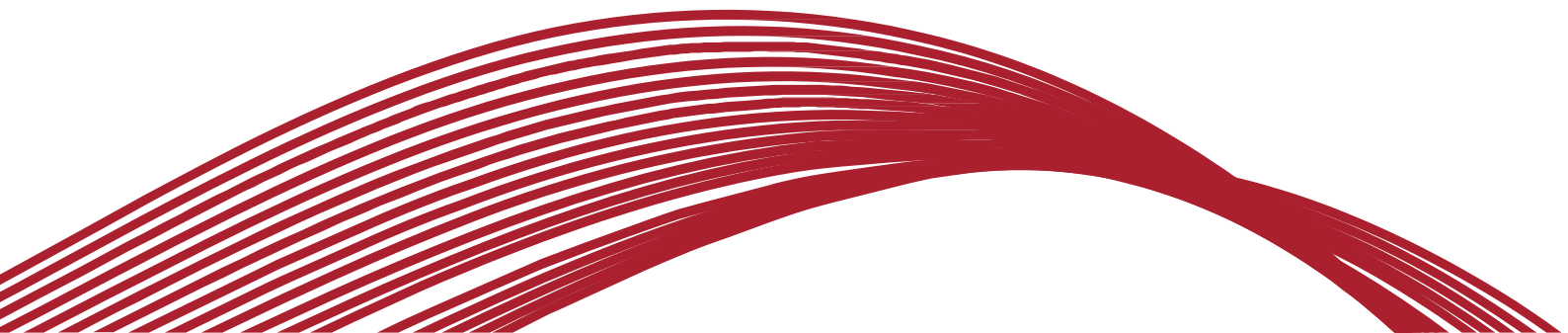


# PUBLIC EXPENDITURE EVALUATION 2018

## PROJECT 6 (RIC)

STUDY

STRENGTHENING FIRMS' COMPETITIVENESS





The Independent Authority for Fiscal Responsibility (AIReF by its Spanish acronym) was created with the mission of ensuring strict compliance with the principles of budgetary stability and financial sustainability set out in article 135 of the Spanish Constitution.

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## CONCLUSION OF THE EVALUATION

In the context of the Spending Review carried out by AIReF in 2018, the program of Re-industrialisation and Industrial Competitiveness (RIC) has been assessed, which is currently called Support to Productive Industrial Investment. This study assesses the economic impact on firms' key variables, its public cost, strategy and efficiency of the management procedure.









The RIC programme consists in granting loans for the development of industrial projects directly by the *Ministerio de Industria, Comercio y Turismo* (Ministry of Industry, Commerce and Tourism). In the period analysed (calls from 2008 until 2016) close to 4,900 million euros were granted in loans, and at the end of 2017 their outstanding balance was approximately 3,300 million euros.

The analysis carried out by AIReF concludes that the RIC program: 1) does not improve firms' competitiveness, 2) has a very high financial cost and delinquency rate, 3) does not have a clear alignment with identified needs, nor with quantifiable objectives, 4) does not present equivalent experiences at the international level and 5) is managed employing suboptimal procedures.



The following table summarises the main findings:

MAIN FINDINGS AND LESSONS LEARNED

Economic impact	Scope and alignment with objectives	Efficiency	Cost
<p> Null effect on profitability and financial variables.</p>	<p> Strategic framework without identification of needs or quantification of objectives.</p> <p>Lack of "niche market".</p>	<p> Insufficient computerisation process.</p>	<p> Large losses due to impaired loans.</p> <p>Probably also mismanagement costs (unknown).</p>
<p> Modest impact on employment and investment only in the short term.</p>	<p> Instrument of limited size to achieve significant impact.</p> <p>Shrinking demand.</p>	<p> Lack of integrated approach and coordination.</p> <p>High bureaucratisation derived from the General Subsidies Law.</p> <p>Lack of specialisation in firm loans.</p>	<p> High financial cost.</p> <p>Insufficient credit risk management (CIR-BE).</p>

Thus, AIReF proposes that the Government does not continue to implement the programme in its current state. It is necessary to redefine the programme’s strategic framework, defining specific objectives to fulfil, its scope, the type of instrument and its management model.

