

**CeSPI**

Centro Studi di Politica Internazionale

# **Introduction to Spanish Instruments for the Economic Cooperation with South Mediterranean Countries**

*Elisenda Estruch*

**2007**

# CONTENTS

<b>1. INTRODUCTION</b> .....	3
<b>2. MAIN FEATURES OF SPANISH FOREIGN SECTOR IN THE SOUTH MEDITERRANEAN</b> .....	3
<b>3. FINANCIAL INSTRUMENTS FOR INTERNATIONALISATION IN SPAIN</b> .....	10
<b>3.1. ICO (Instituto de Crédito Oficial)</b> .....	11
3.1.1. Corporate Internationalisation.....	11
3.1.2. State Financial Agency: Foreign Sector Backups.....	14
<b>3.2. Instituto Español de Comercio Exterior (ICEX)</b> .....	18
<b>3.3. Compañía Española de Seguros de Crédito a la Exportación. SA (CESCE)</b> .....	22
<b>3.4. Compañía Española de Financiación al Desarrollo, SA (COFIDES)</b> .....	23
<b>3.5. Countries with High Potential (Algeria and Morocco)</b> .....	26
<b>4. FINAL REMARKS</b> .....	29

**Annex 1: CESCE**

**Annex 2: COFIDES**

## 1. INTRODUCTION

In most countries, instruments to support the internationalisation of domestic firms are deemed necessary to facilitate access to foreign markets. In many of them, we find more than one public organisation in charge of promoting foreign trade and investments abroad.

In principle, instruments fostering internationalisation allow domestic firms to expand their activities abroad. They are expected to respond to private sector needs to expand their activities to foreign markets, by reducing information costs and facilitating access to capital at favourable conditions<sup>1</sup>. On the other hand, such instruments respond as well to interests of national governments. They can direct private firms towards emerging economies or regions in which the State has specific interests at high political level.

The purpose of this document is to review national public instruments supporting the internationalisation of Spanish firms towards the South Mediterranean (SM) region<sup>2</sup>. The features and data about the demand for such assistance should give us some indications about the actual interests of Spanish firms towards those markets.

First, we review the main features of the Spanish foreign sector, just to set the background in which instruments operate. Next, we describe main national public instruments for the internationalisation of Spanish firms. We start with those promoted by ICO. Then, we describe those promoted by other institutions, such as ICEX, CESCE and COFIDES. Finally, last section summarises main points. It is recalled that several institutions and governance levels are involved.

Instruments include both financial and promotion activities. Spanish instruments tend to cover all world markets. For those with a specific geographical destination, we find preference for Latin America or emerging economies, such as India and China. Yet, Algeria and Morocco seem to be priority markets for the Spanish Administration.

This overview of existing instruments for the internationalisation of Spanish firms towards the South Mediterranean shall prove useful for comparative analysis against Italian instruments for internationalisation (see Coletti, R., 2007<sup>3</sup>). This paper is descriptive, further and deeper research should be conducted to enrich the information it contains with better indicators on the demand of internationalisation instruments towards the Southern Mediterranean region. Unfortunately, a common drawback in this type of analysis is the scarcity of reliable and updated data of the performance of existing programmes<sup>4</sup>. Nonetheless, this overview is definitively a practical source of information for a better understanding of the interests of Spain towards that region.

## 2. MAIN FEATURES OF SPANISH FOREIGN SECTOR IN THE SOUTH MEDITERRANEAN

This section describes those features of the Spanish foreign sector towards the Southern Mediterranean economies that describe the background in which internationalisation instruments operate. Thus, it consists of a simple overview. Readers are invited to consult main references mentioned over the section for more detailed information.

Over the last years, Spain is being recognised as “one of the countries most sensitive to the situation in the Mediterranean and one of the most vulnerable to any destabilising event” (Núñez Villaverde, 2005, p.103)<sup>5</sup>.

---

<sup>1</sup> Rosson, P.J. and F.H.R. Seringhaus (Eds.) (1991): “Export Development Promotion. The Role of Public Organisations”, Kluwer Academic Publishers, London.

<sup>2</sup> For the purposes of this paper, the countries belonging to the South Mediterranean region are considered to be: Morocco, Algeria, Tunisia, Libya, Egypt, Lebanon, Syria, Israel, Palestinian Authority, Jordan.

<sup>3</sup> Coletti, Raffaella (2007): “Strumenti Nazionali per la Cooperazione Economica con i Paesi del Mediterraneo. Raccolta Materiali”, Background Paper Project “Proiezione economica di Italia nel Mediterraneo, CeSPI/MAE.

<sup>4</sup> Calderón García, H. and T. Fayos Gardò (2002): “La medición de los resultados de la promoción de las exportaciones: dificultad y necesidad”, Boletín Económico de ICE, No. 2746, November 2002.

<sup>5</sup> Núñez Villaverde, J. A. (2005): “Spanish Policy towards the Euro-Mediterranean Partnership” in Richard Youngs and Haizam Amirah Fernández (Eds.) “The Euro-Mediterranean Partnership: Assessing the First Decade”, FRIDE, Madrid, September 2005, pp. 103-109

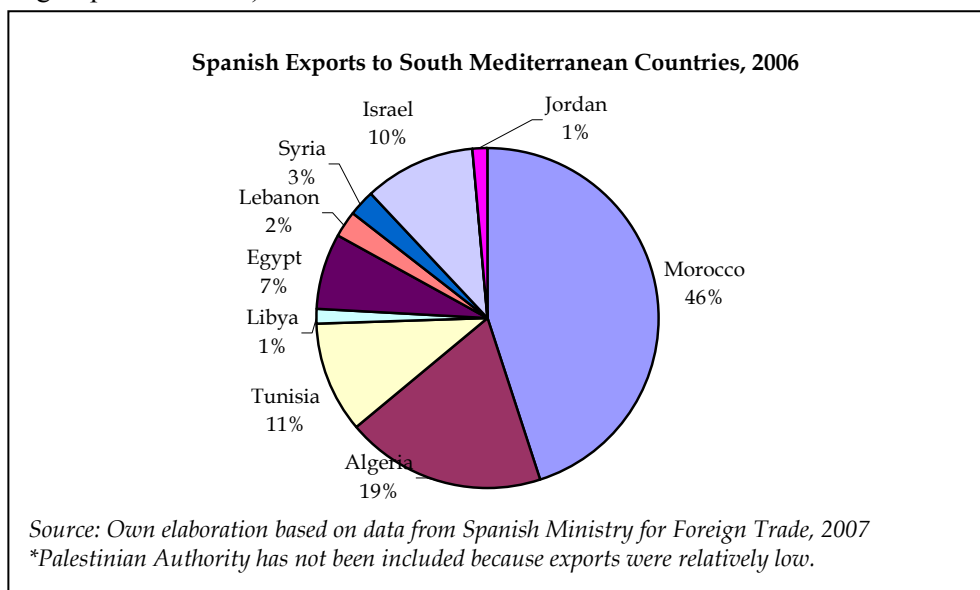
In fact, Spain has demonstrated strong interests towards the Mediterranean at high political level, mostly through its involvement in the re-launch of the Euro-Mediterranean Partnership (Conference of Barcelona, 2005)<sup>6</sup> and the promotion of the newly created concept of “Alliance of Civilizations”.

At EU level, the re-launch of the Barcelona Process was deemed crucial to counterbalance growing interests towards the EU Eastern borders by Northern Member States, and importantly, new issues were included in the policy agenda, such as migration and international terrorism. On the other hand, the Alliance of Civilizations intends to promote the dialogue between East and Western civilizations, or more in general enhance cross-cultural dialogue, within the framework of multilateral institutions<sup>7</sup>. At Mediterranean level, it has been supported by Spain together with Turkey. In particular, Spain participated in the Arab League Summit in 2005 to enlighten Arab countries about the Alliance of Civilizations. Does this geopolitical stance within the Mediterranean region find also its expression in the economic spheres?

Spain has a relatively high level of commercial relations with Southern Mediterranean (SM) Partner Countries. Since 1999, the commercial account has been negative in favour of South Mediterranean (SM) countries, mostly due to increased imports of energy and oil products from Algeria, Libya and Egypt. Still, Moroccan imports to Spain have been rising since 2005, which result from deeper commercial relations between the two economies.

Spanish exports towards the SM region represented around 3-4% of total Spanish exports over the last decade. If Turkey was considered, figures rise about a percentage point. In the table for exports over the last decade (see end of this section), we observe how flows have evolved positively, especially towards Morocco and Algeria. We recall the evolution of exports towards Morocco which over the last decade has raised more than four times their value for 1995. However, larger export dynamism is noticed towards other economies, such as Turkey and Eastern Europe. For instance, Spanish exports directed to Turkey have passed from almost 0,5 Billion Euro in 1995 to more than 2,7 Billion Euro in 2006.

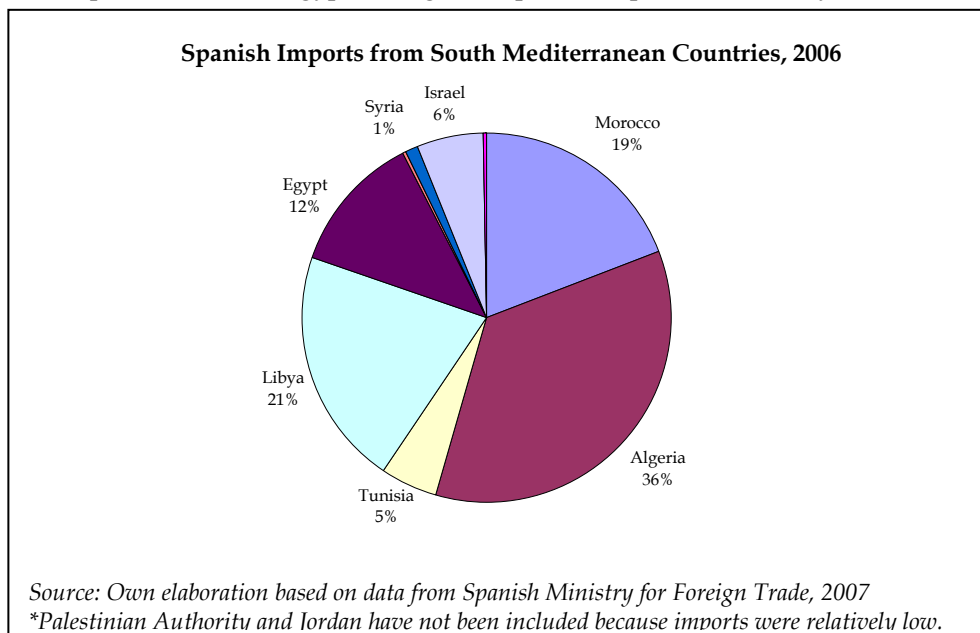
As reflected in the graph below, exports towards SM countries concentrates in three economies (percentages for 2006): Morocco (46%), Algeria (19%) and Tunisia (11%). Instead, Spanish producers do not trade significantly with Middle East countries (with the exception of Israel, which attracts 11% of total Spanish exports to this group of countries).



<sup>6</sup> The EMP is a wide framework of political, economic and social relations between the Member States of the European Union and 12 Partners of the Southern Mediterranean (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey). The EU enlargement in 1 May 2004 brought two Mediterranean Partners (Cyprus and Malta) into the European Union, while adding a total of 10 to the number of Member States. Turkey has to date status of EU candidate country. Thus, as from January 2007, the Euro-Mediterranean Partnership comprises 37 members (EU25+Bulgary, Romania), 10 of them Mediterranean Partners (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey, the latter as candidate). Libya is not member of the EMP, but it has the status of observer.

<sup>7</sup> The Alliance of Civilizations: [www.unaoc.org](http://www.unaoc.org)

Looking at the evolution of imports, we can easily notice that currently Spain has a negative commercial balance with SM countries, mostly due to imports of energy and oil. (See table at the end of this section) In fact, Algeria and Libya appear among the major sources of Spanish imports from that region. Still, we recall the emergence of Morocco as major supplier to Spain over the last decade, as imports from this economy have risen from 434,6 Million Euro in 1995 to 2.432,2 Million Euro in 2006. Dependency on imports of energy may also explain the rise of Egypt as origin of Spanish imports in the last years.



Sectoral composition of these import flows shows that they are structured around primary products of low added-value. Spain imports mining products, oil and gas come mostly from Algeria and Libya; while textile and clothing, agriculture and fisheries, and chemicals and fertilisers come from Morocco and Tunisia. For instance, the importance of textile and clothing is explained by a large component of intra-firm trade through which major Spanish manufacturers re-export the product to Spain and other EU markets.

On the other hand, Spanish investments in SM region are irregular. In fact, it contrasts with a increased dynamism of commercial relations. Investment flows remain sensitive to adverse political climate and relatively weak business climate attributed to the region<sup>8</sup>. Still, Spanish investments seem to flow towards Morocco, which in 2006 ranked 11<sup>th</sup> among main investment destinations. The table below reports annual investment flows towards North African countries. Spanish investment towards Middle East is insignificant.

<sup>8</sup> Guerraoui, D. (2003): “Las relaciones entre el Magreb y España: una visión desde el Magreb” in “Med2003. Anuario del Mediterráneo”, IeMED-CIDOB (Eds.), 2003.

Spanish investments in Northern Africa (Million Euro), 1993-2005						
	Morocco	Algeria	Tunisia	Libya	Egypt	Total
1993	17.920	0	320	40	0	18.280
1994	4.510	0	870	40	0	5.420
1995	25.560	920	220	40	3.270	30.010
1996	25.580	4.430	390	0	0	30.400
1997	10.840	540	290	40	0	11.710
1998	14.080	460	136.220	0	0	150.760
1999	172.810	1.670	24.680	40	130	199.340
2000	49.610	0	470	0	30	50.110
2001	28.860	250	3.930	0	6.610	39.650
2002	185.720	120	113.530	4.500	8.670	312.550
2003	1.397.450	0	2.170	4.500	214.680	1.618.810
2004	22.170	240	0	3.870	7.850	34.120
2005	17.110	1.970	590	0	260	19.930
Total	1.972.220	10.600	283.680	13.070	241.500	2.521.090

*Source: Database of Foreign Investments of the Spanish Ministry of Industry and Commerce (December, 2006)*

Two major Spanish operations in Morocco and Egypt explain the sharp rises reported in 2003 by the table. In Morocco, the French-Spanish company Altadis purchased 80% of the public tobacco company, *Régie des Tabacs*. The operations in Egypt correspond to a large scale investment project led by Repsol for the production of oil in the concessions of Khalda, Umbarka, South Umbarka, and Suez Gulf.

In conclusion, commercial and investment outflows seem to concentrate in three markets: Turkey, Morocco and Algeria. These three markets absorb more than 70% of Spanish products in the Mediterranean region, for a value worth more than EUR 6 billion. Besides, all of them rank within the top twenty foreign markets of Spain. Positioning of Spanish commercial indicates that Spain would privilege economic relations with North African countries relative to Middle East economies (other than Turkey). Finally, we recall the dependency of the Spanish economy on imports of energy and oil from Mediterranean partners, mostly from Algeria.

Finally, a brief reminder of the average profile of an export firm in Spain may contribute to a better understanding of the Spanish foreign sector. According to Council of Spanish Chambers of Commerce<sup>9</sup>, main features of the Spanish export firm for the period 2000-2005 can be summarised as follows:

In 2005, Spain had up to 77.300 firms performing export activities.

For the same year, each of them was calculated an average export activity worth 2 Million Euro.

Between 2002 and 2005, 33.663 Spanish firms exported in all and each of the years of the period. The average individual export activity was worth more than 4 Million Euro.

