

Madrid
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SME STRATEGIC FRAMEWORK



GOBIERNO
DE ESPAÑA

MINISTERIO
DE INDUSTRIA, COMERCIO
Y TURISMO

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DEVELOPMENT OF THE STRATEGIC FRAMEWORK

Objective: To define the policy framework for the Spanish Public Administrations in the field of the small and medium-size enterprises (SME), establishing a set of measures to improve the SME competitiveness, as well as helping to create the framework to promote their growth.

Why?

- High weight of the SME in the Spanish economy: Spanish SMEs account for 99% of the total companies, 66% of total employment and 62% of Gross Value Added (GVA).
- SMEs have to face the new challenges: access to global markets, digitalisation, circular economy,...
- Consolidate the improvements and achievements to date and collect new proposals.
- SBA Implementation in Spain and other European recommendations and their follow-up.

Target Group: SMEs with workers, mainly, regardless of their legal status or sector of activity.



DEVELOPMENT OF THE STRATEGIC FRAMEWORK

- Diagnosis of the SMEs in Spain:
 - Analysis of the European policies (COM and most important European countries)
 - Analysis of Central Government (AGE) policies. Workshops with social and academic and business agents.
- Participation of the SME State Council
 - Celebration of the State Council in November 2017. Inputs and comments from all participants were collected regarding the strategic framework.
 - Second submission of the strategic framework to the State Council on 31 October 2018.



THE IMPORTANCE OF THE SME: THE ENGINE OF THE SPANISH ECONOMY

- **Number: More than 99.8% of the companies**
- **Employment: 66% of the entrepreneurial employment**
- **Value added: 62% of the GVA**

THE IMPORTANCE OF THE SME: THE ENGINE OF THE EUROPEAN ECONOMY

- **Number: 24.5 million SMEs**
- **Employment: 94.8 million people (66.4% of the EU28 employment)**
- **GVA: 4 billion EUR (56.8% of the EU28 VAB)**



SPAIN

- The National Government's Business Support Plans**
- Laws to support entrepreneurs**

EUROPEAN UNION

- Small Business Act (SBA)**
- SME Action Programme**



STRATEGIC ACTION LEVERS

7 STRATEGIC ACTION LEVERS

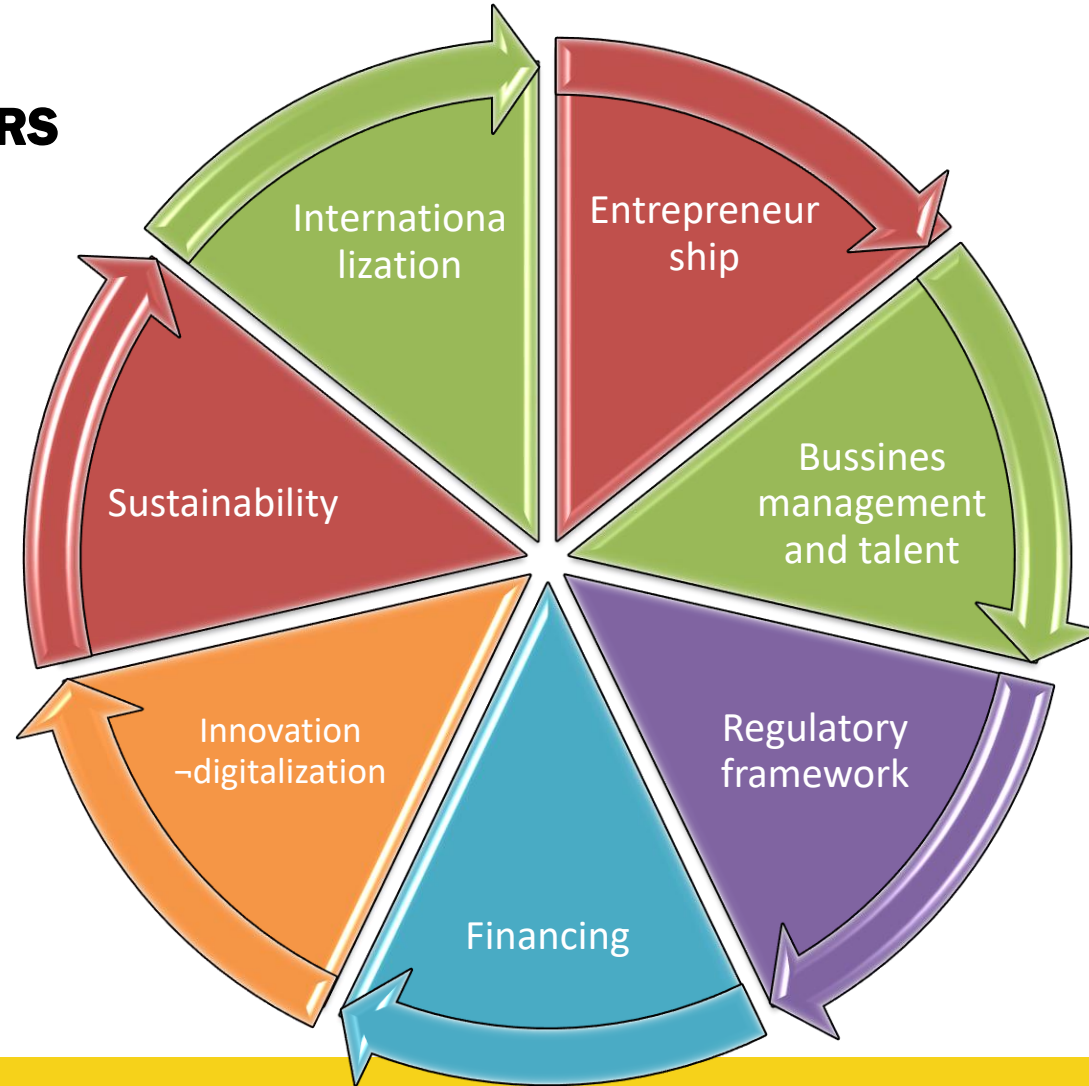
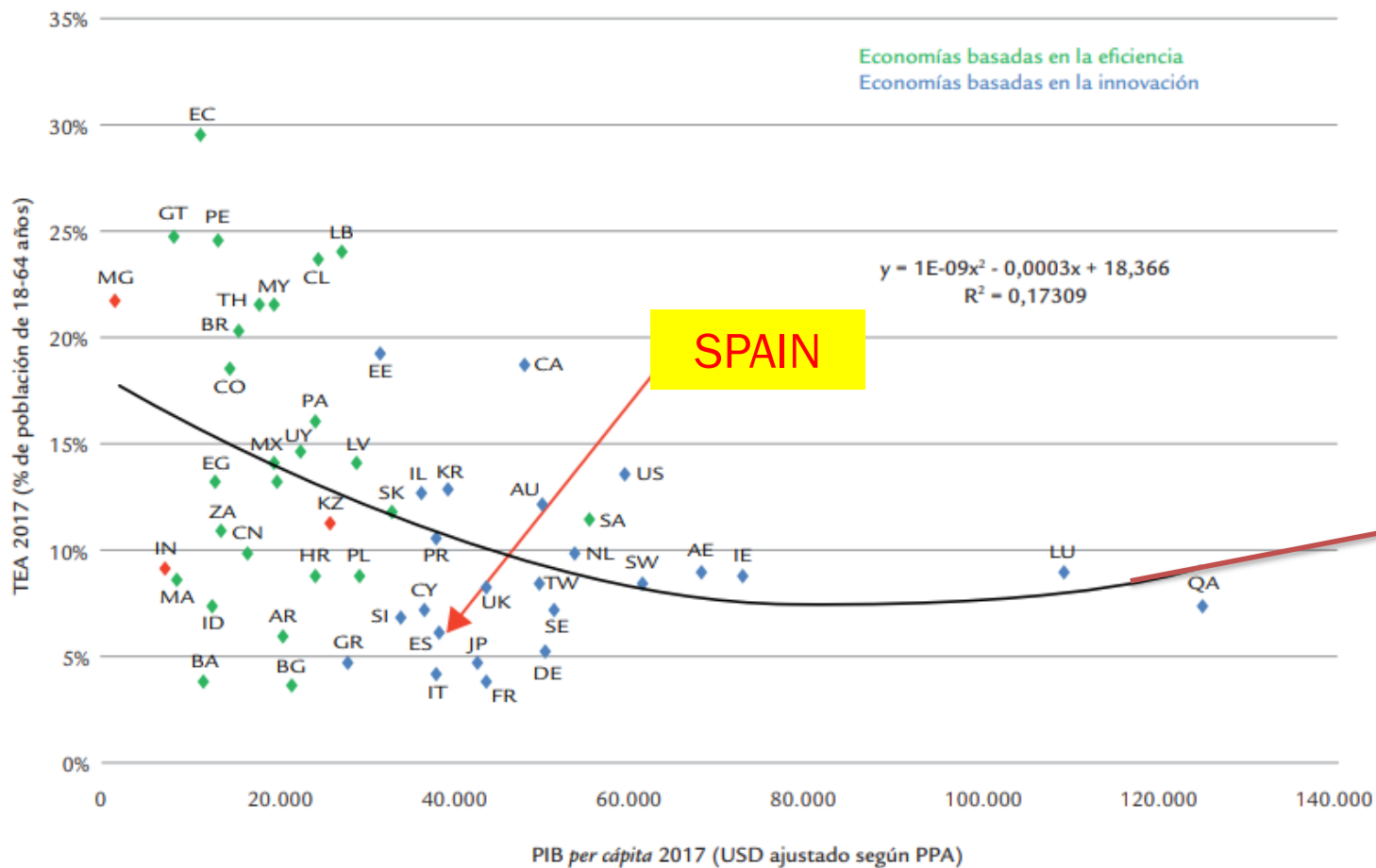


