/ 5 Aid for innovative SMEs

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

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

As an example, we indicate below the main characteristics of some of these lines, in force in 2022:

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

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

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

  Aid will take the form of a **participating loan** of **not less than €25,000 and not more than €75,000**, with an applicable interest rate equal to Euribor plus 3.25% in the first tranche and, in the second tranche, variable interest of between 3.0% and 6.0%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid monthly. An arrangement fee is established equal to 0.5% of the amount of the loan. A fee for early repayment and another fee for acceleration of the loan due to a change in the shareholder structure are also established.

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

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

  Potential beneficiaries are SMEs (i) which pursue their activity and have their registered office in Spain; (ii) which have their own legal personality and are incorporated as a corporate enterprise no more than 24 months before the application is filed; (iii) whose business model is 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 3.75% for the first tranche and, in the second tranche, variable interest of between 3.0% and 6.0%, depending on the financial return of the enterprise, in line with the transaction's rating. Interest and principal will be repaid quarterly. Provision is also made for the payment of an arrangement fee of 0.5% and of another two additional fees: (i) for early repayment and (ii) for the acceleration of the loan due to a change in the shareholder structure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Investment projects and/or general requirements of the activity (e.g., liquidity needs: current expenses, payrolls, payments to suppliers, purchases of goods, etc.).

2. Technological requirements, such as, in particular, the digitalization projects to promote teleworking set forth in the SME Acelera Program.

3. Acquisition of new or second-hand fixed assets.

4. Passenger cars and industrial vehicles.

5. The fitting-out and refurbishment of installations.

6. Acquisition of businesses.

7. Renovation or refurbishment of buildings, common elements and dwellings (in the case of owners' associations, groupings of owners' associations and private individuals).

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

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

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

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

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

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

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

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

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

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

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

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

- ***Línea ICO Garantía SGR/SAECA (Sociedad de Garantía Recíproca/Sociedad Anónima Estatal de Caución Agraria) 2022*** (ICO Mutual Guarantee Society Guarantee/ State-owned Agricultural Surety Corporation Guarantee Line):

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

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

These transactions will be processed directly through credit institutions with which the ICO has executed a cooperation agreement for this product, vis-à-vis Mutual Guarantee Societies or vis-à-vis the State-owned Agricultural Surety Corporation. In fact, the Mutual Guarantee Society/ State-owned Agricultural Surety Corporation and the credit institution itself to which the application is submittedwill be responsible for studying, processing, approving and/or rejecting the transaction.

The financing may be used for:

1. Liquidity needs and in particular, working capital needs to attend to operating expenses, payroll, payments to suppliers, purchase of goods, etc.
2. Productive investments inside and outside Spain:
   - Acquisition of new or second-hand fixed assets.
   - Passenger cars and industrial vehicles.
   - Fitting out and refurbishment of installations.
   - Acquisition of businesses.
   - Formation of businesses.

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

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

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

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

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

iii. Of 10, 12 and 15 years, with a grace period of up to 3 years.

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

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

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

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

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

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

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

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

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

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

Specifically, such financing will be used to:

- Obtain liquidity through the payment of advances on their billings in respect of their commercial activity within national territory.
- Cover prior production or manufacturing costs of goods or services sold in Spain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- From 7 years with the possibility of a grace period of up to 2 years.

As regards the applicable interest rate, the client can choose between a fixed and variable interest rate. If the transaction was formalized at a variable interest rate, the rate will be reviewed half-yearly by the credit institution in accordance with the provisions of the financing agreement.

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

- Of 0.05% to transactions with a residual life of up to 2 years.

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

- Of 0.40% to transactions with a residual life greater than 5 years.

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

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

- For 1-year forward transactions: Fixed or variable interest rate plus a margin of up to 2.30%.

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

- For forward transactions of 5 or more years: Fixed or variable interest rate, plus a margin of up to 4.30%.

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

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

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

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

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

  Through the Resolutions of the Council of Ministers of March 24, April 10, May 5 and 19 and June 16, 2020, the Spanish government has been activating the different tranches of the line in the amount of €20 billion (the first four) and €7.5 billion (the last one), of which €2.5 billion are earmarked for enterprises in the tourism sector and connected activities for SMEs and independent professionals and €500 million are earmarked to cover the acquisition or financial or operating lease by enterprises and independent professionals of land transportation vehicles for professional use.

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

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

- The loans and transactions have been formalized or renewed on or after March 18, 2020.

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

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

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

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

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

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

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

Specifically:

1. First tranche, endowed with: €8 billion, split into two subtranches:

    - Up to €5 billion to secure the financing granted to independent professionals and SMEs to meet their liquidity needs and, in particular, those stemming from new investments.

    - Up to €3 billion to secure the financing granted to enterprises that do not have SME status to meet their liquidity needs.

2. Second tranche, for an additional €2.55 billion to secure financing transactions for enterprises and independent professionals that are in the execution phase of an arrangement with creditors within an insolvency proceeding, but that are up to date with their obligations in accordance with the arrangement and can prove it with a report from the court or the insolvency manager.

    A subtranche of €50 million is also included to secure issues of promissory note programs on the MARF.

3. Third tranche, endowed with an additional €250 million to secure promissory notes issued on the MARF by enterprises that could not avail themselves of the tranche made available in the first Line since their promissory note program was in the renewal phase.

4. Fourth tranche, endowed with €500 million, aimed at securing the financing granted to SMEs and independent professionals in the tourism and hospitality industry and connected activities to meet their needs stemming from new investments, as well as liquidity needs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/ 7 Internationalization incentives

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

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

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

Of all the foregoing financial instruments, particular regard must be had to the *FIEM*, the *FIEX* and the *FONPYME*, as well as the lines promoted by *ICO* in connection with internationalization, such as Línea *ICO-Internacional 2022, Línea ICO-Exportadores 2022* and *Línea ICO-Canal Internacional*.