Four firms concentrated around 9,3% of total Spanish Exports in 2005, while the ten major export firms represented 16,1% of total exports.

In 2005, about a fourth of Spanish export firms sold their products to France or/and Portugal. These two countries, together with Andorra, Italy, USA, Germany, United Kingdom and Morocco were favourite destinations. Each of these markets received products from more than 10.000 Spanish export firms.

In 2005, main Spanish export sector was machinery and mechanic devices, which accounted for 20% of total exports. Automotive vehicles followed, with more than 10.000 firms with export activity in this sector.

At regional level, export firms are mostly located in Catalonia (34,3% of total), Madrid (18,9%) , Valencia (16,7%) and Andalusia (11,4%).

In Madrid, Catalonia and Murcia, total exports were distributed among a larger number of firms than in Canarias, Aragon and Castilla y León, where exports were concentrated in fewer firms.

However, since 2001, the loss of competitiveness of the Spain together with the worsening of the external accounts has urged the productive transformation of the economy. In this sense, in December 2006, the Spanish State Secretariat for Tourism and Trade (*Secretaría de Estado de Turismo y Comercio*) issued a radical plan to promote the internationalisation along three priorities: increase the number of international firms, diversify destination markets, and increase the added value of exports and country-image. This pack included a broad set of measures, from financial to promotion and training and should enter into force from beginning of 2007. As results, some of the existing instruments were reinforced and adapted to Small and Medium Enterprises (SMEs)<sup>10</sup>. Also, in view of the growing need of upgrading the domestic added-value chain, the public administration has promoted the delocalisation to low cost economies through reinforced outwards investment and also, encouraging investments in innovative sectors and R&D (*Plan Ingenio 2010*<sup>11</sup>).

---

<sup>9</sup> “La Empresa Exportadora Española: 2000-2005” (2007), Servicio de Estudios del Consejo Superior de Cámaras de Comercio

<sup>10</sup> J. M. Triper/El País-Negocios: “Plan de choque para la exportación”, 3rd December 2006.

<sup>11</sup> Plan Ingenio 2010: [www.ingenio.es](http://www.ingenio.es)

Spanish Exports to South Mediterranean Countries (million Euro), 1995-2006												
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Morocco	588,9	635,6	769,9	968,4	1.105,7	1.370,9	1.497,8	1.695,2	1.874,6	2.186,3	2.242,6	2.562,5
Algeria	742,6	544,5	528,8	612,9	500,9	548,0	579,8	752,5	759,0	828,1	1.239,0	1.061,5
Tunisia	262,5	228,8	302,7	340,0	348,1	407,9	491,6	528,6	533,2	568,6	591,9	599,2
Libya	128,8	133,7	142,3	228,4	111,5	118,8	90,3	96,5	125,5	111,0	176,3	84,1
Egypt	231,5	241,1	293,8	361,9	456,1	428,5	399,1	331,0	360,7	668,7	411,8	410,9
Lebanon	99,5	102,0	140,1	130,1	135,0	133,9	174,2	195,6	191,2	147,2	134,9	137,8
Syria	55,5	70,9	85,2	83,9	75,5	99,6	107,7	101,8	123,2	131,1	118,7	151,5
Israel	476,6	550,8	633,0	637,2	612,6	865,6	847,7	688,1	574,1	511,9	518,4	589,4
Palestinian Authority	0,0	1,4	10,4	26,8	8,9	6,5	1,0	0,9	2,3	1,1	6,0	1,6
Jordan	44,3	38,8	50,4	55,1	48,2	65,2	116,8	83,0	110,2	104,9	74,6	84,6
<b>Total SM countries</b>	2630,18	2547,5	2956,49	3444,63	3402,46	4044,86	4305,82	4473,13	4653,84	5258,95	5514,16	5682,91
<b>Total Spanish exports</b>	69962,2	78212,1	93419,3	99849,4	104788,6	124177,3	129771,0	133267,6	138119,0	146924,7	155004,7	169872,02
<i>% SM to total Spain</i>	4%	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	3%
<i>% North Africa to total SM</i>	66%	61%	59%	62%	61%	60%	62%	69%	71%	70%	77%	76%
<i>% Middle East to total SM</i>	34%	39%	41%	38%	39%	40%	38%	31%	29%	30%	23%	24%
<i>% North Africa to total Spain</i>	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%
<i>% Middle East to total Spain</i>	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Source: Own elaboration based on data from Spanish Ministry for Foreign Trade, 2007

Spanish Imports from South Mediterranean Countries (million Euro)												
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Morocco	434,6	485,5	589,7	677,0	711,5	967,1	1.219,7	1.388,0	1.604,7	1.882,6	2.113,2	2.432,2
Algeria	727,7	892,8	1.361,4	1.180,7	1.411,3	3.093,8	3.363,1	2.962,3	2.828,6	2.893,6	4.079,8	4.490,5
Tunisia	199,4	178,7	210,5	205,0	305,0	392,4	371,3	387,1	348,2	474,6	509,3	654,4
Libya	914,7	870,2	917,4	763,4	1.074,8	2.030,7	2.057,9	1.631,2	1.808,3	2.026,2	2.405,9	2.647,3
Egypt	157,6	154,2	142,3	83,6	104,7	248,0	256,9	263,2	317,5	456,6	1.062,8	1.563,4
Lebanon	5,2	4,8	6,0	6,5	11,1	22,6	20,4	22,6	20,8	14,7	14,2	10,8
Syria	210,4	205,9	235,4	132,4	280,6	190,0	282,8	262,2	108,6	222,7	211,7	147,2
Israel	244,9	299,6	325,6	377,7	428,6	521,1	663,0	492,5	526,9	564,3	594,7	764,4
Palestinian Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,1	0,1
Jordan	12,0	12,6	8,8	10,8	10,9	7,6	12,9	9,7	14,4	19,6	26,6	24,4
<b>Total SM countries</b>	4.901,4	5.100,3	5.794,1	5.435,0	6.337,3	9.473,4	10.249,0	9.420,9	9.581,1	10.559,0	13.023,3	14.740,8
<b>Total Spanish imports</b>	87.142,3	94.179,5	109.468,7	122.856,1	139.093,7	169.468,1	173.210,1	175.267,9	185.113,7	208.410,7	232.954,5	259.559,0
<i>% SM to total Spain</i>	6%	5%	5%	4%	5%	6%	6%	5%	5%	5%	6%	6%
<i>% North Africa to total SM</i>	46%	48%	53%	52%	55%	68%	68%	68%	69%	69%	70%	69%
<i>% Middle East to total SM</i>	13%	13%	12%	11%	13%	10%	12%	11%	10%	12%	15%	17%
<i>% North Africa to total Spain</i>	3%	3%	3%	2%	3%	4%	4%	4%	4%	3%	4%	4%

Source: Own elaboration based on data from Spanish Ministry for Foreign Trade, 2007

### 3. FINANCIAL INSTRUMENTS FOR INTERNATIONALISATION IN SPAIN

Instruments are summarized in this section. It should be recalled that this is a general overview. Similarly, for precaution, since some instruments are reviewed on an annual basis, the section includes only those available at the moment of the research.

Information has mostly been obtained from official documents and websites. Additionally, the “Manual of Spanish Instruments for Internationalization” (*Apoyo a la internacionalización: Instrumentos financieros*, 2007) has been a useful source about financial instruments at disposal of Spanish firms. It results from a consultation to experts in the field prepared by the Spanish Chambers of Commerce and the Club of Exporters and Investors. Most relevant instruments and corresponding assessment have been summarised in the following paragraphs. For more detailed information, we recommend consulting the Manual and specific websites.

Measures promoting the participation of Spanish enterprises in foreign markets can be divided into two general categories: horizontal measures, which apply to any type of firm and vertical measures, which instead focus on Small and Medium Enterprises (SMEs). In turn, within each of these two categories, we can find different types of activities, namely:

- Financial (official credits for export, support to investments abroad, and other specific financial measures)
- Commercial promotion (support to commercial missions, support to creation of export consortia and business centres, etc)
- Tax measures (reductions in Corporate Tax or double taxation agreements)
- Training and information campaigns
- Other (promotion of export associations)

In general, we find that instruments seem to apply for all foreign markets (i.e. no specific geographic focus). Instruments would then leave room to private sector operators to define their geographical positioning according to their own internationalisation and management strategies. Still, it is noticed that many instruments have an actual geographical interest. In such cases, support is mostly directed towards traditional Spanish destinations, such Latin America and Caribbean. However, emerging economies such as China and India are increasingly receiving attention, as well as Turkey and new EU Member States. While Southern Mediterranean economies do not appear a major destination markets, we find two SM countries to be priority destinations: Algeria and Morocco (see further below in: *Planes Integrales de Desarrollo de Mercado*).

At public level, the Spanish Ministry of Industry, Tourism and Trade (*Ministerio de Industria, Turismo y Comercio*) is in charge of supporting the internationalisation of Spanish firms. However, certain issues have been delegated to the State Secretariat for Tourism and Commerce (*Secretaría de Estado de Turismo y Comercio*). Under this Secretariat, the Directorate General for Commerce and Investments (in Spanish, *DGCOMINVER, Dirección General del Comercio e Inversiones*) is in charge of managing some of the State budget lines for financing internationalisation activities (such as the FAD loans or CARI fund, see further below). It is also in charge of managing the funds for programmes of the Commercial Offices Abroad (*Oficinas Económicas y Comerciales en el Exterior*), as well as launching and awarding public grants for Chambers of Commerce abroad (as established in the Orden ITC/3187/2004, 4th October).

The Spanish Ministry for Economy and Public Finance is also involved in promoting the internationalisation through the Directorate General for International Financing (or DGFINT, Spanish acronym for *Dirección General de Financiación Internacional*), which depends on the State Secretariat General for Economic Policy and Competition Policy (*Secretaría General de Política Económica y Defensa de la Competencia*). DGFINT is responsible for representing Spain in International Financial Institutions (IFIs), such as IMF or Club of Paris, and for managing the contributions to technical assistance funds in IFIs and all development banks, including the African Development Bank (of which North African countries object of the research are members<sup>12</sup>). It is also responsible for promoting the Spanish presence in technical assistance operations financed with those funds. Actually, DGFINT has a minor direct role, in terms of actual promotion of the internationalisation of Spanish firms. Nonetheless, there are two instruments through which Spanish economic actors are encouraged to operate abroad through export of services and investments: Consultancy funds in multilateral institutions and Mechanisms for debt-for private investment swap (*Mecanismos de*

---

<sup>12</sup> Algeria, Egypt, Libya, Morocco, Tunisia.

*conversión de deuda por inversiones privadas*), respectively<sup>13</sup>. (Art. 18 of the Royal Decree 562/2004, 19th April)

At operational level, public support to internationalisation is implemented by several institutions. Namely, *Instituto de Crédito Oficial* (ICO), *Instituto de Comercio Exterior* (ICEX), *Compañía Española de Seguros de Crédito a la Exportación* (CESCE) and *Compañía Española de Financiación al Desarrollo* (COFIDES). The following subsections describe the range of instruments at disposal in each of these institutions. Finally, and significantly interesting, there are the *Planes Integrales de Desarrollo*, which put at disposal a broad range of facilities to promote the internationalisation to priority markets. Those for Algeria and Morocco are here described.<sup>14</sup>

### 3.1. ICO (Instituto de Crédito Oficial)<sup>15</sup>

ICO is a public enterprise controlled by the Spanish Ministry of Economy and Finance. Since 1991, it has sustained investment projects of Spanish firms to reinforce their competitiveness. Consequently, ICO operates both as an investment bank and as State financial agency. Since 2004, ICO's priority areas have been investments by SMEs, capital formation in strategic sectors as well as corporate internationalization. Here, we focus on instruments that support the latter.

#### 3.1.1. Corporate Internationalisation

ICO uses two types of support to finance the establishment and investment activities of Spanish enterprises in other countries: on the one hand, Corporate Investment Facilities (*Líneas de mediación*), like the Internationalisation Facility and ICO-ICEX Facility; and on the other, Programmes of Direct Financing, such as the Programme for the Financing of Large-scale Investments Abroad (Spanish initials, PROINVEX).

##### i. ICO Internationalisation Facility 2007 (*Linea ICO Internacionalización*)

---

<sup>13</sup> On the one hand, Consultancy funds in multilateral institutions (*Fondos de Consultoría con Instituciones Multilaterales*) offer to Spanish firms opportunities to operate abroad through consultancy services within the financing framework agreed by DGFINT with multilateral institutions and regional development banks. However, it has minor relevance for the Southern Mediterranean region, since Spanish firms can only perform consultancy services through funds agreed with multilateral institutions, which are then allocated in a wide range of countries and subject to certain priorities. Furthermore, according to the Spanish Chambers of Commerce and the Club of Exporters and Investors (2007), the Spanish Administration should promote and strengthen the intermediation with IFIs, since currently Spanish firms are excessively unfamiliar with this type of activities. On the other hand, Mechanisms for debt-for investment swap (*Mecanismos de conversión de deuda por inversiones*) are a financial instrument that the Spanish Administration has launched in some developing countries over the last years. They aim to transform part of the external debt with Spain into local-currency denominated funds to finance projects in the debtor country. Hence, these instruments are expected to be beneficial in terms of investment for both the debtor country and Spain. There are two modes: debt-for private investment swap and debt-for public investment swap. For a debtor country, this instrument enables to reduce part of the external debt and also attracts foreign investment. For Spain, domestic firms are encouraged to increase foreign investment towards debtor countries. Also, given the scarce probability of debt reimbursement, this swap has a low opportunity cost for Spain. For the Spanish firm acquiring foreign debt, benefits are seized from the margin between received sum and effectively paid amount. In practice, the debt-to investment swap implies two sale-purchase operations: on the one had, the sale of external debt by the Spanish Administration to the Spanish firm; on the other hand, the sale of this debt by the Spanish firm to the debtor country. As results of these operations, there is a margin in favour of the Spanish firm, since there is a difference between the purchase price and sale price. Argelia is the only South Mediterranean country where this instrument has been used. In fact, in 2004, it was reported that 40 Million USD had been privately swapped earlier in 2002.

<sup>14</sup> While beyond the scope of the present document, it is noticed that other actors are also involved in support to the internationalisation of the Spanish private sector. Firstly, we find Regional Governments (Comunidades Autónomas, CCAA). Looking at this level of governance can be interesting, since priorities, both at sectoral and geographic level, could differ somehow from Central Government's strategy. Secondly, it can also be assessed how Spanish private financial institutions support internationalisation. And finally, we find sector-based instruments with an international component. For example, internationalisation of industrial technologies is promoted by the Centre for Industrial Technological Development (Centro para el Desarrollo Tecnológico Industrial (CDTI), which aims to foster innovation and technological development of Spanish firms.

<sup>15</sup> www.ico.es; "Plan de Apoyo a la Empresa 2007, ICO (2007); "ICO Informe Anual 2006", ICO (2006); "ICO Informe Anual 2005", ICO (2005).

Started up in 1994, the Internationalisation Facility seeks to provide optimum financing for the execution of investment projects abroad by offering resources in preferential conditions. ICO fixes the conditions of loans to support productive investments which will be then managed by private financial institutions. The latter assume liability for risk of insolvency of the debtor.

Currently, it is included in the ICO's Plan for Enterprise Support for 2007 (*Plan de Apoyo a la Empresa del ICO 2007*). For 2007, the Plan has been budgeted 7.300 Million Euro and includes several instruments. The Internationalisation Facility is the second area in terms of resources allocated, as it has been assigned 150 Million Euro. The main priority area of ICO remains fostering SMEs development. The SME Facility will receive most of the funds, worth 7.000 Million Euro.