Figure 1.2.21. Quadratic ratio between the TEA indicator and the level of development, measured by GDP per capita



Entrepreneurial spirit

Overall Spanish TEA: 6.2%.

Spain is below the average of its level of development (innovation-based economies)

Fuente: GEM España (APS 2017) y Fondo Monetario Internacional (World Economic Outlook October 2017).



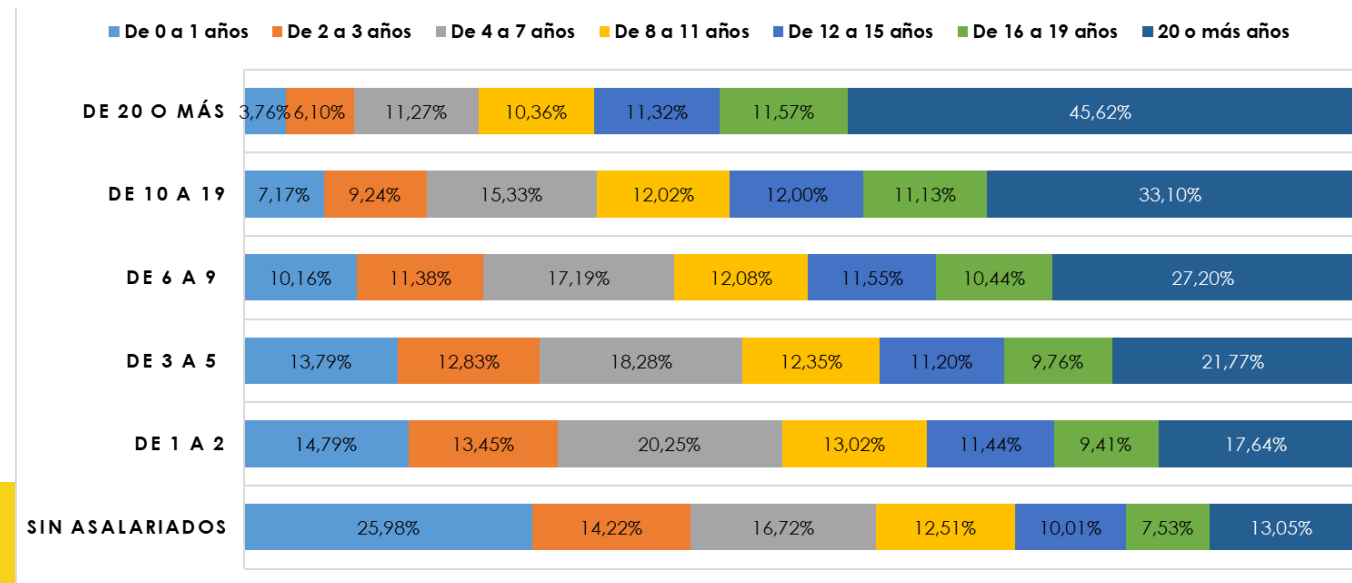
ENTREPRENEURSHIP

OTHER ASPECTS ANALYSED

- **Entrepreneurial Ecosystem.** Great offer, little coordinated and entrepreneur confusion
 - ✓ More than 4,000 Entrepreneur Attention Points in Spain
 - ✓ In the SME Observatory Report in 2010 more than 2,800 platforms were accounted
- **Education for the entrepreneurship**
 - ✓ High school dropout rate
 - ✓ Lack of qualifications in the different educational stages
- **Business Culture**
 - ✓ Improvement of the businessman figure perception in the textbooks
 - ✓ The percentage of the population (18-64 years old) who agree that entrepreneurship provides social and economic status is 48%, compared with the EU average: +70% (the main European countries exceed this average).



- Is doing business in Spain easy?
 - ✓ Creation from scratch. Doing Business (2019) Report: Spain ranked in the 86 position regarding business creation: 12.5 days and 7 procedures for setting up a limited company. OECD average: 9.3 days and 4.9 procedures
 - ✓ Transfer of companies: In Spain it is estimated that some 12,000 companies and 48,000 jobs could be lost due to failures in the business transfer processes.
- Second Chance
 - ✓ Spain ranks 18th out of 24 in terms of survival of companies after the first five years of life.

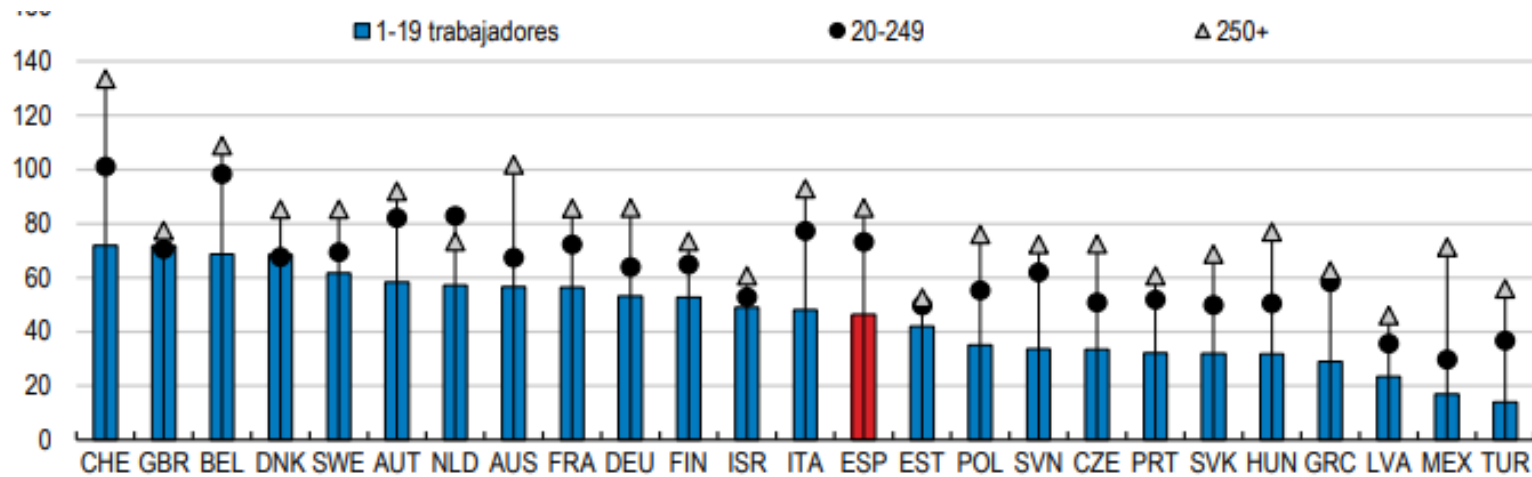


ACTION LINES

- **LA1. Promote the development of the skills and qualifications for employment**, aimed at business management, development of digital skills and innovation management. Promote the development of the Dual University, in a similar way to dual professional training.
- **LA2. Give prestige and promote Professional Training**, so that it is used more by the SME.
- **LA3. Strengthen the SME culture and the promotion of entrepreneurship**
- **LA4. Measures to foster the entrepreneurial ecosystem**, such as making the use of existing structures and networks more efficient; repository of resources and best practices; improve coordination, etc.
- **LA5. Continuing with the simplification of procedures, time, and cost to set up an SME**, as well as improve one-stop-shop services.
- **LA6. Encourage and simplify the transfer of companies**, so that viable businesses are not lost due to failures in the transfer process.
- **LA7. Promote measures to encourage second chance.**



B. Labour productivity by business size. Added value per employed person in the overall business economy. (Billion US\$ PPA, 2014 or last available year)



