

GARRIGUES



MINISTERIO  
DE ECONOMÍA, COMERCIO  
Y EMPRESA

ICEX

INVESTIN  
SPAIN



# GUIDE TO BUSINESS IN SPAIN 2024

40<sup>th</sup> ANNIVERSARY



## Investment aid and incentives in Spain





40<sup>th</sup> ANNIVERSARY

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This guide was researched and written by Garrigues, on behalf of ICEX, on February 2024.

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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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 impact that the "Next Generation EU" Program is achieving as a special funding mechanism aimed at

helping the Member States recover from the consequences of the Covid-19 pandemic, of which Spain is one of the main recipients.

Against this backdrop and as part of Spain's Recovery, Transformation and Resilience Plan (and its Addendum), major public reforms and investments are being 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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## 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 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.

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## 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 two types.

#### 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 Employment Law 3/2023, of February 28, 2023, was subsequently approved. Article 33 of such Law provides that the principles, objectives and regulation of the in-work training system will be subject to specific regulation and that, in any event, the aims of in-work training are essentially as follows: (i) to foster training throughout the life of employed and unemployed workers, (ii) to vest the right to training and to career advancement, (iii) to improve workers' occupational skills, (iv) to contribute to improvements in the productivity and competitiveness of enterprises, (v) to ensure that all the training content taught in in-work training is done with a gender perspective, (vi) to enhance workers' employability, (vii) to ensure that the occupational skills acquired by workers are subject to an assessment process as part of in-work training, (viii) to facilitate the transition toward high-quality employment and occupational mobility, (ix) to accompany the digital and green transformation processes and foster social and territorial cohesion, as well as gender equality and (x) to boost programmed training by enterprises.

The implementing regulations provided for in Employment Law 3/2023 have not yet been issued, meaning that significant changes can be expected to occur in this area in the short term.

In any 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, among other funds, the vocational training for employment contributions paid by companies and workers, on the terms established by their specific regulations (considering in any case the distribution of powers between the Ministry of Labour and Social Economy and the Ministry of Education, Vocational Training and Sport) and 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<sup>1</sup> 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

<sup>1</sup> The State Public Employment Service will become the Spanish Employment Agency in accordance with articles 18 et seq. and additional provision one of Law 3/2023.

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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 developments.
- **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 these 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 92 LGPE 2023 <sup>2</sup> )
<b>Own training programs</b>	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.
<b>Individual leaves of absence for workers</b>	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 <sup>3</sup> ), according to size of company. As an example, for 2023 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 2024, 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.

<sup>2</sup> Since the General State Budget Law for 2024 has not been approved (and until it is approved, as the case may be), Law 31/2022 of December 23, 2022, on the General State Budget for 2023 is deemed to be automatically extended, in accordance with article 134.4 of the Spanish Constitution.

<sup>3</sup> 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.



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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 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 Labour 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<sup>3</sup>. 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
<b>In-person</b>	€13.
<b>Teletraining</b>	€7.50.
<b>Hybrid</b>	The above units will be applied according to the hours of in-person training or teletraining that take place in the training initiative.

Training initiatives not related to professionalism 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.

Lastly, mention should be made of training initiatives at companies (which form part of the training offered under the Vocational Training for Employment System directly designed to cover training needs of companies and their workers). Article 50 of Organic Law 3/2022, of March 31, 2022, on the organization and integration of vocational training, provides that where companies meet the established requirements for such purpose and are duly authorized by the educational authorities, they may carry out training initiatives aimed at helping their workers over the age of 16 to obtain vocational training qualifications.

Notably, in accordance with article 52 of Royal Decree 659/2023, of July 18, 2023, implementing the rules governing the Vocational

<sup>3</sup> 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.

Training System, the Ministry of Education and Vocational Training, as well as the competent regional authorities, can issue periodic calls for funding for vocational training offered as part of training programs at companies or similar organizations. Attention will therefore need to be paid to the different calls published each year.

### 2.2 EMPLOYMENT INCENTIVES

The Spanish Central Government's employment policy is made up of active employment policies and unemployment protection policies. Active employment policies comprise the set of decisions, measures, services and programs aimed at contributing to enhancing employability and reducing unemployment, fully implementing the right to decent, stable and high-quality jobs, generating decent jobs and achieving the objective of full employment. This is articulated in article 2 of Employment Law 3/2023, of February 28, 2023.

In particular, articles 31 et seq. of Law 3/2023 clarify that active employment policies are the set of services and programs relating to induction, intermediation, employment, in-work training and advice relating to self-employment and entrepreneurship aimed at boosting job creation and improving access to a decent job, which will be designed and carried out by the Spanish Employment Agency (which, as indicated, will replace the current State Public Employment Service) and the employment services of the autonomous communities within the scope of their respective powers.

The Central Government's current active employment policies were adopted by the Council of Ministers, through the approval of Royal Decree 818/2021, of September 28, 2021, on common employment activation programs for the Spanish National Employment System<sup>4</sup> and of Royal Decree 1069/2021, of

December 4, 2021, approving the 2021-2024 Spanish Active Employment Support Strategy<sup>5</sup>.

Against this backdrop, the Spanish Central Government offers an extensive catalog of aid to boost employment, consisting mainly of **reductions in social security contributions, aimed at promoting new stable or indefinite jobs** (especially, with respect to priority target groups for employment policies, there are currently specific types of aid, such as, 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). Law 3/2023 has notably expanded the number of persons included among priority target groups for the employment policy<sup>6</sup>, so it is likely that in the short term the Central Government will adopt specific programs aimed at boosting employment for these groups<sup>7</sup>.

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

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

The catalog of aid for the formalization of contracts, the basic parameters of which were just described above, is very extensive, as it varies according to the types of existing contracts and the specific

<sup>4</sup> This Royal Decree has been implemented by Order TES/1077/2023, of September 28, 2023, establishing, within the scope of the powers of the State Public Employment Service, the rules governing the grant of subsidies to fund active employment policy programs. The Order sets out the procedure for the grant, execution, control and justification of subsidies, and its Schedule specifies what activities are eligible for subsidies.

<sup>5</sup> The guidelines needed to achieve the objectives of the Strategy across Spain as a whole and in each of the different autonomous communities, as well as the indicators to be used to ascertain and evaluate the degree of achievement of such objectives, will be set out each year in the corresponding Annual Plan for Promoting Decent Work. The 2023 Annual Plan for Promoting Decent Work was approved by the Council of Ministers in its Decision of May 23, 2023 (published in the Official State Gazette on June 6, 2023 pursuant to the Decision of May 29, 2023, of the Office of the Secretary of State for Employment and Social Economy).

<sup>6</sup> In accordance with article 50 of the above-mentioned Law, the following are considered vulnerable groups to be given priority attention: young people particularly those who are low-skilled, people who are long-term unemployed, people with disabilities, people with borderline intellectual impairment, people on the autism spectrum, LGBTQ people, in particular trans people, people over the age of 45, migrants, recipients of international protection and applicants for international protection on the terms set out in the specific applicable legislation, victims of human trafficking, women with few skills, women who are victims of gender violence, people in a situation of social exclusion, gypsies, or people belonging to other ethnic or religious population groups, workers from sectors undergoing restructuring, people affected by drug and other addictions, victims of terrorism, as well as people whose guardianship or protection is or has been assumed by the public authorities, descendants in the first degree of women who are victims of gender violence and adults with dependent minors aged 16 or older, especially if they constitute lone-mother families or single-parent families, among other especially vulnerable groups.

<sup>7</sup> Special attention will need to be paid to the different industry regulations, which may provide for specific actions in this area. For example, in accordance with the provisions of articles 54 and 55 of Law 4/2023, of February 28, 2023, for real and effective equality of transgender people and to guarantee the rights of LGTBI people, the public authorities will design and adopt the necessary affirmative action measures to improve the employability of this group and specific plans to help promote their employment, as well as their integration into the workplace, including the adoption of subsidies to foster the hiring of unemployed workers.



features of each of them. These incentives are set forth, in general, in Royal Decree-Law 1/2023, of January 10, 2023, on urgent measures for employment contracts and enhancement to the social protection system for artistes and, to a lesser extent, in Law 43/2006, on improved growth and employment, as regards specific incentives for hiring disabled persons<sup>8</sup>.

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 most relevant features of the main reductions, currently applicable, for the hiring of workers. Bear in mind, however, that the Central Government will perform a periodic assessment of the impact of measures to boost employment and may establish new incentives or eliminate pre-existing incentives that have been shown to be inoperative (additional provision 10 of RD-Law 1/2023).

### 2.2.1 INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS

- **Disabled persons** (art. 2.2 Law 43/2006).

Employers who hire disabled persons (under an indefinite-term contract or in cases where a temporary job creation contract is converted into an indefinite-term contract or where training contracts signed with disabled persons are converted into indefinite-term contracts) will be entitled to a monthly reduction in the employer portion of social security contributions or, where appropriate, of its daily equivalent per worker hired, of €375/month (€4,500/year) for the entire term of the contract.

The reduction will be €425/month (€5,100/year) if the disabled worker is included in any of the following groups: (i) people

with cerebral palsy, people with mental illness or people with intellectual disabilities, with a recognized degree of disability equal to or greater than 33% and (ii) people with a physical or sensory disability, with a recognized degree of disability equal to or greater than 65%.

If at the time of hiring the disabled worker is aged 45 or older or is a woman, the applicable social security reduction will be increased, respectively, by €100/month (€1,200/year) or by €70.83/month (€850/year), and these increases will not be compatible with each other.

- **People with borderline intellectual impairment** (art. 14 RD-Law 1/2023).

The hiring under indefinite-term contracts of people with borderline intellectual impairment will give entitlement to a reduction in social security contributions of €128/month for 4 years.

Persons with a borderline intellectual impairment are deemed to be those defined in article 2 of Royal Decree 368/2021, of May 25, 2021, on affirmative action measures to promote access to employment for persons with a borderline intellectual impairment (that is, persons who officially evidence, according to the current criteria for assessing disability status, an intellectual impairment of at least 20% but below 33%).

- **Workers reinstated after having stopped working at the company due to a total or absolute permanent disability** (art. 15 RD-Law 1/2023).

Hiring under indefinite-term contracts that entails reinstating workers who have stopped working at the company due to a total or absolute permanent disability will give entitlement to

a reduction in social security contributions of €138/month for a period of 2 years, provided that the reinstatement does not arise from the worker's right to be reinstated in the job.

This reduction will also apply in cases of persons over the age of 55 with a permanent disability who are reinstated at their company in another category, as well as persons above that age who recover their ability and can be hired by another company.

- **Women who are victims of gender violence, sexual violence and human trafficking** (art. 16 RD-Law 1/2023).

The hiring of women under indefinite-term contracts who have evidenced their status as victims of gender violence, sexual violence or human trafficking, sexual exploitation or labor exploitation and women in prostitution settings will give entitlement to a reduction in social security contributions of €128/month for 4 years.

- **People in situations of social exclusion** (art. 20 RD-Law 1/2023).

The hiring under indefinite-term contracts of workers in a situation of social exclusion will give entitlement to a reduction in social security contributions of €128/month for 4 years.

In cases where the worker hired has completed an employment contract with a social integration company in the preceding

<sup>8</sup> In accordance with additional provision 5 of RD-Law 1/2023, the following will continue to apply: the reductions in employer social security contributions for hiring disabled persons regulated in article 2.2 and 2.3 of Law 43/2006, as well as the provisions of articles 5 to 9 of said Law 43/2006 relating to the requirements for recipients, exclusions, simultaneity, maximum amount and incompatibility of reductions in employer social security contributions, the continuation of such reductions and the reimbursement of benefits, respectively.

12 months, has not subsequently worked as an employee for a period exceeding 30 days for another employer after having left the social integration company and is hired for an indefinite-term by an employer that is not a social integration company or special employment center, the reduction will be €147/month for a maximum period of 12 months. After this period of 12 months ends, the reduction in the preceding paragraph will apply until a maximum period of 4 years is completed.

- **People who have been long-term unemployed** (art. 21 RD-Law 1/2023).

The hiring under indefinite-term contracts of unemployed persons who have been registered at the employment office for at least 12 months in the 18 months preceding the hiring will give entitlement to a reduction in social security contributions of €110 for 3 years.

Where these contracts are arranged with women or persons aged 45 or older, the indicated reduction will be €128/month for 3 years.

- **Victims of terrorism** (art. 22 RD-Law 1/2023).

The hiring under indefinite-term contracts of persons who have evidenced their status as terrorism victims will give entitlement to a reduction in social security contributions of €128/month for 4 years.

### 2.2.2 REDUCTIONS FOR HIRING UNDER TEMPORARY CONTRACTS

In accordance with article 2.2.4 of Law 43/2006, employers who hire disabled persons under a temporary job creation contract will be entitled to a reduction in the employer portion of social security contributions of €341.66/month (€4,100/year)

if the disabled worker is included in one of the following groups: (i) people with cerebral palsy, people with mental illness or people with intellectual disabilities, with a recognized degree of disability equal to or greater than 33% or (ii) people with a physical or sensory disability, with a recognized degree of disability equal to or greater than 65%.

If at the time of hiring the worker is aged 45 or older or is a woman, the social security reduction applicable according to the above paragraphs will be increased, in both cases, by €50/month (€600/year), and these increases will be compatible with each other.

### 2.2.3 REDUCTIONS RELATED TO WORK-LIFE BALANCE MEASURES

- **Hiring of unemployed persons to replace employed persons** (art. 17 RD-Law 1/2023).

The following will give entitlement to a reduction in social security contributions of €366/month during the period in which the replacement contract and the respective benefit or, as the case may be, the temporary incapacity situation overlaps:

- Fixed-term contracts that are signed with unemployed young persons, under the age of 30, to replace workers who are receiving financial benefits (i) due to risk during pregnancy or risk during natural breastfeeding or (ii) due to the birth of and care for a minor or the shared exercise of care for the breastfeeding minor.
- Fixed-term contracts that are signed with unemployed persons to replace self-employed persons, working partners and members of cooperatives that are receiving

financial benefits (i) due to risk during pregnancy or risk during natural breastfeeding or (ii) due to the birth of and care for the minor or the shared exercise of care for the breastfeeding minor.

- Fixed-term contracts that are signed with unemployed persons with a disability to replace disabled workers whose employment contract has been suspended due to temporary incapacity.

- **Workers replaced for work-life balance reasons** (art. 18 RD-Law 1/2023).

In the case of employees replaced while receiving financial benefits for the birth of and care for a minor, the shared exercise of care for the breastfeeding minor, risk during pregnancy or risk during natural breastfeeding, under the replacement contracts referred to in the preceding point, a reduction in social security contributions of €366/month will apply.

In addition, in the case of working partners or members of cooperatives, replaced during rest periods due to the birth of and care for the minor, the shared exercise of care for the breastfeeding minor, risk during pregnancy or risk during natural breastfeeding, under replacement contracts qualifying for reductions, signed with unemployed persons as referred to in the preceding point, employers can apply a reduction of €366/month in the employer portion of social security contributions relating to all items for partners included in a social security regime specific to employees.

The duration of these reductions will coincide with the period in which the replacement contract and the respective benefit overlap.

- **Change of job position due to risk during pregnancy or risk during natural breastfeeding, as well as in cases of occupational disease** (art. 19 RD-Law 1/2023).

In cases where, due to risk during pregnancy or risk during natural breastfeeding, the worker is assigned to a job position or function different from and compatible with her state, a reduction of €138/month will apply to the contributions that fall due while the worker performs the new job position or function.

This reduction will also apply where, due to an occupational disease, there is a change in job position within the same company or the worker performs, at a different company, a job position that is compatible with the worker's state.

## 2.2.4 REDUCTIONS FOR TRAINING CONTRACTS AND THEIR CONVERSION INTO INDEFINITE-TERM CONTRACTS AND THE HIRING OF RESEARCH PERSONNEL IN TRAINING

- **Work-linked training contract** (art. 23 RD-Law 1/2023).

The work-linked training contract will give entitlement, during its term, including any extensions, to a reduction of €91/month, as well as a reduction of €28/month in the social security contributions of the worker and for joint collection items. However, these reductions will not apply in work-linked training contracts where they are signed as part of public hybrid employment-training programs.

- **Conversion of training and hand-over contracts into indefinite-term contracts** (art. 24 RD-Law 1/2023).

The conversion of training contracts into indefinite-term contracts at the end of their initial or extended term, regardless

of the date of their execution, will give entitlement to a reduction in contributions of €128/month for 3 years. In the case of women, this reduction will be €147/month.

In the case of workers with training contracts and made available to user companies, such companies will, on the terms indicated in the preceding paragraph, be entitled to identical reductions where, uninterruptedly, they arrange an indefinite-term contract with such workers.

The conversion of hand-over contracts into indefinite-term contracts, regardless of the date of their execution, will give entitlement to a reduction in contributions of €55/month for the next 3 years. In the case of women, this reduction will be €73/month.

- **Hiring under indefinite-term contracts or the inclusion as a partner in a cooperative or worker-owned company of persons who carry out practical training at companies** (art. 25 RD-Law 1/2023).

The hiring under indefinite-term contracts or the inclusion as a partner in a cooperative or worker-owned company of persons who carry out practical training at companies by the company where the training is carried out, whether at the end or during the performance of the training, will give entitlement to a reduction in social security contributions of €138/month for a maximum period of 3 years, unless the worker hired is a disabled person, in which case the reduction may apply for the entire term of the contract.

In the case of inclusion as a partner in a cooperative, the above-mentioned reduction will only apply where the entity has opted for a social security regime specific to employees.

- **Work-linked training** (art. 26 RD-Law 1/2023).

Training activity in the work sphere, associated with a work-linked training contract, where it is carried out in the

company will give entitlement to reductions in the employer portion of social security contributions to finance the costs of the training received by the worker hired, in the maximum amount that results from multiplying the economic module established by regulations by a number of hours equal to 35% of the working hours during the first year of the contract, and 15% of the working hours during the second year.

Where the work-linked training contract is formalized with beneficiaries of the National Youth Guarantee System, the maximum amount of the reductions that the company can apply to finance the training costs would be the result of multiplying the relevant economic module by a number of hours equal to 50% of the working hours during the first year of the contract, and 25% of the working hours during the second year.

All companies that formalize work-linked training contracts can apply a reduction for costs arising from tutoring the workers up to a maximum amount of €1.50 per student and hour of tutoring, up to a maximum of 40 hours per month and student. In the case of companies with fewer than 5 workers the additional reduction will be subject to a maximum amount of €2 per student and hour of tutoring, up to a maximum of 40 hours per month and student. These reductions for tutoring costs will be applied to the employer portion for vocational training and will be financed out of the vocational training contribution.

- **Research personnel hired under predoctoral contracts** (art. 27 RD-Law 1/2023).

The hiring of research personnel under predoctoral contracts will give entitlement, during the term of the contract, including any extensions, to a reduction in social security contributions of €115/month.

### 2.2.5 SUPPORT FOR EMPLOYMENT IN THE SOCIAL ECONOMY AND IN SPECIFIC FIELDS OR SECTORS

- **Hiring of workers who are members of cooperatives and worker-owned companies as working partners** (art. 28 RD-Law 1/2023).

The hiring of unemployed workers who are members of cooperatives and worker-owned companies as working partners will give entitlement to a reduction in social security contributions of €73/month for a period of 3 years, where such entities have opted for a social security system specific to employees.

If the workers hired are young people under the age of 30, or persons under the age of 35 with a recognized degree of disability equal or greater than 33%, the reduction will be €147/month for the first year and €73/month for the remaining two years.

- **Conversion of temporary contracts signed with agricultural employees into indefinite-term contracts for seasonal work** (art. 29 RD-Law 1/2023).

The conversion of temporary contracts into indefinite-term contracts for intermittent work will give rise to the right to a reduction in contributions, for the following three years, of €55/month or €73/month in the case of female employees, where the conversion relates to temporary contracts signed with agricultural employees included in the Special Social Security Regime for Agricultural Employees.

- **Extension of the period of activity of workers with indefinite-term contracts for seasonal work in the tourism sector and in retail and hospitality sectors linked to tourist activity** (art. 30 RD-Law 1/2023).

Companies, excluding public sector companies, engaging in activities falling within the tourism sector, or within the retail trade and hospitality sectors provided the activities are linked to the tourism sector, that generate productive activity in the months of February, March and November each year and that take on and/or keep on workers with indefinite-term contracts for seasonal work in those months, may apply a reduction in contributions of €262/month for those months.

- **People hired in certain sectors of activity and geographical areas** (art. 31 RD-Law 1/2023).

Companies, excluding the public authorities and public sector entities, agencies and companies, engaging in activities falling within the agriculture, fishing and aquaculture sector, the industrial sector, except energy and water, the retail sector, the tourism sector, the hospitality sector and other services sectors except for fixed-wing air transport, building construction, financial and insurance activities and real estate activities, as well as in other legally determined sectors or areas of activity, in the cities of Ceuta and Melilla, with assigned contribution accounts that have workers on indefinite-term contracts who work in those cities, are entitled to a reduction in contributions of €262/month for the term of the contracts.

This reduction only applies where the companies carry out, for each worker on a contract qualifying for reductions, training activities related to the business activity of a minimum duration of 20 hours a year, unless the period of application of the reduction within the year was less than 6 months.

### 2.2.6 INCENTIVES FOR HIRING UNDER INDEFINITE-TERM CONTRACTS, UNDER TEMPORARY CONTRACTS OR FOR CONVERSION INTO INDEFINITE-TERM CONTRACTS THROUGH SPECIAL EMPLOYMENT CENTERS

In accordance with article 2.3 of Law 43/2006, the hiring of workers with disabilities (with a degree of disability equal to or greater than 33% or the degree specifically established in each case) by a special employment center, under an indefinite-term or temporary contract, including training contracts, qualifies for a 100% reduction in the employer portion of social security contributions, including those for occupational accidents and occupational disease and joint collection contributions. The same reduction is available to special employment centers in the case of conversion into indefinite-term contracts of temporary job creation contracts with disabled persons or conversion into indefinite-term contracts of fixed-term or temporary contracts, including training contracts signed with workers with disabilities.

