



2015 SBA Fact Sheet

Spain

Key points

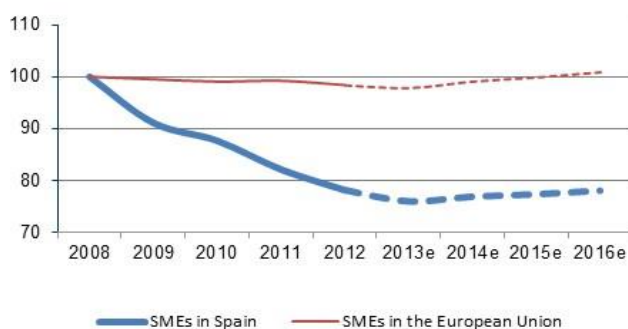
Past & future SME performance¹: Spain's SME sector has still some catching up to do to regain pre-crisis levels. SMEs are 23 % and 29 % respectively below their pre-crisis capacities in terms of the number of persons they employ and their total value added. Between 2008 and 2014 an estimated net total of 2.4 million jobs were lost in Spanish SMEs. However, there are the first signs of a recovery. Estimates for 2014 for employment and value added show a slight increase on the 2013 figures. Also, the number of SMEs was estimated to have stabilised at around 2.35 million. Service industries are at the forefront of this nascent recovery and the outlook for 2015 and 2016 is modestly positive. The number of people employed in SMEs is expected to increase by about 100 000 during this period.

Implementing the Small Business Act for Europe (SBA): Spain's SME profile remains weak. As in previous years, 'second chance' is the only area where its performance excels compared with the EU average. Among the five areas where Spain trails the EU average, entrepreneurship and state aid & public procurement are the biggest challenges. For these areas, not only is the gap to the rest of the EU the largest, but conditions since 2008 have actually deteriorated. The situation is better for 'responsive administration', access to finance and single market. In these areas, performance has improved and Spain is catching up with the rest of the EU. With the exception of single market and internationalisation, Spain still has to implement important measures in all SBA areas, in particular 'think small first'.

SME policy priorities: Spain has to progress on many policy fronts to bring its policy environment up the standards of other EU countries. A host of crucial measures have been adopted in the past two years and now it is paramount that these measures are implemented properly. The measures in question are: the introduction of the SME test and regulatory impact assessments (RIAs), thorough implementation of the Late Payment Directive and the introduction of entrepreneurship as a subject in the country-wide school curricula. Given the worrying trend in SME innovation, existing support measures have to be stepped up and complemented by additional instruments.

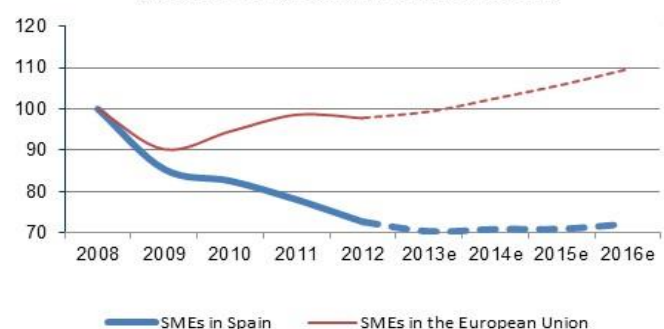
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2013 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2013 onwards)



About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

Table of Contents

1. SMEs — basic figures.....	2
2. SBA profile	3
3. SBA principles.....	5
3.0 'Think Small First'.....	5
3.1 Entrepreneurship.....	6
3.2 'Second chance'.....	7
3.3 'Responsive administration'.....	8
3.4 State aid & public procurement.....	9
3.5 Access to finance.....	10
3.6 Single market.....	12
3.7 Skills & innovation.....	13
3.8 Environment.....	14
3.9 Internationalisation.....	15
4. Interesting new initiative.....	16

1. SMEs — basic figures

	Number of enterprises			Number of persons employed			Value added		
	Spain		EU-28	Spain		EU-28	Spain		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	2 221 793	94.5 %	92.7 %	4 377 967	40.6 %	29.2 %	111	26.1 %	21.1 %
Small	1 116 228	4.7 %	6.1 %	2 076 136	19.3 %	20.4 %	82	19.4 %	18.2 %
Medium-sized	14 625	0.6 %	1.0 %	1 447 890	13.4 %	17.3 %	73	17.4 %	18.5 %
SMEs	2 348 046	99.9 %	99.8 %	7 901 993	73.3 %	66.9 %	266	62.8 %	57.8 %
Large	2 738	0.1 %	0.2 %	2 876 627	26.7 %	33.1 %	157	37.2 %	42.2 %
Total	2 350 784	100.0 %	100.0 %	10 778 620	100.0 %	100.0 %	423	100.0 %	100.0 %

These are estimates for 2014 produced by DIW Econ, based on 2008-2012 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs are more important in Spain than in other European countries because they account for a higher proportion of value added and employment than their European counterparts. SMEs provide almost three quarters of all jobs and more than 60 % of value added. Micro-companies of 0-9 employees are particularly important for the labour market as they employ more than 40 % of all employees in the non-financial business economy, some 11 % more than the EU average. The sectoral structure of SMEs differs markedly from the European average. The proportion of SME employment in the manufacturing sector exceeds that of other EU countries by 11 percentage points, accounting for more than 70 % of all jobs in this sector. The situation is similar for value added, which is 14 percentage points higher than the EU average.

Spain's SME sector has still not recovered from the crisis. In 2014, value added and employment were estimated at 29 % and 23 % respectively below their 2008 pre-crisis levels. This pattern is also found in the total number of active businesses

registered, which has fallen by 11 % since 2008. Small companies (10-49 employees) in particular have continued to struggle since the beginning of the crisis in 2009. The figures for the number of people they employ and their value added dropped by about a third between 2008 and 2014.

The crisis continued in many individual industries. For the *information and communication* sector, for example, value added is still 22 % below pre-crisis levels, while employment has fallen by 8 % since 2008. The recovery has not taken effect post-2009, with SME value added and employment falling by 8 % and 6 % respectively between 2009 and 2014. However, large companies were more affected than SMEs: their value added fell by almost 24 % during the same period. One of the reasons that SMEs held up better than large companies during the crisis was the existence of dedicated SME support programmes. These government programmes focus on business creation and access to finance² and support SMEs in developing technology-based business models.³

Some sectors are showing signs of recovery. For example, employment in SMEs in the *accommodation and food services* sector has grown by 1 % since the crisis. However, value added is still 10 % below pre-crisis levels. This sector benefits from the fact that the number of tourists has remained stable during the crisis.⁴

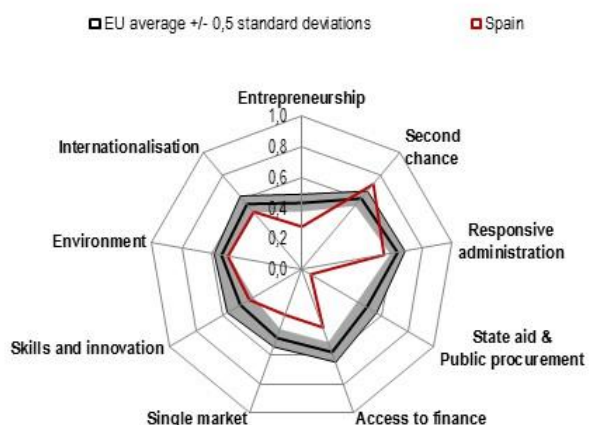
The beginning of an economic upswing can be seen in the number of business registrations. In 2013 a total of 343 491 new firms were registered, an increase of 3 % compared with 2012. At the same time, there were 377 295 deregistrations. This resulted in a net loss of 33 804 businesses, a figure half of that for 2012.^{5 6}

The *wholesale and retail trade* sector had the largest number of new business registrations, 53 797 in 2013, followed by the

accommodation and food services sector, with 39 580 new companies.⁷ This increase in business registrations was supported by programmes such as the Spanish retail trade competitiveness integral support plan for 2013 (*Plan Integral de Apoyo a la Competitividad del Comercio Minorista de España 2013*), which funds businesses in this sector via the official credit institute (*Instituto de Crédito Oficial — ICO*). The plan was updated in 2015.⁸ Programmes like this are part of a wider government strategy over the past few years. Both the wholesale and retail and accommodation and food sectors have also benefited from recent increases in consumer spending.⁹

The overall economic outlook is positive, with SME value added expected to grow by 2 % in 2014-16. The number of SMEs is expected to rise by almost 2 % until 2016, with the employment forecast to increase by 0.7 % annually.