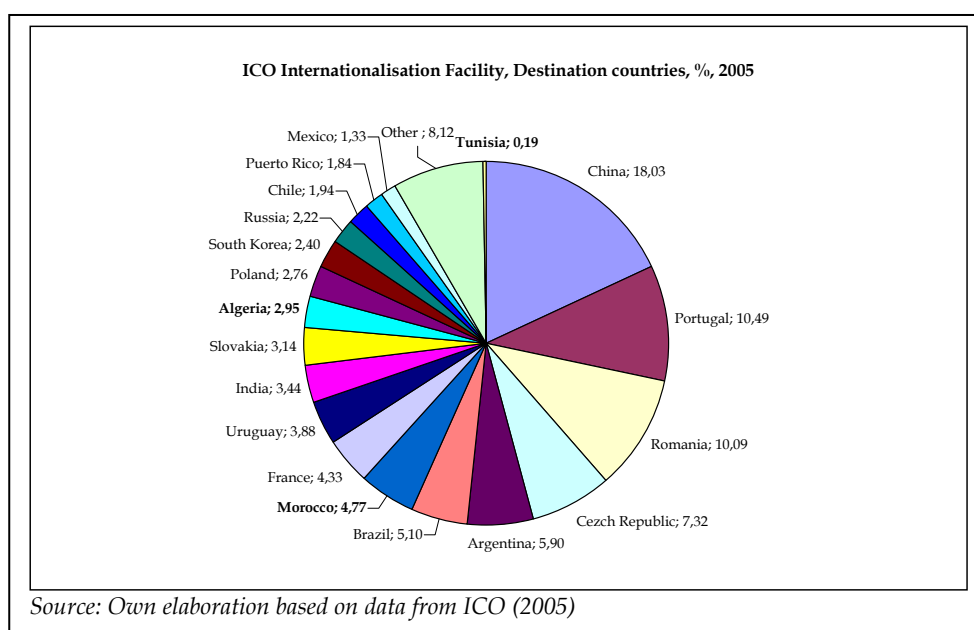
ICO Actions (annual budget)	2007 (Million Euro)
SMEs	7.000
INTERNATIONALISATION	150 *
ENTREPRENEURIAL DEVELOPMENT	100 *
ENTREPRENEURS	50 *
TOTAL	7.300
* may be extended upon request	

The Internationalisation Facility supports investments aiming at the promotion of economic presence abroad. Eligible firms are Spanish firms or firms registered abroad whose majority capital is Spanish. Then, depending on the size (number of employees and turnover), different financial conditions both in terms of capital financed, interest rate and reimbursement period. Up to 80% of the net investment project can be financed, with a maximum of 4,5 Million Euro. Specific conditions are defined by corresponding financial intermediaries on case by case basis.

Evolution of the Internationalisation Facility over time has been discontinued. Originally, it was introduced to favour investments by smaller companies. It was operative until the end of 2000, after which the facility was halted because the limit of authorised loans had been reached. In 2002, the facility was injected further funds of up to 150 Million Euro. After another pause in 2004, the Facility was renewed again in 2005 and has been operative since then. It is available for different sizes of business, but preference is given to SMEs.

Actually, its renewal for 2007 responded to successful results reported for 2006. In fact, ICO states that 212 projects were financed in 2006, worth 142 Million Euro. Financing rose by 161% compared to 2005. In 2005, 54,2 Million were distributed among 104 operations.

In terms of destination countries, in 2005, China was ranked first and accounts for 18% of total operations. It is recalled that Eastern European countries were also a preferred destination of Spanish firms. Romania



absorbed about 10% of total operations, while Czech Republic and Slovakia, 3,14%. Actually, South

Mediterranean countries are not reported as a significant destination. Nonetheless, in 2005, some credit concessions were allocated to projects in Morocco (4,77%), Algeria (2,95%), and Tunisia (0,19%). Finally, in 2005, main sectors were traditional manufactures, such as textile and clothing, and machinery. (ICO, 2005)

Overall, the Chambers of Commerce and Club of Exporters (2007) consider that this instrument is characterised by good performance and great availability. It is also appropriate for SMEs, especially those with already some export experience.

#### ii. ICO – ICEX Facility (*Línea ICO-ICEX*)

The ICO-ICEX Facility was created in 2005 and it is operative since 2006. It aims to support the internationalisation of Spanish SMEs through comfortable credit terms. It is reviewed on an annual basis. For 2007, the Facility has been budgeted more than 21 Million Euro.

In particular, ICO-ICEX Facility finances many of the expenses sustained in the internationalisation process. Expenses include preparation of catalogues in several languages, prospective travels abroad, visits to international fairs, creation or changes in websites, creation of subsidiaries and so on.

Eligible SMEs need to be members of the Club PIPE or participants of the ICEX programme “Learning to Export” (*ICEX “Aprendiendo a Exportar”*). Both PIPE and “Learning to Export” are managed by ICEX to support internationalization of Spanish firms in collaboration with the Autonomous Communities and the Chambers of Commerce. (See further below)

Each SME can benefit up to 100% funding of all expenses incurred in accessing foreign markets. For real state investments, maximum funding is 80% of total investment. Maximum amount per beneficiary is 100.000 Euro. Credits have a maximum term of three years. SMEs are charged no interests and no commissions, as ICEX takes care of all financing costs incurred by financial intermediaries.

Overall, the Spanish Chambers of Commerce and Club of Exporters assess that ICO-ICEX Facility for SMEs shows a rather positive outcome (*Apoyo a la internacionalización: Instrumentos financieros*, 2007). Especially thanks to improved promotion by credit intermediaries involved, which is essential as this instrument clearly focuses on SMEs at their first stages of internationalisation. No information is reported about demand for internationalisation towards SM countries.

#### PROINVEX

Since 1997, PROINVEX is one of ICO’s Programmes of Direct Financing. This programme offers several financial instruments to enable Spanish firms to develop large investment projects abroad.

Eligibility of project and geographic destination is determined by the presence of Spanish interests at stake. For instance, Spanish interests can be a direct participation of a Spanish client in the beneficiary, or even an investment operation that opens business opportunities to Spanish firms in terms of contracts of supplies or services. Sectors of interest are: energy, gas and electricity; telecommunications; environment; industry; agro-industry; agriculture; commerce; and tourism.

Loans can be directly granted either directly by ICO, or in agreement/co-financing with multilateral institutions or even local financial institutions. Minimum amount of the project is 10 Million Euro for a period of at least 5 years, but much depends on the Spanish interests at stake.

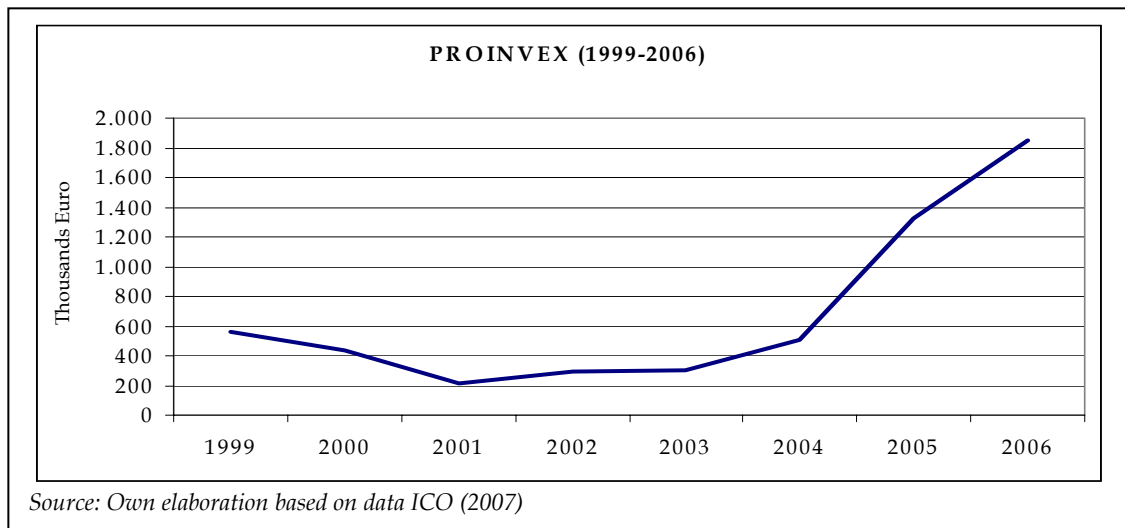
Among the co-financing with international institutions, we just mention here the *ICO – AfDB* (ICO – African Development Bank) Facility<sup>16</sup>. As North African countries are members of the AfDB, investments by Spanish operators towards these economies can then be co-financed through this instrument. In particular, under the ICO-AfDB agreement, Spanish firms can obtain long-term loans to finance industrial and productive investments, as well as infrastructure projects. The project is financed up to 25 – 50% of total net investment. However, no data were available about the demand for this instrument. Yet, its impact on internationalisation of Spanish firms cannot be expected to be significant, because it is considered to be

---

<sup>16</sup> There are other programmes of direct financing to support internationalisation strategies, but apply to regions other than MENA. For example, there are several agreements in Latin America: ICO-CAF (*Corporación Andina de Fomento*), ICO-BID (*Banco Interamericano de Desarrollo*) and ICO-BANCOMEXT (*Banco Nacional de Comercio Exterior*) is available for firms that wish to invest in countries in which CAF is active. Similarly, the ICO has an agreement with the European Bank for Reconstruction and Development (EBRD) or the Asian Development Bank.

excessively complex with lengthy and time-consuming procedures (*Apoyo a la internacionalización: Instrumentos financieros*, 2007).

In general, figures relative to PROINVEX illustrate about the good performance of this instrument. Total loans arranged in 2006 amounted to 1.850,4, compared to 1.327,3 Million Euro in the previous year. Thus the loan portfolio of PROINVEX was worth 2.521,7 Million Euro in 2006, compared to 1.415,4 Million in 2005. This growth evolves in parallel to the explosion of major investment operations by Spanish operators abroad in the last years, especially in infrastructures and electric power (ICO, 2006).



In terms of geographic destination, most loans support investment projects in Latin America and Caribbean countries. No major activities in the SM region are found controlling over information available, except for one foreign-currency denominated loan in Morocco. (ICO, 2006)

### 3.1.2. State Financial Agency: Foreign Sector Backups

As State Financial Agency, ICO manages several traditional financial instruments on the State's account so as to backup the foreign sector. For the purposes of this document, we are interested in two: the Development Aid Fund (FAD, Spanish acronym) and the Reciprocal Interest Adjustment Contract (CARI)<sup>17</sup>.

#### i. Development Aid Fund - FAD (*Fondo de Ayuda al Desarrollo*)

Since 1976, FAD loans have been an instrument of foreign policy designed to fulfil two equally important functions: **boost Spanish exports** and enhance the growth of least-developed countries. Precisely, in late 2006, with the idea of reinforcing its function as instrument to promote internationalisation, FAD's budget was raised up to 1.500 Million Euro for the following three years.

FAD is responsibility of the Spanish Ministry of Industry, Tourism and Commerce, through the Secretariat General for Tourism and Commerce. FAD resources draw from the State Budget Law (*Leyes de Presupuestos Generales del Estado*) and from revenue deriving from FAD itself. FAD operations are mainly executed through concessionary loans granted to governments of other countries or state-owned institutions and enterprises carrying their state's sovereign guarantee. However, in recent years, donation has been used on a fairly frequent basis, either by making contributions to multilateral bodies or by providing direct financing for the preparation of project viability studies or the hiring of consultancy services (see next).

<sup>17</sup> Futhermore, in 1998, a Spanish Microcredit Fund was created for developing countries. While here we focus on FAD and CARI, because of their direct role in promoting Spanish firms and exports in developing countries, the Microcredit Fund constitutes an interesting form of bilateral cooperation for development. Its purpose is to improve the standard of living of vulnerable collectives and finance the execution of basic social development projects. The fund is managed by the Ministry of Foreign Affairs and is formalised through loans granted to foreign intermediary institutions, which, in turn, make resources available to beneficiaries, either directly or through local financial institutions. Funds are allocated annually through the State Budget Law. More information is available at [www.ico.es](http://www.ico.es).

All proposals eligible for FAD funds are examined by the FAD Inter-Ministerial Commission, which the Ministry of Industry, Tourism and Commerce and the Ministry of Foreign Affairs, as well as a member of ICO's staff. Next, operations are approved by the Spanish Council of Ministers.

There are four types of FAD assistance: FAD loans or grants (*FAD Créditos o donaciones*); FAD-FEV Facility (*FAD Línea Financiación de Estudios de Viabilidad-FEV*); FAD L-500; and Contributions to Multilateral Development Institutions (*Contribuciones a Organismos Multilaterales de Desarrollo*). Next paragraphs describe the first three, while emphasising the opportunities they provide to Spanish firms interested in expanding abroad<sup>18</sup>.

#### FAD Loans or Grants

This assistance is interesting for internationalisation because it is **tied to the acquisition by the recipient country of Spanish goods and services**. In fact, Spanish exporters are those directly presenting their expressions of interest to export to one or more developing countries.

In this type of assistance, ICO acts as Spanish financial agent and represents the Spanish Government. It is responsible for negotiating, signing and managing FAD loans. According to Spanish regulations, borrowers or guarantors of the loans must be the State of the recipient country. Public institutions or enterprises resident in that country can also be borrowers, provided they present a guarantee from their own State.

We can find two types of loans: specific loan (if the financing is for a given project) and loan facility (which finances a group of projects). Above all, projects have to ensure a *sufficient value of the Spanish capital in goods and services exported*. The maximum amount eligible for financing may be up to 100% of the amount involved in the export project, though with certain limits for local costs and foreign goods and services. In some instances, the FAD loan does not finance the entire project. In this case, it is usually completed with an officially-backed commercial credit, in which CESCE covers the political and commercial risks while ICO covers the interest rate insurance through the CARI system (see next).

The administrative procedure to obtain FAD support is started by a Spanish firm interested in exporting to a developing country. Some stages have to be achieved from the moment the interested Spanish exporter presents its request till the moment the direct payment to that exporter takes place. In fact, beneficiary country is also consulted about the operation, but ultimate decision is of the Spanish Administration.

Eligible countries are those which are classified as Developing countries on the list drawn up by the OECD Development Aid Committee. In this sense, all SM countries (except for Israel) are eligible. Furthermore, the Spanish Government has established a series of **Financial Programmes** with certain countries considered relevant for commercial and foreign policy reasons. Among SM countries, we find Algeria, Morocco, Egypt, Tunisia, Syria, Jordan and Palestinian Authority (see table).

ICO- FAD Programmes Economic and Financial Cooperation				
Country	Amount Concessional Loan (1)	% of Co-financing (2)	Concessionality Level (3)	Amount FEV (4)
Algeria	80 Mill. Euro	50%	35%	5 Mill. Euro
Algeria - SMEs Facility	20 Mill. Euro	100%	35%	
Egypt	300 Mill. USD	60%	42%	10 Mill. USD
Jordan	50 Mill. USD	50%	35%	5 Mill. USD
Morocco	270 Mill. Euro	70%	50%	10 Mill. Euro
Morocco - SMEs Facility	20 Mill. Euro	100%	35%	
Palestinian Authority	60 Mill. USD	100%	80%	5 Mill. USD
Syria	50 Mill. USD	50%	35%	5 Mill. USD
Tunisia	82 Mill. Euro	50%	35%	5 Mill. Euro

<sup>18</sup> Contributions to Multilateral Development Institutions are not deemed directly relevant for our research interests. This type of FAD assistance concerns contributions to Multilateral Development Bodies of which Spain is member. FAD resources are used to execute such contributions. ICO disburses the amounts involved upon approval of the Spanish Ministry of Economy and Finance and the Spanish Council of Ministers.