### 2.2.7 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.

### 2.2.8 MEASURES TO SUPPORT COMMON EMPLOYMENT ACTIVATION PROGRAMS

Royal Decree 818/2021, of September 28, 2021, regulating common employment activation programs for the Spanish National Employment system – referred to above – 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** (arts. 47 to 50 of RD 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 3 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 on integration of people with disabilities into the protected labor market** (arts. 51 to 57 of RD 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** (arts. 58 to 64 of RD 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** (art. 67 of RD 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** (arts. 68 to 72 of RD 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:
    - o 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.
    - o 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** (arts. 73 and 74 of RD 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** (arts. 75 and 76 of RD 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).

- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (instituto de crédito oficial or ICO)
- 7 Internationalization incentives
- 8 EU AID and incentives

### 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:

### 3.1 RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION

#### 3.1.1 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. Reestablishing a strong national R&D&I system is also an urgent action to which the Strategy attempts to respond. To this end, the following **7 general objectives** are established:

1. Position science, technology and innovation as key areas for achieving the Sustainable Development Goals of the 2030 Agenda.
2. 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.
3. 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.
4. 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.

5. 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.
6. 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.
7. 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, as well as complying with State aid regulations.
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 carry out the objectives and key areas indicated, the Strategy provides for its implementation 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) focused 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), in contrast, is aimed at making R&D&I one of Spain's key pillars and shoring up its value as a tool to develop a knowledge-based economy.

For more information please see the [website](#) of the Ministry of Science, Innovation and Universities.

### 3.1.2 2021-2023 STATE PLAN FOR SCIENTIFIC AND TECHNICAL RESEARCH AND INNOVATION<sup>9</sup>

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 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)
<b>SO to address the priorities of Spain's environment</b>	Internationalization (SO1). Territorial Synergies (SO2). Strategic Actions (SO3).
<b>SO to foster scientific-technical research and its transfer</b>	Knowledge Creation (SO4). Knowledge Transfer (SO5). Institutional Strengthening (SO6). Scientific-Technical Infrastructure and Equipment (SO7).
<b>SO to develop, attract and retain talent</b>	Training (SO8). Hiring (SO9). Mobility (SO10).
<b>SO to catalyze business innovation and leadership</b>	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 6 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.

<sup>9</sup> Although the Plan for the 2024-2027 period (which has not yet been approved) will eventually be applied, the fact is that, currently, aid continues to be approved and announced within the framework of this previous Plan, which is why this section continues to be presented.

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.

### 3.1.3 2024-2027 STATE PLAN FOR SCIENTIFIC AND TECHNICAL RESEARCH AND INNOVATION

The public consultation period that takes place before the 2024-2027 State Plan for Scientific and Technical Research and Innovation (PEICTI) is drawn up ended on April 20, 2023, and the Plan has not been approved or published to date.

This Plan forms part of the above-mentioned second phase of the 2024-2027 Spanish Science, Technology and Innovation Strategy, which focuses on addressing the strategic priorities, initiatives and actions established in the Strategy, the implementation of which will bolster the SECTI and foster R&D&I, making it one of the pillars of the Spanish State. That is, the aim is to strengthen the SECTI as an engine for the country's transformation, thereby increasing the quality of R&D, consolidating knowledge transfers and increasing the innovative activity of all public and private agents, particularly by shoring up a solid research infrastructure.

### 3.1.4 CENTER FOR INDUSTRIAL TECHNOLOGICAL DEVELOPMENT (CDTI)

The CDTI (state-owned business entity under the auspices of the Ministry of Science Innovation and Universities) 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:

#### 1. Aerospace and Vanguard Health PERTEs.

The Addendum to the Recovery, Transformation and Resilience Plan approved by the European Commission on October 2 allowed the CDTI to open the first line of Partially Repayable Aid focused on the Aerospace and Vanguard Health PERTEs. Two large lines of aid may be distinguished:

- R&D projects.

R&D projects linked to the Aerospace and Vanguard Health PERTEs are applied business research and development projects for the creation or significant improvement of a production process, product or service. Projects must present a technological facet that distinguishes them from existing technologies in the market. They may comprise both **industrial research activities** and **experimental development**.

The minimum eligible **budget** is €175,000 and the projects must last at least 12 months and may not end after December 31, 2025, including any possible extensions.

All projects may have one or more technical milestones, the length of which must be from 9 to 18 months.

The **financing instruments** envisaged for the projects are partially repayable loans subject to the availability of funds and which cover up to 90% of the total budget approved by the Board of Directors of the CDTI. Participating companies must cover at least 10% of the project budget with their own resources.

In these projects, **eligible expenses** include, among others, personnel costs, instrument and equipment costs, contractual research costs, technical know-how and patents or certain consultancy costs (excluding approval or CE marking costs) and equivalent services used exclusively for the research activity, as well as additional overheads directly related to the research project and audit costs. The expense of the auditor's report and project management and coordination expenses will also be eligible.

As regards **advances**, the company may opt for an advance of 35% of the aid granted, without needing additional guarantees or guarantees of 90% of the amount of the aid granted, on the condition that they provide additional guarantees, such as a guarantee or surety bond, that cover the remaining 55% in order to ensure the successful implementation of the project.

The loan will be **repayable** over a 15-year period. Repayments will be six-monthly and the first repayment of principal will be made 3 years after reaching the mid-point of the project, with a minimum period of 2 years as from its completion date.

Repayment may not be made before 2 years elapse from the expected completion date of the project.

- Direct expansion line linked to the PERTE.

Technological innovation projects associated with the Aerospace and Vanguard Health PERTEs are individual initiatives led by companies with an applied approach and a close relationship with the market. Their purpose is to improve companies' competitiveness through the adoption of **emerging technologies**. This aid seeks to promote innovation in **Spanish regions that are disadvantaged or have economic difficulties**, while strengthening the capacities of companies that propose technologically innovative projects to boost their growth.

Under this line, the following will be granted: (i) **aid for initial investment**, comprising investment in tangible and intangible assets related to the creation, expansion, diversification or fundamental transformation of existing establishments and (ii) **aid for initial investment giving rise to a new economic activity**, including the creation of new establishments or the diversification of existing activities, provided that the new activity is not identical or similar to that carried out previously.

The minimum **budget** eligible for funding is €175,000 and the maximum is €30,000,000. These projects will have a minimum duration of 9 months and a maximum duration of 24 months and will only have a single milestone.

The **financing instruments** envisaged for the projects are partially repayable loans subject to the availability of funds and which cover up to 75% of the total budget approved by the Board of Directors of the CDTI. The participating company must contribute at least 25% of the eligible costs.

For these projects, the **investments** considered **eligible** will be acquisitions of new fixed assets – both tangible and intangible (patents, licenses, technical know-how or other intellectual property rights) – which entail technological innovation and an improvement of the productive capacities of the company carrying out the project.

As regards **advances**, the company may opt for an advance of 35% of the aid granted, without needing additional guarantees or guarantees of 90% of the amount of the aid granted, on the condition that they provide additional guarantees, such as a guarantee or surety bond, that cover the remaining 55% in order to ensure the successful implementation of the project.

The loan will be **repayable** over a period of 10 years, with a two-year grace period and six-monthly repayments.

Repayment may not be made before 2 years elapse from the expected completion date of the project.

## 2. 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.

7 **categories of projects** are potentially eligible for financing under this line:

- Individual R&D projects, presented by a single enterprise.
- National Cooperation R&D Projects submitted by business groupings (ElGs or consortiums), made up of a minimum of 2 and a maximum of 6 autonomous companies.
- 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 Horizon Europe Partnerships.
- 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). Also, the technological capacity to participate in tenders for Unique Science and Technology Infrastructures (ICTS) such as (i) Large International Scientific and Technological Facilities (CERN, ESO, ESRF, ESS, FAIR, ILL, ITER and XFEL) and (ii) Unique Science and Technology Infrastructures included in the Map of Unique Scientific and Technical Infrastructures (ICTS).
- 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.
- Oriented R&D projects (PO): individual R&D projects presented at national level by a single company. The CDTI's Board of Directors will decide annually on the priority areas of application for these projects, in line with the PEICTI

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and the 2021-2027 Spanish Science, Technology and Innovation Strategy. In 2023, the focus was on (i) projects to improve the efficiency and sustainability of renewable energy systems and green hydrogen, (ii) the development of fire prevention and extinguishment technologies, and (iii) technologies aimed at the development of cutting-edge microprocessors and alternative architectures, integrated photonics and quantum chips.

The minimum eligible budget for these projects of the participating companies is €175,000 and €2,000,000 in the specific case of Oriented Projects (PO), the duration required being between 12 and 36 months for all individual projects, between 12 and 48 months for national cooperation projects. All the projects may have one or more technical milestones, to be completed in a period of 9 to 18 months.

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).

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. The costs of the auditor's report and of the report assessing compliance with the DNSH (Do No Significant Harm) principle are also eligible.

Regarding the **advances** of the aid that can be obtained, (i) the CDTI offers a 35% advance of the aid granted, up to a limit of €250,000, without requiring additional guarantees, (ii) an advance of 50% or 75% of the aid may be requested

on the condition that guarantees from credit institutions are provided, as long as the company is sufficiently solvent (in the opinion of the CDTI) to guarantee the additional 15% (if a 50% advance is requested) or 40% (if a 75% advance is requested), and of the aid and (iii) for Oriented Projects (PO), the advance percentage will be determined when the project is approved, with the possibility of a 50% advance being granted without additional guarantees, or up to 75% if the company has a "good" (B+) financial rating.

The loan is **repayable** within a period of 10 to 15 years, including a grace period of 2 to 3 years.

**Early repayment** will entail a penalty of 1% of the amount repaid, unless it is the result of an agreement with the CDTI to reduce the risk or financial cost. For Oriented Projects, the penalty will be equal to the present value of the total interest pending accrual over the remainder of the repayment period (except in cases of early cancellation).

### 3. 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 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 9 months or more than 24 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. The company must use external financing or its own resources to cover 25% of the budget when the CDTI contribution is 75%, or 15% when the contribution is 85%.

**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, audit costs and costs incurred in certifying compliance with the DNSH principle. These investments and expenses must be formalized subsequent to the date of presentation of the application for aid.

It will be possible to opt for an **advance** of 50% of the aid granted (up to €300,000) without additional guarantees, or of up to 75% by providing guarantees in respect of the difference which the CDTI regards as being adequate.

### 4. Science and Innovation Missions (*TransMisiones*).

In 2023, the Science and Innovation Missions Program has been integrated into the *TransMisiones* initiative, sponsored by the Ministry of Science, Innovation and Universities. This new approach is aimed at launching major initiatives along strategic lines which focus on two key areas which are important to the Spanish economy: (i) cross-sectoral priorities linked in particular to the transition to the digital revolution and (ii) areas centered around the green transition, including energy transition and the mitigation of climate change and its consequences.

The aim of the program is to contribute to the development of the following **missions**: (i) to promote the development of advanced and competitive industry by exploiting Artificial Intelligence (AI), including Machine Learning (ML), as well as new materials and



industrial biotechnology, (ii) to bolster information security and cybersecurity, (iii) to boost Spanish industry in the 21<sup>st</sup> century industrial revolution, (iv) to promote a more sustainable agricultural sector adapted to the new conditions associated with climate change thanks to significant use of advanced biotech tools, (v) to promote the advanced management of water resources and (vi) to promote new systems to prevent and combat forest fires based on the use of advanced technologies.

Aid granted under this program takes the form of **subsidies** targeted at projects implemented on a collaborative basis by clusters of companies that form part of a coordinated R&D action within the framework of the *TransMisiones* initiative, in which two different clusters collaborate, one formed by companies and the other formed by research and knowledge sharing organizations. The company representing the cluster must be a large or medium-sized company and at least one of the partners must be an SME. The cluster must be composed of a minimum of 3 and a maximum of 8 companies, and at least 2 of them must be independent of each other.

In the 2023 call for aid applications, which was included among the actions of the National Recovery, Transformation and Resilience Plan approved at that time, the **minimum eligible budgets** were between €3,000,000 and €10,000,000.

The amount of the subsidies in the 2023 call for aid applications could attain the following **maximum limits** of the eligible budget, depending on the size of the applicant enterprise for industrial research projects: 65% Large Enterprise, 75% Medium-sized Enterprise and 80% Small Enterprise. And for experimental development projects: 40% Large Enterprise, 50% Medium-sized Enterprise and 60% 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, as well as the costs relating to the auditor's report.

### 5. 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.

### 6. NEOTEC Initiative.

The aid under the NEOTEC Initiative finances the creation tech-based companies oriented towards growth, contributing to entrepreneurship and speeding up the transfer of knowledge from public research bodies and universities.

The aid can be used for business projects in any technological and/or industrial area. The 2023 call for aid applications has been financed with funds from the Recovery and Resilience Facility.

The aid takes the form of **subsidies**, and **beneficiaries** must be innovative small companies that have been in existence for 3 years at the most and have share capital totaling at least €20,000.

The **maximum budget** of the 2023 call for aid applications has been €40,000,000, based on subsidies of up to 85% of the budget of the action and subject to a maximum subsidy of €325,000 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, promotion and dissemination expenses and training expenses.

### 7. CIEN Strategic Projects.

The Strategic Program of *Consortios de Investigación Empresarial Nacional* (CIEN) (National Business Research Consortiums) finances, major industrial research and experimental development projects, carried out by business groupings on the basis of effective cooperation and targeted at the performance of planned research in tomorrow's strategic areas with potential international projection. Each consortium must be made up of a minimum of 3 and a maximum of 8 companies. At least 2 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 1 must be public).

Industrial research activities must exceed 33% of the total budget.

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 10 and 15 years and a grace period of between 2 and 3 years. The loan includes a non-repayable tranche of between 20% and 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, and no company can exceed more than 85% of the approved 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.

### 8. INNVIERTE Program.

This program seeks to promote business innovation through support to venture capital investments in Spanish technologically based or innovative enterprises.

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 November 2022 Innvierte launched a new venture capital facility for investment in strategic companies. The aim of this initiative is to support the growth and consolidation of Spanish technological and innovative companies that have a high potential for economic growth and are strategic for Spain.

The following, among others, are considered strategic technologies: critical and dual use technologies, technologies which are key to leadership and industrial training, and technologies developed under programs and projects of particular interest to Spain, including telecommunications, artificial intelligence, robotics, semiconductors, cybersecurity, aerospace technologies, defense technologies, quantum and nuclear energy storage technologies, nanotechnologies, biotechnologies, advanced materials and advanced manufacturing systems.

The new facility seeks the industrial consolidation of technological capacities that have been developed and offer high potential for production activities. To this end, it invests until it acquires a less than 30% stake in the company's capital, so that there is a majority of private capital, but with the possibility of leveraging up to 49% of the capital increase subscribed. Investment opportunities can come from the companies themselves, from private investors or from CDTI Innovación, through Innvierte, as part of its tracking of technology-based companies.

Lastly, in 2023 a call for "expressions of interest" was issued for the creation of a public-private investment vehicle in

the form of a commercial company, aimed at developing advanced, innovative or emerging drugs, therapies and/or technologies. This initiative forms part of the Strategic Economic Recovery and Transformation Project (PERTE) for Vanguard Health, approved by the Council of Ministers on November 30, 2021, as part of the Recovery, Transformation and Resilience Plan.

The aim of the initiative is to identify companies with the necessary industrial and financial capacity to participate in setting up the corporate vehicle referred to in the initiative and which will be governed by Spanish private law.

Private shareholders will have a 51% stake in the proposed commercial company, whereas the remaining 49% will be provided by Innvierte, a subsidiary, operating under Spanish private equity law.

### 9. 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 in favor of a new economic activity, with a view to driving the growth of innovative companies.

Beneficiaries 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 24 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 10% (in the case of funds from the CDTI) or between 15% and 25% (in the case of funds from ERDF), calculated based on a maximum of 75% of the approved budget. A fixed interest rate equal to one-year Euribor + 0.75% will apply to these loans and they will be repaid within a nine-year term, with a one-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. For both SMEs and large companies, eligible costs must be three times higher than the book value of the reused assets.

### 10. 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.

### 11. 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 certain activities in the project must be contracted to knowledge-generating centers (public research organizations, public universities and university institutes, health research institutes, state-level technology centers and innovation support centers).

The *Cervera* **priority technologies** pertain to 11 main areas: (i) advanced materials, (ii) circular economy, (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, (x) the protection of data, and (xi) quantum computing.

Knowledge-generating 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 90% 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, without additional guarantees being required. The company must fund at least 10% of the project budget with equity.

The minimum **project budget** is €175,000 and the projects will last between 1 and 3 years, with one or more milestones, the length of which must be from 9 to 18 months.

**Eligible expenses** 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 (excluding approval or CE marking costs), plus supplementary general costs generated directly by the research project, operating expenses, costs of materials, supplies and similar products and audit costs.

### 12. 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.

The **duration** of projects is set at 3 years. Currently, **minimum budgets** eligible for funding are between €5,000,000 and €12,000,000, 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.

### 13. 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, Innovation and Universities, 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 2 sections: Section 1 (funded by the PRIMA Foundation) and Section 2 (funded by the national financing bodies of the participating countries). The call for applications consists of two stages and a centralized assessment by the PRIMA Foundation. The total estimated budget for Section 1 is €27,900,000 (from the EU) for Section 2 is €32,000,000 (from the Member States).

The 2024 calls for applications require consortiums of at least 4 partners (independent legal entities) that meet the following requirements: (i) they must be based in at least 3 different countries, (ii) 2 of them must be in a Mediterranean Partner Country (MPC): Algeria, Egypt, Jordan, Israel, Lebanon, Morocco, Tunisia and Turkey and (iii) at least 1



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Member State of the EU (and of PRIMA): Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Spain and Slovenia.

The Annual Working Plan for 2024 and the reference documents for preparing the proposals are posted on the initiative's [website](#).

### 14. Audiovisual and Video Game R&D Projects.

This program is targeted at (i) projects aimed at developing new technologies applicable in the audiovisual and video game fields, and at (ii) projects aimed at developing innovative technologies specific to the video game or audiovisual field for application in other environments. The program forms part of the Plan to Boost the Audiovisual Sector Spain Audiovisual Hub of Europe, the "Digital Spain 2025" Agenda, the Recovery, Transformation and Resilience Plan and the relevant State Plan for Scientific, Technical and Innovation Research.

The **minimum and maximum eligible budgets** within this aid facility, with an ongoing call throughout the year, must be between €175,000 and €2,000,000 and for a multi-year term. Subcontracted activities may not exceed 50% of the eligible budget.

The project financing instruments envisaged in this facility are **subsidies**, which will be for a maximum amount of 60% of the budget for experimental development activities.

In these projects, the following, among others, will be considered **eligible costs**: (i) personnel costs, (ii) costs of instruments and inventories, (iii) costs of contractual research, know-how and patents acquired or licensed from external sources on an arm's length basis, as well as the costs of consulting and equivalent services used exclusively for the project, (iv) costs arising from the auditor's report, up to €1,500 per beneficiary and (v) overhead and other additional operating expenses.

### 15. Chip PERTE Missions.

The general objective of the call for applications for the 2023 Chip PERTE Missions is to finance business R&D projects in the areas of: (i) microelectronic design and alternative architectures and (ii) the integrated photonics ecosystem in Spain.

In this context, 2 missions in line with the PERTE have been defined, which address critical challenges facing the Spanish economy, focused on the development of key technological capacities in microelectronics and semiconductors that are essential to the fourth industrial revolution based on digitalization.

The missions established consist of advancing in cutting-edge microelectronic design and bolstering an integrated photonics ecosystem in Spain.

The minimum eligible **budget** is €3,000,000 and the maximum is €15,000,000. The minimum eligible budget per company will be €175,000. The weight of the industrial research activities must be at least 35%. At least 5% of the eligible budget must be subcontracted to knowledge-generating centers.

The **financing instruments** envisaged for the projects are grants with a maximum intensity of 65% for Large Enterprises, 75% for Medium-sized Enterprises and 80% for Small Enterprises, and for each project and beneficiary the aid intensity will be determined by the weight of each type of activity and by the maximum intensity.

The **beneficiaries** will be clusters of companies made up of a minimum of 2 and a maximum of 8, at least two of which must be independent of each other. The company representing the cluster must be a large or medium-sized company and at least one of the partners must be an SME.

In these projects, **eligible costs** will include personnel costs, instruments and inventories, contractual research, technical know-how and patents, consulting and equivalent services, overhead and other operating expenses, and the cost of the auditor's report. The overall cost of the activity subcontracted by the beneficiary may not exceed 50% of such beneficiary's eligible budget.

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

## 3.2 TOURISM INDUSTRY

### 3.2.1 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 tourism industry is seeking to continue to strengthen its leadership position based on quality.

Following the approval at the time of the **Horizon 2020 Spanish Tourism Plan**, which defined the strategy for preparing and adapting the Spanish tourism industry and attaining a balanced increase in the social and economic benefits of tourism, the **Sustainable Tourism Strategy for Spain 2030** is at an advanced stage of preparation, 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.

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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.

The Strategy proposes a tourism growth model for the coming years based on the following principles:

- Socio-economic growth, which will require work to increase the competitiveness and profitability of the sector, focusing on quality and accelerating the process of digital transformation.
- Preservation of natural and cultural value, on the basis that conserving Spain's extensive cultural and natural heritage is a priority objective.
- Social benefit, in order to ensure distribution of industry profit and tackle challenges such as rural depopulation in Spain.
- Participation and governance, supporting participative governance mechanisms between the State and competent authorities at all levels.
- Ongoing adaptation, since the goal is not only to ensure quality and make improvements, but also to enable the industry to be able to respond to a constantly changing environment.
- Leadership, with the aim of consolidating Spain's position as a worldwide leader in the industry.

To this end, according to information disclosed by the Office of the Secretary of State for Tourism entrusted with its preparation, the Sustainable Tourism Strategy for Spain 2030 will be structured 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 tourism 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.

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- 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.

To this end, at its plenary meeting held on October 10, 2022, the Spanish Tourism Council (CONESTUR) reached a consensus on the **eight levers or pillars** on which it proposes to base the first phase of the Sustainable Tourism Strategy described above, which notably include:

- Boosting **digitalization** aimed at cost savings, the data economy, enhanced promotion and sales and competitiveness.
- **Social sustainability**, which focuses on implementing specific actions to promote the conservation of natural environments, customs and the local traditional way of life.

