Business in Spain

Investment aid and incentives in Spain
With the aim of fostering investment, employment, competitiveness and economic growth, the Spanish central government and the rest of the public authorities have implemented a wide and comprehensive range of aid instruments and incentives. These are designed to encourage three broad activities: research, development and innovation (R&D&I) projects, the hiring and training of workers with specific characteristics and new business start-ups.

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

The Central Government, with other public authorities/bodies, has developed an extensive array of grants and incentives aimed at encouraging investment, creating employment and enhancing economic growth and competitiveness. Special emphasis is placed on boosting permanent employment and supporting R&D&I (research, development and innovation).

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

These investment aid measures can be classified as follows:

- State and regional incentives for training and employment.
- State incentives for specific industries.
- Incentives for investments in certain regions.
- State incentives for SMEs.
- Incentives for internationalization.
- EU aid.

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

Apart from the tax incentives discussed in other chapters (the basic tax incentives analyzed in Chapter 3 are investment tax credits), the main general State incentives for investors are described in the following paragraphs.

In this respect, you will find a search engine for Spanish grants and incentives at the INTERES website (www.investinspain.org). Using this tool, companies can gain easy access to updated information regarding the grants available for their investment projects. Users can sign up to the automatic alert system which prompts a tailor-made newsflash as suitable grants or subsidies are published.

2. STATE INCENTIVES FOR TRAINING AND EMPLOYMENT

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

2.1. Training incentives

2.1.1. Ongoing Training Programs

Ongoing Occupational Training is one of the three subcategories which make up the occupational training system in Spain, the aim of which is the ongoing training and retraining of employed workers, thus contributing to their promotion and to the competitiveness of Spanish companies.

Royal Decree 1046/2003, of August 1, 2003, regulating the new system of ongoing occupational training came into force on January 1, 2004. The main features of this Royal Decree include most notably the following:

- Ongoing training initiatives at enterprises, including individual company training programs, training programs organized by business associations and groups of self-employed workers, and initiatives supplementary to and accompanying training, are deemed to qualify for financing.
- Ongoing training initiatives at enterprises and training programs organized by business associations and groups of self-employed workers must allocate a certain percentage of funding for training priority groups of workers (e.g. workers at SMEs and from underprivileged groups).
- Ongoing training initiatives at enterprises will be co-financed by the enterprises themselves and the minimum percentage of co-financing, out of the total cost of training, will be determined each year in an Order made by the Ministry of Employment and Social Affairs according to the size of enterprise.
- Moreover, apart from co-financing as mentioned above, enterprises can avail themselves of a credit for ongoing training. The credit will be the result of applying to the amount paid by enterprises for occupational training in the preceding year the rate of reduction established in the General State Budgets Law, according to the size of enterprise (the smaller the enterprise the higher the rate of reduction).
- Enterprises can use all of their credit to train one part of their labor force, so long as the maximum economic modules (cost per participant and per hour of training) established by an Order made by the Ministry of Employment and Social Affairs for each training format (personal attendance, distance learning, or a combination of the two) are respected.

The credit allocated to enterprises will operate as a limit on the reductions that enterprises can claim in their social security contribution forms. Such reductions can be claimed by enterprises in the contribution forms for the month in which the training
2. State incentives for training and employment

initiative for which a reduction is claimed ends and in subsequent
months until their training credit entitlement is used up.

The costs incurred in training initiatives for which reductions have
been claimed must be expressly identified as such in the
enterprise’s accounting records.

• A State Commission for Ongoing Training, attached to the
Ministry of Employment and Social Affairs, is set up and its
members are the most representative employers’
organizations and labor unions, the Ministry of Employment
and the governments of the Autonomous Communities. The
Commission's responsibilities include reporting on the
allocation of resources among the various ongoing training
areas and initiatives.

The creation of joint employer/employee industry committees
under nationwide industry collective labor agreements is also
envisioned.

• Notwithstanding the functions pertaining to the National
Employment Institute (INEM) and the governments of the
Autonomous Communities, the State Foundation for
Occupational Training, still to be formed, will assume the
functions of the Tripartite Foundation for Ongoing Training.
Specifically, it will perform the following functions, among
others: (i) coordination and evaluation of ongoing training
policies; (ii) performance of the management, support and
technical assistance functions vested in it, and (iii) monitoring
and control of training initiatives.

The Board of Trustees of the State Foundation will be composed
of representatives from the General Government (through the
INEM), autonomous community government, and the most
representative employers’ organizations and labor unions, and
will be chaired by a member from Central Government.

Notwithstanding the foregoing, until the new State Foundation
is created, the Tripartite Foundation (composed of representatives
from the Central Government, employers’ organizations and
labor unions) will be responsible for promoting and coordinating
the execution of public policies in the area of ongoing training.

2.2. Employment incentives

2.2.1. Fostering of indefinite-term employment and of the
conversion of temporary contracts into indefinite-
term contracts

The Spanish Central Government offers a wide range of
employment incentives, consisting mainly of reductions in
employer social security contributions, aimed at promoting stable
or indefinite jobs (especially for unemployed persons included in
groups such as women in general, young people aged 16-30, the
long-term unemployed, unemployed people over the age of 45,
individuals receiving the unemployment benefit granted under
the Special Social Security System for Agriculture, and people
with disabilities) and at encouraging the conversion of temporary
contracts into indefinite-term contracts by way of an
Extraordinary Plan of an exceptional nature and with a limited
timeframe.

The incentives, which are contained in Law 43/2006, of
December 29, 2006, on improved growth and employment, are
summarized in Table 1.

In turn, Additional Provision Twenty-Five of Law 42/2006, of
December 28, 2006, on the 2007 General State Budget, provides
that indefinite-term employment contracts of workers aged 59 or
over, with 4 or more years’ service, may give rise to an
entitlement to a 40% reduction in employer social security
contributions for ordinary contingencies, except for temporary
incapacity arising from them, with respect to the contributions
paid as from the date that the aforementioned requirements are
met. In general, the duration of the reduction will be one year.

2.2.2. Local employment initiatives (no time limit)

In addition to the employment incentives detailed in the previous
section, additional aid and subsidies may be granted for
investment projects aimed at generating economic activity and
stable employment in local and regional areas of Spain, subject
to the National Employment Institute classing them as
investment and employment (I+E) projects or entities.

In order to be classed as such and qualify for this type of aid, the
projects must be sponsored and backed by the corresponding
Autonomous Community Government and/or Local Government.
Autonomous Community Governments or Local Governments will
be deemed to back such projects when they offer to contribute to
the promoter economic and material resources to aid the set-up
and management of the business.
### Table 1

#### EMPLOYMENT INCENTIVES

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th>Annual amount (in euros)</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEDUCTIONS FOR INDEFINITE-TERM CONTRACTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Women</strong></td>
<td>Unemployed women, and victims of gender violence (Articles 2.1.a and 2.4).</td>
<td>850</td>
<td>4 years</td>
</tr>
<tr>
<td></td>
<td>Women hired in the 24 months following childbirth (Article 2.1.b)</td>
<td>1,200</td>
<td>4 years</td>
</tr>
<tr>
<td></td>
<td>Women hired after 5 years of unemployment if, prior to their withdrawal from work, they had worked for at least 3 years (Article 2.1.c)</td>
<td>1,200</td>
<td>4 years</td>
</tr>
<tr>
<td><strong>People aged over 45 (Article 2.1.d)</strong></td>
<td>1,200</td>
<td>Entire term of the contract</td>
<td></td>
</tr>
<tr>
<td><strong>Young people</strong></td>
<td>Aged 16 through 30 (Article 2.1.c)</td>
<td>800</td>
<td>4 years</td>
</tr>
<tr>
<td></td>
<td>Unemployed workers registered as job seekers for at least six months and socially-excluded workers (Articles 2.1.f and 2.5)</td>
<td>600</td>
<td>4 years</td>
</tr>
<tr>
<td><strong>Other groups and groups in special circumstances</strong></td>
<td>People with disabilities (Article 2.2)</td>
<td>4,500</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>Women with disabilities (Article 2.2.3)</td>
<td>5,350</td>
<td></td>
</tr>
<tr>
<td></td>
<td>People aged over 45 (Article 2.2.3)</td>
<td>5,700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>— In general (Article 2.2.1)</td>
<td>5,100</td>
<td>6,300</td>
</tr>
<tr>
<td></td>
<td>— In the case of severe disability (Article 2.2.2)</td>
<td>5,950</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Training, hand-over and substitution-due-to-retirement contracts converted to indefinite-term contracts (Article 2.6).)</td>
<td>500</td>
<td>4 years</td>
</tr>
</tbody>
</table>
2. State incentives for training and employment

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th>Annual amount (in euros)</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPECIAL PLAN FOR THE CONVERSION OF TEMPORARY EMPLOYMENT INTO PERMANENT EMPLOYMENT</td>
<td>Conversion into indefinite-term contracts of all temporary contracts, including training hand-over and substitution-due-to-retirement contracts, entered into before June 1, 2006, provided that the conversion takes place before January 1, 2007 (Article 3)</td>
<td>800</td>
<td>3 years</td>
</tr>
<tr>
<td>DEDUCTIONS FOR EXCEPTIONAL TEMPORARY CONTRACTS</td>
<td>People with disabilities hired under temporary contracts to promote employment (Article 2.2.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>In general (Article 2.2.4).</td>
<td>3,500</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>In the case of severe disability (Article 2.2.4).</td>
<td>4,100</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>People with disabilities hired under temporary contracts to promote employment (Article 2.2.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women and people over 45 with disabilities (Article 2.2.4)</td>
<td>4,100</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>In general (Article 2.2.4).</td>
<td>4,100</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>In the case of severe disability (Article 2.2.4).</td>
<td>4,700</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>Victims of gender or domestic violence (Article 2.4)</td>
<td>600</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td></td>
<td>Socially-excluded individuals (Article 2.5)</td>
<td>500</td>
<td>Entire term of the contract</td>
</tr>
<tr>
<td>DEDUCTIONS FOR MAINTENANCE OF INDEFINITE-TERM EMPLOYMENT</td>
<td>Indefinite-term contracts for workers aged 60 or over, with 5 or more years’ service at the company (Article 4.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women whose contract is held in abeyance (indefinite-term or temporary contract converted into indefinite-term) returning after maternity (Article 4.2)</td>
<td>1,200</td>
<td>4 years</td>
</tr>
</tbody>
</table>

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In addition, the aforementioned projects must meet the following requirements:

- Projects must provide for the hiring of workers on an indefinite-term basis or the recruitment of new partners in the case of projects involving cooperatives or labor companies.
- Projects must provide for the incorporation of a new company with a maximum number of 25 employees at the time of incorporation.
- Projects must provide for the production of products and/or services which relate to emerging economic activities or, in the case of traditional activities in the area, which cover needs not covered by the existing structure.
- Projects must meet technical, economical and financial viability requirements.

Incentives available for selected projects are as follows:

- A financial subsidy aimed at the reduction by up to three percentage points of interest rates on loans granted to the company related to its incorporation and establishment. The maximum amount of this subsidy will be €5,108 per indefinite-term job created.
- A one-time subsidy for each indefinite-term employment contract amounting to €4,808 for each worker hired on a full-time basis (or the related proportion of such overall amount in the case of indefinite-term part-time contracts).

This subsidy is not compatible with that described in the preceding point.

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

All the aforementioned incentives may be increased by 10% when the project is related to certain activities, among which are those connected with the protection and maintenance of natural areas, waste management, collective transport, the development of local culture and the care of children, the handicapped and the aged.

Applications for these incentives must be submitted to the National Employment Institute (INEM). This is the government body in charge of selecting the eligible projects and granting the aid and subsidies for such projects.

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

### Table 1

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th>Annual amount (in euros)</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEDUCTIONS FOR HIRING PEOPLE WITH DISABILITIES THROUGH SPECIAL EMPLOYMENT CENTERS</td>
<td>Indefinite-term or temporary contracts (Article 2.3)</td>
<td>100% of employer social security contributions, including those for occupational accident and disease, and joint collection contributions</td>
<td>Entire term of the contract</td>
</tr>
</tbody>
</table>

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7
2. State incentives for training and employment

Lastly, Autonomous Community Governments which, as a result of the increasing administrative decentralization process currently underway in Spain, have been transferred management powers in relation to these and other employment programs, may adapt these incentive measures to their own organization.

2.2.3. Fostering of rural employment

Aid is provided for companies promoting employment initiatives in rural communities (see “State incentives for specific industries”, Section 3 below).