Source. OECD Economic Estudios – Spain. November 2018

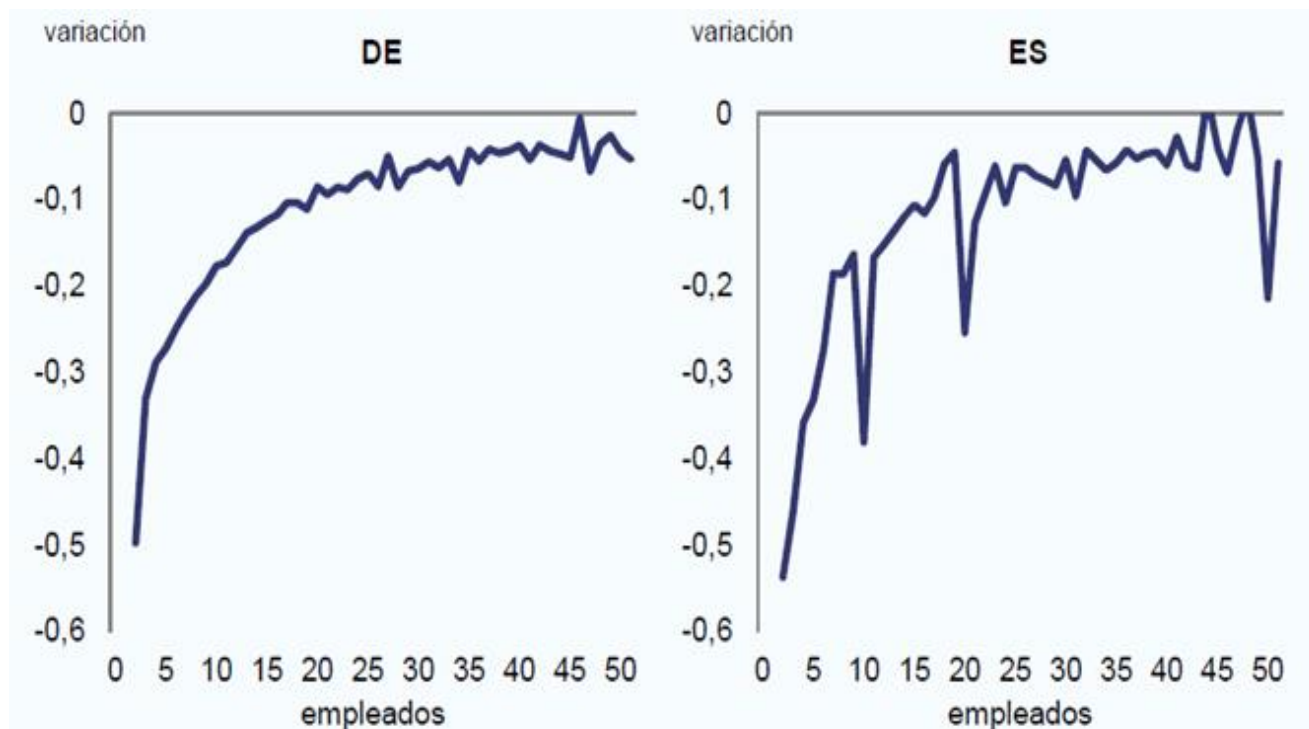
SME Productivity

- Lower than the bigger companies
- Lower than other European SMEs.
- Few intra-entrepreneurial actions
- High rate of temporality

ACTION LINES

- **LA8. Measures for attracting and retaining talent in SMEs**, promoting professional career plans within SMEs; introducing administrative simplification measures regarding of employment; among others.
- **LA9. Improve business management training for managers**, promote double degrees, etc.
- **LA10. Advance in digital skills of entrepreneurs and employees**, with digital skills strategies and support measures to bring digital skills to all levels of education and training; update the digital skills of workers; etc.
- **LA11. Encourage intra-entrepreneurship**
- **LA12. Promote the corporate social responsibility.** Raise the degree of implementation of the Social Responsibility in companies, advancing in a type of company that generates quality employment and is committed to ongoing training, the reconciliation of personal, family and work life, and equality between women and men.





Percentage variation of the number of enterprises with more than one employee in relation with the number of employees ; average annual growth rate (2006-2013).

Source: European Commission (2016), European Semester - Spain Report 2016

Weight of microenterprises: 95% in Spain compared to 93.1% in the EU28.
Entrepreneurial employment: 41% against 29.4% in the EU.

High administrative burden:

- 2018: 859 new standards (+990,000 pages of official gazettes) + 1,902 EU legislative acts
- Position 120 of 140 countries in regulatory burden
- 18,779 entities belonging to the public sector.

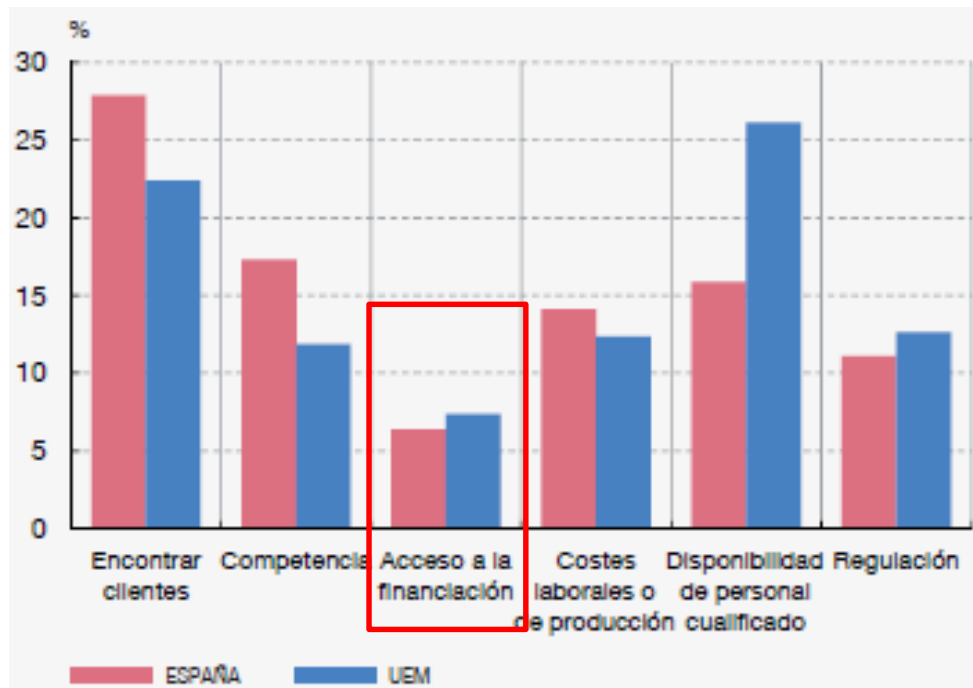
REGULATORY FRAMEWORK

ACTION LINES

- **LA13. Encourage the creation of larger companies** by merging existing SMEs
- **LA14. Advise and assist SMEs**, through a personalized support that fosters their growth.
- **LA15. Simplify sectoral regulation**
- **LA16. Improve inter-administrative coordination in relation to SME activity**
- **LA17. Encourage collaboration between large companies and SMEs.** More collaborator instead of supplier.
- **LA18. Encourage public procurement of SMEs by the public administration.**



