

CONT Delegation visit

19 - 21 June 2012

Spain



Fact-finding delegation of the Budgetary Control Committee to SPAIN

19-21 June 2012

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1. The latest version of the draft programme
(as of 7 June 2012)





Directorate-General for Internal Policies - Directorate D - Budget Affairs
Committee on Budgetary Control

Brussels, 7 June 2012

**Fact-finding delegation of the Committee on Budgetary Control to
SPAIN,
19-21 June 2012**

DRAFT PROGRAMME OF 15 MAY 2012

Members of the delegation:

1. Derek VAUGHAN (Head of Delegation, S&D, UK)
2. Tamás DEUTSCH (EPP, HU)
3. Monika HOHLMEIER (EPP, DE)
4. Jean-Pierre AUDY (EPP, FR)
5. Cătălin SORIN IVAN (S&D, RO)
6. Theodoros SKYLAKAKIS (ALDE, GR)
7. Michael THEURER (ALDE, DE)
8. Amelia ANDERSDOTTER (Greens/EFA, SE)

Members accompanying the delegation (out of quota)

9. Eva ORTIZ VILELLA (EPP, ES)
10. Salvador GARRIGA POLLEDO (EPP, ES)
11. Inés AYALA SENDER (S&D, ES)
12. Josefà ANDRÉS BAREA (S&D, ES) - only in Valencia (on 20 June)
13. Andrés PERELLO RODRÍGUEZ (S&D, ES) - only in Valencia (on 20 June)

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Commission

- 20. Andrea MAIRATE - DG Regional Policy - Head of Unit - G.1 Spain
- 21. Georges KINTZELE - DG EMPL - Head of Unit - E.4. Spain, Portugal, Hungary (on 19/6)
- 22. Miguel TEJADA FERNÁNDEZ - E.4. Spain, Portugal, Hungary

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- 23. J. GETAN BORNN - Team leader
- 24. K. MC LAUGHLIN (EN)
- 25. F. GONZALEZ (ES)

- 26. T. AHONEN - Technician from DG INTE - EP

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EN, ES

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The delegation will have an air-conditioned bus at its disposal in Madrid and in Valencia

Recommended flights of delegation

From Brussels to Madrid Barajas with **Iberia** or **Brussels Airlines**

OUTWARD					
Flight		On	Leg	Departure Time	Arrival Time
IB3203		19JUN	Brussels Airport	12:15	14:35
SN3727		19JUN	Brussels Airport	14:20	16:50
IB3197		19JUN	Brussels Airport	15:00	17:30
RETURN					
IB3214		21JUN	Madrid Barajas	16:00	18:20
SN3728		21JUN	Madrid Barajas	17:30	20:00
IB3208		21JUN	Madrid Barajas	19:45	22:05

I. Tuesday 19 June 2012 - *Madrid*

Travel to Madrid.

Suggested flight: Iberia 3203, departure: Brussels 12.15, arrival Madrid 14.35

A bus has been booked to pick up the participants travelling with **this flight, and for this flight only**, in Madrid Barajas airport.

14.35 Arrival of participants with flight IB3203 to Madrid-Barajas Airport

15.15 Departure from the airport to the *European Parliament Office* - Paseo de la Castellana, 46 (Madrid)

Welcome by the local authorities

16.00 - 16.30 Meeting with *Iñigo Méndez de Vigo*, Secretario de Estado para la Unión Europea (Secretary of State for European Affairs)

Venue: Sala Europa - European Parliament Office - Paseo de la Castellana, 46 (Madrid)

16.30-16.45 Short internal meeting

Exchange of views with the national authorities responsible for the management of EU funds

Venue: Sala Europa - European Parliament Office - Paseo de la Castellana, 46 (Madrid)

1. Ministerio de Hacienda y Administraciones Públicas del Gobierno de España (*Ministry of the Finance and Public Administration*)

16.45 - 17.45 Meeting with *José María Piñero Campos*, Director General de Fondos Comunitarios (Director General of Community Funds) and *Anatolio Alonso Pardo* (Dep. Director General of the administration of the ERDF), followed by a short break

2. Ministerio de Fomento del Gobierno de España (*Ministry of Transport*) - the biggest "beneficiary" of EU funds

18.00 - 19.00 Meeting with *Mario Garcés*, Subsecretario, followed by a short break

3. Ministerio de Empleo y Seguridad Social del Gobierno de España (*Ministry of Labour and Social Security*)

19.15 - 20.30 Meeting with **Engracia Hidalgo Tena**, Secretaria de Estado de Empleo (*Secretary of State for Employment*) - (*to be confirmed*), **Miguel Angel García Martín**, Director General del Trabajo Autónomo, de la Economía Social y de la Responsabilidad Social de las Empresas (*Director General for Social Economy*) - and **Carlos Tortuero Martín**, Subdirector General de la Unidad Administradora del Fondo Social Europeo

20.30 Departure by bus from the European Parliament Office to the hotel

* * *

Free dinner arrangements

II. Wednesday 20 June 2012 - Valencia

8.00 Departure by bus from the hotel to the Atocha train station

8.40 - 10.18 **Travel to Valencia by train (with AVE)**

Estación de Atocha

Plaza Emperador Carlos V

28012 Madrid

- Exchange of views on the train with representatives of ADIF - Administrador de Infraestructuras Ferroviarias (Administrator of Railway Infrastructure), responsible for the high speed rail, which is a project for which the investment over the period 2000-2013 amounts to 8.819,8 M.

10.18 - 14.00 **Project visits**

- Visit to the project: "*Investigación en materiales y procesos ecológicos en el sector de la automoción y medios de transporte: PROYECTO BIOCAR*" - Intermediate Body: Regional Government, Agency for SME support (IMPIVA) - value of the EU contribution: 422.549 EUR.
- Located out of Valencia

Venue: Instituto Tecnológico de Energía ITE. Avenida de Juan de la Cierva, 24, Paterna, Valencia

and

- Visit to the project: "de-pollution of a brownfield site (chemical factory) in lower Turia river in Valencia downtown" (parcels 138-139 and 002 of the PAU, Avenida de Francia) - Intermediate body: Regional Government, Ministry of Territory and Housing - value of the EU contribution: 14.226.547 EUR

Venue: Paseo de la Alameda frente al nº 56, Valencia

* * *

14.00 - 16.00 Lunch, in the presence of **Juan Manuel Viesca Marqués** - Director General de Proyectos y Fondos Europeos de la Generalitat Valenciana, **D. José Manuel Vela BARGUES**. Honorable Conseller de Hacienda y Administración Pública and **D. Eusebio Monzó Martínez** Ilustrísimo Secretario Autonómico de Hacienda y Presupuestos

Venue: Escuela de hostelería financed with EU funds (Centro de Turismo CdT, Paseo de la Alameda, 37, Valencia)

* * *

16:00 Departure to the meeting room

16.10 - 17.30 Meeting with **Alberto Fabra Part** - Presidente de la Generalitat Valenciana (*the regional government of Valencia which is the intermediate body responsible for the management of EU funds in that region*) (*to be confirmed*), in the presence of **Juan Manuel Viesca Marqués** - Director General de Proyectos y Fondos Europeos de la Generalitat Valenciana, **D. José Manuel Vela BARGUES**. Honorable Conseller de Hacienda y Administración Pública and **D. Eusebio Monzó Martínez** Ilustrísimo Secretario Autonómico de Hacienda y Presupuestos

Venue: Sala de Autoridades de la Ciudad de la Justicia. Avda Profesor Lopez Piñero nº 14. Valencia

17.30 - 18.30 Meeting with representatives of the OAMI, Oficina de Armonización del Mercado Interior - marcas, dibujos y modelos - (OHIM, *Office of Harmonization for the Internal Market*, European agency managing the Community Trade Mark and Community Design registration systems)
<http://oami.europa.eu/>

Exchange of views with **Joao Negro**, Director of the International cooperation and legal affairs department and **Eva Cutillas**, Deputy Director Finance area (Budget, Control and procurement services) – “Resources Department”.

Venue: Sala de Autoridades de la Ciudad de la Justicia. Avda Profesor Lopez Piñero nº 14. Valencia

19.10 - 20.48 **Return to Madrid by train**
Internal delegation meeting in the train

20.50 Departure by bus from Atocha train station to the hotel

* * *

Free dinner arrangements

III. Thursday 21 June 2012 - Madrid

8.30 Departure by bus from the hotel to the European Parliament Office

Exchange of views with the regional authorities responsible for the management of EU funds

Venue: Sala Europa - European Parliament Office - Paseo de la Castellana, 46 (Madrid)

9.00 - 10.30 Meeting with **D. Gaspar Llanes Díaz-Salazar** - Secretario General de Economía de la Consejería de Economía, Innovación, Ciencia y Empleo de la Junta de Andalucía and **Patricia Eguilior Arranz** - Directora General de Fondos Europeos y Planificación de la Junta de Andalucía

10.30 - 11.30 Meeting with and **Rosario Rey García** - Directora General de Presupuestos y Fondos Europeos de la Junta de Comunidades de Castilla-La Mancha (*the regional government of Castilla-La Mancha is the intermediate body responsible for the management of EU funds in that region*)

11.30 - 11.45 Coffee break

Exchange of views with the Audit Authority

Venue: Sala Europa - European Parliament Office - Paseo de la Castellana, 46 (Madrid)

11.45 - 12.45 Meeting with **José Carlos Alcalde Hernández**, Interventor General de la Administración del Estado (*Audit Authority*)

* * *

12.45 - 13.15 Internal meeting of the delegation

* * *

13.30 - 14.00 Press conference

14.00 End of delegation visit (individual departures to the airport)

Individual return flights to places of origin

2. Policy Departement D briefing note





DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT D: BUDGETARY AFFAIRS

Political, Economic and Regional Situation in Spain

**BACKGROUND NOTE
CONT DELEGATION TO SPAIN
19-21 JUNE 2012**

Abstract

This document aims to provide background information to the Committee on Budgetary Control Delegation to Spain, scheduled for 19-21 June 2012. The factual information below covers various subjects related to Spain: basic data, political structure overview, autonomous communities, political organization of the autonomous communities, subdivisions of autonomous communities, autonomous cities, economy overview, EU funds in Spain, projects co-financed by the EU, unemployment, research, science and technology and agriculture.

07/06/2012

PE

EN

This document was requested by the European Parliament's Committee on Budgetary Control.

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1. BACKGROUND INFORMATION ON SPAIN

1.1. BASIC DATA ON SPAIN

Map 1 - General topographic map



Source: Website National Geographic Institute of Spain

Total land area:	504,880 sq km including 30% arable, 8% permanent crops, 13% pasture, 33% forest
Population:	47 190 493 (1st January 2011)
Capital:	Madrid
Languages:	Castilian Spanish ,74%, Catalan 17%, Galician 7%, Basque 2%
Religion:	Roman Catholic (94%), other 6%
Currency:	Euro
Natural resources:	Coal, lignite, iron ore, uranium, mercury, pyrites, magnesite, fluorspar, sepiolite, gypsum, zinc, lead, tungsten, copper, kaolin, potash, hydropower, arable land.