Tunisia - SMEs Facility	18 Mill. Euro	100%	35%	
<p>(1) Amount, in Million and in agreed currency, of the amount available for concessional loans.</p> <p>(2) Proportion of FAD financing to total financing with official support for each project.</p> <p>(3) Measure of the "softness" of a credit reflecting the benefit to the borrower compared to a loan at market rate.</p> <p>(4) Maximum amount, in Millions and in agreed currency, of grants from Feasibility Studies Fund (FEV- Fondo de Estudios de Viabilidad) to award to each country.</p> <p>Note: SMEs Facilities require projects to remain below 2 Million in Special Drawing Rights.</p> <p>Source: Spanish Ministry of Industry, Tourism and Commerce, 2007</p>				

a. FAD-FEV Facility (*FAD Línea Financiación de Estudios de Viabilidad-FEV*)

The Facility to Finance Feasibility Studies (Spanish acronym, FEV) is in place since 1995. It uses FAD resources to provide grants for the elaboration of feasibility studies by Spanish consultancy firms in third countries. It is relevant for our research because the ultimate goal of these grants is to produce **feasibility studies that encourage Spanish enterprises to operate abroad**. These studies use productively the expertise and know-how of Spanish engineering and consultancy companies in order to strengthen the internationalisation projects of Spanish firms.

Feasibility studies can be linked to a specific investment or productive project, or to a sector or region. They can even contribute to the modernisation of the economic institutional framework of a beneficiary country. There are several categories of FEV grants. Firstly, the public category grants resources to a beneficiary country so that a Spanish consultant is then contracted to perform a feasibility study there. Once the grant has been approved and the contract between the Spanish consultant and the recipient foreign institution has been formalised, ICO arranges the gradual disbursement of the grant. Secondly, there is the multilateral category which is based on Spanish contributions to Multilateral Development Bodies. Normally, use of these resources is contingent on the beneficiaries being Spanish consultancy firms.

There is still a third category of FEV assistance, known as private category. This private category of grants takes the form of a CESCE insurance policy and thus, expenses are not charged to FAD. It is used in those private projects without government involvement or to projects in which a public tender is not possible, but for which, the Spanish exporter needs an insurance policy to cover the risk of not being awarded a project for which a Spanish consultancy had previously been hired to carry out the corresponding feasibility study.

As from December 2006, FEV is expected to focus on those countries with more potential for the expansion of Spanish exports and investments. And for this reason, its private category has gained relevance. Furthermore, **Maghreb countries are recognised priority status for FEV grants**. For instance, in 2006, there were calls for expressions of interest for Morocco and Tunisia.

FAD L-500

FAD L-500 is a facility whose purpose is to finance consultancy services to pinpoint, define, follow up or evaluate projects. Selection of consultancies is made by public tender. Only in justified cases and providing always that the firm hired is state-owned may the direct procedure be applied. Each contract is commissioned after joint decision by a working group made up of representatives from ICO and the Directorate General of Commerce and Investments at the Secretariat of State for Tourism and Trade. FAD L-500 has not a direct impact on the promotion of internationalisation towards SM countries.

ii. Reciprocal Interest Adjustment Contract, or Interest Makeup System - CARI (*Contrato de Ajuste Recíproco de Intereses*)

CARI was established in 1983 (Act 11/1983, August 16, Financial Measures for the Promotion of Exports). It seeks to **encourage the participation of domestic and foreign private credit institutions in the long-term financing of Spanish exports**.

Beneficiaries are Spanish exporters. Hence, eligible investments are those involving Spanish goods and services. **Compared to FAD, CARI has a more direct impact on internationalisation processes of Spanish exporters**. In fact, the usefulness of the CARI System for a certain Spanish exporter lies in the fact that it enables him to offer the financing of the export contract by means of a long-term credit at a fixed interest rate, under conditions similar to those offered by competitors.

Credits are awarded from five to ten years, and finance up to 85% of the Spanish goods and services exported. This means that a cash payment equivalent to at least 15% is required. Furthermore, and specific to CARI system, it is the obligation that rates applied to credit operations comply with those established in the OECD Consensus. This allows for periodical interest adjustments. Every six months, these interest adjustments ensure the lenders the collection of a certain financial margin on the outstanding balance of operations. And also, guarantee the complete elimination of interest rate risks deriving from the difference between the rate charged on the credits and the cost attributed to the resources used to finance them (six-month inter-bank deposit interest rate).

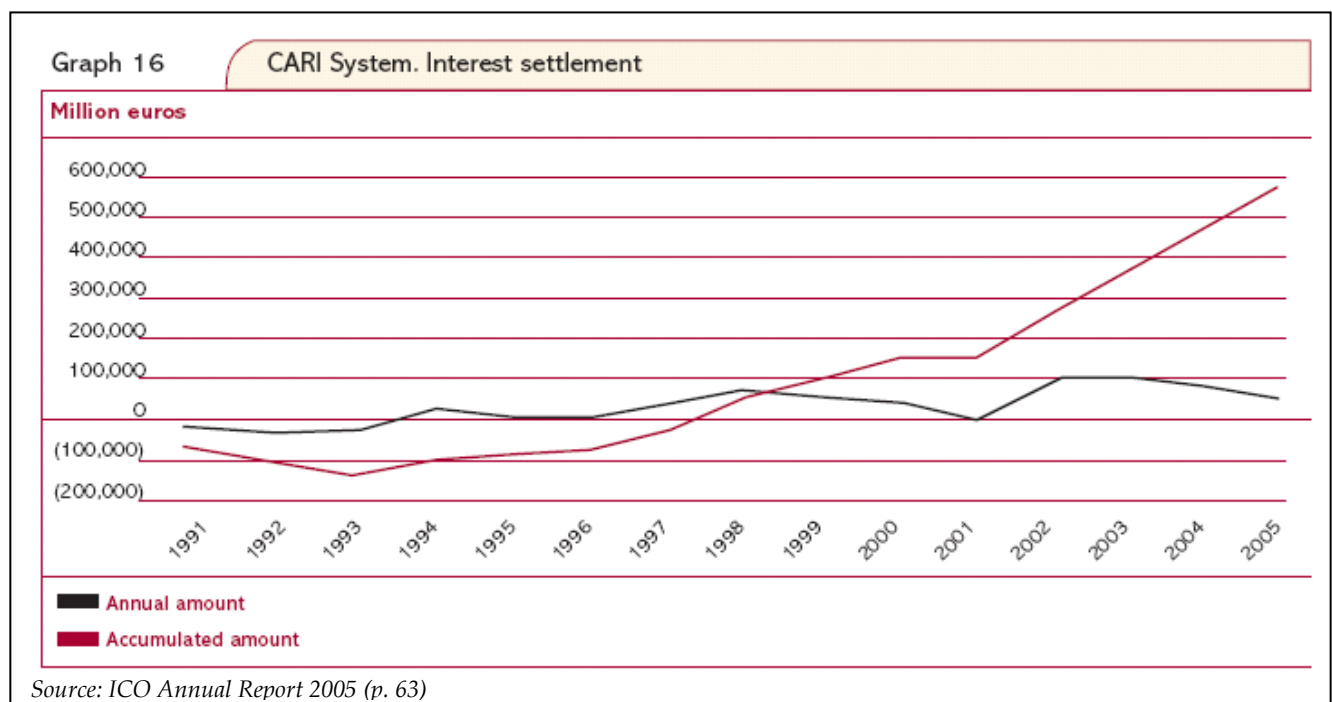
Types of credit available within the CARI system are:

**Foreign buyer credit:** The financial entity grants the credit to the foreign buyer who thereby becomes a borrower; the supplier or exporter receives the amount of the credit directly, as payment for a concluded sale.

**Domestic supplier credit:** In this case, it is the exporter who assumes the role of borrower. The only requisites existing between the foreign buyer and the Spanish supplier or exporter are those established under the commercial contract.

**Credit facility:** This is a variation of the foreign buyer credit. The financial entity places an overall amount from which various commercial contracts may be financed at the disposal of the borrower, usually a bank in the buyer country.

Performance of CARI has been rather erratic since its creation. In the period 1995-2002, with the sole exception of the year 2000, annual credits arranged through the CARI System witnessed a continued decline. The years 2003 and 2004 were irregular. At year-end 2006, the outstanding balance on CARI System credits amounted to 1.930 Billion Euro. Compared with the figure recorded on the same date one year earlier, this amount reflects an decrease of 454,2 Million Euro in terms of absolute value.



The graph above illustrates this irregular evolution between 1993 and 2005. Until 1993, export credit rates were lower than the estimated cost of operations (interest on resources and guaranteed margin), as a result of which the State had to make up the corresponding differences. In 1994, the opposite occurred and in the following two years, the system practically reached a point of equilibrium. In 2000, credit institutions had to pay the difference between the OECD Consensus rates and the cost of resources to the Spanish Treasury. Over the last four years, the differences reached relatively high levels and consequently, offsets paid by credit institutions to the State entailed fairly sizeable amounts.

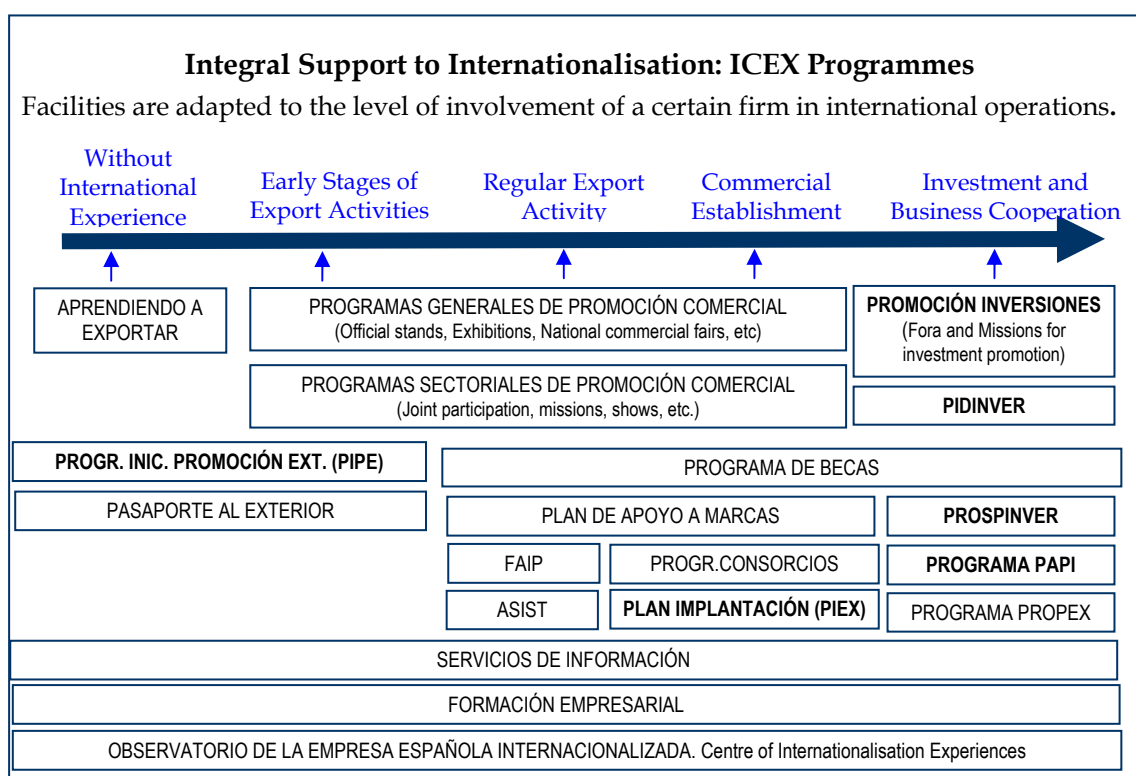
The variability of CARI can be explained by the nature of this instrument. The majority of operations are small/medium-sized projects. Thus, if a large scale operation is agreed in a particular year, annual figures are distorted. Unfortunately, no specific information on CARI has been found for SM countries.

### 3.2. Instituto Español de Comercio Exterior (ICEX)<sup>19</sup>

The Spanish Institute for Foreign Trade (ICEX) is the national agency for the promotion of the internationalisation of national products and investments. ICEX has its own financial, material and human resources. It promotes Spanish firms and products abroad through the network of Economic and Commercial Offices in the Spanish Embassies. In Spain, it does so through the Regional Directorates of Trade.

Its activities include the design and implementation of programmes for commercial promotion, and for investment projects, industrial establishment or business ventures in foreign markets. Moreover, ICEX carries out information campaigns and other promotion activities about Spanish products and brands. ICEX also provides capacity-building and technical assistance to Spanish firms.

ICEX's approach to support the internationalisation of Spanish firms is comprehensive and gradual. The figure below summarises ICEX activities. It is noticed that it provides specific facilities for each of the stages of the internationalisation. In the following paragraphs, we recall some of ICEX major programmes, but we invite readers to consult ICEX website and materials for additional information about other actions. Consequently, hereunder, we will first describe PIPE (Spanish acronyms are used for simplicity), an interesting programme for Spanish firms launching their internationalisation strategy; then, we shall proceed with PIEX, which applies for those firms that perform regular export activities and wish to establish abroad. Finally, we will comment some programmes for the promotion of investments and business cooperation that appear as promising for the SM region, namely: Fora and Missions, PIDINVER, PROSPINVER and PAPI.



a. *Plan de Iniciación a la Promoción Exterior (PIPE)*<sup>20</sup>

<sup>19</sup> [www.icex.es](http://www.icex.es)

<sup>20</sup> [www.portaPIPE.com](http://www.portaPIPE.com)

Plan to Start-up External Promotion - PIPE is a programme that reinforces the launch and sustainability of export activities by Spanish SMEs. It is implemented by ICEX and benefits from the institutional support of the Spanish Chambers of Commerce (*Consejo Superior de Cámaras de Comercio*).

PIPE has already been in place for a decade. Originally, it was known as PIPE 2000. It was created in 1997 with the goal of transforming 2000 SMEs in exporters by the year 2000. In view of its success, the programme was renewed for the period 2000-2006. And it was complemented with the “PIPE Follow-up” component, which aimed to ensure the consolidation of SMEs export activities. Since 2005, the programme passed to be named simply PIPE, since its scope was expanded to all SMEs interested in entering into foreign markets.

Consequently, for the period 2007-2013, PIPE will maintain the same approach: facilitate access to foreign markets and follow-up participants to ensure the sustainability of their export activities.

Interestingly, the PIPE’s methodology is adapted to SMEs’ needs. Its aim is smoothening barriers to internationalisation due to size-related issues. Thus, the PIPE Programme is structured into:

**Individual and specialised assistance:** PIPE provides to each SMEs with specialised assistance. Staff of ICEX and Chambers of Commerce provides mentoring to small and medium entrepreneurs. Also, promoters are available to define the Internationalisation Plan of the firm and to determine the changes that will be necessary at firm level to face competition in foreign markets. Also, SMEs can hire specific staff to implement the Internationalisation Plan and related activities.

**Financial support:** Spanish firms will count with an economic support worth 80% of expenses incurred. Maximum amount is 34.800 Euros in CCAA Obj. 1 and 31.800 Euros in CCAA no Obj. 1. This assistance includes all consultancy expenses, as well as those for promotion abroad. Moreover, participant SMEs enjoy from preferential treatment in a series of services through membership in Club PIPE. Together with technical assistance, it includes favourable financial treatment in CESCE (Insurance 100-PIPE, see below) and in certain private banks.