### Reasons:

The impact assessment is summarised in the following figure:

### IMPACT ASSESSMENT SUMMARY

Impact compared to the control group	Short term	Medium term
Employment	√	X
Investment	√	X
Productivity	X	X
ROE	X	X
ROA	X	X
Leverage ratio	X	X
Average debt cost	X	X

√ intended effect,  
X opposite effect to that sought or no effects.

The effect found in investment and employment is modest, short-term lived and largely derived from the fact that increasing employment and investment have been requirements for granting loans.

In terms of cost, the main figures are listed in the following table:

### COST ASSESSMENT SUMMARY (millions of euros)

	Total	Calls 2008-2011	Calls 2012-2016	Annual average
Financial cost	-834	-643	-192	-93
Financial revenue	270	48	222	30
Financial margin	-564	-595	30	-63
Operating cost	-36	-16	-20	-4
Loss incurred	-439	-340	-98	-49
Overall balance	-1.039	-951	-88	-115

Source: Own calculations.

Note: Approximate figures due to rounding of decimals.

Therefore, in practice the RIC programme would work as a subsidy to investment and employment. It can be inferred that the public cost of each differential job position would be approximately 24,000 euros per year (almost doubling the maximum unemployment benefit). On the other hand, each differential euro invested by beneficiary firms would cost the *Administración Central* (Central Government) about 55 cents.

# 1

## EXECUTIVE SUMMARY OF THE EVALUATION

### 1.1. Background

Project 6, Strengthening firms' competitiveness, has focused on the evaluation of the Re-industrialisation and Industrial Competitiveness programme (hereinafter, RIC), which is currently called Support to Productive Industrial Investment. The *Ministerio de Industria, Comercio y Turismo* (Ministry of Industry, Commerce and Tourism - MINCOTUR) considers the programme to be one of the key elements of its action and its objective is financial support to companies for the development of industrial investments.

Although the programme presents a history dating back to 1997, the stage analysed in the context of this Spending Review has been limited to the 2008-2016 period, a period for which homogeneous information is available, given the computerisation achieved in the procedures underpinning the programme.

The study has been based on information gathered from various sources and by applying several methodologies detailed in the annexed documents. The regulatory legislation has been analysed from both the successive regulatory bases orders and the calls approved in each financial year. In addition, a random sample of records with all documents in the procedure, from application to repayment, has been obtained. Likewise, the MINCOTUR has provided databases with information relating to the 11,242 requests made between 2008 and 2016, including the rating assigned during the evaluation process. In turn, the *Banco de España* (Bank of Spain) has provided aggregate data regarding the applicant companies on total credit and late payments (per year) registered in the Central Credit Register (CIR-BE). To estimate the impact of the programme, information on requests has been cross-checked with economic and financial data provided by the commercial records and accessible in the Iberian Balance Sheet Analysis System (SABI). In addition, the information has been contrasted with that included in the Central Balances Sheet Data of the *Banco de España*. Finally, a comprehensive list of international reports relating to the design and implementation of programmes for industrial development worldwide has been consulted.

In addition to the sources mentioned above, interviews or surveys have been carried out with: (i) members of MINCOTUR-RCI management team, (ii) managers of the collaborating entities of MINCOTUR, (iii) staff of the Financial Markets unit of the *Banco de España*, (iv) those in charge of the *Delegaciones Provinciales de Hacienda* (Provincial Delegations for Finance), and (v) 480 companies that have been beneficiaries over the analysed period.

During the different phases of the project, AIReF benefited from the collaboration of *AFI consultores* and the scientific advice of Elena Huergo Orejas from the *Fundación de Estudios y Economía Aplicada* (Foundation for Applied Economic Studies - FEDEA). In addition, it received the support of the *Banco de España* - Central Balance Sheet Data Office and Risk Information Centre -, in the processing of the micro-data. Likewise, we would like to thank the *Colegio de Registradores* (Registrars Association) for granting access to the financial information of the Spanish firms used as the basis of the impact analysis. The work of the staff of the Deputy-directorate General for Programmes of the MINCOTUR, who facilitated the collection and analysis of information, was particularly remarkable. In any case, the final content of the report is the exclusive responsibility of AIReF.

