



Fraser Associates
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**EX POST EVALUATION OF THE COHESION FUND (INCLUDING
FORMER ISPA) - WORK PACKAGE D:
MANAGEMENT AND IMPLEMENTATION**

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COUNTRY REPORT - SPAIN

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EXECUTIVE SUMMARY

This report presents an overview and summary evaluation of the management and implementation of the Cohesion Fund (CF) in Spain, focusing on projects approved in the 2000-06 period. It has been prepared by EPRC, Fraser Associates and RegioPlus Consulting. The research in Spain and the drafting of the report were carried out in October-December 2011 by Felix Pablo Pindado. The report was edited by Frederike Gross, Alec Fraser and John Bachtler.¹

During 2000-06, 384 projects were planned and implemented, with total eligible expenditure amounting to €17.3 billion. By the start of November 2011, 86.7 percent of the planned allocation had been spent. Strategic planning was effective both in prioritising investment and in encouraging consensus based solutions through greater institutional engagement. The management and implementation structures for CF were relatively mature at the start of the 2000-06 period and operated mainly successfully.

The most significant issues concerning the performance of the delivery system were: procurement and, in particular, the certification of expenditure relating to project changes and complementary contracts; control systems; regulatory changes often requiring project amendments; difficulties with the implementation of the ‘polluter pays’ principle; and the requirement for high levels of institutional coordination. External factors which affected delivery included the availability of land for projects, unexpected archaeological discoveries and the need for permissions to develop land in line with project requirements.

The 2000-06 period saw a strengthening of capacity within the CF delivery system, in many areas building on the robust systems already in place. The project design and development processes did not require significant additional input - the selection of mature projects already identified in sectoral plans/programmes and a standardised application procedure contributed to greater efficiency. Key areas of learning over the period included: improved project design through use of CBA; coordination mechanisms of Structural and Cohesion Funds; more effective monitoring; the build-up of expertise in procurement procedures; management and control audits on Intermediate Bodies and Final Beneficiaries; the use of improved information systems; and the strengthening of the cooperative governance model. Sources of capacity building included training measures, TA and the use of external expertise, and the development of computer management software.

The multi-annual programming of the CF in 2007-13 is an important advance and should increase strategic integration and the coordination of interventions. In terms of potential reform at EC level, the evaluation points to regulatory and procedural simplifications including in the area of controls and the early establishment of key criteria.

¹ The research team are grateful to the staff (past and present) of authorities involved in the management and implementation of the Cohesion Fund, who were interviewed for the research and who participated in the workshop, and to the Commission officials in the DG Regio Evaluation Unit and Steering Group who provided helpful comments on an earlier version of the report. The views expressed in the report are those of the research team.

1. INTRODUCTION

This report presents an overview and summary evaluation of the management and implementation of the Cohesion Fund (CF) in Spain from 2000 to 2011, focusing on projects approved in the 2000-06 period. The report is based on research conducted at national level, comprising a review of documents and data, 14 interviews with stakeholders whose collective experience spanned the period of the evaluation, and a workshop where all levels of Spain's Cohesion Fund delivery system were represented. The report begins with a brief review of the allocation and absorption of Cohesion Fund investment in Spain, followed by assessments of each of the components in Spain's Cohesion Fund delivery system, and concluding with a synthesis of findings.

2. COHESION FUND INVESTMENTS IN SPAIN

During 2000-06, 79 transport infrastructure, 301 environmental infrastructure, two mixed and two Technical Assistance projects were planned and implemented. Total eligible expenditure on the projects amounted to €17.3bn, of which CF amounted to €13bn (75.4 percent). Of this total, 51.6 percent was allocated to transport (€8.9bn eligible expenditure, €6.4bn CF), 48.3 percent to environmental projects (€8.3bn eligible expenditure, €6.6bn CF), 0.2 percent to the mixed project (€27.1m eligible expenditure and €21.7m CF) and 0.01 percent to Technical Assistance (€2.7m eligible expenditure, €2.3m CF).

Absorption levels for Cohesion Fund funding in Spain were very high for the transport sector with actual payments representing 90.9 percent of commitments at the start of November 2011. The figures for the area of the environment and Technical Assistance were lower at 83.1 and 75.6 percent respectively. In terms of physical project completion, all transport sector projects had been completed, while a number of environmental projects were still in the process of being implemented. Formal closure was still pending for a significant number of projects (see Table 2.1).

Table 2.1: Cohesion Fund commitments, payments and implementation progress

Area of investment	Commitments (€million)	Payments (€million)	Spending ratio (%)	No. of projects	Physically completed projects ¹	Formally closed projects
Transport	6,017	5,468.4	90.9	79	79	64
Environment	5,874.4	4,878.8	83.1	301	252	119
Mixed	21.7	14.8	68.3	2	1	0
TA	2.4	1.8	75.6	3	3	1
Total	11,915.5	10,363.9	87	384	335	183

¹ This refers to projects, for which payments are at around 80 percent or more of commitments.
Source: DG Regio, Information on Cohesion Fund financial execution, cut-off date 03.11.2011.

3. FUND MANAGEMENT AND IMPLEMENTATION

3.1 The Baseline Position

During 1994-1999, the application of the Cohesion Fund in Spain focused on the priorities included in the Fifth Policy and Action Programme on Environment and Sustainable Development of the EU and the implementation of priority trans-European networks identified by the Community.

Since it was created, the management of the Cohesion Fund in Spain has been characterised by a high level of decentralisation. Regional and local administrations and other supra-municipal entities (such as *Diputaciones*) have directly managed a significant part of the co-financed investments in environmental matters as part of their responsibilities.

Project selection has always been based on a previously defined strategic approach. This process was led by the Ministry of Economy and Finance (MEF), although it involved a consensus of all the participating bodies. Priority was given to planned projects framed by national, regional and/or local strategies and plans, which ensured their feasibility.

