratic institutions.

- A policy of "open science", so that, in in general, (i) open access to scientific publications resulting from research funded under the Program shall be ensured; (ii) **responsible management of research data** shall be ensured in line with the FAIR principles; and (iii) open science practices beyond open access to research outputs and responsible management of research data shall be promoted.

  To this end, (i) beneficiaries shall ensure that they or the authors retain sufficient intellectual property rights to comply with open access requirements; and (ii**) open access to research data** shall be the general rule, but exceptions shall apply if justified, taking into consideration the legitimate interests of the beneficiaries and any other constraints, such as data protection rules, security rules or intellectual property rights.

- A new approach to European partnerships, to rationalize the funding landscape. These partnerships can take the following forms: (i) Co-programmed European Partnerships (on the basis of memoranda of understanding or contractual arrangements between the Commission and the partners); (ii) Co-funded European Partnerships (based on the commitment of the partners for financial and in-kind contributions); or (iii) Institutionalized European Partnerships (with research and innovation programs undertaken by several Member States or by bodies, such as joint undertakings or by knowledge and innovation communities).

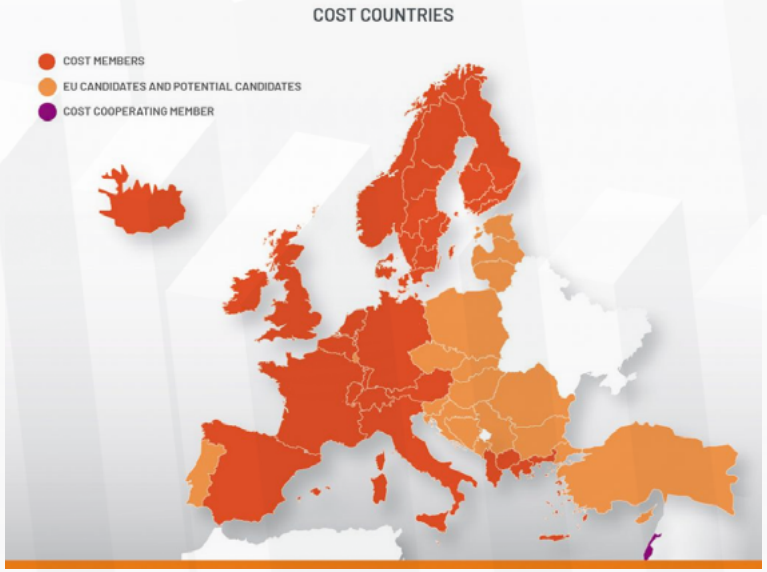
- The spreading of excellence, (i) establishing it as a possible criterion for awarding subsidies and as the sole criterion in the case of actions by the European Research Council with respect to "*knowledge frontiers*"; and (ii) creating a seal of excellence to which certain beneficiaries can aspire.

8.2.6.2. Other Research and Innovation Programs

Parallel to "*Horizon Europe*", the European Commission also extends R&D&I funding opportunities through other additional programs of significance in the context of the European Research and Innovation Strategy, such as the COST (European Cooperation in Science and Technology) program, initiated in 1971 and one of the oldest European framework programs supporting cooperation among scientists in all of Europe in different areas of research, and the ***EURATOM***, (European Atomic Energy Community) program, with the goal of coordinating the research programs of Member States in the peaceful use of nuclear energy.

- **COST Program**

  The COST (European Cooperation in Science and Technology) program 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 and South Africa as a partner State. It also has a multitude of reciprocity agreements (including Australia, New Zealand, Argentina, Mexico, Brazil, the US, China, and Japan[25]).



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

25 https://www.cost.eu/about/cost-strategy/cost-global-networking

This **program 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 and South Africa**; (ii) in any technological or scientific field; and (iii) provided that they have an **original and innovative idea.**