3. STATE INCENTIVES FOR SPECIFIC INDUSTRIES

The Central Government provides financial aid and tax benefits for activities carried out in certain industries which are considered to be priority sectors in view of their growth potential and their impact on the nation’s overall economy (e.g. activities in the agrofood industry, energy, mining, technological development, research and development, etc.). In addition, the Autonomous Community Governments provide similar incentives for most of these industries.

Financial aid includes both nonrefundable subsidies and interest relief on the loans obtained by the beneficiaries, or combinations of the two.

Besides the official restructuring programs which were initiated some years ago for certain industries (shipbuilding, steel and textiles, among others) and which are now substantially completed, the major industrial development programs currently in force are:

3.1. Research, Technological development and innovation (R&D&I)

Encouraging technological improvement and innovation and research and development projects has in recent years become one of the priorities of public authorities in Spain. In this connection, the Government has approved a “National Plan for Scientific Research, Development and Technological Innovation” which is in line with the Sixth EU RTD Framework Programme (now superseded by the Seventh Framework Programme for the 2007-2013 period) and is partly financed by the EU Structural Funds. The National Plan will remain in force until the end of 2007.

Within this framework, the Ministry of Education and Science, and the Ministry of Industry, Tourism and Trade are responsible, according to the respective area, for the management of certain scientific research and technological development policies under the Program for the Development of Technological Research (PROFIT), within the National Plan for Scientific Research, Development and Technological Innovation (2004-2007).

Under the aforementioned Program and for the duration thereof, the Ministry has defined the terms and conditions for the granting of aid.

The incentives thus envisaged may consist of refundable advances, subsidies or a combination of the two and are granted for certain Projects in line with any of the strategic actions of the respective National Programs included in PROFIT.

The following table shows the main features of PROFIT:

<table>
<thead>
<tr>
<th>TYPE OF AID</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUBSIDIES</strong>:</td>
<td>Non-refundable aid to partly cover the eligible costs of the respective project or action.</td>
</tr>
<tr>
<td>For a project to be able to obtain a subsidy charged to PROFIT, it must have a minimum total budget of 60,000 euros except for the exceptions introduced by Order PRE/402/2006, of February 16, 2006, modifying Order PRE/690/2005, of March 18, 2005.</td>
<td></td>
</tr>
<tr>
<td><strong>REFUNDABLE CREDIT FACILITIES</strong>:</td>
<td>Loans with no interest, with changeable terms of grace and repayment, depending on the project.</td>
</tr>
<tr>
<td>Maximum amount may not be more than 75% of the costs of the projects. Maximum repayment term: 15 years.</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2**

PROGRAM FOR THE DEVELOPMENT OF TECHNOLOGICAL RESEARCH (PROFIT)
Table 2

PROGRAM FOR THE DEVELOPMENT OF TECHNOLOGICAL RESEARCH (PROFIT)

<table>
<thead>
<tr>
<th>TYPE OF AID</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR A PROJECT TO BE ABLE TO OBTAIN A SUBSIDY CHARGED TO PROFIT, IT SHOULD HAVE A MINIMUM TOTAL BUDGET OF 1,000,000 EXCEPT FOR THE EXCEPTIONS INTRODUCED BY ORDER PRE/402/2006, OF FEBRUARY 16, 2006, MODIFYING ORDER PRE/690/2005, OF MARCH 18, 2005.</td>
<td></td>
</tr>
<tr>
<td>COMBINED MODE (SUBSIDY + ADVANCE): THIS COMBINATION WILL DEPEND ON THE ASSESSMENT OF THE PROJECTS.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>ELIGIBLE APPLICANTS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>ENTERPRISES (VALIDLY ORGANIZED CORPORATION)</td>
<td></td>
</tr>
<tr>
<td>SMEs</td>
<td></td>
</tr>
<tr>
<td>GROUPING OR ASSOCIATION OF ENTERPRISES</td>
<td></td>
</tr>
<tr>
<td>PRIVATE NON-PROFIT-MAKING R+D CENTERS</td>
<td></td>
</tr>
<tr>
<td>TECHNOLOGICAL CENTERS</td>
<td></td>
</tr>
<tr>
<td>PUBLIC RESEARCH BODIES AS DEFINED BY LAW 13/1986, OF APRIL 14, 1986: (I) THOSE AFFILIATED TO ANY PUBLIC ADMINISTRATION; (II) NOT-FOR-PROFIT UNIVERSITIES, THEIR DEPARTMENTS AND UNIVERSITY INSTITUTES, AND (III) OTHER RESEARCH AND DEVELOPMENT CENTERS.</td>
<td></td>
</tr>
<tr>
<td>OTHER PUBLIC LAW ENTITIES</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THEMATIC FIELDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LIFE SCIENCES</td>
<td></td>
</tr>
<tr>
<td>ENVIRONMENTAL AND FOOD TECHNOLOGIES SCIENCES</td>
<td></td>
</tr>
<tr>
<td>ENERGY</td>
<td></td>
</tr>
<tr>
<td>CHEMISTRY, MATERIALS AND DESIGN AND INDUSTRIAL PRODUCTION</td>
<td></td>
</tr>
</tbody>
</table>
3. State incentives for specific industries

<table>
<thead>
<tr>
<th>PROGRAM FOR THE DEVELOPMENT OF TECHNOLOGICAL RESEARCH (PROFIT)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THEMATIC FIELDS</strong></td>
</tr>
<tr>
<td>• National Program for Materials</td>
</tr>
<tr>
<td>• National Program for Industrial Design and Production.</td>
</tr>
<tr>
<td><strong>INFORMATION SOCIETY TECHNOLOGIES</strong></td>
</tr>
<tr>
<td>• National Program for Electronic Technology and Communications.</td>
</tr>
<tr>
<td>• National Program for Computer Technologies.</td>
</tr>
<tr>
<td>• National Program for Information Society Services.</td>
</tr>
<tr>
<td>• Horizontal strategic action on security and trust in information systems, communications and society information services.</td>
</tr>
<tr>
<td><strong>TRANSPORT AND CONSTRUCTION</strong></td>
</tr>
<tr>
<td>• National Program for Means of Transport.</td>
</tr>
<tr>
<td>• National Program for Construction.</td>
</tr>
<tr>
<td><strong>SECURITY AND DEFENSE</strong></td>
</tr>
<tr>
<td>• National Program for Security</td>
</tr>
<tr>
<td><strong>HUMANITIES, SOCIAL AND ECONOMIC SCIENCES</strong></td>
</tr>
<tr>
<td>• National Program for Social, Economic and Legal Sciences.</td>
</tr>
<tr>
<td><strong>TRANSVERSAL STRATEGIC ACTIONS</strong></td>
</tr>
<tr>
<td>• Strategic action for tourist technologies.</td>
</tr>
<tr>
<td>• Strategic action for nanoscience and nanotechnology</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MANNERS OF PARTICIPATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDIVIDUAL TECHNOLOGICAL PROJECT OR ACTION:</strong></td>
</tr>
<tr>
<td>Technological project or action performed by a single company, public research agency, private scientific research and technological development non-profit-making company, technological center or public law entity.</td>
</tr>
<tr>
<td><strong>TECHNOLOGICAL PROJECTS OR ACTION IN COOPERATION</strong></td>
</tr>
<tr>
<td>Projects developed by various companies, public research bodies, nonprofit private R&amp;D centers or entities of public law, whose relations are instrumented through an agreement, arrangement or contract that establishes the rights and obligations of the various participants.</td>
</tr>
</tbody>
</table>
In addition, there is also Instituto de Crédito Oficial (ICO) funding for Innovation and Technological Development Projects, in conjunction with the Center for Industrial Technological Development (CDTI), which has provided €200 million to date.

Eligible investments are those aimed at the improvement and modernizing of technology, provided that the proportion of the investment relating to real estate, if any, does not exceed 30% and the proportion relating to intangible assets (research, cooperation, indirect costs, etc.) does not exceed 50%. In any case, the maximum limit for the loan is 70% of the investment, after approval is granted by the Center for Industrial Technological Development, with a limit per year and beneficiary of €1,450,000 at a fixed or floating interest rate.

Beneficiaries (trading companies, including SMEs) may choose between a repayment term of 5 years (without a grace period or with a grace period of 1 year) or 7 years with a grace period of 2 years).

The CDTI provides financial assistance of €445 per €10,000 of funding granted, to be used for the early repayment of loans.

Despite the fact that the deadline for application has passed, a new application period is expected to be opened in 2007.

In addition, the CDTI engages in general promotion and in the coordination, evaluation and monitoring of the proposals and projects submitted by Spanish enterprises to the Eureka program, an initiative that supports cooperative R&D in Europe and aims to increase the competitiveness of European enterprises by encouraging technological projects geared towards the development of products, processes or services with a clear commercial interest in the international market and based on innovative technologies.

 Calls for the submission of applications in relation to specific R&D+i strategic projects (clusters) carried out in conjunction with organizations from countries that participate in the Eureka Program, as part of European strategic projects, are managed through the Office of the Secretary of State for Telecommunications and the Information Society under the Ministry of Industry, Tourism and Trade. The most noteworthy are as follows: EUROFOREST, EURIMUS, PIDEA, SCARE, ITEA, and MEDEA+.
3. State incentives for specific industries

Lastly, in an attempt to bolster investment in R&D by enterprises, on June 23, 2006, the Spanish Government presented the INGENIO 2010 Program, aimed at increasing both public and private investment in R&D in the coming years. Specifically, the objectives of the INGENIO 2010 Program are as follows:

- R&D investment equal to 2% GDP in 2010.
- 55% private investment in R&D in 2010.
- 0.9% public investment in R&D as a percentage of GDP in 2010.
- Hiring of 1,300 doctors per year in the private sector from 2010.
- More technological enterprises created as a result of public research, with a minimum target of 130 new enterprises per year in 2010.
- The percentage of GDP allocated to Communication and Information Technologies (CIT) should reach the EU average, going from 4.8% in 2004 to 7% in 2010.

Within the framework of this program, three new strategic funding lines of have started to operate:

- CONSOLIDER PROGRAM: This strategic funding aims to achieve excellence in research by increasing cooperation between researchers and encouraging large research groups. Training projects of leading consortiums and the unique installations plan are expected to mobilize €2 billion over the next four years, of which approximately 50% will be contributed by the State. Moreover, the Plan to Incentivize, Incorporate and Intensify Research Activity, funded with €130 million over the next 3 years, will enable universities and public research bodies to hire more than nine hundred experienced researchers.

  The application period for the 2007 call ended on December 23, 2006. However, a new call will be made with respect to 2008, the application period for which will commence during the second half of 2007.

- AVANZ@ PROGRAM: This aim of this program is to converge with the EU in the information Society area. The AVANZ@ program is structured along four strategic lines: Citizens, SMES, e-Government, and Education and its objectives are as follows: (i) to increase the percentage of enterprises using e-commerce from 8% to 55%; (ii) to encourage the use of electronic billing; (iii) to expand the scope of e-Government through the introduction of the electronic national identity card (DNI) and the electronic register; (iv) to have one internet-enabled computer for every two students in teaching establishments; and (v) to double the amount of homes with internet access.

  Notwithstanding the numerous and varied calls for loan applications made under the AVANZ@ Plan, the 2006 ICO-Avana Plan funding is particularly noteworthy, provisioned to date with €485 million, which may be increased according to demand and budgetary capacity.

  The measures included and the purpose of each of them are as follows:

  - CIT Loan for SMEs: This measure aims to finance steps by SMEs to incorporate communication and information technologies which bring innovation to the key processes of their business model and lead to increased competitiveness. The maximum loan will be 100% of the investment, up to a maximum of €50,000 per final beneficiary, with 0% interest and a 5-year repayment period.

  - Young People and Graduates Loan: This measure aims to provide finance to any resident in Spain in order to acquire IT equipment and subscribe to a broadband internet connection. The maximum loan will be 100% of the investment, up to maximum of €3,000 per beneficiary. The maximum period for repayment is 36 months, with a maximum payment holiday of 3 months.

  - Digital Citizen Loan: This measure aims to provide finance to any resident in Spain in order to acquire IT equipment and subscribe to a broadband internet connection.

  The implementation of the above-mentioned loans will be instrumented through collaboration agreements with credit institutions, with the mediation of the ICO.

  The period for submitting applications started on September 1, 2006, and the funding will remain available until August 31, 2007, or, as the case may be, until the funds are exhausted.

- CENIT (National Strategic Consortiums for Technical Research) Program: The aim of this program is to increase public and private cooperation in R&D+i by financing large integrated strategic industrial research projects in areas of future technologies and with international exposure.