1.2. POLITICAL STRUCTURE - OVERVIEW

Official name	Kingdom of Spain
Form of state:	Constitutional monarchy
Legal system:	Based on 1978 constitution
National legislature:	Bicameral Cortes (parliament): the Senate (Senado) has 266 members, 208 directly elected and 58 appointed as regional representatives, but with little influence; the Congress of Deputies (Congreso) has 350 members, elected from closed party lists in individual constituencies
Electoral system:	Universal suffrage over the age of 18 years
National elections:	General election held on November 20th 2011 . Next election due in 2015
Head of state:	King Juan Carlos
State Legislatures	17 autonomous community (regional) parliaments
National government:	Council of Ministers headed by the president (prime minister), who is appointed by the king, but must win investiture vote in parliament. Mariano Rajoy , the leader of the Popular Party (PP) , was sworn in as president following the PP's election victory in November 2011 .
Main political parties:	<p>Popular Party (PP);</p> <p>Spanish Socialist Workers' Party (PSOE);</p> <p>United Left (IU), including the Communist Party (PCE);</p> <p>Union, Progress and Democracy (UPyD), a centre-left anti-nationalist party</p> <p>Convergence and Union (CiU), a centre-right Catalan nationalist federation;</p> <p>The centre-right Basque Nationalist Party (PNV);</p> <p>Amaiur, a left-wing separatist Basque coalition which is seen as incorporating the political representatives of Euskadi Ta Askatasuna (ETA), the terrorist group that called a definitive ceasefire in October 2011;</p> <p>Catalan Republican Left (Esquerra Republicana de Catalunya - ERC), a leftwing Catalan separatist party;</p> <p>Canary Island Coalition (CC);</p> <p>Galician Nationalist Block (BNG).</p>
Composition of the 10th Senate	<p>Popular Party (PP) - 134 Members elected and 28 Members appointed;</p> <p>Spanish Socialist Workers' Party (PSOE) - 48 Members elected and 18 Members appointed;</p> <p>Entesa Catalana de Progrés (PSC, ICV - Initiative for Catalonia Greens, EUiA and ERC - Catalan Republican Left) - 7 Members elected and 3 Members appointed;</p> <p>Convergence and Union (CiU) - 9 Members elected and 4 Members appointed;</p> <p>Basque Nationalist Party (PNV) - 4 Members elected and 1 Members appointed;</p> <p>Other Mixed Group (Navarrese People's Union, Canarian Coalition, Eusko Alkartasuna, Asturian Forum, Independent)- 6 Members elected and 3 Members appointed.</p>

<p>Composition of the 10th term of Congress</p>	<p>Popular Party (PP) - 185 Members; Spanish Socialist Workers' Party (PSOE) - 110 Members Convergence and Union (CiU) - 16 Members United Left (IU) - 8 Members, Amaiur - 7 Members; Union, Progress and Democracy (UPyD) - 5 Members; Basque Nationalist Party (PNV) - 5 Members; Catalan Republican Left (ERC) - 3 Members; Galician Nationalist Block (BNG) - 2 Members; Canary Island Coalition (CC) - 2 Members; Initiative for Catalonia Greens (ICV) - 2 Members, Chunta Aragonesista (CHA) - 1 Member Coalició Compromís - 1 Member Asturian Forum - 1 Member Geroa Bai - 1 Member Navarrese People's Union (UPN) - 1 Member</p>																								
<p>President (Prime Minister):</p>	<p>Mariano Rajoy Brey (Popular Party)</p>																								
<p>Vice-president of the Government, minister of presidency & government spokesperson:</p>	<p>Soraya Sáenz de Santamaría</p>																								
<p>Key ministers:</p>	<table border="0"> <tr> <td>Agriculture, food & environmental affairs</td> <td>Miguel Arias Cañete</td> </tr> <tr> <td>Defence</td> <td>Pedro Morenés Eulate</td> </tr> <tr> <td>Economic affairs & competitiveness</td> <td>Luis de Guindos Jurado</td> </tr> <tr> <td>Education, culture & sport</td> <td>José Ignacio Wert Ortega</td> </tr> <tr> <td>Employment & social security</td> <td>Maria Fátima Báñez García</td> </tr> <tr> <td>Finance & public administration</td> <td>Cristóbal Montoro Romero</td> </tr> <tr> <td>Foreign affairs & co-operation</td> <td>José Manuel García-Margallo y Marfil</td> </tr> <tr> <td>Health, social services & equality</td> <td>Ana Mato Adrover</td> </tr> <tr> <td>Industry, energy & tourism</td> <td>José Manuel Soria López</td> </tr> <tr> <td>Home Affairs</td> <td>Jorge Fernández Díaz</td> </tr> <tr> <td>Justice</td> <td>Alberto Ruiz-Gallardón Jiménez</td> </tr> <tr> <td>Public works</td> <td>Ana Pastor Julián</td> </tr> </table>	Agriculture, food & environmental affairs	Miguel Arias Cañete	Defence	Pedro Morenés Eulate	Economic affairs & competitiveness	Luis de Guindos Jurado	Education, culture & sport	José Ignacio Wert Ortega	Employment & social security	Maria Fátima Báñez García	Finance & public administration	Cristóbal Montoro Romero	Foreign affairs & co-operation	José Manuel García-Margallo y Marfil	Health, social services & equality	Ana Mato Adrover	Industry, energy & tourism	José Manuel Soria López	Home Affairs	Jorge Fernández Díaz	Justice	Alberto Ruiz-Gallardón Jiménez	Public works	Ana Pastor Julián
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Public works	Ana Pastor Julián																								
<p>Autonomous Communities:</p>	<p>17 autonomous communities and 2 autonomous cities</p>																								

1.3. AUTONOMOUS COMMUNITIES OF SPAIN

An autonomous community is a territorial entity that, within the constitutional order of the Spanish State is endowed with legislative autonomy and executive powers and the authority given by their own representatives.

The structure of the Spanish autonomous communities is stated in the Spanish Constitution of 1978. An autonomous community is the first level political division of Spain established in accordance with the Spanish Constitution. The Article 2 of the Spanish Constitution recognizes and guarantees the right to autonomy of nationalities and regions that make up the State.

The text of the Constitution establishes the powers which can be assumed by the Autonomous Communities and those which can only be attributed to the State.

There are 17 Autonomous Communities and 2 Autonomous Cities.

Map 2 - Autonomous Communities in Spain



Source: Website of Spanish Government

Autonomous Communities names:	<p>Andalusia</p> <p>Aragon</p> <p>Principality of Asturias</p> <p>Balearic Islands</p> <p>Basque Country</p> <p>Canary Islands</p> <p>Cantabria</p> <p>Castile-La-Mancha</p> <p>Castile and León</p> <p>Catalonia</p> <p>Extremadura</p> <p>Galicia</p> <p>La Rioja</p> <p>Community of Madrid</p> <p>Region of Murcia</p> <p>Chartered Community of Navarre</p> <p>Valencian Community</p>
Autonomous Cities names:	<p>Ceuta</p> <p>Melilla</p>
Government:	Autonomous regional government
Subdivisions:	Province; Municipality ¹

¹ Traditionally and historically, some autonomous communities are also divided into comarcas

1.4. POLITICAL ORGANIZATION IN AN AUTONOMOUS COMMUNITY

For an autonomous community, the Statute of Autonomy is the basic institutional law. The community is named by the Statute of Autonomy according to its historical identity, to the limits of its territory, to the name and organization of the institutions of government and to the rights the community enjoys according to the constitution.

The government of all autonomous communities must be based on a division of powers comprising a Legislative Assembly, a Government Council and a Supreme Court of Justice.

Legislative assembly:	Members must be elected by universal suffrage according to the system of proportional representation and in which all areas that integrate the territory are fairly represented.
Government Council:	Executive and administrative functions headed by a president, elected by the Legislative Assembly and nominated by the King of Spain.
Supreme Court of Justice:	Under the Supreme Court of the State, heads the judicial organization within the autonomous community.

With their own parliaments and regional governments, autonomous communities have wide legislative and executive autonomy.

As laid out in the Statutes of Autonomy, the distribution of powers may be different for every community.

1.5. SUBDIVISIONS OF AUTONOMOUS COMMUNITY

The Autonomous Communities are divided into 50 provinces. In turn, provinces are integrated by municipalities.

The existence of these two subdivisions is guaranteed and protected by the constitution, not necessarily by the Statutes of Autonomy themselves. Municipalities are granted autonomy to manage their internal affairs, and provinces are the territorial divisions designed to carry out the activities of the State.

The annex A presents a detailed table with the Autonomous Communities, their respective Capital and Provinces.

1.5.1. The Autonomous Community of Andalusia

Andalusia, one of the 17 autonomous communities, has the second largest area (after Castile and León) and is the most populated. The community of Andalusia is divided into 8 provinces and its capital is Seville.

Area:	87 597 Km ² (17,2% of Spain)
Population:	8 424 102 (1st January 2011)
Capital:	Seville

THE PARLIAMENT

The Parliament of Andalusia	<p>Exercises legislative power, controls the government, approves the budget of the community and performs such other functions stipulated in the Statute of Autonomy and its laws.</p> <p>Elections to the Andalusian Parliament follow a democratic formula through which the citizens elect 109 representatives.</p> <p>Elections to the Andalusian Parliament were held on 25 th of March of 2012.</p>
Composition:	<p>Popular Party (PP) - 50 Members</p> <p>Spanish Socialist Workers' Party (PSOE) - 47 Members</p> <p>United Left (IU) - 12 Members</p>
Location:	Seville

THE GOVERNMENT

Andalusian Government	<p>Institution of self-government of the Autonomous Community of Andalusia.</p> <p>The government has executive and administrative functions and is headed by a President.</p>
President:	<p>The President is the supreme representative of the Community and the ordinary representative of the Spanish state in the autonomous community.</p> <p>The president is formally named to the position by the King of Spain and then confirmed by a majority vote of the Parliament of Andalusia.</p>
President's name	José Antonio Griñán Martínez
Location:	Seville

1.5.2. The Autonomous Community of Castile-la-Mancha

Low demographic density is one of the most characteristic features of Castile-la-Mancha, with a population density of just over 25 inhabitants/sq. km, but distributed unevenly throughout its provinces and also throughout its different territorial areas. Castile-la-Mancha is divided into 5 provinces and its capital is Toledo.

Area:	79 463 Km ² (15,7% of Spain)
Population:	2 115 334 (1st January 2011)
Capital:	Toledo

The powers of Castile-La-Mancha are exercised through the "**Junta of Communities of Castile-la-Mancha**". And the organs of the "**Junta**" are the "**Cortes of Castile-la-Mancha (Parliament)**", the **President** and the **Council of Government**.