The bodies responsible for the investment implementation participated in the initial stages of proposals. However, after analysing the projects proposed by the Implementing Bodies, the Intermediate Bodies were in charge of the selection, following consultations with the Directorate-General of Community Funds (DGCF), which is responsible for the management of all EU funds allocated to Spain.

By 2000, the structures for implementing Cohesion Fund in Spain were significantly mature. The main improvements required for the 2000-06 period were to the coordination mechanisms of the Structural and Cohesion Funds, setting guidelines to be considered in the project planning stage in order to increase the level of complementarity.

3.2 The Fund Management and Implementation Architecture, 2000-06

The architecture of the management and implementation of Cohesion Fund in 2000-06 and 2007-13 is shown in Tables X and Y in Annex I.

The main changes to managing the Cohesion Fund in 2007-13 were greater responsibilities for the Managing Authority in selection, award of support, eligibility of expenditure, evaluation, monitoring and management to ensure rapid implementation.

3.2.1 The Monitoring Committee

The Cohesion Fund Monitoring Committee comprised representatives of the Commission, the Managing Authority (which held its presidency) as well as regional and local authorities responsible for the projects implementation. In addition, representatives of the European Investment Bank could also participate, when appropriate, as well as external advisors and observers from EU countries or outside Europe.

The main responsibilities of the Monitoring Committee was the review of projects' financial and physical implementation through appropriate indicators, analysis of the causes for deviations or delays that had occurred, and observation of progress regarding project management.

To ensure the Committee's proper functioning, the Management Authority established the necessary procedures to successfully address all its tasks, setting out precise requirements in relation to:

- Information to be collated for the purposes of Monitoring Committee meetings.
- the reception of information and data revision.
- the elaboration of Committee documents and delivery to the Commission.
- the selection of projects and the issuing of official announcement of the Monitoring Committee.
- procedures for effective operation of the Committee.
- the elaboration of an Annual Report and its submission to the Commission.
- the elaboration of the Annual Management Report.

3.2.2 The Central Administration

The main capacity-building undertaken in relation to the central administration was the elaboration of procedures it required as Managing Authority to ensure the correct implementation of measures and to control and verify the regularity of the proceedings.

The impact of staff turnover on capacity-formation in the central administration in the 2000-06 period was limited. The development of manuals of procedures, along with use of Technical Assistance to provide ongoing support to management, favoured an approach based upon the exploitation of skills already acquired.

3.3 The Effectiveness of Management and Implementation Architecture, 2000-06

The overall management of the Cohesion Fund was successful, effective in all necessary procedures: support requests; decision changes; description of the management, payment and control systems; handling of advances; intermediate payments; balance requests; Final Report and Independent Statement; and verifications and audits, among others.

To improve the institutional capability, some €1.6m in Technical Assistance was used to strengthen the Management and Paying Units, to perform management and control audits on the Intermediate Bodies and Final Beneficiaries, and to control compliance with Community legislation.

The implementation of the Cohesion Fund in Spain has followed a process to improve management mechanisms and incorporate best practices. Improvements were made, mainly in 2004-05, in the following areas:

- the organisation of DGCF to assist in fulfilling its Cohesion Fund responsibilities, ensuring the independence of the functions undertaken as Paying Authority and Management Authority. Therefore, the tasks were split between a Management Unit and a Control and Payments Unit.
- the organisation of the Intermediate Bodies involved, in particular regarding their functions concerning the Cohesion Fund, and their relationship with the Managing Authority, Paying Authority and the Implementing Bodies.
- the control systems and levels adopted both by the DGCF and the other bodies involved.
- the creation of specific departments to manage aid from European Funds in the entities involved. This has increased the expertise of the teams in the Spanish Administration.
- information systems, particularly with the implementation of the ‘Nexus’ application. This brought two major advantages:
 - improving the relationship between the DGCF and other participating bodies, streamlining the information-transmission process.
 - ensuring an adequate audit process, able to verify the accuracy of the information provided about the implementation of the projects and set objectives.

Currently, the systems are reported to be working well.

3.4 Evolution and the Integration of Learning

As a result of its prior experience in managing Structural and Cohesion Funds, by 2000, Spain had a mature set of institutions and procedures that required limited adaptation to the specifics of the 2000-06 Regulations and further strengthening.

With essential capacity established, the improvements documented in Section 3.3 were mainly made organically, in response to needs as they emerged, rather than as the result of recommendations from evaluation studies.

4. STRATEGIC PLANNING

4.1 The Baseline Position

Before 2000, the responsibility for national policy programming regarding transport and environmental infrastructure was given to the central administration bodies with responsibilities in these domains. Thus, the Ministries of Transport and Environment,

respectively, have led the sectoral planning, in a context of broad institutional and social engagement to design a common strategy based on a consensus of all actors involved.

The Ministry of Environment was created in 1996 in order to overcome an historic shortcoming in Spanish administration. Hitherto, environmental competencies had been scattered throughout several Ministries.

4.2 Strategic Planning Arrangements, 2000-06

Preparation for Cohesion Fund 2000-06 in Spain benefited from a high existing capacity for planning, the result of collaboration between different administrative levels and various areas of competences. The programming took into account sectoral priorities, the distribution of competences between administrations, and political commitments.

The planning was supported by diagnostic analysis that helped to guide the strategy towards relevant objectives and progress its implementation through development of consistent action guidelines.

The *transport sector* infrastructure strategy in Spain for the 2000-06 period was articulated through the General Infrastructure Plan, elaborated in 2000 in order to meet the strategic planning requirements of the Cohesion Fund Regulation. Under this Plan, the Ministry of Transport, which possessed competences in relation to transport infrastructure, was the main institution responsible. The objective of this plan was to close the gap between Spain and the most advanced EU countries in terms of infrastructure.

Financing the General Infrastructure Plan was closely related to the 2000-06 Financial Perspective of the EU, and in particular the ERDF and the Cohesion Fund, which required collaboration between the Ministries of Transport and Economics. The decisions taken with regard to the balance of investment by transportation modes, favoured the railway.