PIPE’s first component provides initial assistance and lasts for two years. It is divided in three stages:

1<sup>st</sup> stage: self-diagnosis and potential for internationalisation (2 months)

2<sup>nd</sup> stage: Definition of the Internationalisation Plan and Market Research

3<sup>rd</sup> stage: Implementation of the Internationalisation Plan

Once the SME has completed this component, it has two additional years of Follow-up (PIPE’s second component). The aim at this point is to support to the sustainability of the export activities. After, it will continue to enjoy from the benefits of the Club PIPE.

For the period 2007-2013, the first component of the programme will count with a budget of 46.000 Euro per firm. Then, for the Follow-up component, PIPE has a budget of 20.000 per firm, and financing covers 50% - beneficiaries’ ownership is further extended. Beneficiaries’ ownership (in terms of % co-financing) is gradually extended as the programme advances. Currently, more than 4.600 SMEs all over Spain have participated or are still participants of the programme, and are members of its Club (“Club PIPE”). ICEX calculates that **they represent 15% of total Spanish exporters**.

Overall, PIPE is considered as an innovative instrument to promote the internationalisation of SMEs. It is assessed to have worked very well, transparently. According to the Spanish Chambers of Commerce and Club of Exporters, PIPE is valued because it provides with basic concepts about internationalisation, it is comprehensive and it adapts to the needs of SMEs. At the moment, it is the most comprehensive instrument for SMEs at Spanish level. However, no data have been found for SMEs using PIPE to export to Southern Mediterranean markets. It is to be noted that this is a comprehensive programme is oriented to early-stage exporters, thus geographical locations may be treated in a generic manner. We could assume, for instance, that PIPE may favour exports towards traditional foreign markets or even strategic/emerging markets of the Spanish economy.

#### b. *Plan de Implantación en el Exterior (PIEX)*

The Plan for Establishment Abroad (*Plan de Implantación en el Exterior - PIEX*) encourages the de-location of Spanish firms, through subsidiaries or branches, and also the promotion of Spanish brands. PIEX applies to all countries outside EU.

PIEX requires a minimum equity participation in the subsidiary of 50%, except for those destinations in which local laws require smaller stakes. Assistance is granted to firms that present a straightforward strategy and it can finance establishment costs, relative to structures (rent, insurance, etc) and promotion (participation to fairs, publicity, etc), and other costs, such as registry of patents and brands. Each beneficiary firm can manage up to two PIEX simultaneously, provided they apply to different markets. Assistance is awarded for maximum 3 years and accounts up to 30% of the total budget and proportional to the equity participation in the subsidiary. In those countries where there is a *Plan Integral de Desarrollo de Mercado - PIDM* (for our research: Morocco and Algeria, see further below), assistance is larger, extended up to 35% of total budget for the first year of activity.

<b>Plan de Implantación en el Exterior (PIEX) South Mediterranean Countries, 2007</b>		
Country	No. Projects	ICEX support
Algeria	6	299.472,68
Egypt	1	16.949,16
Jordan	1	24.900,00
Morocco	8	432.157,00
Tunisia	5	281.482,50
Turkey	2	73.448,23
<b>TOTAL</b>	<b>23</b>	<b>1.128.409,57</b>

*Source: ICEX, 2007*

The table shows us the Number of projects supported by PIEX programme in the Southern Mediterranean region. Maghreb countries are main destinations, both in terms of projects and volume of support. We can easily calculate that Morocco, Algeria and Tunisia account for more than half the PIEX projects in the region, which represent more than 52% of PIEX financial support. Conversely, Middle East markets seem to be less attractive for firms applying to PIEX assistance, as only Egypt and Jordan have been chosen for the establishment of a commercial activity of Spanish origin. Presumably, political instability in that area prevents Spanish firms of establishing there.

#### Forums and Missions

ICEX also organises fairs, and promotion activities (commercial missions). There is also assistance to Spanish firms willing to participate in international tenders (Programme FIAP).

Most recent investment forums and missions to promote business cooperation with South Mediterranean countries have taken place in Morocco and Algeria, but there have also been meetings in Jordan and Egypt.

#### **ICEX Forums and Business Meetings to promote investment and business cooperation between Spanish and South Mediterranean firms (2006-2007)**

- “Encuentro Empresarial Hispano-Argelino”, Argel, 22-24 January 2006, with 57 Spanish firms
- “Foro de Inversiones y Cooperación Empresarial Hispano-Marroquí”, Casablanca, 27-28 January 2006, with 41 Spanish firms and 179 Moroccan firms
- “Encuentro Empresarial España-Jordania”, Amman, 25 April 2006, with 22 Spanish firms and 170 Jordan firms
- “Encuentro Empresarial España-Argelia”, within the framework of an official visit of the Kings of Spain, Argel, 14-15 March 2007.
- “Encuentro Empresarial España-Egipto”, El Cairo, 7-8 May 2007
- “Foro de Inversiones y Cooperación Empresarial Hispano-Marroquí”, Tánger, 15-16 October 2007

*Source: ICEX, 2007*

Despite the importance of such events at political/diplomatic level, it remains to be assessed the actual impact of such activities on the development of business relations between Spanish and SM firms. Unfortunately, such an analysis would require additional research, beyond the scope of this paper.

#### c. *Programa de Identificación y Apoyo de Nuevas Iniciativas de Inversión en el Exterior* (PIDINVER)

PIDINVER or Programme to Identify and Support New Investments Abroad was established in 2005. It is the ICEX programme that focuses on promoting long term investments in priority countries. It does so by

encouraging the creation of joint ventures and other modes of business cooperation between Spanish firms and their foreign counterparts.

In practice, this programme is directed to those countries for which the Spanish Administration has defined a *Plan Integral de Desarrollo de Mercado* (PIDM). As already mentioned, Algeria and Morocco are the only two South Mediterranean countries with a PIDM. Hence, in this paper, PIDINVER assistance applies to them.

Eligible projects are those with significant sunk costs. The productive activity abroad, either manufacture or services, has to be the very same to the one of the beneficiary in Spain.

The programme is structured in different phases. First, there is the identification and selection of foreign firms interested in establishing joint ventures or similar with Spanish partners. Second, these foreign firms and their investment proposals are analysed by independent consultants. Third, information is issued in Spain about the proposals that have been selected. Finally, Spanish partners are selected.

PIDINVER has been in place for almost two years. And since it points to long term investments, it is definitively too early to assess its performance. Furthermore, its success depends on the collaboration with local firms and bodies in destination markets. At the moment, there are only projects in Brazil and Mexico, both of which traditional markets for Spain's foreign sector. Some more time is necessary for a better assessment of this instrument.

#### d. *Programa de Prospección de Inversiones en el Exterior* (PROSPINVER)

In 2005, PROSPINVER or Programme for the Exploration of Investments Abroad was created to facilitate an early contact with a specific market, a potential partner, or an investment opportunity. As results, the Spanish firm shall benefit from more concrete and on-the-spot information to value accurately whether to proceed with a feasibility study or other pre-investment expenses, and at last, proceed with the actual disbursement of capital. PROSPINVER applies to all countries, but countries with a PIDM are given priority (i.e. for us, Morocco and Algeria).

Expenses eligible for PROSPINVER support include travel expenses of staff of the beneficiary firm to the market at stake. Such mission should allow the firm to reach a preliminary assessment about the project idea. The mission's feedbacks lead the beneficiary either to abandon or to further develop the project idea. In the case the firm wishes to proceed with the project idea, it may be crucial to analyse the technical, financial and commercial feasibility of the project. Besides, PROSPINVER would orient the firm to request support within the programme PAPI (see below).

PROSPINVER has been recently introduced. As for PIDINVER, this means that there still some points that would need further clarification; for instance, in terms of maximum financial support. Nonetheless, 2 initiatives in Morocco in 2006 received PROSPINVER support (ICEX, 2007).

#### e. *Programa de Apoyo a Proyectos de Inversión* (PAPI)

Since 1996, PAPI or Programme for Investment Support has provided financial assistance so as to encourage Spanish firms to undergo investment projects and business venture in foreign markets. PAPI can be used during in the preparation and the implementation phases of an investment project or business venture abroad. PAPI has not a specific/explicit geographical focus; it is open to all foreign markets provided the project is feasible and clear-cut.

PAPI will partly cover the costs (50%) that the Spanish firm faces to establish, expand or diversify its business abroad. Eligible expenses arise from activities such as feasibility studies, search of partners, training and technical assistance to local staff, etc that the beneficiary firm shall carry on during the start-up of the investment/business venture. PAPI will support during the preparation phase with an advance without interests, while it will also assist during the implementation of the investment project.

According to the Chambers of Commerce and Club of Exporters (2007), PAPI can be considered a successful instrument for the promotion of investments abroad. In particular, it seems to be very requested by many SMEs.

<b>Investment Projects with PAPI support South Mediterranean countries, 2007</b>				
	No. Projects	No. of assistance	Project investment	ICEX Support
Algeria	3	5	2.812.737	74.374
Egypt	3	6	132.183.340	55.558
Jordan	1	2	1.882.976	30.022
Morocco	47	66	145.787.489	1.241.266
Mauritania	3	3	721.215	21.550
Tunisia	3	4	2.650.483	50.782
Turkey	15	24	85.294.465	402.552
<b>TOTAL</b>	<b>76</b>	<b>112</b>	<b>384.230.425</b>	<b>1.886.870</b>
<i>Source: ICEX, 2007</i>				

The use of PAPI support investments or business ventures in SM countries is mostly concentrated in Morocco, where there are 47 projects worth more than 145 Million Euro. If we exclude Turkey and Mauritania, Spanish firms have invested to date almost 300 Million Euro in the SM region with PAPI support. Main sectors of activity are textile and clothes, as well as electronic components and food processing. In terms of year of activation, ICEX informs that most of the projects were launched between 2005 and 2006, and the great majority

were in Morocco, but there were also four in Egypt and two in Tunisia.

### **3.3. Compañía Española de Seguros de Crédito a la Exportación. SA (CESCE)<sup>21</sup>**

CESCE is a public limited company, primarily owned by the Spanish State and by country's leading banks and insurance companies. The objective of this body is to insure companies against the risks of non-payment stemming from the sale of products and services in both domestic and foreign markets.

CESCE was established in 1970 with the aim of facilitating the internationalization of Spanish companies. However, in the early 1990s, the company expanded its field of activity to the domestic market, and also opened up to markets and sectors related to its primary activity through various wholly and partly-owned subsidiaries. Despite the growing relevance of private banks and insurance companies, CESCE continues to lead the Spanish export credit insurance market.

There is a wide range of insurance policies available for Spanish firms willing to secure their foreign business transactions. A table has been prepared summarising all instruments available at CESCE for foreign business transactions (**See Annex**).

While all instruments available at CESCE guarantee payment of a firm's foreign business transactions, preference of one over another is determined according to needs and characteristics of the firm and the operation involved. They all cover full commercial and political risks, with some particularities in certain cases. Different insurance policies are available depending on whether the firm wants to secure short term (less than two years) or medium/long term operations (more than two years).

None of the products described in the annexed table has a specific geographical destination. Thus, for each transaction, the Spanish firm will have to consider which is most suitable. We foresee that this requires certain expertise on foreign markets.

Additionally, CESCE's Research Centre estimates country risks<sup>22</sup>, which include commercial and political risks of a certain market. This information is used later on to assess the risk of each operation secured by CESCE. CESCE's Research Centre produces further information about potential markets, which any interested firm can obtain upon payment.

In the table below, we find most recent country risks for the countries of interest. We observe how Tunisia, Morocco and Israel are the only ones that have open cover without restrictions. All other SM countries tend to have open coverage for the short term while some restrictions are applied for the medium and long term, except for Lebanon and the Palestinian Territories where CESCE cannot secure medium and long term operations.

<sup>21</sup> [www.cesce.es](http://www.cesce.es)

<sup>22</sup> [www.cescerriesgopais.es](http://www.cescerriesgopais.es)

<b>CESCE: Country Risks</b>	
<i>Algeria</i>	Open coverage with quantitative restrictions. There is a ceiling for short term exposure. Same for medium and long term.
<i>Egypt</i>	Open coverage without restrictions in the short run. Open coverage with quantitative restrictions. There is a ceiling for medium and long term exposure.
<i>Jordan</i>	Open coverage without restrictions in the short run. Open coverage with quantitative restrictions. There is a ceiling for medium and long term exposure.
<i>Israel</i>	Open coverage without restrictions.
<i>Lebanon</i>	Short run operations are dealt on a case by case basis. Coverage for medium and long term is closed.
<i>Libya</i>	Open coverage without restrictions in the short run. Open coverage with quantitative restrictions. There is a ceiling for medium and long term exposure.
<i>Morocco</i>	Open coverage without restrictions.
<i>Syria</i>	Open coverage without restrictions in the short run. Open coverage with quantitative restrictions. There is a ceiling for medium and long term exposure.
<i>Palestinian Territories</i>	Short run coverage is open provided CDI is required. Operations are analysed case by case. Coverage for medium and long term is closed.
<i>Tunisia</i>	Open coverage without restrictions.
<i>Source: <a href="http://www.cesce.es">www.cesce.es</a> (June, 2007)</i>	

According to latest data publicly available (2005), Morocco, Algeria and Egypt are the only three South Mediterranean countries where Spanish firms have received CESCE's backup. The table below shows the instruments used in 2005:

In 2005, Spanish firms exporting to Morocco preferred PAGEX and Global Market. Documentary credits were most used in Algeria. Similarly, Egypt was among the first five destinations in terms of Buyer Credit policies.

<b>Issue of Insurance Policy: Main destinations 2005</b>							
	Individual Insurance Policy				Open Insurance Policies		Total
	Risk		Investments	Other guarantees	PAGEX and Global market	Documentary credit	
	< 24 months	≥ 24 months					
Morocco	3.446,85	na	na	na	117.196,25	10.176,81	130.819,91
Algeria	13.294,71	2.299,67	523,18	na	27.675,38	39.040,54	82.833,49
Egypt	4.979,88	29.659,08	na	na	22.751,60	4.350,34	61.740,90
Total	21.721,44	31.958,75	523,18	0,00	167.623,23	53.567,69	275.394,30
<i>Total All Countries</i>	<i>153.095,51</i>	<i>1.048.400,16</i>	<i>182.906,11</i>	<i>9.655,69</i>	<i>3.675.619,60</i>	<i>117.598,50</i>	<i>5.187.275,57</i>
<i>% of total all destinations</i>	<i>14,19%</i>	<i>3,05%</i>	<i>0,29%</i>	<i>0,00%</i>	<i>4,56%</i>	<i>45,55%</i>	<i>5,31%</i>
Thousands of Euros *Poliza 100 is not included, because for this product there are no data by destination							
<i>Source: CESCE Memoria, 2005</i>							

### 3.4. Compañía Española de Financiación al Desarrollo, SA (COFIDES)<sup>23</sup>

COFIDES is a public limited-liability company of which 61% is publicly owned and 39% is private (mostly, major Spanish Banks). Since its creation in 1989, COFIDES has supported investments of Spanish firms in

<sup>23</sup> [www.cofides.es](http://www.cofides.es)

developing countries. Its goal is two-fold: to contribute to the economic development of these countries and also to the internationalization of the Spanish economy.