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

A. *FIEM:*

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

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

In any case, the following will not be financed (i) exports of defense, paramilitary and police materials to be used by the armed forces, police forces and security forces or the anti-terrorist services or (ii) projects related to certain basic social services such as education, health and nutrition, unless they have a major ripple effect on internationalization and have a high technology content. In addition, projects undertaken in the fossil fuel sector are not eligible for this financing in order to bring an end to financing for coal, oil and gas by the end of 2022.

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

In exceptional cases, *FIEM* aid may be granted to international organizations, provided that there is a clear commercial interest, from the point of view of internationalization of the Spanish economy, in the corresponding contribution. In this connection, please note the list of 28 countries which are to be given priority according to the 2022 Guidelines.[2]

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

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

B. *FIEX:*

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

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

C. *FONPYME:*

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

D. *CRECE + INTERNACIONAL:*

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

To be eligible, Spanish companies are required to have: (i) a strategic plan that includes the implementation of internationalization projects in one or more markets (the projects must be technically and economically viable and have a positive impact on the country receiving the investment); (ii) a controlling interest in the subsidiary; (iii) audited financial statements reflecting revenues of between 10 and 150 million euros and sufficient EBITDA; (iv) a workforce of between 10 and 500 employees; (v) a sustainable financial position, and (vi) sound and verifiable financial projections that reflect expected growth in revenues and/or employment in the period concerned.

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

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1 In line with the other measures adopted by the Central Government to help enterprises confront the economic impact of the COVID-19 public health crisis, several changes were approved in June 2020 with respect to the FIEM SME Line (created in April 2019 to support the small and medium-sized exporter). The main changes consisted of extending (i) the allocation by an additional €100 million, (ii) the amount eligible for financing per transaction from €3 to €10 million and (iii) the repayment period from 8 to 10 years.

2 Priority countries according to the 2020 Guidelines:
- America: Brazil, Canada, Chile, Colombia, the US, Mexico and Peru.
- Asia: Philippines, Indonesia, Uzbekistan, Vietnam, Japan and India.
- Oceania: Australia.
- Africa, Mediterranean and Middle East: South Africa, Kenia, Morocco, Egypt, Turkey, Saudi Arabia, Qatar, the United Arab Emirates and Israel.
- HIPC countries: Ivory Coast, Senegal, Ruanda, Uganda and Tanzania.

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

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

E. *PYME INVIERTE* (SME INVEST):

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

- In productive investments, the amounts will vary between €75,000 and €10,000,000 and comprise financing of up to 80% of the project's medium and long-term needs, through ordinary and co-investment loans to the Spanish company, subsidiary or branch abroad. The period of financing will be between 5 and 10 years.

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

- In start-ups of commercial activities, the investment will range from €75,000 though €1,000,000 and will comprise financing of up to 80% of the expenses associated with the enterprise's commercial implementation (expenses incurred on structure, salaries, wages and associated promotional expenses incurred by the subsidiary or branch), through ordinary or coinvestment loans to the Spanish company, subsidiary or branch abroad. The maximum repayment period is 3 years without a grace period.

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

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

"***Línea ICO-Internacional* 2022**" is aimed at Spanish independent professionals and publicly-owned and private entities (i.e., enterprises, foundations, NGO's, public authorities), not only with registered office in Spain but also those in which, despite having their registered office abroad, at least 30% of capital stock is Spanish-owned) which carry out investment projects abroad. It will remain in force for the whole of the year 2022.

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

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

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

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

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

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

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

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

Similarly, credit institutions can apply a voluntary early repayment fee which is generally 1% of the amount cancelled if the transaction was executed at a fixed rate. Where it was executed at a variable rate, a maximum fee of 0.5% will be applied, depending on the residual life of the transaction on the date on which the repayment is made. In the event of mandatory early repayment, a penalty equal to 2% of the amount cancelled accrues.

G. *LÍNEA ICO INTERNACIONAL 2022TRAMO II "EXPORTADORES MEDIO Y LARGO PLAZO"* (2022 ICO INTERNATIONAL TRANCHE II "MEDIUM- AND LONG-TERM EXPORTERS LINE")

This financing may be requested by: (i) enterprises with registered office in Spain or with registered office abroad but

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

In particular, the following items are eligible for financing:

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

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

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

The financing may take the form of a loan, with the possibility of disbursement in multiple drawdowns, for a maximum amount of €25,000,000, or its equivalent in US dollars (USD), per customer, in one or more transactions.

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

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

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

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

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

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

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

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

Lastly, it is to be noted that the credit institution may charge a fee at the start of the operation. It may also apply application costs or arrangement fees of up to 1% for transactions with a term of less than 5 years and up to 1.50% for transactions with a term of 5 years or more. Fees may also be charged for early repayment, whether voluntary (either 1% of the amount cancelled, if the transaction was formalized at a fixed rate, or a maximum of 0.5% if it was executed at a variable rate, having regard to the residual life of the transaction on the date on which the repayment is made) or mandatory (in which case it would incur a penalty of 2% of the amount cancelled).

Transactions may be formalized throughout the whole of 2022.

H. *LÍNEA ICO EXPORTADORES* 2022: (2022 *ICO* SHORT TERM EXPORTER LINE):

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

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

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

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

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

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In both cases, up to 100% of the amount of the invoice or up to 100% of the amount from the sale of the goods can be financed, provided that the outstanding balance does not exceed a maximum of €12,500,000 per customer and year, in one or more drawdowns.

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

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

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

Transactions may be formalized throughout the whole of 2022, this instrument being compatible with other aid received from the autonomous communities or from other institutions.

/ 8 EU aid and incentives

8.1 NEXT GENERATION EU

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

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

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

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

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

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

8.1.1 EUROPEAN RECOVERY AND RESILIENCE FACILITY

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

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

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

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

1. Green transition.

2. Digital transformation.

3. Smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs.

4. Social and territorial cohesion.

5. Health, and economic, social and institutional resilience.

6. Policies for the next generation, children and the youth, such as education and skills.

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

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

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

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

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

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

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

8.1.2 SPANISH ECONOMIC RECOVERY, TRANSFORMATION AND RESILIENCE PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   - **Action plan for sustainable mobility**, which is safe and connected to urban and metropolitan areas (low emission areas, mass rollout of charging infrastructure, modernization of clean vehicle fleet).

