



PLAN OF MEASURES TO DRIVE GROWTH, COMPETITIVENESS AND EFFICIENCY

6 June, 2014



The National Reform Programme 2014 reflects the intense reforming activity of the last two years, which has led to the Spanish economy recovering the confidence of the international markets and gain in efficiency, flexibility and the capacity to compete.

➤ *Core areas of the reforms to be undertaken in 2014:*

- 1. Differentiated, growth-friendly fiscal consolidation**
- 2. Re-establishing normal conditions of lending in the economy**
- 3. Promoting present and future economic growth and competitiveness**
 - **An entrepreneur-friendly environment**
 - **Competitive market operation**
 - **Environmentally-friendly growth**
- 4. Combating unemployment and the social consequences of the crisis**
- 5. Modernisation of the public administration services**

➤ *This plan brings forward an initial package of measures in line with the goal of fiscal consolidation. They boost the current and future growth and competitiveness of the economy and business finance, making maximum use of EU Funds, and improving cooperation with the regional governments.*



Objective

- 1. Increase lending to the productive economy*
- 2. Regulation to improve finance, restructure debt and boost entrepreneurship*
- 3. Environmentally-friendly growth: saving energy and reducing CO2 emissions*
- 4. Competitive market operation: improvement in infrastructures and transport*
- 5. Support for industrial competitiveness*
- 6. Boost for corporate R&D+i*
- 7. Support for the internationalisation of the Spanish economy*

1. *Optimisation of the use of available public resources, without affecting commitments to budgetary stability and financial sustainability...*
 - Maximum use of European funds, strengthening collaboration and coordination with the regional governments to prevent duplication and achieve maximum joint performance of investments
 - Public support based on financial instruments and guarantees that reduce the use of direct aid
 - Boost public-private ventures

2. *.... Focus investment on key sectors, with a major positive knock-on effect on the Spanish economy, eliminating factors that limit present and future competitiveness*
 - Clean and efficient industrial processes and equipment
 - Energy efficiency in residential and commercial building
 - Innovation, development and research
 - Elimination of bottlenecks in basic infrastructures such as transport and the water sector

3. *Regulation favouring investment, competitiveness and growth*
 - Boost private finance
 - Entrepreneur-friendly environment
 - Competitive market operation

Restore lending conditions to the productive economy and free the finance needed from the public sector

- ***The target for awarding ICO lines of credit in 2015 will be 25 billion euros***
This target represents a 25% increase on the forecast for 2014 and 80.1% on the figure for 2013.
- ***ICO guarantee programme to help finance Spanish companies***
The aim is to **boost and improve access by Spanish companies to finance by increasing its volume and lowering the cost**. The ICO will implement a programme of guarantees for international financial institutions and bodies in order to channel a greater volume of finance under preferential conditions through a large number of financial institutions. The maximum annual amount will be €900m.
- ***Spanish participation in the European Union SME Initiative***
Spain is to participate in the EU's centrally-administered SME Initiative with a contribution of **800 million euros of ERDF funds** from the Central Government Administration (€135m) and the regional governments (€665m). The EU SME Initiative aims to increase the volume of lending to SMEs, including joint funds from the European funds and the European Investment Bank.
- ***Reduction of the issuance target by the Spanish Treasury to 55 billion euros***
A net reduction of issues of €10 billion from €65 billion to €55 billion, due to the positive level of budget implementation. The reduction will be carried out by cutting net finance from Treasury bills by €6 billion and reducing net finance from government bonds by €4 billion, which will extend the average maturity of Treasury issues.
- ***Partial early voluntary repayment of financial aid received by Spain***
Early voluntary repayment of the loan agreed between Spain and the ESM to recapitalise the financial system for 1.3 billion euros. This early repayment will improve confidence and generate savings on interest payments

Boost finance and debt restructuring

Help credit flow to individuals and companies and support the survival of companies with an excessive financial burden

- ***Reform of the system of secured transactions***

- ✓ **Modernisation of the system of secured transactions, extending the range of collateral pledged, which will encourage the flow of credit to individuals and companies.**
- ✓ **Simplification:** existence of a single form of secured transaction - the pledge - in accordance with international criteria.
- ✓ Regulation of guarantees on individual assets and assets as a whole (inventory, stock, etc.).
- ✓ Modern and complete regulation of the Property Register.
- ✓ **Procedure for recovery of movable property pledged as collateral** in case of non-payment of debt.

- ***More flexible creditor arrangements***

The aim is to **guarantee the survival of companies with an excessive accumulated financial burden but that are viable from an operational point of view.** The measure speeds up the recovery of the country's industry and favours the process of readjustment of companies to their real financial capacities.