CORTES OF CASTILE-LA-MANCHA	
The Parliament of Castile-la-Mancha	<p>Represents the people of the Region.</p> <p>49 members are elected by universal suffrage for a term of 4 years under a proportional system intended to guarantee representation to the various territorial zones of Castile-la-Mancha.</p> <p>Proportional representation in the five Provinces: Albacete - 10 ; Ciudad Real - 11; Cuenca - 8; Guadalajara - 8; Toledo - 12</p> <p>Elections were held on 22nd of May of 2011.</p>
Composition:	<p>Popular Party (PP) - 25 Members</p> <p>Spanish Socialist Workers' Party (PSOE) - 24 Members</p>
Location:	Toledo

THE GOVERNMENT	
The Council of Government	<p>The Council of Government is the collegial executive organ of Castile-la-Mancha.</p> <p>The Council of Government directs regional political and administrative action and exercises an executive function.</p> <p>The Council of Government consists of the President, Vice-Presidents and the Councillors.</p>
President:	<p>The President coordinates the functions of the members of the Council of Government.</p> <p>The president is elected by the Cortes of Castile-la-Mancha from among its members and then formally named to the position by the King of Spain.</p>
President's name	María Dolores de Cospedal since June 2011.
Location:	Toledo

1.5.3. The Autonomous Community of Valencia

The community of Valencia is divided into 3 provinces and its capital is Valencia.

Area:	23 255 Km ² (4,6% of Spain)
Population:	5 117 190 (1st January 2011)
Capital:	Valencia

The **Generalitat Valenciana** is the official name given to the group of autonomous political institutions made up of the **Parliament** (Cortes Valencianas), the **President** and the **Government** (Council).

CORTES VALENCIANAS

The Valencian Parliament	<p>99 members are elected by universal suffrage for a term of 4 years under a proportional system intended to guarantee representation to the various territorial zones of Valencia.</p> <p>Proportional representation in the three Provinces: Alicante - 35, Castellón - 24 and Valencia - 40.</p> <p>Elections were held on 2011.</p>
Composition:	<p>Popular Party (PP) - 55 Members</p> <p>Spanish Socialist Workers' Party (PSOE) - 33 Members</p> <p>Coalició Compromís - 6 Members</p> <p>Esquerra Unitat de País Valencià - 5 Members</p>
Location:	Valencia

THE GOVERNMENT

The Valencian Government	The government has executive and administrative functions and is headed by a President.
President:	The President is elected by the Valencian Parliament from which he must obtain the vote of confidence.
President's name	Alberto Fabra Part since June 2011
Location:	Valencia

1.6. AUTONOMOUS CITIES

The autonomous cities are Ceuta and Melilla. Their status is in between regular cities and autonomous communities: on the one side, Ceuta's and Melilla's autonomous parliaments cannot enact "autonomous" laws, but, on the other side, they can enact regulations to execute laws.

1.7. ECONOMY OVERVIEW

The Bank of Spain announced in April 2012 that the country entered into recession for the second time in two years.

In annual terms, GDP in the first quarter declined by 0.5%, which puts an end to seven consecutive quarters of GDP growth and is an indicator of deteriorating economic situation in Spain. After a weak growth of 0.7% in 2011, the government expects a decline by 2.2% over the whole of 2012.

	2007	2008	2009	2010	2011	2012 ²	2013 ³
Real GDP growth (ann. % ch)	3.5	0.9	-3.7	-0.1	0.7	-2.2	0.3
Unemployment (%)	8.3	11.4	18.0	20.1	21.7	21.7	22.0
Inflation (ann. % ch)	2.8	4.1	-0.2	2.0	3.1 ⁴	1.6	2.1
Current account balance (% of GDP)	-10.0	-9.6	-5.1	-4.6	-3.7 ⁵	-3.9	-3.8
Government balance (% of GDP)	1.9	-4.5	-11.2	-9.3	-8.5 ⁶	-5.9	-5.0
Public Debt (% of GDP)	36.2	40.1	53.8	61.1	68.1	73.8	77.9
Export of goods and services (% of real change)	6.7	-1.0	-10.4	13.5	9.0	-1.0	2.0
Import of goods and services (% of real change)	8.0	-5.2	-17.2	8.9	-0.1	0.4	0.4

² EIU Report May 2012 forecast

³ EIU Report May 2012 forecast

⁴ EIU Report May 2012 forecast

⁵ EIU Report May 2012 forecast

⁶ EIU Report May 2012 forecast

1.7.1. Main industries sectors

The major economy sectors in Spain are: services, industry and agriculture (see Annex B).

Services

This sector contributes to 2/3 of the GDP and is the main source of job creation. The activities involved are very heterogeneous and include social and personal services, telecommunications, transport, hotels, commerce and consulting.

Tourism represents Spain's largest source of income. In 2010, Spain was the fourth most visited country in the world, after France, the United States and China. **Catalonia**, which receives about 25% of foreign tourists visiting Spain, is the main destination. In 2010, the number of foreign tourists reached 16.9 million, an increase of nearly 25% over 2009.

Industry

The industry represents 25,8% of the Spanish GDP. The Spanish industry sectors are principally concentrated in the regions of Madrid, Valladolid, Catalonia, Valencia and Asturias. The industry is diverse and covers the following sectors: textiles (Catalonia), shoes, food, steel (Basque Country and Asturias), metals, chemicals, automotive and shipbuilding.

The textile industry is very important in Spain, especially in regions such as the **Community of Valencia** and **Galicia**. The textile and clothing industry is a clear reference to international markets, thanks to companies known internationally as Adolfo Dominguez, Roberto Verino or Inditex (Zara, Pull & Bear, Massimo Dutti, Stradivarius, Bershka, Oysho, Uterque brand).

Spain has an important automotive industry. The majority of the main vehicle manufacturers of the world are present in Spain with 18 production plants. The Spanish industrial plants are characterized by their high level of productivity, several of them are among the top 10 in Europe in that respect. The Spanish manufacturers have realized important investments in the modernization of their production lines and in the adaptation to the production of new models. The high productivity and specialization of the Spanish plants puts them as leaders in the production of low and medium range vehicles.

Agriculture

As a share of GDP, the agricultural sector represents only 3%. Arable production is concentrated on vegetables (tomatoes, cucumbers, carrots, lettuces, etc) and fruit (oranges, peaches, pears, apples, etc) which together represented around 60% of total sales in 2010. Vegetables and fruit are largely exported and most producers are dependent on the external market. Other agricultural products include cereals.

Spain is Europe's largest producer and exporter of olive oil. Its olive grove has an area of around 2.5 million hectares. Olives are grown in 34 out of the 50 Spanish provinces (85% in **Andalusia**).

Spain is world's third largest producer of wine with an annual volume of 35.1 million hectoliters of wine produced in 2009, representing 13.1% of the world's production which in 2009 was 268.7 million hectoliters.

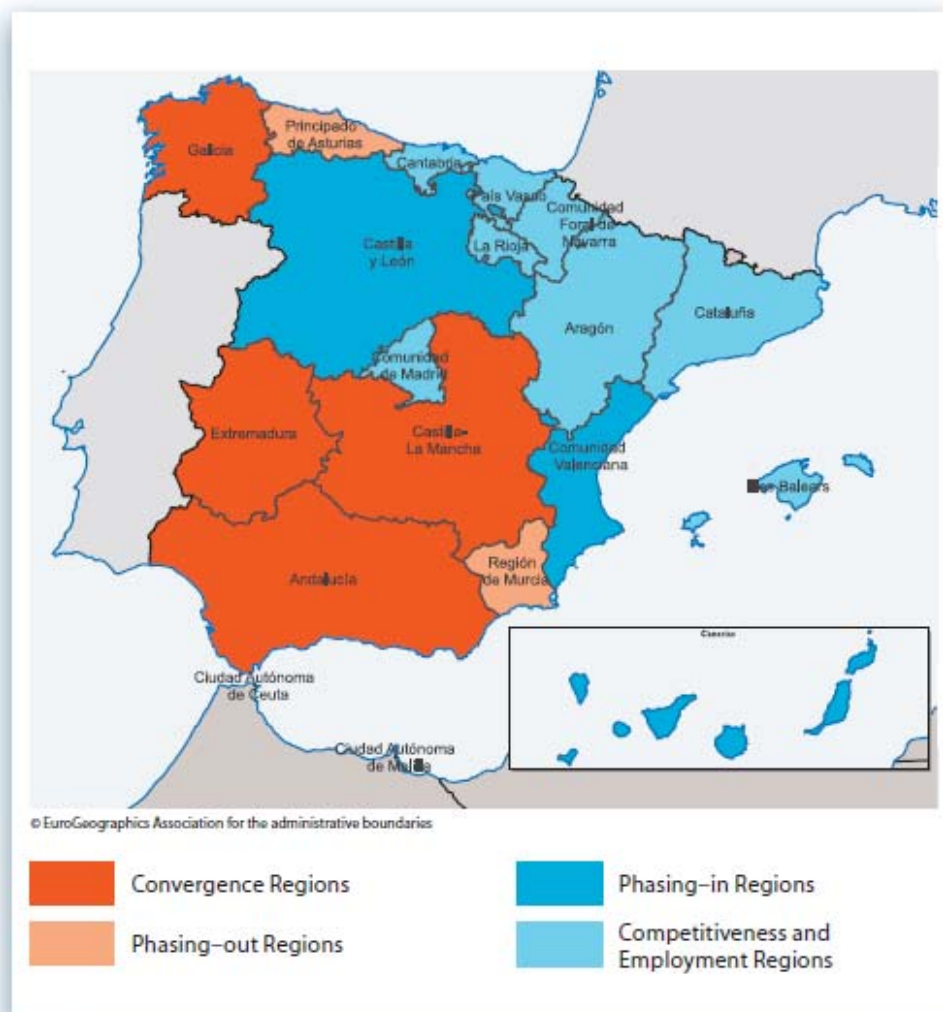
Spain has limited mineral resources.

2. EU FUNDS IN SPAIN

2.1. COHESION POLICY 2007-2013

For the period **2007-2013**, Spain has received more than **€35 billion** in the framework of the **European Regional Development Fund (ERDF)**, the **European Social Fund (ESF)** and the **Cohesion Fund (CF)**.

Map 3 - Cohesion Policy 2007-2013



Source: Website of European Commission - DG Regio

Table 1 - Regions to receive EU Funds

OBJECTIVES	PROGRAMMES
Convergence Objective	<p>Andalusia, Castile-la-Mancha, Extremadura and Galicia.</p> <p>Phasing-out regions: Asturias, Ceuta, Melilla and Murcia.</p>
Regional Competitiveness and Employment Objective	<p>Aragon, Baleares, Cantabria, Catalonia, Madrid, Navarre, Basque Country and La Rioja.</p> <p>Phasing-in regions: Canary Island, Castile and León and Valencia.</p>

Source: Website of European Commission - DG Regio

Spain has 45 programmes under both the Convergence and the Regional Competitiveness and Employment Objectives. Of these 45 programmes:

- **23 programmes** receive funding from the **ERDF** (including one joint Operational Programme with the Cohesion Fund)
- and **22 programmes** receive funding from the **ESF**.

The following additional programmes have also been introduced:

- A new multi-objective Technology Fund programme devoted to research and innovation for and by enterprises;
- Two nationwide actions included in the regional programmes targeting integrated urban and rural development;
- Initiatives leading to a better balance between professional and private life;
- Actions aimed at reducing the rate of early school leavers.

Concerning the 23 programmes funded by the **ERDF**, 8 are regional Convergence programmes with 4 programmes in phasing-out, 11 are regional Competitiveness and Employment Objective with 3 programmes in phasing-in, and 4 are national/multi-regional programmes.

With regard to the 22 programmes funded by the **ESF**, 3 are national programmes with around 60% of the total of ESF funding for Spain and 19 are regional programmes which are allocated the remaining 40% of funds.