   - **Housing refurbishment and urban regeneration plan** (intelligent applications in buildings, deployment of solar roofs and distributed renewable energy sources).

   - **Transformation and digitalization of the logistics chain of the agri-food and fishery system** (green production, seasonal and proximity consumption, reduced food waste, value generation in the agri-food system from the primary sector to commercial distribution).

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

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

   - **Conservation and restoration of ecosystems** and their biodiversity (green infrastructure, reforestation, fight against desertification).

   - **Preservation of coastal areas and water resources** (restoration, integral water management, treatment, sewerage, reuse, recovery and optimization of water infrastructure).

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

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

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

- **Mass deployment of renewable generation facilities** aimed at developing this generation technology (renewable generation facilities, own use, integration of renewables into construction and production sectors, biogas, wind, marine, energy communities).
- **Electric infrastructure, promotion of intelligent networks and deployment of flexibility** and storage (technological update of transportation networks and distribution, demand management, storage).
- **Renewable hydrogen road map** and its industry integration (pilot and commercial projects, support to the energy-demanding industries).
- **Just transition strategy** (creation of activity in territories affected by the energy transition).

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

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

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

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

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

- **Spanish Industrial Policy 2030** aimed at fostering the modernization and productivity of the Spanish industry-services ecosystem, including the following sub-plans: Plan for digitalization of the strategic health, automotive, tourism and trade sectors, for modernization and sustainability of industry, for boosting "green" innovation economies and circular economy strategy.
- **Boost to the SME,** specifically through a specific digitalization plan, with the reform of financing instruments in support of internationalization, and with the launch of the Spain Entrepreneurial Nation Strategy with a view to promoting the creation and growth of enterprises, and to generate a startup ecosystem.
- **Modernization and competitiveness** of the tourism sector in order to bolster the resilience, sustainability, diversification and value added of this key sector of the economy, paying special attention to the Balearic Islands, the Canary Islands and depopulated areas.
- **Digital connectivity**, boost to cybersecurity and **rollout of 5G** to ensure territorial cohesion, driving the technological development and growth of the country based on the country's leading role in high speed networks.

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

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

- **National Artificial Intelligence Strategy** (specifically, by promoting Artificial Intelligence in the production system, the economy and the data society).
- **Institutional reform and strengthening of the capacities of the national science, technology and innovation system** (by reinforcing calls for applications for projects relating to R&D&I, human resources and technical-scientific equipment, reinforcing regular financing for CDTI business projects; creating new

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.2 OTHER AID INSTRUMENTS

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

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

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

8.2.1. EUROPEAN INVESTMENT BANK (EIB)

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

On these bases, the EIB funds projects that promote the development of less favored regions and those of common interest to several Member States or benefiting the EU as a whole. They are focused mainly on the following **4 areas**: (i) innovation (digital transformation and human capital); (ii) small businesses; (iii) infrastructures (sustainable cities and regions), and (iv) climate and the environment (sustainable energy and natural resources)[4].

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

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

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

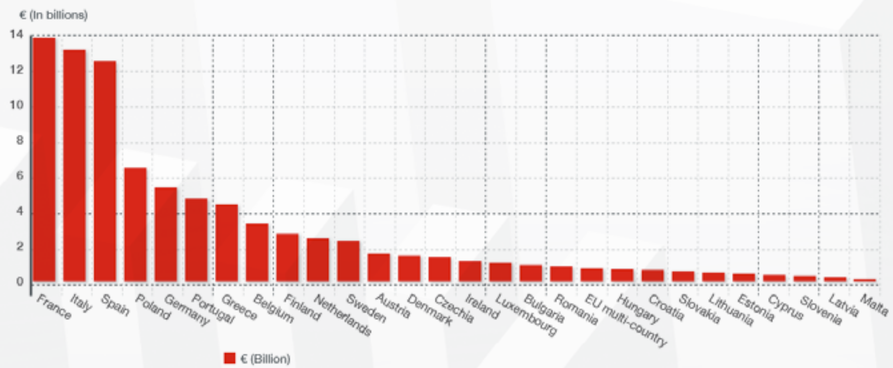
Innovation and skills	€20.7 billion
SMEs	€45 billion
Infrastructures	€13.8 billion
Environment	€15.38 billion

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

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

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

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



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

4 https://www.eib.org/en/about/priorities/index.htm
5 For more information, see the following link: https://www.eib.org/en/events/annual-press-conference-2022 and https://www.eib.org/en/publications/activity-report-2021
6 For more information, see the following link: https://www.eib.org/en/projects/regions/index.htm

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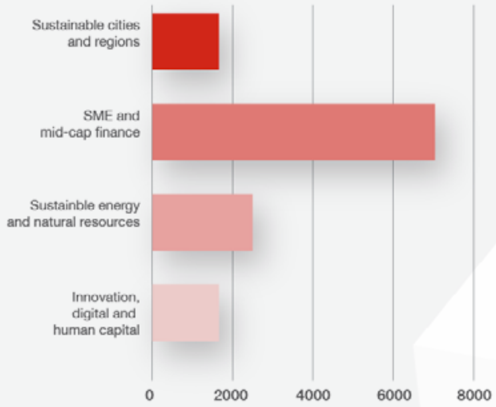
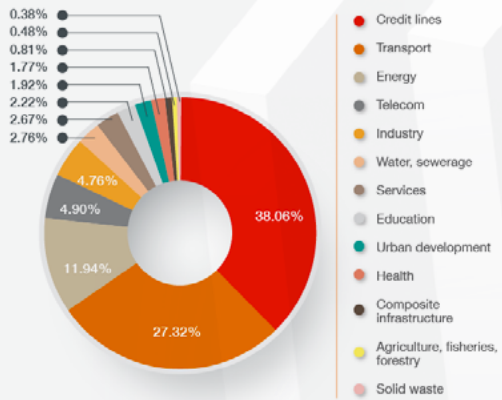
LAST YEAR'S EIB GROUP ACTIVITY IN SPAIN BY PRIORITY

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



EIB ACTIVITY IN SPAIN BY SECTOR SINCE START OF OPERATIONS



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

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

These loans have the following features:

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

In general, the EIB offers two types of loans:

8.2.1.1 Global loans ("Intermediated loans")

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

This is the main instrument with which the EIB provides support for SMEs and *MID-CAPs* since, by granting loans to banks or other intermediaries, access to funding is provided indirectly to small and medium-scale business initiatives (although this does not preclude large companies, local and national authorities and other public sector entities from also qualifying for loans this type).