2. SBA profile¹⁰



Spain's SBA profile remains weak and there was no significant change compared with last year. 'Second chance' remains the only area where Spain ranks above the EU average and there are three areas where its score is — barely — in line with the EU average: skills & innovation, environment and internationalisation. In all other SBA areas, Spain ranks below the average, sometimes by a wide margin. The worst performance is in state aid & public procurement, where Spain comes last in the EU. However, since the introduction of the SBA in 2008, the situation has substantially improved in many policy areas, in particular in 'second chance', 'responsive administration', access to finance and single market. As Spain's rate of improvement was higher than that of the EU on average, it is catching up with the EU average. Its performance on internationalisation has also improved, although in this case less so than the EU in general. Areas of concern are entrepreneurship

and skills & innovation. In both areas, Spain's performance has worsened in absolute terms since 2008. Entrepreneurship especially remains a major challenge, as Spain already trails the EU average and based on the current trend is set fall even further behind.

The broad progress made across the spectrum of SBA policies is associated with the policy reforms which Spain has embarked on in recent years. This is most evident in access to finance, single market and 'second chance', but also includes actions in those areas where Spain has lost ground recently — entrepreneurship and skills & innovation — and where it may take longer to see the effects of the reforms.

Spain continued its reform drive in the reference period for the 2015 fact sheet i.e. 2014 and the first three months of 2015. It implemented a total of 18 new and important policy measures and announced a further four. The focus was on access to finance, entrepreneurship promotion and support for SME internationalisation. There is a broad consensus among policy-makers and the business community that these latter three remain priority areas.

To support 'access to finance', tax reduction measures, improvements to the guarantee scheme for SMEs seeking to undertake internationalisation and a law amending the rules on venture capital were introduced during the reference period. To promote entrepreneurship, several personal income and corporate tax reforms have been brought in. These reforms are aimed at ensuring that taxation does not hinder SMEs and business transfers.

The internationalisation measures launched over the reference period were geared towards helping SMEs diversify their export markets.

Finally, among measures to improve the ‘second chance’ for entrepreneurs, Royal Decree-Law 11/2014 stands out because it tackles a practical problem, i.e. that creditors’ settlement procedures invariably lead to the winding-up of the company in question. The measure provides alternative ways of keeping businesses afloat.

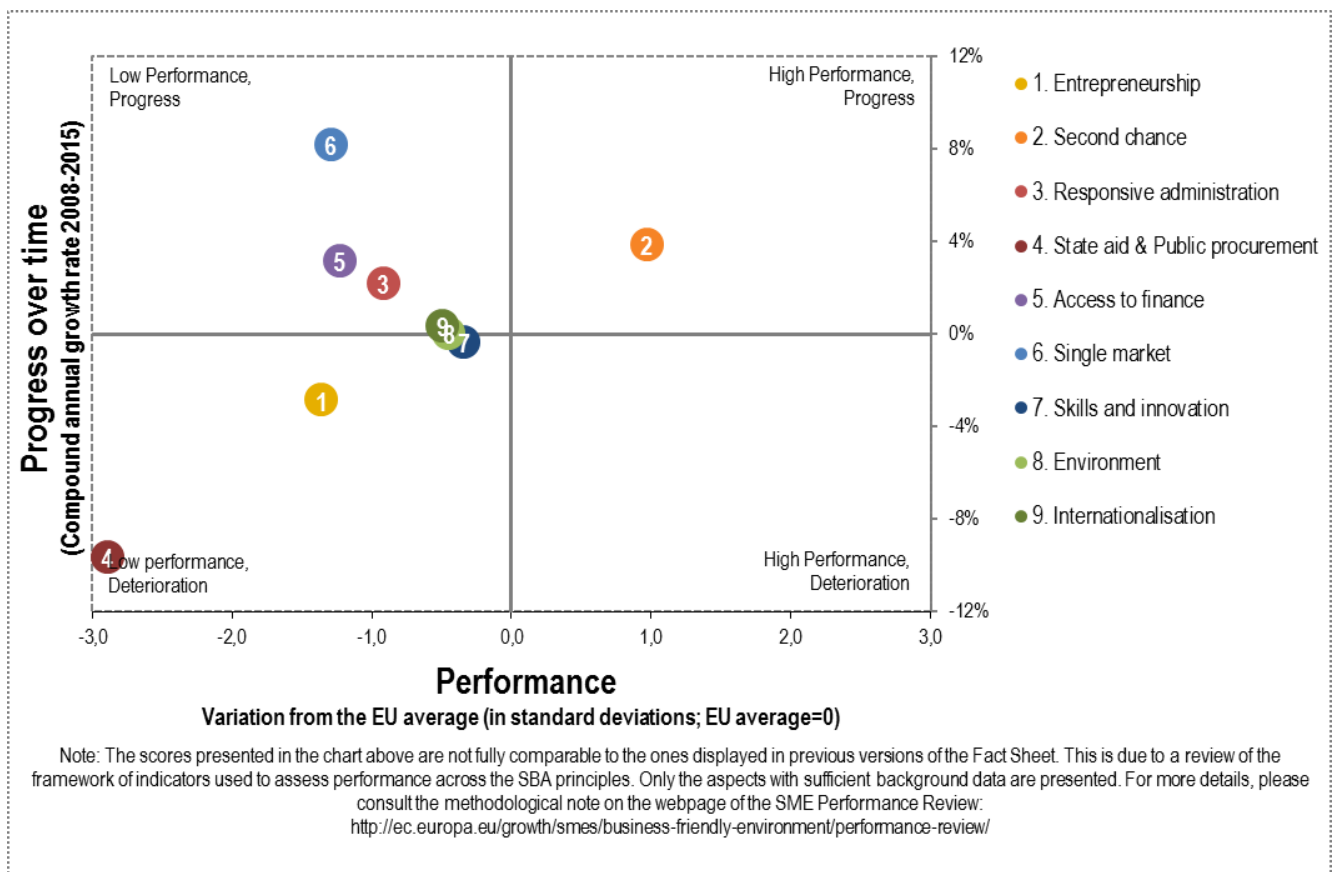
No or very little progress was made in a number of SBA areas during the reference period. These include single market, environment, ‘think small first’ and skills & innovation.

Complementing the work of the SME envoy, in 2014 Spain established the SME National Council. One of the main tasks of

this Council is to monitor and steer the implementation of the SBA. It will be responsible for publishing an annual report covering the development of the SBA implementation in Spain.

The most important measures announced for future implementation include a new draft law to promote corporate finance. In addition, a new law on administrative procedures was announced. This law will introduce a systematic ‘SME test’.