  In order to develop such large projects, a consortium or economic interest grouping needs to be created, composed of at least two large or medium-sized enterprises, two small enterprises and two research bodies (public research bodies, non-profit-making private R+D centers and universities).
The projects must have a duration of 4 years, with an annual budget of more than €5 million and less than €10 million, in each year of operation.

The type of aid employed will be a subsidy, which may amount to a maximum of 50% of the total cost of the project.

The CDTI will be responsible for implementing and executing the CENIT Program.

The CENIT Program also envisages the creation of a venture capital Fund (in turn invested in by other mutual funds) to create and consolidate technological enterprises, which will operate through a venture capital company with capital of approximately €200 million.

Lastly, the CENIT aims to strengthen integration between universities and enterprises through the Torres Quevedo Program, managed by the Ministry of Science and Education.

The application period for the 2007 call ended on October 31, 2006. However, a new call will be made with respect to 2008, the application period for which will commence during the second half of 2007.

3.2. Renewable Energy

In compliance with the 1997 Electricity Industry Law, on December 30, 1999, the Council of Ministers approved the Plan for the Promotion of Renewable Energies (2000-2010) which defined the strategy to be followed in the energy area to foster the growth of renewable energies. The ultimate aim of the Plan is to ensure that the various sources of renewable energy will be able to cover 12% of primary energy consumption in 2010.

In order to encourage compliance with the aforementioned Law, the Plan for the Promotion of Renewable Energies envisages a series of measures and incentives (of a tax or structural nature, etc.) that are aimed, inter alia, at eliminating the barriers which impede the introduction of renewable energies in a market dominated by fossil fuels.

In this connection, the Plan envisages the granting of incentives for investments in technological innovation made by companies in the area of renewable energies, the creation of lines of public aid (a subsidy for the promotion of technological innovation and investment incentives for the extension or start-up of the manufacturing of capital goods) and the granting to SMEs of a percentage of relief from the cost of the guarantees provided by mutual guarantee companies to cover risks.

The above objectives have been included in the new Renewable Energies Plan (2005-2010) which nevertheless proposes a different distribution of resources by strategic area, in order to achieve the commitment to have renewable energy cover 12% of total energy consumption in 2010.

Additionally, the Renewable Energies Plan in Spain (PER) aims to incorporate the following new objectives, imposed by EU legislation: (i) that 29.4% of national electricity consumption be generated by renewable energies; and (ii) that 5.75% of petrol and diesel sold for transportation purposes be obtained from biofuels.

In this respect, the Institute for Energy Diversification and Saving (IDAIE) has set up certain specific aid programs for the solar thermal power and solar photovoltaic power industries.

Between 2000 and 2005, these programs were included under a single line: the ICO-IDAE funding for renewable energy and energy efficiency projects.

However, this line was superseded by the financing mechanisms provided for in the Action Plan (2005-2007) of the Energy-Saving and Efficiency Plan for Spain and the Renewable Energies Plan (2005-2010).

The IDAE currently provides potential investors with a credit line to finance investment in solar thermal, stand-alone photovoltaic and domestic biomass projects, and cogeneration facilities. The initial funding for this line is €30 million.

The beneficiaries of these loans can be individuals, SMEs, community associations, municipal councils and other public bodies, institutions dependent on them, and other legal forms, excluding large companies.

Financing is provided for new asset investment in installations and equipment of the following kind:

- Stand-alone photovoltaic solar energy generation systems.
- Solar thermal energy installations with capacity equal to or less than 20kW.
- Cogeneration systems, as applicable, cold generation systems, fueled by natural gas, diesel, biogas, biomass, synthesis gas, lean gas or high-temperature effluent.
- Installations for the production of thermal energy, for domestic use or in buildings, fueled by biomass, up to 3 MW(t).

The loans granted under the IDAE line may finance up to 100% of the project cost, up to a maximum of €1.5 million. The repayment period is 11 years, with the first year being a grace period and the remaining 10 for actual repayment. The
applicable interest rate is Euribor plus 0.3%, and there is an arrangement fee of 0.30% of the cost of the project.

The IDAE line became operational on June 1, 2006 and will remain open until all allocated funds have been exhausted.

It should be noted that loan applications under this line must be made via the internet, through the IDAE website, www.idae.es.

Furthermore, in order for the objectives of the Plan for the Development of Renewable Energies to be fully achieved, certain R&D actions will also have to be taken, which has led to the involvement of the energy industry in the various R&D+i programs currently being implemented at EU and national level. Particularly to be noted at the state level is the PROFIT, an instrument whereby the Ministry of Education and Science, and the Ministry of Industry, Tourism and Trade makes a series of calls for public aids (nonrefundable subsidies, refundable advances or a combination of the two) to promote the performance by companies and other entities of research and development activities, according to the targets established in the 2004-2007 National Scientific Research, Development and Technological Innovation Plan (R&D+i), in the part on Promotion of Technical Research.

The PROFIT (2004-2007) currently in force also includes the R&D activities performed in the energy sector.

Specifically, within the National Energy Plan, included in the PROFIT (2004-2007) the optimizing of conventional forms and uses of energy for these to be cleaner and more efficient (e.g., research and development to improve fuels in transport, research and development in nuclear safety and radiological protection, research and development in the field of radioactive waste) and the promotion of renewable energies and emerging technologies (e.g., wind energy, solar energy, evaluation and forecast of renewable energy resources, etc.).

3.3. Tourism industry

Against the backdrop of monetary union and economic and social convergence, and in a competitive environment characterized by the globalization of supply and demand and the internationalization of tourism companies, the Spanish tourism industry has to base its position of leadership on quality.

It is with this in mind that the 2000-2006 Integral Plan for Spanish Tourism Quality (PICTE) was created, which seeks to define, from the standpoint of cooperation between the business community and the public authorities, the main plans of action for creating supply and bringing it to the market, as well as establishing the sustainability and profitability targets to be achieved.

Although the initial term of the plan concluded at the end of 2006, the Council of Ministers has extended the plan for another year (until December 31, 2007), the estimated time required to approve the new Spanish Tourism Plan, which will establish the objectives of tourism policy for the next fifteen years.

The PICTE is being implemented through specific Programs which, taking quality as their main underlying objective, encompass the main action plans for the tourism industry: Quality in Tourist Destinations, Quality in tourist products, Quality in Business Sectors, Quality in Training, Technological Development and Innovation, Internationalization of Tourism Companies, International Cooperation, Statistical Information and Economic Analysis, and Promotion of and Support for Foreign Trade.

Particularly noteworthy from the business standpoint are the Technological Innovation and Development Programs applied to Tourism and that relating to the internationalization of Spanish tourism companies.

In the area of technological innovation and development, IT systems are being applied in the tourism industry through projects that coordinate management and e-mail (EDITRAVEL and EDITHOTEL, among others) and projects that link information systems with reservations (TURCENTRAL, SIT, etc.).

Interested entities can apply for the product at the Directorate-General of Tourism, which will grant the license for use, at no cost to the applicant, of each of the products. The agency also provides, within its budgetary constraints, technical assistance (a help desk) and training courses on the use of the products so that their potential is better utilized.

The EDITURISMO Program (EDITRAVEL and EDITHOTEL) consists of the electronic exchange of documents among the various players in the industry, mainly travel agencies and hotels, other players and their suppliers, as well as finance entities, in order to replace hard copies with e-mail messages, thereby eliminating administrative costs.

The TURCENTRAL Program is a computer system, aimed at autonomous and local government entities and business associations, which captures tourism information on reservations by organizing it into a database or mainframe, thereby making it possible to market and exploit such information.

The TURISCAL Program is a pilot project promoted by the Directorate-General of Tourism to give IT support to the
management of the Spanish Tourism Quality System (SCTE), its main recipients being hotel establishments and associations.

### 3.4. Audiovisual industry

The promotion and fostering of the production by Spanish companies and European Union Member State companies and companies from the European Economic Area established in Spain, of films and audiovisual material, as well as the establishment of conditions which would favor their creation and dissemination, and the adoption of measures for the conservation of film-making and audiovisual heritage constitute the objectives of the Law dated July 9, 2001, which regulates the fostering and the promotion of film-making and the audiovisual industry.

- Film production will be fostered by the annual granting of aid to film producers to reduce the cost of film production, taking into account objective criteria such as viewer acceptance during the period of projection in movie theatres, and the box office receipts obtained by movie theaters over a given period of time.

Specifically, the producers of full-length motion pictures can generally receive aid from Instituto de la Cinematografía y de las Artes Audiovisuales (ICAA – Spanish Institute for Film-Making and Audiovisual Arts) for an amount equal to 15% of the gross box office receipts which they obtain during the first two years of screening in Spain, up to a maximum of €901,518.

In any case, the amount of the aid will be less than 50% of the cost of the films produced, with possible exceptions in the case of experimental films, documentaries, pilot animation series programs and low-budget films.

The ICAA also grants aid to producers for projects to make full-length motion pictures which incorporate new directors and experimental productions with a clear artistic and cultural content, within the related budgetary constraints and following a public call to submit applications. This aid is nontransferable and may not exceed the producer’s investment or €500,000 per film.

In the same way, producers of short films can receive aid from the ICAA for production up to a maximum limit which is determined annually, and they can also receive aid for films already made, which cannot exceed 50% of its budget and it may never exceed €30,050 per film.

The ICAA, through its Ruling of December 26, 2006, has issued a 2007 call for applications for grants for the production of short films. The deadline for application is June 11, 2007, inclusive.

- Scriptwriting is also eligible for aid from ICAA, which grants incentives to authors and production company joint ventures which write scripts for full-length motion pictures for cinema or television in any of Spain’s official languages.

- In order to foster the conservation of negatives and original media, the ICAA can subsidize up to 50% of the cost of creating interpositives or internegatives of full-length motion pictures. The beneficiaries of this type of aid may be producers of full-length Spanish motion pictures registered as such in the ICAA Register of Cinematographic Enterprises, or holders of rights in such motion pictures.

Although some of the above-mentioned 2007 calls for grant applications are still to be published, it should be noted that the Ministry of Culture is currently preparing a new Cinema Law, which could have an impact on the existing aid regime.

Without prejudice to the aforementioned aid granted by the ICAA, it should be added that there is a Film Production Financing Line for Projects promoted by ICO and the ICAA for full-length motion pictures with "ICAA project aid" and full-length motion picture production "without ICAA project aid".

In the case of loans for full-length motion pictures with "ICAA project aid", the principal cannot exceed 90% of the aid granted to the beneficiary of the full-length motion picture project pursuant to the final decision by the ICAA Director General, and, for full-length motion picture production “without ICAA project aid”, the principal cannot exceed 50% of the budget for the film up to a limit of €1,000,000.

The maximum aggregate amount per producer will be €4,000,000 within each yearly funding of the Financing Line. In exceptional cases, a maximum aggregate amount per enterprise of up to €5,000,000 may be granted.

These loans are repayable over a period of between one and four years, including a two-year grace period, and bear interest at 6M EURIBOR + 0.75 percentage points, which can be reviewed on a half-yearly basis. Loans for full-length motion picture production “without ICAA project aid” will benefit from a reduction in the rate of interest of 1.63% for the financial aid of the ICAA.

Although the initial term of this line of financing expired on December 31, 2006, in principle, it will be renewed in 2007.

Additionally, the ICO maintains a Financing Line for cinematographic display and production equipment funded in 2006 with €6,000,000.
3. State incentives for specific industries

Projects eligible for funding under this Line include: (i) the creation, reconversion, remodeling and adaptation for disabled access of movie theaters; (ii) the acquisition of equipment and media for cinematographic projection, sound systems and ticket sales; (iii) the acquisition and improvement of equipment and machinery for cinematographic production.

The maximum amount of funding available for movie theaters is 70% of the total investment in tangible fixed assets, excluding the acquisition of land for building and real estate. In turn, the maximum funding for the improvement and acquisition of production equipment is 70% of the total investment.

The maximum amount per beneficiary per year is €1,000,000 for movie theaters and €500,000 for production equipment, with a repayment period of 7 years, including a 2-year payment holiday and a variable interest rate linked to 6M Euribor up to 0.75%, reviewable on a half-yearly basis.

Possible beneficiaries of this aid include: (i) private entities that own movie theaters, registered in Section Three of the ICAA Register of Companies; (ii) private entities that own dubbing and soundtrack studios, cinematographic laboratories, and cinematographic filming and lighting companies, also registered in the corresponding ICAA Register of Companies.

Moreover, special financial terms are envisaged for movie theater companies that make investments to modernize the infrastructure and fittings of movie theaters located in rural areas or areas with less than 20,000 inhabitants, and to specific projects, with the sole purpose of giving disabled people access to movies.