- **Environmental sustainability**, which seeks to reduce the ecological footprint of the sector.
- Enhancing **connectivity, intermodality and tourism mobility** to improve the visitor's experience and respond to environmental challenges.
- **Innovation in tourism experiences and products.**
- **Recruiting, training and retaining talent** to boost the human factor as a key element of the tourism experience.
- **Adaptation of different tourist destinations** (mature, consolidated and emerging destinations) to plan and better manage the different needs of each one.

### 3.2.2 PLAN FOR MODERNIZATION AND INCREASED COMPETITIVENESS OF THE TOURISM SECTOR

The Plan for Modernization and Increased Competitiveness of the tourism sector constitutes one of the specific structural components of the National Recovery and Resilience Plan (which we will refer to in greater detail below) and falls under the policy for “Modernization of the industrial infrastructure and of SMEs, recovery of tourism and promotion of Spain as an entrepreneurial nation.”

The Plan's objective is to transform and modernize the Spanish tourism industry through sustainability and digitalization, thereby increasing its competitiveness and resilience.

The component is structured around **four major pillars**:

1. Transformation of the tourism model towards sustainability (environmental, socio-economic and territorial).

The first pillar, with a budget of approximately €1,904,000,000, places a particular focus on **Tourism Destination Sustainability Plans**, designed as an instrument for cooperation between the three levels of public government (central, regional and local) and the private sector.

Its objective, through the provision of adequate funds, is to carry out **transformative actions in the tourism industry** in the areas of green transition, digital transition and improving tourism competitiveness. By centering the program around destinations, each destination is configured as a tourism innovation hub, taking into account its special characteristics and specific ecosystem. In order to meet this objective, the approval of a **Tourism Destination Sustainability Strategy** is envisaged, setting out the conditions for participation by the regional and local public governments, the minimum investment thresholds, the procedure for submitting proposals, and the rules for their approval, execution and justification.

Another of the initiatives included under this pillar is the **Transformation of the Spanish Tourism Quality System for tourism destinations (SICTED) into a Comprehensive Tourism Sustainability System**. Specific actions envisaged include, among others, the design, development and implementation of a technological platform to manage SICTED certification programs with a view to developing new capabilities, certification, continuous improvement and planning processes, and providing assessment, advisory and certification services to SICTED members.

2. Digitalization and intelligence program for destinations and the tourism sector.

This pillar notably includes the **Tourism Destination Digital Transformation Plan** (with an estimated budget of €157,000,000) which aims to promote the development of **new**

**tools for the Smart Tourism Destination Network** created by the Office of the Secretary of State for Tourism in collaboration with the State-owned company for the management of tourism innovation and technologies (SEGGITUR). The aim is to develop a smart destination platform to provide an interactive interface for public and private services offered to tourists. A platform that enables all agents to engage with tourists in a smart, digital and scalable way.

Also included within this pillar is the **Plan for the Digital Transformation of Tourism Companies using AI and other enabling technologies** which contemplates the following actions, among others: (i) creation of an industrial data space to support the digital transformation of the tourism industry towards the intensive use of big data and artificial intelligence, (ii) development of an “app store” style public-private collaborative environment, in which open-source digital solutions geared towards the tourism industry will be developed, targeted at the different companies in the sector, and (iii) “last mile” funding calls directed at companies, particularly SMEs and associations or entities associated with the sector.

### 3. Tourism resilience strategies for non-mainland territories.

This pillar proposes **a set of actions specifically designed for the autonomous communities of the Balearic Islands and the Canary Islands**, since these regions, due to their high dependence on tourism, have been some of the worst affected by the drop in visitors due to the pandemic, with the correlative impact in terms of employment and GDP.

Special measures are also proposed to consolidate tourism and related services as stable sources of income and to stimulate the economic sectors of the Autonomous Cities of Ceuta and Melilla.

### 4. Special actions in the field of competitiveness.

Finally, this last pillar includes other initiatives, such as (i) development of **new tourism experiences** with a view to greater diversification of the tourism offering (all through the Spanish Tourism Strategy), (ii) the **financing of energy efficiency and circular economy projects** (reduce, reuse, recycle) **at tourism companies**, (iii) the **financing of sustainable projects for the maintenance and rehabilitation of heritage tourism sites** and (iv) bolstering commercial activities in popular tourist areas.

## 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 (amended by Royal Decree 175/2023), as well as, among others, (i) in Order CUL/2834/2009, of October 19, 2009, approving the acknowledgment of film costs and producers’ investments, establishing the regulatory bases for the State aid and structure of the Administrative Register of Cinematographic and Audiovisual Enterprises (still partially applicable), (ii) in the subsequent Order CUD/769/2018 of July 17, 2018, updating the regulatory bases for the aid envisaged in Title III of the Cinema Law, (iii) in Order CUD/582/2020, of June 26, 2020, devoted specifically to regulating State aid for the production of feature films, as well, among others, (iv) in Order CUD/508/2021, of May 25, 2021, approving the

regulatory bases for the grant of aid for film distribution, the latter two having been amended by Order CUD/553/2023.

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.

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, in brief, as follows:



## Investment aid and incentives in Spain

### CREATION AND DEVELOPMENT

Line of aid	Eligible for aid	Maximum amount (€)
<b>Scriptwriting of full-length motion projects<sup>10</sup></b>	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.
<b>Development of full-length motion picture projects</b>	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 is established in each call but 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.

<sup>10</sup> However, it should be noted that in 2023 no calls were published for lines of aid linked to scriptwriting for full-length motion projects or for the development of full-length motion picture projects regulated under articles 19 and 25 of Order 2834/2009, of October 19, 2009.

### PRODUCTION

Line of aid	Eligible for aid	Maximum amount (€)
<b>Production of full-length motion pictures projects<sup>11</sup></b>	General <sup>12</sup> . Financing for the cost of producing projects that meet the general requirements to qualify for beneficiary status (residence or establishment, suitability, ownership of the property rights to the audiovisual work produced, 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 (proof of cultural nature by obtaining the relevant certificate, proof of a certain amount of financing, universal accessibility measures, etc.).	The maximum amount of the aid per project 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 ( <i>Instituto de Cinematografía y de las Artes Audiovisuales</i> or ICAA) <sup>13</sup> . 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 <sup>14</sup> . Financing for projects (i) of special cinematographic, cultural or social value, (ii) for a documentary, (iii) made 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, they are subject to certain requirements in connection with the maximum budget, demonstrable experience, and the percentage of the expense which impacts Spain <sup>15</sup> .	Each call for aid applications will stipulate the maximum amount of the aid per project which, within the annual credit used for them, can be up to €800,000, or €1,000,000 in the case of an animation project. 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 10% 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 coproductions 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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<sup>11</sup> The call for general aid for the production of full-length motion pictures based on project plans for 2022 took place by means of the Decision of June 29, 2023, with a budgetary allocation of €56,000,000 and with two deadlines for the call (already passed). As of the writing of this Guide, the call for 2024 has yet to be published.

A project that has been a beneficiary of previous calls for applications under this line may not apply for this type of aid, unless the beneficiary enterprise expressly renounced the aid before receiving it or repaid it voluntarily, having done so, in any case, before the start of the period stipulated for the submission of applications in the corresponding call.

<sup>12</sup> The general aid for the production of full-length motion pictures is incompatible with the selective aid for the production of full-length motion pictures based on project plans (which is described below). A project can only receive aid under one of these two lines within the same budgetary year.

<sup>13</sup> The payment of subsidies granted under this line envisages payment at two points: (i) 70% of the aid will be paid in the financial year of the relevant call and (ii) 30% will be paid in the financial year following that of the corresponding call once at least 80% of the financing for the project has been accredited and it has been demonstrated that at least 50% of the price of the script has been paid.

<sup>14</sup> By Resolution of the Director General of the ICAA of March 13, 2023, the call for proposals for that year was approved, with an estimated budget of €36,000,000, through two selection procedures. At the time of writing this Guide, the call corresponding to 2024 has yet to be published.

<sup>15</sup> The requirements that projects must meet to qualify for this aid have, in certain cases, been relaxed in the terms described in Additional Provision Two of Order CUD/582/2020, of June 26, 2020, taking into account the economic impact of Covid-19 in 2020, 2021 and 2022.

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## PRODUCTION

Line of aid	Eligible for aid	Maximum amount (€)
<b>Production of TV movie and documentary projects<sup>16</sup></b>	Production of films and documentaries for 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.	It will be determined in each call, although its amount will be 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.
<b>Production of animated series projects</b>	Projects belonging to independent producers of animated series. 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 will depend on each call, but 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 producer's investment or 60% of the budget.
<b>Production of short films<sup>17</sup></b>	Short film projects and short firms made by independent producers, according to the score obtained from an evaluation committee or a collective body. The award of this aid is conditional on accreditation of the cultural nature of the projects.	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 €10,000 per beneficiary film or €180,000 in the case of animation films. Within the annual credit allocated to this type of aid, a minimum of 35% will be reserved for short films directed exclusively by women and a minimum of 8% for animation films.

<sup>16</sup> However, according to the information available, the ICAA has not published any call for the lines of aid for the production of TV movies and documentary projects based on project plans or for the production of animated series based on project plans (to which we refer below) for the past several years. No calls are expected to be published in 2024 either.

<sup>17</sup> The calls for applications for aid for the production of short films based on project plans and of short films made for 2023 were published by the ICAA Decisions of April 12, with a budgetary allocation of €2,200,000 (in the former case) and €800,000 (in the latter case). As of the writing of this Guide, the call for 2024 has yet to be published, although it can be presumed that its features will not change significantly.

## Investment aid and incentives in Spain

OTHER AID		
Line of aid	Eligible for the aid	Maximum amount (€)
<b>Distribution of Spanish, Community or Latin American films<sup>18</sup></b>	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 their commercial release 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. Although the maximum amount of the aid to be granted is set in each call, it cannot exceed €200,000 per full-length beneficiary film or group of short films. In addition, the amount received by a distributor (or a set of related distributors) within the same budgetary year cannot exceed 20% of the amount to be used in said year for this line of aid.
<b>Distribution of Spanish, EU and Latin American films<sup>19</sup></b>	To boost the marketing of Spanish movies abroad to give the film industry a greater international presence. They are aimed at independent international sales agencies that are not majority owned by a non-EU company or by a provider of audiovisual media services or by a media group or have public capital. Such agencies must be entered in the ICAA Register of Cinematographic Enterprises and must have acquired the international sales rights to the movie under a contract or agreement signed with the producer of the film.	The maximum amount per film is €100,000 and in each case cannot exceed 50% of the eligible expenses (which, although they will be set in the call, may include advertising and promotion expenses, as well as expenses incurred in acquiring and renting a market stand).
<b>For promotion</b>	<p>For the participation of Spanish cinematographic films and other audiovisual work, completed or in the pipeline, in international audiovisual events<sup>20</sup>.</p> <p>To boost the international presence of the Spanish film industry and audiovisual production, for which support is provided both to completed Spanish films and other audiovisual works, and to Spanish projects that are still in the pipeline or preproduction phases (including co-productions although the Spanish participation must be at least 20%) that have been selected to participate in one of the events that are listed in the relevant call (including not only international festivals but also markets, forums, laboratories, or residences). Applications may be submitted by production companies, distributors or sales agencies that have incurred expenses associated with the participation of the audiovisual work in the event.</p> <p>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.</p>	<p>Each call will establish the eligible expenses incurred by the applicant, among those inherent in the participation of the cinematographic or other audiovisual work, completed or in the pipeline. These include, among others, registration expenses, advertising campaign expenses (which must cover a minimum percentage of the maximum amount of aid envisaged for the event in question), promotional material expenses, expenses relating to teasers or trailers for presentation at the event, copy expenses, expenses incurred to hire public relations firms or press agencies exclusively to perform a job specific to the event, travel expenses for the authorial, creative or artistic team of the film, etc.</p> <p>The aid may subsidize, up to the legally established limit, the expenses listed in the call relating to 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.</p>

<sup>18</sup> The call for applications for aid for the distribution of EU and Latin American full-length films and series of short films for 2023 was published by the ICAA Decision of April 19, 2023, and was definitively established by the Decision of November 27, 2023, granting aid to 106 projects for a total amount of €3,621,648.80.

<sup>19</sup> In 2023, the call for this line of aid was published by means of the ICAA Decision of December 12, 2023, with a budgetary allocation of €1,000,000.

<sup>20</sup> The call for applications for the 2023 financial year for this line of aid was approved by Resolution of the President of the ICAA on 13 March with a budget of €800,000. At the time of writing this Guide, the call for 2024 has yet to be published.

<sup>21</sup> The 2023 call for applications for this line of aid was approved by Resolution of the President of the ICAA on 14 March and has a budget of €1.9 million. At the time of writing this Guide, the call corresponding to 2024 has yet to be published.

The above catalog of aid is supplemented by the approval of Royal Decree 957/2022, of November 15, 2022, regulating direct grants of subsidies to halls and theaters for showing films in their role as essential agents in spreading cultural diversity and while society gets back into the habit of going to movie theaters and the adverse effects of the Covid-19 pandemic are entirely overcome in that regard. This aid is available to owners of halls or theaters for showing films (or of theater complexes) that maintained from January 1 to August 31, 2022, a 25% share, at minimum, of EU films and that meet the other requirements laid down in said Royal Decree. The maximum amounts of aid are set according to the number of screens that each hall or theater has and the percentage of sessions of EU films, calculated on the basis of the total of each hall or theater during the above-mentioned time period.

In addition, 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.

### 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 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 green 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 2024 was made in the Decision of November 14, 2023, of the Secretariat of State for Energy and it has a budget of €1.65 million.

According to the provisions of said Order TED/1079/2020, this aid is available for 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 phase, or (ii) training programs in mining safety, specifically, those aimed at providing face-to-face training to the personnel of entities subject to the Regulations on Basic Rules for Mining Safety.

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, although the maximum aid intensity will vary depending on the type of SME. In the case of micro and small enterprises, the intensity can be up to 20% of the eligible costs, whereas in the case of medium-sized enterprises, it cannot exceed 10%, 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.

### 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 between the Ministry for Ecological Transition and the Demographic Challenge and the labor union and employer representatives from the sector.

This Framework Agreement bears in mind the current situation of the Spanish mining 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.

Against this backdrop, the Framework Agreement instruments the following principal lines:

1. Aid for exceptional costs incurred by coal businesses:

This line of aid, in force for the 2019-2025 period, 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 have already been specifically implemented by Royal Decree-Law 25/2018, of December 21, 2018, on urgent measures for a fair transition of the coal mining industry and the sustainable development of coal mining areas (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 to carry out, 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.

Actions that are implemented from the time the subsidy is formalized under the agreement or the related addendum through to May 31, 2026 – so that the milestones and targets can be certified before August 31, 2026, in accordance with Regulation (EU) 2021/241 of the European Parliament and the Council of 12 February 2021 – will be eligible.

2. Measures to revive 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 (amended by Royal Decree 334/2023 of May 3, 2023).

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.

Actions financed with funds from the Recovery, Transformation and Resilience Plan can only be carried out in municipalities and territories in just transition zones.

The timeframe envisaged for this aid is until 2027.

With the aim of achieving the objectives proposed and implementing the measures established in the Framework Agreement described above, the following Orders have been published:

1. Order TED/1239/2022, of December 14, 2022, approving the specifications for the grant of aid aimed at small investment projects that create or maintain jobs, fostering the alternative development of just transition areas, for the 2022-2027 period.

The **aim** of this aid is to encourage individuals and entities to locate small business investment projects in areas affected by the closure of coal mines, coal-fired power plants and nuclear power plants as well as their surroundings, with the ultimate goal of generating alternative economic activities in such areas so as to create new jobs or maintain existing ones to foster the development of the area, in view of their status as disadvantaged regions.

The aid will be granted under a competitive procedure and has the following **beneficiaries**: 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 or maintain jobs and are located in the municipalities in any of the just transition areas that appear in the General Action Guidelines for the design of the Just Transition Agreements established between the Ministry for Ecological Transition and Demographic Challenge, the relevant departments of the Autonomous Communities and the Spanish Federation of Municipalities and Provinces, as well as in the Just Transition

Agreements that are signed pursuant to the provisions of article 28 of Law 7/2021, of May 20, 2021, on climate change and the energy transition and listed in Schedule I to the above-mentioned Order.<sup>22</sup>

The aid regulated is supplemental to and compatible with other state aid granted by other public authorities, 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**:

- The work of the project can have started up to a year before the date of the aid application. For these purposes, start of the work means the start of the actual construction under the investment or the first firm commitment to order equipment or any other commitment that makes the investment irreversible.
- The eligible investment must be at least €30,000 and up to a cap of €500,000, and the execution of the minimum investment envisaged must be guaranteed at all times.
- The level of employment existing at the enterprise must remain the same from the date of the aid application, and for at least the 3 years following the deadline for completing the investments. However, for newly created enterprises or enterprises that do not have an initial workforce on the application date, as a minimum requirement they must create a job between the aid application date and the deadline established in the

decision granting the aid. The job must be maintained for at least 3 years.

- Comply with the maximum completion period set in the relevant call.

The aid will take the form of a non-repayable grant and cannot exceed the cap of €200,000 if granted to a single enterprise, during any period of 3 fiscal years or the period that is force in each call according to the criteria set by the European Commission. In determining the amount of the aid (in gross grant equivalent terms), projects that are located in the municipalities listed in Schedule I to the Order may receive a grant of up to 30%, 40% or 50% of the eligible investment,<sup>23</sup> depending on whether it is a large enterprise, medium-sized enterprise or a small enterprise (including micro enterprises).

2. Order TED/1240/2022, approving the specifications for the grant of aid aimed at business projects that create jobs, fostering the alternative development of just transition areas, for the 2022-2027 period.

The **aim** and the scope of application of the aid regulated under this Order are, generally speaking, the same as those established by Order TED/1293/2022 described in the preceding section, although 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, shipping, coal, transportation, etc. industries, are eligible for the aid. Investments related to the production, processing, transport, distribution, storage or combustion of fossil fuels, or waste incineration, among others, are also excluded.<sup>24</sup>

The municipalities where the projects are located must appear in the national regional aid map approved for Spain for the 2022-2017 period.<sup>25</sup>

In the case of aid for projects by large enterprises, and for a fundamental change in the production process, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernized in the course of the preceding 3 fiscal years. For aid awarded for a diversification of an existing establishment, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as registered in the fiscal year preceding the start of works.

<sup>22</sup> Specifically, 197 municipalities included in the 15 Transition Agreements signed up to that point, namely: Carboneras, Puente Nuevo-Valle del Guadiato and Los Barrios in Andalucía, Aragón, Southwestern Region, Valle del Nalón, and Valle del Caudal and Aboño in the Principality of Asturias, Bierzo-Laciana, Montaña Central Leonesa-La Robla, and Guardo-Velilla, in Castilla-León, Meirama and As Pontes in Galicia, Alcudia on the Balearic Islands, Zorita in Castilla-La Mancha, and Garoña in Castilla-León-Basque Country.

<sup>23</sup> For these purposes, an eligible investment will consist of the result of adding together the following items: (i) acquisition of land for the implementation of the project (if subsequent to the application), (ii) utility extensions and connections, (iii) development and external work in line with the needs of the project, (iv) civil engineering (construction or renovation of buildings), (v) acquisition of capital goods, (vi) planning work, project engineering and project management of the work, (vii) other investments in fixed tangible assets and (viii) intangible assets.

<sup>24</sup> Projects entailing activities included within divisions 5 and 6 of class 7.21 of section b of the National Classification of Economic Activities (CNAE) are also excluded.

<sup>25</sup> In the case of projects submitted by large enterprises and that are located in one of the a) areas of the approved regional aid map (i.e. the Canary Islands, Andalucía, Extremadura, Ceuta and Melilla), only aid for initial investments will be granted, whereas in the case of projects located in c) areas, it must be an initial investment in favor of a new economic activity in the area in question.

The **requirements** imposed on the projects are similar to those laid down in Orden TED/1239/2022, albeit with some special features:

- The work cannot have started before the date of submission of the aid application.
- The eligible investment must be at least €100,000, and the execution of the investment must be guaranteed at all times.
- Projects to which aid relates must create at least 3 jobs between the aid application date and the deadline set in the grant decision, and the jobs must be maintained for at least 3 years.
- All projects to which aid relates must be executed and have paid at least 15% of the investment considered eligible before the end of the 9 months following the date of notification of the final decision approving the aid requested for the project.
- 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 envisaged investment costs.
- They must be executed within the maximum time period set in the relevant call.

The aid will take the form of a non-repayable grant and its amount will be determined according to criteria similar to that described above for Orden TED/1239/2022, and the maximum aid intensity limits established in the 2022-2027 regional aid

map for Spain depending on the municipalities comprising the applicable territorial scope of this aid scheme may not be exceeded.

Under the Order TED/1294/2020 that concerns us, the Office of the Head of the Just Transition Institute issued its Decision of December 21, 2023, calling for applications for aid targeted at business projects that generate employment and promote alternative development in mining areas, for the year 2023, with a maximum amount of €24,000,000.

Likewise, pursuant to Order TED/1240/2022, the Office of the Head of the Just Transition Institute issued its Decision of March 3, 2023, calling for applications for aid targeted at business projects that generate employment and promote alternative development in just transition areas for the year 2023, with a total budget of €40,000,000.00.

### 3.4.2 INDUSTRIAL INVESTMENT

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

In an effort to mitigate and, to the greatest extent possible, avoid such noxious effects on the industrial fabric as a whole and, in particular, on the areas most affected by the aforesaid adaptation process, the Ministry of Industry 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 2020. 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](http://www.sepides.es)) which has been accomplishing similar aims, namely, that of fostering industrial development, strengthening competitiveness and maintaining Spain's industrial capacities.

The FAIIP has a budget of €1,800,000,000 and the law creating it establishes that the maximum amount of operations that may be approved by the Commission during a calendar year will be indicated in the respective General State Budget Laws.<sup>26</sup>

The Evaluation, Monitoring and Oversight Committee of the FAIIP approved the call for applications for 2024 with an endowment of €1,500,000,000 applicable to the combined transactions corresponding to the 2023 calendar year, which are distributed among (i) ordinary loans (up to €1,125,000,000, i.e., 75% of the total), (ii) participating loans (up to €300,000,000, 20% of the total) and (iii) equity interests (up to €75,000,000, the remaining 5%).<sup>27</sup>

<sup>26</sup> During 2023, the FAIIP's Evaluation, Monitoring and Control Committee resolved that the €1,500,000,000 allocated by the General State Budget Law applicable to all operations corresponding to that calendar year would be distributed among (i) ordinary loans (up to €1,125,000,000, i.e. 75% of the total), (ii) participating loans (up to €300,000,000, 20% of the total) and (iii) equity interests (up to €75,000,000, the remaining 5%). However, the latest published Resolution (February 20, 2024) does not include any mention of the distribution applicable during the year 2024.