- ✓ **Reform of the Bankruptcy Act** to adapt the creditor arrangements to the new rules of refinancing agreements, particularly with respect to the majority voting system and its effects. The legal system of insolvency administration will also be revised to reduce the costs and time involved in insolvency procedures. Particular attention will be paid to SMEs through various instruments (extra-judicial payment agreements and shortened procedures, early-warning mechanisms, etc.). In addition, mechanisms will be adopted to make it easier to transfer the business as a whole, rather than having to end up liquidating companies.
- ✓ The Government will draft a **Code of Good Practice** with the aim of speeding up and making refinancing easier and restructuring the debts of SMEs and the self-employed towards sustainable business models.

Application of the Law Guaranteeing Market Unity and administrative streamlining

- *Programme Guaranteeing Market Unity - Execution phase*

- ✓ **Adaptation of national regulations to the Law Guaranteeing Market Unity**
- ✓ **Creation of the Council for Market Unity** and continued work by the Sectoral Conferences.
- ✓ Mechanisms to **protect operators**: promotion of the use of the single window for claims by companies and fine-tuning for the system
- ✓ **Strengthening inter-ministerial cooperation**: implementation of the Working Group for the resolution of discrepancies between ministerial departments in applying the Law Guaranteeing Market Unity.

- *Plan to Simplify Environmental and Urban Legislation*

Many activities are subject to a proliferation of environmental, urban and sector-specific legislation. The aim of the plan is to **eliminate duplication and unnecessary requirements** in environmental, urban and industrial sector legislation that affects economic activities.

✓ 42 measures have been proposed to optimise environmental and urban procedures. They include:

- **Streamlining the award of urban municipal licences** to reduce procedures by half.
- **Optimisation of environmental evaluation procedures and integrated environmental authorisations.**

- *Plan to combat non-compliance with administrative deadlines affecting operators*

Non-compliance with deadlines for the award of urban and environmental licences, and administrative procedures in general affecting economic operators have negative effects on investment and economic activity.

✓ **Application of a raft of mechanisms similar to those implemented to combat late payments by the public administration services** and in Law 21/2013 on Environmental Evaluation, to tackle the problem of non-compliance across-the-board with administrative deadlines.

More measures adopted to liberalise retail trade

- *Make progress to develop retail trade by boosting the synergies between retail trade and tourism through the extension of mass tourist retail areas (Spanish acronym: ZGAT) to new areas of mass tourist activity in major Spanish cities.*
- *Elimination of legal barriers that limit investment in the retail sector*
- *Reduction of interchange fees applicable to commercial operations settled with credit or debit cards*

Reduction of interchange fees will improve the profitability and financial situation of retail trade. Spain will anticipate the proposed EU Regulation that establishes maximum limits on fees applicable to card transactions.

- ✓ The limits set will be 0.2% of the transaction value for debit cards and 0.3% for credit cards.

Environmentally-friendly growth: the National Energy Efficiency Fund

Creation of a National Energy-Efficiency Fund, co-financed with European funds, designed to invest in products that reduce energy consumption in productive sectors and building

- ***Creation of system of obligations for energy suppliers***

The system of obligations will allow compliance with the **objectives for a reduction of consumption in the Energy Efficiency Directive**. Companies may either comply through their own actions to reduce energy consumption, or by contributing to a National Energy Efficiency Fund.

- ***Creation of the National Energy Efficiency Fund (Spanish acronym: FNEE)***

- ✓ It will have a provision of **350 million euros per year** from the **European Structural Funds** corresponding to the General State Administration, which will contribute 35% of the total, with the rest coming from the **settlements derived from the system of obligations**, income from the **auction of emission allowances** and any **budget allocations** that may be made.
- ✓ It will co-finance energy-efficiency investment in **building, transport, industry, services and the agricultural sector**. Approval is expected for the following plans:
 1. Plan for Energy Saving and Emission Reductions in Building for the energy renewal of buildings in the residential and tertiary sector (hotels, National Health System centres, retail trade, etc.)
 2. Plan to improve the technology of industrial equipment and processes
 3. Plan to improve the efficient use of modes of transport and a shift by people and goods to more efficient modes.
 4. Plan to improve energy efficiency in farms and agricultural machinery.

Plans by the Fund to reduce energy consumption

- *Plan to Save Energy and Reduce Emissions in Buildings*
 - ✓ The **FNEE will allocate most of the funds to co-finance energy-efficiency actions in residential and commercial buildings** (hotels, National Health System centres, retail trade, etc.). The plan **will have a total annual budget of an estimated 892 million euros.**
 - ✓ The **regional governments will carry out complementary actions, allocating around €133m per year of their ERDF funds** to energy-saving actions in buildings.