Although the initial term of this line of financing expired on December 31, 2006, in principle, it will be renewed in 2007.

The ICO also has a Financing Agreement for audiovisual works with RTVE and FAPAE (Federation of Spanish Audiovisual producers), executed on January 23, 2006, to manage aid to FAPAE member producers, the term of which expires on December 31, 2008.

3.5. Other specific industries

3.5.1. Agrofood and other related industries

3.5.1.1. Aid for investment in industrial infrastructures

With a view to contributing to the improvement and modernization of agricultural structures and operations, a system of incentives has been established which is aimed at financing the implementation of plans to upgrade farms and at supporting initiatives to improve professional agricultural qualifications. In short, the objective is to assist young farmers who are setting up for the first time.

In general, aid may take the form of capital subsidies, interest relief, and subsidies covering part of the annual repayments of the principal, or assistance in defraying the cost of guarantees, or a combination thereof.

Capital subsidies of up to 15% of the projected investment, reaching up to 20% in especially disadvantaged areas are available.

A further five percent may be added to the applicable percentage according to the foregoing for improvement plans aiming to obtain ecological products, if these conform to the legislation for ecological farm production and their indication in farm and food products.

The interest relief may be up to 8.5 percentage points annually, in such a way that the interest rate for the borrower must not be less than 1.5%, depending on the circumstances. The loans may cover up to 90% of the difference between the cost of the approved investment and the subsidy.

In any event, the maximum amount of the grant may not exceed 50% of the investment in the disadvantaged areas included in the lists approved at Community level, and may not exceed 40% in other areas.

The subsidies are granted on a 50-50 basis by the Ministry of Agriculture, Fisheries and Food and the relevant Autonomous Community governments, and may be channeled through public and private banks. Applications must be filed with the competent body of the Autonomous Community where the investment is to be located. More information on these grants can be obtained.
from, among other agencies, the General Secretariat of Agriculture and Food, which reports to the above-mentioned Ministry.

In the Autonomous Community of the Canary Islands, these subsidies are subject to a special system. In agricultural operations that do not exceed 20 European Dimension Units, the maximum total amount of the subsidy is 75% of the amount of the investment eligible for subsidy - in the case of investments made, particularly, to promote diversification, restructuring or reorientation towards a sustainable agriculture.

Specifically, capital subsidies will be of up to 40% of the investment forecast in the improvement plan.

Although the above-mentioned aid is currently available, its content and scope may vary as a result of the modification of the instruments through which the Common Agricultural Policy is implemented, and the instruments would have to be adapted to Central Government and Autonomous Community legislation. Such adaptation is expected to take place during the first half of 2007.

3.5.1.2. Fostering of activities of rural interest

The initiatives to foster the diversification of rural life consist of incentives for investments, employment and other related activities:

- The investment aid consists of interest relief on loans obtained to finance investments of up to €72,121 for each full-time job created and maintained during the year, provided that the value of such aid does not exceed 90% of the investments. These benefits are granted by the Ministry of Agriculture, Fisheries and Food.

- The employment aid takes the form of direct subsidies of up to 50% of the labor cost of the job created during the first year of activity (subject to a ceiling of €3,606). These subsidies are approved and paid by the relevant Autonomous Community governments.

- Lastly, other types of aid are envisaged for related activities (business studies, business training and retraining, technical assistance for company management, etc.) up to a maximum of between 50% and 90% of the costs incurred in carrying out the activity (with maximum limits that vary depending on the type of activity subsidized). This aid is paid by the Autonomous Community Governments.

The incentives described above are incompatible with any other aid provided by the Central Government, in which the beneficiaries, objectives or investments coincide.

Additionally, the incentives granted to foster economic activity and job creation in rural communities will be subject to the ceilings envisaged for incentives granted for regional investment projects.

Finally, entities, companies and professionals related to production and marketing in the agricultural industry (specifically, farmers) that provide statistical and accounting data to the Ministry of Agriculture, Fisheries and Food, may obtain an annual subsidy that cannot exceed €138 per recipient and year, and subject to a maximum number of recipients per autonomous community. The above figures are the amount of aid granted in 2006, according to the amounts approved by Order APA/3611/2006, of November 15, 2006, since no data are yet available on the amount of aid forecast for 2007.

3.5.1.3. Measures for promoting and fostering new technologies

With a view to fostering the use of new technologies in the agricultural area, an incentive is provided for the acquisition of new machines and equipment that involve technological innovation.

The incentive consists of a subsidy (the amount of which varies) which is granted provided that the investment in the new machinery is made within a year and the machines or equipment acquired are not sold within five years.

3.5.2. Mining

The Directorate-General for Energy and Mining grants incentives for prospecting, geological-mining research and non-energy mining activities. These incentives, consisting mainly of subsidies of a variable amount, according to whether or not the regions in which the projects are performed may avail themselves of the exceptions expressly contemplated in article 87.3 of the EC Treaty, are usually earmarked for geological and mining research and prospecting projects and for environmental projects.

It is expected that the 2007 call for subsidies for geological-mining exploration and research and non-energetic environmental mining activities will be published as from April.

Additionally, there is certain aids deriving from the Mining Safety Plan (in force until December 31, 2007) which have the purpose of promoting mining safety and eradicating, insofar as possible, the accident rate of the mining activity in Spain. These subsidies are granted to publicly- or privately-owned companies (except for those engaging in coal extraction), groupings of said companies and nonprofit institutions.
3. State incentives for specific industries

Aid is also available to finance projects aimed at reducing the industry’s production capacity and initiatives aimed at promoting the alternative development of mining areas.

The incentives to promote alternative development in mining areas generally consist of nonrefundable subsidies, although the Institute for the Reorganization of Coal Mining and Alternative Development of Mining Regions may propose other alternative aid within the framework of both regional reactivation and mining reorganization, which may consist of: (i) aid to current production or to the reduction of activities of coal mining companies; (ii) coverage of technical costs in the event of the closure of production units; (iii) aid for labor costs; (iv) aid for the storage of autochthonous coal at thermal power stations; and (v) aid for the transportation of autochthonous coal, where necessary, between different mining areas.

Table 3 details the application of the various programs managed by the Institute for the Reorganization of Coal Mining and Alternative Development of Mining Regions, according to the Autonomous Communities where it is intended to perform the qualifying action.

Table 3
APPLICATION OF PROGRAMS OF THE INSTITUTE FOR REORGANIZATION OF COAL MINING

<table>
<thead>
<tr>
<th></th>
<th>Operation and reduction of activity</th>
<th>Storage</th>
<th>Transport</th>
<th>Restructuring of technical costs</th>
<th>Restructuring of labor costs</th>
<th>Alternative development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalucía</td>
<td>Yes</td>
<td>Yes</td>
<td>No (1)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Aragón</td>
<td>Yes</td>
<td>Yes</td>
<td>Some areas</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Castilla y León</td>
<td>Yes</td>
<td>Yes</td>
<td>Some areas</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Castilla-la Mancha</td>
<td>Yes</td>
<td>Yes</td>
<td>No (1)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cataluña</td>
<td>Yes</td>
<td>Yes</td>
<td>Some areas</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Galicia</td>
<td>No (2)</td>
<td>No (2)</td>
<td>No (2)</td>
<td>No (2)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Asturias</td>
<td>Yes</td>
<td>Yes</td>
<td>No (1)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(1) Thermal power stations consume coal from their own basin. (2) Does not produce CECA coal.

Table 4
ACCESSIBLE SUBSIDIES, BY MUNICIPALITY

<table>
<thead>
<tr>
<th></th>
<th>Infrastructures</th>
<th>Employment creators</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. RECHAR Municipalities</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. Municipality of Puertollano</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3. Municipalities of Comarca del Bierzo</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>4. Municipalities bordering those specified in point 1.</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The RECHAR municipalities are defined by a relevant loss of coal mining employment after 1990.
In respect of the regions able to opt for subsidies granted by the Institute for the Reorganization of Coal Mining and Alternative Development of Mining Regions, Table 4 shows the areas in which municipalities may have access to subsidies.

Lastly, on March 28, 2006, the Council of Ministers approved the “National Strategic Coal Reserve Plan and new Model for Integral and Sustainable Development of Mining Communities 2006-2012”, the priorities of which include environmental protection, promotion of R&D+i, improved quality of life and the creation of jobs for young people in mining communities.

One of the most noteworthy aspects of the Plan is the creation of a new line of aid, with the collaboration of the unions that were signatories to the Plan, which envisages different aid possibilities for financing small-scale projects which, to date, were not eligible for the aid regime in force.

4. INCENTIVES FOR INVESTMENT IN CERTAIN REGIONS

4.1. Granted by the State

Regional incentives are financial subsidies granted by the State to productive investment to promote business activity in previously-determined areas, thus helping to alleviate territorial imbalances.

The State grants such aid in accordance with EU requirements and limits. Their granting is centralized basically in the Sub-Directorate-General of Regional Incentives of the Ministry of Economy and Finance.

These incentives are aimed at promoting development in certain areas, and they consist of financial assistance for investment projects in specific regions.

The main objective of this regional policy is to achieve economic equilibrium between the different Spanish regions (measured in terms of per capita GNP). In practice, this policy involves the promotion of start-ups, expansions or modernization of enterprises located in the less developed geographical regions and in areas experiencing particular economic difficulties.

This aid scheme is based on nonrefundable subsidies (although the relevant legislation also envisages the possibility of privileged financing, such alternative is not used in practice) for a percentage of the cost of the investment.

They are granted for investment projects that must be located in one of Spain’s eligible areas.

The specific definition of the application areas, the maximum financing limits, and of the specific industry requirements, eligible investments and conditions, are contained in the Royal Decrees that define the different areas.

The aforementioned Royal Decrees are based on the content of the related EU-approved Guidelines. In accordance with the "Guidelines on National Regional Aid for 2007-2013" recently approved by the European Commission, 59.6% of the Spanish population live in regions eligible for subsidies. In turn, within the framework of the Guidelines, the European Commission establishes an aid map for each Member State, stipulating the maximum limit of financial aid or subsidies that can be received by each region under regional incentives during the reference period.

As a result of the so-called “statistical effect”, due to the incorporation of new EU Member States and Spanish economic development in recent years, some regions which were deemed eligible for subsidies in the 2000-2006 period have either exceeded the income threshold established for qualifying regions, or seen a reduction in the total incentives that can be granted for projects investing in the region.

In order to mitigate the adverse effects of this situation, in the new Regional Aid Map for Spain (2007-2013), the European Commission has provided for two three-year periods (2007-2010 and 2011-2013), with the first period being allocated higher aid limits than the second for ‘statistical effect’ regions.

Per the new Map, the Spanish regions in which greater incentives are envisaged, up to approximately 40% of investment, are the Autonomous Communities of Extremadura, the Canary Islands and Andalucia. The Autonomous Communities of Castilla-La Mancha and Galicia also deserve special mention, since aid of up to 30% of investment is permitted.

Notwithstanding, to date two types of “eligible” areas were established: Economic Promotion Areas (ZPEs) and Industrialized Areas in Decline (ZIDs).

- ZPEs were in the least-developed geographical areas of Spain, according to EU parameters.
- ZIDs are areas defined by Central Government when special circumstances are met (i.e. areas affected by industrial restructuring processes, with serious repercussions on the level of business activity and employment in those areas). However, at present the ZID area definition is not used.

ZPEs and ZIDs are established by Royal Decree, which identifies the area covered and the ceiling on the level of aid that can be
4. Incentives for investment in certain regions

The above-mentioned Decrees also define what are known as “priority areas” (the only areas in the ZPE where the subsidy may reach the maximum limit), the “eligible” sectors, the type of investment projects qualifying for aid, the requirements for obtaining the incentives, etc.

In exceptional circumstances, the Ministry of Economy and the Government’s Committee for Economic Affairs may (at the proposal of the Board of Governance) raise the above-mentioned limits for certain areas, but always within the limits established by the EU. Such a situation has only arisen on very few occasions, in certain areas (particularly in ZIDs), and only for short periods of time.

As a result of the entry into force of the “Guidelines on National Regional Aid for 2007-2013” on January 1, 2007, the Royal Decrees regulating ZEPs and ZIDs and, as applicable, the regulations governing regional incentives, must be adapted to the provisions of the Guidelines, and such adaptation is expected to take place during the first half of 2007.

4.1.1. Eligible sectors

These are stipulated in each Royal Decree. Other sectors not expressly included in the Royal Decree are deemed in principle not to be eligible, although in exceptional cases they may receive aid if the Ministry of Economy (following a report from the Governing Council) considers that such sectors can contribute to the objectives established in the Royal Decree for the eligible area.