## 1.2. Overview

The RIC programme consists in granting loans for the development of industrial projects directly by the MINCOTUR. In the period evaluated close to 4,900 million euros were granted in loans, and at the end of 2017 their outstanding balance was approximately 3,300 million euros in principal. As detailed later, the current programme arises from the unification in 2013 of the regulatory bases of the Re-industrialisation (REI) and Strategic Sectors (SEI) programmes. Since that year, the objective of the RIC programme is "to provide financial support to industrial activity in Spain" by granting loans. The regulatory bases orders have introduced many changes, both in the definition and in their operation. Although currently the rates offered are comparable to market rates, the RIC loans differ in some aspects of a bank loan. The three-year grace period and their long term makes them an interesting tool for many firms.

The main **figures of the programme** from 2008 to 2016 are described in the following table.



TABLE 1. MAIN FIGURES OF THE RIC PROGRAMME  
(millions of euros)

	Total estimated value	Annual average
Original budget (2008-2016)	6,161	685
Executed budget (2008-2016)	4,867	539
Outstanding balance (December 2017)	3,300	367
Unique beneficiary firms (2008 -2016)	3,904 (firms)	438 (firms)
Average loan size (average 2008-2016)	-	0.9
Average loan size in 2016	-	2.1

Source: Own calculations.

Note: Currency values approximate due to rounding.

The **impact analysis** carried out by means of an econometric model compared with a control group which captures, among others, the effects of the economic cycle, shows that the programme has no impact on firms' competitiveness. There is no evidence of impact on productivity, profitability or financial profile. The following table summarises the effects:

TABLE 2. IMPACT ASSESSMENT SUMMARY

Impact compared to the control group	Short term	Medium term
Employment	✓	X
Investment	✓	X
Productivity	X	X
ROE	X	X
ROA	X	X
Leverage ratio	X	X
Average debt cost	X	X

✓ intended effect, X opposite effect to that sought or no effect.

Source: Own calculations.



The effect found in investment and employment is modest, short-term lived and largely derived from the fact that increasing employment and investment have been requirements for granting loans. During the 2008-2014 period (years to which the impact analysis must be limited), compared to the total investments financed of 3,850 million euros, the differential cumulative effect is approximately 1,500 million euros. In terms of employment the differential estimated effect is greater, since close to 4,400 beneficiaries have created some 33,000 differential jobs; that is, between 7 or 8 more employees, on average, than the control firms. In this way, the annual public cost of each job is close to 24,000 euros and almost double the cost currently incurred in the (maximum) unemployment benefits:

TABLE 3. ESTIMATED IMPACT ON EMPLOYMENT AND INVESTMENT (2008-2014) TO TWO YEARS.

	Total estimated value	Annual average
Employment (number of jobs)	33,000	4,700
Investment (millions of euros)	1,455	208

Source: Own calculations.  
 Note: Approximate values.

The exercises conducted with a time horizon extended to five years have not been able to find evidence of significant and systematic impact in any of the analysed variables. On the other hand, the programme’s impact on the firms that have benefited from a specific reserve (territorial or sectoral) is negligible in both volume of investment and employment.

Regarding the **cost analysis**, from 2008 to 2016 it is estimated that the overall cost of the RIC programme (i.e., the sum of the net financial costs plus the operating costs and estimation of the loss due to impaired loans) is close to 1,039 million euros. Of this total, the gross financial cost is around 834 million euros, which have been partially offset by the revenue received from interest, totalling some 270 million euros. However, the accumulated margin of the calls for 2012 to 2016 is positive and approximately 30 million euros.

The delinquency rate has been very high: one out of every seven euros granted in the period is unpaid. Although the information on recoveries is limited, based on information for the years 2015 and 2016 and projected onto the period, the loss incurred in the RIC programme 2008-2016 can reach approximately 439 million euros, even though the loans from 2014-2016 were in a grace period of the principal at the end of 2017.

The control of full repayments, the improvement of processes for admission to credit, the requirement for consultation of the *Banco de España* Risk Information Centre (CIR-BE) and the move to partial certifications and disbursements of the loan granted are some of the tools that could help to contain the programme's delinquency rate and avoid the risk of adverse selection (i.e., the risk of being the first loan not paid in the event of financial difficulty, since the non-payment within the deadline is not reported to the CIR-BE).