The **Cohesion Fund (CF)** focuses its interventions on two spheres: the environment and transport infrastructures. Unlike other Structural Funds, its management falls on the States. As such, the Member States with per capita GNP below 90% of the EU average may benefit from this fund, Spain being one of such countries. The **CF** supports actions in the framework of the Convergence objective.

Table 2 - Cohesion Policy - Financial allocation per objective and fund

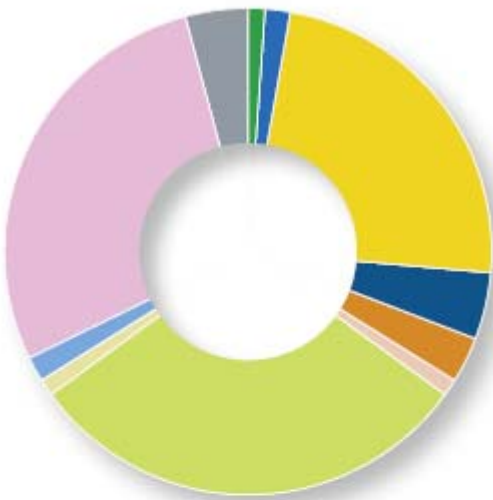
OBJECTIVE	FUND	COMMUNITY AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	NATIONAL PRIVATE AMOUNT IN €	TOTAL IN €
Convergence	Cohesion Fund (CF)	3 543 213 008	885 803 252	0	4 429 016 260
	European Regional Development Fund (ERDF)	17 389 180 821	7 323 713 602	0	24 712 894 423
	European Social Fund (ESF).	5 247 806 135	1 290 251 961	42 533 172	6 580 591 268
Total Convergence		26 180 199 964	9 499 768 815	42 533 172	35 722 501 951
Regional Competitiveness and Employment (RCE)	European Regional Development Fund (ERDF)	5 668 011 330	4 191 641 506	0	9 859 652 836
	European Social Fund (ESF).	2 809 522 687	1 952 910 506	82 789 912	4 845 223 105
Total RCE		8 477 534 017	6 144 552 012	82 789 912	14 704 875 941
European-Territorial Co-operation	European Regional Development Fund (ERDF)	559 257 033	0	0	559 257 033
Total European-Territorial Co-operation		559 257 033	0	0	559 257 033
TOTAL		35 216 991 014	15 644 320 827	125 323 084	50 986 634 925
Total Cohesion Fund (CF)		3 543 213 008			
Total European Regional Development Fund (ERDF)		23 616 449 184			
Total European Social Fund (ESF).		8 057 328 822			

Source: http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/negotiation/country_es_en.pdf

2.2. COHESION POLICY PRIORITIES

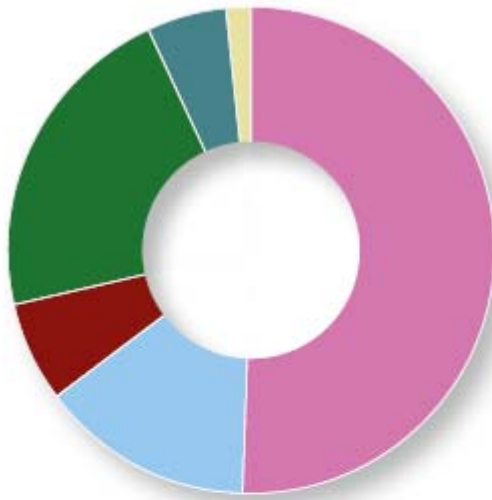
The main priorities of the Cohesion Policy for 2007-2013 period are **Investments in R&D, innovation, entrepreneurship, transport and environmental projects** which represent the biggest area of support with nearly 12 € billion of funds. Investments of 7.5 € billion will be allocated to **Transports Infrastructure**, mainly in Convergence regions. A large amount of funds, 3.6 € billion, will support access to **Employment. Water resources** will be supported with 4 € billion.

Figure 1 - ERDF and ESF - Breakdown by theme as proposed by Spain in its draft operational programmes



European Regional Development Fund 2007-13

Culture	1.3%
Energy	1.7%
Environmental protection and risk prevention	23.6%
Information society	4.3%
Investment in social infrastructure	3.2%
Reduction of additional costs hindering the outermost regions' development	0.9%
Research and technological development (R&TD), innovation and entrepreneurship	30.1%
Technical assistance	1.0%
Tourism	1.8%
Transport	27.9%
Urban and rural regeneration	4.1%



European Social Fund 2007-13

Improving access to employment and sustainability	50.8%
Improving human capital	14.2%
Improving the social inclusion of less-favoured persons	6.7%
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	21.5%
Mobilisation for reforms in the fields of employment and inclusion	5.3%
Strengthening institutional capacity at national, regional and local level	0.1%
Technical assistance	1.5%

Source: http://ec.europa.eu/regional_policy/atlas2007/fiche/es_en.pdf

2.3. COHESION POLICY MANAGEMENT

Structural Funds are managed by 3 different authorities: a central managing authority, a central certifying authority and an audit authority.

The central **Managing Authority** is the "**Subdirección General de Administración del FEDER**" which depends on the "Dirección General de Fondos Comunitarios" of the Ministry of the Economy and Finance. The managing authority is the first level control and is responsible for the management and execution of operational programmes. In most cases, functions and tasks are delegated to intermediate bodies (145 intermediate bodies). The main functions of the managing authority are : verification of the legality and regularity of operations, verification of delivering of goods or services and that the expenditure declared is real, establishment of procedures which guarantee the availability of all documents for audit, ensuring that beneficiaries maintain a separated accounting system in relation to all the transactions related to the operation, ensuring that the central certifying authority will have all the information about procedures and verification of costs, orientation of work of the follow-up committee and lastly, regular communication of implementation reports to the Commission.

The central **Certifying Authority** is the "**Unidad de Pagos de la Dirección General de Fondos Comunitarios**". The certifying authority certifies statements of expenditure and applications for payment.

The **Audit Authority** is the "**Intervención General de la Administración del Estado (IGAE)**", part of the Secretariat of State for Budgets and Expenditure. The audit authority is responsible for verifying the effective functioning of the management and control system. Its opinion's are based on the results of its own work and on controls done by other bodies. The audit authority at a central level will share this role with control bodies of each region (19) for all the structural funds.

2.4. ERDF AND ESF ALLOCATION BREAKDOWN BY REGIONS: ANDALUSIA, CASTILE-LA-MANCHA AND VALENCIA

The regions of Andalucía, Castile-la-Mancha and Valencia were identified by the Commission, in the context of 2010 discharge procedure, as those which are mainly responsible for Spain's high error rate in ERDF.

The following amounts are allocated in the framework of the ERDF Operational Programmes in the 2007-2013 period to:

Andalusia: 6.8 € billion

Castile-la-Mancha: 1.4 € billion

Valencia: 1.3 € billion

For the ESF Operational Programmes the same regions receive respectively in 2007-2013:

Andalusia: 1.2 € billion

Castile-la-Mancha: 180 € million

Valencia: 199 € million.

The details of the breakdown per year and priority axes can be found in Annex D.

2.5. IRREGULARITIES

In 2011, out of **23** programmes funded by the **ERDF** and the **CF** (2007-2013 programming period), a reservation was issued by the Commission with regard to **22** operational programmes (**2 programmes in whole reservation and 20 programmes in partial reservation - low and medium risk level of assurance**) as shown in the table below. These programmes are linked to serious deficiencies in the management and control system of 13 intermediate bodies. The main deficiencies refer to inadequate management verifications and high error rates.

Table 3 - Assessment of the level of assurance by Operational Programmes (ERDF/CF 2007-2013)⁷

REASONABLE ASSURANCE	REASONABLE ASSURANCE WITH LOW RISK	LIMITED ASSURANCE WITH MEDIUM RISK	LIMITED ASSURANCE WITH HIGH RISK	TOTAL NUMBER OF PROGRAMMES
1	10	10	2	23

Source: European Commission - DG Regional Policy - Annual Activity Report 2011 (p. 119)

⁷ **Reasonable assurance** means that there is no material deficiency in key elements of the systems (only minor improvements may be needed in some cases) and the validated error rate is below 2%. **Reasonable assurance with low risk** of irregularities covers programmes with a validated error rate below 5% but with a cumulative residual risk below 2% and/or with the existence of minor deficiencies in key elements of the systems. **Limited assurance with medium risk** of irregularities covers programmes with a validated error rate below 5%, a cumulative residual risk above 2% and/or with the existence of some deficiencies in key elements of the systems. **Limited assurance with high risk** of irregularities covers programmes with a validated error rate above 5%, a cumulative residual risk above 2% and/or with material deficiencies in several key elements of the systems.

Concerning the 2 Operational Programmes in whole reservation, the details are explained in the table below.

Table 4 - Reservation for the entire Operational Programme

OP NAME	PROGRAMME AUTHORITIES WITH MAJOR SYSTEMIC DEFICIENCIES	ANNUAL REPORTED ERROR RATE (2011 ACR)	CUMULATIVE RESIDUAL RISK	COMMENTS
PO FEDER Andalusia	Managing Authority	5% - 10%	2% - 5%	One regional Intermediate Body "Junta Andalucía" ; in addition full reservation on the national part
PO FEDER Basque Country	Managing Authority	Unreliable	< 2%	All regional Intermediate Bodies concerned, in addition full reservation on the national part.

Source: European Commission - DG Regional Policy - Annual Activity Report 2011 (p. 123)

With regard to the ESF programmes, 8 payments in 5 operational programmes have been interrupted by the DG Employment, Social Affairs and Inclusion of the Commission between 2010 and the first half of 2011. On the **1st July 2011**, there were **7** decisions of interruption of payment or financial correction proceedings ongoing.

2.6. EUROPEAN INVESTMENT BANK (EIB)

In 2010, the European Investment Bank (EIB) lent 9.3 € billion for projects in Spain. Nearly 4.8 € billion went to the Convergence (Andalusia, Castile-la-Mancha, Extremadura and Galicia) and transition regions (Asturias, the Canary Islands, Castile-y-León, Ceuta, Melilla, Murcia and Valencia). The EIB provided **4.8 € billion** to operations promoting **environmental protection and sustainable communities** and **2.4 € billion** to the development and upgrading of **Trans-European networks**. It also provided **1.8 € billion** through financial intermediaries in support of **Spanish SMEs** and small infrastructure schemes promoted by regional and local authorities.

3. PROJECTS CO-FINANCED BY THE EU

3.1. HIGH SPEED RAILWAY NETWORK

Spain is the first country in Europe and second in the world, after China, in terms of the number of kilometers of high-performance line in operation, ahead even of countries with a great tradition in this type of transport, such as Japan and France. There are almost 2,900 km of line in service, 19 Spanish provinces and 27 cities are connected directly to the Spanish high-speed railway network. By 2020, the country plans to have 10 000 kilometers of high speed rail completed, placing 90% of the population within only a few dozen kilometers of a high speed rail line.

Map 4 - High speed railway network in Spain



Source: Website of wikipedia

The strategic objectives of the Operational Programme "Cohesion Fund - ERDF" aim to boost the development of transport infrastructure, in the field of transport, priority being given to Trans-European Transport networks (TEN-T), and in particular to high-speed railways.