SBA performance of Spain: state of play and development from 2008 to 2015¹¹



3. SBA principles¹²

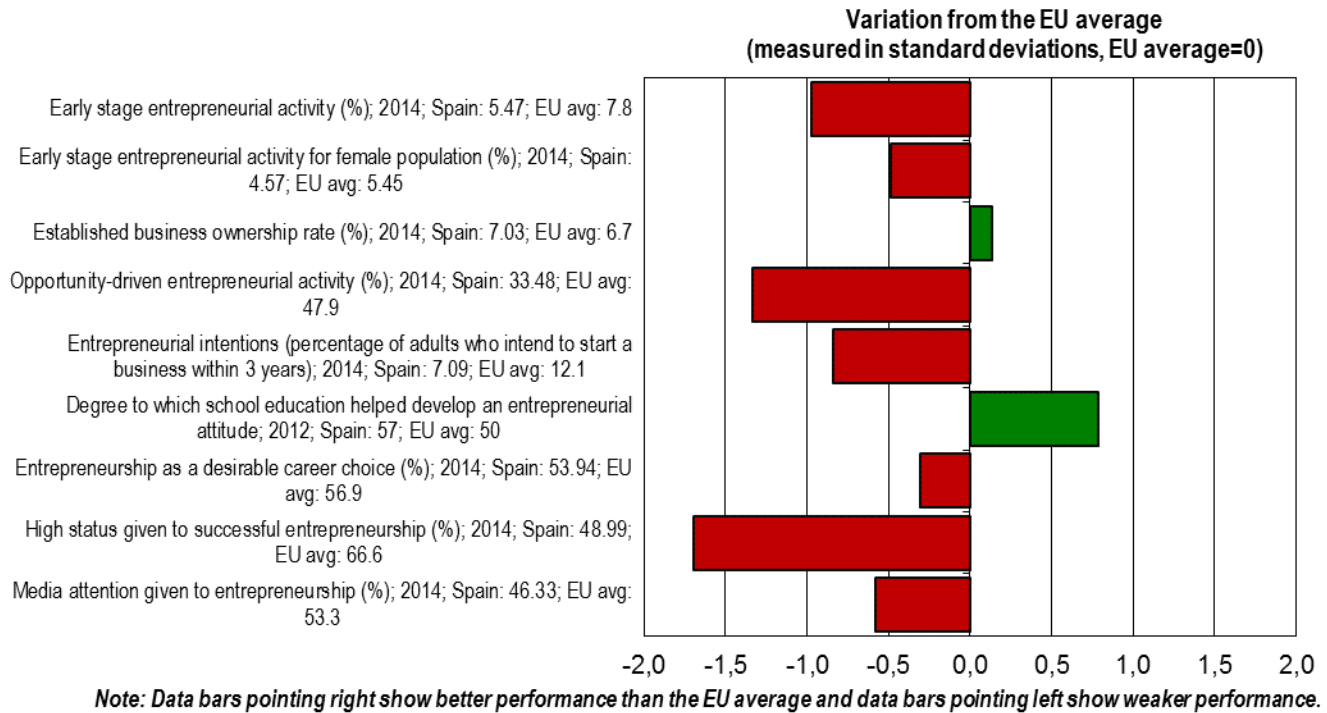
3.0 'Think Small First'

The 'think small first' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policy-makers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. In Spain the 'think small first' principle is still applied in a very incomplete way and key provisions of the SBA have yet to be implemented. These include a systematically conducted SME test, the application of regulatory impact assessments (RIAs) and the establishment of a common commencement date for new or amended legislation. A key characteristic of Spain is the complex devolution of legislative and regulatory powers between the central government and regional authorities. This has proven a challenge for the effective implementation of a 'think small first' policy, which requires a clear definition of the functions and responsibilities of each level of public administration to avoid overregulation and any overlap between functions. Still, progress has been made since the adoption of the SBA. In 2008, the government and the main business organisations signed a protocol paving the way for simplification of procedures and strengthened the role of business organisations in sectoral consultations. 2013 saw the implementation of a Law on market unity, setting out a 'better regulation' programme, and a Law on

entrepreneurship and internationalisation, introducing, among other things, the 'one-in, one-out' principle. Also, the *Consejo de Ministros* (Council of Ministers) reached an agreement on reducing administrative burdens, which is expected to deliver savings in administrative costs for Spain's SMEs of some EUR 75 million a year.

No new important measures were introduced during the reference period for the 2015 fact sheet. However, there are two crucial initiatives in the pipeline for 2015 and beyond. Firstly, the administrative simplification plan, which makes a number of changes intended to reduce the administrative burden for SMEs, is due to come into effect in 2015. Secondly, under the draft law on administrative procedure the systematic application of RIAs will be required for any new legislation. Most importantly, this will also include the SME test and the analysis of the impact on competitiveness. The draft law also makes it compulsory for the government to draft an annual report on the legislative measures to be adopted; one of the criteria for the scrutiny of legislation will be whether it takes SMEs into consideration. The law was to be adopted by the end of 2014, but has been postponed to the end of 2015. In conclusion, while the recently implemented and announced measures address some major shortcomings, these have yet to be put into practice in an effective manner.

3.1 Entrepreneurship



Spain continues to trail the EU average in this policy area. In fact, it has one of the lowest scores in the entire EU-28. Even more worrying is the fact that its performance has worsened since 2008. On almost all indicators Spain performs worse than the EU average.

For established businesses, Spain is on a par with the rest of the EU. However, for the indicators measuring early stage entrepreneurial activity, it trails the EU average. The situation is even worse for opportunity-driven entrepreneurship, i.e. businesses set up for the owner to pursue a specific business idea. These ventures tend to be more successful than those set up because of a lack of other alternatives. On this point, Spain has one of the lowest scores in the entire EU, dropping significantly from 56 % in 2006 to 33 % in 2014. At the same time, entrepreneurial intentions are at an all-time low.

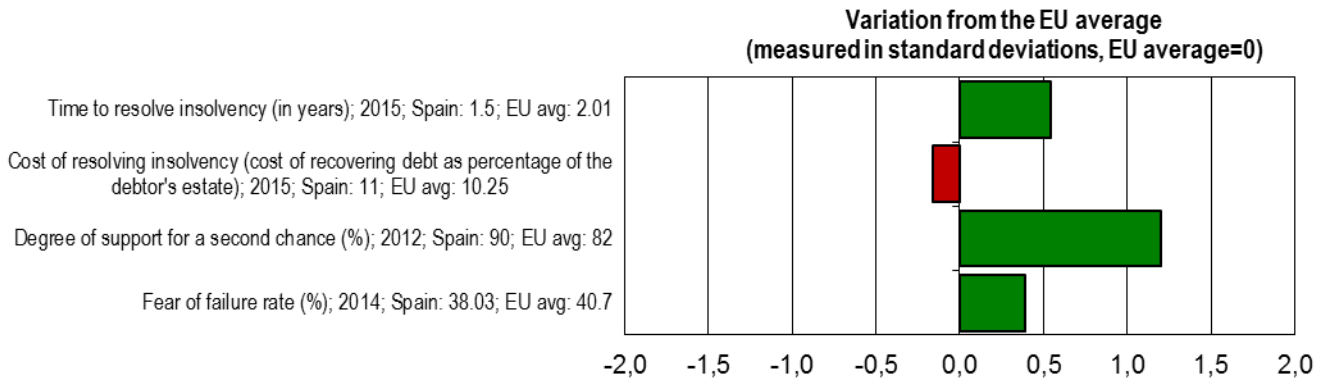
The impression that Spain does not have a very supportive environment for entrepreneurs is also borne out by the indicators focusing more on the enabling conditions for entrepreneurship, including the influence of school education, media attention and the social standing entrepreneurs enjoy.