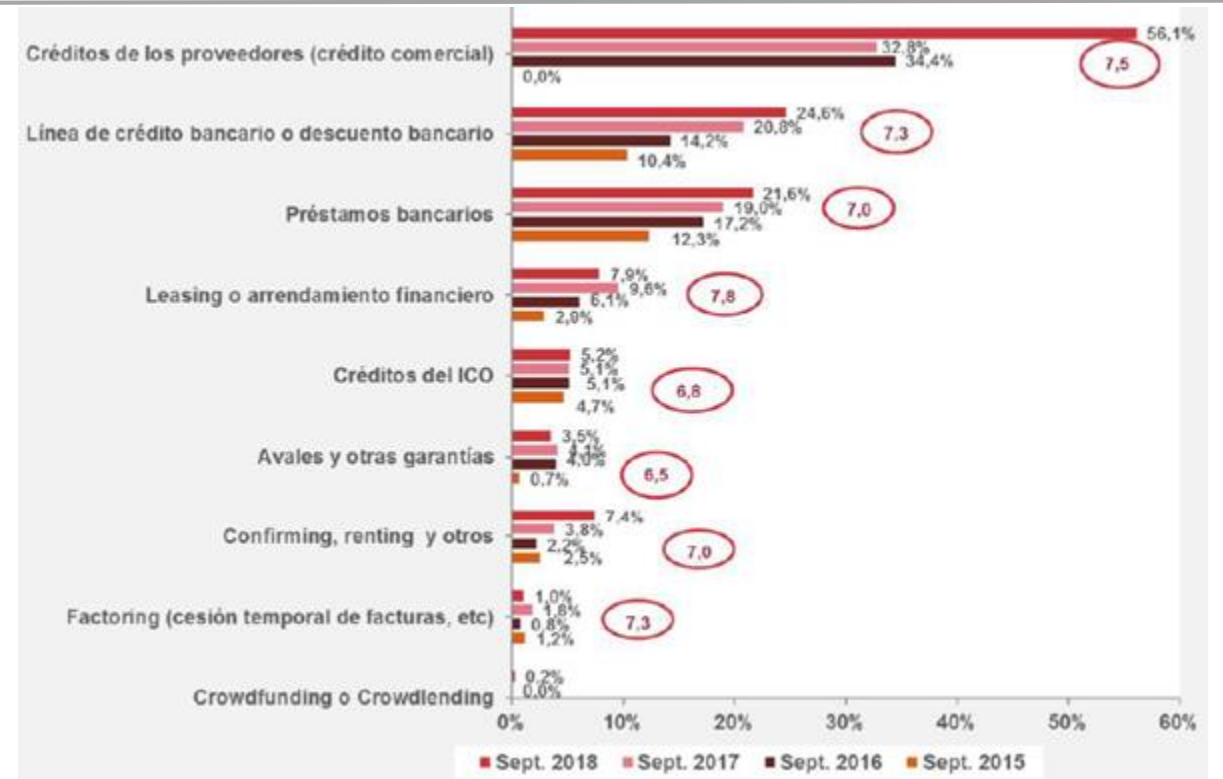
FINANCING



Main problems affecting the activity

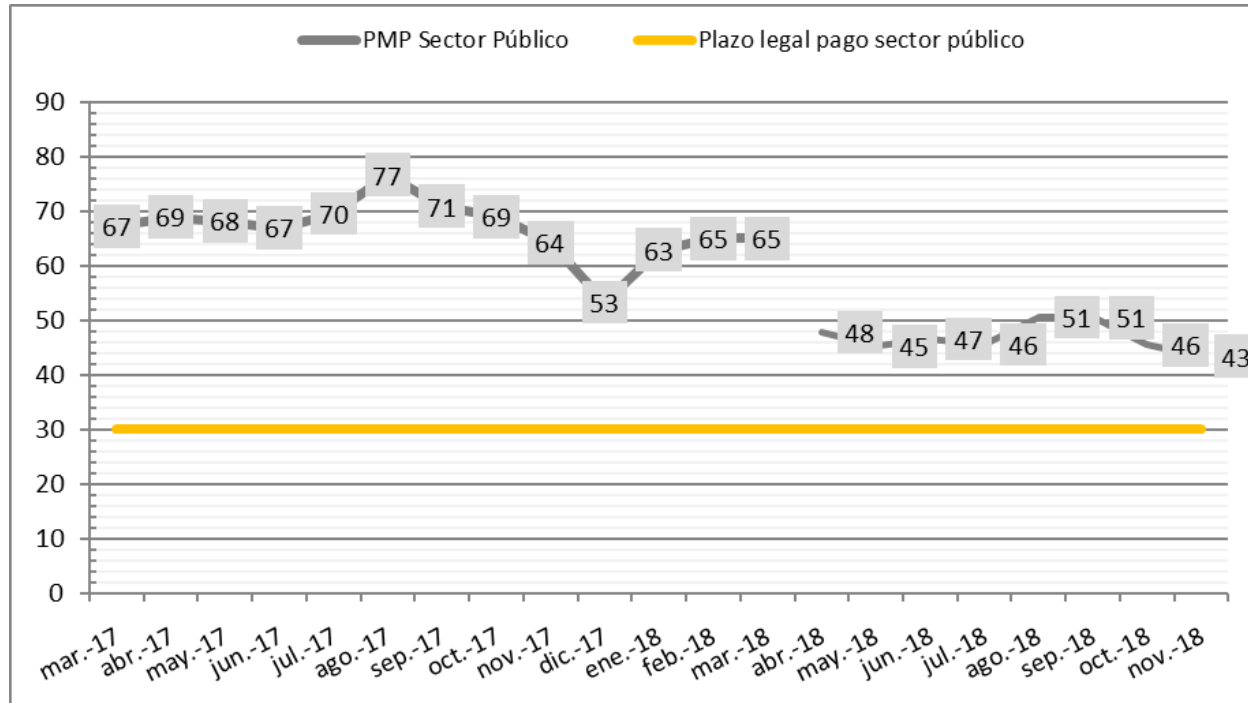
Source Economic bulletin 2/2018 Bank of Spain (based on European Central Bank data)

