

SPAIN

Despite strong economic growth over the past decade, labour productivity growth has been modest. GDP per hour worked expanded by 0.9% a year between 2001 and 2006, compared to the OECD average of 1.8%. The government's National Reform Programme aims to boost productivity and sustainable growth through reforms in product and labour markets, higher education and human capital, investment in infrastructure and research and innovation.

Spain spent 1.2% of GDP on R&D in 2006, significantly below the EU27 (1.76%) and OECD (2.26%) averages. However, this is a substantial increase from the levels of the mid-1990s. The business sector finances 47% of gross domestic expenditure on R&D; the government finances 42.5%, 5.9% is financed from abroad and 4.5% from other national sources. Boosting R&D and innovation in the business sector is a challenge as most industries are relatively low-technology and most firms are small or medium-sized.

The regional governments are increasingly important players in innovation and have developed their own R&D and innovation policies, although regional R&D efforts remain concentrated in Madrid and Catalonia, which account for half of total R&D.

A 2007 OECD report identified several challenges for Spain's innovation system: dispersed public research funding, low impact of scientific output, low innovativeness of firms, lack of researcher mobility, and weak co-ordination of innovation policy. Since 2004, however, Spain has increased its budget for R&D and innovation programmes, which reached EUR 8.1 billion in 2007. Research capacity is also being

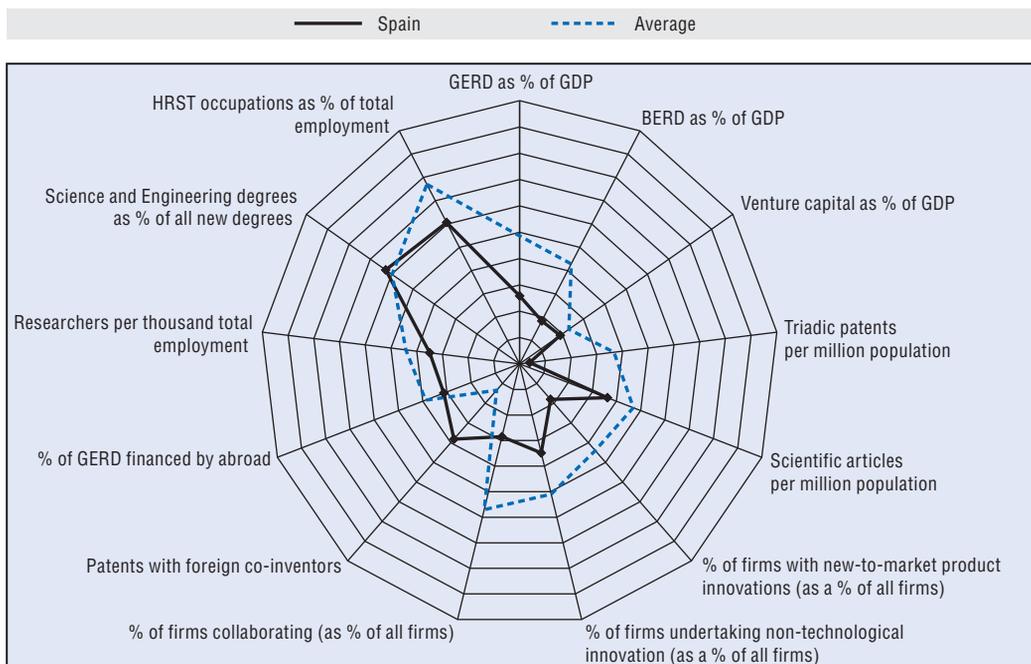
lifted by the strong growth in R&D personnel (7.8% a year on average between 2000 and 2006).

A major policy package to boost innovation, *Ingenio 2010*, was approved in 2005. It includes public-private partnerships (CENIT) for innovation, venture funds, and programmes to increase research capacity (CONSLIDER and CIBER). While Spain has a generous R&D tax credit, uptake has been weak. The government has therefore reduced the R&D tax credit (by making the rate proportional to the general corporate tax level) until it is phased out by 2011, subject to government evaluation, and it created a new scheme that offsets 40% of the labour and social charges of R&D workers.

The government recently approved its Sixth National Plan for Research, Development and Innovation (2008-11) which sets out the policy instruments for reaching the objectives of the longer-term National Strategy on Science and Technology (2008-15), approved jointly by the national and regional governments. It gives high priority to leveraging R&D and innovation for the benefit of society and industrial competitiveness and the creation of new knowledge.

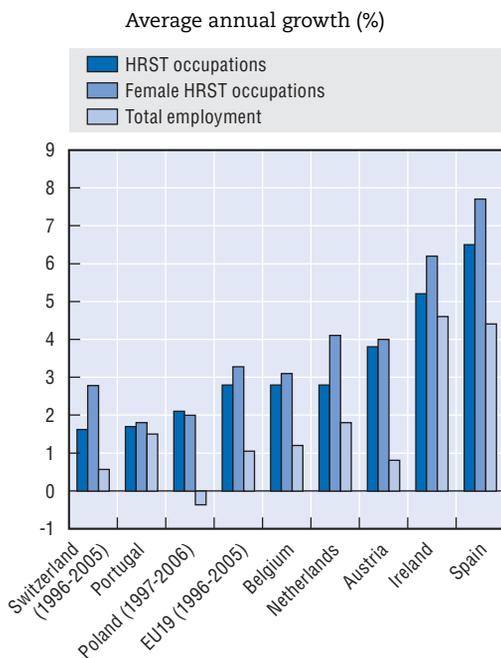
The 2007 *Act on the Reform of the Universities* aims to increase the administrative, academic and financial autonomy of universities so as to enhance research quality, foster researcher mobility and improve the conditions for technology transfer and academic start-ups. The government has also transformed the CSIC, the largest public research centre, into a research agency and strengthened its autonomy and accountability through performance contracts.

Science and innovation profile of Spain



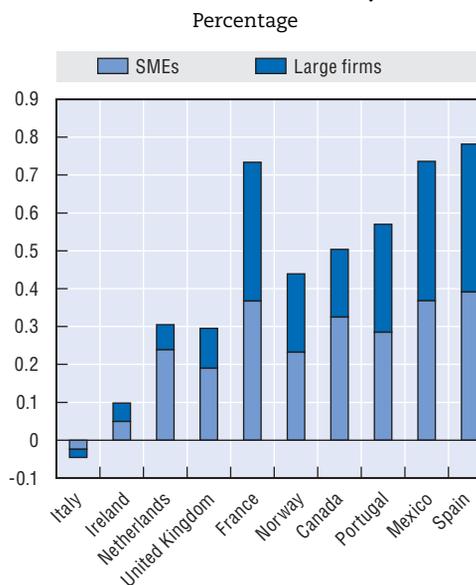
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Growth in occupations for human resources in science and technology, 1996-2006



StatLink <http://dx.doi.org/10.1787/453805061846>

Rate of tax subsidies for USD 1 of R&D, large and small and medium-sized firms, 2008



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