TABLE 4. COST OF THE RIC PROGRAMME 2008-2016  
(millions of euros)

	Total	Calls 2008-2011	Calls 2012-2016	Annual average
Financial cost	-834	-643	-192	-93
Financial revenue	270	48	222	30
Financial margin	-564	-595	30	-63
Operating cost	-36	-16	-20	-4
Loss incurred	-439	-340	-98	-49
Overall balance	-1.039	-951	-88	-115
Pro memoria: Impaired loans	-496	-388	-108	-55

Source: Own calculations.

Note: Approximate figures due to rounding of decimals.

The **strategy analysis** has not been able to identify a design that defines quantitative targets based on current needs. It is neither clear which is the priority objective to be achieved nor its logic of intervention (i.e., the reasons underlying granting of loans directly by a ministry). During the period analysed (2008-2016) the RIC programme has undergone major changes in recent years, most of them procedural. The lack of quantifiable targets and the insufficient continuity hinder its evaluation and the achievement of results.

Although it is one of the main industrial support instruments at the national level, the scope of the RIC programme has been limited, both in volume of total credit and number of beneficiaries. The 3,300 million current outstanding balance of this period represents little more than 3% of the total loans granted to the industrial sector by banks. In addition, the applicant firms and beneficiaries of the RIC programme represent, respectively, 4% and 2% of total industrial firms. However, the relative weight of the programme, with respect to other instruments of the *Administración Central* is increasing (see figure 8 and figure 9 of the in the body of the report).

In the **international comparison** performed, the programme presents a singularity that is difficult to compare with the most common practices, mainly due to its mode of implementation. The direct management of loans by the public administration itself, without financial intermediaries, without public-private collaboration and with a generalist approach does not match any other initiative analysed in the countries of our environment.

The **procedure analysis** has enabled us to identify limitations in the different stages from the call stage until the stage of collection of the loan amounts. Although there has been a constant improvement in the computerisation of the process, this has been uneven and insufficient. On the other hand, the current implementation of the procedures set out in the General Subsidies Law (GSL) has significantly limited its capacity to adapt. In addition, lack of access to the CIR-BE during the call and admission stage limits risk identification and management capacities. On the other hand, the fragmentation of the monitoring and recovery functions generate very significant obstacles for the management of a firm loan that requires continued and close follow-up of the beneficiaries. These aspects can generate a greater propensity to not repay this loan from the administration, compared to others granted by the private sector which, because of their greater specialisation, carry out more effective monitoring and recovery.

We must also add the multitude of actors involved in the process because of the procedure's resource requirements in the call, evaluation, granting and monitoring stages. The management centre benefits from the collaboration of three public bodies (*Empresa Nacional de Innovación* - National Company for Innovation -ENISA-, *Ingeniería de Sistemas para la Defensa de España* - Systems Engineering for the Defense of Spain -ISDEFE- and *Tecnologías y Servicios Agrarios, S.A.* - Technologies and Agricultural Services -TRAGSATEC-) acting under their instructions and responsibility. Even if cooperation problems between the different organisations are left aside, and considering that the RIC programme is not the only one granting financial support to companies within the MINCOTUR, it should be considered the management unification of the various instruments under a single unit (bringing together the resources needed to more efficiently address all functions linked to granting and follow-up).

Another additional layer of complexity in the procedural sphere is derived from its fragmentation. The responsibility for repayment is attributed to the *Delegaciones Provinciales de Hacienda* and, ultimately, to the *Agencia Estatal de Administración Tributaria* (Spanish Tax Agency - AEAT) as the party responsible for the procedure in the enforcement phase. The disconnect between origination and collection makes it difficult to monitor the programme development. The *Delegaciones Provinciales de Hacienda*, in fact, demand more homogeneity through the existence of protocols for action and coordination mechanisms between the bodies responsible (managing ministry, -Industry- *Intervención General de la Administración del Estado* - General Intervention Board of the State Administration -IGAE-, General Directorate of the Treasury, AEAT) that it would be desirable to implement.