The main eligible sectors, notwithstanding what is established by each Royal Decree, were:

- Extractive and processing industries, particularly those which apply advanced technology or use renewable energies.
- Agrofood and aquaculture industries, and the processing and preservation of fish products.
- Industrial support services and those which significantly enhance trade networks.
- Specific tourist facilities with an impact on development in the area.

4.1.2. Eligible investments

In each project, the subsidies had to be used to defray some of the following expenses (as defined in each Royal Decree):

- Acquisition of the land necessary to implement the project.
- Utility (gas, electricity, etc.) extension and connection.
- Development and outside work adapted to the needs of the project.
- Civil engineering work for offices, laboratories, warehouses, etc.
- Capital equipment and other fixed assets.
- Planning work, project engineering, and technical management of work.
- Other investments in tangible fixed assets.

4.1.3. Eligible projects

- Definition
  - Creation of new establishments that generate new jobs.
  - Expansion of existing activities or start-up of new activities in the same establishment.
  - Modernization of the business.

- Requirements
  - The project had to relate to an eligible sector and activity and be located in one of the designated areas.
  - It had to be technically, economically, and financially viable.
  - Generally, at least 30% of the investment had to be equity-financed. However, depending on the features of the project, a higher rate might be required.
  - The project was not to be started before submission of the application.
  - Investments in fixed assets had to be made in new fixed assets.
  - Start-up projects had to lead to job creation and the investment had to be at least €600,000 (since it is considered that large projects contribute more to regional development).
  - Expansion projects (of former or new activities) had to create new jobs and significantly increase production capacity. The investment had to be significant with...
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respect to the company’s net fixed assets and in all cases had to exceed €600,000.

- Modernization projects had to meet the following requirements:
  - Productivity had to be notably improved and the employment level at least maintained.
  - The investment project (which in any event must have a cost of at least €601,012 million) had to entail the acquisition of technologically advanced machinery.

4.1.4. Types of incentive

These so-called “regional incentives” consisted of nonrefundable subsidies. The regulations implementing the law governing these incentives provide other types of aid, such as subsidies for the interest on loans obtained by applicants from finance entities, relief of up to 50% from employer social security contributions for common contingencies, or any combination thereof. However, the regulations governing each eligible area did not envisage these other types of incentive, but only provided for incentives consisting of nonrefundable subsidies.

4.1.5. Project assessment

The project had to be evaluated using the methods established by each Royal Decree, which will thus determine the percentage of subsidy to be granted for each project. The main parameters to be considered were as follows:

- Total amount of the eligible investment.
- Number of jobs created.
- Contribution to the area’s economic development and the use of its factors of production.
- Value added of the project (if a start-up) or increase in productivity in other cases.
- Use of advanced technology.
- Location.

4.1.6. Compatibility of different incentives

No other public financial aid could be received if the limits established by each Royal Decree for each type of area were exceeded.

The subsidy received was compatible with other aid, provided that the sum of all the aid obtained did not exceed the limit established by the relevant Royal Decree and EU rules did not preclude it (incompatibilities between Structural Funds).

4.1.7. Applications

- Documentation
  - Standardized application form.
  - Documentary evidence of the applicant’s personal information or, in the case of an incorporated company, its registration data. If the company is in the process of being incorporated, the draft bylaws and information about the promoter.
  - Investment project memorandum.
  - Evidence, as of the date in question, of formal compliance by the company with its tax and social security obligations.
  - Formal declaration of other public aid applied for or obtained by the applicant.

- Where to submit

The competent body of the Autonomous Community was the project is intended to be carried out.

- Granting agency

The General Subdirectorate of Regional Incentives or the Government Delegate Committee for Economic Affairs if the projected investment exceeded €6,010,121.

- Time period for decision

The granting agency had to issue its decision on the application within eight months from the date of filing (although this period can be extended).

Acceptance of the aid had to be expressly notified by the applicant to the granting agency within fifteen business days from receipt of the notification.

If no notice was made by the end of such period, the grant of aid would be rendered null and void.

4.1.8. Project implementation and subsequent modifications

The investment could be started before the subsidy was granted, but not before submitting the application for it.
In addition, the General Subdirectorate of Regional Incentives could require, in the related notification, that parts of the investment were executed in accordance with a schedule.

Subsequent changes in the projects which did not affect relevant aspects of the project had to be submitted to the General Subdirectorate of Regional Incentives, which would decide on them.

However, justified modifications of the initial project that give rise to a variation in the incentives; the amount of the approved investment or the jobs created were subject to the formal procedures established for the assessment of a new project.

4.1.9. Payment procedure

Successful applicants had to request payment of the subsidy at the competent body of the relevant Autonomous Community.

4.1.10. Methods of payment

Payment of the subsidy could be made in any of the following ways:

- In installments, as the investments are progressively completed. In this case, guarantees had to be provided to the General Subdirectorate of Regional Incentives, under the conditions established by this agency.
- In a lump sum, if the total investment has been made and all of the conditions have been met (at this time any guarantees provided are released).

4.2. Aid granted by Autonomous Community and Municipal governments and Local Councils

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

Additionally, some Autonomous Community governments grant investment incentives in areas not covered by state legislation but which are included in EU regional aid maps.

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

In view of the impossibility of including here a detailed description of the aid available in each Autonomous Community, we summarize below their main features (which are generally very similar to those of the regional State incentives), notwithstanding the necessary adaptation to the new framework created following the approval of the “Regional Aid Map for Spain (2007-2013)”.

4.2.1. Types of project

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

4.2.2. Main sectors

Agriculture and forestry, craftwork, fishing, industrial support services, processing industries, tourism, culture, industrial design, electronics and computing, renewable and environmental energies.

4.2.3. Project requirements

Mainly the same as those which apply at the State level.

4.2.4. Types of incentive

The main incentives are:

- Nonrefundable subsidies.
- Special loan and credit terms and conditions.
- Technical counseling and training courses.
- Tax incentives.
- Guarantees.
- Social security deductions.

4.2.5. Expenses and eligible investments

The main expenses and eligible investments are:

- R&D+i and training expenses, promotion of apprenticeship and trainee contracts
- Capital equipment and other fixed assets.
- Planning, modernization, management enhancement, and design projects.
- Instrumentation, material, installations and equipment expenses.
- Advice and similar services.
• Acquisition of the real estate necessary to implement the projects.

4.2.6. Procedure

The documentation required is very similar to that described for regional State incentives and normally has to be filed with the competent body of the Departments of the Autonomous Communities. Most of the Autonomous Communities have agencies that provide information and advice on requesting aid. Many of them also provide access to websites with updated databases of the subsidies available.

4.2.7. Cooperation agreements with the Spanish Central Government

In addition to the aid offered by each Autonomous Community Government, in recent years there has been an increase in cooperation agreements between the Autonomous Community Government and the Central Government. The main objective of these programs is the joint implementation of projects in the following areas:

• Technological modernization and the promotion of innovation.
• Aid for independent trade and development of business cooperation.
• Development of SMEs in general.
• Singular actions: agreements with local councils.

4.3. Special reference to investments in the Canary Islands

The Canary Islands Autonomous Community has traditionally enjoyed a regime of commercial freedom involving less indirect tax pressure and exclusion from the sphere of certain State monopolies.

These conditions have given rise to an economic and tax system which is different from that which exists in the rest of Spain. An attempt has been made to reconcile as far as possible these special circumstances with the requirements of Spanish membership of the European Union.

In this regard, the Central Government has been very flexible in its application of the regulations in granting regional incentives and locating investments in the Canary Islands, and imposes only those limitations stipulated in EU legislation. Investments in the peripheral islands are given preferential treatment by means of requiring a minimum level of investment lower than that established for the rest of Spain.

These efforts have led to the creation of the Canary Islands Special Zone (“Zona Especial Canaria” or “ZEC”) which is aimed at attracting international capital and companies to the Canary Islands, thereby contributing to economic and social progress in the Islands (see also Chapter 3).

Lastly, incentives aimed at upgrading and modernizing the banana and tomato growing and fishing-related industries are also available. Furthermore, under an EU initiative it is planned to make subsidies available to facilitate the restructuring of the fishing industry.

5. SME INCENTIVES

5.1. InnoEmpresa Plan to Support Innovation at Small- and Medium-sized Enterprises (2007-2013)

In recent years the Spanish Government and the Autonomous Community Governments have shown special interest in promoting and developing SMEs, in view of their proven ability to create jobs.

In this connection, the Directorate-General for SME Policy of the Office of the Secretary General of the Ministry for Industry, Tourism and Trade, promotes the granting of certain incentives and aid schemes designed especially for SMEs, which are grouped together under the “Plan for the Consolidation and Competitiveness of the Small and Medium-Sized Enterprise” for 2000-2006.

The Plan was recently replaced by “InnoEmpresa”, a support program for small- and medium-sized enterprise for the period 2007-2012, which continues in the same vein. This Program ensures compliance with the commitment assumed under the Business Promotion Plan approved by the Spanish Government on January 27, 2006.

The InnoEmpresa Program aims to incorporate significant improvements, the most noteworthy of which include the prioritization of aid lines directly related to improving the innovative capacity of businesses (in a broad sense, not purely technological innovation), the opening of all envisaged aid lines at the direct request of the SMEs, an increase in the maximum aid for investment in tangible or intangible assets, and a specific focus on projects to be implemented by different companies and agencies under a collaboration or consortium arrangement.
5. SME Incentives

With a budget of €500 million for the 2007-2013 period, the InnoEmpresa Program will also receive co-funding from the ERDF of an estimated €95 million, and further financing from the Autonomous Community Governments that so desire, within the framework of the SME Sectoral Conference.

The aid lines envisaged in the InnoEmpresa Program are classed in three groups:

- Organizational Innovation and Advanced Management.
- Technology and Quality Innovation
- Innovation projects under collaboration or consortium arrangements.

Potential beneficiaries include:

- Small- and medium-sized enterprises that have one or more employees, with special emphasis on entities with growth potential and the capacity to create innovation.
- Intermediary bodies (public and private not-for-profit organizations which habitually provide services to support innovation at SMEs and which have sufficient human and material resources).

With respect to the management system, Autonomous Community Governments, closely in conjunction with Central Government, will manage regional projects, while supraregional projects will be managed directly by the Directorate-General for SME Policy of the Ministry for Industry, Tourism, and Trade.

The call for aid applications from the various Autonomous Communities and from the Ministry for Industry, Tourism, and Trade are expected to be published during the first quarter of 2007.

5.2. SME incentives granted by Autonomous Community Governments

It is the responsibility of the Autonomous Community Governments to establish the rules governing these subsidies and to open the period for accepting applications in the first quarter of each year.

They are also responsible for controlling and monitoring the projects approved, without prejudice to the control to be exercised by the European Union and the relevant bodies of the Central Government with respect to the projects financed with EU funds.

5.3. ICO’S “Línea PYME”

In addition to the program outlined above, SMEs have access to another series of aid instruments sponsored by the public sector. Noteworthy in this connection are the “Línea PYME” offered by ICO (Instituto de Crédito Oficial) (www.ico.es) and the “FONPYME” (Fund for SME foreign investment operations) (www.fonpyme.es) offered by COFIDES (Compañía Española de Financiación del Desarrollo), the official Spanish agency for development finance, which is explained in detail in section VI, “Internationalization incentives.”

“Línea PYME” provides preferential access to the official credit which has financed a large number of investments since its creation in 1993.

In order to facilitate financing for SMEs, since 2000 ICO has been developing a specific line of financing with preferential terms to promote the investment projects of SMEs in Spain.

The ICO Línea PYME, with funds in 2006, of €7 billion, was created to enable SMEs to finance up to 70% of their net investment projects, and up to 80% for microcompanies, subject to a ceiling of €1.5 million per beneficiary and year, regardless of the number of transactions, and repayable over a period of 3, 5, 7 or 10 years, with or without a grace period.

If the investment includes real estate, it cannot exceed 80% of the amount of the total investment to be financed. If the project includes investment in “technological” intangible assets for the modernization of the SME, it will not be subject to any limits.

The entrepreneur may opt for a fixed interest rate referenced to ICO + 0.50 percentage points or a variable interest rate referenced to 6M EURIBOR + 0.50 percentage points.

Although this line expired in 2006, it is expected to be renewed in 2007.