<sup>27</sup> Although the FAIIP has an endowment of €1,800,000,000, the Creation Law itself establishes that the respective General State Budget Laws will indicate the maximum amount of transactions that can be approved throughout a calendar year by the Commission.

## Investment aid and incentives in Spain

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,<sup>28</sup> regardless of its size, and which must submit an application for financing via the Fund's website ([https://www.sepides.es/fondo\\_faip](https://www.sepides.es/fondo_faip)).

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 starting up** a new production activity anywhere in Spain.
- **Relocation of industrial establishments**, which includes actions aimed at 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 of the above kind must be technically viable according to the state of the art at industrial scale.

Projects **must be located in Spain** and for new projects, although projects may have started prior to the date of submission of the application under certain conditions (i.e. only budget items executed 9 months prior to the date of submission of the application will be eligible for financing). In the case of projects that start after the application date, the investments must start within a maximum period of 12 months and must not last more than 2 years after the financing is formalized.

The financing under the Fund is purpose-determined in nature, so it is conditional on the actual implementation of the project submitted and the assets acquired must be used to pursue the industrial activity for which the financing was granted for a minimum period that will range from 3 to 5 years, depending on the repayment period of the financing.

The **call** will be **open** until the **funds are used up** and, accordingly, applications are not subject to a deadline and will be processed in the order submitted to SEPIDES.

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: (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 amount of funding to be granted is set at €200,000, while the maximum amount of the funding to be granted will be 75% of the budget considered eligible (which is the amount from adding together the amounts of the investment and eligible expense items subject to the limit that the investments in production devices and equipment and specific software linked to the production are at least 50% of the budget) and cannot exceed €60 million per transaction.

In addition, the amount of the financing from the FAIP will be conditional on the enterprise's outstanding risk with the Fund, adjusted by the amount covered by first-demand guarantees,

<sup>28</sup> For these purposes, it is considered an activity of industrial production or industrial services if the project falls under section C Divisions 10 to 32 of the National Classification of Economic Activities (CNAE 2009) among others listed in section 2 of the Handbook of the Support Fund for Industrial Production Investment.



## Investment aid and incentives in Spain

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. In addition, 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: (at a fixed rate) the index is calculated by the sum of several addends (the 1-year IBOR index recorded in the month of application, the spread established in Commission Communication 2008/C 14/02 according to the company's credit rating and a fixed term of 50 percentage points) and (at a variable rate): in this case, equal to 6-month Euribor plus a spread determined half-yearly by the Committee with a minimum equal to the 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: revaluation established at a fixed rate situated at 2.5 percentage points above the fixed rate of the fixed portion for participating loans.

However, an interest-rate rebate may be applied to the cost of the financing applicable according to the classification. The rebate will be determined by the Committee according to the degree of fulfillment of the industrial impact criteria set out in 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, where applicable, a possible maximum grace period of 3 years both for ordinary loans and for participating loans. In the case of equity interests, the maximum period up to the first term of the sale and purchase of the equity interest will be 5 years.

A first-demand **bank or equivalent guarantee** must be submitted for 10% of the disbursed amount of the financing for both ordinary and participating loans.

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, although at the writing of

this Guide, the calls for the 2023-2024 biennium have yet to be published.

In any event, it may be recalled that it is a joint initiative by the then Ministries of Industry and Trade, Health, and Science, Innovation and Universities, with the aim of boosting the competitiveness of the pharmaceutical industry in Spain by modernizing the industry and fostering activities that contribute more added value (such as investments in new industrial plants and in new technologies for production as well as through fostering research, development and innovation).

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, this initiative seeks 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 has sought **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.

## Investment aid and incentives in Spain

In fact, in the last call published to date (for the 2021-2022 period), the PROFARMA Program sought, in line with the Pharmaceutical Strategy for Europe, adopted on November 25, 2020, 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.

In previous calls, it **fell** 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 applied 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 considered, 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 2021 and 2022.

Accordingly, and as a result of the assessment conducted, **enterprises were classified in three Groups** (A, B and C) depending on (i) whether or not they had 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 pursued. Equally, the head of the Office of the Secretary General for Industry and SMEs **assigned** 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.<sup>29</sup>

Beyond the PROFARMA Program, note should be taken of the **Pact for Science and Innovation** of March 3, 2021, whereby the Spanish Government, through the then Ministry of Science, Innovation and Universities, **undertook to ensure that 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 (Farmalndustria).

These aims tie in directly with many of the investments and reforms that were included in Component no. 17 of the National Recovery, Transformation and Resilience Plan under the heading "Institutional reform and strengthening of the capacities of the national science, technology and innovation system", in its application to the health field.

In fact, it coincides with one of the **specific objectives** of the Strategic Economic Recovery and Transformation Project (PERTE) in Vanguard Health approved by the Council of Ministers on November 30, 2021, and which consists of (i) **fostering the development of advanced therapies and other innovative or emerging drugs** and (ii) **facilitating their transfer to clinical practice**, through the necessary alliances between the academic and business sectors, contributing to 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. In addition, actions may be financed after that date within the framework established after the approval of the Addendum to the National Recovery, Transformation and Resilience Plan in October 2023, to which we will refer below, and under which the initially planned allocation for the PERTE in Vanguard Health has

been increased by an additional €830 million (of which €500 million are non-repayable transfers).

Lastly, it is worth noting that **the Vanguard Health Alliance** was set up on April 20, 2022, with the aim of strengthening public-private partnerships as the key to promoting, through science and innovation, the creation of a high-performance healthcare system based on Precision Medicine, advanced therapies and Artificial Intelligence. The Vanguard Health Alliance will meet every four months to **follow up on the roll-out of the various investment instruments and actions scheduled under the PERTE**. It will also serve to issue recommendations on the implementation of this strategic project and as a discussion forum to facilitate an exchange of ideas among the actors involved, particularly in the context of project co-scheduling and co-financing.

<sup>29</sup> On July 6, 2023, the Ministry of Industry and Tourism resolved the 2022 call for the program known as 'PROFARMA (2021-2022): Promoting Competitiveness in the Pharmaceutical Industry', in which 49 pharmaceutical companies have been evaluated. Of these, nine companies have been rated as "Excellent", ten as "Very Good", five as "Good", and seventeen as "Acceptable" (detailed information is available at the following link: <https://www.mintur.gob.es/es-es/GabinetePrensa/NotasPrensa/2023/Paginas/20230706-programa-profarma-2022.aspx>).

- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (instituto de crédito oficial or ICO)
- 7 Internationalization incentives
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## 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 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.

The above-mentioned Royal Decrees were amended on July 26, 2022, to bring their provisions into line with the new **Guidelines on regional State aid for 2022-2027** (2021/C 153/01), which had been published on April 29, 2021, in the Official Journal of the European Union, as well as with the new **Regional Aid Map for Spain (2022-2027)** approved by the European Commission on March 17, 2022.

That said, according to the new aid map for the Kingdom of Spain, the Spanish region for which the greatest incentives are envisaged continues to be the Autonomous Community of the Canary Islands, with a maximum aid intensity percentage per investment project of up to 50%<sup>30</sup> of the net eligible investment.<sup>31</sup>

The autonomous communities of Castilla-La Mancha<sup>32</sup> and Extremadura, the Andalusian provinces of Huelva, Seville, Málaga, Jaén and Granada, and the Autonomous Cities of Ceuta and Melilla are other Spanish regions eligible for regional incentives with

<sup>30</sup> The maximum aid intensity percentages – unless expressly indicated otherwise – refer to investment projects undertaken by large enterprises.

<sup>31</sup> In addition, 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, establishes an additional bonus of 5 percentage points over the score obtained from the classification of the business project intended to be undertaken on the island of La Palma, subject at all times to the ceiling set by the European Commission for this autonomous community.

<sup>32</sup> Within the territory of the autonomous community, Cuenca is classified as a sparsely populated area, since it has fewer than 12.5 inhabitants per km<sup>2</sup>. In sparsely populated areas, the Member States may use operating aid schemes to avoid or reduce depopulation.

## Investment aid and incentives in Spain

a maximum aid percentage of up to 30%, since their GDPs were found to have fallen to below 75% of the average for the European Union.

As regards the provinces of Cádiz, Córdoba and Almería, and in the context of the Just Transition Fund, the European Commission Decision of March 9, 2023 (SA. 106039), authorized the modification of the regional aid map approved for those areas, raising the maximum intensity of the aid available to eligible projects in those provinces to 40%, that is, 10% higher than in the rest of the Andalusian provinces. This change has been duly reflected in Royal Decree 651/2023, of July 18, 2023, amending Royal Decree 162/2008, of February 8, 2008, demarcating the economic development area of Andalusia.

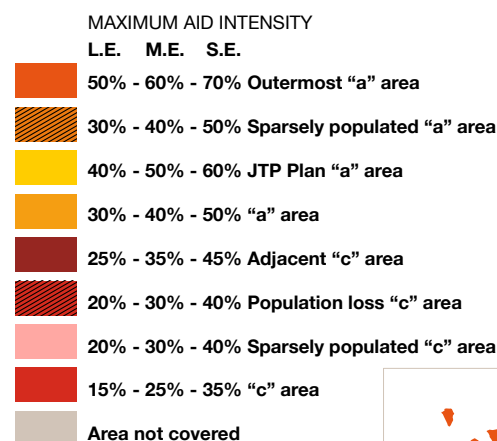
The region of Murcia has also seen an increase in the maximum intensity of aid available under the Just Transition Fund, by virtue of the aforementioned European Commission Decision. Consequently, Royal Decree 652/2023, of July 18, 2023, has amended the previous Royal Decree 165/2008, of February 8, 2008, demarcating the economic development area of the autonomous community of Murcia, meaning that the aid intensity available to investment projects undertaken in the Murcia region is now 25%.

For their part, the provinces of Soria and Teruel continue to be considered predefined “c” areas (since they are sparsely populated, with fewer than 12.5 inhabitants per kilometer) and, accordingly, the maximum aid intensity available to investment projects undertaken in these areas is 20%.

To address these regional disparities, Spain proposed that the following be considered non-predefined “c” areas: **the Galicia Autonomous Community, the Principality of Asturias, Cantabria, La Rioja, the Valencia Autonomous Community,**

### 2022-2027 Regional incentive map

Valid from January 1, 2022 through December 31, 2027



Source: Ministry of Finance (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/ia/Paginas/IncentivosRegionalesCA.aspx>)

**the Balearic Islands, Huesca and part of Castilla-León.** In these areas, the **maximum aid intensity** for investment projects undertaken by large enterprises **may be up to 15%**. However, the Commission has authorized an increase in maximum aid intensity for investment projects that are undertaken in two provinces of Castilla-León, thereby raising the aid intensity from 15% to 25% in Salamanca, and from 15% to 20% in Zamora, due to its relatively high loss of population in recent years.

In all these areas, the maximum aid intensities can be increased by an additional ten percentage points in the case of investments undertaken by medium-sized enterprises and up to an additional

twenty percentage points if they are small enterprises, provided that they are initial investment projects with eligible costs of up to €50,000,000.

Lastly, the cities of Zaragoza and Valencia, as well as the autonomous communities of Madrid, Cataluña, Navarra and the Basque Country do not qualify for the regional incentive system.

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<sup>33</sup>

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,<sup>34</sup> 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.
- 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<sup>35</sup>:
  - 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

<sup>33</sup> The following are expressly excluded from the possibility of opting for regional aid: enterprises in difficulty, the steel sector, the lignite and the coal sectors, the fishery and aquaculture sector, the production, processing and marketing of agricultural products listed in Annex I to the TFEU, unless the resulting product is not an agricultural product, the transport sector, the deployment of broad band, the activities of processing materials and products for construction and the energy sector.

<sup>34</sup> In the definition set out in the Resolution of the Governing Board of Regional Incentives for the 2022-2027 period, support services for industry means services that significantly foster production and/or quality processes or product or process innovation and, in particular, those which foster the introduction of technologies for digital transformation as well as the introduction of improvements in the environmental sphere. Specifically, the following, among others, are considered eligible: (i) private technological parks that offer, for rent or hire, infrastructure and administrative and professional services, (ii) data storage services, (iii) services for the implementation of high-tech systems whose prototype phase is complete and based on which development in industrial plants takes place, (iv) engineering services for development at the industrial level of high-tech intensive use system and environmental improvements (...).

**Advanced logistics projects** are also considered eligible, including the planning, execution and control of the physical flow of goods and services, from the perspective of origin through to place of consumption in order to meet consumers' requirements and obtain a benefit. Specifically, for the purposes of the Resolution, advance logistical activities are carried out at large warehouses with a high level of automation, designed to receive items from various factories and suppliers, receive orders, handle them efficiently and send products to their destinations in the shortest time possible.

<sup>35</sup> In general, if the investment projects are undertaken by large enterprises in "c" areas, only those entailing initial investments that create a new economic activity within the scope of point 14 of the Regional Aid Guidelines will be considered eligible. Outside these cases, and where the aid granted to large enterprises is aimed at making a fundamental change in the production process, additional requirements must be met, namely, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernized over the preceding three fiscal years.



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.

Eligible projects must meet the following requirements:

- They must relate to an eligible sector and activity and be located in one of the designated areas.
- They 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 either (i) upon the commencement of the construction works entailed in the investment, or (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 obtaining 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:

- Non-returnable subsidies for the approved investment.
- Subsidies for the interest on loans obtained by the beneficiary from financial institutions.
- Subsidies for the repayment of those loans.
- Any combination of the foregoing.
- 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<sup>36</sup>:

- Total amount of the 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 draft bylaws and the data of the promoter 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 €6,010,121.

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 not more than 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.

<sup>36</sup> The Resolution of the Governing Board of Regional Incentives for the 2022-2027 period clarifies that applicable criteria for assessing eligible projects will vary slightly depending on whether it is an industrial sector or tourism sector project.

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.

- Priority processing.

Law 31/2022, of December 23, 2022, on the General State Budget for 2023 added a new sub-article to article 5 of Regional Incentives Law 50/1985, which establishes that when a project, by reason of its amount or strategic importance, must be authorized by the European Commission pursuant to article 108(3) of the Treaty on the Functioning of the European Union, it may be processed on a priority and urgent basis upon a request from the autonomous community in question, which must have acknowledged the priority and urgent basis of the project in its respective area of competence.

This provision, which took effect on December 24, 2022, also applies to projects that were being processed at such time.

### 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, prejudice the decision finally adopted.

In general, subsequent incidents in the project (i.e., alteration of the initial project, changes to periods and/or timelines for fulfilling completion requirements, change in the location of the project within the same economic delimitation area, 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.<sup>37</sup>

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

Once the relevant agency issues a report confirming the degree of compliance with the requirements imposed on the project in question, the beneficiary must file a request for payment of the subsidy (on a standardized form) together with the other required

documentation (evidence of performance of tax obligations and obligations to social security, etc.) with the relevant Autonomous Community agency from which it will be referred to the Directorate-General of European Funds.

### 4.1.10 PAYMENT SYSTEM

Subsidies may be paid using the following methods:

- Final payment: after the end of the term, the beneficiary may only request payment in full of the subsidy granted or of the part to which he is entitled if there has been any breach.
- Payment in full: during the term, the beneficiary may only request a single payment of the total subsidy after the entire investment has been made and subject to the submission of the related bank guarantee. This payment may only be requested subsequent to the dates of compliance, once each and every one of the conditions imposed on the holder have been verified and prior to the end of the term.
- Payment in part: during the term, the beneficiary may request payments of the subsidy as he justifies the partial making of the investment, provided that this is authorized in the individual decision to grant the subsidy.
- For more information, please consult the website of the [Ministry of Finance](https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/Paginas/inicio.aspx) (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/ir/Paginas/inicio.aspx>).

<sup>37</sup> If what is requested is a change to the project completion periods, the application must be submitted at least 2 months before such periods expire.

### 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 those granted by the EU or the State. 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 the regional financial aid maps approved by the European Union for Spain.

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 are also affected by the content of the Guidelines on regional State aid for the 2022-2027 period, and by the limits and maximum aid intensity percentages established in the above-mentioned regional aid Map approved for Spain.

#### 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 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, 2032<sup>38</sup>, although this may be extended if authorized by the European Commission (please also see chapter 3 and [www.canariaszec.org](http://www.canariaszec.org)). However, the authorization for registering companies in the Official Register of Entities of the Canary Islands Special Zone has been extended to December 31, 2026, by means of Royal Decree-Law 8/2023, of December 27, 2023.

<sup>38</sup> According to article 29 of Law 19/1994, of July 6, 1994, modifying the Canary Islands Economic and Tax Regime, as amended by Final Provision One, paragraph two, of Royal Decree-Law 8/2023, of December 27, 2023, ZEC tax incentives may be enjoyed "during the six years immediately following the expiration of Commission Regulation (EU) 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty", article 59 of which establishes that "it will apply until December 31, 2026."

## Investment aid and incentives in Spain

It is important to note that incentives aimed at upgrading and modernizing the production of plant and animal products (specifically, bananas, tomatoes, 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 state-owned enterprise **Sociedad Canaria de Fomento Económico, S.A.** (PROEXCA) was formed under the Office of the Premier 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.



- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs**
- 6 Preferred financing of the official credit institute (instituto de crédito oficial or ICO)
- 7 Internationalization incentives
- 8 EU AID and incentives

## 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 2024:

- **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 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 whose incorporation took place not more than 24 months prior to the submission of the application, (iii) which have a business model that is innovative, novel or one with obvious competitive advantages, (iv) the majority of whose capital is subscribed by young entrepreneurs (aged under 40), and (v) 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% of the loan), in the form of capital or equity, as is the above-mentioned proof of the project's technical and economic viability.

Eligible investments are those required for the startup 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 2% or 3.25% (depending on the rating of the transaction) 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 innovative 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 2% or 3.75% (depending on the rating of the transaction) 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 or (iii) diversification of markets, seeking out capitalization and/or debt on regulated markets.

The requirements to be met by the beneficiary are basically those already described for the 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 + 2% or 3.75% in the first phase (depending on the rating of the transaction), and variable interest, depending on the financial return of the enterprise, with a maximum limit of between 3% and 8%, in the second phase, depending on 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 Agrolnnpulso (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, which will be managed and administered by ENISA.

Specifically, the participating loans offered under this line are 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, including those relating to financing requirements. However, enterprises that, from an environmental perspective, do not

comply with the Do No Significant Harm (DNSH) principle will also be excluded, this being an essential requirement which projects must meet to be eligible for funding.

The amount of the **participating loan** may range **between a minimum of €25,000 and a maximum of €1,500,000** – depending on several factors, such as the amount of equity and the financial structure of the enterprise – and it will be subject to an interest rate, in the first tranche, equal to Euribor plus 3.75% and, in the second tranche, a variable interest 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 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. The maximum maturity period of the loan will be 9 years and there will be a seven-year grace period for the repayment of principal.

- **ENISA Digital Entrepreneurs** is a line aimed specifically at supporting and fostering digital projects undertaken by female entrepreneurs, thanks to funds from the Ministry of Digital Transformation and the Civil Service, which will allocate €51,000,000 to this area over the next three years as part of the National Recovery, Transformation and Resilience Plan.

The participating loans available under this line may be obtained both by startup or growing SMEs (that is, those which are considering a consolidation, growth or internationalization project) and 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.

These SMEs must (i) pursue their activity and have their registered office in Spain, (ii) have separate legal personality,

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(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, (viii) have a balanced financial and professional management structure and (ix) 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 a minimum of €25,000 and a maximum of €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 interest rate between 3.0 and 8.0%, 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.

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

- Finally, **ENISA Audiovisual and Cultural and Creative Industries**, which has been allocated €7,500,000 and is promoted by the Ministry of Culture and the Ministry of Digital Transformation and the Civil Service, its aim being to bolster the Spain Audiovisual Hub Plan.

The objective, with this Line, is to provide financing to support innovative business projects promoted by small and medium-sized enterprises in the audiovisual and video games sector, as well as in the cultural and creative industries.

On this premise, the participating loans provided are aimed at startup or growing SMEs which engage in the development of products and services in the audiovisual and video games sector with a major digital component, and the cultural and creative industries. Both newly formed enterprises and those with a consolidation, growth or internationalization plan are eligible for financing.

Moreover, as is the case with the other Lines, the SMEs must (i) pursue their activity and have their registered office in Spain, (ii) have legal personality separate from that of their shareholders, (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 for the last closed fiscal year if they receive a loan in an amount exceeding €300,000, (viii) have a balanced financial and professional management structure and (ix) engage in any area of economic activity (except for real estate and finance).

The aid will take the form of a participating loan **of between €25,000 and €1,500,000**, depending on the enterprise's financial situation and assets. The interest rate will be divided into two parts: a first part with interest equal to Euribor plus 2% or 3.75% (depending on the rating of the transaction) and a second part with an interest rate which will depend on the financial profitability of the enterprise, of between 3.0% and

8.0% (depending on the rating of the transaction). Payments of interest and principal will be quarterly and an arrangement fee of 0.5% of the loan amount will be charged (in addition to other fees for early repayment or changes in the body of shareholders).

The maximum term for repaying the loan will be 9 years and there will be a period of 7 years in which the principal will not have to be repaid, with no additional guarantee requirements being envisaged on top of those relating to the execution of the business project *per se*.

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## 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 2024: (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 Red.es Kit Digital, (vi) ICO MITMA Sustainable Mobility, (vii) ICO Exporters and (viii) ICO International, whose most notable characteristics are:

- **Línea ICO Empresas y Emprendedores 2024** (ICO Enterprises and Entrepreneurs Line):

Among others, independent professionals and public and private enterprises 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 will 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.
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 €12,500,000, in one or more transactions, while the **repayment and grace periods** will range between one of the following options:

- Between 1 and 6 years, with a grace period of up to one year for the repayment of principal.
- Between 7 and 9 years, with a grace period of up to two years.
- 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 2023 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) 2024:** (ICO Mutual Guarantee Society/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<sup>39</sup> and/or to cover their liquidity needs.