The plan will include the following actions:

- Energy renewal of the thermal skin of existing buildings
 - Renewal of facades and/or roofs in residential buildings
 - Improvement of the energy efficiency of thermal installations in existing buildings
 - Renewal of boiler rooms
 - Improvement of the energy efficiency of lighting installations in existing buildings
 - Renewal of existing buildings with a high energy rating
 - Improvement of the energy efficiency of cooling installations in existing buildings
 - Renewal of cooling generators in industry and the third sector
 - Improvement of energy efficiency in lift installations and other existing transport systems
 - Implementation of smart systems in existing buildings
 - Improvement of the energy efficiency of existing data processing centres
 - Improvement in the energy efficiency of electrical installations in existing buildings
- ✓ The plan is supplemented by 200 million euros from the **2013-2016 Housing Plan** allocated to renewal of buildings to increase energy efficiency.

Plans by the Fund to reduce energy consumption

- *Plan to improve the technology of industrial equipment and processes*
 - ✓ Once the Renewal Plan is in operation, **FNEE will implement this second plan**, designed to co-finance actions in the industrial sector that improve the energy efficiency of productive processes, which is where the biggest potential energy savings lie in the short term. The plan will **reduce energy costs to the industrial sector, improving the competitiveness of the sector, and mobilise total estimated investment of 828 million euros.**
- *Plan to make means of transport more efficient and shift people and goods towards more efficient means of transport.*
 - ✓ This will include the promotion of sustainable mobility plans for city councils, sustainable transport plans in the workplace, management of road transport fleets and efficient driving courses.
- *Plan to improve energy efficiency in farms and agricultural machinery*

Environmentally-friendly growth: stimuli for the acquisition of clean means of transport

*Fight against climate change and boost to energy efficiency in transport,
using the potential for saving in this sector*

- *Plan 6 PIVE*

The five previous PIVE plans have assisted the purchase of 540,000 new less polluting cars, an energy saving of 127 million litres of fuel per year and a reduction in greenhouse gases of 262,000 t CO₂ eq/year. The **next plan will have a budget of 175 million euros.**

- *Air 4 PIMA for commercial vehicles*

With a budget of **10 million euros**, it will assist the purchase of **7,500 commercial vehicles**, leading to a reduction in CO₂ emissions and transport costs and thus an improvement in business competitiveness and improved air quality. The plan will generate **estimated growth in production of 40 million euros** and a reduction in the consumption of fuel and CO₂ emissions of 10-15%.

- *Programme for assisted purchase of electrical vehicles*

With a budget of **10 million euros**, it will co-finance the purchase of **1,800 electric vehicles**, leading to a reduction of 1.2 kt oil equivalent and 4,560 tonnes of CO₂ per year.

- *Transport PIMA: Plan for Renewal of the Heavy Vehicle Fleet*

Total investment of 405 million euros co-financed by the EIB and by private institutions, will allow the replacement of 2,500 heavy vehicles in the professional freight and passenger fleet by other much more efficient vehicles. The plan will generate **an estimated growth in production of 200 million euros** and a **reduction in the consumption of fuel and CO₂ emissions of 15-20%** (savings of over 26,000 t CO₂ eq).



Competitive market operation: improvement in basic and transport infrastructures

Maximum use of private finance for the execution of investment in infrastructures that have been identified as necessary for the elimination of limitations to current and long- and medium-term growth

- *Improvement in transport infrastructure*

- ✓ **Ports: the concessionary periods for ports will be adapted to the periods of port concessions in Europe**, in order to maintain their competitive position internationally. This measure boosts private investment in **improved access to ports** from and to other transport infrastructures, and in other infrastructure improvements. The measure will generate an estimated impact on private investment of **150 million euros per year**.
- ✓ **Creation of a Land Port Accessibility Fund**, with funds from Spanish ports to speed up the construction of road and rail access to ports and thus improve competitiveness. **Impact on public investment of €100m per year; the measure does not have an impact on the national budget.**

- *Waste-water treatment in urban environments*

A new model for managing water for urban use, focused on **public-private partnership to execute the treatment infrastructures** needed for compliance with EU requirements. Mobilisation of **investment with European co-finance for 1 billion euros** for investment in 400 treatment plants. The water quality actions will improve the water quality in our rivers by treating the water coming from city sewage networks. **Coordination with regional governments to optimise the use of structural funds** will be guaranteed.