COFIDES promotes private investments in any developing, emerging or transition economy in Latin America, Asia, Africa and Eastern and Central Europe. Additionally, COFIDES manages EC programmes to finance investments in those countries and within the EU. Specific to our interests, COFIDES partially supports investments in any of the ten South Mediterranean countries included in the research. Though, **Morocco** is the only one with a COFIDES branch (in Casablanca) and a specific facility (see next).

Yet, COFIDES *only* assists projects in which a Spanish firm is holding equity in a newly created or expanded firm in the beneficiary country<sup>24</sup>. Thus, support tends to be requested for medium/long term investment projects, which usually are in the same sector in which the Spanish promoter is already active at domestic level.

COFIDES offers different financial products, such as: shares in capital, quasi-capital instruments and ordinary medium and long-term loans. In the table below, the financial products available at COFIDES are summarised.

COFIDES Financial Products	
Equity in a firm located in beneficiary country ( <i>Participaciones en el capital de la empresa que se crea en el país receptor</i> )	COFIDES holds a minor equity share during a transitory period. Actually, it does not assume more than 40% of firm's equity. This percentage can be extended if there is co-financing with other financial instruments. Management of the project is not under COFIDES, but it is responsibility of the promoters.
Quasi-equity ( <i>Instrumentos de cuasi-capital</i> )	Co-investment loans (with reimbursement linked to project return), subordinated or participative loans, or even loans convertible to shares. Loans can be either denominated in Euros or in other convertible currencies.
Medium and Long Term loans to the firm located in beneficiary country ( <i>Préstamos a medio y largo plazo a la empresa que se crea en el país receptor</i> )	Loans in euros or in other convertible currencies. Credit period is usually between 3 and 10 years, it depends on the estimates on the return of the investment.
Medium and Long Term loans to the Spanish investor ( <i>Préstamos a medio y largo plazo al inversor español</i> )	These loans aim to partially cover the financial effort of the Spanish investor to support with own resources the equity of the beneficiary firm abroad. They also have long reimbursement terms, determined according to estimates on the return of the investment. Loans are denominated either in euros or in other convertible currencies. COFIDES requires guarantees. These guarantees are established case by case according to the project features.
Multi-project loans ( <i>Préstamos multiproyecto</i> )	These loans are awarded to the Spanish investor, so that it is possible to run contemporaneously several investment projects in different countries
Source: <a href="http://www.cofides.es">www.cofides.es</a> , 2007	

Moreover, COFIDES' activity revolves around different areas of business. On the one hand, COFIDES holds operations on its own account, and provides consultancy and advisory services. On the other, COFIDES manages transactions on Spanish State's account through different facilities. In the paragraphs below we comment two of them: the Fund for Investments Abroad (Spanish initials, FIEX) and the Fund for Investment Operations Abroad by SMEs (Spanish initials, FONPYME). All other facilities are described in the corresponding **annexed table**.

FIEX and FONPYME are two comprehensive facilities funded with Spanish State's resources. They have no focus on a specific sector or geographic, albeit FONPYME focuses on SMEs (see textbox below). They acquire a more specific reach once they are integrated within a *Plan Integral de Desarrollo de Mercado-PIDM*. Again for us, this applies for Algeria and Morocco.

<sup>24</sup> From 2006, non-Spanish investors can also use COFIDES' support, provided there is a "Spanish interest" in the investment project, such introduction of the brand "Spain", of suppliers to Spanish firms, franchises, etc.

FIEX	FONPYME
<ul style="list-style-type: none"> <li>- Trust fund to promote Spanish foreign investment and hence, foster the internationalisation of Spanish firms. COFIDES manages the fund.</li> <li>- Eligible projects: small-scale and temporary equity investments in private firms located abroad, in which there is a “Spanish interest”.</li> <li>- Type of financial assistance: shares, convertible loans, convertible debt and others.</li> <li>- Financing: min. 1 Million Euro, max. 25 Million Euro</li> <li>- FIEX Fund (2006): 660 Million Euro</li> </ul>	<ul style="list-style-type: none"> <li>- Trust fund to promote Spanish foreign investment and hence, foster the internationalisation of Spanish SMEs. COFIDES manages the fund.</li> <li>- Eligible projects: small-scale and temporary equity investments in private firms located abroad, in which SMEs are involved and there is a “Spanish interest”. Since 2006, it operates also in developed countries (including EU15).</li> <li>- Type of financial assistance: shares, convertible loans, convertible debt and others.</li> <li>- Financing: min. 250.000 euros, max. 4 Million Euro</li> <li>- FONPYME Fund (2006): 45 Million Euro</li> </ul>

Additionally, COFIDES has other instruments with sectoral or geographic focus that complement these two generic funds. Hence, in the annexed table, we observe how priority is given to sectors such as services, tourism or investments generating carbon dioxide emission rights. While geographically, programmes tend to focus in emerging economies, such as Latin America (Mexico, Brazil) and Asia (China).

The only South Mediterranean country with a specific facility is **Morocco**. Under this facility, eligible projects are those investments in Morocco with a Spanish interest. Priority is given to sectors such as agro-industry, rural electrification and renewable energies, environment and waste management, telecommunications, urban and inter-urban transport, and tourism. Financial assistance can be either in terms of equity, or co-investment loans, or even other medium and long term equity instruments. In terms of financing it points towards medium to large-scale projects, and it finances up to 70% of total investment.

Finally, some quantitative information may be useful to assess the performance of COFIDES’ instruments. In 2006, COFIDES awarded financial support to 38 projects outside Spain, compromising more than 142 Million Euro. This implies a 130% growth relative to one year earlier, and becomes a historical maximum for the company. Apart of the upturn of Spanish investments worldwide, these impressive figures respond also an increase of the average volume of approved operations<sup>25</sup>. Thus, at the end of 2006, investment portfolio managed by COFIDES totalled 292 Million Euro, corresponding to 104 projects located in 27 countries.

In 2006, COFIDES’s most used financial products were equity and quasi-equity (41,3% and 53,1% of total, respectively). Likewise, FIEX will support 16 projects, while FONPYME will co-finance 7 more. These 23 projects are geographically distributed in 10 different countries.<sup>26</sup>

Latin America is the main beneficiary with 58% of total COFIDES support. New EU Member States rank second (with 17%), while Africa and Asia receive 12% and 5% respectively. In terms of countries, Mexico is still the main destination (with 10 projects with COFIDES support), Brazil and China follow (with 5 projects, each). Morocco has 4 projects, while Poland three. These data about demand for COFIDES instruments follow same pattern than that of Spanish investments over recent years: reinforcement of Mexico as the host of choice for Spanish productive investment abroad, Brazil’s positioning as the primary target for Spanish investment in South America, the emergence of China as an alternative for industrial operations and greater Spanish presence in countries that recently joined the European Union.

Sectoral distribution of such projects reveals that automotive sector is the most important (4 projects in 2006). Yet, COFIDES notes that resources are increasingly directed to other sectors, such as energy and environment.

In Morocco, a total of 33 projects have been financed to date. The Representative of COFIDES in Morocco<sup>27</sup> argues that the under-utilisation of resources in the SM region is mostly explained by interests and strategies of Spanish firms that prefer Mexico and other Latin American countries. He continues stating that Morocco is an interesting destination thanks to its geographic proximity and favourable business climate. Yet, he recognises that Egypt could also become a relevant destination, as some Spanish firms already invest there. Finally, he also notes that the international experience of Spanish firms is a recent phenomenon which started in the second half of the 1990s.

<sup>25</sup> “COFIDES alcanza su mejor registro de actividad en 2006”, COFIDES, Press Note (March 2007)

<sup>26</sup> Interview to President of COFIDES in “PULSO EXTERIOR”, Banco de Santander’s Magazine, May-June 2007, pp.4-5.

<sup>27</sup> Montoya, Nestor (2007), Representative of COFIDES in Morocco

Concluding, for the Spanish economy, COFIDES support facilitates access to new markets and helps national companies consolidate in their new locations. But it also has an effect on host country economies in terms of employment opportunities (for instance, COFIDES estimates that the 624 million-Euro total investment in 2005 generated 2,300 direct jobs). Also, these operations can potentially have an impact in terms of development of their telecommunication and transport networks, as well as improvements in their water supply systems and fortification of local economies in industries with high potential.<sup>28</sup>

However, COFIDES faces growing competition from other actors. Over the last years, there has been a growth in long-term financing of the Spanish banking sector, whose presence in COFIDES-eligible countries (particularly in Latin America) is increasingly conspicuous. Also, the Spanish Government's re-launch of other financial instruments to reinforce Spanish investments abroad could press downwards demand for COFIDES support.

### 3.5. Countries with High Potential (Algeria and Morocco)

Last but not least, the so-called *Planes Integrales de Desarrollo de Mercados* (PIDMs, Integral Plans for Market Development) are an interesting instrument introduced by the Spanish Government. The aim is to reinforce economic and commercial relations between Spain and priority countries. For the moment, there are nine plans in place: Brazil, China, Russia, Mexico, United States, India, Algeria, Morocco and Japan; while those for South Korea and Turkey are expected to be defined soon.

Increasing Spanish sales in those nine markets demonstrate that such an instrument was necessary to boost the participation of national firms in markets with large potential. In December 2006, sales in Russia rose by 37,1% and those in US, 26,6%, while in Morocco, a 13,8% increase was registered.

Specifically, PIDMs intend to reinforce the image of Spanish products and firms in foreign markets. Also, recognising the importance of tourism sector for the domestic economy, these plans should support tourism towards Spain. Other sectors that are favoured with these instruments are energy, ICT and transport, as well as food industry and consumer goods.

An economy is identified as potential market for Spanish products and firms through a Methodology developed by the Spanish administration (2005)<sup>29</sup>. Based on relevant literature and best practices, the methodology builds up a series of 25 indicators, both qualitative and quantitative. It does not rank, it just classifies economies according to those features that offer opportunities to Spanish firms. In fact, indicators are structured in three groups: market attractiveness, competitive strength and investment position. This enables to identify and classify markets and geographic areas by potential of internationalisation. At a first stage, irrelevant economies are eliminated. Then, indicators are used to prepare two mappings: one for exports and one for investment. And finally, results are compared to classify relevant countries by strategic categories (i.e. defensive, increase presence, consolidate, aggressive). Each of these groups is defined a specific strategy, including institutional factors and instruments to support exports and investment.

Each PIDM combines several types of instruments, from institutional support to financial assistance or training. Hence, their implementation requires a compromise among different institutions, but ad hoc instruments can also be created for a certain market. Still, it is important to recall the **synergies that it is possible to capture by using a single policy framework composed by complementary instruments for the promotion of Spanish products and firms in a specific market.**

**Morocco and Algeria are to date** the only South Mediterranean Partner Countries that Spain has identified as strategic and with higher potential to develop economic and financial cooperation at bilateral level. As results, there is a PIDM in place for each of them covering the period 2006-2007. The documents were prepared by the Spanish Ministry for Industry, Tourism and Commerce in collaboration with the Spanish Employers' Confederation (*Confederación Española de Organizaciones Empresariales* –CEOE).

---

<sup>28</sup> COFIDES, Annual Report (2005)

<sup>29</sup> "Metodología de la Secretaría de Estado de Turismo y Comercio para la selección de mercados prioritarios", Subdirección General de Análisis y Estrategia, Secretaría de Estado de Turismo y Comercio. Ministerio de Industria, Turismo y Comercio. Boletín Económico de ICE, No. 2836, 21st February-6th March 2005.

### ***PIDM Morocco 2006-2007***

The PIDM for Morocco was defined in 2005 to be developed during 2006 and 2007. Its objective is fostering the economic and trade relations between Spain and Morocco. The strategic stance towards this market is that of consolidating the Spanish economic presence.

Specifically, the focus is promoting the consolidation of economic relations with the establishment of Spanish firms in Morocco. The PIDM should allow SMEs to take advantage of pull effect of large national investments in that economy. It also aims to reinforce the image of national firms in Morocco and raise awareness about business opportunities; while also consolidating institutional relations to favour a business-friendly environment. Ultimately, the PIDM should allow to make the most of the opportunities from the EU-Morocco Association Agreement and from reforms to larger trade openness and economic liberalisation.

Morocco is the first destination of Spanish exports and investments in Africa. In fact, Spain is second client, exporter and investor in Morocco, after France. Market share of Spanish exports to Morocco passed from 7,9% in 1995 to 14,9% in 2004. And, accumulated stock of investment 1995-2004 accounts for 18,6% of total received in Morocco. Most of this dynamism results from progressive trade openness, liberalisation of the domestic market and macroeconomic stability achieved by Morocco over the period. Morocco is also recognised to have significant geopolitical importance.

#### PIDM Morocco 2006-2007: Priority Sectors

##### Trade:

- Tourism and related industries
- Machinery and equipment
- Environment
- Telecommunications and energy
- Agriculture
- Electric devices
- Materials for construction

##### Investment:

- Infrastructure
- Consultancy/Engineering
- ICT
- Tourism
- Public utilities (water, electricity, waste)
- Commercial distribution and franchising
- Transport
- Fisheries

Several sectors of interest for export and for investment are listed in the PIDM for Morocco. In the textbox, we observe how investment and exports sectors complement each other. There is a wide range of sectors from traditional ones ( i.e. machinery and equipment, tourism), to more strategic, added-value ones, such as telecommunications and energy or ICT.

In view of consolidating the Spanish economic relations with Morocco, the PIDM includes several types of support.

First, in terms of institutional support should focus on reinforcing the bilateral relations and agreements established previously. Secondly, trade assistance is expected to seize the opportunities of market liberalisation by promoting mutual recognition and conformity agreements. Likewise, it should improve coordination among relevant entities (firms, commercial representation offices, Ministry) and other measures to increase market access and reduction of trade barriers, such as databases

on tariffs and NTBs. Financial support for interested commercial firms is available at CESCE, but also under FAD and FEV facilities.

Thirdly, investment promotion is to be pursued by combining several instruments. For instance, ICO is required to promote its Internationalisation and PROINVEX Facilities towards investments in Morocco. Similarly, COFIDES should increase the use of FIEX-FONPYME in Morocco, and CESCE should promote its insurance policies. ICEX should identify opportunities for business cooperation or investment through its facilities (PROSPINVER; PAPI; PIDINVER). Agreements of debt-for investment swap are also included. The agreement of Debt-for private investment swap totals 40 Million Euro, to be totally implemented in 2005, while that for public investment, accounts for 30 Million Euro. Finally, the PIDM for Morocco also devotes resources to information and training. These activities were budgeted 900.000 Euro for the period covered.

<b>PIDM Morocco 2006-2007</b> (millions of Euro)			
	2005	2006-2007	TOTAL
<i>Support to commercial activities</i>	11,6	84,6	96,2
Financing with official support	10	60	70
FEV Facility	1	3	4
ICEX – Trade Promotion	0,6	1,6	2,2
SME Facility	-	20	20
<i>Support to investment</i>	29,3	72,8	102,1
Debt for public investment swap	7,3	22,7	30
Debt for private investment swap	21,4	18,6	40
FIEX –FONPYME	-	30	30
ICEX Investment Promotion	0,6	1,5	2,1
<i>Information and training activities of ICEX</i>	0,2	0,7	0,9
<b>TOTAL</b>	<b>41,1</b>	<b>158,1</b>	<b>199,2</b>

Figures above show the budget allocation for the PIDM Morocco. Support to investments and commercial activities are given similar importance in terms of resources allocated. Among the lines for support to investments, debt-for investment swap is the instrument most favoured, worth a total of 70 Million Euro, including private and public investments. On the other hand, it is also noticeable the relevance of Morocco for SMEs, as the SME Facility is budgeted 20 Million Euro for the whole period (2005-2007).