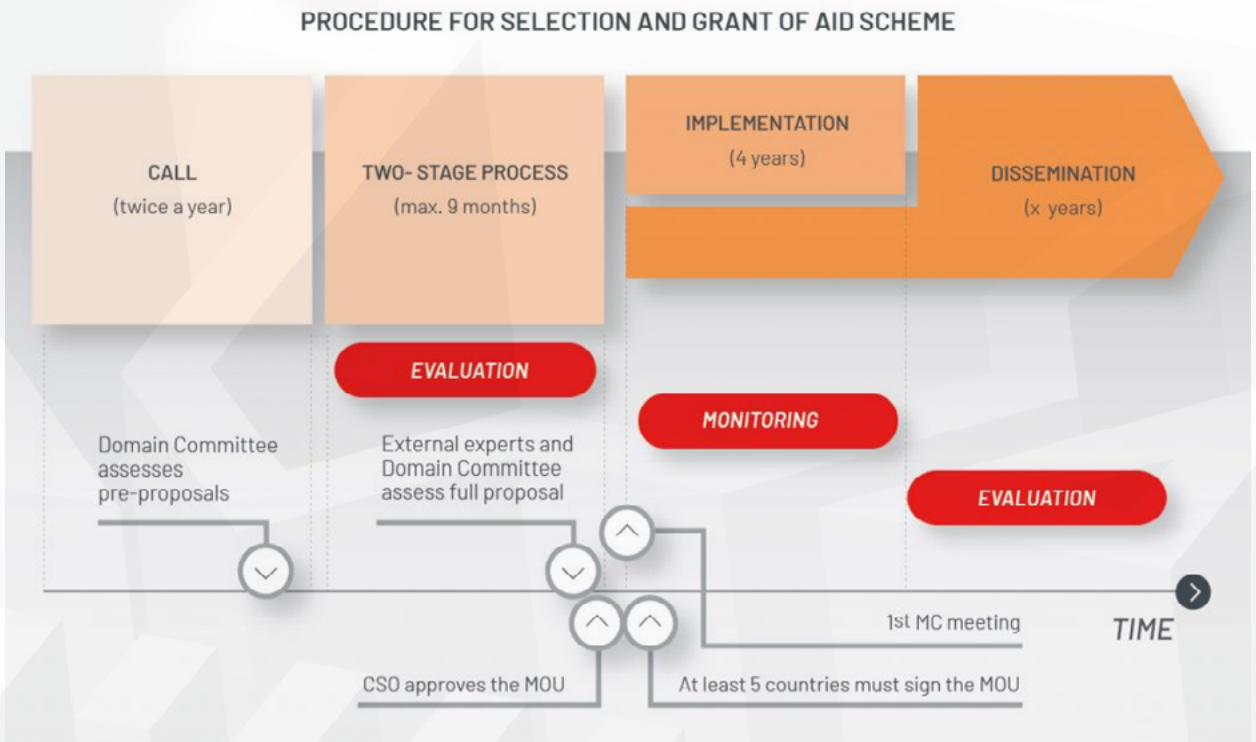
Its objective is to strengthen scientific and technical research in Europe, financing **the establishment of cooperation and interaction networks between researchers** who organize themselves around a specific scientific objective.

The program functions through networks known as **COST Actions**, which emerge at the initiative of researchers without pre-defined thematic priorities. **At least 7 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 (https://www.cost.eu/about/cost-strategy/excellence-and-inclusiveness/).

The projects selected will receive funding for activities previously established in the joint working program – 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

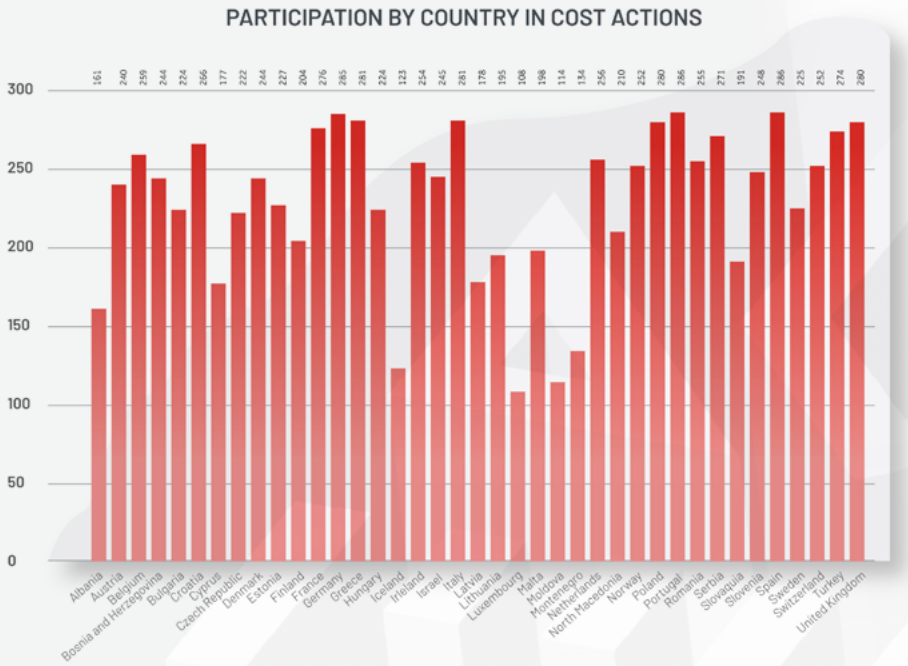
Currently, there is an open call for proposals for COST actions that will end in October, and 75 new actions are expected to be approved, depending on the receipt of sufficient EU budget[26].

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.

26 https://www.cost.eu/uploads/2021/12/COST_oc-2022-1_Announcement-HE.pdf

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. It is legally separated from the European Community and has its own **Framework Research and Training Program,** which is managed by the common Community institutions, and which for the 2019-2020 period has been regulated in **Council Regulation (Euratom) 2018/1563 of 15 October 2018.** Furthermore, **Regulation (Euratom) 2021/765, of 10 May 2021**, complementing Horizon Europe, has been approved for the 2021-2025 period.

The main new features of the new EURATOM program are essentially, (i) greater attention to the non-energy applications of medical, industrial and spatial radiation; (ii) the opening up of mobility opportunities for nuclear researchers through their inclusion in Marie Sklodowska-Crie actions; and (iii) the simplification of the program, reducing the specific objectives from 14 to 4[27].