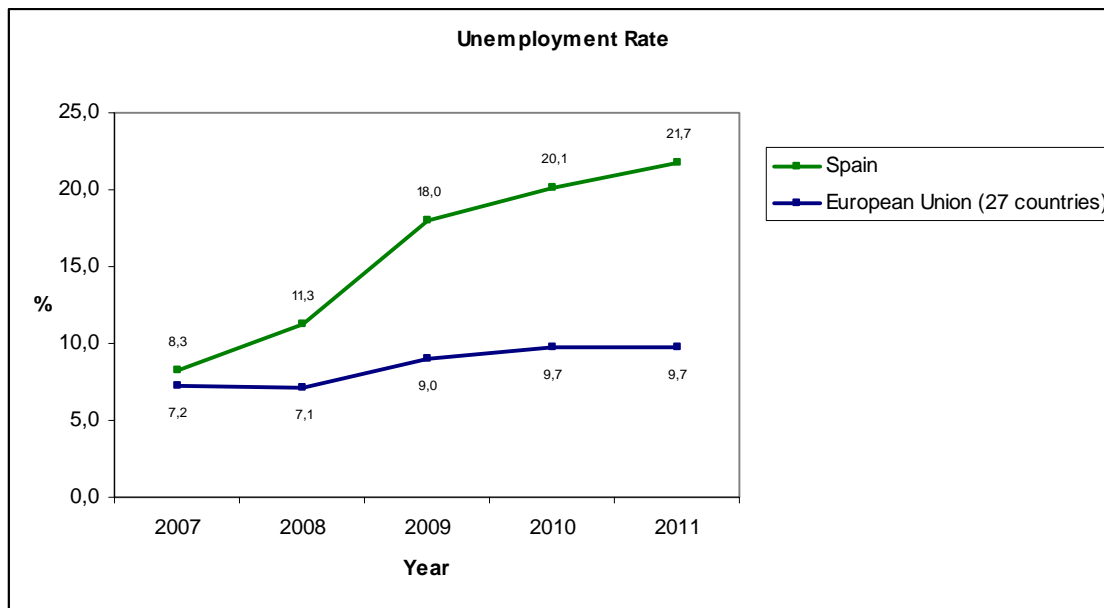
The Annex E presents the European financing of the high speed lines.

4. UNEMPLOYMENT

In the last quarter of 2011, the rate of unemployment, in Spain, reached 22,85 % (official figure of the Instituto Nacional de Estadística), the highest rate registered in nearly 15 years in that country.

The figure below shows that the rate of unemployment in Spain, in 2011, is more than twice the European Union's (27 countries) average.

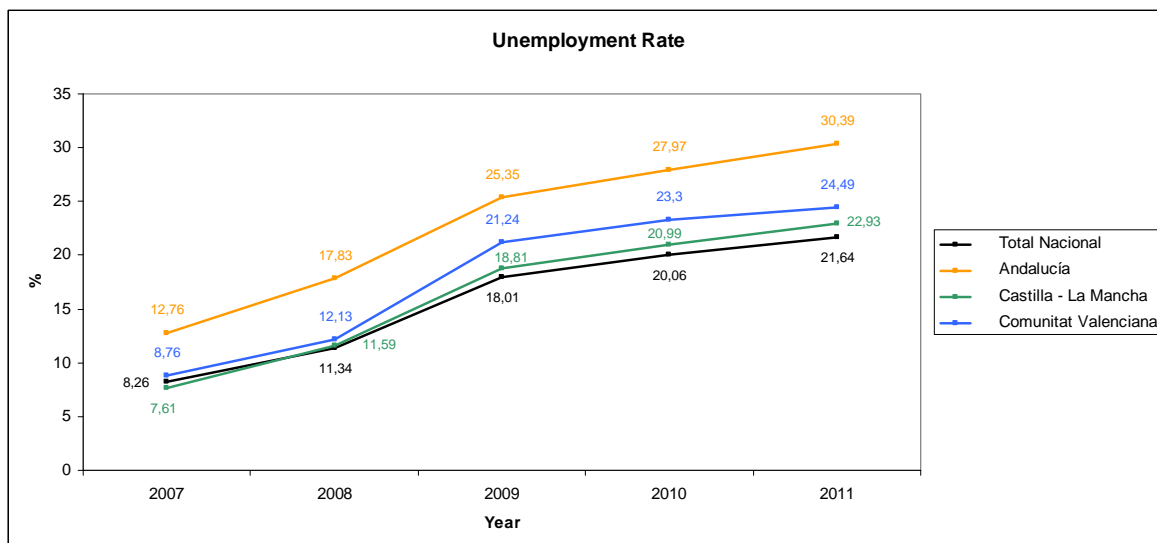
Figure 2 - Unemployment rate in Spain



Source: Eurostat

In 2011, the rate of unemployment in the Autonomous Communities of Andalusia, Castile-la-Mancha and Valencia was higher than the total national rate, as demonstrated in the figure below.

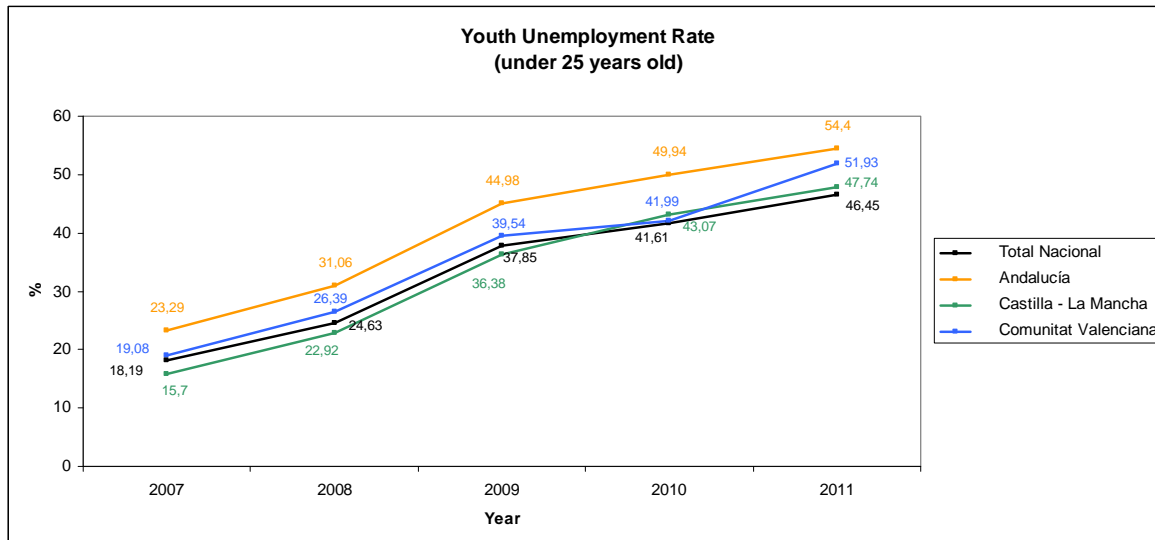
Figure 3 - Unemployment rate by regions: Andalusia, Castile-la-Mancha and Valencia



Source: Instituto Nacional de Estadística

A very high unemployment rate (48,6 %, last quarter of 2011) touches upon young people, in particular those between 15 and 24 years old.

Figure 4 - Youth unemployment rate in Spain and by regions: Andalusia, Castile-La-Mancha and Valencia



Source: Instituto Nacional de Estadística

Spain has also the highest rates of early school leavers in Europe. This is a major obstacle impeding the country from raising qualification and skill levels.

During the **2007-2013** period, **3,6 € billion** of the **ESF** is allocated to enhance **employability, social inclusion and equal opportunities**. It is foreseen to support access to employment by modernising and strengthening labour market institutions and establishing proactive and precautionary measures in the job market. Measures to improve access to employment for women and to promote active ageing are also be supported. In the field of **human capital (more than 1 € billion of the ESF fund)**, different Operational Programmes should contribute to reaching the strategic target of reducing **early school leavers** to 11,8 % for men and 7.7 % for women by 2013. In order to reach this target, the **ESF** activities also shift to a more preventive approach in the **Adaptability and Employment Operational Programme**.

5. RESEARCH, SCIENCE AND TECHNOLOGY

Scientific research, development and technological innovation have become key factors for long term economics growth and also the well being of society as a whole. Despite the great effort made, reflected in the improvement in some RD&I indicators, Spain is lagging behind Europe's most advanced countries in science and technology. Expenditure on R&D amounted to 14.588 million of Euros in 2010, which represents 1.39% of Spain's GDP. R&D activities are unequally distributed between Spanish Regions (Madrid - 2,02% of **regional GDP** followed by Navarre - 1.97%, the Basque

Country -1.95% and Catalonia -1.63%)⁸. Between 2009 and 2010, the highest growth rates in R&D were registered in Balearic Islands (10.5%), **Andalusia** (9.4%) and **Castile-la-Mancha** (7.3%)⁹.

The **EIB's contribution** towards the knowledge economy objective in Spain reached **990 million Euros**. Three industrial groups borrowed from the Bank to develop their RDI programmes (the pharmaceutical Zeltia Group received 50 € million to support the biopharmaceutical research and development activities, 20 € million was lent to AERNOVA to develop lighter structural components for aircraft and Arcelormittal borrowed 35 € million for research, engineering and technological innovation activities.). 80 € million went to finance the construction, equipping and commissioning of eight public research centres run by the **Madrid Institute for Advanced Studies**. In addition the EIB supported educational, cultural, health and social infrastructure in **Castile-La Mancha**. In the health sector the EIB supported an investment programme for healthcare in the **Valencia region**. Education projects supported in 2010 included the construction and modernisation of higher education facilities at the University of **Castile-La Mancha** and the upgrading of school infrastructure in **Andalusia**.

6. AGRICULTURE

Rural areas cover 92% of the Spanish territory and host 27% of the population. About 50% of the total surface area of Spain is used as agricultural land: 25 million hectares, out of which 50% are labour lands, 17% is dedicated to permanent crops) and 10 million hectare are covered by forests (of which 81 % are privately owned). The population working in agriculture has a low degree of training and more than 50% of farmers are aged more than 55 years old.

Greenhouse cultivation is common for a wide variety of fruit and vegetables destined mainly for export. The cultivation of **oranges** is a source of significant income (world's fifth producer and largest exporter). **Catalonia, Murcia and Valencia** are the leading regions in this area. Vegetables and fruit are largely destined for export to the EU and are concentrated on the one hand along the Mediterranean coast (**Valencia to Malaga and Huelva**) and on the other hand on the Atlantic coast (close to the border with Portugal).

The herd consists of cattle, sheep (the sheep and goat production now represent 25% of EU's production) and pork (the second largest producer in Europe).

The Spanish Government has made great efforts to adapt the Spanish **fishing fleet** to the fishing grounds in order to ensure the sustainability of fishing resources and bring them into line with the European Union framework. Parallel to traditional fishing, the aquaculture sector has experienced extraordinary growth in Spain. Thanks to the degree of productive and technological development in recent years, and in terms of the sustainability of resources, this activity has become a complementary source of food to extractive fishing.

The **production of tobacco** in Spain has a great regional significance. High numbers of jobs are directly and indirectly associated to tobacco production and ensure the viability of farms. The production of tobacco represents a major social and economic dimension in the regions of **Extremadura, Andalusia and Castile-y-Leon**.