- Improve financing access
- Strong dependence from bank financing



Level of use and evaluation of different financial instruments in the last 6 months. September 2018 (Source: CESGAR (2018), VI Report "SME financing in Spain")

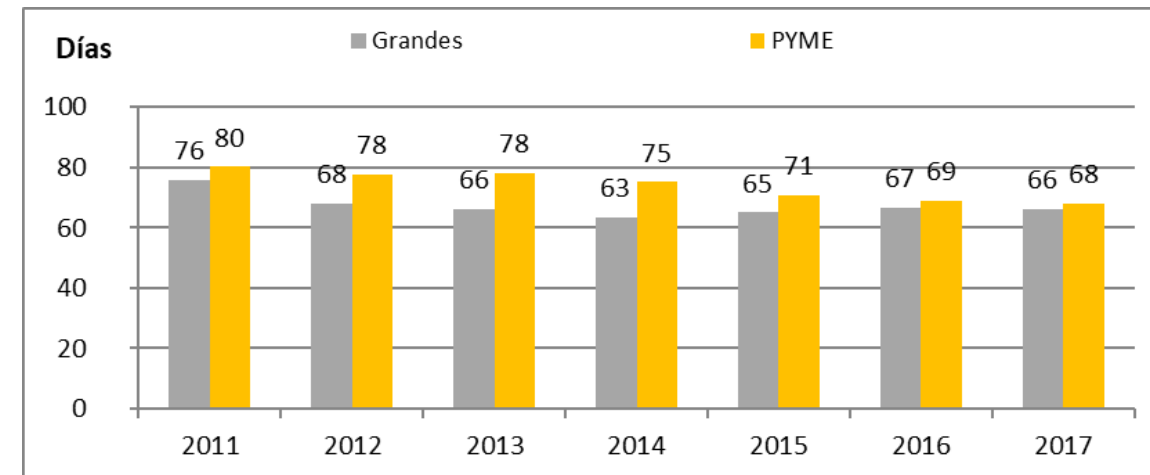
FINANCING



Public late payments, still far from 30 days

Source: Ministry of Finance

Business late payments exceed 60 days



Source: Bank of Spain.

ACTION LINES

- **LA19. Diversify the financing sources and promote alternatives to bank financing.**
- **LA20. Expand financial availability in the different phases of the SME life cycle.**
- **LA21. Reorient tax conditions to improve SME financing.**
- **LA22. Simplifying access to SMEs support.**
- **LA23. Monitoring of late payment.**
- **LA24. Development of a framework on movable guarantees.**
- **LA25. Strengthen the Spanish guarantee system and encourage SMEs to know and use it.**
- **LA26. Promote information and training on financing among SMEs.**
- **LA27. Promote good governance and financial transparency of SMEs.**
- **LA28. Make access requirements more flexible and promote the advantages of the Alternative Stock Market (MAB) and the Alternative Fixed Income Market (MARF).**
- **LA29. Other measures: microcredit and intra-entrepreneurship financing.**



INNOVATION AND DIGITALIZATION

Gráfico 1. Gasto en I+D ejecutado por el sector empresarial como porcentaje sobre el PIB

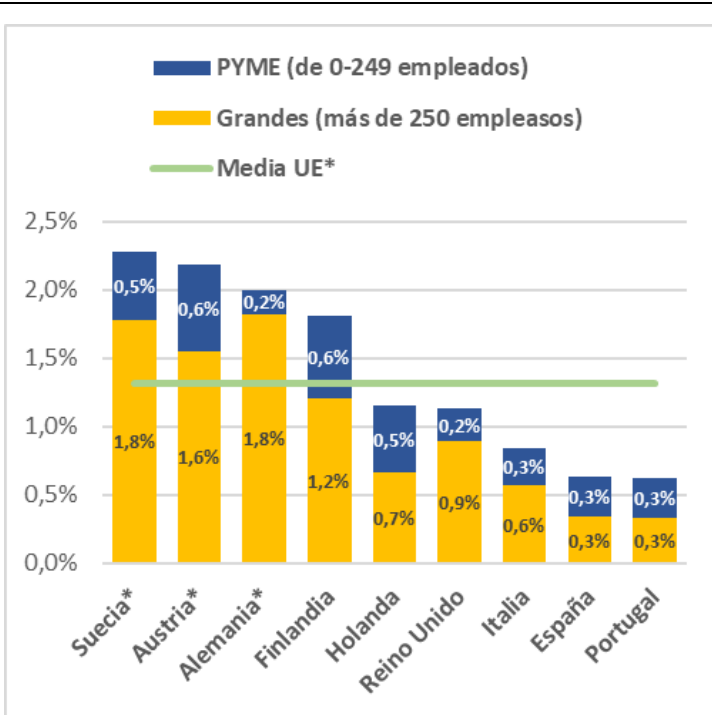


Gráfico 2. Porcentaje del gasto empresarial en I+D ejecutado por PYME y grandes empresas