### ***PIDM Algeria 2006-2007***

The PIDM for Algeria was defined in 2005 to be developed during 2006 and 2007. Its objective is fostering the economic and trade relations between Spain and Algeria. The strategic stance towards this market is that of expanding the Spanish economic presence.

In this case, the PIDM focuses on increasing the national participation in the Algerian economy. This should be achieved by strengthening Spanish institutional contribution to the economic development of Algeria. In particular, the PIDM should allow Spanish firms to expand their market shares by making the most of the EU-Algeria Association Agreement; as well as facilitating their participation in Algerian privatization processes.

Algeria has been identified as priority market mostly because of its geographic proximity and its crucial role in Spanish energetic strategy. Based on data available at the moment of the preparation of this PIDM, the Algerian economy was recognised as a major trade partner for Spain. In 2004, it was the 13<sup>th</sup> destination of Spanish exports outside EU15 and the 6<sup>th</sup> origin of Spanish imports outside EU15. Similarly, Algeria has achieved notable economic dynamism in the last years, thus Spain would like to gain from opportunities arising from progressive trade openness and economic modernisation.

#### PIDM Algeria 2006-2007: Priority Sectors

##### Trade:

- Energy
- Machinery and equipment
- Environment
- Transport
- Electronics and ICT
- Food industry

##### Investment:

- Energy (oil, gas, electricity, renewables)
- Engineering and infrastructure
- Transport
- Water management
- Agriculture and food industry
- Fertilizers
- Commercial distribution

*Source: PIDM Algeria 2006-2007 (2005)*

Sectoral priorities set by the PIDM for Algeria point to energy and infrastructures. The textbox show how energy is a priority both for trade and investment, same applies for transport. In view of the weight of traditional sectors in Algerian economy, food industry is included as another sector with significant potential. Compared to Morocco, we observe less presence of the service sector.

In order to expand national economic relations with Algeria, the PIDM includes several types of support.

First, in terms of institutional support, the PIDM for Algeria is equal to that for Morocco. Focus is placed on reinforcing the bilateral relations and agreements previously established. Secondly, support to trade should focus on granting market access to national firms while promoting the image of Spanish products and brands. Financial support for interested commercial firms is available at CESCE, but also at ICO (FAD and FEV

facilities).

Thirdly, investment promotion is to be pursued by combining several instruments. For certain instruments the PIDM for Algeria is equal to that for Morocco, namely the facilities of ICO, COFIDES and CESCE, and also, the Agreements of debt-for investment swap. Specific to this market, we find support to strategic projects in certain sectors with high potential: energy, chemical products and infrastructure. Finally, the PIDM for Algeria also devotes resources to information and training. These activities were budgeted 600.000 Euro for the period covered

<b>PIDM Algeria</b> (millions of Euro)			
	2005	2006-2007	TOTAL
<i>Support to commercial activities</i>	111,3	180,3	291,6
Financing with official support	102	165	267
FEV Facility	0,3	0,7	1
ICEX – Trade Promotion	7,8	12,2	20
SME Facility	7,8	12,2	20
<i>Support to investment</i>	44,2	55,4	99,6
Debt for public investment swap		30	30
Debt for private investment swap	40		40
FIEX –FONPYME	4,2	25	29,2
ICEX Investment Promotion		0,3	0,3
ICEX Support to Investment Projects		0,1	0,1
<i>Information and training activities of ICEX</i>	0,2	0,4	0,6
<b>TOTAL</b>	<b>155,7</b>	<b>236,1</b>	<b>391,8</b>

The figures above show the corresponding budget allocations under the PIDM Algeria. We observe how in this market priority is given to support to commercial activities, which is given 291,6 Million Euro compared to 99,6 Million Euro to support investment.

Compared to Morocco's, Spain devotes more resources to the PIDM for Algeria. Here, Spain actively pursues to increase its participation in planned privatizations, to establish a lasting presence in strategic economic sectors (infrastructures, energy). Instead, in Morocco, Spanish interests point to consolidate its current position by promoting the establishment of Spanish firms (outsourcing, joint ventures, etc).

#### 4. FINAL REMARKS

Spanish public instruments to encourage the internationalisation of national firms include both financial and promotion activities. We have seen that several institutions are involved and that instruments promoted seem to complement each other. This overview has been limited to nation-wide instruments for the support of internationalisation, but in reality the internationalisation of a Spanish firm can also rely on regional institutions and private sector agents, such as banks and business organizations (e.g. export associations).<sup>30</sup>

There is a wide variety of instruments, financial and non-financial, and some more technical/complex than others. Overall, instruments seem to respond well to private sector needs. Moreover, instruments would increasingly favour investments abroad for both large firms and SMEs. This could reflect the impact of globalisation in the definition of instruments, as outsourcing and similar processes have transformed the

<sup>30</sup> "... no se puede hablar del efecto de la promoción exterior sin hacer mención al papel de las asociaciones de exportadores. Éstas han constituido desde un primer momento el motor que ha impulsado con fuerza todo el sector exterior de la economía nacional, llegando a convertirse en vertebradoras de una actividad exportadora que ha transformado el sector exterior de la economía española en los últimos 25 años. Su papel ha sido crucial, pues han sido las que han centrado y canalizado los conocimientos de cómo exportar, y han constituido un gabinete de investigación de mercados exteriores para muchísimas PYME. Su financiación, sin embargo, ha sido también en parte pública. Sus acciones de investigación comercial y promoción han sido financiadas por el Estado a través del ICEX y por las Comunidades Autónomas, así como por administraciones locales en algún caso." Manera Bassa, J. and M., Martín del Peso (2006: p.252): "Percepción de los instrumentos de promoción comercial de apoyo a la internacionalización de las empresas en las Comunidades Autónomas de España", ICE Tribuna Económica Enero-Febrero 2006 No. 828, pp. 249-268)

“made in” concept into “made by”. Thus, instruments would tend to increasingly favour investment projects or establishment in destination markets. And to facilitate access to assistance, Spanish institutions request beneficiaries to demonstrate that their projects reinforce “Spanish interests”, instead of relying on the concept of “Spanish origin”. Therefore, instruments such as PIDINVER, PROSPINVER and PAPI reflect such change towards a more flexible approach and thus, allow for the recognition of commercial and productive synergies with local partners.

Many Spanish instruments do not have an explicit geographic focus, and thus, cover all world markets. For those with a specific destination, we find preference for Latin America or emerging economies, such as India and China. In fact, in view of the geographical preferences of existing instruments, it would seem that there is no explicit and strong interest in promoting the internationalisation towards the South Mediterranean region as a whole.

Yet, Algeria and Morocco are priority markets for the Spanish Administration. These two countries are the only ones with a specific instrument that systematically seeks to enhance of economic bilateral relations (PIDMs). However, Spanish instruments do not foresee region-wide instruments. Furthermore, quantitative information of some instruments would indicate some minor interest by Spanish firms towards other SM economies, especially Egypt and Jordan. Still, the Spanish Government does not find them significant enough to invest in comprehensive instruments to reinforce the presence of national firms there.

Concepts such as triangulation between Latin America and Asia<sup>31</sup> are arising as possible strategies to increase the Spanish presence in world emerging economies. If private interests evolve in that direction, there could be a risk that the instruments towards the South Mediterranean region are allocated less resources. Of course, much depends on the opportunities that this region provides to Spanish firms. There are positive factors in that sense such as the advance of economic modernisation programmes, but more would need to be done in terms of economic integration among SM countries. This could rise market potential (demographic factors are to be recalled also here) for Spanish products and services. Ultimately, much depends on the resolution of political crisis affecting this region.

Concluding, instruments to support the internationalisation of domestic firms have proved useful for Spanish firms over the last decade. However, instruments have to be constantly reviewed and re-designed to better respond to the needs of a more consolidated/mature Spanish sector that competes in dynamic and fierce global markets.

According to Alonso and Donoso (1996<sup>32</sup>), instruments’ actual outcome traditionally suffers from the gap between public measures, which frequently rely on a general approach to internationalisation, and real business needs, which are relatively more specific, limited to the firm-level (or sometimes, sector-level). The larger is that gap, the more ineffective an instrument happens to be. Thus, improving the effectiveness of public measures implies a certain specialisation of instruments and some flexibility so they adapt to different firm situation. These authors argue that since not all firms use all instruments at disposal in the same way, efficiency requires some criteria that allow differentiating existing instruments across firms and sectors.

Private mechanisms move faster and more dynamically than the public sector. And thus, the latter should devote more efforts to analyse the demand for each instrument (as indicator of business interests towards a specific market) and combine it with assessments about business climate and investment opportunities of emerging markets. That would help to define more flexible instruments adapted to changing environments and always increasing competition. Spanish PIDMs can be considered a step in that direction. They rely on an analytical framework that recognises the diversity of support needs in each market. Also, different institutions with their respective instruments are involved, so that competition among them and should smoothen and instead, synergies between them should enhance the Spanish internationalisation process towards a specific market.

Consequently, for better responsiveness of instruments to private sector interests, continued evaluation is essential, especially in a changing competitive environment as that arising from globalisation. Recognising the usefulness of instruments for the internationalisation, impact assessments of the facilities and programmes should be further enhanced. Above all, this implies improving the information databases about the demand for each instrument. Analysts, researchers, but also potential beneficiaries should be able to

---

<sup>31</sup> Soler, J. (2007): “Triangulación Asia-España-América Latina: una visión desde la empresa”, CIDOB-Casa Asia Documentos No 14, Barcelona: January 2007

<sup>32</sup> Alonso, J.A. and V. Donoso (1996): “Obstáculos a la internacionalización y políticas públicas de promoción. El caso de España”, *Papeles de Economía Española*, No. 66, pp. 124-143, Madrid

easily obtain information about the evolution and performance of a certain instrument, over time and in a comparative manner. It is not any easy task, given the great diversity of types of assistance, the discontinuity of certain facilities over time because of political factors, etc (Calderón, H. and T. Fayos, 2002). Nonetheless, improved information about the use of instruments will allow for a quantitative estimation on a reliable and complete manner of the actual impact of such instruments on the internationalisation of the national economy.

## ANNEX: CESCE's Instruments

CESCE's Instruments			
	<i>Instrument</i>	<i>Purpose</i>	<i>Risk covered</i>
<b>Short-Term operations</b> (repayment period of less than 2 years).	Master Insurance Policy ( <i>Póliza Master</i> )	Customised product designed to meet the requirements of Spanish companies maintaining a regular sales flow to customers in domestic and foreign markets. With this insurance policy, a company will be covered against the risk of default inherent in all credit sales to any of the clients. It is a flexible product, adjustable to your needs and take-out is not based on a minimum figure. Its main strength is facilitating business' management.	- Commercial - Political and Extraordinary
	Whole Turnover Export-Credit Policy ( <i>Póliza Abierta de Gestión de Exportaciones - PAGEX</i> )	Product that provides cover to Spanish export companies with a regular flow of sales to different importers and markets for a total annual amount higher than 1,200,000 Euros. With this insurance policy, a company will be covered against the risk of non-payment inherent to all exports. It is a flexible product which covers exports of all types of goods or services due and payable within a period of maximum one year.	- Commercial - Political and Extraordinary
	Export-Credit Insurance for SMEs ( <i>Póliza 100 - P100</i> )	Simple and straightforward product for Spanish export companies with a regular flow of overseas sales, or companies that are considering exporting on a regular basis, in both cases for a total annual amount not exceeding 1,200,000 Euros. The aim of this insurance policy is to assist SMEs with the start-up, maintenance and expansion of their export business. One of the specific characteristics of this policy as compared to other global policies is its administrative simplicity. The company will be covered against the risk of non-payment inherent in all credit sales to all customers abroad. This product covers exports of all types of goods or services due and payable within a period of up to one year.	- Commercial - Political and Extraordinary
	Individual Short-Term Supplier Credit Policy ( <i>Póliza Individual de Crédito Suministrador</i> )	Product to insure one-off exports This insurance policy covers not only the risk of non-payment of the credit by the debtor, but also the termination/repudiation of the contract by the importer, when this is unilateral and unjustified or due to political reasons.	- Commercial - Political and Extraordinary
	Individual Documentary Credit Policy ( <i>Póliza Individual de Créditos Documentarios</i> )	Instrument to insure banks that confirm a letter of credit which instruments payment of a Spanish export operation. Specifically, the Individual Documentary Credit Policy insures financial institutions, transaction by transaction, against the risks involved in confirming a documentary credit issued by a foreign entity. Cover is issued in the currency of the documentary credit.	As a rule, cover extends to political and extraordinary risks. If the debtor (issuer of the documentary credit) is a public entity, the risk of its non-payment is also covered.
	Open Documentary Credit Policy ( <i>Póliza Abierta de Créditos Documentarios</i> )	This insurance policy covers financial institutions systematically against the risks involved in confirming the documentary credits issued by the foreign entities included in a policy. Maximum amount covered under the policy may be assigned by the Insured at any time to any of the issuers specified in the policy. The cover is issued in euros. The Insured may choose between: - Modality A: The exchange rate applicable is that of the day of payment to the beneficiary - Modality B: The exchange rate applicable is that of five days as from reimbursement.	In general, cover extends to political and extraordinary risks. If the debtor (issuer of the documentary credit) is a public entity, the risk of its non-payment is also covered.