The crisis helps to explain some of these developments, but the delay in an appropriate policy response did not help either. Spain

is now taking action on most of the SBA measures and four years ago the government started to implement dedicated entrepreneurship policies in a strategic way. Hence, many of the measures are very recent, some only dating back to 2013 or later. For instance, it was only in 2013, with the adoption of the law for improvement of education, that the need to improve entrepreneurial education was acknowledged and that specific courses were incorporated into the official curriculum. In the same year, specific support programmes started for groups such as immigrants. The good news is that a certain momentum in policy-making has been created and continued into the reference period for the 2015 fact sheet. In addition to the introduction of new tax incentives for entrepreneurs on personal income tax and corporate tax, two dedicated support programmes were also launched:

- A business support programme for female entrepreneurs was approved.
- The *Programa de Emprendimiento* (Entrepreneurship programme) was approved promoting entrepreneurship among university students. The programme is free of charge for students.

3.2 ‘Second chance’



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

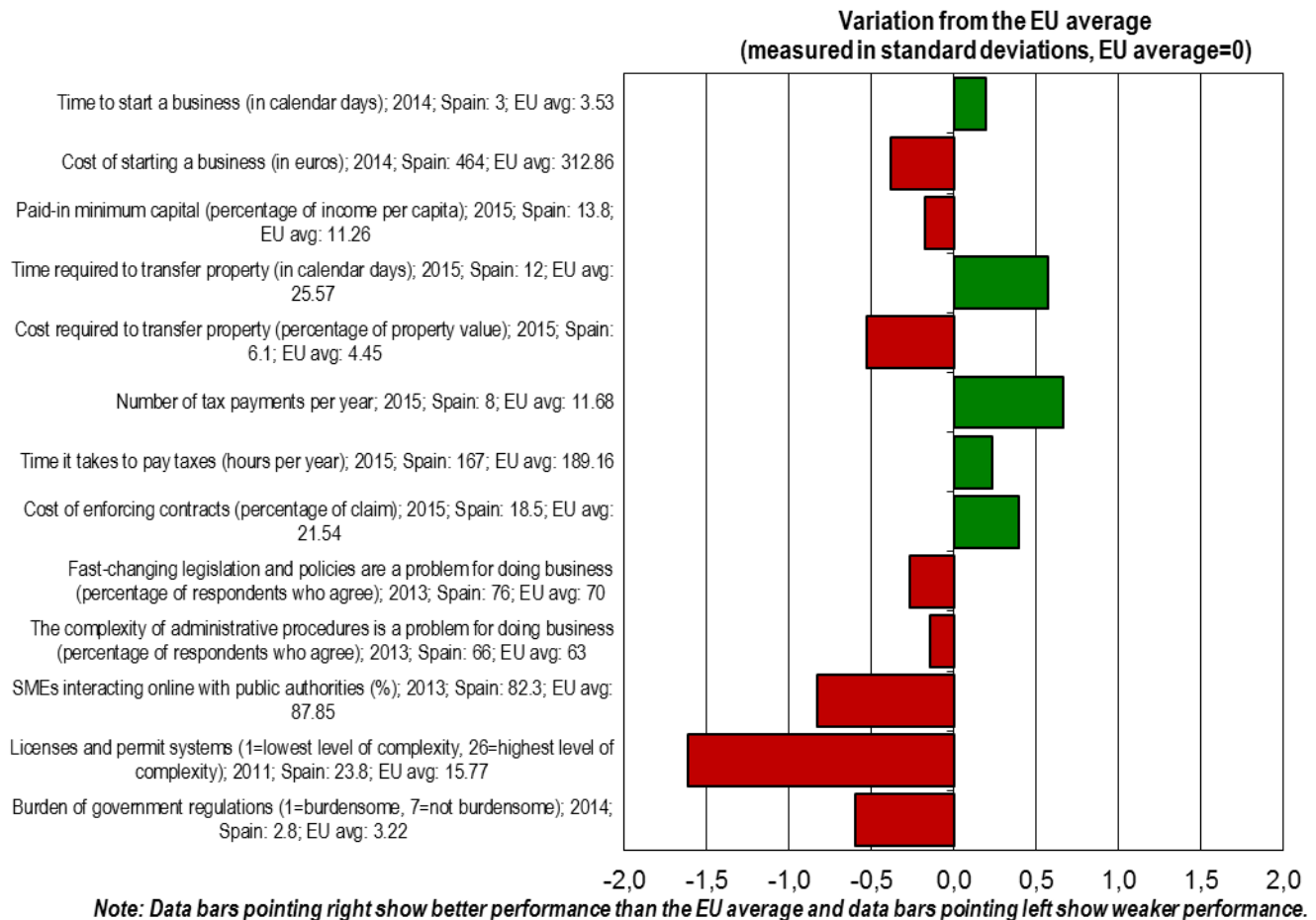
‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. This area remains the only one where Spain is above the EU average. Over time, conditions have improved even further, at a rate substantially higher than the EU average. The degree of support for ‘second chance’ entrepreneurs within society is the second highest in the entire EU. This is common for countries where the experience of honest entrepreneurs becoming insolvent because of the difficult business environment is widespread. Reforms in bankruptcy legislation have made the time taken to resolve insolvencies substantially shorter than in the EU in general. This in turn may have helped to keep the fear of failure rate relatively low, despite the adverse business conditions.

This improved performance was accompanied in recent years by a host of important policy initiatives. These included the reforms of the bankruptcy legislation and the introduction of a new legal status of ‘entrepreneur with limited liability’ to protect an individual’s personal assets and reduce the fear of failure. The Law of March 2014 on urgent measures for refinancing and restructuring companies’ debt was already described in the 2014 fact sheet. These initiatives were complemented by a number of important measures implemented during the reference period for the 2015 fact sheet. These include:

- The *Programa Relanza*, a programme introduced to prevent the fraudulent disappearance of companies and to establish flexible mechanisms that encourage honest entrepreneurs who have faced bankruptcy to recover and re-start entrepreneurial activity.
- Royal Decree-Law 1/2015 of 27 February, which addresses the problems of heavily indebted SMEs. It facilitates out-of-court agreements to improve the restructuring of debts of SMEs in a faster and simpler way.
- Royal Decree-Law 11/2014, on urgent measures in insolvency matters, changes the creditor settlement procedure to prevent it from resulting in companies’ liquidation. As with the previous measure, the goal of the change is debt restructuring to ensure the viability of affected companies.

Despite the progress made so far on policy, there is still no full and automatic discharge for sole traders unlike in many other countries. This remains a formidable obstacle for many entrepreneurs seeking a re-start.

3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Spain’s overall score remains below the EU average. On the upside, conditions have improved in absolute terms since the start of the SBA in 2008 and the rate of improvement was very similar to that for the EU on average. This means that Spain has not lost any further ground over the past six years. However, overly burdensome administration remains a problem for SMEs.

For the licensing and permit system, Spain’s score is third from last in the EU. The improvements in recent years are mainly attributable to the speeding up of certain administrative processes.

The start-up time for business came down to 3 days in 2014, compared with 35 days in 2007. The time it takes to register property was more than halved (from 25 to 12 days) and the time required for dealing with tax payments dropped from 298 to 167 days over the same period. By contrast, there was very little progress on cost reduction.