In the *environment sector* responsibility for defining policy priorities in line with the requirements of the Cohesion Fund Regulation lay with the Ministry of Environment. This task was supported by the use of Technical Assistance to engage expertise in the preparation of detailed and strategic documents. Environmental priorities for the Cohesion Fund were structured into three areas of focus: water supply, sanitation and water treatment, and urban, industrial and hazardous waste management.

These priorities were already established in previous normative and planning instruments. Strategic frameworks were conceived for each sector in which the initial context and the existing problems were addressed, goals were set and the interventions required to achieve them were identified. These frameworks ('Strategic framework for waste management in Spain', 'Strategic framework for sanitation and wastewater treatment' and 'Strategic framework for water supply') were prepared taking into account the areas of competence of the various administrations, national and Community law, and the implementation schedule.

The development of strategic frameworks in specific environmental areas (as is the case in water supply, sanitation and water treatment, waste management, coastline and flood-

defence, protection and restoration of public heritage, and systems of information and water resources control in Spain) was supported by Technical Assistance, which reinforced the internal capabilities of the organisations involved.

It should be noted that although these priorities were maintained throughout the period, the water supply strategy was subject to reformulation, which caused a delay in the approval of projects until 2005. This was due to the suppression of water transfer from the Ebro River to different areas of Mediterranean Spain (Almería, Murcia, Valencia and Catalonia). Water supply to these areas has since then been based, above all, on the construction of modern desalination plants and greater efficiency in the use of this resource.

4.3 The Effectiveness of Strategic Planning Arrangements, 2000-06

The research found that strategic planning arrangements for 2000-06 were considered to have been effective in both the transport and environment sectors insofar as:

- the objectives remained unchanged through the adoption of a long-term approach shared by the different administrative levels involved.
- the priorities set were based on extensive sectoral diagnosis that justified the need for intervention.
- the projects supported by the Cohesion Fund in Spain have been framed within a strategic planning process that provided consistency to the set of interventions. This resulted in a wide range of projects that had already been planned and with a certain degree of maturity being put forward to be funded.

4.4 Evolution and the Integration of Learning

As noted above, by 2000, Spain possessed a mature strategic planning culture as a result of which investment in the transport and environment sectors was already directed on the basis of stable and well-justified priorities.

One of the aspects that most positively affected the strategic planning, thanks to the application of the Regional Policy in Spain, has to do with the consistency and complementarily conditions of co-financed policies, which has strengthened its capacity in reaching the objectives.

In addition, Strategic Environmental Assessment was carried out for the first time in accordance with Law 9/2006 on the evaluation of the effects of certain plans and programmes on the environment that led to Directive 2001/42/EC. A public consultation process also gave publicity to the Environmental Sustainability Report and to the draft version of the ERDF-Cohesion Fund Operational Programme 2007-13, taking comments received into consideration.

5. PROJECT DESIGN AND DEVELOPMENT

5.1 The Baseline Position

The elaboration and development of environment and transport projects was the responsibility of the various public administrations with competencies on these matters, in accordance with the established strategic priorities. These Implementing Bodies could develop their activity only after the delivery of the budget estimates, determined by the corresponding steering centres within the economics and finance area.

Since the Cohesion Fund was created in 1993, only projects that had previously been allocated with national budgets could be linked to Community financing. Consequently, a stock of guaranteed resources existed for the implementation of transport and environment infrastructure projects. In fact, both sectors could count on an effective project pipeline.

With regard to transport, several public bodies were created. The Spanish Airports and Aerial Navigation (AENA) was created in 1990 with the aim of contributing to the development of aerial transportation in Spain. ‘Puertos del Estado’ (State Ports) was created in 1992 in order to further the Programme of Recommendations of Maritime Works (ROM), launched in 1987. Lastly, GIF (Railway Infrastructure Manager) was created in 1994 due to rail transport measures that the EU began promoting through Directive 91/440/EEC onwards.

On the other hand, environmental projects were directed by previous normative and planning instruments from the outset, such as the National Plan for Sanitation and Water Treatment and Waste Law 10/1998. This law set the obligation to develop and adopt National Waste Plans, elaborated by integrating the corresponding regional autonomous plans, and it gave local entities the opportunity to develop Urban Waste Management Plans in accordance with extant legislation on municipal competences and the corresponding plans of the respective Autonomous Communities.

Whereas project conception generally operated without requiring additional support, external assistance was occasionally used to develop the technical, economic and environmental studies required for project implementation. Technical Assistance was also used to develop projects that could later be submitted for co-financing.

5.2 Project Design and Development Arrangements for CF, 2000-06

Design and development of projects, or groups of projects as allowed for under the Regulations, followed a procedure predefined and systematised by the Managing Authority. The DGCF of the MEF established the requirements for the preparation of projects, including, amongst others, elaboration of purpose and implementation method, environmental impact assessment, financial analysis and cost-benefit analysis in order to demonstrate economic and social returns. In particular, the role of cost-benefit analysis and environmental impact analysis has been to meet the EU application requirements, but also to test the value for money represented by projects and to determine the funding gap.

The detailed specification of requirements played an important role in developing capacity to improve the consistency of the environmental, economic and financial ex-ante analyses of projects.

Project design has been carried out by the National Administration bodies with competence, both in the transport and environmental sectors. Projects are performed by specialised companies, through the tendering of the works. Subsequently, the monitoring is done by internal staff and, in some cases, with technical assistance.

In the *transport sector* during 2000-06, the development of projects benefited from clear priorities set by the Ministry of Transport within the framework of the sectoral planning undertaken.

The elaboration of measures took into account the EU priorities on Trans-European Transport Networks, which also informed the technical specifications of projects. Furthermore, the European Investment Bank assessed the design of projects before they were sent for approval by the European Commission, which meant an additional element in quality evaluation.