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

Specifically in Spain, global loans are routed mainly through, inter alia, Instituto de Crédito Oficial (ICO), Banco Bilbao-Vizcaya Argentaria (BBVA), Santander, Bankinter, Sabadell, Banca March, CAIXABANK, Unicaja, BNP Paribas Leasing Solutions, De Lage Landen International B.V. Sucursal en España, Ibercaja, Institut Català de Finances (ICF), Instituto para la Competitividad Empreserial de Castilla y Leon, Luzaro, Santander Consumer Finance S.A., Unión de Créditos Inmobiliarios, S.A. and Establecimiento Financiero de Crédito (Sole-Shareholder Company)[8].

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

- Coverage of up to 50% of the overall investment costs and, in certain cases, up to 100% of the investment with a guarantee from the intermediary bank.
- Grace period: Up to three years.

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

- Repayment period: To be determined by the financial institution acting as intermediary and the EIB, although it tends to fluctuate between 2 and 15 years.

- Beneficiaries: Local authorities, SMEs (for these purposes, SMEs are deemed to be companies that have less than 250 workers) or MID-CAPs (which have up to 3,000 workers).

- The amount awarded under a global loan may not exceed €12.5 million, including the possibility of working-capital financing.

- Free of fees and other charges, except for minor administrative expenses.

Applications must be filed with financial institutions or other intermediaries.

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

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

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

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

- Public or private investment projects made mainly in the infrastructure, energy efficiency/renewable energies, transport and urban renewal sectors are considered eligible. Nevertheless, research and innovation programs and, in certain cases, medium -capitalization companies with a maximum of 3,000 employees, can also benefit from this form of loan.

- The projects for which an application for financing is presented must fulfil the objectives set by the EIB and be viable from the economic, financial, technical and environmental perspectives. The terms of the financing depend on the type of investment and on the guarantees provided by third parties (banks or banking consortia, other financial institutions or the parent company).

- The interest rate may be fixed, variable, reviewable or convertible (meaning that the calculation formula may be changed during the term of the loan, on certain pre-established dates).

- In some cases, the EIB can apply project evaluation or legal analysis fees, and commitment or non-use fees.

- Most of the loans made by the Bank are denominated in euros (EUR), although they can also operate in other currencies, such as GBP, USD, JPY, SEK, DKK, CHF, PLN, CZK and HUF, etc.

- As a general rule, these loans are repaid in half-yearly or yearly instalments. Grace periods may be granted with respect to the repayment of principal throughout the construction period of the project.

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

Operating scheme:

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

Lastly, an essential role has been played by the EIB in starting up the European Fund for Strategic Investments (EFSI). For these purposes, it is worth remembering that the EFSI was created by the European Commission to help meet the objective of mobilizing at least €315 billion in new investments during the 2015-2017 period, which was subsequently extended to 2020 (EFSI 2.0).[9]

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

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GUIDE TO BUSINESS IN SPAIN 2022

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

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

This program consists of:

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

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

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

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

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

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

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

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

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

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

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

8.2.2 EUROPEAN INVESTMENT FUND (EIF)

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

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

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

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

The work of the EIF can be classed according to the financial products (capital and debt) offered, which include most notably[11]:

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

- Debt products: In these cases, the EIF provides security and credit enhancements to financial intermediaries to facilitate the flow of funds from financial institutions to SMEs.

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

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

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

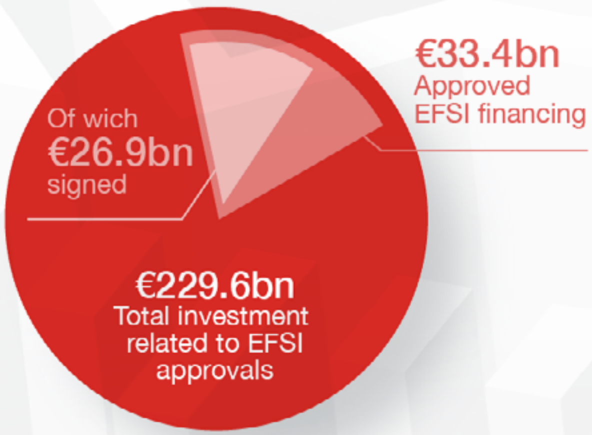
Indeed, although the EIF mainly uses venture capital instruments as a means of making capital more available to high-growth innovative SMEs, the Fund also offers debt instruments, having found that many SMEs seek financing through this more traditional route. From this standpoint, the EIF offers security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

EFSI FIGURES

As of 30/09/2021

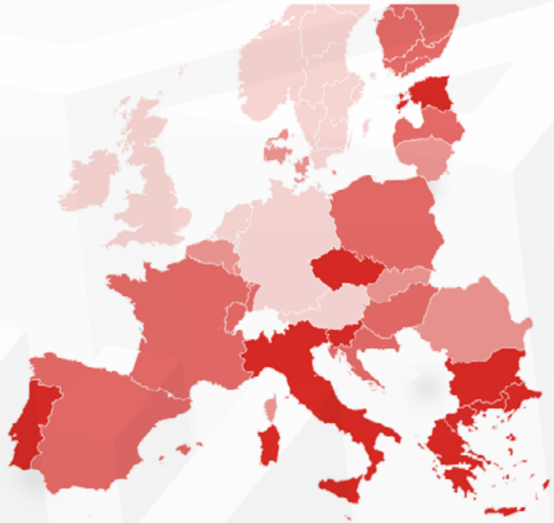
About **1460700** SMEs will benefit from EIF financing-support that will strengthen Europe's economy and create jobs

EFSI INVESTMENT BY SECTOR*



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

EFSI INVESTMENT RELATIVE TO GDP*



Darker color= higher investment

*based on aprroved operations

Source: EIF.