The partial progress in this area was helped by the policy reforms carried out in recent years. However, many of the

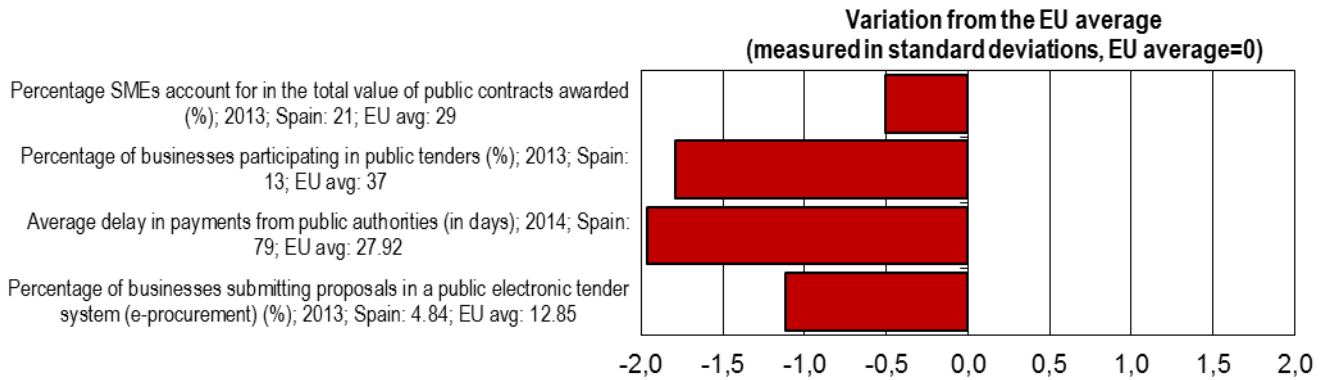
reforms are very recent. An example is the 2013 Law on market unity (*Ley de Garantía de la unidad de mercado*), which aims to simplify licensing procedures and provides for uniform access to the national market by eliminating obstacles in place at regional level. In the reference period for the 2015 fact sheet, these measures were complemented by two new ones focusing on the low take-up of electronic means for bureaucratic procedures.

- The *Emprende en 3* platform puts in place the conditions of use for electronic information exchange. The aim is to reduce administrative barriers, make start-up procedures easier and improve communication between entrepreneurs and public administration.

- Royal Decree 44/2015 details the specifications and conditions for the use of the single electronic document (SED) and aims to make start-up procedures easier and reduce administrative burdens via electronic means.

In addition, the CIRCE electronic business creation network has been connected to *Emprende en 3* platform so that new entrepreneurs are able to obtain local permits from a single electronic point of contact.

3.4 State aid & public procurement

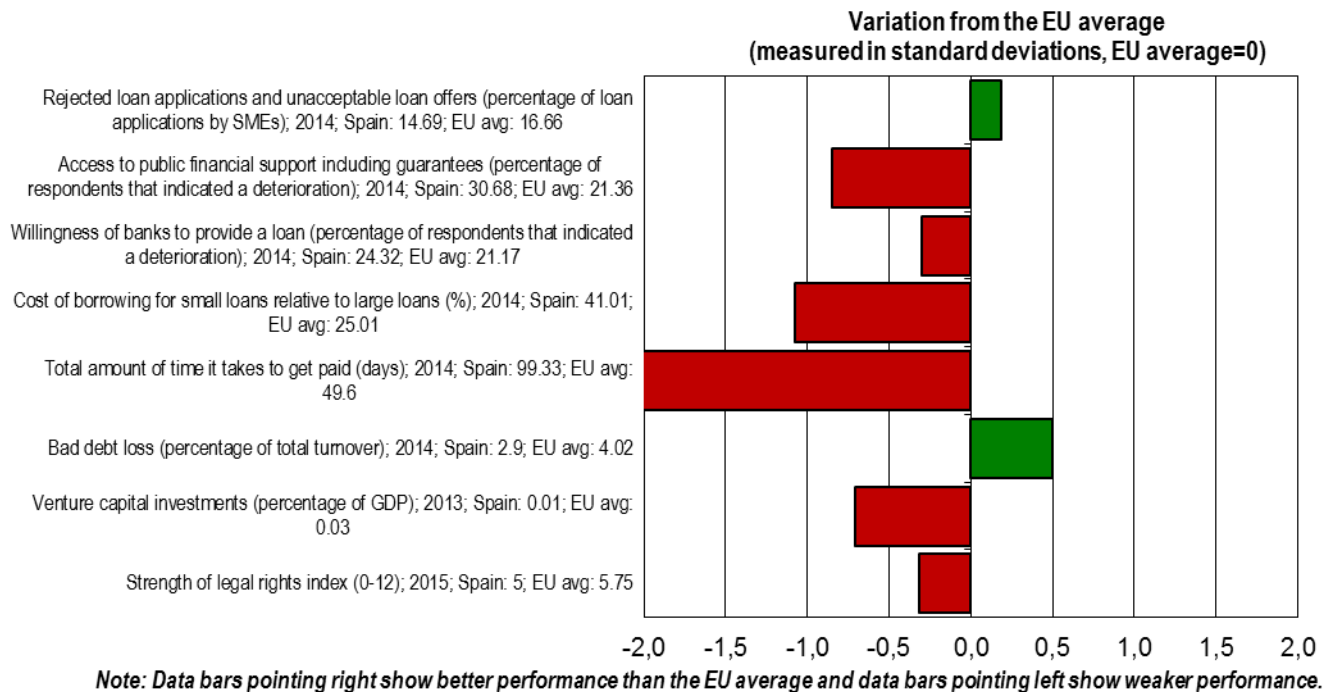


This is Spain's most problematic area. Little has changed compared with last year and the overall score still ranks last in the EU-28. On almost all indicators, the country features among the least performing countries in the EU. SMEs involvement in public procurement is still at a very low level. Spain is also the EU country where SMEs have to endure the longest payment delays. The situation worsened during the crisis, as the length of delay soared from 33 days in 2007 to 79 in 2014. By contrast, national data for regional authorities suggest, in general, shorter delays with considerable differences among the regions. While average payment periods exceeded four months in Catalonia and Valencia they stood at only one month for Galicia and Rioja.¹³ The proportion of SMEs submitting tendering documents in electronic format is also much lower than the EU average. The

splitting up of public tenders into smaller, SME-friendlier lots is still not a common practice, resulting in low participation rates for SMEs.

The policy response to this challenge was late to materialise. The first major effort to combat late payments came in 2013 with the transposition of the EU Late Payment Directive into national law, which brought in an official maximum time permitted for public authorities to pay due amounts. Lately, these efforts have been complemented by strengthening the use of IT-based tendering systems to speed up and simplify procedures for SMEs. For example, the reference period for the 2015 fact sheet saw the adoption of Ministerial order HAP/1074/2014 regulating the functional and technical conditions to be met by the general electronic invoices entry point.

3.5 Access to finance



Spain continues to perform below the EU average. The lack of access to finance remains one of the most pressing problems for Spanish SMEs. Even though the situation is still difficult, there has been substantial progress since 2008. The positive trend stems from a substantial improvement in loan-based financing. Fewer SMEs are having their loans rejected or being offered unacceptable conditions: in 2014, the figure was 15 %, compared with 24 % in 2009. Also the proportion of firms complaining about greater reluctance by banks to provide loans is down from 57 % to 24 %. There are also much fewer SMEs now (31 %) than in 2009 (47 %) reporting more difficulties in accessing public financial support instruments, such as loan guarantees.

Even though for some of these indicators Spain still finds itself below the EU average, all of the above represents considerable progress. This contrasts with the stagnation in other areas of finance, most notably venture capital, where financing continues to be elusive for most SMEs. There is also no indication that the cash flow situation has substantially improved for Spanish SMEs. Apart from Italy, there is no other EU country where it takes longer to get paid. The policy measures to tackle this problem as reported in section 3.4 are too recent to have had an impact. Losses due to bad debts are still relatively limited at 2.90 % of turnover, but the rate has risen continuously throughout the crisis.

The improvement in credit financing is linked to a number of policy reforms in recent years, including the recapitalisation of regional savings banks and the completion of financial sector reform. Also, public guarantee schemes and mutual guarantee

companies have been strengthened and the definition of SME has been changed for banks' capital requirements purposes. All these measures contributed to the improvement in lending.