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 program, initially endowed with budget of €1,382 million for the 2021-2025 period, is to **pursue nuclear research and training activities with an emphasis on continuous improvement of nuclear safety, security and radiation protection**. In this spirit, it seeks to complement the achievement of Horizon Europe's objectives, for example, in the context of the energy transition (with a view to contributing to the long-term decarbonization of the energy system in a safe, efficient and secure way).

The program has the following **specific aims**:

- Improving the safe and secure use of nuclear energy and non-power applications of ionizing radiation, including nuclear safety, security, safeguards, radiation protection, safe spent fuel and radioactive waste management and decommissioning.
- Maintaining and further developing expertise and excellence in the Union.
- Fostering the development of fusion energy and contributing to the implementation of the European fusion roadmap.
- Supporting the policy of the Union on nuclear safety, safeguards and security.

These objectives are implemented through (i) indirect actions in fusion research and development and in the field of nuclear fission, safety and radiation protection; and (ii) direct actions undertaken by the Joint Research Center.

27 https://ec.europa.eu/info/sites/info/files/research_and_innovation/strategy_on_research_and_innovation/presentations/horizon_europe_es_invertir_para_dar_forma_a_nuestro_futuro.pdf

Given that EURATOM is configured as a Program supplementary to "Horizon Europe", it is subject to the same rules on participation and there is also a possibility of interested parties carrying out cross-cutting actions between them through co-funding and externalization.

8.2.7 COMMUNITY INITIATIVES IN FAVOR OF CORPORATE FINANCE

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

- **COSME Program:**

  The **COSME** (*Competitiveness of Enterprises and Small and Medium-sized Enterprises*) program was an EU program aimed at improving the competitiveness of enterprises, with special emphasis on small and medium-sized enterprises, during the 2014-2020 period, which has already ended.

  COSME helped 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 was regulated **in Regulation (EU) nº 1287/2013 of the European Parliament and of the Council, of 11 December 2013.**

  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 program's objectives were (i) to improve SMEs' access to finance and to markets; (ii) to improve the general conditions for the competitiveness and sustainability of SMEs; and (iii) to promote entrepreneurship and entrepreneurial culture.

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

  For the 2021-2027 period, the objectives and aims pursued by COSME will be implemented via the following two programs[28]:

  1. **Single market program**, specially dedicated to empowering and protecting consumers and enabling Europe's many SMEs to take full advantage of a well-functioning single market. To this end, the governance of the EU's internal market will be strengthened, thereby supporting businesses' competitiveness, promoting human, animal and plant health and animal welfare, as well as establishing the framework for financing European statistics[29]. It is a **modern, simple and flexible program** which consolidates a large range of activities that were previously financed separately, into one coherent program.

     This program is governed by Regulation (EU) 2021/690, of 18 April 2021, of the European Parliament and of the Council, which endows it with a budget of €4,208,041,000.

     The **general aims** of the Single Market Program are to:

     - Improve the functioning of the internal market, notably to protect and empower the public, consumers and businesses, especially SMEs, by enforcing EU law, facilitating market access and setting standards, promoting human, animal and plant health and animal welfare. And all of the above, while respecting sustainable development and ensuring a high level of consumer protection, as well as enhancing cooperation between national authorities, the European Commission and decentralized EU agencies.
     - Develop, produce and disseminate high-quality, comparable, timely and reliable European statistics to underpin the design, monitoring and evaluation of EU policies assist the public, policymakers, authorities, businesses, academia and the media to make informed decisions help the above groups to participate actively in the democratic process.

  2. **InvestEU Fund**, governed by Regulation (EU) 2021/523, of 24 March 2021, of the European Parliament and of the Council. It is a program endowed with a budgetary guarantee of approximately €26.2 billion, although it is expected to mobilize more than €372 billion in investments during the 2021-2027 period.

     It is structured around **four policy windows**: (i) sustainable infrastructure; (ii) research, innovation and digitalization; (iii) SMEs; and (iv) social investment and skills.

     Strategic investments focusing on building stronger European value chains as well as supporting activities in critical infrastructure and technologies will be possible under all four windows. With this, the aim is to cater for the future needs of the European economy and promote the EU's autonomy in key sectors.

- **InvestorNet - Gate2Growth initiative**

  The **InvestorNet - Gate2Growth** initiative (www.gate2growth.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.

28 https://plataformapyme.es/es-es/Internacional/PoliticaEuropeaPyme/Paginas/COSME.aspx

29 https://www.euramed.eu/euratom-research-and-training-programme-for-2021-2025/

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*", "*SME Instrument*" and "*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:

- NICE: Innovative and enhanced nature-based solutions for a sustainable urban water cycle (2021-2025).
- 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).
- ROTATE: Critical and essential raw materials for circular ecology (2022-2026).
- TRIGGER: Solutions to mitigate climate-induced health threats (2022-2026).

Lastly, it should be noted that, along with the initiatives described above, other specific business financing initiatives, according to activity sector, are also available at Community level.

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ICEX

INVESTIN SPAIN

GARRIGUES