The project design has been carried out by the National Administration bodies with competence. Cost-benefit analysis was conducted by consultancy firms hired for this purpose by the Intermediate Body (ADIF and Ports of State).

The concentration of the Cohesion Fund resources on securing a more balanced modal split in transport in favour of the high-speed railway greatly increased the effectiveness of the strategy. In rail infrastructure, the Financial Department of GIF has made a particularized monitoring of all Decisions of the Commission, in coordination with the Departments of Projects, Construction and Contracting of the Institution.

Projects related to port infrastructure were planned in the investment programs of the Port Authorities for the period 2000-2006. However, the Port Authorities have the support of the State Ports, which has both an institutional role as functions of supervision and control. Among other functions, State Ports must approve the financial planning and investment of Port Authorities.

In transport projects, Technical Assistance was mainly used to perform project option appraisal, project design and technical appraisal, identification and valuation of project socio-economic benefits and identification and assessment of project environmental impacts / scope for mitigation. Such works were usually commissioned to specialized companies.

Projects in the *environment sector* were derived from the analysis that took place at the beginning of the period on the strategic frameworks dealing with waste treatment (nationally and by autonomous regions), water supply (domestic and by river basin) and sanitation and water treatment (national and by river basin).

Cost-benefit analysis was carried out jointly by the Intermediate Body and the relevant region; the latter controlled the assessment as requested by the European Commission and the Intermediate Body and provided project data on costs and benefits.

In practice, no projects were presented to the Commission until the body responsible for its implementation had delivered the corresponding regional plan. All projects were reviewed by the Ministry of Environment prior to submission to the Commission.

The development of these projects benefited from high levels of institutional coordination. In the case of municipalities, their participation was determined by the Local Financing Pact, agreed with the Spanish Federation of Municipalities and Provinces (FEMP), for sanitation projects, water treatment and waste management projects in areas with more than 50,000 inhabitants. This participation commenced at the initial calls for proposals, pursuing the same priorities as the central and regional administrations.

In order to optimise project conception, external experts participated on several occasions, increasing the capacity of administrations during the formulation stage. These included, for example, assistance in the use of remote sensing techniques in preparing a plan of the Mediterranean basins for a project to supply the population of the upper Tiétar, from the Alberche, preparing a water supply project for settlements in the Matarraña basin, and the use of Delphi analysis in the Júcar and Segura river basins.

5.3 The Effectiveness of Project Design and Development Arrangements, 2000-06

The effectiveness of the design process was guaranteed by the conditions imposed on projects: high level of maturity, good technical and financial definition, economic and financial analysis, ready or well-advanced environmental requirements, land availability, significant socio-economic and environmental impact, eligible public expenditure, inclusion of sectoral strategies, consistency with Community policies, definition of financial indicators on expenditure implementation and physical indicators that are measurable and adjustable to the proposals most accepted by the Commission, etc. All these elements were implemented effectively and were included in the Handbooks for Management Procedures and Control to be taken into account in project design.

Therefore, applications for funding had all the essential elements needed for their justification. In addition, seminars and technical meetings with the beneficiaries to analyse potential projects for submission increased the efficiency level of project elaboration.

However, from 2005 on, reformulation of the water supply strategy resulted in delay in the implementation of environmental projects. Furthermore, although projects were developed on the basis of clear intervention objectives and criteria, factors which were external and difficult to foresee sometimes affected implementation, for example, the discovery of archaeological findings or difficulties in some administrative procedures (land grants, etc.).

5.4 Experiences of the Decision Process

Decisions on approvals of the requests for assistance were variable, ranging from quick turnarounds within three months to a much longer response time of 12 months. The average

time for the transport sector was about six months, while for the environment sector it was slightly longer.

In order to facilitate project evaluation, the preparation of technical documentation summaries was allowed. Requests for additional information and clarification, which were channelled through the Directorate General of Community Funds, were handled without problems.

In total, there were 408 decisions, which resulted in 325 groups of projects and 1089 individual projects. Most projects that were not approved were implemented by using other funding sources.

5.5 Evolution and the Integration of Learning

At the beginning of the 2000-06 period, Spain had consolidated the experience of project development in previous periods of Structural and Cohesion Fund support. As a result, a pipeline of projects was available as the basis for applications for 2000-06 Cohesion Fund support and, when presented, most projects were well developed with no significant issues outstanding.

The implementation of the Cohesion Fund has helped to increase the capacity of the Spanish administration in the design and implementation of large transport and environmental projects since 1994. As a consequence, planning mechanisms and the regulation of functions within the different administrative levels benefited.

The use of cost-benefit analysis has led to improvements in the design of both transport and environmental projects, and ensured their economic and financial viability. In this context the EC “Guide to cost-benefit analysis of investment projects” is well regarded.

At the same time, the private supply of technical assistance increased significantly. The increased capacity resulted in a progressive increase in the quality of existing consultancy services and in expertise in the management of European projects.

The shift to multiannual planning and programming for Cohesion Fund in 2007-13 reflects the lessons drawn from experience in the 2000-06 period. This approach represents a significant improvement that introduced greater room for manoeuvre and better implementation of the strategy, as well as greater integration of the Cohesion Fund in the implementation of all the Structural Funds policies and actions.

It should also be noted that in Spain there had been no warning regarding the use of advisory services through JASPERS to improve the preparation of eligible projects for Structural and Cohesion Funds in the 2007-2013 period. Accordingly, consultees were unable to assess the advantages and disadvantages that this instrument has with respect to the traditional services of Technical Assistance in Spain.

6. PROCUREMENT

6.1 The Baseline Position

The procurement of transport and environmental infrastructure projects was the responsibility of the authorities with jurisdiction in these fields. In the period to 2000, Law 13/1995, Contracts of Public Administrations, established the rules and necessary conditions for carrying out all kind of contracts: construction projects, supply, services and Technical Assistance. The 1995 Act was further developed by Royal Decree 1098/2001, approving the General Regulations of implementation.