More recently, starting from 2012, the government began to tackle the late payment problem, for example through the *Plan de Pago a Proveedores* (Payment to suppliers plan) and a fund to increase liquidity (*Fondo de Liquidez Autonómica*) for regional administrations, helping them to pay unpaid invoices. Finally, at the end of 2013, the EU Late Payment Directive was transposed into national law. As these measures are more recent, they may need more time to produce their effects.¹⁴

During the reference period, complementing the earlier measures, the focus shifted to equity finance. The most important measure was Law 22/2014, which changes the rules on venture capital in Spain. One of the changes was to allow for the creation of SME venture capital entities that can invest 70 % of their assets in SMEs' equity and participate in their management and advisory tasks. Of particular note is FOND ICO Global, ICO's venture capital and private equity fund of funds. FOND ICO Global has already awarded EUR 755 million to 29 private funds that have signed investment commitments in Spain for EUR 2.5 billion. These private funds have different profiles, ranging from seed capital to private equity and thus covering the whole range of first steps in business development where an equity gap was identified.

In 2014 CDTI (Centre of Industrial and Technological Development) designed two additional investment funds to be launched in 2015. These are intended to:

- provide seed capital and promote start-up initiatives;
- make it easier for mid-caps to access private equity (in a range of EUR 400 to EUR 600 million).

CDTI has already invested EUR 100 million in the latter through the INNVIERTE venture capital programme.

In 2014 CDTI mobilised EUR 345 million in public-private venture capital under the INNVIERTE programme. This was implemented through two self-managed investment entities under the supervision of the Spanish stock market regulatory body (*Comisión Nacional de Valores*).

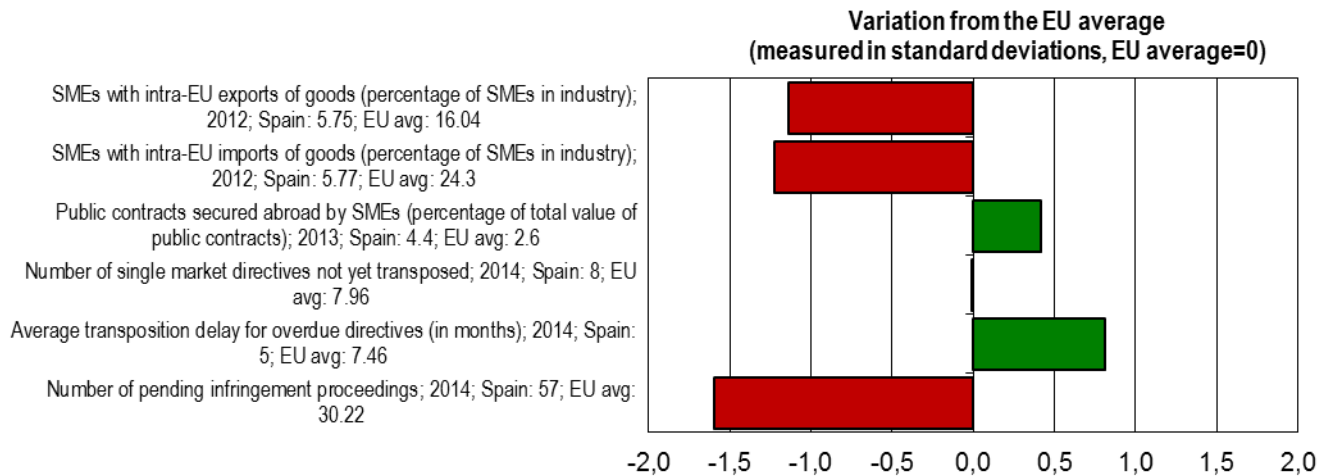
In addition, laws were passed creating tax incentives for SMEs. These include reducing the standard tax rate (from 30 % to 25 %) on personal income and for corporate taxes.

Two further measures were announced in the reference period.

One of them is the draft law on the promotion of corporate finance. The Law has already been passed and came into force as Law 5/2015 on 27 April 2015.

In addition, Spain will be the first EU country to launch the 'SME Initiative'. This initiative aims to provide 6400 new jobs and supports more than 120 000 employees in the SMEs benefiting from the measure. The Ministry of Economy and Competitiveness is due to sign a financing agreement with the European Investment Bank and European Commission to release more than EUR 32 billion euros in additional loans to SMEs, out of which at least EUR 2.7 billion will be for newly created ones. Overall, Spain, has implemented many of the SBA's provisions. However, in some areas, such as late payment, proper enforcement remains a challenge, while in other areas, such as venture capital financing, the measures are too recent to have taken effect. Some SBA measures, including making access to SME funds easier and a one-stop-shop for advice on finance for SMEs, still have to be put in practice.

3.6 Single market



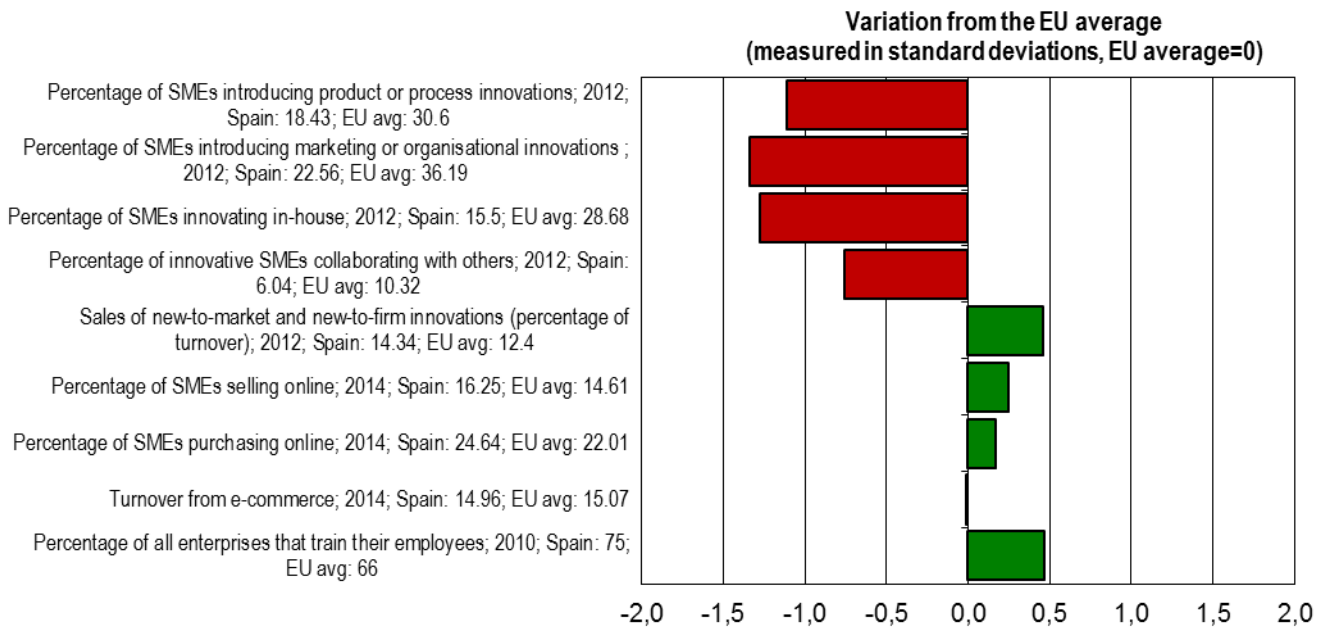
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Although Spain is performing below the EU average, since 2008 its performance has markedly improved. In fact, this improvement was substantially higher than the EU average. One driver of this development was the substantial improvement in implementing the single market legislation. The average transposition delay has been cut by half compared with 2008, when the average stood at 11 months. The reduction in the number of pending infringement procedures was of a similar magnitude (from 108 to 57), while the number of single market directives not yet transposed remained stable at eight since 2008. The proportion of SMEs trading on the single market also

increased steadily since 2008, except for a sudden drop in 2012, which was the last year for which data were available. Since then, figures from national sources suggest that exports have been on the rise again.