The application for the financing may 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 submitted will 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 €2.000.000, 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 to 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:

- Between 1 and 6 years, with the possibility of a grace period of up to 1 year for the repayment of principal.
- Between 7 and 9 years, with the possibility of a grace period of up to 2 years.
- 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.

<sup>39</sup> In the case of investments implemented outside Spanish territory, however, companies must prove that there is a Spanish interest in them. As a general rule, the ICO takes the view that there is a Spanish interest in the pursuit of business activities or investments outside Spain **where there is a direct or indirect ownership interest held by the Spanish company in the share capital of the foreign company** to which the financing is provided, or where there are supplies, works or services provided by Spanish companies.



## Investment aid and incentives in Spain

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 be the sum of the amount of the initial fee and the interest rate established by the credit institution. 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 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, the State-owned Agricultural Surety Corporation and 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 2024 and the financing obtained will be compatible with any

aid received from the autonomous communities and other institutions.

- **Línea ICO Crédito Comercial 2024** (ICO 2024 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 €12,500,000 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 2023 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 companies, foundations, associations, professional associations, universities, technological centers and technological innovation support centers, etc., can apply for this financing.

The financing can be 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 demonstration, the preparation of pilot projects or the testing and validating of new or improved products, processes and services in technologies such as **Artificial Intelligence**, (the Internet of Things (IoT), 5G technologies, mass data and information processing, high-performance computing, cloud computing, natural language processing, cybersecurity, biometrics and digital identity, blockchain, robotics, artificial intelligence, virtual and augmented reality, special effects and simulation, micro/nanoelectronics, 3D printing-additive manufacturing) and **digital content** (specifically, the making available of data on a mass scale and in reusable formats, video games, digital animation, audiovisual contents, social media, 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 grant of the related aid by 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%.

Once the client has carried out the project, RED.es will verify that it qualifies for aid, which will be equal to the expense effectively incurred. The aid will be paid to the client by reducing the outstanding principal of the loan arranged by it with the Credit Institution. If the client has requested and obtained advance payment of the aid, it will be paid to it by deducting the advance payment. If there is any remainder following the deduction of the aid from the principal of the loan, because the amount of aid exceeds the outstanding balance of the operation, this will be credited to the client's account.

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.

- **ICO Red.es Kit Digital.**

This financing may be requested by natural or legal persons who have entered into a Digitalization Solutions Services Agreement in response to any of the calls for aid applications

published by Red.es within the framework of the Kit Digital Program, provided they are classed as:

- a. Beneficiaries of aid (small businesses, micro-businesses and self-employed persons, civil law partnerships with a commercial corporate purpose, professional civil law partnerships and jointly owned agricultural holdings that engage in an economic activity and whose domicile for tax purposes is in Spanish territory).
- b. Enrolled Digitalizing Agent.

The operations will be processed directly through the credit institutions that collaborate with the ICO in relation to this product and it will be they who decide on the granting of the financing. The client must first have obtained approval of the project and been awarded the corresponding aid by Red.es, on the dates and under the conditions set out in the corresponding calls for applications<sup>40</sup>.

The financing will take the form of a loan, credit line, factoring facility or any other type of arrangement agreed between the parties, and it may cover:

- i. For the business which is the beneficiary of the aid, up to 100% of the amount of the project (Digitalization solutions) minus the amount of aid granted by Red.es.
- ii. In the case of the Digitalizing Agent, up to 100% of the sum of the amounts of aid approved by Red.es corresponding to all Digitalization Solutions Services Agreements signed by the Digitalizing Agent with beneficiary businesses.

The **repayment term** for the financing may be 180 days or up to 2 years, in the latter case with the possibility of a 1-year grace period for the principal.

As regards the applicable interest rate, the client may choose a fixed or a variable interest rate for 1 and 2-year operations. For

operations with a term of 180 days, however, only a variable interest rate is applicable. In the case of a variable interest rate, this shall be reviewed by the Credit Institution every 6 months, in accordance with the terms of the financing agreement.

The credit institution may apply a fee at the start of the operation, the cost of which, together with the interest rate, may not exceed the maximum APR that the credit institution is able to apply to the operation based on its term. In addition, a voluntary early repayment fee of 1% of the amount canceled may be applied if the operation has been arranged at a fixed rate. When it has been arranged at a variable rate, no fee shall be applied.

In the event of compulsory early repayment, a penalty fee equal to 2% of the amount unduly arranged will accrue, except when the Digitalizing Agent has already received the payment of the aid, for the amount credited.

The Annual Percentage Rate (APR) applicable to the operation will be made up of the cost of the initial fee applied by the credit institution plus the interest rate. The APR may not exceed the following limits:

- For operations with a term equal to 1 year: fixed or variable interest rate, plus a spread of up to 2.30%.
- For 2-year operations: fixed or variable interest rate up to 4%.

This line will remain in existence through to December 31, 2025.

### • ICO MITMA Sustainable Mobility.

This financing can be requested by beneficiaries of aid granted by the Ministry of Transport and Sustainable Mobility (MITMA

by its Spanish abbreviation) in calls for applications published pursuant to Order TMA/892/2021 approving the “Program for aid to municipalities for implementing low-emission zones and the digital and sustainable transformation of urban transport”, and to Order TMA/370/2022, approving the regulatory bases for the Support Program for Sustainable and Digital Transport.

Specifically, this financing line is available, by way of example, to (i) municipalities, supramunicipal local entities that group together various municipalities and groupings of municipalities (in the case of the first program) and (ii) private legal persons or entities from the public enterprise sector that pursue an economic activity in the market related to the activities eligible for subsidies and which are validly incorporated in Spain (in the case of the second program).

The financing may be used for projects for which the grant of aid by the MITMA is approved, in accordance with the provisions of the relevant call for aid applications. For illustration purposes, it can be:

<sup>40</sup> Customers shall apply for aid from Red.es by filling out an automated form on the website specified in each call for applications, and Red.es shall issue a decision on the award of aid for those applications which have been approved.

Once the aid has been awarded, the client will be given a voucher for the amount awarded, of between €2,000 and €12,000, depending on the size of the business, and it may contact the Digitalizing Agent included in the Program of its choice. The contract between the business which is the beneficiary of the aid and the Digitalization Agent will take the form of a Digitalization Solutions Services Agreement, which sets out, inter alia, the functionalities to be implemented, the execution period, the obligations between the two parties and the amount of the applicable digital voucher.

The formalization of the Digitalization Solutions Services Agreement will entail the assignment, by the beneficiary to the Enrolled Digitalizing Agent, of the right to collect the amount of aid awarded in respect of such Agreement.

1. Program for Aid targeted at Municipalities; projects aimed at: (i) speeding up the implementation of low-emission zones, (ii) fostering modal change in urban and metropolitan environments toward more sustainable modes of transport, prioritizing collective public transport and active mobility so as to contribute to environment and health improvement objectives, (iii) fostering the transformation of public passenger and freight transport toward a zero-emission activity while improving system accessibility and (iv) promoting the digitalization of the public transport service activity, resulting in greater system efficiency, better accessibility and benefits for public transport users.
2. Support Programs for Sustainable and Digital Transport, projects that contribute to the following objectives: (i) interoperability of rail freight transport, (ii) fostering transport intermodality, (iii) renovation of freight railway equipment, (iv) safe, sustainable and connected road transport, (v) air and sea transport sustainability and (vi) transport digitalization.

The client must submit the application for financing to any of the credit institutions partnering with the ICO on this product. The credit institutions will ultimately decide on whether to grant the financing requested for projects obtaining MITMA approval. The client may ask the credit institution to pre-approve the financing subject to obtainment of the aid from the MITMA, although this will not be binding on the credit institution. The pre-approval granted will be notified to the MITMA.

The financing will take the form of a loan or lease arrangement and may be for up to 100% of the amount of the project (less the amount of the advance payment made) with the following repayment and grace periods:

- From 1 to 6 years with the possibility a grace period for principal of up to one year.
- From 7 to 9 years with the possibility of a grace period of up to 2 years.
- Of 10, 12, 15 and 20 years with a grace period of up to 3 years.

As for the **applicable interest** rate, the client may choose between a fixed or variable interest rate. If the transaction was formalized at a variable interest rate, it will be reviewed by the credit institution every six months in accordance with the provisions of the financing agreement.

The credit institution can apply a fee at the start of the transaction, the cost of which cannot exceed the maximum APR that the credit institution can apply to the transaction based on its term and additionally and optionally a fee of up to 0.25% of the amount formalized. In addition, the credit institution may apply a fee for voluntary early repayment in the amount of 1% of the amount cancelled if the transaction has been formalized at a fixed rate. If the transaction has been formalized at a variable rate:

- No fee will be applied to transaction with a residual life of up to 2 years.
- A fee will be applied:
  - o Of up to 0.10% to transactions with a residual life of more than 2 years and less than 5 years.
  - o Of up to 0.20% to transactions with a residual life of more than 5 years and less than or equal to 7 years.
  - o Of 0.40% to transactions with a residual life of more than 10 years.

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

The Annual Percentage Rate (APR) applicable to the transaction will consist of the cost of the initial fee applied by the credit institution plus the interest rate, excluding the additional fee of up to 0.25% of the formalized amount, and the APR cannot exceed the following limits:

- For transactions with a term of 1 year: fixed or variable rate plus up to 2.30%.
- For transactions with a term of 2, 3 or 4 years: fixed or variable rate, plus a spread of up to 4.00%.
- For transactions with a term equal to or greater than 5 years: fixed or variable rate, plus a spread of up to 4.30%.

The line will be valid until December 31, 2025 and will be compatible with Covid-19 guarantee lines and other European guarantee instruments provided that the conditions and deadlines required for them are specifically met.

In addition, mention should be made of the Guarantee Lines also promoted by the ICO, including most notably, for 2024, the following:

- **Guarantee Lines for self-employed persons and enterprises pursuant to Royal Decree-Law 6/2022.**

Pursuant to article 29 of Royal Decree Law 2/2022, of March 29, 2022, the Spanish government approved a Guarantee Line included in the Response plan for Russia's war in Ukraine aimed at guaranteeing the liquidity of self-employed persons and enterprises in all the economic sectors hit by the economic

effects of Russia's war in Ukraine (such as the increase in the price of energy, raw materials or electricity), except for the financial and insurance sector.

Specifically, the purpose of this Guarantee Line is to cover the corresponding part of the principal of new financing operations granted by supervised financial institutions to the businesses and self-employed persons described above, to cover their liquidity needs (current expenses, working capital and investments).

The guarantees may only secure financing transactions requested by self-employed persons and enterprises that are not in a situation of default or subject to an insolvency proceeding as of the date of signature of the transaction, nor are subject to sanctions by the European Union, nor are subject at the time of the application to any guarantee enforcement procedure managed by the ICO.

It shall be, in any event, the financial institutions which undertake a prior analysis of eligibility and decide on the grant of the relevant financing to the client in accordance with their internal procedures and granting and risk policies.

- a. Operations of up to €50,000,000 which have been approved by the institution in accordance with its risk policies shall be guaranteed, subject to subsequent verifications of compliance with eligibility conditions.
- b. Transactions exceeding €50,000,000 shall be guaranteed once the ICO, supplementary to the analysis carried out by the financial institution, has analyzed compliance with eligibility conditions. Businesses and self-employed individuals who benefit from guaranteed financing of more than €50,000,000 under this line, whether in one or more operations, must undertake not to distribute dividends during the lifetime of the transaction guaranteed.

As a result of the modification of the Temporary Framework for state aid approved by the Commission on November 30, 2023, under which this Line was approved, these guarantees may continue to be granted through to June 30, 2024, on the terms set out in the resolution of the Council of Ministers of December 5, 2023.

Based on these premises, **two types of guarantee** are provided for, depending on the amount guaranteed and the financing, although in both cases the term will coincide with the term of the operation (the maximum being 10 years).

- In the first case, the maximum amount guaranteed per self-employed person or business (without exceeding 80% of the principal, except in the case of operations affecting the “intensive gas industry”, for which the limit is 90%), is **€2,250,000** (€335,000 for companies operating in the fisheries or aquaculture sector and €280,000 for companies in the agricultural sector), in one or more loan operations.
- In the second case and in the absence of other aid under paragraph 2.1 of the Ukraine Temporary Framework, and with 80% coverage, the maximum principal of the loan guaranteed will be €2,812,500 generally, or €418,750 for companies operating in the aquaculture or fisheries sector, or €350,000 for companies active in the agricultural sector), in one or more loan operations. When the beneficiary of the guarantee operates in various sectors to which different maximum amounts apply, the maximum limit for the sector of activity with the lowest maximum amount shall apply to the beneficiary's operations overall.

All transactions will, at the debtor's request, have an initial grace period for principal of 12 months and the financial institutions must keep open their clients' working capital facilities until

June 30, 2024. Financial institutions must apply best banking practices and customs for the benefit of their clients and may not condition the approval of loans on the acquisition by the client of any other service or product.

Lastly, given its purpose, the **ICO 2024 International, the lines relating to Exporters 2024, and the ICO International Channel 2024 line** will be examined in [section 7 below](#), on “Internationalization Incentives”.

For more information in this connection, please see the [ICO website](#).



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## 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 Economy, Commerce and Business 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).
- Pyme Invierte (managed by COFIDES).
- FOCO (Coinvestment Fund managed by COFIDES).
- Programs for the Conversion of Debt into Investment managed by the Ministry of Economy, Commerce and Business.
- The ICO Internationalization, Support for Exports Lines, etc.

Of all the foregoing financial instruments, particular regard must be had to the FIEM, the FIEX, the FONPYME and FOCO, as well as the lines promoted by ICO in connection with internationalization, such as *Línea ICO-Internacional*, *Línea ICO-Exportadores* 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, created by Law 11/2010, of June 28, 2010, and 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 (i) the conclusion of contracts for the export of Spanish goods and services, signed by companies resident in Spain with nonresident customers (FIEM Export), (ii) as well as for foreign investment projects undertaken by Spanish companies to expand their production capacity (FIEM Investment) or (iii) the provision of goods or services, on a concessional or commercial basis, respectively (Projects under the Project Finance scheme).

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.<sup>41</sup>

However, the following will not be financed out of the Fund: (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 the latter have a major ripple effect on internationalization and have a high technology content. Finally, the FIEM has been aligned with the commitment assumed at COP26 to end the financing of coal, oil and gas, with limited exceptions. These limitations have been developed in coordination with CESCE and will be applied simultaneously to both instruments.

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. In this respect, although projects undertaken anywhere in the world are eligible, each year Guidelines are approved containing a list of priority countries.<sup>42</sup>

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.

The Office of the Secretary of State for Trade (included within the Ministry of Economy, Commerce and Business) is responsible for managing the FIEM and, accordingly, for (i) selecting the projects to be financed, (ii) drawing up the profiles and viability studies required to analyze the projects, (iii) assessing financing proposals and

(iv) overseeing the execution and assessment of the projects. For its part, the Official Credit Institute (ICO) 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 (i.e. technical implementation, accounting, treasury, paying agent, monitoring, etc.). The ICO disburses the funds to the company executing the project, as and when said company submits to a partnering credit institution located in Spain, the documentation evidencing the achievement of the milestones of the relevant commercial agreement.

The financial support for investment and export projects will primarily take the form of loans, credit facilities and credit lines, as well as repayable contributions to investment funds that can support the internationalization of Spanish companies under certain conditions. The FIEM may fund contributions to entities or funds aimed at counter-guaranteeing or facilitating the issuance of guarantees in favor of exporters, provided that the FIEM's participation in such entities or funds has a significant impact on the internationalization of Spanish businesses.

For more details on the features and conditions applicable to the funding, please consult the information published by the Secretary of State for Trade on its websites ([https://comercio.gob.es/Financiacion\\_para\\_internacionalizacion/FIEM/Paginas/index.aspx](https://comercio.gob.es/Financiacion_para_internacionalizacion/FIEM/Paginas/index.aspx) and [https://comercio.gob.es/Financiacion\\_para\\_internacionalizacion/FIEM/Paginas/FAQs.aspx](https://comercio.gob.es/Financiacion_para_internacionalizacion/FIEM/Paginas/FAQs.aspx)).

### b. FIEX:

The purpose of the FIEX, which was created by Law 66/1997, of December 30, 1997, 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. Applications must be submitted to COFIDES, which is the manager of the Fund.

<sup>41</sup> By its resolution of September 7, 2021, the Council of Ministers approved the creation of a **Specific line for FIEM studies** with an allocation of €50,000,000 and a term of up to December 31, 2024. Its purpose is to offer non-repayable financing linked to studies of viability, feasibility, and pre-feasibility, technical assistance, sectoral plans, consulting, and any other detailed study that makes it possible to define, attract or detect projects of interest for Spanish internationalization. Priority is given to studies performed by Spanish engineering or consulting firms in relation to projects in (i) climate change mitigation, (ii) water and waste, (iii) agro-industry, (iv) tourism, (v) digitalization, (vi) energy, (vii) infrastructure, and (viii) industrial modernization. Projects in any part of the world will be evaluated, but countries in Asia and Africa will be given priority.

Applications will be studied and processed on an ongoing basis by the Directorate-General of International Trade and Investment during the term of the Line (not subject therefore to a call deadline).

<sup>42</sup> According to the 2024 Guidelines, the following are considered priority countries:

- America: Brazil, Chile, Colombia, United States, Uruguay, Mexico and Peru.
- Asia: Philippines, Indonesia, Vietnam and India.
- Oceania: Australia.
- Europe: Serbia.
- Africa, Mediterranean countries and the Middle East: Angola, Saudi Arabia, Egypt, United Arab Emirates, Israel, Kenya, Morocco, Nigeria, Qatar, South Africa, Tunisia (for the small and medium projects line) and Turkey.
- HIPC countries: Côte d'Ivoire, Senegal, Uganda and Tanzania.

### 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 for their internationalization, or of companies located outside Spain (but in which there is some kind of Spanish interest), 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. Applications must be submitted to COFIDES, which is the manager of the Fund.

### d. PYME INVIERTE (SME INVEST):

This line, which is managed by COFIDES and ICEX Spain Imports and Exports, 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 startup 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 startups 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.

### e. FOCO:

The Co-investment Fund (FOCO) was created under the provisions of Royal Decree-Law 8/2023, of December 27, 2023, adopting measures to combat the economic and social consequences of the conflicts in Ukraine and the Middle East, and to mitigate the effects of the drought. This is a new public financial instrument in the form of a fund without legal personality, the objective of which is to mobilize resources from foreign investors, both public and private, to promote productive investments by private companies in Spain in strategic sectors.

The FOCO, which is managed by COFIDES, is preferably to act through the taking of minority stakes in the share capital of companies or contributions to investment funds or vehicles,

in addition to which use may be made of financial debt instruments or hybrid capital instruments.

Although it is set up with an initial allocation of up to €2,000,000,000, its amount may be increased through additional allocations established annually, on a cumulative basis, in the General State Budgets.

The target sectors of this co-investment will be sectors that contribute to the strategic objectives of the Spanish Recovery, Transformation and Resilience Plan, and as a priority, those related to the green and digital transition, and in particular those aimed at renewable energies, clean technologies and information technology. Activities involving investment in sustainable mobility, sustainable infrastructure, sustainable agriculture, etc. are also classed as strategic for these purposes.

FOCO investments will in all cases be made jointly with a foreign co-investor. Co-investors may be: (i) private companies with ownership interests in corporate entities in Spain, (ii) foreign private (investment funds, pension funds, insurance companies, etc.) and public (public pension funds, sovereign funds) institutional investors, or (iii) Spanish private investment vehicles and entities which attract foreign investors. The amount contributed by the foreign co-investors in each operation must be at least equal to the contribution made by FOCO. FOCO's ownership interests in the vehicles in which investments are made may not be majority stakes.

Likewise, FOCO's investment strategy may be (i) direct, i.e. in private companies, whether in existence or newly created, which are based in the European Union and have a workplace in Spain, or (ii) through Spanish venture capital and infrastructure funds or European funds of these types that include Spain as

a destination for their investments and that meet the eligibility criteria.

The minimum amount of FOCO funding is €10,000,000, the maximum being €150,000,000 per sponsor group or fund.

**f. Línea ICO-Internacional 2024:** (2024 ICO International Line):

**Línea ICO-Internacional 2024** is aimed at self-employed persons and enterprises domiciled in Spain or abroad but which have a Spanish interest and wish to pursue activities outside Spain.

The application for financing must be submitted to the credit institution that partners with the ICO on this product, and the client can arrange transactions with such institution throughout 2024.

The financing can be used for investment projects and/or the general needs of the activity, including, among others: (i) new or second-hand productive fixed assets, (ii) vehicles and industrial vehicles, (iii) acquisition of companies, (iv) creation of enterprises abroad, (v) technological needs, (vi) upgrade and reform of installations, (vii) investments outside Spain, (viii) liquidity needs: operating expenses, payroll, payments to supplies, purchases of merchandise, etc.

The maximum financing is €12,500,000 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 principal, (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%.

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.

Lastly, it should be noted that this type of financing may be combined with other aid granted by the Autonomous Communities and other public institutions.

**g. Línea ICO Exportadores 2024:** (2024 ICO Exporter Line):

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

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

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

In both cases, up to 100% of the amount of the invoice or up to 100% of the amount from the sale of the goods can be financed, provided that the outstanding balance does not exceed a maximum of €12,500,000 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 to which the application for financing is submitted, plus the interest rate. In no case can the APR exceed the maximum limit established by the ICO.

## Investment aid and incentives in Spain

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 2023, this instrument being compatible with other aid received from the autonomous communities or from other institutions.



- 1 Introduction
- 2 State incentives for training and employment
- 3 State incentives for specific industries
- 4 Incentives for investments in certain regions
- 5 Aid for innovative SMEs
- 6 Preferred financing of the official credit institute (instituto de crédito oficial or ICO)
- 7 Internationalization incentives
- 8 EU AID and incentives

## 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.

To this end, and with a view to reinforcing the Union's multiannual budget for 2021-2027, endowed with €1,210,000,000,000 (in current prices),<sup>43</sup> the creation of the European Recovery Instrument "Next Generation EU" (**NextGen**) was approved. The instrument sought to mobilize up to €806,900,000,000<sup>44</sup> (in current prices) during the period from 2021 to 2026, with a view to helping to counteract the economic and social damage caused by the pandemic and to build a Europe that is greener, more digital, more resilient and better fit for forthcoming challenges. In short, it represents the **largest ever financial stimulus package approved at EU level**.