6. 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 connection, it should be noted that the official financial instruments approved by the Spanish government to support the internationalization of business are:

- PROINVEX (major foreign investment program).
• FIEX (foreign investment fund, managed by COFIDES).
• FONPYME (SME foreign operations fund, managed by COFIDES).
• Agreements for the conversion of debt into investment.
• The Internationalization Line of the ICO and of the Ministry of Economy and Finance.

The most noteworthy for these purposes are FIEX and FONPYME.

The purpose of FIEX is to foster the internationalization and foreign business activities of Spanish companies through short-term, minority interests in the equity of companies located outside Spain. The Fund’s purpose is to complement the investments made by the corresponding Spanish company.

COFIDES, as the Fund manager, may not take part in the operational management of the investee company.

Only in exceptional circumstances may the Ministry resolve to acquire a majority holding or authorize the Fund manager to take over the operational management of the foreign company.

The initial fund provision, established in Law 66/1997, was €60 million. This provision has been subsequently increased on various occasions. A €30 million increase is envisaged for 2007, taking the total fund provision to €600 million.

The Foreign Investment Fund Executive Committee may approve transactions amounting to a total of €180 million in 2007.

FONPYME is intended to foster, through short-term minority interests in the capital of companies located abroad or through other investment vehicles, the internationalization and foreign investments of Spanish SMEs. The Fund therefore makes the investment in the foreign company on a joint basis with the SME concerned.

COFIDES cannot, except in exceptional cases, take part in the operational management of the foreign company in which the Fund has an ownership interest, or acquire a majority holding in it.

The initial fund provision was €3 million. This provision has been subsequently increased and currently stands at €45 million.

In 2007, the Executive Committee of the SME Foreign Operations Fund may approve transactions amounting to a total of €15 million.

7. EU AID AND INCENTIVES

EU aid focuses on depressed regions, normally in underdeveloped rural areas with low levels of income and high unemployment rates, and on regions with industries in crisis (steel, shipbuilding, etc.).

Most of the EU incentives (specifically loans and subsidies) supplement development plans financed by the Spanish Government. Such aid is routed through Spanish official institutions and finance entities, which act as intermediaries. Accordingly, the related applications for subsidies must be addressed to such entities.

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

7.1. European Investment Bank (EIB)

Projects eligible for EIB support are basically those which promote the development of less favored regions and those of common interest to several Member States or benefiting the EU as a whole, such as environmental protection, improved use of energy resources, improved industrial competitiveness in the EU, the development of SMEs and improved European transport and telecommunications infrastructure. Additionally, projects aiming at extending and modernizing infrastructure in the health and education sectors may also qualify for EIB support.

At the Lisbon European Council in March 2000, the European Union established the strategic objective of creating, prior to 2010, a competitive economy based on knowledge, capable of sustained economic growth with more and better jobs and greater social cohesion.

With this aim, the EU program “Innovation 2010 Initiative” was created, under which the governing bodies of the EIB have approved a number of measures to facilitate the financing of projects in the following four strategic areas:

• Research, development and innovation.
• Human capital training.
• Dissemination of technologies and development of information and communication technology.
• Fostering of the business spirit.

The EIB offers two types of loans:
7. EU aid and incentives

7.1. Global loans

Global loans are similar to credit lines granted to financial institutions, which lend the proceeds for small or medium-scale investment projects meeting the EIB’s criteria. This is the main type of support offered to SMEs by the EIB. It is provided by granting loans to intermediary banks, which in turn, provide funding for small and medium-scale business initiatives.

The loans are granted by the EIB to banks 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 Instituto de Crédito Oficial (ICO), Banco Bilbao-Vizcaya Argentaria (BBVA), Banco Español de Crédito, Santander Central Hispano (SCH) and Banco Popular. There are many different types of loans and credits, with varying maturities, amounts and interest rates, but their general terms can be summarized as follows:

• Coverage of up to 50% of the overall investment costs.
• Grace period: up to three years.
• Repayment period: to be determined by the financial institution acting as intermediary and the EIB, although it tends to fluctuate between 4 and 12 years.
• Beneficiaries: local authorities or SMEs (for these purposes, SMEs are deemed to be companies that have less than 250 workers, annual revenues of under €50 million, and an annual total balance sheet of less than €43 million).
• The amount awarded under a global loan may not exceed €12.5 million.
• Free of fees and other charges, except for minor administrative expenses.

They must be applied for through an intermediary financial institution.

7.1.2. Individual loans

The European Investment Bank grants individual loans directly to investors or through financial intermediaries for projects of over €25 million.

The main characteristics of these loans are as follows:

• Coverage of up to 50% of the total investment costs.
• Public or private-sector projects carried out mainly in infrastructure and the industrial sector for a minimum amount of €25 million.
• Long-term loans, with repayment periods of between 5 and 12 years for industrial projects, and between 15 and 20 years for infrastructure projects, although the repayment period may be extended in special cases.
• Grace period: depends on the nature of the project, usually up to five years.
• In granting these loans, the EIB requires first-class security.

Applications must be filed directly with the EIB.

Once finance has been provided for the project, its progress is monitored regularly in order to ensure compliance with the aims of the EIB’s financing decision.

The EIB does not directly grant interest relief, although this may be financed by third-party institutions.

EIB loans are compatible with aid from other EU agencies, up to a limit of 90% of the investment.

7.2. European Investment Fund (EIF)

The EIF is an EU body which specializes in providing guarantee and venture capital instruments to SMEs. It ensures the continuity required in the management of EU programs and has accumulated extensive experience in this area.

The EIF was created for the dual purpose of fostering the development of trans-European networks in the transport, telecommunications and energy industries and of promoting the development of SMEs.

The Fund operates by providing guarantees for loans of all kinds, and by temporarily acquiring and managing minority holdings in companies involved in deploying Trans-European networks.

The EIF finances, among others, the following mechanisms:

• The SME Guarantee Mechanism, aiming at creating jobs through the granting of loans and financial support to innovative SMEs.
• The European Technology Mechanism aiming at fostering employment for the establishment and growth of innovative SMEs through short-term investments in venture capital funds operating in the EU.

Program for business initiative and innovation.
This program which, in turn, is a subprogram forming part of the Competitiveness and Innovation Framework Programme (2007-2013) groups together activities that were formerly included in the Multiannual programme for enterprises and entrepreneurship, which expired on December 31, 2006.

Its main priority is to support innovative companies by facilitating access to financing using a series of EU financial instruments, managed by the EIF, aimed at sharing the risks and benefits with private investors, and to provide counter or co-guarantees for national guarantee regimes.

### 7.3. Structural Funds

Structural Funds constitute the principal instrument of EU economic and social cohesion policy and are used to finance initiatives (either public or private) to achieve structural improvements in the Member States and thus narrow the gap between the most prosperous and the poorest regions in the current EU.

The expansion of the EU to twenty-five Member States represents an unprecedented challenge to its competitiveness and cohesion, since the proportion of the population with a GDP lower than 75% of the EU average has increased from 19% (in the EU-15) to 27% (EU-25).

The European Commission therefore proposes to reinforce EU economic, social and territorial cohesion policy for the new 2007-2013 programming period.

In this connection, and with the entry into force of the new Multiannual Financial Framework (approved at the meeting of the Council of the European Union held in Brussels on December 15 and 16, 2005), the regulation and scope of the Structural Funds underwent a thorough transformation and, as from January 1, 2007, only two Funds are deemed to be Structural Funds: the European Regional Development Fund and the European Social Fund, which are governed by new Regulations approved in July 2006.

The Structural Funds for this new period will continue to support programs in the Member States of the enlarged EU but most of the programs will focus on the regions which need the most aid.

In order to increase the economic and social cohesion of the EU, the European Council has established three new priority objectives for the structural funds, which are expected to be funded by the ERDF, the ESF, the Cohesion Fund, the European Investment Bank, and other existing EU financial instruments (as appropriate in each case):

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7. EU aid and incentives

- The Convergence Objective (similar to the old Objective 1) covers the regions and Member States whose development is lagging behind and aims to accelerate convergence of these regions and Member States in order to improve growth and employment. This new objective is considered essential, particularly in new Member States which face development disparities on a scale that is unprecedented in the EU. The Objective will be funded by the ERDF, the ESF and the Cohesion Fund.

The Spanish regions included under the Convergence Objective are: Galicia, Castilla-La Mancha, Extremadura and Andalucía, given that their degree of development is lower than 75% of that of the EU-25. Murcia, Asturias, Ceuta and Melilla (“phasing-out” regions) may also receive funding from the Structural Funds, albeit on a temporary and specific basis. Such regions are expected to be removed from the Convergence Objective in the near future, although the possibility of receiving funding under the Objective will be phased out gradually.

- The Regional Competitiveness and Employment Objective (similar to the old Objective 2) aims to boost the competitiveness, employment and attraction of regions other than the less-favored regions. Its purpose is to prevent new imbalances from arising to the detriment of regions which would otherwise suffer the repercussions of adverse socio-economic factors without the sufficient public aid.

The European Commission intends to finance this objective through the ERDF and the ESF.

All regions not included in the Convergence Objective can benefit from funding under the Competitiveness Objective. Additionally, those regions included in the old Objective 1, which are no longer eligible as from 2007, will receive specific and temporary aid under the Competitiveness Objective in order to consolidate their recovery (phasing-in), and such aid will be progressively reduced until 2013.

In this respect, the Spanish regions that can receive financing under this Objective are: Castilla y León, Valencia and the Canary Islands (phasing-in regions), as well as the Basque Country, Navarra, Cataluña, Madrid, Aragón, the Balearic Islands, Cantabria and La Rioja.

- The European Territorial Cooperation Objective (which is not comparable to the old Objective 3) aims to strengthen territorial cooperation at three levels: (a) cross-border cooperation through joint initiatives; (b) transnational cooperation; and (c) networks for exchanging experiences within the EU. This Objective will be funded by the ERDF.

In terms of cross-border cooperation, the following Spanish regions and areas can receive ERDF funding under the European Territorial Cooperation Objective: Ourense, Pontevedra, Guipúzcoa, Navarra, Huesca, Salamanca, Zamora, Badajoz, Cáceres, Girona, Lleida, Cádiz, Huelva and Ceuta. With respect to transnational cooperation, the Spanish regions and areas that can receive ERDF funding are: Galicia, Asturias, Cantabria, Basque Country, Navarra, La Rioja, Aragón, Madrid, Castilla y León, Castilla-La Mancha, Extremadura, Cataluña, Valencia, the Balearic Islands, Andalucía, Murcia, Ceuta and Melilla.

€308,041,000 million will be allocated to the Funds for the period 2007-2013, the breakdown by objective being as follows:

- Convergence Objective: 81.54% (€251,163,134.221)
- Regional Competitiveness and Employment Objective: 15.95% (€49,127,784.318)
- European Territorial Cooperation Objective: 2.52% (€7,750,081.461)

Funds cannot be transferred from one objective to another in the 2007-2013 period.

- The Community initiatives selected for promotion during the period 2000-2006 (EQUAL, URBAN, LEADER+, etc.) have been eliminated in the 2007-2013 period and have been integrated horizontally into the corresponding Operational Programmes.
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**COHESION POLICY 2007-2013: BREAKDOWN BY OBJECTIVES (BILLION EUR)**

- Cross-border cooperation: 4.7
- External borders: 1.6
- Transnational cooperation: 6.3
- Networks: 0.6
- Cohesion Fund: 62.99
- Regions below 75% of average GDP: 177.8
- Regions outside convergence: 48.31
- Special programme for outermost regions: 1.1
- Phasing-in for regions that were Objective 1 between 2000 and 2006: 9.58
- Regions subject to statistical effect: 22.14
- Cohesion Fund:
  - 2007-10: 40
  - 2011-13: 40
- External borders for regions that were Objective 1 between 2000 and 2006:
  - 2007-10: 25
  - 2011-13: 15
- External borders (2007-2008):
  - 2007-10: 15
  - 2011-13: 20
- Cohesion Fund:
  - 2007-10: 25
  - 2011-13: 15

**Map 2**

**MAXIMUM REGIONAL INCENTIVES, 2007-2013 (%)**

- Convergence
- Regional competitiveness and employment
- European territorial cooperation

**Source:** European Commission
7. EU aid and incentives

The contribution of the European Funds to projects performed in Spain will be subject to the following limits:

- **Convergence Objective**
  - Up to 75% of the public expenses co-financed by the ERDF or the ESF. This limit may be increased to 80% for regions located in a Member State covered by the Cohesion Fund, and to 85% for the outermost regions.
  - Up to 85% of the public expenses co-financed by the Cohesion Fund.
  - Up to 50% of the public expenses co-financed in the outermost regions (new extra ERDF allocation to offset the additional cost).