### 1.3. Conclusions on findings and lessons learned

#### Programme characteristics

- I. In relation to the financial execution of the programme, mention should be made of the progressive loss of demand for loans despite the conversion of the RIC programme into a generalised line of public support for industrial investment. On the other hand, in the set of calls analysed there is no match between supply and demand, and the evidence suggests an excess of funding over the past few years, without the appropriate modifications having been made.
- II. Specific territorial budgetary allocations have maintained their weights over the total budget year-on-year, without performing adjustments that allow the supply in each territory to be matched to effective demand in each year. Some specific budget allocations continue to maintain a certain impact, both in demand and objective programme variables, but there is an inertia in the maintenance of allocations with minimal or non-existent budgetary execution.
- III. The repetition rate is high, since in recent years more than a third of the beneficiaries were granted loans in previous calls. This is partially due to companies' lack of knowledge of the programme, which mainly state that they came to know about it through external consultants. All in all, most companies have submitted less than three requests and have been a beneficiary of a single RIC loan in the period analysed.
- IV. In an environment of predominantly small or micro-enterprises, the typical beneficiary of the programme is a small or medium-sized firms, which undertakes industrial activities and is aged between 10 and 20 years. However, the programme's scope is limited, both at the national or territorial level, since only 2.2% of the total Spanish industrial firms have benefited from the programme (0.18% in terms of the Added Value of the industrial sector).

- V. In relation to the territorial scope of the projects, there is a greater differential impact in those companies that are beneficiaries of a local call, but motivated in part by their greater relative investment, a result that complements the above and puts the focus on the relative scale of investments.

## Impact

- I. In general, the programme has no statistically significant impact on the productivity, profitability or financial profile of the recipient companies within two years (t+2, controlled for other influential external and internal parameters). The extension of this time horizon in 2008 does not reveal significant impacts either.
- II. Participation in the programme is associated with a statistically significant positive impact on investment and employment in the short term in comparison with other companies with similar characteristics. The estimated differential impact of the calls for 2008 to 2014 totals approximately 33,000 jobs and 1,400 million Euros investment in t+2.
- III. In addition, it is noted that the positive impact on investment and employment increases more than proportionally to the increase in the relative size of the loan.
- IV. Although nearly 40% of companies have benefited through a sectoral call, there is no identifiable differential impact resulting from this, partially because they received a smaller loan in relative terms. The size of the loan, with respect to total assets, is a significant element for determining a proportionally greater impact on investment and employment. In relation to the territorial scope of the projects, there is a greater differential impact in those companies that are beneficiaries of a local call, but motivated in part by their greater relative investment, a result that complements the above and puts the focus on the relative scale of investments.
- V. In the long term, the program does not have a significant and systematic impact on any of the variables analysed.

## Cost

- I. Two periods are clearly distinguished regarding financial cost. For the 2008-2011 calls the programme's financial margin is negative, around 595 million euros, while for the 2012-2016 calls it becomes positive, close to 30 million euros.
- II. The programme's delinquency rate stands at 15% of the outstanding balance in 2017. However, this figure rises to 23% if we only count the outstanding amounts until 2013, as the calls relating to 2014 and thereafter are still in the principal grace period.
- III. Impaired loans net of recovery, which is an estimate of the loss incurred at the end of 2017 (closing date of programme data from 2008-2016), is evaluated to be in the order of 438 million euros. This figure is based on the 496 million euros of accumulated impaired loans on that date. On the other hand, repayments from enforcement of guarantees and recovery appear to be very low. Based on data received from 2015 to 2017, enforcement procedures were implemented in just 3.8% of the outstanding debt of those years, with a repayment at the end of 2017 of 44%. All this means low recovery rates, which reduce the losses due to impaired loans to some 60 million euros.
- IV. The largest amounts not yet collected are concentrated in the 2009-2012 award period and have been controlled, although only in part, from 2013 onwards through a stricter selection process. However, this intervention has largely led to a demand drop.
- V. Refunds for not being able to justify the investment committed have a great impact on the programme's delinquency rate, since only total refunds (that is, total lack of justification) are in the order of 200 million euros on impaired loans or 5.5 percentage points on the losses on impaired loans accumulated during 2017.
- VI. It should be noted that total refunds have represented 9% of the total loans granted in the period and that one-third of the volume has not been certified, an issue which is due to the non-execution of the investments committed in granting the loan. They entail a high opportunity cost, given that it takes an average of two and a half years from the award until the conclusion of the refund request.
- VII. Delinquency rates are also increasing as the size of the loan increases in relation to the balance of the recipient company. This probability, as happens in this type of instrument, rises significantly in the contractionary phases of the economic cycle and falls in the expansionary phases.