Spain has implemented most of the policy recommendations of the SBA. In recent years, including the reference period for the 2015 fact sheet, the single market was not among the policy priorities, with no additional measures of importance being implemented.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Spain's score is in line with the EU average and its overall performance has not changed much compared with last year. Since 2008, conditions have worsened, although only minimally and to a lesser extent than the EU average. For individual indicators, there are some marked changes.

Spanish SMEs are increasingly integrating IT into their business models: the proportion of SMEs with turnover from e-commerce increased steadily from 8 % in 2008 to almost 15 % in 2014. The proportion of SMEs selling and purchasing online have increased by similar margins. One in four Spanish SMEs is purchasing inputs online. This performance was accompanied by specific support measures such as the 2013 *¿Vendes en Internet?* internet commerce programme, geared towards facilitating and promoting e-commerce among SMEs.

On IT overall, Spain performs well within the EU average, whereas for innovative capacity Spanish SMEs continue to lag behind. The performance on some key indicators has worsened steadily since 2008, specifically those which record the proportion of SMEs innovating in-house and SMEs that have introduced various forms of innovation. Only on some specific aspects, such as collaboration with other SMEs and the sales of new-to-market and new-to-firm products did the performance of Spanish SMEs remain largely unchanged. However, the participation rate of Spanish SMEs in EU R&D framework programmes was comparatively high in recent years. The overall percentage of Spanish SMEs' participation in the EU's Seventh Framework Programme (2007-2013) — promoted by CDTI — was 15.2 %. As a result they obtained EUR 624 million for their R&D activities. For the Horizon 2020 programme, the first

results of the SME instrument for 2014 show that with 13.3 % Spain has the second highest participation rate. There was no new data on skills in the reference period. In previous years, Spain's performance on this point was good.

On policy, public support instruments for innovation suffered major cutbacks during the crisis. Consequently, there have been very few new policy initiatives in the past few years.

Only recently (since 2013), some important initiatives have been launched. The 2014 national plan for scientific and technical research and innovation addresses the need to increase business R&D expenditure, makes it easier to transfer knowledge between actors and fosters smart specialisation at regional level. The proposed reforms cover the governance system, the quality of human resources, the funding allocation system, knowledge transfer between actors, oriented research focusing on grand societal challenges strengthened public-private cooperation and internationalisation.

Public-private collaborative projects were promoted through CIEN (a strategic R&I Consortium) in which CDTI invested EUR 125 million in 2014 to stimulate cooperation between research centres and technological firms in the form of the (*Retos Colaboración*) networks. Public-private collaboration in R&I has been complemented by public funding (EUR 170 million) to promote innovation targeted to the 'grand challenges' of society again with the help of the (*Retos Colaboración*) networks. In 2014, CDTI provided around EUR 14 million in funding for the Linea de Innovacion Global 'Global Innovation Line', designed to

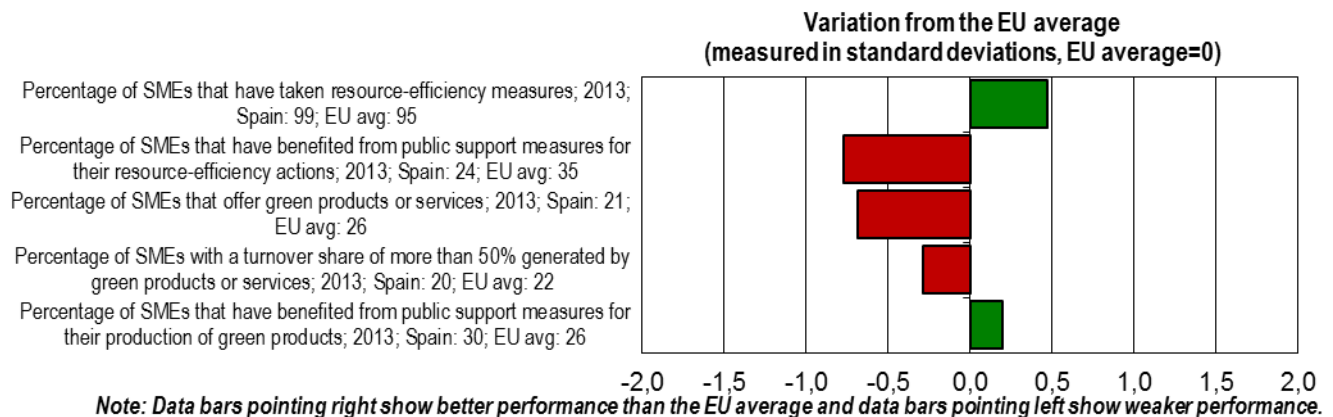
improve the growth and internationalisation of innovative companies with the help of a special finance facility.

In 2014, CDTI, a funding agency of the Ministry of Economy and Competitiveness, invested about EUR 800 million in projects and other innovation activities by companies and especially SMEs. New policy instruments include funding (loans) for the adoption of new technologies, for manufacturing infrastructure and for innovative procedures (the *Línea Directa de Innovación*), with about EUR 150 million invested in 2014. Also, some important measures focusing on developing the IT capacities of SMEs were put in place by the government. In the reference period for the 2015 fact sheet, however, no new measures focusing on innovation were launched. The ICEX programme for participation in international tenders (see the section on internationalisation), which was launched in the reference period, is first and foremost

a trade promotion measure with an IT component.

Overall, Spain has most of the measures recommended in the SBA in place, such as cluster support, business angels support instruments, credit lines offered by public institutions and loans to young entrepreneurs. However, many of these measures need to be expanded. This is particularly true for skill development.