- **Regional Competitiveness and Employment Objective**:
  - Up to 50% of the public expenses, and may be increased up to 85% for the outermost regions.

- **European Territorial Cooperation Objective**:
  - Up to 75% of the public expenses.

In the 2007-2013 period, detailed management of programs co-financed by the Structural Funds remains the responsibility of each Member State. Member States designate a “management authority” for each program (at national, regional or other level) to inform possible beneficiaries, select projects, and monitor execution of the projects.

The EU Structural Funds for the 2007-2013 period, for which practically all of Spain qualifies, are the following:

### 7.3.1. European Social Fund (ESF)

In this new period, the ESF aims to strengthen social and economic cohesion by supporting national policies geared towards achieving full employment, improving quality and productivity at work, promoting social inclusion and reducing regional disparities with respect to employment.

The European Commission expects the ESF to focus on three main areas: (i) to foster the ability in enterprises and amongst workers to adapt; (ii) to facilitate the obtaining of employment and participation in the job market, as well as favor social inclusion; and (iii) encourage the creation of associations for employment reform. Such actions fall within the framework of the new objectives of Convergence and Regional Competitiveness and Employment.

In general, ESF funding will concentrate on: (i) innovation; (ii) cooperation between regions and across borders; (iii) equality between men and women; and (iv) consolidation of the social integration and employment of immigrants and minorities.

Although decisions regarding eligibility must be adopted at national level, in the 2007-2013 period, the following expenditure will not qualify for ESF funding:

- Recoverable VAT.
- Interest owed.
- Purchases of equipment, depreciable movable property, real estate or land.

Notwithstanding national legislation, the following expenditure is eligible:

- Allowances or salaries paid by a third party whenever these constitute national public matching funds.
- Indirect costs incurred by an activity, at a fixed maximum rate of 20% of the declared direct costs.

The ESF will help to defray eligible expenses, whether in the form of individual or block grants, loans, interest rate subsidies, micro loans, guarantee funds or the purchase of goods and services.

The ESF will finance up to 75% of public spending in areas covered by the “Convergence” objective and 50% in those covered by “Regional competitiveness and employment”. Notwithstanding, aid granted by the ESF cannot exceed the financial aid granted to the same project by the public authorities of the Member State, whether at State, regional or local level.

The proposed strategies supported by the fund are in line with the European Strategy Programme for Employment and with the National Employment Action Plan.

The ESF does not provide credit directly to companies, but rather funds official agencies and not for profit entities that draw up plans in accordance with their objectives.

The application must be made to the relevant agencies of the Autonomous Communities or to the Ministry of Labor and Social Affairs (specifically to the European Social Fund Administrative Unit).

### 7.3.2. European Regional Development Fund (ERDF)

In the 2007-2013 period, the ERDF aims to fund aid geared towards strengthening economic and social cohesion through the correction of the principal regional imbalances by supporting the development and structural adjustment of regional economies, and towards regenerating industrial regions in decline and
regions lagging behind, as well as cross-border, transnational and interregional cooperation.

The measures co-financed by the ERDF must fall within the three new EU regional policy objectives, namely, Convergence, Regional Competitiveness and Employment and European Territorial Cooperation.

Specifically, the ERDF will fund:

- Productive investment to create and safeguard sustainable jobs, mainly through direct investment aid, particularly at small-and medium-sized enterprises (SMEs).
- Investment in infrastructure.
- Development of the endogenous potential by measures which support local and regional development. Such measures include aid to enterprises, especially SMEs, and provision of services to them, the creation and development of financing instruments, such as venture capital, loan and guarantee funds, local development funds, interest rate subsidies, networking, cooperation and exchange of experience between regions, cities and the pertinent social, economic and environmental players.
- Technical assistance, namely, the preparation, monitoring, administrative assistance, management, follow-up, assessment, audit and inspection measures necessary to apply and use the Funds through the corresponding instruments and programs.

Notwithstanding the provisions of national legislation, the following expenditure does not qualify for ERDF funding:

- Interest owed.
- Land purchases accounting for more than 10% of total eligible expenditure of the transaction in question. In exceptional cases, a higher percentage may be permitted for transactions related to environmental protection.
- Decommissioning of nuclear power stations
- Recoverable VAT.

As regards rural areas and areas dependent on the fishing industry, the ERDF aims to ensure projects complement and are consistent with the work of the two new Funds, European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF)

For geographically disadvantaged areas, the ERDF helps finance investment promoting accessibility, economic activities linked to local culture, the sustainable use of resources and the tourism sector.

Lastly, the ERDF also helps finance the extra costs of the outermost regions, subsidizing the transport of goods and start-up assistance for transport services and providing financial support to offset the additional costs generated by storage constraints, the maintenance of production tools and the lack of human capital on the local labor market.

7.4. Cohesion Fund

The Cohesion Fund, created to help boost social and economic cohesion in the EU with a view to encouraging sustainable development, finances projects relating to the environment and Trans-European transport networks in Member States whose per capita Gross National Income (GNI) is below 90% of the EU average, namely the new Member States (the Czech Republic, Estonia, Slovakia, Slovenia, Cyprus, Latvia, Lithuania, Hungary, Malta and Poland), plus Greece, Portugal and Spain (on a temporary basis under the Convergence objective).

Spain can continue to receive temporary and specific funding from the Cohesion Fund since it is one of the Member States that would have been able to continue receiving Cohesion Fund aid if the threshold had remained at 90% of the average GNI of the EU-15, but are now no longer eligible as their nominal per capita GNI exceeds 90% of the average GNI of the EU-25.

Some of the essential characteristics of the previous Cohesion Fund regulations are maintained in the new 2007-2013 programming period (such as Member State beneficiary requirements, 85% limit on aid, etc.), although its management has been modified by integrating its work into operational programmes. Furthermore, in the new period, the funding will not only cover major transport and environmental protection infrastructures, but also projects in the fields of energy efficiency, renewable energy and intermodal, urban or collective transport.

In the new period, the Fund will contribute alongside the ERDF to multi-annual investment programs managed in a decentralized way, rather than being subject to individual project approval by the Commission.

For the 2007-2013 period, the total funding assigned to the Cohesion Fund is €63 billion, of which Spain would receive €3.25 billion, on the terms set forth above.

In any event, the grant of the amounts allocated to each eligible Member State, and the financing of new projects with such amounts, are subject to the fulfillment by said Member State of certain requisites regarding the containment of public spending.

The new EU Regulation governing the Cohesion Fund for the period 2007-2013 provides for a new mechanism which enables
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the Commission to inform the Council if a Member State does not meet the obligations relating to budget deficit arising from the program for stability and convergence.

7.5. Financing of the Common Agricultural Policy

The financing of the Common Agricultural Policy has recently been modified with the introduction of a single legal framework that entered into force on January 1, 2007.

In order to structure the new financing regime, two new Funds have been created under the general EU budget: the Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

The EAGF and the EAFRD replace the Guidance and Guarantee sections, respectively, of the EAGGF, in force in the 2000-2006 programming period.

Both Funds have a similar operating system but specific individual characteristics.

7.5.1. Agricultural Guarantee Fund (EAGF)

As regards expenditure managed jointly by the Member States and the Commission, the EAGF will finance the following:

- Refunds for exporting farm produce to non-EU countries.
- Intervention measures to regulate agricultural markets.
- Direct payments to farmers under the CAP.
- Certain informational and promotional measures for farm produce implemented by Member States both on the internal EU market and outside.

As regards expenditure managed centrally by the Commission, EAGF financing will cover the following:

- The EU’s financial contribution for specific veterinary measures, veterinary inspections and inspections of foodstuffs and animal feed.
- Animal disease eradication and control programs and plant health measures.
- Promotion of farm produce, either directly by the Commission or via international organizations.
- Measures required by Community legislation to conserve, characterize, collect and use genetic resources in farming.
- Setting up and running farm accounting information systems and farm survey systems.

The monies to cover expenditure financed by the EAGF are paid by the Commission to the Member States in the form of monthly reimbursements.

7.5.2. European Agricultural Fund for Rural Development (EAFRD)

The EAFRD constitutes a single instrument for the financing European rural development policy.

The Fund will contribute to the four priority headings aimed at encouraging rural development:

- Improving the competitiveness of agriculture and forestry by means of support for restructuring.

  In this area, the EAFRD will grant aid for measures relating to information and vocational training schemes for workers in the agriculture, food and forestry industries, the establishment of young farmers, the modernization of agricultural holdings, the increased added value of agricultural and forestry products, support for farmers participating in food quality programs, etc.

- Improving the environment and the countryside by means of support for land management.

  In this area, support may also be given to mountain regions with natural handicaps and other disadvantaged areas (defined by the Member States on the basis of common objective criteria) and for agri-environmental payments, which should however only cover commitments that go beyond the corresponding obligatory standards. Assistance also covers support for investments without commercial return needed to comply with environmental commitments.

- Improving the quality of life in rural areas and encouraging diversification of economic activity.

  This area includes aid for vocational training of economic operators, the renovation and development of villages, the preservation and optimization of rural heritage, support for the establishment and development of micro-businesses and the diversification into non-agricultural activities.

- The Leader approach.

  The Leader approach consists, in general, of the implementation of cooperation projects between regions and networking by local partnerships.

Taking into account the political priorities set at EU level, the Council establishes strategic guidelines for rural development to implement the above-mentioned priority headings. Each Member State then produces a national strategic plan that includes,
among other items, its own priorities for action and those of the Fund, and sets out the specific objectives and the corresponding level of support from the Fund and, where applicable, other financial resources.

The implementation of the national strategic plans is carried out through rural development programs containing a package of measures grouped according to the above headings.

EAFRD funding of rural development expenditure is specifically determined for each project.

It should also be noted that projects financed under a rural development program cannot receive any other funding under the EU budget.

There is a limit on the total aid granted by the EAFRD. In this way, a maximum eligible amount is set for each type of aid.

7.6. New European Fisheries Fund (EFF)

Through the new European Fisheries Fund, which replaces the Financial Instrument for Fisheries Guidance (FIFG), in the 2007-2013 period the European Commission plans to co-finance support measures aimed, among other objectives, at: (1) ensuring the long-term future of fishing activities and the sustainable exploitation of fishery resources; (2) reducing pressure on stocks by matching Community fleet capacity to available fishery resources; (3) fostering the protection of the environment and fishery resources; (4) strengthening the development of economically viable enterprises in the fisheries sector; and (5) making operating structures more competitive.

The new Fund will have a fund provision of €3.849 billion, of which Spain will receive €1.013 billion, 27% of the total provision. In general terms, of the €3.849 billion, around €2.9 billion will be allocated to regions included under the Convergence objective, that is, regions whose income falls below 75% of EU GDP, while €941 million will be allocated to regions whose income exceeds such threshold.

As with the EAFRD, the grant of the aid provided for under the EFF requires each Member State to produce a National Strategic Plan, establishing its priorities, objectives, the necessary public funding, and the expected schedule for application of the Plan.

Eligible investments are grouped into the following five priority headings, according to the objective pursued:

- Measures to adjust the Community’s fishing fleet
  Under this heading, the EFF can provide assistance to fishermen or organizations affected by measures adopted to combat overfishing, aid for the temporary laying up of fishing vessels, etc.

- Aquaculture, inland fishing, processing and marketing of fisheries and aquaculture products
  Projects eligible under this heading include, among others, those aimed at improving aquaculture production, encouraging aquaculture production methods which help protect and improve the environment and preserve nature, the eradication of aquaculture disease, etc.

- Common interest
  Investments qualifying for EFF funding under this heading are, among others, those relating to collective actions, projects aimed at protecting and developing aquatic fauna and flora, and the conservation and modernization of fishing ports, landing sites and shelters, etc.

- Sustainable development of fishing areas
  This heading includes the funding of measures aimed at strengthening the competitiveness of fisheries areas, restructuring and redirecting economic activities, particularly by promoting eco-tourism, diversifying activities through the promotion of multiple employment, etc.

- Technical assistance
  Lastly, subject to a ceiling of 0.8% of its annual allocation, the EFF may finance the preparatory, monitoring, administrative and technical support, evaluation and audit measures necessary for implementing this Regulation.

The maximum amount of EFF aid that can be granted is limited according to the type of initiative under which it is used, as well as the European region in which the eligible project is to be developed. The maximum aid ceilings are granted to regions included under the Convergence Objective and the outermost regions (Guadalupa, Guiana, Martinique, Reunión, as well as the Azores, Madeira and the Canary Islands).