Overall, this legal basis was sufficiently compatible with the basic principles of transparency and non-discrimination of the Procurement Directives of the EU, though there were some factors in the adjudication proceedings of co-financed public procurements that had to be rectified to better conform with EU Directives. These problematic aspects were related to contract modifications made during the project implementation phase and the adjudication of additional works that were not in conformity with Directive 93/37/EEC.

Consequently, the existing structures in procurement were thought to be appropriate and had adequate administrative organisation for procurement management: along with the procurement bodies, other assistance bodies were involved in the process (such as the *Mesa de Contratación* - Procurement Committee), as well as advisory bodies (such as the *Junta Consultiva de Contratación Administrativa* - Administrative Procurement Advisory Board).

6.2 Procurement Arrangements for 2000-06

Although the Implementing Body was responsible for the tendering and procurement process, the Intermediate Bodies were responsible for ensuring compliance with this process. This was achieved through a control procedure applied to all documentation (specifications, adjudication criteria, publications, etc.) before the information was given to the DGCF.

Intermediate Bodies monitored the procurement process to avoid exceeding the deadlines for advance requests set by the Commission and to avoid any losses (rule m+24), and they controlled the delivery of the first payment request to avoid its reduction (rule m+12). Therefore, the Intermediate Bodies periodically analysed the 'procurement boards' and quizzed the Implementing Body to evaluate possible delays in implementation and to avoid amendment requests.

Futhermore, the management bodies have improved their knowledge on the most important aspects of public procurement.

6.3 The Effectiveness of Procurement Arrangements, 2000-06

Procurement procedures took technical and economic solvency criteria into account in order to ensure the optimum project implementation. There was competition and transparency in tendering, and the selection of contractors was based on technical and economic valuation. This facilitated the process for the final decision without major issues, although the time required extended to several months.

Although the formalisation of contracts incorporated all the necessary conditions regarding project implementation, including penalties for non-compliance, the application of these clauses was not always adequate. In some cases it was necessary to modify the contract to complete the planned projects. These changes were not due to reformulations of the initial project, but could arise for a variety of reasons: technical (archaeological findings, additional new sections on railway projects), administrative (grants of land for the implementation) and financial (lack of liquidity to move forward with a good implementation rate).

The importance of the established control and verification processes should be highlighted, as they regularly allowed the identification of specific incidents regarding public procurement rules, related to the certification of expenditure on contract modifications and additional works. The differing interpretations of the rules on this matter by the Spanish and Community authorities led to the retrieval of substantial amounts by the European Commission.

In conclusion, the vast majority of contracts were completed to specification with no major contractual dispute. Levels of transparency in tenders were high, ensuring a good selection. However, in some cases there were deviations from the original project during implementation, especially in transport, which led to the contracting of additional works and amendments to contracts.

6.4 Evolution and the Integration of Learning

As noted above, by 2000, Spain had established a procurement process that was intended to be consistent with EU procurement rules and under which the vast majority of contracts were completed to specification and without major contractual dispute. Nevertheless, as noted in Section 6.3, in the 2000-06 period there were numerous instances where differences arose in the interpretation of national and EU administrators.

In response, the Spanish Government began a process of reviewing public procurement legislation that, besides improving the transposition of such Directives into national law, adopted a comprehensive reform approach. This process begins after the approval of the Directive 2004/18/EC, leading to various documents such as the *Report and Conclusions of the Committee of Experts for the Study and Diagnosis of the situation of Public Procurement* (prepared in 2004 by the Institute for Fiscal Studies); and ends in 2007, with the approval of Law 30/2007 on Public Sector Contracts, recently consolidated by Royal Legislative Decree 3 / 2011. In response to multiple requests from the administrative, academic, social and business sectors, it introduced modifications to various areas of legislation and sought to find a solution to problems arising from the application of the Law on Public Administration Contracts. Hence, procurement procedures have been reinforced.

To decrease the risk of irregularities, the DGCF informed all Intermediate Bodies (by Circular 1/2007) of its decision not to certify payments regarding modified or additional contracts. However, some exceptions were envisaged due to the need to meet programming commitments, as set out in the Regulations of the Cohesion Fund, and due to the verification of compliance (Directive 2004/18/EC) of contracts that had been modified.

7. PROJECT MANAGEMENT AND IMPLEMENTATION

7.1 The Baseline Position

In the *transport sector*, responsibility for implementing high-capacity network projects was distributed among bodies specialising in the different transport modes. Thus, operations regarding high-speed railway development were implemented by Railway Infrastructure Management (GIF), converted into the Railway Infrastructure Administrator (ADIF) in 2005, while the State Ports Public Bodies and Spanish Airports and Aerial Navigation (AENA) implemented the port and airport infrastructure operations respectively. The Ministry of Transport was in charge of tendering highway projects.

The implementation of projects in the *environment sector* depended on both the Ministry of Environment and the departments of the Regional Governments and Local Corporations through their respective departments for Environment. This division of responsibilities was intended to respond to the EU principle of subsidiarity, under which decisions are taken as closely as possible to the citizen.

Since the 1980s, the consolidation of the State of the Autonomous Communities in Spain has led to a decentralized competencies model in which Regional Administrations have gained an increasingly important role acquiring more skills in managing and implementing all economic policies. In 1983, i.e., three years after Spain's entry into the European Economic Community at that time, all the Autonomous Communities had already issued their Statute. Therefore, there were no significant gaps in capacity to implement the Cohesion Fund.

The existing structures did not require modification to implement Cohesion Fund projects in 2000-06; any changes required were considered common for procedures to meet the new regulatory requirements for the 2000-06 period. Only the incorporation of the 'polluter pays' principle required a greater preparation effort for its implementation.

7.2 Project Implementation and Management Arrangements, 2000-06

To date, only some 33 percent of the projects have been completely finalised. EC audits have identified shortcomings in some elements of the system and have prevented the closure of a large number of projects.²

Nevertheless, there is a consensus among consultees that projects have generally been implemented effectively, though some management problems occurred due to the high number of amendments.