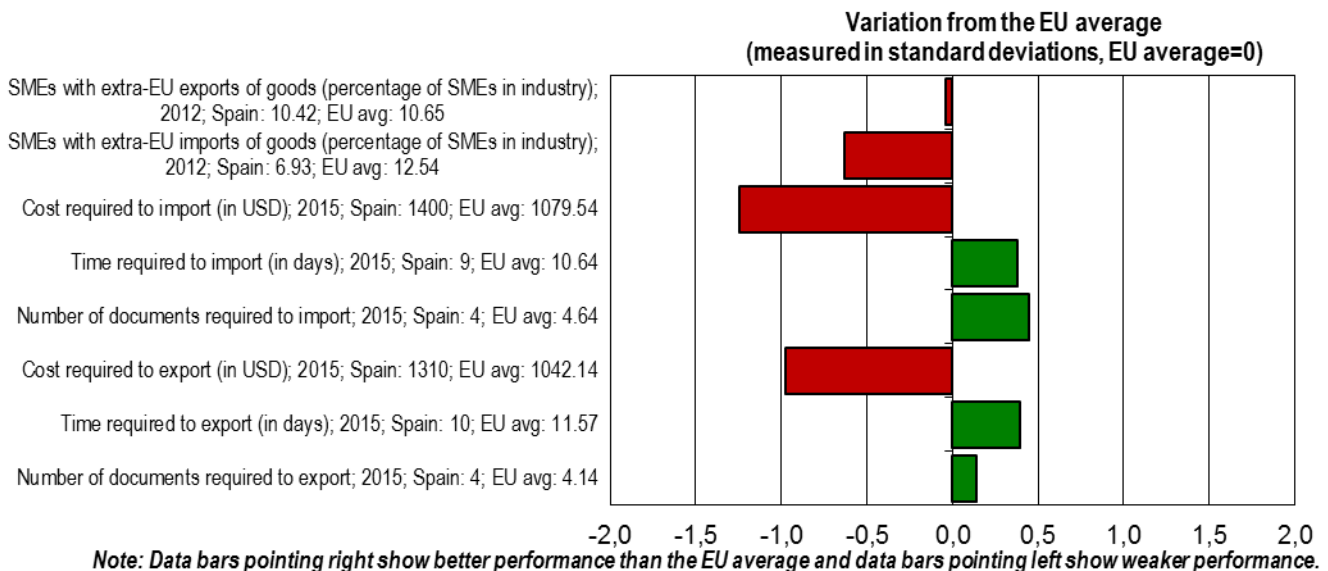
3.8 Environment



Spain is just within the EU average with its overall score, although its performance on individual indicators is mixed. Relatively few SMEs in Spain are benefiting from public support for actions they take to promote resource efficiency. Although the proportion of SMEs which have received public support to develop and produce environmentally-friendly products has improved, overall this area was not a SBA priority in Spain even though, strategically, organically produced agricultural products for export markets have been identified as a promising opportunity. As in previous years, no important policy measures were launched in the reference period for the 2015 fact sheet. As a consequence, many of the SBA measures, such as green procurement and incentives for SMEs to undergo EMAS

certification, are not in place. Similarly lacking are country-wide and innovative support measures to support eco-efficient processes, goods or services and large-scale incentives for the use of renewables for SMEs. Despite this, Spanish companies are continuing to invest in the EMAS system. Spain is the country with the highest number of EMAS registrations in the European Union and has the largest number of eco-label licences after France, Italy and Germany. Spanish exports have steadily grown and the eco-label is a tool that provides it with competitive advantages in the European market.

3.9 Internationalisation



Spain’s performance is in line with the EU average. The proportion of Spanish SMEs exporting has modestly but steadily grown since 2008 and stood at 10.4 % in 2012, almost unchanged from last year’s fact sheet. The framework conditions for trading are generally not a problem, especially as regards time taken and bureaucratic procedures. The costs to export from or import into Spain are, however, not competitive in the EU context. These are about 30 % higher than elsewhere in the EU and have remained unchanged at this high level for the past six years.

The support for SME internationalisation is a SBA policy priority for Spain. Much has been done in recent years: of particular importance is the 2014-2015 strategic plan for the internationalisation of the Spanish economy. This includes 41 measures covering six main priorities: business environment, access to foreign markets, access to finance, trade promotion and business support, fostering a culture of internationalisation and innovation. The plan is to be updated on a two-year basis. In parallel, a new Law on entrepreneurship and internationalisation (*Ley de Emprendedores e Internationalisation*) was adopted. This focuses on better adjusting the existing national export promotion administration to the needs of SMEs. During the reference period for the 2015 fact sheet a host of additional measures were launched. These included:

- The approval of Law 4/2014 to increase competitiveness and promote internationalisation projects by strengthening the support role by the different Chambers of Commerce towards SMEs.
- The adoption of Royal Decree 579/2014, which complements certain aspects of Law 14/2013 on entrepreneurship and internationalisation support measures as regards financing conditions for exporting SMEs.
- The programme for participation in international tenders (ICEX) to increase the participation of Spanish companies in international private and public projects by funding part of the cost of preparing, submitting and monitoring technical bids in international tenders (see also section 3.7).
- The ‘Ventana Global’ (global window) platform was created to provide information to entrepreneurs wishing to undertake internationalisation projects. Entrepreneurs can use the platform to gain comprehensive access to information on internationalisation. The platform was created by ICEX.

Internationalisation is one of the few SBA areas where Spain has implemented the complete range of SBA measures. This underlines the strategic importance of this policy area in revitalising the Spanish economy as a whole and SMEs in particular.



4. Interesting new initiative

Below is an example of a new initiative from Spain to show what governments can do to support SMEs:

Programme for participation in international tenders (ICEX)

This programme aims to promote the participation of Spanish SMEs in international tender projects by partly funding the costs for preparing, submitting and monitoring technical bids. The scope of subsidies is limited to projects that are not carried out within the European Economic Area.

It is primarily aimed at engineering and consulting SMEs, as well as to contractors involved in industrial and civil projects. The programme is focused on technological projects to encourage IT exports by Spanish SMEs. The aid could be funded by the European Union through the European Regional Development Fund (ERDF), of which ICEX's 'Exports and Investment' department is the executive body.

The main rationale behind this initiative is to boost the internationalisation of Spanish companies, particularly SMEs. With the introduction of the new 'Ventana Global' platform, these support instruments are easier to find, since 'Ventana Global' is a common platform that includes all public services for internationalisation.

References:

<http://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/programas-y-servicios-de-apoyo/lineas-apoyo-licitaciones-internacionales/index.html>

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information for the 28 EU Member States and seven non-EU countries that also contribute to the COSME programme. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2013, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–2012 figures from Eurostat’s Structural Business Statistics Database. The data cover the non-financial business economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

² Calderón Patier, C. And González Lorente, Á.: Políticas públicas para incentivar el acceso a la financiación de las pymes en España: el mercado alternativo bursátil (MAB); http://pendientedemigracion.ucm.es/info/revesco/txt/REVESCO%20N%20109.3_%20Carmen%20CALDERON%20y%20Alvaro%20GONZALEZ.htm; last accessed: 17 March 2015

³ Fundación Cotec para la Innovación Tecnológica (2014): Informe COTEC 2014 — Tecnología e Innovación en España: <http://www.ipyme.org/es-ES/noticias/Documents/Informe-Cotec-2014.pdf>; last accessed: 17 March 2015

⁴ Instituto de Turismo de España (2014): COYUNTUR Boletín trimestral de Coyuntura Turística: <http://www.iet.tourspain.es/es-ES/estadisticas/analisturistico/coyuntur/trimestrales/Coyuntur%2019.%20Tercer%20trimestre%202014.pdf>; last accessed: 17 March 2015

⁵ Instituto Nacional de Estadística (2014): http://www.ine.es/en/prensa/np858_en.pdf; last accessed: 17 March 2015

⁶ Instituto Nacional de Estadística (2013): http://www.ine.es/en/prensa/np794_en.pdf; last accessed: 17 March 2015

⁷ Dirección General de Industria y de la Pequeña y Mediana Empresa (2015): Retrato de las PYME 2015: http://www.ipyme.org/Publicaciones/Retrato_PYME_2015.pdf; last accessed: 17 March 2015

⁸ For further details, consult: http://www.mineco.gob.es/stfls/mineco/comercio/pdf/150410_Plan_Comercio_Minorista_2015.pdf

⁹ Instituto de Crédito Oficial (2014): Financiación a pymes y autónomos del comercio minorista: https://www.ico.es/web/ico_newsletter/articulo-carmen-cardeno-pardo-directora-general-comercio-interior; last accessed: 17 March 2015

¹⁰ The 2015 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

¹¹ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2015. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2015. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. For more information on the methodology see Saisana and Domínguez-Torreiro 2015 on the webpage of the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

¹² The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2014 and the first quarter of 2015. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2015 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

¹³ According to data from the Ministry of Finance and Public Administration, regional governments paid in 58 days (Q4 2014). This figure differs from the 79 days stated in the Intrum Justitia report. More detailed information can be found at: http://www.minhap.gob.es/Documentacion/Publico/CDI/PMP/Publicaci%C3%B3n%20PMP%202015_03.xls

¹⁴ According to national data from Banco de España, the payment period for SMEs is 80 days: (source: <http://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/15/Ene/Fich/be1501-art3.pdf>)