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

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

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

8.2.3 EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

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

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

- A **greener**, carbon free Europe, implementing the Paris Agreement and investment in energy transition, renewables and the fight against climate change.
- A more **connected** Europe, enhancing mobility with strategic transport and digital networks.
- A more **social and inclusive** Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare.
- A Europe **closer** to citizens, by fostering the sustainable and integrated development of all types of territories and local initiatives.

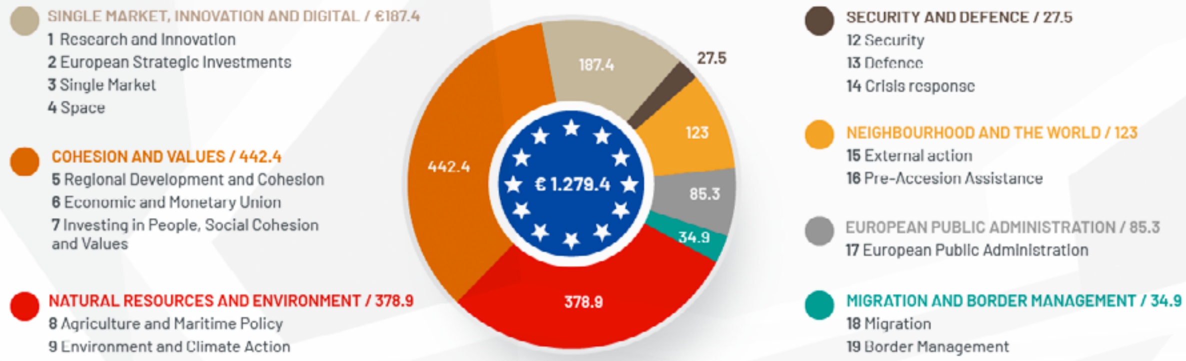
To achieve these aims, 65% to 85% of ERDF and Cohesion Fund resources will be allocated, depending on Member States' relative wealth.

The Cohesion Policy will keep on investing in all regions, still on the basis of the 3 categories applied during the 2014-2020 period (less-developed, transition, more-developed). Similarly, the allocation method for the funds is still largely based on GDP per capita, although new criteria are added, such as youth unemployment, low education level, climate change, and the reception and integration of migrants, to better reflect the reality on the ground. Outermost regions are also expected to continue benefitting from special EU support[12].

Likewise, the Cohesion Policy will continue to support locally-led development strategies, encouraging local authorities to play a more prominent role in the management of funds. the urban dimension of the Cohesion Policy is stepped up with 6% of the ERDF dedicated to sustainable urban development. Along the same lines, it includes a new networking and capacity-building program for urban authorities known as the "European Urban Initiative".

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

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

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

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

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

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

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

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

In the case of Spain, **the Partnership Agreement for the period 2021-2027 period is still in the process of being prepared.**

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

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

- General partners: Which includes economic and social agents, representatives of civil society, such as environmental agents, NGOs, and partners responsible for promoting social inclusion, fundamental rights, the rights of disabled persons, gender equality and non-discrimination and research institutions and universities.

- Regional partners: Autonomous communities and cities.

- Sectoral partners: Ministries and entities of the Central Government that oversee the different policies and the Spanish Federation of Municipalities and Provinces ("FEMP").

- Thematic networks: Environmental Authorities Network ("RAA"), Low-Carbon Economy Network ("REBECA"), R&D&I Public Policies Network and Urban Initiatives Network ("RIU").

- Other Funds: European Social Fund Plus (ESF+), European Maritime, Fisheries and Aquaculture Fund (EMFAF), the Just Transition Fund (JTF) for the 2021-2027 period, Asylum, Migration and Integration Fund (AMIF), Internal Security Fund (ISF), Instrument for Border Management and Visa Policy (BMVI).

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

However, it may be recalled that under the previous Agreement (2014-2020), the specific objective of the ESI Funds in Spain was to **promote the competitiveness and the convergence of all territories,** giving priority: (i) to the thematic areas included in the recommendations given by the European Council; (ii) to those contained in the Position Paper prepared by the Commission[13]; as well as (iii) to those set forth in the **National Reform Program** approved in 2014.

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

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

- **Increasing participation in the labor market and labor productivity**, as well as enhancing **education, training and social inclusion policies**, giving special attention to youth and vulnerable groups.

- Supporting the **adaptation of the productive system toward activities with greater added value**, by increasing the competitiveness of SMEs.

- **Promoting a suitable business environment targeted at innovation** and strengthening R&D&I systems.

- Attaining a **more efficient use of natural resources**.

As already noted above, the material implementation of the Funds also requires the approval of the corresponding **Operational Programs** (i) prepared by each Member State in accordance with the terms of the Partnership Agreement and (ii) presented to the Commission for its approval. Each Program will define priorities and proposals for action, specifying the projected investment and breaking it down by each of the years of the period in which it is applied. In Spain, however, the Operational Programs for the 2021-2027 period have not been prepared yet.

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

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

- European Regional Development Fund (ERDF)

  This Fund contributes to the funding of measures adopted in order to **enhance economic, societal and territorial cohesion** by correcting the Union's main regional imbalances, through (i) **sustainable development** and

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

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

4
Investment aid and incentives in Spain

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

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

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

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

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

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

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

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

- European Social Fund (ESF+)

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

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

- Cohesion Fund

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

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

- Just Transition Fund

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

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

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

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

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

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

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

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

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

The Common Agricultural Policy (CAP) absorbed around 40% of the total budget of the EU for the 2014-2020 period. Despite its heavy budgetary weight, justified in part by its being one of the few sectors whose policy is financed principally by the EU, its importance in economic terms has been reduced substantially over the last 30 years, dropping from 75% to the current 40%. The budget for direct payments assigned to Spain in that period is equal to €29,227,900,000,000, which entails 11.56% of the total.