⁸ 2010 data

⁹ Source: Instituto Nacional de Estadística - Estadística sobre Actividades en I+D Año 2010. *Resultados provisionales*

6.1. RURAL DEVELOPMENT PROGRAMMES

Spain implements the rural development policy through **Rural Development Programmes** established at regional level by the Autonomous Communities. Spain has submitted a **National Framework** containing common elements of these regional programmes. This programme includes 6 measures:

- Management of **water resources** / other rural infrastructure;
- Increase in the **added value of agricultural and forest products**;
- Start-up of **advice services for farms**;
- Installation of **young farmers**;
- **Mitigation of desertification and prevention of forest fire**;
- **Natura 2000** in the forest environment

The **National Framework** constitutes an important overarching instrument which contributes to the implementation of the **Spanish National Strategy Plan**, of which the main objectives are:

- to **fight against depopulation** of rural areas by strengthening the competitiveness of the agriculture and forestry sector,
- to **improve the environment** and the countryside,
- to maintain and to improve **quality of life**, diversification of rural economy and building local capacity.

The **Regional Rural Development Programmes**, with their indicative financial plans, and not the National Framework, will be the basis for co-financing from the **European Agricultural Fund for Rural Development (EAFRD)** budget.

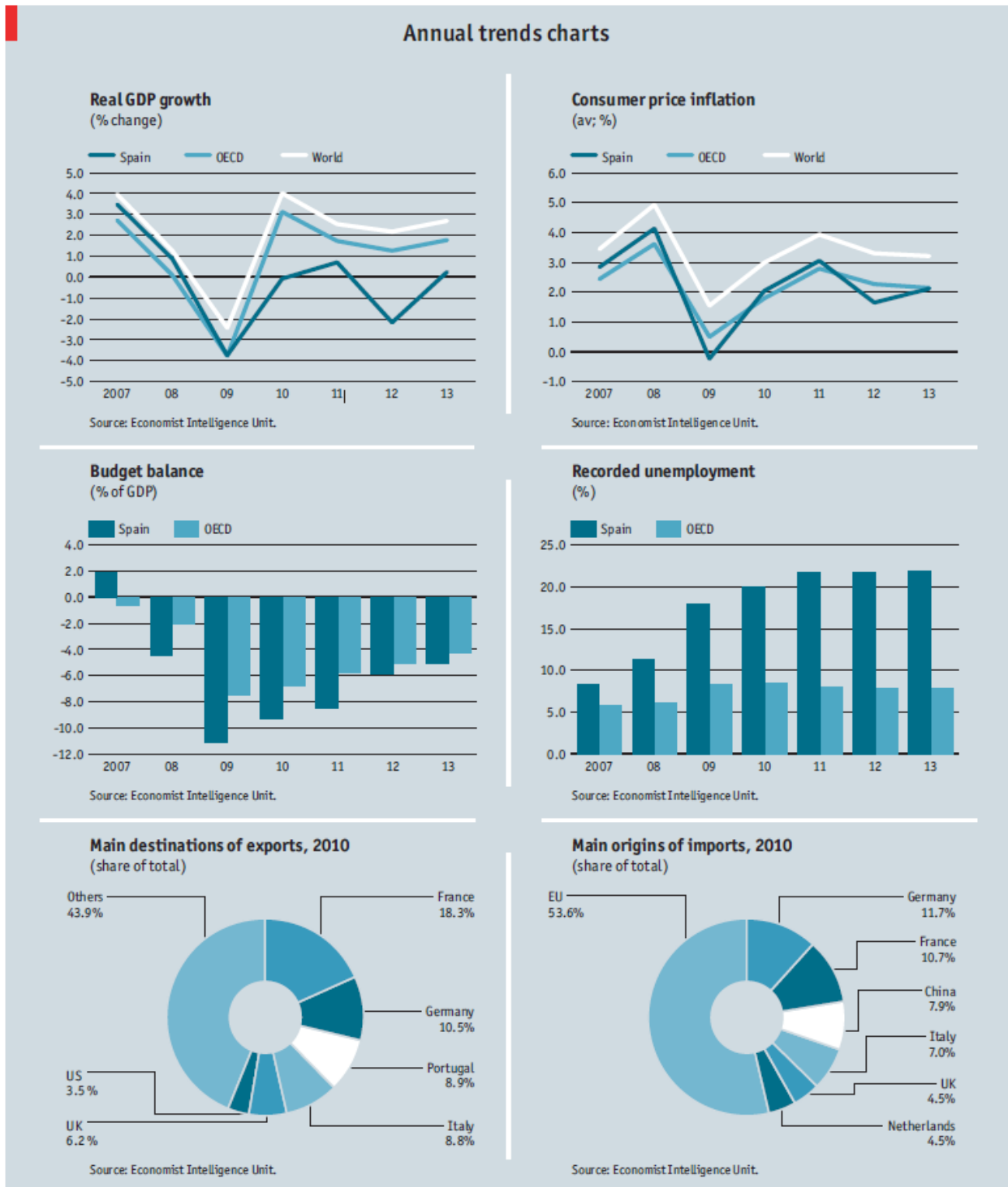
ANNEX A - SUBDIVISIONS OF AN AUTONOMOUS COMMUNITY

AUTONOMOUS COMMUNITY NAME	CAPITAL	PROVINCES
Andalusia	Seville (Government, Parliament and Ombudsman) Granada (High Court of Justice)	Almería, Cádiz, Cordova, Granada, Huelva, Jaén, Málaga, Seville
Aragon	Saragossa	Huesca, Teruel, Saragossa
Principality of Asturias	Oviedo	Asturias
Balearic Islands	Palma	Balearic Islands
Basque Country	Vitoria - Gasteiz	Álava, Gipuzkoa, Biscay
Canary Islands	Santa Cruz de Tenerife & Las Palmas	Santa Cruz de Tenerife, Las Palmas
Cantabria	Santander	Cantabria
Castile-La-Mancha	Toledo (Government and Parliament) Albacete (High Court of Justice and Ombudsman)	Albacete, Ciudad Real, Cuenca, Guadalajara, Toledo
Castile and León	Valladolid (Government and Parliament) Burgos (High Court of Justice) León (Ombudsman)	Ávila, Burgos, León, Palencia, Salamanca, Segovia, Soria, Valladolid, Zamora
Catalonia	Barcelona	Barcelona, Girona, Lleida, Tarragona
Extremadura	Mérida	Badajoz, Cáceres
Galicia	Santiago de Compostela (Government, Parliament and Ombudsman) Corunna (High Court of Justice)	Corunna, Lugo, Ourense, Pontevedra
La Rioja	Logroño	La Rioja
Community of Madrid	Madrid	Madrid
Region of Murcia	Murcia (Government, High Court of Justice and Ombudsman) Cartagena (Parliament)	Murcia
Chartered Community of Navarre	Pamplona	Navarre
Valencian Community	Valencia	Alicante, Castellón, Valencia

ANNEX B - MAIN INDUSTRIES SECTORS

Major industries:	agriculture, industry and services
GDP composition by sector (2011 est.) :	agriculture 3.3%, industry 25.8%, services 70.9%
Agriculture products:	wheat, grain, vegetables, sugar beets, beef, barley, tomatoes, olives, citrus fruits, pork, poultry, fish, grapes and cork
Industry:	textile and confection, food and beverages, metals and metal manufactures, chemicals, shipbuilding, automobiles, machine tools, tourism, clay, footwear, pharmaceuticals, medical equipment
Exports products:	machinery, motor vehicles, foodstuffs, pharmaceuticals, medicines
Export partners:	France 18,7%, Germany 10.7%, Portugal 9.1%, Italy 9%, UK 6.3 % (2010)
Imports products:	machinery and equipments, fuels, chemicals, semifinished goods, foodstuffs, consumer goods, measuring and medical control instruments
Import partners:	Germany 12.6 %, France 11.5%, Italy 7.3 %, China 6.8%, Netherlands 5.6%, UK 4.9% (2010)

ANNEX C - MAIN ECONOMIC TRENDS



Source: EIU Report May2012

ANNEX D - ERDF AND ESF ALLOCATION BREAKDOWN BY REGIONS: ANDALUSIA, CASTILE-LA-MANCHA AND VALENCIA

The Autonomous Community of Andalusia

Table 5 - Operational programme of Andalusia - ERDF Financial Plan by year

YEAR	VALUE IN €
2007	920.590.323
2008	939.002.130
2009	957.782.172
2010	976.937.816
2011	996.476.572
2012	1.016.406.103
2013	1.036.734.225
Total	6.843.929.341

Source: Programa Operativo de Andalucía 2007-2013 (p. 252)

Table 6 - Operational programme of Andalusia - ERDF Priority Axes - 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Research, Development and Innovation (RDI), Information society	434.803.379	108.700.853	543.504.232
2. Entrepreneurship	1.171.270.912	292.817.736	1.464.088.648
3. Environmental protection and risk prevention	1.744.259.269	436.064.839	2.180.324.108
4. Transport infrastructure and Energy	2.215.336.200	553.834.072	2.769.170.272
5. Sustainable development (local and urban)	708.129.972	177.032.521	885.162.493
6. Investment in social infrastructure	529.965.937	132.491.486	662.457.423
7. Technical Assistance	40.163.672	10.040.920	50.204.592
TOTAL	6.843.929.341	1.710.982.427	8.554.911.768

Source: Programa Operativo de Andalucía 2007-2013 (p. 253)

Table 7 - Operational programme of Andalusia - ESF Financial Plan by year

YEAR	VALUE IN €
2007	155.463.066
2008	158.572.327
2009	161.743.774
2010	164.978.650
2011	168.278.222
2012	171.643.787
2013	175.076.663
Total	1.155.756.489

Source: Programa Operativo Fondo Social Europeo 2007-2013 - Andalucía (p. 205)

Table 8 - Operational programme of Andalusia - ESF Priority Axes - 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Improving adaptability of workers, employers and enterprises	200.555.396	50.138.849	250.694.245
2. Enhancing employability, social inclusion and equal opportunities	489.344.200	122.336.050	611.680.250
3. Improving human capital	400.532.796	100.133.199	500.665.995
4. Promoting transnational and inter-regional co-operation	51.524.945	12.881.237	64.406.182
5. Technical assistance	13.799.152	3.449.788	17.248.940
TOTAL	1.155.756.489	288.939.123	1.444.695.612

Source: Programa Operativo Fondo Social Europeo 2007-2013 - Andalucía (p. 206)

The Autonomous Community of Castile-la-Mancha

Table 9 - Operational Programme of Castile-la-Mancha - ERDF Financial Plan by year

YEAR	VALUE IN €
2007	193.615.688
2008	197.488.002
2009	201.437.762
2010	205.466.517
2011	209.575.848
2012	213.767.365
2013	218.042.712
Total	1.439.393.894

Source: Programa Operativo de Castile-la-Mancha 2007-2013 (p. 165)