Of the €806,900,000,000 available to the Member States, **Spain is one of the main recipients**, having been allocated roughly more than **€160,000,000,000** (between non-repayable transfers and loans)<sup>45</sup>, as will be explained in detail in below. 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 European Union borrows on international capital markets 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 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 health 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

The NextGenerationEU instrument is implemented through **7 individual financial programs**. Its total budget is allocated among the programs as follows:

<sup>43</sup> €1,800,000,000,000 in 2018 prices.

<sup>44</sup> Equivalent to €750,000,000,000 in 2018 prices.

<sup>45</sup> After the update of the amounts initially allocated to the Member States based on the final figures of GDP growth in 2020 and cumulative growth between 2020 and 2021, as provided for in article 1(1) of Regulation (EU) No. 2021/240, of February 12.

## Investment aid and incentives in Spain

- **Recovery and Resilience Facility** (centerpiece of NextGenerationEU): **€723,800,000,000**<sup>46</sup> of which €338,000,000,000 will be channeled through non-repayable transfers or grants and the remaining €385,800,000,000 through loans to be repaid by the Member States).
- REACT-EU: €50,600,000,000.
- Horizon Europe: €5,400,000,000.
- InvestEU: €6,100,000,000.
- Rural Development: €8,100,000,000.
- Just Transition Fund: €10,900,000,000.
- RescEU: €2,000,000,000.

The most significant one, given its amount, is undoubtedly the **Recovery and Resilience Facility (RRF)**, which is governed by **Regulation (EU) 2021/240 of the European Parliament and of the Council of February 10, 2021**.

It was created with the aim of providing financial aid that encourages the Member States to undertake the reforms and investments required to transform their economies, in accordance with the respective National Recovery and Resilience Plans that they were required to draw up to be able to opt for the financing.

These Plans must propose a coherent set of actions aligned with the following six pillars or strategic areas:

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.

These Plans had to be consistent with what was established in (i) the national reform programs, (ii) the priorities set for each country in the European Semester for coordinating economic policies (**European Semester**) and to be aligned with the goals set, among others, in the Paris Agreement, the National Energy and Climate Plans, the Just Transition Plans, the Youth Guarantee implementation plans, and the operational programs adopted under the Union funds.

It falls to the Commission to evaluate the contents of the Plans submitted by the States, according to a wide range of criteria set out in the Regulation itself, including, taking into account that the reforms and investments proposed.

In drawing up their Plans, the Member States could choose whether or not to use all of the maximum financial allocation that had been appropriated to them under the RRF (either as non-repayable transfers or loans) based on certain objective variables established in the Regulation itself such as the inverse of GDP per capita, the percentage of population, or the unemployment rate. However, if it opted to use the financial resources that had been appropriated to it in the form of loans, the Member State had to meet additional requirements, 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 had to 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 is 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.<sup>47</sup>

In any event, as a general rule, the actual release of the funds granted to the Member States takes place in installments and is conditional on the satisfactory fulfillment of the milestones and targets set out in the respective Recovery and Resilience Plans previously approved by the EU institutions. 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 as a non-repayable transfer or a loan), it should ask the Economic and Financial Committee for a favorable 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

<sup>46</sup> All figures indicated in this section are in current prices.

<sup>47</sup> In applying the calculation adjustment mechanism applied with respect to all Member States as provided for in the above-mentioned article 11(1) of Regulation (EU) No. 2021/240.

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.

Lastly, it is worth highlighting the key role that the RRF plays in the implementation of the **REPowerEU Plan**, the response given by the EU Commission to the hardships and global energy market disruption caused by Russia's invasion of Ukraine and which seeks to reduce the EU's energy dependence on Russian oil and gas and to combat the climate crisis. With this aim, in addition to strengthening the EU's strategic autonomy in the energy sector, the Plan focuses on supporting the clean energy transition and joining forces for a more resilient energy system, all in line with the ambitious measures established in the "Fit for 55" package which seeks to reduce net greenhouse gas emissions by at least 55% by 2030 and to achieve climate neutrality by 2050.

To achieve this, it is anticipated that additional investments of €210,000,000,000 by the public and private sectors will be needed between now and 2027.

To support the implementation of the **REPowerEU Plan**, an additional €225,000,000,000 were included, in the form of loans, under the RRF. The allocation established for grants was also increased up to a maximum amount of €20,000,000,000 which were financed through the Innovation Fund (60%) and the sale of Emission Trading System (ETS) allowances (up to the remaining 40%).

In fact, with this goal in mind, in May 2022, the Commission proposed the necessary changes to the RRF Regulation, which were finally adopted by the Council on February 21, 2023. Likewise, specific guidance was provided to Member States on how to modify and supplement their recovery and resilience plans in the context of the REPowerEU Program, requiring them to propose additional reforms and investments linked, among others, to (i) improving energy infrastructure, (ii) boosting energy efficiency in buildings, (iii) decarbonizing industry, (iv) increasing the production and uptake of sustainable biomethane and renewable hydrogen, (v) increasing the share of renewable energy, (vi) supporting zero-emission transport, (vii) storing electricity, etc.

### 8.1.2 SPANISH ECONOMIC RECOVERY, TRANSFORMATION AND RESILIENCE PLAN AND ITS ADDENDUM

Spain is not only one of the countries with the largest allocation of funds under the RRF (more than €160,000,000,000 in total) but also one of the most advanced in the deployment and implementation of the Recovery, Transformation and Resilience Plan that it originally submitted.

It is worth recalling that the initial version of the **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**, and included an ambitious program comprising 212 measures of which 110 were investment projects and 102 reforms to be implemented mainly in the 2021-2023 period, out of the €70,000,000,000 initially allocated to Spain as non-repayable transfers.

In fact, thanks to the pace of achievement of milestones and objectives included in the RTRP approved, Spain has already received €37,036,000,000 corresponding to three payments authorized by the European Commission (an advance plus three interim payments) after verifying the achievement of 121 milestones and objectives (of a total of 416) since the plan was rolled out. In addition, in December 2023, Spain submitted a **formal request for a fourth payment of €10,021,000,000 linked to the fulfillment of a further 61 milestones and objectives**, which is still pending approval by the EU institutions.

Notwithstanding the above, and based on the experience gained, Spain submitted to the Commission in June 2023 a proposal for an **Addendum** to the RTRP with the aim of mobilizing all the financial resources allocated, i.e., both the €7,700,000,000 corresponding to the complementary allocation of non-repayable transfers, and the €84,000,000,000 corresponding to loans and the €2,600,000,000 linked to the execution of investments in energy autonomy under the above-mentioned REPowerEU Program.

Of the above amounts, **a total of €10,000,000,000** (between non-repayable transfers and loans) will be **used to reinforce almost all of the twelve Strategic Projects for Economic Recovery and Transformation** – PERTEs – approved in the fields of electric vehicles, energy, agri-food, industrial decarbonization, modernization of the agri-food sector, digitalization of the water cycle, promotion of the circular economy, the new social and care economy, microprocessors and the aerospace sector (to which we will refer in detail below), as described in the following chart.

## Investment aid and incentives in Spain

As regards the use of the rest of the resources requested in the form of loans, it should be noted that as a general rule, and as is indicated in the Addendum, **investments financed with loans will be framed within programs for the acquisition of financial assets** in order to ensure adequate fiscal sustainability. Specifically, **the use of fourteen funds** is envisaged for the purposes of the mobilization: eleven newly-created funds, three

others created back in 2020 to support businesses affected by Covid, and the Next Tech Fund to finance technological startups and businesses in the scaling-up stages.

Of the funds, attention is drawn to those whose purpose is to finance sustainable investments by the Autonomous Communities and the private sector, the former being managed through the

European Investment Bank and the latter through the ICO and financial institutions; the provisions envisage the creation of a specific line to finance investment in housing, a fund for the audiovisual sector and a sub-line for the tourism sector integrated into the ICO-Businesses and Entrepreneurs Line. Lastly, the Addendum envisages funding to significantly boost cybersecurity and for related industry support, as reflected in the following table.

	TRANSFERS PHASE 1 OF PLAN	ADDITIONAL TRANSFERS	LOANS	REPOWER'	TOTAL	TOTAL Phase 1 of Plan + Addendum
Microelectronics and Semiconductors (Chip)	275.0	1,225.0	10,750.0	–	11,975.0	12,250
Renewable Energy, Renewable Hydrogen and Storage (ERHA)	6,600.0	1,556.6	–	2,640. 0	4,196.6	10,797
Electric and Connected Vehicle (VEC)	2,870.0	250.0	1,000.0	–	1,250.0	4,120
Water Cycle Digitalization	430.0	1,250.0	1,805.0	–	3,055.0	3,485
Industrial Decarbonization	450.0	1,020.0	1,700.0	–	2,720.0	3,170
Care Economy	766.3	1,000.0	–	–	1,000.0	1,766
Vanguard Health	810.1	500.0	330.0	–	830.0	1,640
Agri-Food Industry	747.0	150.0	460.0	–	610.0	1,357
Aerospace	590.7	100.0	240.0	–	340.0	931
Circular Economy	192.0	600.0	–	–	600.0	792
New Language Economy	323.5	–	401.0	–	401.0	725
Naval	150.0	–	–	–	–	150
<b>Total</b>	<b>14,205</b>	<b>7,652</b>	<b>16,686</b>	<b>2,640</b>	<b>26,978</b>	<b>41,182</b>

## Investment aid and incentives in Spain

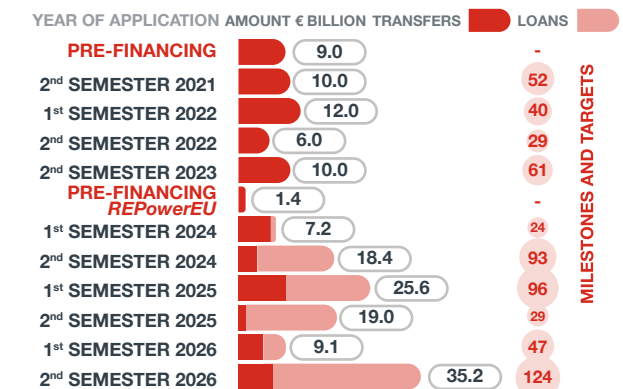
FUNDS FINANCED FROM LOANS		
Fund name	Amount (€M)	Intended use of the funds
ICO-Green line	22,000	Line to increase financing available for the green transition.
Autonomous Community Resilience Fund	20,000	Fund managed by the European Investment Bank for the provision of loans and other financial instruments for sustainable investments in priority investment areas. 1. Social and affordable housing and urban regeneration. 2. Sustainable transport. 3. Industrial and SME competitiveness. 4. Research, development and innovation. 5. Sustainable tourism. 6. Care economy. 7. Water and waste management and energy transition.
ICO Companies and Entrepreneurs line	8,000	Line for financing business growth and resilience with a specific sub-line dedicated to companies in the tourism sector.
Fund for scaling up tech startups Next Tech	4,000	Financing for tech startups and companies in the technological scaling-up stage.
Line for promoting social and rental housing	4,000	To increase the supply of social or affordable rental housing and improve the existing social housing stock.
Cyber Resilience and Security Instrument	2,157	1. Cybersecurity Program (CYBER) to strengthen the government's cybersecurity capabilities. 2. Resilience and Security Fund to boost productive investments in the security, defense, aeronautics and space sectors.
Co-investment Fund (FOCO)	2,000	To co-invest in Spanish companies with sovereign wealth funds and institutional investors.
Spain Audiovisual Hub Fund	1,500	Loans and other financial instruments for companies in the audiovisual sector to promote productions carried out by this industry in Spain.
Fund for companies affected by Covid (Sepi and Cofides)	1,020	To strengthen the business solvency of companies that are key to the productive fabric.
SME support instrument	913	1. SGR-CERSA guarantee instrument: to re-guarantee guarantee operations or financial, commercial and technical guarantees of the Mutual Guarantee Societies in favor of SMEs. 2. Entrepreneurship and SME Fund (ENISA) financial support to viable and innovative SMEs both in their creation phase (startups) and in their growth phase (scale-ups).
Tax Incentives Fund	483	Tax incentives to boost green investments by businesses and households.
Social Impact Fund (FIS)	400	Fund dedicated to investments that seek a quantifiable and measurable overall social/ environmental impact, with a financial return at least equal to the principal invested.
<b>TOTAL</b>	<b>66,473</b>	

The Addendum includes a **schedule for implementation** of the proposed reforms and investments which **goes up to 2026** and introduces certain changes to milestones and targets envisaged in the initial version of the Plan, to adapt it to changes in socio-economic conditions which have taken place, by virtue of the provisions of article 21 of the RRF Regulation itself.

The Addendum to the Spanish RTRP was favorably assessed by the Commission on October 7, 2023, and approved by the ECOFIN on October 17, 2023.

Likewise, following the approval of the Addendum and with the implementation of the second phase of the RTRP, there has also been an update of the schedule of payments that Spain may receive from the RRF, associated with the realization of 42 new investment and reform measures and the reinforcement of further 17 investments and 8 reforms included in the initial RTRP. Broadly speaking, Spain should be able to receive, between transfers and loans, (i) up to €25,600,000,000 in 2024, (ii) up to €44,600,000,000 in 2025 and (iii) up to €44,300,000,000 in 2026.

### Transfer and loan payment schedule





## Investment aid and incentives in Spain

Finally, it should not be forgotten that the RTRP (and its Addendum) is designed to be a country-wide project, its implementation requiring the involvement of government at all levels and all public authorities; accordingly, its management is based on a principle of co-governance and ongoing dialog with the Autonomous Communities and local authorities.

By the end of November 2023, more than €26,000,000,000 had been allocated to the Autonomous Communities and Cities to undertake investments in their areas of competence, such as education, housing, health and social policies, based on the criteria agreed upon in the 161 Sectoral Conferences held to date. The distribution by territories and amounts are shown in the following chart.

Against this backdrop, it is worth recalling, albeit it briefly, that the RTRP (like its Addendum) is structured around the following **4 strategic or cross-cutting pillars**, which form the backbone of the transformation of Spain's entire economy, spurring the structural reforms and investments that are proposed in it.

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.

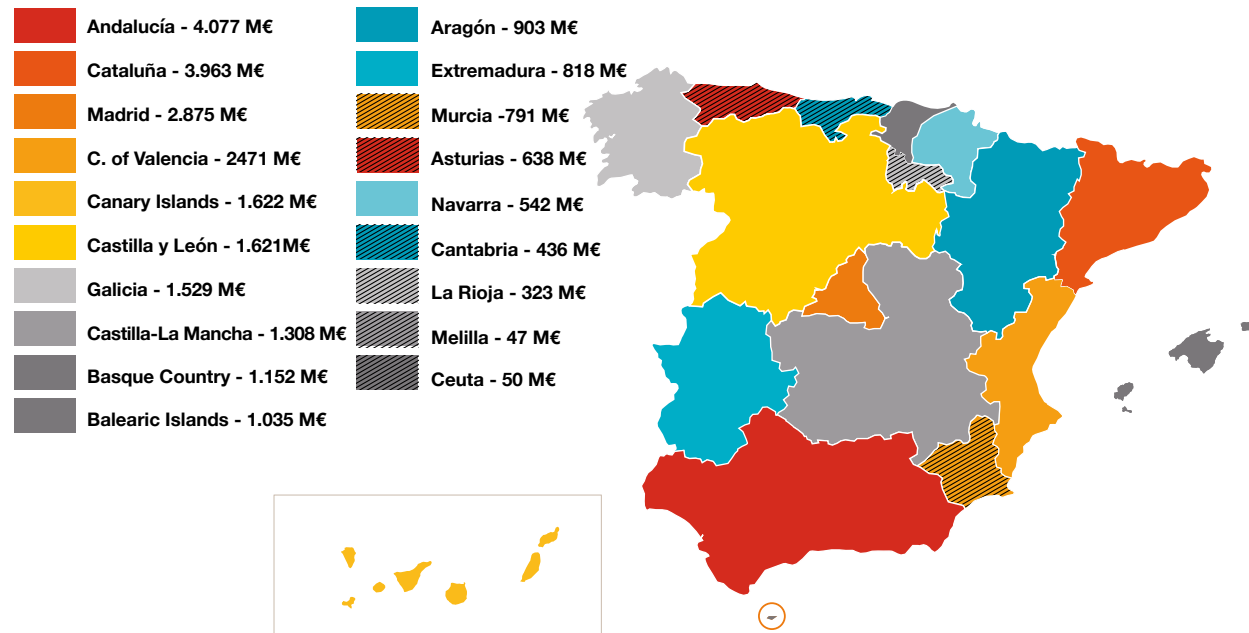
The objective is to attain a climate-neutral economy, while promoting **decarbonization, energy efficiency, the deployment of renewable energy sources, the electrification of the economy, the development of energy storage** and solutions based on nature and improved resilience in all economic sectors.

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.

In keeping with the 2025 Digital Agenda for Spain, the aim is to foster **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.

### Allocation of funds to the Autonomous Communities

November 30, 2023. Millions of euros



**TOTAL ALLOCATED TO THE AUTONOMOUS COMMUNITIES: €26,199 M**

Source: Ministry of Finance and Public Service.

## Investment aid and incentives in Spain

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**.

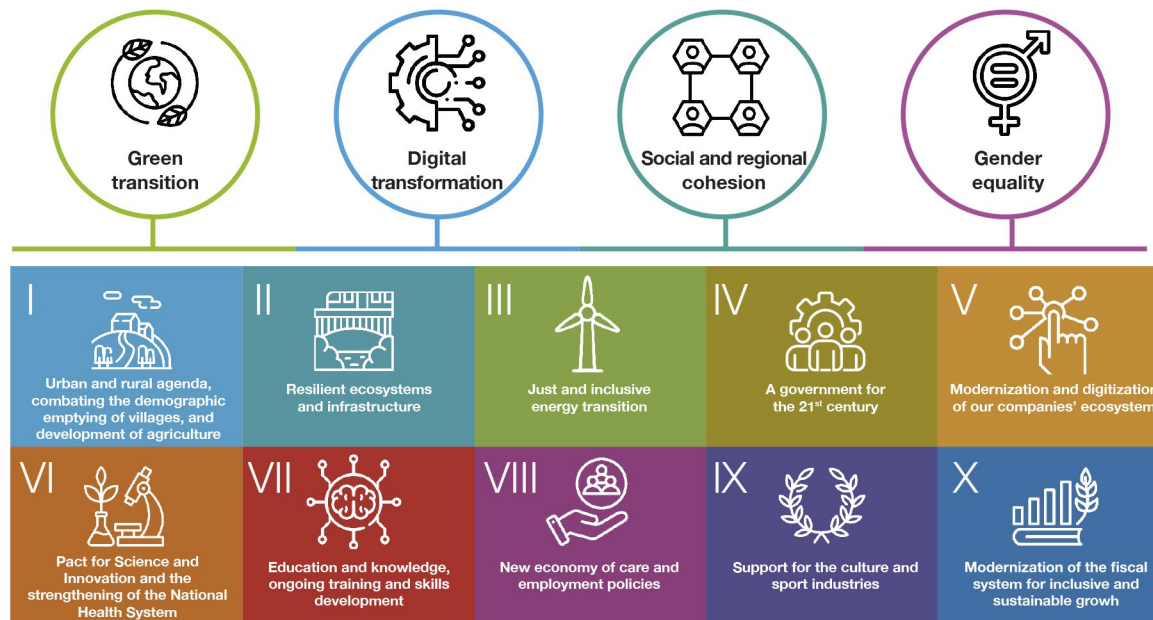
In this area, the aim is to **strengthen the care economy**, based on the dependency system, long-term care and home care, as well as to shore up territorial cohesion ties, harnessing the promotion of digitalization and telework so that it translates into a higher degree of market integration that makes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

Based on the above pillars, the 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 in brief below:

### 1. Urban and rural agenda, fight against depopulation and development of agriculture.

- 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, the aim is to promote the following initiatives:
- **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).

### THE RECOVERY PLAN



## 2. Resilient infrastructure and ecosystems.

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 envisages the following initiatives:

- **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.

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 lever would comprise initiatives 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.

In order to foster the **updating and improved efficiency and services of the Government**, under this policy in particular, a project is undertaken to modernize the Government from a broad perspective, which includes, specifically, (i) 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), (ii) **the plan to reinforce and deploy cybersecurity**, (iii) **the energy transition** of the Central Government, (iv) **modernization in human resources management**, as well as (v) 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.

The aim is to **support and strengthen Spanish industry 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 (PCEI)**, 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 initiatives are 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: (i) Plan for digitalization of the strategic health, (ii) automotive, (iii) tourism and trade sectors, (iv) for modernization and sustainability of industry, (v) for boosting "green" innovation economies and (vi) 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.

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 initiatives:

- **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.

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.

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 initiatives:

- **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.

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 initiatives:

- **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.

Lastly, as a result of the approval of the Addendum to the RTRP, Spain has included a new **Component 31**, which specifically describes the reforms and investments aimed at achieving the objectives of the REPowerEU Program. Notable among the reforms are (i) the measure aimed at **improving the administrative processing of renewable electricity generation facilities**, or (ii) the adoption of a set of measures **aimed at reducing the impact of the cost of energy for citizens**, particularly vulnerable consumers. Notable among the investments is a new investment aimed at reinforcing and complementing the actions already envisaged in the initial wording of the RTRP in support of self-consumption, behind-the-meter storage, energy communities, as well as promoting the deployment and environmental, social and productive integration of renewable energy sources as an essential part of the country's strategic autonomy.

From a legal standpoint and to make possible the adequate absorption of the funds linked to the RRF, the Spanish government

approved Royal Decree-Law 36/2020, of December 30, 2020, on urgent measures for the modernization of government and the implementation of the Recovery, Transformation and Resilience Plan, ratified by a resolution of the Lower House of the Spanish Parliament on January 28, 2021.<sup>48</sup> 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 made 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 were 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) **contribute 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 falls to **the Council of Ministry to declare a project as a Strategic Economic Recovery and Transformation Project**, and its implementation is 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 vanguard 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 PERTE)**, 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.

<sup>48</sup> Following its ratification, the text was sent to the Spanish Parliament again for processing as a draft Law, although the text was not ultimately approved in the previous legislature.