The management and control of the expenditure implementation regarding the Cohesion Fund operations was supported by competences assigned to the Management Centres (Implementing Bodies). Thus, each Implementing Body was expected to follow the correct

² In this context, the physical completion has to be distinguished from the closure of the project (see also Table 2.1). Transport projects, for example, have all been physically completed and their balance has been requested except for the Port of A Coruña project in Punta Langosteira, which was adopted in 2005.

procedures for expenditure management, ensuring that it was in compliance with European and national legislation.

The assumption of these responsibilities has been more complex in the case of smaller *Ayuntamientos*, participating in environmental projects. The same does not happen in the National and Regional Administrations (nor in larger *Ayuntamientos*) as they are familiar to the management of European funds.

However, the Intermediate Bodies were in charge of checking every submission of an expenditure certification to the DGCF to verify that the project implementation related to the work units included in the certification submitted by the contractor, and that there had been prior proof and/or acceptance of such certification by the Implementing Body. In turn, the Intermediate Bodies were also responsible for carrying out the review of payments to the contractor, controlling both outputs and eligibility.

The fieldwork found that there was no effective implementation of the principle of proportionality, so that the requirements have been the same for all projects, regardless of size. This has particularly affected the capacity of smaller bodies, whose resources, knowledge and experience are more limited.

Furthermore, it is asserted that the management of a project financed by the Cohesion Fund in the 2000-06 period has been much more intense and demanding than in the case of ERDF, despite its financial amount for Spain had been much less.

With regard to monitoring, from the outset all projects had to provide indicators that demonstrated a project's physical evolution alongside its financial implementation. This project development assessment was documented on standard indicator forms and reports on the project progress, signed by the technical director and sent by the responsible political authority. Therefore, the monitoring system is based on indicators that have proven useful to assess project progress and to adopt, where appropriate, corrective measures.

All these factors imposed greater requirements of efficiency and skills within contractor organisations, and upon the technical staff involved, considering the detailed monitoring of projects and the ongoing analysis of progress in implementing the objectives. The existence of the necessary capacity was taken into account by the Implementing Body of each project in the tendering phase. For example, providers of major transport projects had to demonstrate sufficient solvency and capacity to sustain effort for the planned duration of the project.

7.3 The Effectiveness of Project Implementation and Management Arrangements, 2000-06

It is assessed that the implementation and management of Cohesion Fund projects from 2000-06 has been reasonably successful. Although some issues are delaying the closure of projects by more than three years, it is expected that the support from the Cohesion Fund allocated to Spain will be fully absorbed.

An outstanding achievement of the 2000-06 programming period was the creation of computer tools for data transmission about the projects and the certification of expenditure. The development of the 'Nexus' computer application by the Managing Authority introduced greater flexibility in the overall management of Cohesion Fund operations. During 2000-06, and even more in the current period, the information exchange between the key beneficiaries, national authorities and the Commission is based on the use of electronic means to enable automated data processing.

Factors that prevented a more optimal implementation include the inflexibility created by the need for a separate project assessment and approval by the Commission. The fact that each project must have an independent Award Decision caused a delay in implementation and financial inflexibility due to the independent commitment of support for each project.

Changes in national and Community regulations also resulted in amendments to projects in the middle of their implementation phase or even after completion. Due to the inflexibility described above, this caused difficulties in responding to commitments.

Other causes that led to significant deviations in projects were associated with changes to the location of infrastructure, unexpected archaeological findings, or modifications required by electricity supply companies.

As noted above, the implementation of projects was affected during the 2000-06 period by the establishment of new management and control requirements. In addition, there were delays related to the control systems implementation, including VAT as an eligible expenditure by the Fund managers, difficulties in implementing the 'polluter pays' principle, and problems in carrying out cost-benefit analysis to exclude amortisation expenses.

The collaboration and cooperation among all actors in the system (European Commission, Management and Paying Authority, Intermediate Bodies and Implementers) allowed these difficulties to be overcome, thus achieving the full commitment of the Cohesion Fund resources available for 2000-06.

Nevertheless, there have been differences with the Commission in some of these issues such as procurement, amendments, VAT, revenue generating projects, or publicity, which have led to financial corrections. Although some cases have been resolved, others continue to be discussed in bilateral meetings, leaving many projects still to receive the final 20 percent of the grant. This situation is adversely affecting some administrations.

7.4 Evolution and the Integration of Learning

Despite possessing a relatively mature implementation capacity, the 2000-06 period in Spain saw some projects experience significant deviations from financial and physical

planning and also significant delay. By 2011, progressive measures have reduced financial and physical deviations, but some projects continue to experience significant delays.³

Although there was already some experience with co-financed projects, the managing bodies recognised the need for more specialised staff, particularly in monitoring. This requirement was covered by training courses provided by the Intermediate Bodies or the Managing Authority, especially during the first half of the programming period. Technical Assistance was also used to engage external expertise to improve the system of indicators and to advise on mechanisms for the collection of physical information. This was considered very useful for project monitoring and supporting staff working in that area.

Thus, the experience in project management is rated as positive. The specialisation required by European Funds management helped to strengthen the implementation of monitoring systems, the application of previous analyses in project approvals, and the definition of procedures. There has also been continuity into the 2007-13 period. In particular, there has been a very positive influence on how to implement projects that is reflected in national and regional legislation, project management, information and publicity requirements, and the importance of explaining the need for investment and European funding.

A good example is the information system (Fondos 2007, an upgraded version of Fondos 2000) developed by the DGCF. Fondos 2007 integrates the funds management work of the responsible units, organised into three distinct modules of information (management, certification and auditing). It allows in-house electronic transmission of documents within the management chain through an electronic signature system that ensures the correct identification of all agents involved.