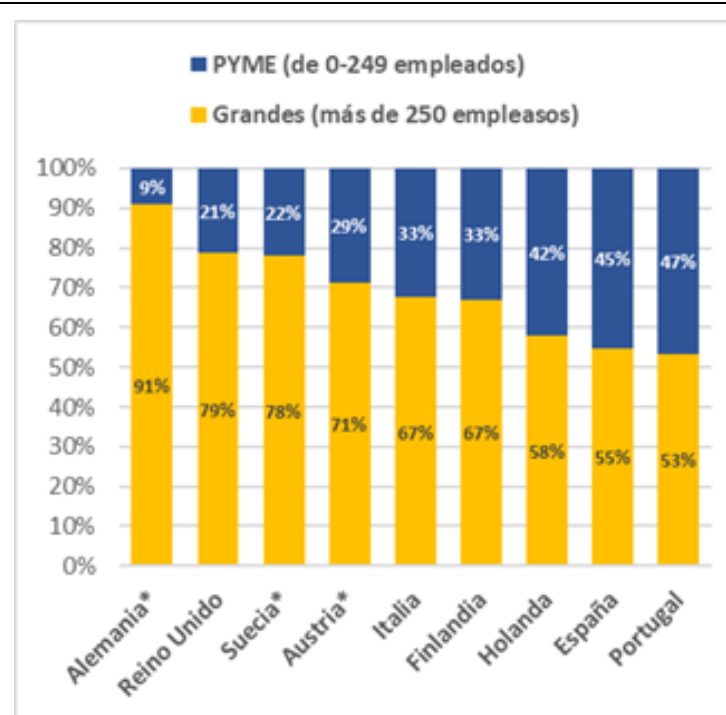


Figure 1. R&D expenditure by business sector as a percentage of the GDP

Figure 2. Percentage of the R&D expenditure by PYME and large enterprises

Spanish companies invest little in knowledge-based assets.

% GDP of R&D expenditure in the business sector:

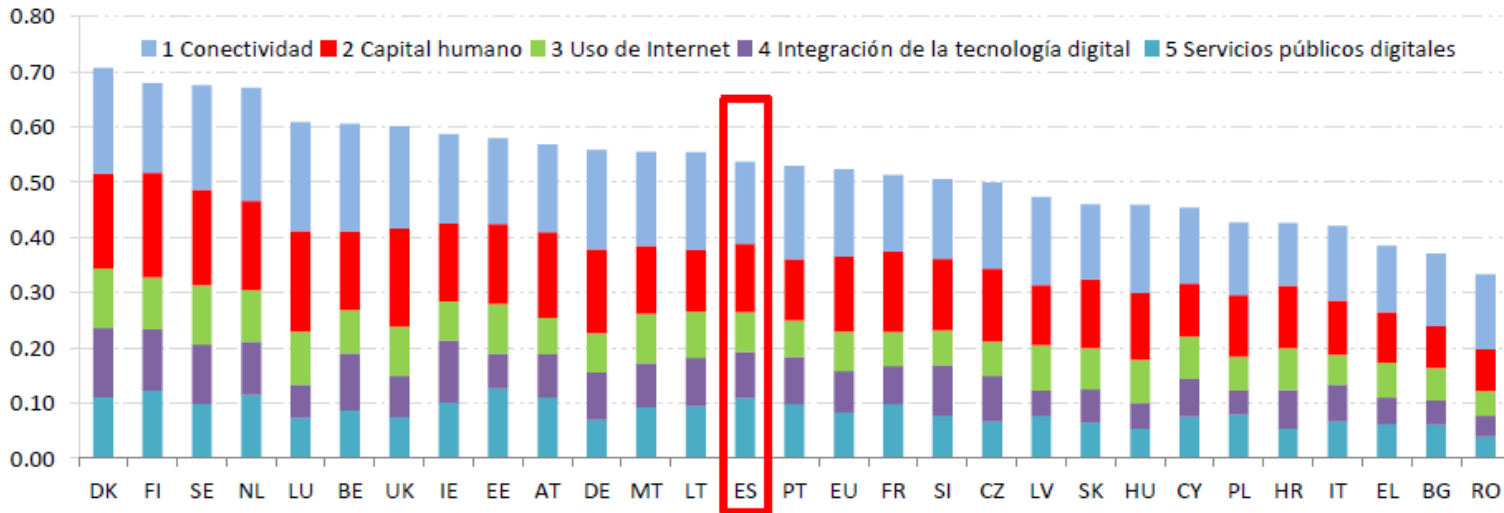
- Spain: 0.6%,
- EU average: 1.3%.

With regard to SME innovation, Spain is well below the EU average.

Fuente: Eurostat. Datos referidos a 2016, salvo los indicados con (*), que se refieren a 2015.



Clasificación del Índice de la Economía y la Sociedad Digitales (DESI) de 2017



Source: European Digital Progress Report (EDPR): Profile of Spain 2017

- ✓ Digital economy: Spain has intermediate results
- ✓ SME digital transformation: The use of 4.0 technologies is low (7.4% of micro enterprises use cloud computing and the 2.4% use big data).
- ✓ Lower levels of basic and advanced digital skills than the EU average.



INNOVATION AND DIGITALIZATION

ACTION LINES

- **LA30. Incorporate digital tools in the relationship SME/Administration**
- **LA31. Facilitate the digital transformation of SMEs as a key element in their life cycle.**
- **LA32. Promote business collaboration and the development of business clusters.**
- **LA33. Promote innovation programmes among SMEs as well as the development of innovative ecosystems.**
- **LA34. One-stop shop for innovation.**
- **LA35. Financing for digitalization.** Improve the availability of different ways of financing SMEs, to stimulate adaptation to digital technologies and enablers.
- **LA36. Develop SME assistance programmes in Industry 4.0.** Continue with the currently operational programmes: Advanced self-diagnosis tool (HADA), and Activa Industry 4.0.
- **LA37. Support for the incorporation of enabling technologies - KET.**
- **LA38. Promote knowledge among SMEs on how to protect their industrial property rights as well as everything related to intellectual property.**
- **LA39. Financing for innovation.**



Table 10. Circular economy activities undertaken by Spanish and EU companies.