7.7. Research and Development Programs

The EU has established multi-year programs defining the lines of action and research, and has assigned resources for executing these programs. The program in force and operating since January 1, 2007, is the Seventh Framework Programme for Research and Technological Development (FP7). The purpose of the Seventh Framework Programme is to encourage all research activities it deems necessary, with particular emphasis on enterprise, including SMEs, research centers and universities in their technological development and research activities, and it
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constitutes the European Union’s chief instrument for funding research in Europe over the 2007-2013 period.

FP7 is made up of 4 main blocks of activities forming 4 specific programmes plus a fifth specific programme on nuclear research:

- **Cooperation Program** (budget: €32 billion). This program supports all types of research activities carried out by different research bodies in transnational cooperation projects which help to gain or consolidate knowledge and technological advances in ten thematic areas corresponding to ten scientific and research fields. The different areas are as follows:

<table>
<thead>
<tr>
<th>THEMES COOPERATION</th>
<th>BUDGET (€ BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>6</td>
</tr>
<tr>
<td>Food, Agriculture and Fisheries, Biotechnology</td>
<td>1.9</td>
</tr>
<tr>
<td>Information and Communication Technologies</td>
<td>9.1</td>
</tr>
<tr>
<td>Nanosciences, nanotechnologies, materials &amp; new production technologies</td>
<td>3.5</td>
</tr>
<tr>
<td>Energy</td>
<td>2.3</td>
</tr>
<tr>
<td>Environment (including Climate Change)</td>
<td>1.8</td>
</tr>
<tr>
<td>Transport (including aeronautics)</td>
<td>4.1</td>
</tr>
<tr>
<td>Socio-economic Sciences and the Humanities</td>
<td>0.61</td>
</tr>
<tr>
<td>Space</td>
<td>1.4</td>
</tr>
<tr>
<td>Security</td>
<td>1.3</td>
</tr>
</tbody>
</table>

The objectives of the Cooperation Program in the above ten areas are pursued through collaboration instruments, such as technological platforms, Joint Technology Initiatives and due coordination and cooperation between EU Member State RD&D programs.

- **Ideas Program** (budget: €7.4 billion). This Program covers all activities to be implemented by the European Research Council (ERC), and will boost competitiveness in Europe by attracting and retaining the most talented scientists, supporting risk-taking and ground-breaking research, and promoting world-class scientific research in new and emerging fields.

- **People Program** (budget: €4.7 billion). Building on the positive experiences of the “Marie Curie” Actions, this Program aims to quantitatively and qualitatively boost human potential in research and technology in Europe by (1) encouraging young people to follow a career in research, (2) encouraging European researchers to stay in Europe, and (3) attracting researchers from all over the world to Europe.

- **Capacities Program** (budget: €4.2 billion). This program aims to optimize the use and development of research infrastructure, while enhancing the innovative capacities of SMEs to benefit from research, operating in seven areas:

<table>
<thead>
<tr>
<th>THEMES CAPACITIES</th>
<th>BUDGET (€ BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research for the benefit of SMEs</td>
<td>1.3</td>
</tr>
<tr>
<td>Research infrastructure</td>
<td>1.8</td>
</tr>
<tr>
<td>Research potential of Convergence Regions</td>
<td>0.37</td>
</tr>
<tr>
<td>Regions of knowledge</td>
<td>0.126</td>
</tr>
<tr>
<td>Science in society</td>
<td>0.28</td>
</tr>
<tr>
<td>International co-operation</td>
<td>0.185</td>
</tr>
<tr>
<td>Coherent development of research policies</td>
<td>0.7</td>
</tr>
</tbody>
</table>

- **EURATOM Program** (budget: €2.7 billion). The European Atomic Energy Community (EURATOM) adopts a separate Framework Programme for nuclear research and training activities. Although initially intended to run over a five-year period, it may be extended to seven years.

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The principal research areas are:
- Fusion energy research.
- Nuclear fission and radiation protection.

• Rules for participation

Participation in the Seventh Framework Programme must be through the calls for proposals published by the European Commission, with the following terms:

— General terms:
  - Undertakings, universities, research centers and any other legal entities established in a Member State, associated country or third country can participate.
  - At least three legal entities must take part, each of the three being established in different a Member State or associated country.
  - The three legal entities must be independent.
  - Both legal and natural persons can take part. In the case of natural persons, the habitual place of residence will be taken into account.

— Specific terms:
  - For coordination and support actions, and actions in favor of training and career development of researchers, at least one legal entity must participate.
  - For basic/fundamental research projects, at least one legal entity established in a Member State or associated country must participate.

• Budget

The total budget for the Seventh Framework Programme is over €50.5 billion.

The following maximum limits are established, according to the type of action:

— Technological and research activities: 50% of eligible costs, except for:
  - Public entities: 75%
  - Secondary and higher education establishments: 75%.
  - Non-profit-making research organizations: 75%.
  - SMEs: 75%.
— Demonstration activities: 50% of eligible costs.
— Other activities: 100% of eligible costs.
— Coordination and support actions: 100% of eligible costs.
— Training and career development of researchers: 100% of eligible costs.

• Calls

Some of the calls currently open whose deadline for applications close in the next few months are indicated below (all other calls can be consulted at http://cordis.europa.eu/era/fp7.htm):

— Call: “Health” (€628 million) (Deadline: April 19, 2007).
— Call: “Food, Agriculture and Fisheries, and Biotechnology” (€192.09 million) (Deadline: May 2, 2007).
— Call: “Information and Communication Technologies” (€1.019 billion) (Deadline: May 8, 2007).
— Call: “Environment and Climate Change” (€200 million) (Deadline: May 2, 2007).
— Call: “Support and Coordination Actions in the area of Nanosciences, Nanotechnologies, Materials and new Production Technologies” (Deadline: June 5, 2007).
— Call: “Space” (Deadline: June 19, 2007).
— Call: “Research for the benefit of SMEs” (Deadline: September 4, 2007).
— Call: “Marie Curie European Reintegration Grants” (Deadline: October 17, 2007).
— Call: “Socio-Economic Sciences and the Humanities” (Deadline: November 29, 2007).

7.8. EU initiatives to favor business financing

The European Commission Directorate-General for Enterprise & Industry coordinates the Gate2Growth initiative, a one-stop shop for innovative entrepreneurs seeking financing. It also offers investors, intermediaries and innovation service-providers, a community for sharing knowledge and good practice.

The initiative incorporates 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.
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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, and it offers the following tools and services, among others:

• For innovative entrepreneurs:
  — Business plan preparation tool package.
  — Business plan diagnostic.
  — Discussion forums.
  — News and events.
  — Investor identification and matching tool.
  — Seminars and workshops.
  — Entrepreneur clubs.
  — Access to a network of local intermediaries.

• For innovation professionals and potential investors:
  — Exchange of good practices.
  — Career development opportunities.
  — A library of good practices.
  — Half-yearly workshops on various issues.
  — Professional development through exchange of personnel, access to experts, training days, etc.

Lastly, various exchange and collaboration networks have been created within the framework of the Gate2Growth initiative, aimed at improving compliance with the initiative’s objectives. Some of the most noteworthy networks are: I-TecNet (for venture capital investors), the G2G Incubator Forum (for technological development), the G2G Finance Academia (for academics studying innovation, and entrepreneurship trainers), etc.

8. COMPATIBILITY

As a very general, non-exhaustive guideline, notwithstanding the legislation applicable in each specific case, the general situation in relation to compatibility is as follows:

8.1. General State incentives

8.1.1. Training

In principle, there are no incompatibilities with other types of aid.

8.1.2. Employment

In principle, there are no incompatibilities with other types of aid. However, taken in conjunction with other incentives, they cannot exceed 60% of the social security cost of each contract created under these programs.

8.2. State incentives for specific industries

These incentives are compatible with the other types of aid, but they cannot exceed (in terms of net subsidy) the limits set by the EU for incentives in certain areas.

8.3. Incentives for investments in certain regions

8.3.1. Granted by the State (ZPE-ZED)

In principle, no project will receive additional financial or industry subsidies (of any nature or from any granting agency) if the maximum percentages stated in each Decree are exceeded, since both types of aid are combined with the regional aid when computing the related ceilings. If these internal limits are exceeded under an EU regulation, they must respect the related EU ceilings established thereunder at all times.

8.3.2. Granted by the Autonomous Community and Municipal Governments and Local Councils

The general limit applicable to regional and industry financial aid also covers these incentives.

8.4. EU aid and incentives

These are, in principle, compatible with other types of aid, with the specific limitations described above.

In fact, EU funds habitually finance many of the incentives (industrial and regional) described in previous sections.
<table>
<thead>
<tr>
<th>Level of grant</th>
<th>Where to apply</th>
<th>When to apply</th>
<th>How to apply</th>
<th>On-line information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU</strong></td>
<td>EIB EIB Spanish intermediary entities (banks, etc.).</td>
<td>No specific rules.</td>
<td>Ask intermediaries</td>
<td><a href="http://www.eib.org/">http://www.eib.org/</a></td>
</tr>
<tr>
<td></td>
<td>EAGF and EAFRD (financing the Common Agricultural Policy) Government of the Autonomous Community in which investment will be located.</td>
<td>Depends on each program</td>
<td>See Regulation 1290/2005</td>
<td><a href="http://europa.eu.int/scadplus/leg/es/lvb/60024.htm">http://europa.eu.int/scadplus/leg/es/lvb/60024.htm</a></td>
</tr>
<tr>
<td></td>
<td>R&amp;D+I European Commission General Directorate of Science, Research and Development.</td>
<td>See regulations for each program.</td>
<td>See regulations for each program.</td>
<td><a href="http://europa.eu.int/scadplus/leg/es/lvb/23012.htm">http://europa.eu.int/scadplus/leg/es/lvb/23012.htm</a></td>
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</table>
8. Compatibility

<table>
<thead>
<tr>
<th>Panel Summarizes: AIDs and Incentives to the Investment</th>
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<tbody>
<tr>
<td>Level of Grant</td>
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<tr>
<td><strong>STATE</strong></td>
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<tr>
<td>Main types of aid</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td><strong>REGIONAL, INDUSTRY AND LABOR</strong></td>
</tr>
<tr>
<td>Loans with low interest and long maturities and grace periods.</td>
</tr>
<tr>
<td>Guarantees, venture capital.</td>
</tr>
<tr>
<td>Subsidies, preferential access to official credit, tax benefits.</td>
</tr>
<tr>
<td>Subsidies</td>
</tr>
</tbody>
</table>
### Table 8

**PANEL SUMMARIZES: AIDS AND INCENTIVES TO THE INVESTMENT**

<table>
<thead>
<tr>
<th>Main types of aid</th>
<th>Maximum limits for subsidies and loans</th>
<th>Effective amounts granted</th>
<th>More information from</th>
<th>On-line information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUTONOMOUS COMMUNITY AND, MUNICIPAL GOVERNMENTS AND LOCAL COUNCILS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies</td>
<td>Up to 100% of the project cost. Available as cofinancing with national funds.</td>
<td>50% of project cost.</td>
<td>General Directorate of Science, Research and Development of the EU Commission. Centre for the Development of Industrial Technology (CDTI)</td>
<td><a href="http://www.cdti.es/">http://www.cdti.es/</a> <a href="http://europa.eu.int">http://europa.eu.int</a></td>
</tr>
</tbody>
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PANEL SUMMARIZES: AIDS AND INCENTIVES TO THE INVESTMENT

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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies.</td>
<td>Up to 60% of the project cost.</td>
<td>Up to 20% of the project cost.</td>
<td>Office of Secretary of State for Economy, Energy and SMEs</td>
<td><a href="http://www.minhac.es/">http://www.minhac.es/</a></td>
</tr>
<tr>
<td>Subsidies</td>
<td>€210 and €300 per m2 of installed collection area.</td>
<td>Depends on type of facility.</td>
<td>Institute for Energy Diversification and Saving (IDAE).</td>
<td><a href="http://www.idae.es/">http://www.idae.es/</a></td>
</tr>
<tr>
<td>Refundable loans, subsidies or a combination of the two.</td>
<td>In the case of refundable advances, it may not exceed 75% of the project cost.</td>
<td>Depends on type.</td>
<td>Ministry of Education and Science.</td>
<td><a href="http://www.mecd.es/">http://www.mecd.es/</a></td>
</tr>
<tr>
<td>Subsidies and loans.</td>
<td>Depends on type.</td>
<td>Depends on type.</td>
<td>ICAA.</td>
<td><a href="http://www.mcu.es/jsp/plantilla_wai.jsp?id=1&amp;area=cine">http://www.mcu.es/jsp/plantilla_wai.jsp?id=1&amp;area=cine</a></td>
</tr>
</tbody>
</table>