Table 10 - Operational Programme of Castile-la-Mancha - ERDF Priority Axes 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Research, Development and Innovation (RDI), Information society	143.939.389	35.984.847	179.924.236
2. Entrepreneurship	247.020.925	61.755.231	308.776.156
3. Environmental protection and risk prevention	304.725.821	76.181.455	380.907.276
4. Transport infrastructure and Energy	533.278.994	133.319.749	666.598.743
5. Sustainable development (local and urban)	127.391.636	31.847.909	159.239.545
6. Investment in social infrastructure	76.528.439	19.132.110	95.660.549
7. Technical Assistance	6.508.690	1.627.173	8.135.863
TOTAL	1.439.393.894	359.848.474	1.799.242.368

Source: Programa Operativo de Castile-la-Mancha 2007-2013 (p. 167)

Table 11 - Operational Programme of Castile-la-Mancha - ESF Financial Plan by year

YEAR	VALUE IN €
2007	24.265.986
2008	24.751.306
2009	25.246.332
2010	25.751.259
2011	26.266.284
2012	26.791.610
2013	27.327.442
Total	180.400.219

Source: Programa Operativo Fondo Social Europeo 2007-2013 - Castile-la-Mancha (p.109)

Table 12 - Operational Programme of Castile-la-Mancha - ESF Priority Axes - 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Improving adaptability of workers, employers and enterprises	34.244.080	8.561.020	42.805.100
2. Enhancing employability, social inclusion and equal opportunities	107.532.452	26.883.113	134.415.565
3. Improving human capital	30.289.197	7.572.300	37.861.497
4. Promoting transnational and inter-regional co-operation	4.365.685	485.077	4.850.762
5. Technical assistance	3.968.805	992.201	4.961.006
TOTAL	180.400.219	44.493.711	224.893.930

Source: Programa Operativo Fondo Social Europeo 2007-2013 - Castile-la-Mancha (p.109)

The Autonomous Community of Valencia

Table 13 - Operational Programme of Valencia - ERDF Financial Plan by year

YEAR	VALUE IN €
2007	381.290.178
2008	310.163.262
2009	236.038.754
2010	158.825.199
2011	78.428.687
2012	79.997.261
2013	81.597.206
Total	1.326.340.547

Source: Programa Operativo de la C. Valenciana 2007-2013 (p.187)

Table 14 - Operational Programme of Valencia - ESF Priority Axes - 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Research, Development and Innovation (RDI), Information society	190.248.850	47.562.213	237.811.063
2. Entrepreneurship	305.315.929	130.849.684	436.165.613
3. Environmental protection and risk prevention	391.902.925	167.958.396	559.861.321
4. Transport infrastructure and Energy	297.957.693	156.194.330	454.152.023
5. Sustainable development (local and urban)	116.543.900	49.947.386	166.491.286
6. Investment in social infrastructure	0	0	0
7. Technical Assistance	24.371.250	6.092.814	30.464.064
TOTAL	1.326.340.547	558.604.823	1.884.945.370

Source: Programa Operativo de la C. Valenciana 2007-2013 (p.189)

Table 15 - Operational Programme of Valencia - ESF Financial Plan by year

YEAR	VALUE IN €
2007	57.027.909
2008	46.389.767
2009	35.303.287
2010	23.754.793
2011	11.730.237
2012	11.964.842
2013	12.204.138
Total	198.374.973

Source: Programa Operativo Fondo Social Europeo 2007-2013 Comunidad Valenciana (p.126)

Table 16 - Operational Programme of Valencia - ESF Priority Axes - 2007-2013

PRIORITY AXES	EU AMOUNT IN €	NATIONAL PUBLIC AMOUNT IN €	TOTAL IN €
1. Improving adaptability of workers, employers and enterprises	55.125.000	55.125.000	110.250.000
2. Enhancing employability, social inclusion and equal opportunities	88.630.000	88.630.000	177.260.000
3. Improving human capital	44.339.860	44.339.860	88.679.700
4. Promoting transnational and inter-regional co-operation	3.350.128	3.350.128	6.700.256
5. Technical assistance	6.929.995	6.929.995	13.859.990
TOTAL	198.374.973	198.374.973	396.749.946

Source: Programa Operativo Fondo Social Europeo 2007-2013 Comunidad Valenciana (p.127)

ANNEX E - EUROPEAN FINANCING OF THE HIGH SPEED RAILWAY NETWORK (DECEMBER 2011)

HIGH-SPEED LINES CO-FINANCED WITH EUROPEAN FUNDS	EU AMOUNT	CO-FINANCED BY
Madrid-Barcelona-French Border	3.3581 € billion	Cohesion Fund (2000-2006 period)
	70.9 € million	TEN-T Funding (2000-2006 period)
	10.6 € million	TEN-T Funding (2007-2013 period)
Madrid-Seville	267.3 € million	European Regional Development Fund (ERDF)
Córdoba-Málaga	953.8 € million	European Regional Development Fund (ERDF) (2000-2006 period)
	1 € billion	European Investment Bank (EIB)
Madrid-Valladolid	1 573.7 € million	Cohesion Fund (2000-2006 period)
	193.3 € million	European Regional Development Fund (ERDF) (2000-2006 period)
	20.6 € million	TEN-T Funding (2000-2006 period)
	177.5 € million	Cohesion Fund within the Cohesion Fund - EDRF Operational Programme (2007-2013 period)
	68 € million	European Regional Development Fund (ERDF) (2007-2013 period)
	750 € million	European Investment Bank (EIB)
Madrid - Toledo	102.2 € million	European Regional Development Fund (ERDF) (2000-2006 period)
León-Asturias	284 € million	European Regional Development Fund (ERDF) through the Castile-León Integrated Operational Programme (2000-2006 period)
	107.9 € million	European Regional Development Fund (ERDF) through the Asturias Integrated Operational Programme (2000-2006 period)
	3.2 € million	TEN-T Funding (2000-2006 period)

	389 € million	Cohesion Fund as part of the Operational Programme of the ERDF Cohesion Fund's (2007-2013 period)
Madrid-Castile-La-Mancha-Valencia Region - Murcia Region (Levante Line)	574.1 € million	Cohesion Fund (2000-2006 period)
	99.4 € million	European Regional Development Fund (ERDF) through the Valencia Regions Integrated Operational Programme (2000-2006 period)
	28.5 € million	European Regional Development Fund (ERDF) through the Murcia Regions Integrated Operational Programme (2000-2006 period)
	48.2 € million	TEN-T Funding (2000-2006 period)
	725.8 € million	Cohesion Fund within the ERDF Cohesion Fund's Operational Programme (2007-2013 period)
	159.4 € million	European Regional Development Fund (ERDF) through the Valencia Regions 2007-2013 Integrated Operational Programme
	246 € million	Operational Programmes of Castile-La Mancha 2007-2013
	67.6 €million	Operational Programmes of Murcia 2007-2013
	1.3 € billion	European Investment Bank (EIB)
Madrid-Galicia - Ourense - Santiago and Zamora Lubian	201.2 € million	European Regional Development Fund (ERDF) through the 2007-2013 Galicia Operational Programme
Vitoria-Bilbao - San Sebastian	16 € million	TEN-T Funding (2000-2006 period)
	47.7 € million	TEN-T Funding (2007-2013 period)
Madrid - Extremadura - Portuguese Border	240.5 € million	European Regional Development Fund (ERDF) as part of the Operational Programme of the ERDF Cohesion Fund (2007-2013 period)
	201.4 € million	Extremadura Operational Programme (2007-2013 period)
	127.6 €million	TEN-T Funding (2007-2013 period)
Venta de Banos - Burgos - Vitoria	35.3 € million	TEN-T Funding (2007-2013 period)
Antequera - Granada	600 € million	European Regional Development Fund (ERDF) as part of the Cohesion Fund-ERDF Operational Programme (2007-2013 period)

	2.3 € million	TEN-T Funding (2007-2013 period)
Valladolid - Palencia - León	102.7 € million	European Regional Development Fund (ERDF) through the Castile-León 2007-2013 Operational Programme (2007-2013 period)
	19.8 € million	TEN-T Funding (2007-2013 period)
Almeria - Murcia	348.2 € million	Regional Development Fund (ERDF) as part of the Cohesion Fund-ERDF Operational Programme (2007-2013 period)
New Atocha - Chamartín	575 € million	European Investment Bank (EIB)

Source: Website of ADIF - Administrador de Infraestructuras Ferroviarias and website of the European Investment Bank

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3. Briefing from the European Commission & its annexes



<p style="text-align: center;">BRIEFING FROM THE COMMISSION FOR THE CONT DELEGATION TO SPAIN (19-21 JUNE 2012) ON IMPLEMENTATION OF THE EU BUDGET IN SPAIN</p>

1. CONT request: *Overview of the problems identified by the Commission with regard to management and control systems for structural funds programmes in Spain*

Global description of the Cohesion policy interventions in Spain in Annex 1.

ERDF and Cohesion Fund

Background and state of play:

During the programming period 2000-2006, DG REGIO detected serious deficiencies in management and control system both for ERDF and Cohesion Fund.

These deficiencies led the Commission to launch an Action Plan with the Spanish authorities which ran from 2006 to 2009. In that period, the interim payments were formally suspended for some intermediate bodies and finally significant financial corrections were applied. In conclusion an amount of 2.600.000.000 € were considered irregular and corrected by withdrawing from payment declarations. The main source of irregularity was the weak system of ex-ante checks and the non-compliance with public procurement rules, in particular, the direct awards of additional works ("modificados" in Spanish)

For the current programming period 2007-2013, the situation as regards the management and control systems in Spain has improved significantly. During the compliance assessment exercise, DG REGIO ensured that the set-up of the systems was in compliance with the legal requirements paying special attention to the existence of ex-ante checks (management verifications).

Regarding the known public procurement problems, the Spanish authorities decided to exclude the "modificados" from the eligibility rules for the ERDF and CF. This decision has reduced the risk of errors in the payment declarations.

Although the global situation is much better, the complex implementation structure of the Spanish ERDF programmes (please refer to Annex 2a) where the responsibility stays basically at the level of the intermediate bodies (national, regional or local ones) causes that there are still deficiencies in specific intermediate bodies.

It has to be noted that the good audit work carried out by the Spanish audit authority (IGAE) has allowed the identification of the problematic bodies in order to take the appropriate corrective measures.

ESF

Background information and state of play:

Although the problems detected by EMPL in relation to the management and control systems of ESF programmes in Spain are often specific to the operational programme concerned, there are some horizontal elements which can be considered as being at the basis of deficiencies across different programmes.

Firstly, there is a relatively high level of complexity related to the implementation structure of ESF in Spain. A description of the ESF programming and implementation structure in 2007-2013 is attached in Annex 2b to the present note.

The bodies involved in the management and control of ESF activities are distributed between national (managing authority, certifying authority and audit authority in case of national programmes) and regional level (intermediate bodies and audit authorities in case of regional programmes). The role of the national managing authority to supervise and coordinate the implementation of 19 regional programmes and 3 national programmes is a complex one. In addition, at regional level there are again many (second level) intermediate bodies involved in the implementation of ESF with an important variety of beneficiaries and projects to supervise and control. This complexity of the Spanish system can be seen as a limiting factor in achieving, (i) an adequate supervision and control of all bodies and activities involved and; (ii) an effective flow of guidance and information from the managing authority to the (second level) intermediate bodies and to the beneficiaries.