## Investment aid and incentives in Spain

- **PERTE for the agro-food sector (Agro PERTE)**, 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.
- **PERTE for microelectronics and semiconductors (CHIP PERTE)** is aimed at strengthening the design and production capacities of the microelectronics and semiconductors industry in Spain from a comprehensive perspective so as to boost Spain's and the EU's strategic autonomy in this sector in line with the provisions of the European Chips Act. It is structured around four strategic pillars: (i) strengthening of scientific capacity, (ii) design strategy, (iii) construction of manufacturing plants and (iv) revitalization of the ICT manufacturing industry.
- **PERTE for the social and care economy** seeks to boost an inclusive, people-centered economy. Specifically, it seeks to enhance and shore up alliances between research centers, organizations, cooperatives and entities that work in the social and care economy and to make Spain a benchmark in this area. Its objectives are threefold: (i) to foster and develop the Spanish social economy and its transformative potential,

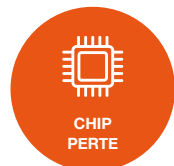
(ii) to develop and promote advanced services in the field of care, which are accessible and focused on people and (iii) to create a Cutting-Edge Hub relating to the social economy for the transfer and exchange of knowledge with social economy entities.

- **PERTE for industrial decarbonization** was conceived with the goal of fulfilling the commitment to support industry in its transition to more environmentally friendly models and processes and to contribute to the goal of climate neutrality in 2050. Specifically, it seeks to satisfy the following goals: (i) decarbonizing production processes, allowing the viability of industries in the medium and long term, (ii) improving energy efficiency by incorporating the best available technologies and implementing energy management systems in industries, (iii) improving the competitiveness of the manufacturing sector, (iv) promoting Spain's energy security, (v) promoting the use of renewable energies and (vi) promoting the improvement of the environment by supporting the use of by-products and waste recovery to integrate them in other processes and thus reduce the environmental impact of products throughout their life cycle.

## Investment aid and incentives in Spain

### STRATEGIC PROJECTS FOR RECOVERY AND ECONOMIC TRANSFORMATION (PERTE)

November 2023. Millions of euros (RRF)



**€12,250 M**

**Manufacturing and R&D in microelectronics and semiconductor industry**



**€4,120 M**

**Competitiveness and industrial sustainability of the automotive sector**



**€3,170 M**

**Decarbonization of the manufacturing and gas-intensive industry**



**€1,640 M**

**Personalized digital care, healthcare R&D, training of healthcare professionals**



**€931 M**

**Energy Efficiency, digitization and modernization of the aeronautical sector**



**€725 M**

**Comprehensive action for sector diversification, sustainability and digitalization**



**€10,797 M**

**Self-consumption, renewable hydrogen value chain and energy efficiency**



**€3,485 M**

**Digitization of the water cycle in municipalities, irrigation communities and industrial sector**



**€1,766 M**

**Strengthening investments in the new care economy**



**€1,357 M**

**Improving efficiency and sustainability in irrigation**



**€792 M**

**Action in key sectors: textile, agri-food, plastics and renewable energy capital goods**



**€150 M**

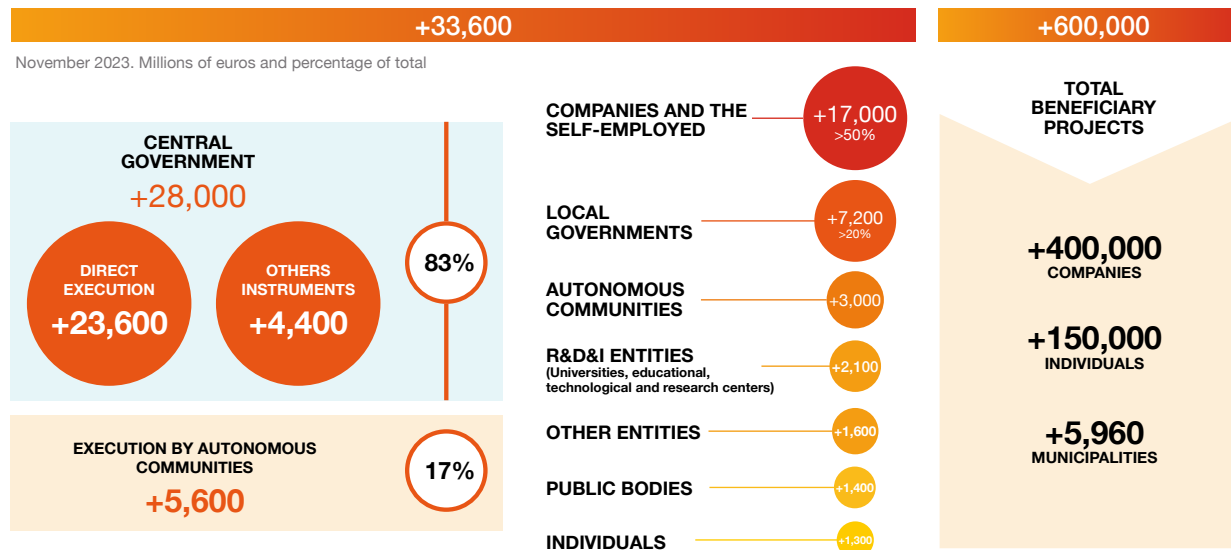
**Comprehensive action for sector diversification, sustainability and digitalization**

Lastly, 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 were 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 is 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 have been taking place as the RTRP is implemented, it may be noted that, in 2022 and 2023, the pace of publication, of both regulatory framework orders and calls for subsidies, has increased significantly, as calls for applications for aid and public tenders worth €33,600,000,000 have been decided.

## Investment aid and incentives in Spain



Source: Ministry of Finance and Public Service.

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 THE EUROPEAN INVESTMENT BANK (EIB)

The European Investment Bank (EIB) is the European Union's investment bank and is jointly owned by all the Member States.

Since its creation in 1958 it has been granting funding and expert advice to hundreds of projects promoted in over 160 countries, with a threefold objective: (i) to boost Europe's potential for growth and employment, (ii) to support measures aimed at mitigating climate change, and (iii) to foster EU policies in other countries.

In particular, the EIB focuses its efforts on financially supporting projects that make a significant contribution to furthering the objectives of the European Union, especially in the following fields: (i) climate action and environmental sustainability aimed at achieving a zero-emission economy, (ii) promoting sustainable development, (iii) innovation and boosting human and digital capital, (iv) promoting renewable energies and natural resources, (v) transport and mobility infrastructure and projects aimed at achieving increasingly sustainable urban areas and regions, (vi) support for small and medium-sized enterprises, (vii) reducing territorial inequalities in line with the objectives of European cohesion policy, (viii) boosting social policies to ensure equality and the protection of human dignity in support of the most vulnerable.<sup>49</sup>

<sup>49</sup> <https://www.eib.org/en/projects/index.htm>

## Investment aid and incentives in Spain

The EIB finances itself by borrowing on the capital markets. For this reason, the loans it grants for projects supporting EU objectives are not considered as funded with money from the Union budget. Its lending and borrowing decisions depend on the characteristics of each project and the opportunities offered by the financial markets.

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 2023 was €87,850,000,000, of which €75,140,000,000 correspond to the EIB itself.<sup>50</sup> Specifically, this last-mentioned amount was allocated to achieving the following priority objectives:

Innovation, human capital and digital	€19,760,000,000
SMEs and mid-caps	€19,960,000,000
Sustainable cities and regions	€21,330,000,000
Climate action and environmental sustainability	€49,040,000,000
Renewable energy and natural resources	€26,800,000,000
Cohesion policy	€36,020,000,000

In addition, of particular note, since the start of the Russian invasion of Ukraine, has been the financial contribution that the EIB has been making to provide urgent aid to Ukraine, by disbursing €1,700,000,000 in funds to help finance the most urgent needs and to boost efforts to rebuild the country's infrastructure ravaged by Russian bombing.<sup>51</sup>

### EIB GROUP FINANCING BY COUNTRY (EU27)

Austria	€1,260,000,000
Belgium	€2,380,000,000
Bulgaria	€1,110,000,000
Croatia	€464,000,000
Cyprus	€257,000,000
Czech Republic	€1,880,000,000
Denmark	€1,440,000,000
Estonia	€540,000,000
Finland	€992,000,000
France	€11,820,000,000
Germany	€8,630,000,000
Greece	€2,540,000,000
Hungary	€490,000,000,000
Ireland	€1,760,000,000
Italy	€12,190,000,000
Latvia	€82,000,000
Lithuania	€654,000,000
Luxembourg	€140,000,000
Malta	€30,000,000
Netherlands	€2,690,000,000
Poland	€5,100,000,000
Portugal	€2,120,000,000
Romania	€4,130,000,000
Slovakia	€293,000,000
Slovenia	€359,000,000
Spain	€11,390,000,000
Sweden	€2,910,000,000
Regional – EU countries	€707,000,000

Source: <https://www.eib.org/attachments/2023-eib-key-figures-summary-en.pdf>

Specifically, as regards Spain, the financing from the EIB during 2023 amounted to €11,386,000,000 (up 14% on the previous year), making it the third largest recipient in the EU, after France and Italy, of funding from the EIB Group<sup>52</sup> this year.

The financing granted by the EIB in Spain went to 90 high-impact projects in renewable energy, sustainable transport and urban mobility, health and SME competitiveness, among others, with the aim of mobilizing investments worth more than €26,800,000,000.

<sup>50</sup> For more information, see the following links: <https://www.eib.org/en/publications/20230354-financial-report-2023> and <https://www.eib.org/en/about/key-figures/2023-annual-results>, <https://www.eib.org/en/publications/20230300-eib-group-activity-report-2023>

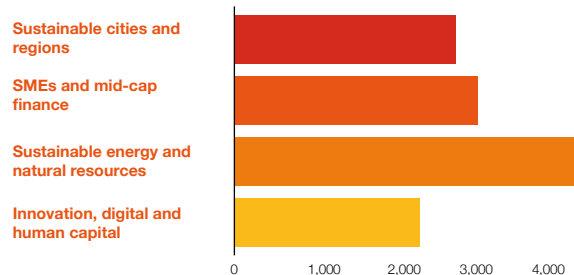
<sup>51</sup> <https://www.eib.org/en/press/all/2023-533-eib-delivers-almost-eur100-million-to-ukraine-for-recovery-projects>

<sup>52</sup> For more information, see the following links: <https://www.eib.org/en/projects/regions/index.htm> and <https://www.eib.org/en/publications/20240045-eib-group-activity-in-spain-in-2023>

## Investment aid and incentives in Spain

### LAST YEAR'S EIB GROUP ACTIVITY IN SPAIN BY PRIORITY

(In € million, last update at previous the year end)



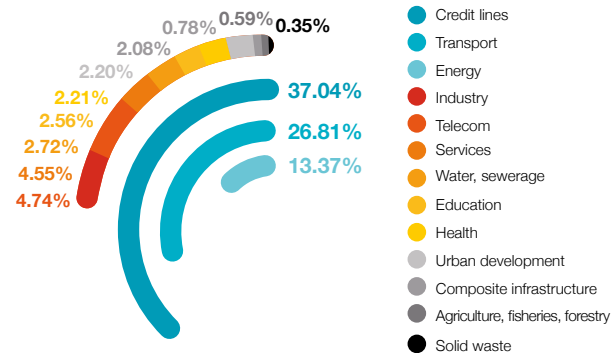
Source: Spain and the EIB (eib.org)

Focusing on the lending activity pursued by the EIB (about 90% of its total financial commitment), the EIB grants loans to both the public and private sectors, and within the latter, to large companies and corporations as well as to mid-caps and special purpose vehicles for the execution of specific projects (including public-private partnership projects and concessions).

In addition, the EIB also offers indirect support to small and medium-sized companies by granting loans to local financial institutions that on-lend to such companies. The EIB also provides direct loans to new innovative mid-caps for research and development investments.<sup>53</sup> Lastly, the EIB also promotes access to financing for companies and individuals who are normally excluded from traditional financing circuits by promoting micro-loans through specialized financial institutions and investment vehicles.

In general, these loans have the following features:

### EIB ACTIVITY IN SPAIN BY SECTOR SINCE START OF OPERATIONS



- 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 €25,000,000 and even lower amounts in some cases.
- In the case of SMEs, funds of up to €12,500,000 through intermediated lending partners.
- Financial and technical support for preparation of the project, when required.
- Financing can be blended with additional sources of investment, such as financial instruments and grants from the EU or from third parties.

- EIB's financing acts as a quality stamp that can help 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.

Against this backdrop, a general distinction can be made between two types of loans, depending on whether they are direct or indirect.

#### 8.2.1.1 INDIRECT LOANS (INTERMEDIATED LOANS)

This is the main instrument used by the EIB to provide support for micro-enterprises, 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 of this type).

The loans are granted by the EIB to banks or other financial institutions in all the Member States, which act as intermediaries. Consequently, these financial intermediaries conduct an analysis of the investment, and of the economic, technical and financial viability of each of the projects presented. Likewise, these banks are responsible for granting and administering the loans and retaining the financial risk.

Specifically in Spain, these types of 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,

<sup>53</sup> <https://www.eib.org/en/products/loans/index.htm>



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De Lage Landen International B.V. Sucursal en España, Deutsche Bank, Ibercaja, Institut Català de Finances (ICF), Instituto para la Competitividad Empresarial de Castilla y León, Luzaro, Santander Consumer Finance S.A., Unión de Créditos Inmobiliarios, S.A. and Establecimiento Financiero de Crédito (Sole-Shareholder Company).<sup>54</sup>

**There are many different types of loans and credits, with varying maturities, amounts and interest rates,** according to the agreements between the EIB and the intermediary financial institutions but in general their features can be summarized as follows:

- It must involve an investment project of up to €25,000,000, which may receive funding of up to 100% of the investment with a guarantee from the intermediary bank.
- The transactions may be formalized as a loan or may adopt other alternative forms of financing (e.g. leases) according to the terms and conditions previously agreed by the intermediary bank.
- Repayment period: to be determined by the financial institution acting as intermediary and the EIB, although it may not exceed the economic and technical duration of the financed project. The amount awarded under a global loan may not exceed €12,500,000.
- 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 DIRECT LOANS (PROJECT LOANS)

The second type of loans are those granted directly by the EIB to investment projects promoted by private sector companies.

These loans are characterized by offering more advantageous conditions than customary market conditions, as well as long terms (usually 10 years). In general, the loan is intended to cover the investment costs (and sometimes R&D&I expenses) incurred during an average period of three years (although they may refer to a longer period), and may reach up to 50% of the total budgeted cost. The loans are normally granted for amounts of €25,000,000 and above, although the EIB may occasionally consider smaller amounts.

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

- 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. To this end, the application for financing must be accompanied by a complete feasibility study which includes a detailed analysis of the investment and business plan. Although there is no standardized documentation, the promoter must provide as much information and documentation as may be considered necessary to enable the EIB to verify that the project suitably meets the financing objectives established by the EIB.
- 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.

In general, a project that seeks funding from the EIB usually goes through **7 stages**: (i) submission of a proposal, (ii) appraisal, (iii) approval, (iv) signature, (v) disbursement, (vi) monitoring and reporting, and (vii) repayment.



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

### 8.2.1.3 THE EIB'S ROLE IN THE INVESTEU FUND

It is worth recalling that, within the current Community budgetary framework (2021-2027) approved by Regulation 2020/2093, of 17 December 2020, the Commission decided to build on the success achieved with the European Fund for Strategic Investments (EFSI) and the economies of scale generated by it by merging all instruments then available to foster investment in the EU, under the name "InvestEU Program".<sup>55</sup>

<sup>54</sup> Source: <https://www.eib.org/en/intermediarieslist/search/result?country=ES>

<sup>55</sup> Source: <https://www.consilium.europa.eu/es/policies/investment-plan/strategic-investments-fund/>

In accordance with the proposal, the EU budget has been providing a **guarantee of €26,200,000,000** to support strategically significant projects throughout the EU, although this amount can be increased by subsequent contributions from the EU Member States and third countries. This will allow investors to take greater risks, while supporting projects that might otherwise have been discarded.

To ensure a swift roll-out and its local reach, the **InvestEU** Program will be implemented in partnership with the EIB and the European Investment Fund (EIF), as well as with other implementing 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.

This program consists of:

- **The InvestEU Fund** (which combines the EFSI and 13 other – formerly independently managed – EU financial instruments) with the aim of supporting financing and investment in line with internal EU policies. And all the above with the aim of mobilizing the necessary public and private investment for a full economic recovery and to achieve long-term European objectives.

The InvestEU Fund supports the following **4 policy windows**:

1. **Sustainable infrastructure:** to finance projects in, among others, renewable energy, digital connectivity, transportation, circular economy, water management, waste management and environmental protection infrastructure.
2. **Research, innovation and digitalization:** aimed at promoting projects in research and innovation, digitalization of industry, artificial intelligence, etc.

3. **Facilitating access to funding for small and medium-sized enterprises (SMEs), including, in particular, 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.

- 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 is 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<sup>56</sup> program and support for the Just Transition Mechanism.

With the InvestEU Advisory Hub, the Commission seeks to integrate the 13 pre-existing advisory services into a one-stop shop to support project development. Its aim is to provide technical support and assistance to help with the preparation, development, structuring and implementation of projects, including additional information on investment guidelines. It is available to public and private project promoters, including SMEs and startups.

- Lastly, **the InvestEU Portal**, is an easily accessible and user-friendly database that provides a channel for promoters seeking finance to make their projects visible to potential investors who might not otherwise be reachable.

### 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 help them gain access to funding. To this end, in response to the needs of each regional market, the EIF designs innovative financial products for its partners (banks, guarantee, leasing and micro-finance institutions, private equity and venture capital funds, among others) acting as financial intermediaries.

The work of the EIF can be classed according to the financial products (capital and debt) offered, which include most notably<sup>57</sup>:

<sup>56</sup> For more information on the JASPERS program, please see the following website: <https://jaspers.eib.org/>

<sup>57</sup> What we do ([eif.org](http://eif.org)).

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- **Equity products:** the EIF invests in venture capital and growth funds, mezzanine funds that support SMEs, while also covering technology transfers and business incubators.
- **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.
- **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.

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

### The EIF's Public Policy Goals

#### Expected mobilised investments

€52.5bn

Competitiveness  
& Growth

€28.6bn

Innovation &  
Digitization

€5.9bn

Social Impact,  
Skills & Human  
Capital

€47.7bn

Sustainability  
& Green  
Transformation

Source: <https://engage.eif.org/eif-in-2023/year-in-review>

Source: [Investment Plan results \(europa.eu\)](https://investment-plan.europa.eu/)

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Selected Financial Intermediary	What is available?	Who is eligible?	Initiative
• Students and learners	• Income shared agreements	• Nuevo MicroBank S.A.U. • StudentFinance • Santander Consumer Finance	• EFSI Skills and Education Guarantee Pilot
• 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-Caps	• InnovFin SME Guarantee Facility
• CERSA	• Loans	• MSMEs in the cultural & creative sectors	• CCS GF

Selected Financial Intermediary	What is available?	Who is eligible?	Initiative
• Bankinter • Deutsche Bank Spain	• Loans	• Innovative SMEs and small midcaps	• Risk Sharing Instrument (RSI)
• MicroBank	• Loans	• Social-entreprises	• Easi • EFSI
• MicroBank	• Loans	• Mobile Master Students	• Erasmus+ Master Loan Guarantee Facility
• Caja Rurales Unidas • Cajamar Cooperative Group • Fundació Pinnae • ICREF • Laboral Kutxa/Caja • Laboral Popular (ES)	• Micro-loans	• Micro-enterprises including individuals	• Progress Microfinance
• Laboral Kutxa/Caja Laboral Popular • Banco Popular Español • Colonya Caixa Pollença • Soria Futuro, PLC	• Micro-loans	• Micro-enterprises including individuals	• EaSI
• Triodos Bank • Colonya Caixa Pollença	• Loans	• Social enterprises	• EaSI

Source: [EIF intermediaries in Spain](#)

## Investment aid and incentives in Spain

### 8.2.3 EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

During the new 2021-2027 period, the Union's regional and cohesion policy will focus on **5 priorities**:

1. A **smarter** Europe, through innovation, digitalization, economic transformation and achieving regional connectivity through information and communications technologies.
2. A **greener**, carbon free Europe, implementing the Paris Agreement and investment in energy transition, renewables and the fight against climate change.
3. A more **connected** Europe, enhancing mobility with strategic transport and digital networks.
4. 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.
5. 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.

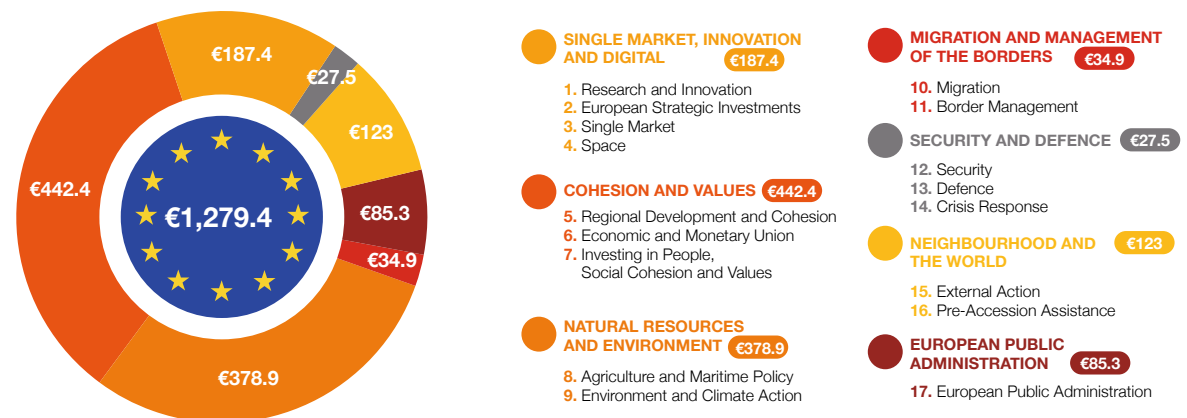
The Cohesion Policy will keep on investing in all regions, still on the basis of the 3 categories applied during the 2014-2020 period (less-developed, transition, more-developed). Similarly, the allocation method for the funds is still largely based on GDP per capita, although new criteria are added, such as youth unemployment, low education level, climate change, and

the reception and integration of migrants, to better reflect the reality on the ground. Notwithstanding the above, outermost regions are expected to continue benefitting from special EU support.<sup>58</sup>

Furthermore, against this backdrop, the Cohesion Policy will continue to support locally-led development strategies, encouraging local authorities to play a more prominent role in the management of funds.