Another positive dimension concerns the performance of certain networks that directly affected the implementation of the Cohesion Fund, particularly the Network of Environmental Authorities, created in 1997 and still operating today. It was permanently integrated by the bodies responsible for the management of Community funds and the environment in the central and regional administrations and the European Commission.

Moreover, in order to improve the complementarity of policies implemented with the Cohesion Fund and other EU funding, a Coordinating Committee of Community Funds was created at the beginning of the 2007-13 programming period.

An Evaluation Plan was also developed, which envisaged the development of evaluations in order to intensify the monitoring of interventions and the accomplishment of the established strategic objectives.

³ Problems were notably identified regarding environmental projects in the field of waste management, mainly due to issues of land availability linked to changes in municipal governments or other causes not dependent on the Intermediate Body. It was therefore necessary to relocate the project, which led to modifications in the adoption of funding decisions and the eligibility date to allow the adoption of replacement actions.

Overall, this illustrates that the capacities of both the beneficiaries and the Intermediate Bodies and Authorities have increased in all aspects of project management.

8. CONCLUSIONS: A SYSTEM-WIDE PERSPECTIVE

8.1 General

This section of the report brings together the main findings from the evaluation of the different components of the overall Cohesion Fund delivery system, illustrated in Figure 8.1 below. It considers the interaction of the different components and their performance as an overall system: where the most significant bottlenecks occur; the most difficult issues confronting institutions; the main lessons learned; and the scope for further capacity-building in order to improve the effectiveness of Cohesion Fund governance and management.

It is important to note that this section not only reflects findings based on desk research and interviewees' opinions but also includes insights from the workshop and judgemental assessment of the evaluators.

8.2 Performance of the Cohesion Fund Delivery System

The planning system proved to be effective. On the one hand, the formulation of strategies based on diagnostic analysis properly guided the establishment of relevant targets, and on the other hand, the high institutional engagement enabled shared and consensual solutions to be reached.

The project design and development system did not require efforts additional to those already in place in 2000. The decision to select mature projects already identified in sectoral plans and programmes, together with the design of a procedure for systematised submission of applications, provided an efficient start. Aspects which required more attention were the complementarity of the projects with other community policies, the application of the 'polluter pays' principle and the management of project amendments.

The major bottleneck in terms of system components was procurement. In particular, the greatest problems related to the certification of expenditure corresponding to project modification and complementary contracts.

Finally, the implementation phase was characterised by the engagement of all administrative levels (national, regional and local), and that required high levels of coordination. The intensity of controls exercised on certain projects, as well as the need to implement regulatory changes, affected implementation, with deviations from the initial plan in some cases.

Circumstances, such as archaeological discoveries or the addition of new lines on railway infrastructure projects, has required revisions to projects. Factors external to the system that had a significant impact included the availability of land for the planned actions or obtaining necessary permissions, for example for electrical installations. In some cases,

such circumstances delayed project implementation. Nevertheless, it is considered that the implementation has been effective, as it will absorb all the funds.

8.3 Key Learning

The lessons learned brought added value for most components of the system:

- the use of cost-benefit analysis has led to improvements in the design of both transport and environmental projects, and ensured economic and financial viability. In this context the EC “Guide to cost-benefit analysis of investment projects” is well regarded.
- monitoring, based on indicators that are simple, quantifiable at source, objectively measurable and spatially well-defined, encouraged the development of the supported sector in terms of environmental, economic and social dimensions and the correction of actions as necessary.
- procurement procedures were reinforced. The management bodies improved their knowledge on the most important aspects of public procurement.

8.4 The Contribution of Capacity Building Support

Spain has benefited from its extensive experience in managing EU funds. The channelling of Community aid has tested the way the central and autonomous governments operate, and it has required that each level of government and administration was effectively responsible.

These benefits result from several factors:

- improvements in training processes within administrations on issues related to the management of European Funds;
- the use of Technical Assistance to hire external expertise to support the preparation of projects in both sectors, especially in areas that required greater specialisation (technical and complex methodologies of analysis), contributed to skills acquisition in management. The main studies or activities funded under Technical Assistance, relevant to the management and implementation of the Cohesion Fund in Spain during 2000-06 have been the following:
 - Technical assistance for the preparation of strategic documents and detail of sectors related to the Environment.
 - Technical assistance to support the management of the Cohesion Fund 2000-2006 in Spain
 - Technical Assistance for Teledeteccion’s Technologies of Information.
 - Application of the Delphi analysis Jucar and Segura basins.
- the development of computer management software, which increased efficiency in the transmission of information flows and promoted e-administration in the implementation of the Cohesion Fund.

Thus, Cohesion policy has had important impacts on institutional capacity-building in Spain. Through the partnership principle, a governance model based on cooperation was strengthened, with strategic implications at various levels of government and civil society, prompting an increase in social and economic capital at regional and local level.

8.5 Scope for Management Improvements: Issues for the Member State

The multi-annual programming of the Cohesion Fund in 2007-13 represents a major advance compared with the model of individual project approval. It avoids implementation difficulties related to inflexibility in management procedures, in particular by separating the project assessment process from the approval process by the Commission, creating watertight budgets. In addition, the planning system benefits from greater strategic integration and coordination with other interventions.

Currently, all the necessary procedures are in place for the implementation of the Operational Programme of the ERDF Cohesion Fund 2007-13, related to management, monitoring and control, advertising and dissemination, exchange of information between the competent authorities (scheduling, payment, certification, management) and the verification of systems. The implementation of these procedures is rated positively.

8.6 Scope for Administrative Reform: Issues for the Commission

To achieve the objectives attributed to the Cohesion Fund, it is considered essential to simplify regulations and procedures. While there is consensus that controls are essential for ensuring the adequacy of the funds received in line with their intended purposes, enhanced coordination with involved EU-level and national administrative authorities is seen to be necessary to achieve the economic development objectives of Cohesion Policy.