- VIII. Delinquency rates in terms of CIR-BE of the beneficiary institutions has generally been lower than those of non-beneficiaries, but the difference between the two has narrowed in recent years. The admission of risk may improve with the use of this information in the application process.
- IX. Operating costs represent around 36 million euros in the 2008-2016 period.

### Strategy

- I. The Comprehensive Industrial Policy Plan (CIPP) 2020 is the only strategic reference of the RIC programme during the evaluation period. This plan was defined around ten ministries from five lines of action defined very generally. In addition, the change to the national strategy in 2014 defined in the Agenda for the strengthening of the industrial sector in Spain. Follow-up report. 2015" (hereinafter, the Agenda) maintained the programme without significant changes.
- II. The CIPP 2020 pointed out some weaknesses in the industrial sector. The failure to update the set of weaknesses and challenges has made it extremely difficult for the evolution of the RIC programme to have been defined around specific needs.
- III. The absence of quantifiable targets, both at the level of industrial policy and of the RIC programme itself, is a remarkable element that hinders the decision-making process. This also substantially limits the development of the programme's impact analysis over the years, given that it has a definite purpose against which to be compared.
- IV. In this context, it can be said that the multitude of objectives presented by the various regulatory bases orders and calls that regulate the granting of loans makes it difficult to focus their allocation so that their achievement and effectiveness can be measured over time.
- V. On the other hand, the scope of the RIC programme is scarce for the objectives defined regarding industrial policy.
- VI. In addition, both industrial policy and policies regarding public financial support to companies are widely spread across various entities. In the first case, due to the high participation of other territorial actors (mainly regional development agencies) and the second due to the diversification per target audience between different state entities.
- VII. According to the survey, the recipient companies considered the programme to be positive due to the financial conditions offered (grace period, term, price and lack of use of the CIR-BE).



- VIII. The international comparison of the line of financial support articulated in the framework of the RIC programme reveals that it is a rarity, there is no other example in countries of our environment in which the Central Government grants loans directly. The most common are public-private collaboration schemes. These allow various actors within the system to share risks and achieve a greater leveraging of funds and allocation of risks, or, at least, to focus on those areas where there is an identified and quantified market failure.
- IX. From a strategic perspective, it is also worth noting the lack of follow-up actions and evaluation of effectiveness and efficiency over these years.

### Procedure









- I. The conditions for granting and management of the RIC programme loan differ from a bank loan in several criteria, such as: (i) the grace terms and conditions (three years in RIC loans); (ii) the depreciation period (broad); (iii) the requirement of monetary guarantee prior to the application; (iv) the non-revision (nor inclusion of the debtor position) of the CIR-BE; (v) the total disbursement of the loan upon awarding and not subject to the development of the project; (vi) the advance refund of any funding without a link to the investment; and (vii) the procedure of recovery in the event of default by the AEAT.
- II. The procedure is largely determined by the application of GSL principles. Its narrow interpretation makes managing the programme difficult. This limits the flexibility and adaptation to companies' needs for making investments (time of granting, multi-year investments).
- III. Currently, the bureaucracy associated with both the application phase and investment justification phase is the element of the system most criticised by the recipient firms surveyed. The high rates of correction requests in the application and justification phases are a sign of how the current processes take an excessive amount of time. On the other hand, these processes operate at a disadvantage in a comparison between the RIC loan and a traditional bank loan.
- IV. In recent years, the existence of additional support services to firms (e.g. via the *Financia Industria* platform) could allow a greater understanding of the demand for investment by the managing body, which must be understood as a best practice in the field of complementary support to corporate finance.