In turn, 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".

#### THE NEW MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 A BUDGET FOR A UNION THAT PROTECTS, EMPOWERS AND DEFENDS In billion euro, current prices



Source: [https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/jpr/fcp2020/fcp2020MFP/Documents/16\\_budget-proposals-modern-eu-budget-may2018\\_es.pdf](https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/jpr/fcp2020/fcp2020MFP/Documents/16_budget-proposals-modern-eu-budget-may2018_es.pdf)

<sup>58</sup> Source: <https://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/jpr/fcp2020/Paginas/inicio.aspx> and [https://ec.europa.eu/regional-policy/2021-2027\\_en](https://ec.europa.eu/regional-policy/2021-2027_en)



### 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 which approve the financial rules for those Funds 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 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, 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 was approved by the Commission on November 18, 2022. It is a strategic document that sets out the broad areas of action and investment priorities of all the European Funds comprising the Multiannual Financial Framework (specifically, the European Regional Development Fund, European Social Fund Plus, the European Maritime, Fisheries and Aquaculture Fund (EMFAF), and the Just Transition Fund (JTF).

The total volume of the investment is €36,682,000,000 and its implementation supplements the objectives and milestones already included in the above-mentioned Recovery, Transformation and Resilience Plan (RTRP) approved for Spain. It is worth noting that of the €36,682,000,000 to be contributed by the EU under the Partnership Agreement, €35,562,000,000 correspond to EU cohesion policy funds, where Spain is the third biggest recipient in the 2021-2027 period, only behind Poland and Italy. This allocation is split into €23,397,000,000 from ERDF, €11,296,000,000 from

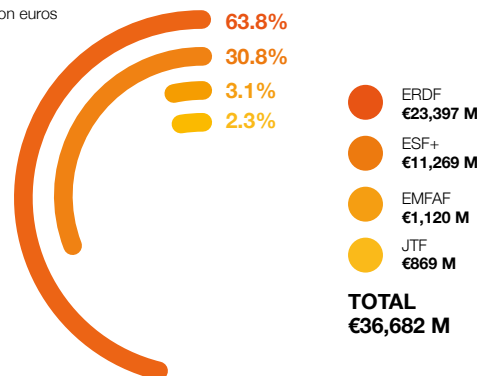
ESF+ and €896,000,000 from JTF. In addition to these amounts, €1,120,000,000 have been allocated to Spain for the EMFAF.

The funding relates to five major policy areas, including most notably support for research, digitalization, support for SMEs, energy efficiency, the green transition and social investment.<sup>59</sup> Specifically:

- Policy Objective 1 (PO1) will have nearly €8,300,000,000 in European aid to strengthen research, support businesses and promote the digitalization of the Spanish economy.
- Policy Objective 2 (PO2) will allocate more than €9,900,000,000 to improving energy efficiency, rolling out renewable energy projects, climate change adaptation actions, implementing a circular economy model and focusing on biodiversity.
- Policy Objective 3 (PO3) has an allocation of €1,200,000,000, which focuses on the development of rail corridors, on ensuring rail accessibility to ports of general interest and on supporting the use of clean vehicles and improving the public transport service.
- Within Policy Objective 4, (PO4), social investment takes on special significance with attention to employment, education, occupational training, inclusion and the fight against poverty and child poverty. This translates into €12,300,000,000 in aid aimed at fostering social cohesion.
- Lastly, Policy Objective 5 (PO5) includes funding aimed at promoting the implementation of urban and non-urban development initiatives through the design of integrated investment programs, with an amount totaling more than €2,100,000,000.

#### FINANCIAL ALLOCATION OF EU AID UNDER PARTNERSHIP AGREEMENT BY INSTRUMENT

In a billion euros



Source: 2021-2027 Spain Partnership Agreement.

<sup>59</sup> Following for the purpose what is established in article 5 of the Regulation laying down common provisions on the ESI Funds.

OBJECTIVE	ERDF	ESP+	EMFAF	JTF	TOTAL	%
	(Euro billion)					
PO1: more competitive and smarter EU	8,289				8,289	23%
PO2: greener EU	8,944		953		9,897	27%
PO3: more connected EU	1,230				1,230	3%
PO4: more social and inclusive EU	1,604	10,697			12,301	34%
PO5: EU closer to citizens	2,043		104		2,147	6%
Outermost regions	486	159			645	2%
Just transition				835	835	2%
Technical assistance	801	440	63	33	1,338	4%
TOTAL	23,397	11,296	1,120	869	36,682	100%

Source: <https://www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/hacienda/paginas/2022/161222-acuerdo-asociacion-2021-2027-ratificacion.aspx>

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.

### 8.2.3.2 FUNDS UNDER THE COHESION POLICY: ERDF, ESF+, COHESION FUND AND JUST TRANSITION FUND

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

The ERDF Regulation for the 2021-2027 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.<sup>60</sup> However, the Cohesion Policy applicable during this period 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, the ERDF has around €200,360,000,000 (including €8,000,000,000 for European Territorial Cooperation and €1,930,000,000 for the outermost regions). Less-developed regions will benefit from co-financing rates of up to 85% of the eligible 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 **€23,397,000,000 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<sup>61</sup>:
- 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, a category which in Spain has been assigned to 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).

<sup>60</sup> More information at <https://www.europarl.europa.eu/factsheets/en/sheet/95/el-fondo-europeo-de-desarrollo-regional-feder>.

<sup>61</sup> <https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/Paginas/inicio.aspx>

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- c. **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.

REGION CATEGORIES	
MORE DEVELOPED REGIONS	
EU	Autonomous C. of the Basque Country
CT	Autonomous C. of Cataluña
AR	Autonomous C. of Aragón
NA	Historical C. of Navarra
MD	Community of Madrid
TRANSITION REGIONS	
GA	Autonomous C. of Galicia
AS	Autonomous C. of the Principality of Asturias
CN	Autonomous C. of Cantabria
LR	Autonomous C. of La Rioja
MU	Autonomous C. of the Murcia Region
CV	Community of Valencia
IC	Autonomous C. of the Canary Islands
BB	Autonomous C. of the Balearic Islands
CL	Community of Castilla y León
LESS DEVELOPED REGIONS	
AN	Autonomous C. of Andalusia
CM	Autonomous C. of Castilla-La Mancha
EX	Autonomous C. of Extremadura
CE	City of Ceuta
ME	City of Melilla

Source: [fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/Documents/Brochure%20Acuerdo%20de%20Asociación%2021-27%20online.pdf](https://fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/Documents/Brochure%20Acuerdo%20de%20Asociación%2021-27%20online.pdf)

- Both the ERDF Spain Interregional Program 2021-2027 and all the Regional Programs that will apply during that period in all the above-mentioned autonomous communities and autonomous cities have already been published. The programs set out the priorities and conditions required for projects and initiatives to receive co-financing from the ERDF.
- For more detailed information on the contents of the respective programs, please see the following website (<https://www.fondoseuropeos.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/P2127/PF/Paginas/PFEDER.aspx>).

### • European Social Fund (ESF+).

The specific objectives of the ESF+ during the 2021-2027 period include:<sup>62</sup>

- 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 in the current budgetary framework 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).<sup>63</sup>

### • Just Transition Fund (JTF).

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

<sup>62</sup> More information at <https://www.europarl.europa.eu/factsheets/en/sheet/53/el-fondo-social-europeo-plus>

<sup>63</sup> More information at <https://www.europarl.europa.eu/factsheets/en/sheet/96/el-fondo-de-cohesion>

emissions, the regeneration of industrial sites, the reskilling of workers and technical assistance.

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.<sup>64</sup>

The Just Transition Fund has an overall budget of €17,500,000,000 for 2021-2027, of which €7,500,000,000 come from the multiannual financial framework and €10,000,000,000 are additional funds from the NextGenerationEU Program.

In the case of Spain, its Just Transition Program was approved by the European Commission on December 21, 2022, and includes a description of the types of actions eligible to execute the €868,000,000 that correspond to Spain within the framework of the JTF. These funds are to be used to finance actions in the territories of the six Autonomous Communities (Andalusia, Aragon, Asturias, Castilla-Leon, Galicia and the Balearic Islands) considered eligible because they are affected by the closure of coal mines and coal-fired power plants.

For more information on the Spanish just transition strategy, please see the following website (<https://www.transicionjusta.gob.es/es-es/Paginas/Home.aspx>).

### 8.2.4 THE FUNDING 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 40%. The budget for direct payments assigned to Spain in that period was equal to €29,227,900,000,000, which entailed 11.56% of the total.

The financing and functioning of the CAP is currently regulated under **Regulation 2115/2021, of 2 December 2021, of the European Parliament and of the Council**, establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy and repealing Regulations 1305/2013 and 1307/2013 (which had the same purpose).

**The new CAP**, which will apply during the 2023-2027 period, retains the essential elements of the former CAP, but is no longer a policy confined to setting requirements to be met by the final beneficiaries of the aid. Rather, it has become **a policy aimed at achieving specific results**, linked to three general objectives:

- a. **To foster a smart, competitive, resilient and diversified agricultural sector** that ensures long-term food security.
- b. **To support and bolster environmental care** and climate action and contribute to the achievement of EU environmental and climate objectives, including the commitments made under the Paris Agreement.
- c. **To strengthen the socio-economic fabric** of rural areas.

These general objectives are in turn broken down into nine specific objectives, based on the three pillars of sustainability and supplemented by a common crosscutting objective of modernizing the agricultural sector through knowledge, innovation and digitalization in rural areas.

<sup>64</sup> More information at <https://www.europarl.europa.eu/factsheets/en/sheet/214/fondo-de-transicion-justa>

## Investment aid and incentives in Spain

SO1



**ENSURE  
FAIR INCOME**

SO2



**INCREASE  
COMPETITIVENESS**

SO3



**REBALANCE  
POWER IN  
FOOD CHAIN**

SO4



**CLIMATE  
CHANGE  
ACTION**

SO5



**ENVIRONMENTAL  
CARE**

SO6



**PRESERVE  
LANDSCAPES &  
BIODIVERSITY**

SO7



**SUPPORT  
GENERATIONAL  
RENEWAL**

SO8



**VIBRANT  
RURAL  
AREAS**

SO9



**PROTECTION  
FOOD & HEALTH  
QUALITY**

CCO



**KNOWLEDGE AND  
INNOVATION**

Source: <https://www.mapa.gob.es/es/pac/post-2020/default.aspx>

One of the main new features of the 2023-2027 CAP is that all the Member States must have in place a **CAP Strategic Plan** that sets out the interventions or measures with which they intend to achieve the objectives of the CAP and the European Green Deal. This enables the CAP to better serve Europe's present and future challenges, such as climate change or generational renewal, without ceasing to support farms in order to achieve a sustainable and competitive agricultural sector.

Spain has its own CAP Strategic Plan (CAPSP)<sup>65</sup>, which was approved by the Commission on August 31, 2022 and has an estimated budget of €35,549,000,000 for the entire period.<sup>66</sup>

Furthermore, to facilitate its implementation, the Spanish government approved Royal Decree 1048/2022, of December 27, 2022, on the application of interventions in the form of direct payments and establishing common requirements and regulating

the single application of the integrated management and control system.<sup>67</sup>

The Spanish CAPSP was amended in 2023 to reflect some essential adjustments to certain financial aspects (limits, contributions to different actions) and eligible expenditure. These amendments were approved by the Commission by means of the implementing decision of August 30, 2023.<sup>68</sup>

That said, it is worth recalling that **CAP financing is essentially structured – through two funds** included in the EU budget – 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

<sup>65</sup> This CAPSP is accompanied by an extensive package of accompanying regulations, which can be consulted at the following website: <https://www.mapa.gob.es/es/pac/pac-2023-2027/paquete-normativo-plan.aspx>

<sup>66</sup> For more information, see the following websites: <https://www.mapa.gob.es/es/pac/pac-2023-2027/> and [https://www.mapa.gob.es/es/pac/post-2020/resumen-pac-es\\_tcm30-627662.pdf](https://www.mapa.gob.es/es/pac/post-2020/resumen-pac-es_tcm30-627662.pdf)

<sup>67</sup> This CAPSP is accompanied by an extensive package of accompanying regulations intended to facilitate its implementation, which can be consulted at the following website: <https://www.mapa.gob.es/es/pac/pac-2023-2027/paquete-normativo-plan.aspx>

<sup>68</sup> For more information on the scope of the amendment, please see <https://www.mapa.gob.es/es/pac/pac-2023-2027/modificacion-plan-estrategico.aspx>

At the same time, on December 27, 2023, Royal Decree 1177/2023, of December 27, 2023, was published in the Official State Gazette, amending various Royal Decrees issued for the application of CAPSP in order to adjust the legal regime of aid based on the technical experience acquired in the initial implementation. Among others, the regulations that establish the conditions and requirements for access to the aid were modified, such as the above-mentioned Royal Decree 1048/2022.



**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:

### I. 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.

### ii. EAFRD.

The **European Agricultural Fund for Rural Development** (EAFRD), also governed by the above-mentioned Regulation 2115/2021, of 2 December 2021, contributes to the sustainable development of rural areas through **three long-term objectives**:

1. Fostering the competitiveness of agriculture and forestry.
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.

These objectives are achieved through the respective national and regional rural development programs (RDPs), which are co-financed by the EAFRD and the national budgets of the EU Member States.

Each RDP must work towards at least four of the six priorities of the EAFRD:

1. Fostering knowledge transfer and innovation in agriculture, forestry and rural areas.
2. Enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management.

3. Promoting food chain organization, animal welfare and risk management in agriculture.
4. Promoting resource efficiency and supporting the shift toward a low-carbon and climate resilient economy in the agriculture, food and forestry sectors.
5. Restoring, preserving and enhancing ecosystems related to agriculture and forestry.
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

The EAFRD priorities are in turn broken down into 18 specific focus areas. In their programs, countries set out targets relating to their chosen priorities and focus areas, as well as a strategy for meeting their targets. From 2023 onwards, all new rural development actions were incorporated into national CAP strategic plans. Each national plan will be built around key social, environmental and economic objectives for EU agriculture, forestry, and rural areas.

The EAFRD budget for the 2021-2027 period amounts to €95,500,000,000, which includes an injection of €8,100,000,000 from Next Generation EU. Of that total allocation, the maximum amounts allocated to Spain will be €4,874,879,750 in 2023, €4,882,179,366 in 2024, €4,889,478,982 in 2025, €4,896,778,599 in 2026 and €4,896,778,599 in 2027.

Lastly, the EAFRD can provide **investment support for rural enterprises and projects through financial instruments**, such as loans, guarantees or equity. Details on the financial instruments available under the EAFRD are provided on the online advisory platform called Fi-Compass.<sup>69</sup>

<sup>69</sup> For more information, please see the following website: <https://www.fi-compass.eu/funds/eafrd>

### 8.2.5 EUROPEAN MARITIME, FISHERIES AND AQUACULTURE FUND (EMFAF)

Under the new 2021-2027 budgetary framework, the **European Maritime, Fisheries and Aquaculture Fund (EMFAF)** has been set up to replace the fund existing in the prior 2014-2020 period, 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.<sup>70</sup>

In particular, the EMFAF includes a budget of €6,108,000, 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.

Spain has the respective EMFAF Program approved by the European Commission on November 29, 2022, the full features of which can be consulted at the following website (<https://www.mapa.gob.es/es/pesca/temas/fondos-europeos/fempa/programacion/>).

### 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 Program 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 €74,828,300,000 to finance research, technological development and innovation initiatives and projects with obvious European added value.

#### **Horizon 2020** was based on **three fundamental pillars**:

(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,

<sup>70</sup> [https://oceans-and-fisheries.ec.europa.eu/funding/emfaf\\_en](https://oceans-and-fisheries.ec.europa.eu/funding/emfaf_en)

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.

Once the Horizon 2020 Program concluded, it was replaced by the **European Union Investment and Innovation Framework Program** which is known as **Horizon Europe** and covers the new 2021-2027 budget period. This Program is governed by **Regulation (EU) of the European Parliament and of the Council of 28 April 2021**, and the **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 €5,500,000,000** (including an additional €5,400,000,000 from the NextGenerationEU Program), which entails a substantial budgetary increase compared to Horizon 2020, making Horizon Europe the biggest European research and innovation program approved to date.<sup>71</sup>

According to 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 Regulation (EU) 2021/695, Horizon Europe will be structured into **four pillars and budgets**:

1. **Excellent science**, which has a budget of €25,000,000,000 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 €53,500,000,000 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 €13,600,000,000 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 €3,400,000,000 and includes (i) widening participation and spreading excellence, and (ii) reforming and enhancing the European R&I system.

<sup>71</sup> [https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe\\_en](https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en)

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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](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 in five specific mission areas. These missions will be programmed within the *Global challenges and European industrial competitiveness* pillar, although they may also benefit from actions implemented under other parts of the program, as well as complementary actions carried out under other EU programs.

### FIVE MISSIONS AREAS



Adaptation to climate change, including societal transformation



Cancer



Healthy oceans, seas, coastal & inland waters



Climate-neutral & smart cities



Soil health & food

(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).

- Lastly, through the **spreading of excellence**, (i) establishing it as a possible criterion for awarding subsidies and as the sole criterion to be taken into account 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.

- 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

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### Lessons Learned

From Horizon 2020 Interim Evaluation



Support breakthrough innovation



Create more impact through mission-orientation and citizens' involvement



Rationalise partnerships' landscape



Reinforce openness



Strengthen international cooperation



Encourage participation

Source: [https://research-and-innovation.ec.europa.eu/document/download/9224c3b4-f529-4b48-b21b-879c442002a2\\_es?filename=ec\\_rtd\\_he-investing-to-shape-our-future.pdf](https://research-and-innovation.ec.europa.eu/document/download/9224c3b4-f529-4b48-b21b-879c442002a2_es?filename=ec_rtd_he-investing-to-shape-our-future.pdf)

### Key Novelties

in Horizont Europe



EUROPEAN INNOVATION COUNCIL



EU MISSIONS



NEW APPROACH TO ASSOCIATIONS



OPEN SCIENCE POLICY



EXTENDED ASSOCIATION POSSIBILITIES



SPREADING EXCELLENCE

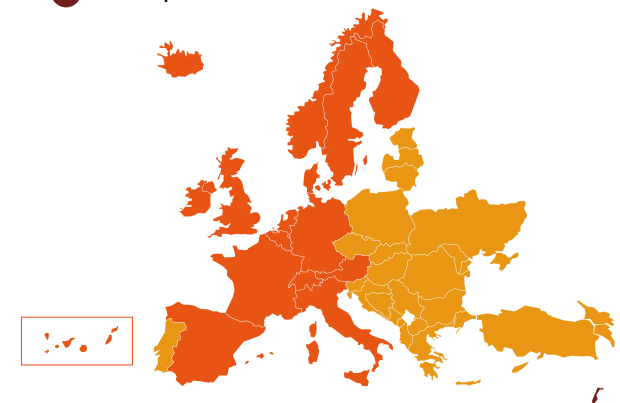
(including Australia, New Zealand, Argentina, Mexico, Brazil, the US, China, and Japan<sup>72</sup>).

### COST members

 COST members

 EU members and potential candidates

 COST cooperative members



Source: <https://www.cost.eu/about/members/>

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**.

<sup>72</sup> <https://www.cost.eu/about/cost-strategy/cost-global-networking/>

#### 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 41 countries and Israel as a cooperating State and South Africa as a partner State. It also has a multitude of reciprocity agreements



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**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.

The call for proposals for COST actions for 2024 will end on October 23, and a new call is expected for autumn 2025.

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, Innovation and Universities through the Subdirectorate-General of International Relations.



Source: <https://www.cost.eu/funding/open-call-a-simple-one-step-application-process/>

In any case, for more information on the scope and possibilities of the program, please see the website (<https://www.cost.eu/>).

### • 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. Although it is true that the 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, offering a uniform legal framework for

implementing a number of specific tasks for the management of nuclear resources and research activities.

For that reason, it has a **Framework Research and Training Program** (albeit complementary to Horizon Europe) and for the 2021-2025 period it is governed by **Council Regulation (Euratom) 2021/765, of 10 May 2021**.

Initially endowed with budget of €1,382,000 for this period, its general objective 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 the objectives of the energy transition set in the Horizon Europe program and, therefore, to contribute 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.

The main new features of the EURATOM Program in this period are essentially the following: (i) a greater focus on non-energy applications of medical, industrial and space radiation, (ii) the opening of mobility opportunities for nuclear researchers through their inclusion in the Marie Skłodowska-Curie actions and (iii) the simplification of the Program, as the specific objectives have been reduced from fourteen in the previous period to the four mentioned above.

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

Within the Community initiatives aimed at fostering corporate finance, we highlight the COSME program and the Gate2Growth 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, which was in effect during the 2014-2020 period.

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) 1287/2013** of the European Parliament and of the Council, of 11 December 2013.

In addition to supporting internationalization, competitiveness and entrepreneurial culture, COSME was, above all, a financial instrument which will make it possible to improve a SME's access to financing, since at least 60% of the program's total budget (€1,400,000,000) is earmarked for this purposes.

For the current 2021-2027 period, the objectives and aims pursued by COSME are implemented via the following two programs<sup>73</sup>:

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.<sup>74</sup> 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 €4,208,000.

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

<sup>73</sup> For more information, please consult the following websites: <https://ipyme.org/es-es/politicasymedidas/union-europea/Paginas/programas-europeos-apoyo-pyme.aspx> and [https://eisma.ec.europa.eu/programmes/single-market-programme/support-smes\\_en](https://eisma.ec.europa.eu/programmes/single-market-programme/support-smes_en)

<sup>74</sup> [https://ec.europa.eu/commission/presscorner/detail/es/IP\\_18\\_4049](https://ec.europa.eu/commission/presscorner/detail/es/IP_18_4049)

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 €26,150,000,000, although it is expected to mobilize more than €372,000,000,000 in investments during the 2021-2027 period (as already referred to above in the section on the European Investment Bank).

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 of the above-mentioned 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.<sup>75</sup>

<sup>75</sup> For more information on this Program, please consult the following website: <https://ec.europa.eu/investeuportal/desktop/es/index.html>.



## 4. | Investment aid and incentives in Spain

# GUIDE TO BUSINESS IN SPAIN 2024

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