In some cases, controls and excessively rigid management procedures led to a situation where co-financed investments and actual transfers from the Community budget did not coincide, causing delays in payments, thus generating significant additional costs to the authorities implementing such investments. Therefore, there is seen to be a need to simplify controls at the level of the Commission and Member States, so that their cost is offset by the benefit they bring.

Greater focus should be placed on the achievement of objectives and the approximation of the results, strengthening the national evaluation system to assess the effectiveness, efficiency and impact of Community support and to identify lessons to take into account in future programming periods.

Finally, there is a need for criteria to be well established at the beginning of each period, and to remain unchanged for its duration. This will prevent beneficiaries from being confronted with situations that are impossible to solve, or where they have no legal guarantee of response.

ANNEX I: MANAGEMENT AND IMPLEMENTATION ARCHITECTURE

Table I-1: Management and Implementation Architecture for Transport Projects in Spain

	CF (2000-06)	CF (2007-13)
Managing Authority	Subdirección General de Fondos de Cohesión y de Cooperación Territorial Europea - DGCF (MEF)	Subdirección General de Fondos de Cohesión y de Cooperación Territorial Europea - DGCF (MEF)
Paying Authority	Subdirección General de Certificación y Pagos - DGCF (MEF)	Subdirección General de Certificación y Pagos - - DGCF (MEF)
Intermediate Bodies	Ministerio de Fomento Gestor de Infraestructuras Ferroviarias (GIF) Puertos del Estado (<i>Ports of State</i>)	Administrador de Infraestructuras Ferroviarias (ADIF) Organismo Público Puertos del Estado (<i>Ports of State</i>)
Implementing Bodies	Ministerio de Fomento Gestor de Infraestructuras Ferroviarias (GIF) Autoridades Portuarias	Administrador de Infraestructuras Ferroviarias (ADIF) Organismo Público Puertos del Estado.

Table I-2: Management and Implementation Architecture for Environment Projects in Spain

	CF (2000-06)	CF (2007-13)
Managing Authority	Subdirección General de Fondos de Cohesión y de Cooperación Territorial Europea - DGCF (MEF)	Subdirección General de Fondos de Cohesión y de Cooperación Territorial Europea - DGCF (MEF)
Paying Authority	Subdirección General de Certificación y Pagos - DGCF (MEF)	Subdirección General de Certificación y Pagos - DGCF (MEF)
Intermediate Bodies	Departamentos Sectoriales Nacionales y Regionales	DG de Servicios del Ministerio de Medio Ambiente, Medio Rural y Marino Comunidades Autónomas (<i>Regional Administrations</i>) Entes Locales (<i>Local Administrations</i>)
Implementing Bodies	Empresas Públicas Concejalías municipales	D.G. del Agua (Ministerio de Medio Ambiente) Confederaciones Hidrográficas Empresas Públicas Concejalías municipales

ANNEX II: DOCUMENTARY SOURCES

Comisión Europea (2002): Informe Anual sobre el Fondo de Cohesión (2001)

Comisión Europea (2003): Informe Anual sobre el Fondo de Cohesión (2002)

Comisión Europea (2004): Informe Anual sobre el Fondo de Cohesión (2003)

Comisión Europea (2005): Informe Anual sobre el Fondo de Cohesión (2004)

Comisión Europea (2005): Vademécum Fondo de Cohesión 2000-2006

Comisión Europea (2006): Informe Anual sobre el Fondo de Cohesión (2005)

Comisión Europea (2007): Informe Anual sobre el Fondo de Cohesión (2006)

Comisión Europea (2008): Informe Anual sobre el Fondo de Cohesión (2007)

Comisión Europea (2009): Informe Anual sobre el Fondo de Cohesión (2008)

Junta de Castilla y León (2006): Manual de Procedimiento para la Gestión, Seguimiento y Control del Fondo de Cohesión

Junta de Andalucía (2006): Manual de Normas y Procedimiento Generales de la Gestión de Fondos Europeos en la Junta de Andalucía

Ministerio de Economía y Hacienda (2002): La programación Regional y sus Instrumentos. Informe Anual 2001

Ministerio de Economía y Hacienda (2003): La programación Regional y sus Instrumentos. Informe Anual 2002

Ministerio de Economía y Hacienda (2004): La programación Regional y sus Instrumentos. Informe Anual 2003

Ministerio de Economía y Hacienda (2005): La programación Regional y sus Instrumentos. Informe Anual 2004

Ministerio de Economía y Hacienda (2006): La programación Regional y sus Instrumentos. Informe Anual 2005

Ministerio de Economía y Hacienda (2007): La programación Regional y sus Instrumentos. Informe Anual 2006

Ministerio de Economía y Hacienda (2008): Programa Operativo Fondo de Cohesión-FEDER 2007-2013

Ministerio de Economía y Hacienda (2008): Evaluación Ex Ante del Programa Operativo Fondo de Cohesión-FEDER 2007-13

ANNEX III: LIST OF CONSULTEE ORGANISATIONS

Subdir. Gral. FC y Cooperación Territ. DG Fondos Comunitarios - DG Fondos Comunitarios (MEF)

Subdir. Gral. de Programación y Evaluación. DG Fondos Comunitarios - DG Fondos Comunitarios (MEF)

Subdir. Gral. FC y Cooperación Territ. DG Fondos Comunitarios - DG Fondos Comunitarios (MEF)

Ministerio de Fomento

Subdirectora G. de la Oficina Presupuestaria Ministerio de Medio Ambiente

Gabinete de Intervenciones Comunitarias. D.G. de Fondos Europeos y Planificación, Gabinete de Intervenciones Comunitarias. D.G. de Fondos Europeos y Planificación (Junta de Andalucía)

Servicio de Protección Ambiental - Junta de Extremadura

Consejería de Fomento y Medio Ambiente (Junta de Castilla y León)

Servicio de Fondos Europeos. D. D presupuestos y fondos comunitarios (Junta de Castilla y León)

Puertos del Estado

ADIF

Ayuntamiento de Madrid