Competitive market operation: improvement in basic and transport infrastructures

- *Efficiency in road transport*
 - ✓ **Gradual adaptation of the weights and sizes of vehicles to the current framework in our peer countries.** The competitiveness of transport and road safety will be increased. Saving of direct transport costs of €408m, 84 million litres of diesel and 225,800 t of CO₂.
 - ✓ **Adapting the fees charged on toll roads to make off-peak travel cheaper.**
- *Boost to rail transport*

Liberalisation of passenger rail transport; the system of rail fees will be adapted to create incentives for this transport in a liberalised environment.
- *Legal framework of infrastructures for recharging electric vehicles*

Elimination of obstacles for the development of recharging infrastructures, which is a limiting factor on the expansion of the electric vehicle sector.
- *Regulation of the use of drones in economic activities*

Legal reform to allow authorisation of drones for economic activities.
- *Regulations implementing the Law on Coastal Areas*

New regulation of concessions with the aim of **guaranteeing respect for the environment and allowing appropriate development of economic activity.**

Support for industrial competitiveness

Provision of new financial instruments to boost industrial development

- *Aid for re-industrialisation and promotion of industrial competitiveness*

Financial support to stimulate industrial development and increase the weighting of industry in the gross domestic product through long-term loans provided in two different lines of action:

A total of **745 million euros** will be allocated for loans to industrial sectors.

- Re-industrialisation: **creation, extension and transfer of establishments.**
- Industrial competitiveness: improvement or modification of **existing productive facilities.**

Loans of 75% of the budget to be financed at 10 years with a 3-year grace period and an interest rate of between 3.062% and 4.53%.

The programme will mobilise **total investment in the order of 1 billion euros** in the industrial sector.

Boost to R&D+i and provision of financial instruments for loans, capital and guarantees to boost business R&D+i

- ***Financial instrument known as "ICO Technological Innovation Fund 2013-2015"***
With a provision of **323.6 million euros, of which 248.6 million euros come from European structural funds corresponding to the** General State Administration, it will finance productive investment by innovative Spanish companies within the country, with repayment periods of up to 7 years.
- ***Risk-capital industry funds***
Public-private funds specialised in **capital expansion and private equity in specific technological sectors**. Based on the experience of FondICO Global [ICO Global Fund].
- ***"CIEN" Programme***
Finance by the CDTI [Spanish centre for industrial and technological development] of major **public-private partnership projects for companies with public bodies**. Industrial research projects in strategic areas. The initial investment will be **€125m, with a total of €170m being mobilised**.
- ***Collateral fund***
Access to CDTI **finance for R&D+i projects carried out by SMEs that find it difficult to put up guarantees**. The fund is co-financed by the ERDF and will **have a budget of €1.14 billion in loans between 2014 and 2020**.
- ***Global Innovation line***
An instrument to help **SMEs and midcaps** boost their competitiveness by investments for the **purchase of assets with a technologically advanced component**. This fund has a **total budget of €200m, with a final mobilisation of €270m**.
- ***Boosting calls forming part of the 2014 Action Programme under the National R&D+i Plan***
Before summer, invitations to submit projects will be issued by the Directorate-General for Research. They are a basic part of the 2014 Action Programme under the National R&D+i Plan, which has total investment of €3 billion between 2014 and 2018, with which to finance infrastructures and R&D+i projects in the public and private sector.

Support for the internationalisation of the Spanish economy

Implementation of the Strategic Plan for the Internationalisation of the Spanish Economy 2014-2015

Over the coming months, progress will be made on executing the Strategic Plan for the Internationalisation of the Spanish Economy 2014-2015, with the aim of improving export capacity and inclination, diversifying destination markets and attracting foreign investment.

- *Financial support for internationalisation*

- ✓ **Within the framework of the ICO Guarantee Programme for international bodies and institutions**, the ICO Garantía Internacional 2014 [2014 ICO International Guarantee] line of credit will be adapted to boost **access for Spanish companies to international auctions**. The ICO will allocate up to **€300m** within the framework of the agreement with the CAF to guarantee operations by Spanish companies in international auctions.
- ✓ **Immediate implementation of internationalisation bonds** to generate additional funds for internationalisation and thus reduce costs for companies in their internationalisation activities.
- ✓ **Approval of the FIEM-EU facilities line**, with an initial provision of **€50m** from the Company Internationalisation Fund (Spanish acronym: FIEM) to ensure that Spanish companies compete on an equal footing with their EU peers. The plan is to approve the FIEM line and for COFIDES to begin activity as development finance agency for Spain in the different EU Facilities in the second half of 2014. It is expected to obtain total Spanish participation of €150m in projects.