The financing and functioning of the CAP is regulated under **Regulation nº 1306/2013, of 17 December 2013, of the European Parliament and of the Council,** on the financing, management and monitoring of the Common Agricultural Policy.

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

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

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

1. The first pillar, **through** the European Agricultural Guarantee Fund **(EAGF),** providing direct support to farmers and funding market measures covered **in their entirety and, exclusively, by the EU budget,** with a view to guaranteeing the **application of a common policy throughout the single market and with the integrated management and control system.**

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

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

1. EAGF

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

- Measures aimed at regulating or supporting agricultural markets.
- Direct payments to farmers established within the scope of the CAP.
- The financial participation of the Union in the measures taken by Member States to report and promote agricultural products on the Community domestic market and in third countries.
- The financial participation of the Union in the Union school fruit and vegetable scheme.

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

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

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

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

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

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

2. **EAFRD**

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

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

1. Fostering the competitiveness of agriculture.
2. Ensuring the sustainable management of natural resources, and climate action.
3. Achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

In order to meet these objectives, the EAFRD has **6 priorities:**

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

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

According to available information, for the post 2020 budgetary framework, the Commission has proposed a reform of the Common Agricultural Policy for the 2023-2027 period, which maintains the essential elements of the current policy, but is no longer based on the mere description of the requirements that are to be met by the final beneficiaries of the aid. Rather it is now a policy aimed at obtaining specific results linked to **3 general objectives:**

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

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

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

8.2.5. EUROPEAN MARITIME AND FISHERIES FUND (EMFF)

During the 2014-2020 period, a new Fund was created for EU maritime and fishery policies known as the **European Maritime and Fisheries Fund (EMFF) and regulated in Regulation (EU) No 508/2014, of 15 May 2014, of the European Parliament and of the Council**[24]. Specifically, in Spain, there was an Operating Program pertaining to this Fund in force since November 13, 2015, managed by the Directorate-General of Fisheries under the Secretariat-General of Fisheries of the Ministry of Agriculture, Fisheries and Food, with a total budget of €1,161,620,889.

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

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

24 By means of Regulation (EU) 2020/560 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 508/2014 and (EU) 1379/2013 as regards specific measures to mitigate the impact of the COVID-19 outbreak in the fishery and the aquaculture sector, including most notably the following measures:

- It is possible to use 10% of the resources available from the EMFF under shared management for fisheries control and for the collection of scientific data, for measures related to the mitigation of the COVID-19 outbreak and for the compensation of additional costs in the outermost regions.
- It is possible to support the temporary cessation of fishing activities caused by the COVID-19 outbreak crisis with a maximum co-financing rate of 75% of eligible pubic expenditure, not subject to financial capping.
- The scope of the simplified procedure is extended to include amendments to Operational Programs related to the specific measures and the reallocation of financial resources thereto to address the consequences of the COVID-19 outbreak.
- The ceiling for support to the production and marketing plans of producer organizations is increased up to 12% of the average annual value of the production placed on the market.
- Member States are permitted to grant advances of between 50% and 100% of the financial support to producer organizations.
- Where necessary in order to respond to the COVID-19 outbreak, the EMFF will be able to grant aid to compensate the storage costs of fishery and aquaculture products, increasing the intensity of the up to 25% of the annual quantities of the products put up for sale by the producer organization concerned.
- It will be possible to compensate the economic losses resulting from the outbreak for operators in the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions (in particular those resulting from the deterioration in the price of fish or increased storage costs).

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

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

1. **Promote sustainable fishing and the conservation of aquatic marine biological resources,** by fostering:
   - Economically, socially and environmentally sustainable fishing activities.
   - Energy efficiency and reducing CO_2 emissions through the replacement or modernization of engines of fishing vessels.
   - The adjustment of fishing capacity to fishing opportunities in cases of permanent cessation of fishing activities and contributing to a fair standard of living in cases of temporary cessation of fishing activities.
   - Control and enforcement, including fighting against IUU fishing, as well as reliable data for knowledge-based decision making.
   - A level-playing field for fishery and aquaculture products from the outermost regions.
   - The protection and restoration of aquatic biodiversity and ecosystems.
2. **Contribute to EU food safety through aquaculture and sustainable and competitive markets,** including the following support measures:
   - Sustainable aquaculture activities, especially strengthening the competitiveness of aquaculture production, while ensuring that the activities are environmentally sustainable in the long term.
   - Initiatives aimed at marketing, quality and added value of fishery and aquaculture products, as well as processing of those products.
3. **Enable the growth of a sustainable blue economy and to develop prosperous coastal communities**, through both the sustainable development of local economies and communities through community-led development and through the collection, management and use of data to improve knowledge of the status of the marine environment.
4. **Strengthen the international governance of oceans and to guarantee protected, safe, clean and sustainably managed seas and oceans,** establishing maritime surveillance and cooperation mechanisms between coastguards.

8.2.6. EUROPEAN UNION RESEARCH AND INNOVATION PROGRAMS

8.2.6.1. Horizon Europe

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

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

The objective of the program was none other than to contribute to building a society and an economy based on knowledge and innovation across the Union mobilizing, for this purpose, financing aimed at attaining, over this period, a target of 3% of GDP used to promote research, development and innovation (R&D&I) throughout the EU.

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

Horizon 2020 was based on **three fundamental pillars of** (i) Excellent science, to increase the level of excellence in European basic science and ensure a steady flow of quality research to ensure Europe's long-term competitiveness; (ii) Industrial leadership, to speed up the development of technologies and innovations that underpin tomorrow's new technology and help innovate European SMEs to grow into world-leading companies; and (iii) Societal challenges, focused on researching big issues affecting European citizens.

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

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

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

At present, the Horizon 2020 Program has concluded and has been replaced by the European Union Investment and Innovation Framework Program, which is known as "Horizon Europe" and will cover the years 2021-2017. This Program is governed by Regulation (EU) of the European Parliament and of the Council of 28 April 2021, and its Specific Program whereby it is implemented is established by Council Decision (EU) 2021/764 of 10 May 2021.