Activities	Spain	UE
Recycling Activities	70%	55%
Activities to minimize energy consumption	49%	38%
Redesign of products and services to minimize the use of materials or to use recycled materials	42%	34%
Minimize the use of water	27%	19%
Use of renewable energies	13%	16%
Any of the previous ones	85%	73%

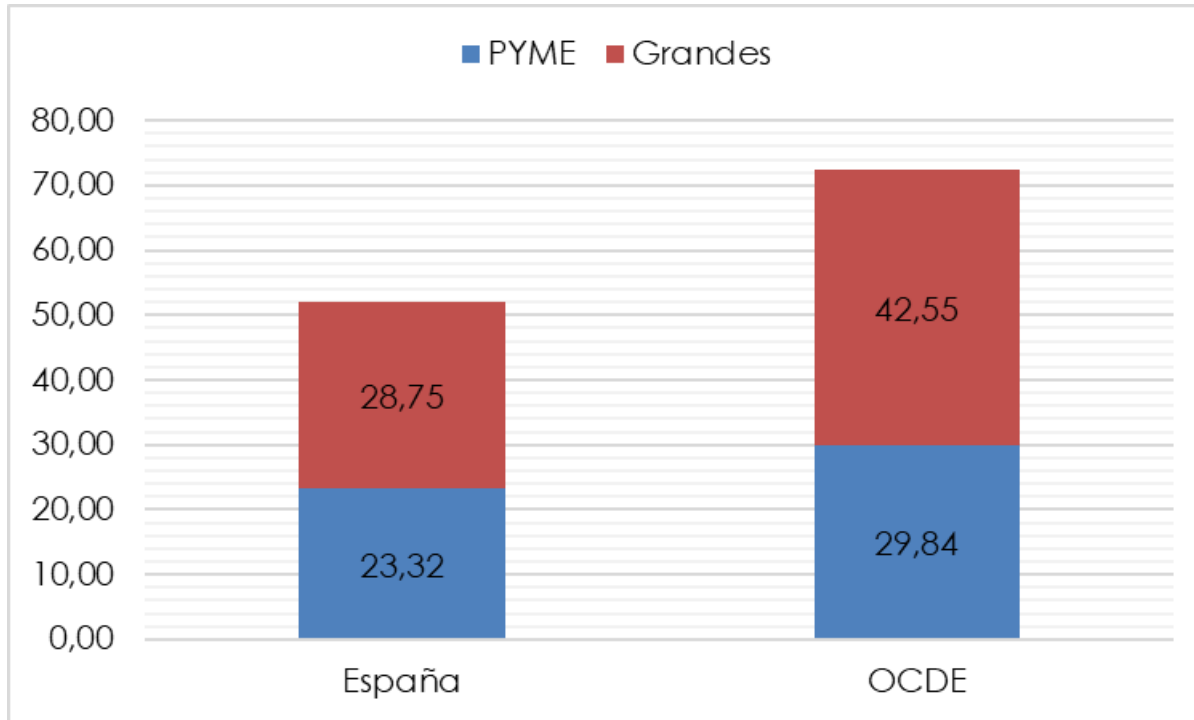
Source: Own data from the Flash Eurobarometer 441

- ✓ Adoption of a entrepreneurial mindset oriented to green economy.
- ✓ Financial barriers.
- ✓ Lack of support from public administrations and lack of an effective legislation.
- ✓ Lack of information.
- ✓ Administrative burdens.

ACTION LINES

- **LA40. Promote environmental information, communication and dissemination**
 - ❑ Organizing SME workshops about the SMEs key role in sustainable development. Encourage the hiring of environmental experts and take advantage of community initiatives
 - ❑ Introduce a culture of recycling of products and components
- **LA41. Move forward the simplification and application of environmental regulation**
 - ❑ Provide a system of incentives for the certified SMEs and help them take advantage of simplified EMAS-type schemes. Dissemination/introduction of harmonised standards in SMEs.
 - ❑ Reducing the environmental bureaucratic burden
- **LA42. Facilitate transformation to a circular economy** by encouraging the creation of incentives to promote energy and resource audits, etc.
- **LA43. Facilitate the transition to a low-carbon economy**, encouraging the calculation of the carbon footprint and the elaboration of emission reduction plans by SMEs; disseminating the advantages of reducing the carbon footprint and the tools available; etc.





Source: OECD (2017), Entrepreneurship at glance

The number of export companies grew by 35% and the number of companies exporting on a regular basis by 23%. However, 75% of the increase in export value between 2010 and 2015 was made by very large exporters.

There are still few SMEs that export on a regular basis.

Exports are only 23.32% of the income of SMEs, compared to 28.75% for large companies.

INTERNATIONALIZATION

ACTION LINES

- **LA44. Increase information on resources and services available to assist internationalization.**
- **LA45. Foster integral company support in its process of internationalization,** through the diversification of instruments according to the needs of each company. Make progress in greater coordination between the Public Administrations and the foreign service.
- **LA46. Increase the base of companies that export regularly:** better diagnosis of the company needs and the support of programs that allow them to promote exports in a regular basis.
- **LA47. Ensure financial support for internationalisation operations:** adapt support instruments to the financing of internationalisation operations of SMEs and strengthen their dissemination.
- **LA48. Encourage foreign investment in Spain,** especially productive investments with high added value and/or R&D&I departments that generate employment.
- **LA49. Facilitate the digitalisation of SMEs** as a driving force in their export activity, through synergy between public institutions supporting SMEs and technology companies.
- **LA50 Expand and strengthen the presence of Economic and Commercial Offices in the foreign network.**



GOVERNANCE

- **State SME Council**, that monitors, proposes action measures, updates information on measures and forms the working groups necessary for the development of the SME Strategy
- **State Council working groups.**
Tasks:
 - ✓ Report periodically to the SME State Council on the progress of the strategic framework.
 - ✓ To inform about possible risks that could impact on the correct development of the Strategic Framework.
 - ✓ Propose to the State Council actions to be developed within the Strategic Framework.



- **Monitoring Office.** Responsible for regular monitoring of the status and evolution of the Strategic Framework.
Tasks:
 - ✓ Collect information on the results in the scope of each line of action.
 - ✓ Detecting risks or problems in the development of the Framework and subsequently transferring them to the working groups.
 - ✓ Propose the reorientation/redesign of the Strategic Framework actions.
 - ✓ Inform about possible risks that could impact on the correct development of the Strategic Framework.
- **Advisory Board.** This Board will bring another vision of the business world.
Tasks:
 - ✓ Formulate recommendations on the problems in the daily work of companies.
 - ✓ Report on specific risks or problems of companies.
 - ✓ Bring possible solutions for study by the working groups / Council.
- **Members:** Large companies, SMEs and other economic agents with SME responsibilities.



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