- V. The disconnect involved in allocating responsibility for the reimbursement phase to the *Delegaciones Provinciales de Hacienda* hinders a complete overview of the programme's results - including the enforcement phase and results in case of non-payment within the term by companies in bankruptcy proceedings. This fragmentation and dispersal of responsibility among the various *Delegaciones Provinciales de Hacienda* demand the availability of common protocols for action or homogeneous instructions in decision-making and the existence of coordination mechanisms between the managing body, *Delegaciones Provinciales de Hacienda* and the AEAT.
- VI. The impossibility of making direct debit payments makes reimbursement difficult due to the hindrance it causes. However, the growing interrelation between the programme management team and each of the recipient firms in the investment and grace phase would partially mitigate this.
- VII. The computerised management of the process has favoured the ease of management and the traceability of the procedures. However, the fragmentation that occurs in the reimbursement procedure due to the allocation of responsibilities and the existence of different repositories with varied processes and functional units hinder the simplicity of the processes and the strategic follow-up of the data.
- VIII. There are currently various bodies involved in the various programme management processes (granting, follow-up, reimbursement, refund and recovery in case of lack of payment within the term). This structure makes it hard to take integrated action and implies an economic cost to be considered by the programme manager.

## 1.4. Summary of the analysis and AIReF's proposed measures

The attached table summarises the key results of the evaluation:

TABLE 5. ANALYSIS SUMMARY

Economic impact	Scope and alignment with objectives	Efficiency	Cost
 Null effect on profitability and financial variables.	 Strategic framework without identification of needs or quantification of objectives.  Lack of "niche market".	 Insufficient computerisation process.	 Large losses due to impaired loans.  Probably also management (unknown costs).
 Modest impact on employment and investment only in the short term.	 Instrument of limited size to achieve significant impact.  Shrinking demand.	 Lack of integrated approach and coordination.  High bureaucratisation derived from the GSL.  Lack of specialisation in firm loans.	 High financial cost.  Insufficient management of credit risk (CIR-BE).

 Scale of degree of compliance from worst to best.  
 Source: Own calculations.

**Based on its analysis, AIReF proposes that the Government does not continue to implement the programme in its current state. It considers it necessary to redefine the strategic framework, which should involve:**

- Reassessing the needs and aspects to be improved in the industrial fabric and redefine the medium-term objectives.
- Clarifying the areas of action of the objectives: sectors, activities.
- Quantifying objectives and the deadline for achievement.
- Adapting the scope and financial potential of the instrument to the future objectives of industrial policy to be defined.

From the findings and lessons learned, there is the need to complement a new strategic design and programme scope based on measures relating to the instrument to be used and the management model to be implemented. Specific lines of action are derived from each overall alternative:

**ALTERNATIVES RELATING TO THE INSTRUMENT.** A lending instrument with public management is not the most usual way to execute industrial policy actions in other countries. For this reason, it is proposed to explore lines of action (most mutually exclusive) that seek to change the financial instrument to adapt to success models in other countries with a similar environment:

- Create a cumulative capital fund with the budgetary appropriation lasting a number (to be defined) of years that will allow management to be further integrated and constitute a repayable corporate finance instrument.
- Develop a model of guarantees, such as that of other countries in the environment, that leverages private sector funds and allow for a greater capacity for action.
- Develop deployment models that favour the leveraging of funds and the dilution of risks between a variety of actors, through the management of shared loans or guarantees (individual or portfolio) on bank loans.
- Apply other "mirror loan" models (1:1), commonly used in the countries of our environment. The objective, in this case, is to complement the offer of financial support provided by credit institutions.

**ALTERNATIVES RELATING TO THE MANAGEMENT MODEL.** Based on the efficiency analysis, consideration should be given to alternatives to the current management model. Actions are therefore proposed to improve the management of loans to the industrial sector:

- Transfer the programme's budget to a public financial intermediary, in such a way as to release it from the GSL and facilitate the procedure, among other purposes.
- Intermediate the execution of financial support through the private sector (specially risk management and loan operation).
- Unify the management of financial instruments in a global unit that incorporates the necessary resources in all its phases.
- Redefine the follow-up to the loans, monitoring the project development and the company's evolution.



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