	Global Market Credit Policy ( <i>Póliza Multimercado</i> )	This product is designed for companies maintaining a regular flow of sales to different companies on both foreign and domestic markets. With this insurance policy, a company will be covered against the risk of non-payment involved in all credit sales to both foreign and domestic customers. It is a flexible product which covers all types of goods or services sold on credit with a repayment period of maximum one year.	- Commercial risks
<b>Medium/Long-Term operations (repayment period of 2 years or more)</b>	Buyer Credit Policy ( <i>Póliza de Crédito Comprador</i> )	This insurance policy covers financial entities against the risk of non-payment of a loan granted to a foreign buyer for the purchase of goods and services of Spanish origin.	- Political Risks (max. Percentage of cover: 99%) - Commercial Risks (max. Percentage of cover: 94%)
	Supplier Credit Policy ( <i>Póliza Individual de Crédito Suministrador</i> )	This product insures the Exporter against two types of risks: Credit Risk: When the Exporter grants deferment of a payment granted to the Foreign Buyer, CESCE insures the risk of non-payment once the goods have been delivered. CESCE compensates the insured Exporter for losses which may result from non-payment. Manufacturing Risk: covers net losses suffered by exporter as a result of contract cancellation due to political risks or commercial risks	- Political Risks (max. Percentage of cover: 99%) - Commercial Risks (max. Percentage of cover: 99%)
	Civil Works Insurance Policy ( <i>Póliza de Seguro de Obras y Trabajos en el Exterior</i> )	This Policy is designed to meet the needs of companies that carry out construction, civil works or assembly projects abroad. CESCE insures risks that arise during the construction or execution stages. This policy covers Spanish contractors against the final net loss they may suffer as a result of: <ul style="list-style-type: none"> <li>- Construction risk, which comprises contract cancellation, refusal to certify, non-payment of certifications, non-payment of credit (payment deferral).</li> <li>- Risk of seizure or refusal to repatriate machinery.</li> <li>- Risk of failure to transfer working capital to Spain.</li> </ul>	- Political Risks (max. Percentage of cover: 99%) - Commercial Risks (max. Percentage of cover: 94%)
	Bonds - insurance for guarantors ( <i>Seguro a Fiaidores por Riesgo de Ejecución de Fianzas</i> )	This product provides cover to the financial institutions against the risk of non reimbursement from the exporter. There are operations for which buyers request bonding or guarantees from their suppliers. In turn, suppliers may ask financial institutions to issue such guarantees on their behalf. In the event of either fair or unfair calling of bonds from the foreign buyer, the exporter is obliged to reimburse the bank that has issued the guarantee. But there is risk that the exporter does not reimburse, here it is where this insurance may operate.	- Commercial Risks (max. Percentage of cover: 99%)
	Bonds - insurance for exporters ( <i>Seguro a Exportadores por Riesgo de Ejecución de Fianzas</i> )	This Policy is intended for transactions in which the Exporter is required to provide a surety bond, stemming from an export contract, to the foreign buyer or authorities of the buyer's country. The Policy covers the Exporter against the risk of unfair calling of bonds by the foreign contracting party.	- Political Risks (max. Percentage of cover: 99%) - Commercial Risks (max. Percentage of cover: 99%)
	Bank Guarantee Policy ( <i>Póliza de Garantías Bancarias</i> )	This Policy is intended for transactions in which a Financial Institution grants the Exporter a pre-financing credit for payment of salaries, purchase of raw materials, etc. during the manufacturing stage, or for the discount of commercial bills issued in foreign currency. CESCE covers the Financial Institution against the final net loss it may suffer as a result of the total or partial non-payment of the pre-financing or financing credit granted to the exporter.	- Commercial Risks (max. Percentage of cover: 99%)
	Barter Policy ( <i>Póliza de Seguro de Operaciones de Compensación</i> )	This policy is designed to insure the Exporter against the risk of failure to deliver goods in barter transactions. CESCE compensates the Exporter for losses he may suffer as a result of the failure, for political reasons, to deliver the goods covered by the barter contract.	- Political Risks (max. Percentage of cover: 99%)
	Project Finance Insurance Policy ( <i>Seguro de Operaciones de Project-</i>	CESCE grants Political and Commercial Risk cover for project finance transactions, i.e. whereby the repayment of the loan will be made out of the cash flows and earnings generated by the project itself, with no additional guarantees.	- Political Risks (Coverage depends on the project) - Commercial Risks: (Coverage

	<i>Finance)</i>		depends on the project)
	Foreign Investment Insurance Policy ( <i>Póliza de Seguro de Inversiones en el Exterior</i> )	<p>This Policy aims at facilitating the internationalization of Spanish companies, offering a flexible instrument that enables them to design, within the framework of cover available, the optimum conditions for their specific needs.</p> <p>CESCE covers four types of political risks: those related to property rights, transfer risk, breach of agreements by host country public authorities, and political violence. Additionally, this insurance can also cover up to one-year profit losses due to a interruption of the economic activity due to caused by war or political disorder.</p> <p>Eligible investments include the creation of new companies, partial or full acquisition of going concerns, participation in capital increases or in capital contributions of companies, whose purpose is to establish or maintain long-lasting economic ties.</p>	- Political Risks (max. Percentage of cover: 99%)

## ANNEX: COFIDES's Facilities

In the next table, the financial products are briefly defined. For further information, internet links are provided. We can observe how FIEX and FONPYME are broad instruments relying on Spanish State's resources, with no focus on a specific sector or geographic area, albeit FONPYME focuses on SMEs. FIEX and FONPYME have a specific reach once they are integrated within a *Plan Integral de Desarrollo de Mercado*. The latter has been developed for certain markets in which the Spanish Administration has identified economic potential for Spanish firms (see further below).

COFIDES has other instruments with sectoral or geographic focus that complement these two Funds. Hence, we observe how priority is given to sectors such as services, tourism or investments generating carbon dioxide emission rights. While geographically, programmes tend to focus in emerging economies, such as Latin America (Mexico, Brazil) and Asia (China). The only South Mediterranean country with a specific facility is **Morocco**.

COFIDES's Facilities		
Financial support to small-scale and temporary equity investments, using State's Resources (Law 66/1997 and Law 30/2005, and Royal Decree 1226/2006 27 <sup>th</sup> October <sup>1</sup> )	FIEX- Fund for Investments Abroad ( <i>Fondo para Inversiones en el Exterior</i> )	<ul style="list-style-type: none"> <li>- Trust fund to promote Spanish foreign investment and hence, foster the internationalisation of Spanish firms. COFIDES manages the fund.</li> <li>- Eligible projects: small-scale and temporary equity investments in private firms located abroad, in which there is a "Spanish interest".</li> <li>- Type of financial assistance: shares, convertible loans, convertible debt and others.</li> <li>- Financing: min. 1 Million Euro, max. 25 Million Euro</li> <li>- FIEX Fund (2006): 660 Million Euro</li> </ul> <p style="text-align: right;">(www.cofides.es/invexteri.htm)</p>
	FONPYME – Fund for Investments in SMEs abroad ( <i>Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa</i> ) -SMEs	<ul style="list-style-type: none"> <li>- Trust fund promote Spanish foreign investment and hence, foster the internationalisation of Spanish SMEs. COFIDES manages the fund.</li> <li>- Eligible projects: small-scale and temporary equity investments in private firms located abroad, in which SMEs are involved and there is a "Spanish interest". Since 2006, it operates also in developed countries (including EU15).</li> <li>- Type of financial assistance: shares, convertible loans, convertible debt and others.</li> <li>- Financing: min. 250.000 euros, max. 4 Million Euro</li> <li>- FONPYME Fund (2006): 45 Million Euro</li> <li>- (www.cofides.es/fonopymes.htm)</li> </ul>

<sup>1</sup> This Royal Decree (RD 1226/2006 27<sup>th</sup> October) intended to facilitate the access to FIEX and FONPYME to medium and small enterprises, especially by reducing the administrative burden. Moreover, it was decided that FONPYME would focus on developed countries.

Financial support with sectoral focus	<p>FINSER Facility– Financing Services Facility (<i>Línea de Financiación de Inversiones en el Sector Servicios</i>)</p>	<ul style="list-style-type: none"> <li>- This facility offers financing with favourable conditions to feasible investment projects in service sector in which there is a “Spanish interest”.</li> <li>- Eligible projects: investment projects in service sector (civil engineering, consultancy, law firms, architectural firms, travel agencies, software, franchises, distribution and marketing, etc) of Spanish firms in developing, emerging or transition economies.</li> <li>- Type of financial assistance: medium and long term loans to project or Spanish investor, multi project loans, co-financing.</li> <li>- Financing: min. 250.000 Euro, max. 2,5 Million Euro (max. 50% of total investment project); 3-5 years to reimburse</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/Finser.htm">www.cofides.es/Finser.htm</a></p>
	<p>FINTUR Facility – Tourism (<i>Línea de Financiación de Inversiones en el Sector Turístico</i>)</p>	<ul style="list-style-type: none"> <li>- This facility offers financing with favourable conditions to feasible investment projects in tourism sector in which there is a “Spanish interest”.</li> <li>- Eligible projects: investment projects in tourism sector (hotels, theme and amusement parks, etc) of Spanish firms in developing, emerging or transition economies.</li> <li>- Type of financial assistance: medium and long term loans to project or Spanish investor, multi project loans, co-financing.</li> <li>- Financing: min. 5 Million Euro, max. 25 Million Euro (max. 50% of total investment project); 8-10 years to reimburse</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/Fintur.htm">www.cofides.es/Fintur.htm</a></p>
	<p>FINAM Facility– Environment (<i>Línea de Financiación de Inversiones en el Sector Medioambiental</i>)</p>	<ul style="list-style-type: none"> <li>- This facility offers financing with favourable conditions to feasible investment projects in environmental sector in which there is a “Spanish interest”.</li> <li>- Eligible projects: investment projects in environmental sector (urban waste management, renewable energies, water management, desalination, drinking water treatments, etc) of Spanish firms in developing, emerging or transition economies.</li> <li>- Type of financial assistance: medium and long term loans to project or Spanish investor, multi project loans, co-financing.</li> <li>- Financing: min. 1 Million Euro, max. 15 Million Euro (max. 50% of total investment project); 10 years to reimburse</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/Finam.htm">www.cofides.es/Finam.htm</a></p>
	<p>FINCARBONO Facility – Carbon Dioxide Emission Rights (<i>Línea de Financiación de Inversiones Generadoras de Derechos de Emisión de CO2</i>)</p>	<ul style="list-style-type: none"> <li>- This facility offers financing with favourable conditions to feasible investment projects that qualify as Clean Development Mechanisms or Joint Action Mechanisms and that require medium or long term financing.</li> <li>- Eligible projects: investment projects in renewable energies, energetic efficiency, waste management, transport, industrial projects to reduce carbon emissions, etc of Spanish firms in developing, emerging or transition economies.</li> <li>- Type of financial assistance: medium and long term loans to project or Spanish investor, multi project loans, co-financing.</li> <li>- Financing: min. 1 Million Euro, max. 25 Million Euro (max. 50% of total investment project); 8-15 years to reimburse</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/Fincarbono.htm">www.cofides.es/Fincarbono.htm</a></p>

	<p>FINBRAND – Spanish brand (<i>Línea de Financiación de Inversiones de Empresas Españolas con Marca</i>)</p>	<ul style="list-style-type: none"> <li>- This facility offers financing with favourable conditions to the internationalisation of Spanish brands in those cases in which the private financial sector does not provide necessary support.</li> <li>- Eligible projects: investment projects in environmental sector (urban waste management, renewable energy, water management, desalination, drinking water treatments, etc) of Spanish firms in developing, emerging or transition economies.</li> <li>- Type of financial assistance: equity, co-investment loans, and other medium and long term equity instruments.</li> <li>- Financing: min. 500.000 Euro, max. 25 Million Euro (max. 50% of total investment project); 8 years to reimburse</li> </ul> <p style="text-align: right;">(www.cofides.es/Finbrand.htm)</p>
<p>Financial support with co-financing</p>	<p>ICO Internationalisation Facility (<i>Línea ICO para la Internacionalización</i>)</p>	<p>COFIDES is one of the financial intermediaries through which Spanish firms can apply to ICO's support to carry on their internationalisation.</p> <ul style="list-style-type: none"> <li>- (See ICO Internationalisation Facility in this paper, and <a href="http://www.cofides.es/icointempes.htm">www.cofides.es/icointempes.htm</a>)</li> </ul>
	<p>EFP/EIB - ECFI III Facility –ACP countries (<i>Línea de Cofinanciación para Países ACP con el BEI</i>)</p>	<ul style="list-style-type: none"> <li>- This facility is co-financed by EIB and European Financing Partners (EFP) and aims to support private investments in African, Caribbean and Pacific (ACP) countries. In Spain, COFIDES is in charge of the management of the Facility.</li> <li>- Eligible projects: investment projects in firms located in ACP countries.</li> <li>- Type of financial assistance: equity, quasi-equity, medium and long term loans, guarantees to mobilise resources in local currency.</li> <li>- Financing: min. 1 Million Euro, max. 25 Million Euro (max. 50% of total investment project)</li> <li>- EFP/BEI ECFI III Fund (2006): 440 Million Euro</li> </ul> <p style="text-align: right;">(www.cofides.es/beiefp.htm)</p>
	<p>COFIDES/EIB ALA Facility Asian and Latin American countries</p>	<ul style="list-style-type: none"> <li>- This facility is co-financed by EIB and COFIDES and aims to support private investments in Asian and Latin American (ALA) countries.</li> <li>- Eligible projects: investment projects in firms located in ALA countries.</li> <li>- Type of financial assistance: long term loans.</li> <li>- Financing: min. 500.000 Euro, max. 3 Million Euro (max. 50% of total investment project)</li> <li>- COFIDES/BEI ALA Fund (2006): 25 Million Euro</li> </ul> <p style="text-align: right;">(www.cofides.es/beiala.htm)</p>
<p>Financial support with geographical focus</p>	<p>China's Facility (<i>Línea China</i>)</p>	<ul style="list-style-type: none"> <li>- Eligible projects: private investment projects in China with a “Spanish interest”. Priority sectors are infrastructure and public works, including renewable energies, transport and <del>telecommunication infrastructures, waste management, water management.</del></li> <li>- Type of financial assistance: equity, co-investment loans, and other medium and long term equity instruments</li> </ul>

		<ul style="list-style-type: none"> <li>- Financing: min. 250.000 Euro, max. 25 Million Euro (max. 70% of total investment project; for equity, up to 49% of firm's capital)</li> <li>- China Facility Fund (2006): 90 Million Euro</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/instChinaFIEX.htm">www.cofides.es/instChinaFIEX.htm</a></p>
	Enlargement countries' Facility ( <i>Línea Países Ampliación</i> )	<ul style="list-style-type: none"> <li>- Eligible projects: private investment projects in EU Enlargement countries (Bulgaria, Cyprus, Slovakia, Slovenia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Czech Rep., Romania and Turkey) with a "Spanish interest". Priority sectors are agro-industry, automotive, electronics, energy, environmental management, infrastructure and public works, engineering, transport.</li> <li>- Type of financial assistance: equity, co-investment loans, and other medium and long term equity instruments</li> <li>- Financing: min. 250.000 Euro, max. 25 Million Euro (max. 70% of total investment project; for equity, up to 49% of firm's capital)</li> <li>- Enlargement Facility Fund (2006): 110 Million Euro (from FIEX and FONPYME)</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/instampliacion.htm">www.cofides.es/instampliacion.htm</a></p>
	Brazil's Facility ( <i>Línea Brasil</i> )	<ul style="list-style-type: none"> <li>- Eligible projects: private investment projects in Brazil with a "Spanish interest". Priority sectors are equipment, renewable energies, transport infrastructure, environment and sanitation, power networks, tourism.</li> <li>- Type of financial assistance: equity, co-investment loans, and other medium and long term equity instruments</li> <li>- Financing: min. 250.000 Euro, max. 25 Million Euro (max. 70% of total investment project; for equity, up to 49% of firm's capital)</li> <li>- Brazil Facility Fund (2006): 70 Million Euro</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/instBrasil.htm">www.cofides.es/instBrasil.htm</a></p>
	Mexico's Facility ( <i>Línea México</i> )	<ul style="list-style-type: none"> <li>- Eligible projects: private investment projects in Mexico with a "Spanish interest". Priority sectors are commercial distribution, renewable energies, manufacture, ICT, water management, engineering.</li> <li>- Type of financial assistance: equity, co-investment loans, and other medium and long term equity instruments</li> <li>- Financing: min. 250.000 Euro, max. 25 Million Euro (max. 70% of total investment project; for equity, up to 49% of firm's capital)</li> <li>- Brazil Facility Fund (2006): 100 Million Euro</li> </ul> <p style="text-align: right;"><a href="http://www.cofides.es/instMexico.htm">www.cofides.es/instMexico.htm</a></p>

	<p><b>Morocco's Facility (<i>Línea Marruecos</i>)</b></p>	<ul style="list-style-type: none"> <li>- <b>Eligible projects:</b> private investment projects in Morocco with a “Spanish interest”. Priority sectors are agro-industry, rural electrification and renewable energies, environment and waste management, telecommunications, urban and inter-urban transport, tourism.</li> <li>- <b>Type of financial assistance:</b> equity, co-investment loans, and other medium and long term equity instruments</li> <li>- <b>Financing:</b> min. 250.000 Euro, max. 25 Million Euro (max. 70% of total investment project; for equity, up to 49% of firm's capital)</li> <li>- <b>Morocco Facility Fund (2006):</b> 50 Million Euro</li> </ul> <p style="text-align: right;">(www.cofides.es/instMarruecos.htm)</p>
<p>Source: own elaboration based on information available at: <a href="http://www.cofides.es">www.cofides.es</a>, 2007</p>		