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

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

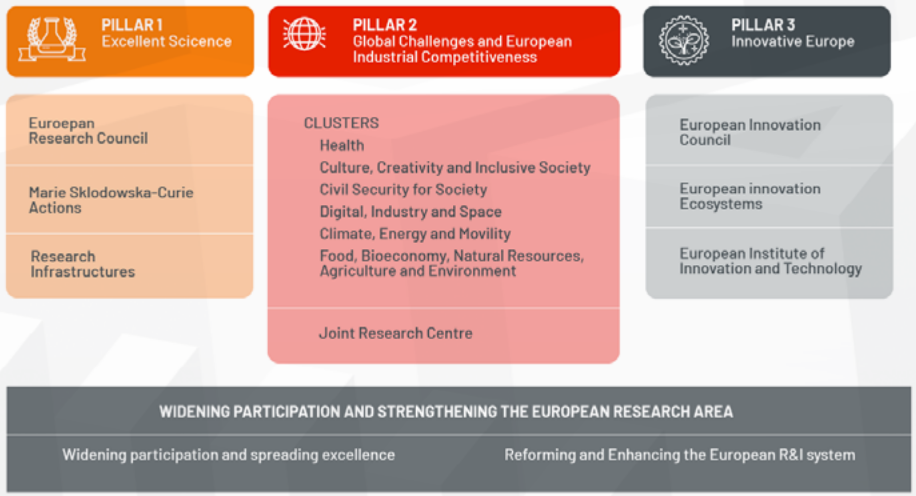
In particular, the program has the following **specific objectives:**

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

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

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

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



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

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

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

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

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

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

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

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

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

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

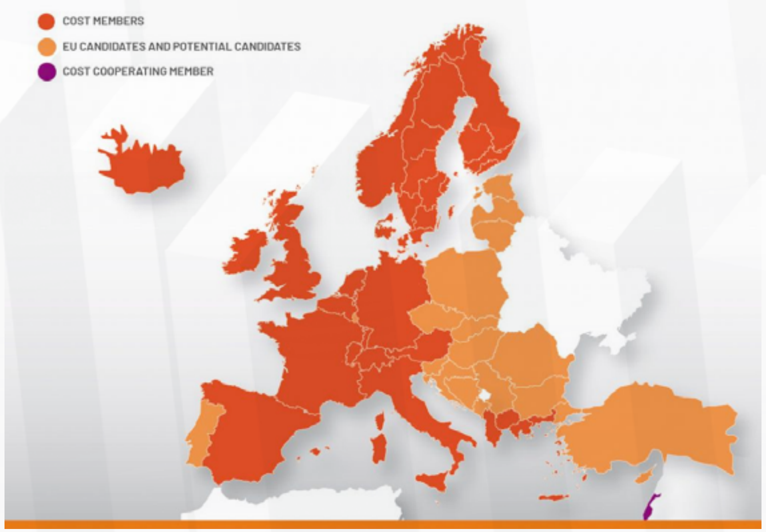
8.2.6.2. Other Research and Innovation Programs

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

- **COST Program**

  The COST (European Cooperation in Science and Technology) program is the first, and one of the largest, intergovernmental network for the coordination of scientific and technical research at European level, and currently involves 38 countries and Israel as a cooperating State and South Africa as a partner State. It also has a multitude of reciprocity agreements (including Australia, New Zealand, Argentina, Mexico, Brazil, the US, China, and Japan[25]).

COST COUNTRIES



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

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

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

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

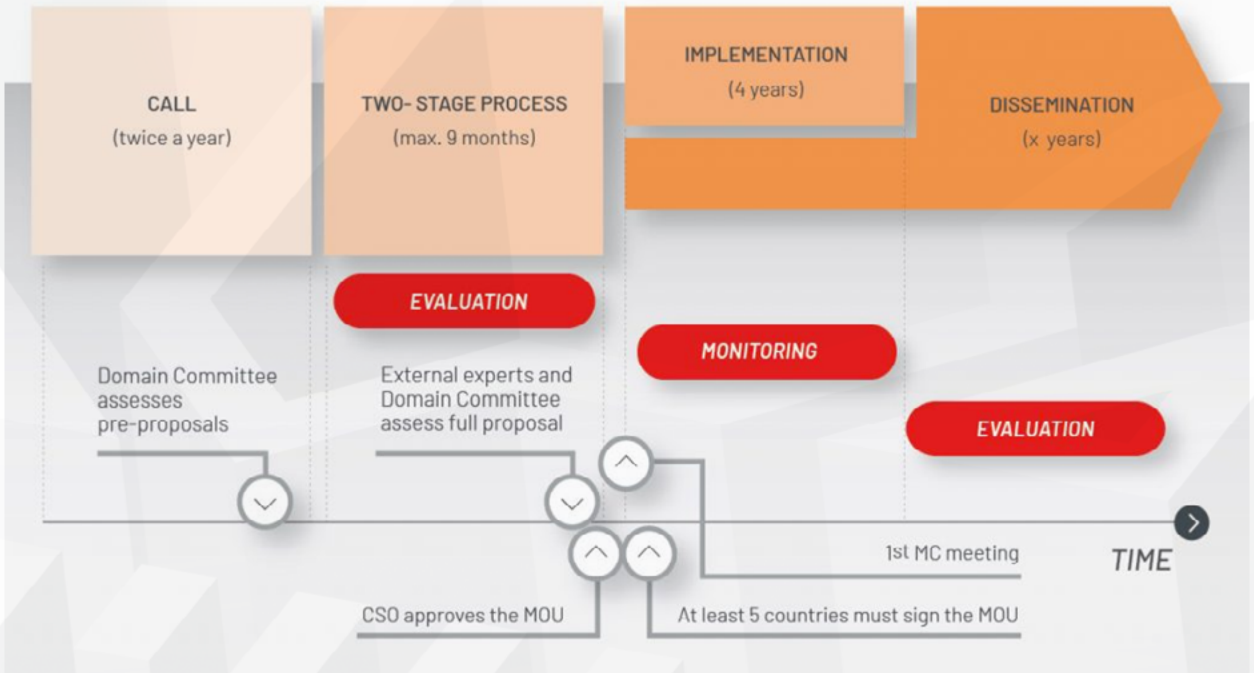
The program functions through networks known as **COST Actions**, which emerge at the initiative of researchers without pre-defined thematic priorities. **At least 7 participants** from different COST countries must join together in order to apply for an Action, at least four of which must be from COST Inclusiveness Target Countries (https://www.cost.eu/about/cost-strategy/excellence-and-inclusiveness/).

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

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

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

PROCEDURE FOR SELECTION AND GRANT OF AID SCHEME



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

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

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

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

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

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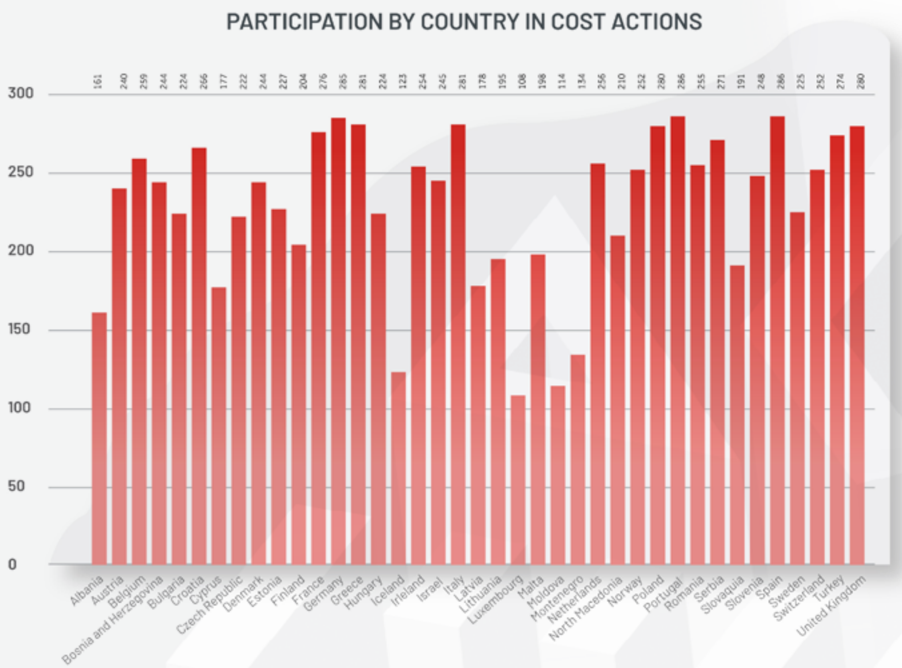
Each country's participation in COST actions:



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

- **EURATOM program**

EURATOM energy research activities are carried out under the treaty with the same name, which in 1957 established the European Atomic Energy Community. It is legally separated from the European Community and has its own **Framework Research and Training Program,** which is managed by the common Community institutions, and which for the 2019-2020 period has been regulated in **Council Regulation (Euratom) 2018/1563 of 15 October 2018.** Furthermore, **Regulation (Euratom) 2021/765, of 10 May 2021**, complementing Horizon Europe, has been approved for the 2021-2025 period.

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

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

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

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

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

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

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

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

8.2.7 COMMUNITY INITIATIVES IN FAVOR OF CORPORATE FINANCE

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

- **COSME Program:**

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

  COSME helped entrepreneurs and small and medium-sized enterprises to begin to operate, access financing and internationalize, in addition to supporting the authorities in the improvement of the business environment and boosting economic growth in the European Union. It was regulated **in Regulation (EU) nº 1287/2013 of the European Parliament and of the Council, of 11 December 2013.**

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

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

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

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

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

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

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

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

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

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

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

- **InvestorNet - Gate2Growth initiative**

  The **InvestorNet - Gate2Growth** initiative (www.gate2growth.com) is a one-stop shop for innovative entrepreneurs seeking financing. It also offers investors, intermediaries and innovation service-providers, a community for sharing knowledge and good practice.

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

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

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The initiative has incorporated all knowledge acquired through the implementation of previous pilot programs, some of the most noteworthy of which are the I-TEC project, the LIFT project and the FIT project.

One of the most notable characteristics of this initiative is that it acts as a meeting point for innovative entrepreneurs, innovation professionals and potential investors. **InvestorNet – Gate2Growth** aids innovative European companies with the processes of marketing, internationalization and financial growth, by:

- Being a **partner in commercialization and value chain modeling**.
- **Consulting in** term-sheet and shareholder agreement **negotiations**.
- **Raising capital for high-tech ventures** and public-private partnerships.
- **Finding strategic partnerships for investments** from universities and research institutions.
- Conducting master class in "*How to Attract Investors*", "*SME Instrument*" and "*Train the Trainers in How to Attract Investors*".

Many projects have been executed within the framework of the InvestorNet - Gate2Growth initiative, including most notably the following:

- NICE: Innovative and enhanced nature-based solutions for a sustainable urban water cycle (2021-2025).
- SLIM: Sustainable low impact mining solution for the mining of small mineral deposits based on advance rock blasting and environmental technologies (2016-2020).
- RUBIZMO: Replicable business models for modern rural economies (2018-2021).
- LIBERATE: Lignin biorefinery approach using electrochemical flow (2018-2021).
- CIRCLES: The control of microbiomes-tailored circular actions to enhance food systems (2018-2023).
- DEEP PURPLE: Conversion of diluted mixed urban bio-wastes into sustainable materials and projects in flexible purple photobiorefineries.
- GO GRASS: Grass-based circular business models for rural agri-food value chains (2019-2023).
- SEALIVE: Circular economic strategies and advanced bio-based solutions to keep land and sea free from plastics contamination (2019-2023).
- NewTechAqua: New technologies, tools and strategies for a sustainable, resilient and innovative European Aquaculture (2020-2023).
- ROTATE: Critical and essential raw materials for circular ecology (2022-2026).
- TRIGGER: Solutions to mitigate climate-induced health threats (2022-2026).

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