Secondly, for some of the operational programmes EMPL has identified weaknesses in the first level controls of expenditure to detect and remove errors before certification to the Commission. The capacity and training of the staff in charge for these controls are often key conditions to ensure that these verifications function effectively. It is also worth mentioning that an important part of the errors detected for several regional programmes in the past years related to an inadequate set-up of the control systems related to 'Employment Aids'. Structural changes to address this deficiency have however been agreed and implemented in 2011 (see below).

Finally, the operational programmes in Spain have in the past not yet fully used the potential to introduce simplified systems for justification of expenditure (such as lump sums, standard scale of unit costs and flat rates for indirect costs). As a consequence, most of the operational programmes still faced significant administrative complexity and the resulting increased risk of error. It should be noted however that recently important progress towards further simplification has been made (see below).

2. CONT request: *Results of actions undertaken by the Commission in response to the high level of error in structural funds detected in Spain*

ERDF and Cohesion Fund

Background information and state of play:

As mentioned in the previous chapter, there are still bodies with significant deficiencies and high level of errors but in general the situation has been improved.

For the intermediate bodies and programmes with high level of errors, DG REGIO has launched the interruption of the payment deadlines and pre-suspension if needed (please refer to Annex 3a).

The Spanish authorities have been requested to analyse the errors and to take corrective actions to ensure that the expenditure already certified is free of material errors and that the system in place is able to prevent, detect and correct the irregularities. National action plans are prepared to address the problems and communicated to the Commission.

The fact that the problems were already detected by the Spanish auditors has facilitated the implementation of the corrective measures and in many cases DG REGIO could resume the payments once confirmed the actions taken.

In terms of preventive actions undertaken by the Commission, DG REGIO is supporting both Managing and Audit authority to let them know how to avoid the irregularities or how to detect them at the first level control.

For the Managing authority, several meetings took place where the corrective measure have been tackled, i.e. Monitoring Committee, annual meeting. In addition, technical mission was organised in March 2011 to Spain to support the Dirección General de Investigación (DGI) in its efforts to prevent and correct the irregularities. Apart from that, a follow up was done to the action plans contained in the Annual Activity Reports for 2010 and 2011. On daily basis, regular contacts with the Managing and Certifying authorities have been maintained in order to ensure that only regular expenditure is declared to the Commission.

For the Audit authority, this support is materialised in different meetings: Annual coordination meetings but also bilateral meetings with IGAE and others control bodies. As an example, the control body of Galicia went to Brussels when there were validating the action plan in order to exchange information and methodological issues. In 2011, similar meetings were held with the control bodies of Andalucía, Valencia, País Vasco and Madrid.

The results of these actions have led to a significant increase of assurance on the payments made by the Commission.

ESF

Background information and state of play:

- **Objective**

Considering the important and recurring number of reservations indicated in its Annual Activity Reports related to Spanish programmes in the previous years, as shown in the Staff Working Document on error rates issued in October 2011 [SEC(2011)1179], EMPL decided, following the inclusion of 13 out of the 22 Spanish programmes in the 2010 reservation, to launch a dedicated (pilot) action plan towards the Spanish ESF implementing authorities with a view to provide guidance and counselling and with the objective to, (i) stimulate the implementation of simplification measures; (ii) identify the root causes for the recurrent reservation and the key areas for improvement in the various programmes; (iii) carry out fact finding missions to identify specific areas of simplification and, (iv) offer a 'fit-to-size' training seminar for representatives of all authorities concerned.

- **Results**

As a result of this pilot programme, a detailed action plan was prepared jointly with the Spanish authorities in order to address the root causes identified.

On the basis of this action plan, a working group, composed of audit staff and geographical desk officers, was created. This working group met with the Spanish Authorities on a regular (+/-bi-monthly) basis in order to monitor the effective implementation of the agreed actions and to provide assistance where needed.

The EMPL Audit Directorate also participated in the Annual Implementation Review meeting in Madrid, during which the situation in relation to reservations for the AAR 2010 was explained to the authorities. At the same occasion, the EMPL services launched the initiative of the action plan.

Bi-monthly meetings were held addressing issues related to the ESF Operational Programmes for Adaptabilidad & Empleo, Extremadura, Andalucía, Galicia, Navarra, País Vasco,

Cataluña and Aragón. The working group also discussed horizontal measures such as the issue of 'Employment Aid' which traditionally was an error prone area.

In this respect, for most of the regions in which employment aid is being implemented, the certification system has been modified in 2011 in the sense that funding is currently only declared to the Commission once all (national) conditions have been met. This measure should significantly reduce the significant and recurring errors previously identified in this area.

In terms of simplification, measures have been taken in the field of operations implemented under the educational system. For those operations, EMPL auditors undertook fact finding missions to Galicia and to Andalucía in order to provide guidance on the methodology on how to calculate standard scale of unit costs respecting all requirements.

Finally, the Audit Directorate organised a two-day training seminar in Barcelona. The national and regional authorities were represented at all levels (AA/CA/MA/IB). The main topics discussed were the simplification measures, public procurement for ESF, tasks and responsibilities of the various actors in the programme and a number of workshops on simplification led by representatives from the Belgian and English ESF Managing Authorities in order to draw on their experience and good practices in implementing simplified costs.

The results of these actions have led to a significant increase of assurance on the payments made by the Commission.

3. CONT request: *Our committee would like to find out about the results of remedial actions undertaken by the Commission with regard to the deficiencies in the management and control systems of 13 intermediate bodies. With regard to which DG Regional Policy made a reservation in its AAR 2010, and the results of the action plan undertaken by Spain;*

Following the reserves declared in the 2010 Annual Activity Report on 13 intermediate bodies, the Commission interrupted payments for those bodies, some of which had expenditure in more than one programme, where a payment request had been received certifying expenditure for that body. For the remaining intermediate bodies or programmes a warning letter was sent. For one intermediate body, a technical assistance mission was carried by a team led by the director concerned. For others, DG Regional Policy kept in close contact with the managing, certifying and audit authorities on the progress of corrective and ensured that in the meantime no expenditure was certified for the intermediate bodies under reservation. As issues were resolved, the interruptions and warnings were lifted and payments resumed. Where issues were not resolved within a reasonable period, pre-suspension letters were sent (for example with respect to ENISA) threatening a formal suspension procedure if the action plan measures were not implemented and appropriately validated and communicated to the Commission.

In conclusion, one year after the deficiencies in the management and control system for these 13 intermediate bodies have been solved except for ENISA who does no longer exist as intermediate body and the expenditure is in the course of being decertified by the Commission. As regards IB Generalitat Valenciana, the management and control system is now compliant and the irregular expenditure detected by ECA and DG REGIO is corrected. The exception remains with 2 bodies (IMPIVA and AVT) for which no expenditure is declared from the Spanish authorities until they finally implement the corrective measures.

Similar actions have been taken in respect of the reserves in the 2011 AAR which are listed in annex 4b.

4. CONT request. *Our committee would be interested to learn what are the operational programmes in Spain, which, according to Commission's staff working paper EC(2011)1179, contribute to three quarters of detected errors in ERDF expenditure (point 5.1.page 12);*

The Commission Staff Working Document on errors in cohesion policy (SEC(2011)1179 final) informed, that between 2006 and 2009 nearly 60% of the errors reported by the Court of Auditors were concentrated in programme of three Member States, among others in Spain. We understand the Honourable Members' question as what are Spanish programmes that contribute to the error rate. As explained in the SWD, the Court draws the transactions that are to be audited from an independent random sample. This implies that for some Member States, transactions are sampled every (or nearly every) year, while for other Member States, transactions are never sampled. This situation can be applied in analogy also for Spain. Transactions of some Spanish programmes are sampled over several years, while other programmes are never sampled. Therefore, it is not possible to compare the functioning of all Spanish programmes only on the basis of the Court's sample, since certain programmes have never been sampled.

In order to have comparable and comprehensive data on the functioning of all Spanish programmes, the Commission refers the Honourable Members to the information on the national control systems that is given in DG REGIO's Annual Activity Report. For its analysis, DG REGIO takes into account all audit information available for all programmes, e.g. from the Court of Auditors, the audit authorities and the Commission's own audits. Since the criteria for analysis are homogenous, the information can be considered as fully comparable. The Committee has been provided with DG REGIO's 2010 and 2011 Annual Activity Reports informing about the Spanish programmes, regions or intermediate bodies in reservation in 2010 and the actions taken by the Commission, as well as Spanish programmes in reservation in 2011 AAR. This latter information will be made public in June.

5. CONT request: *Information on those operational programmes in Spain which account for most errors in ESF expenditure*

Background information and state of play:

In the 2010 Annual Activity Report, DG EMPL identified 13 Spanish Operational Programmes (out of 22) for which a reservation was made. Generally, the reasons for these reservations were the high error rates present in the certified expenditure. These reservations included the 2 most important national OPs, "Adaptabilidad y Empleo" and "Lucha contra la Discriminación", which account for 58% of the total ESF 2007-2013 allocation (€4.8bn out of €8bn).

In the 2011 Annual Activity Report, 4 out of the 22 Spanish operational programmes are assessed as showing significant deficiencies and therefore put in reserve:

- One programme (2007ES052PO011 – La Rioja) was already part of the 2010 AAR reserve given the unreliability of the certification procedures;
- Two programmes which were part of the 2010 AAR reserve are subject to a partial reserve in 2011, limited to the Intermediate Bodies concerned. In one case (2007ES05UPO001 – Adaptabilidad y Empleo), the majority of this programme could be continued (the reserve concerns only the "non-SPEE" part of this OP and one specific "organismo colaborador" – "SOC", representing 10% of the operational programme's value). In another programme (2007ES052PO005 – Baleares), the reserve concerns the intermediate body "SOIB";
- The last programme (2007ES052PO002 – Castilla y León) is subject to the reserve in 2011 because of a high validated error rate combined with outstanding issues following an audit (March 2011) of the Audit Authority (lack of audit trail, shortcuts in audit process).

Although 4 OPs still remain under either complete or partial reserve, the significant improvement of the management and control systems of Spanish operational programmes is to be underlined. It should be noted that the reduction in the number of OPs under reservation in 2011 is also due to the fact that the Spanish authorities decided to implement financial corrections based on the error rates reported in the 2011 Annual Control Reports and submitted relevant action plans for the OPs concerned in order to prevent the issues identified from occurring again in the future.

The operational programmes under reservation will be audited by EMPL in 2012 and 2013 and the scope will focus on verifying the adequacy and effectiveness of the action plans which the Spanish authorities have been requested to develop.

A list of interruptions and suspensions of payment decided by DG EMPL in 2010 and 2011, as a consequence of the deficiencies identified and the reservations made is attached in Annex 3b.

6. CONT request: *Information on the results of most recent audits undertaken by the Commission with regard to structural funds in Spain*

ERDF and Cohesion Fund

Background information and state of play:

The most recent audits carried out in Spain confirmed the improvements in the management and control system implemented by the Spanish authorities in the programming period 2007-2013.

The audit work of DG REGIO has been focused in the last 2 years on the re-performance of the audits carried out by the Audit Authority (IGAE). The first phase is finalised and the general conclusion is that the Commission can rely on the national audit work. Some recommendations have been issued to improve the audit system and the co-ordination between the different control bodies at national and regional level.

In the last Annual Activity Reports (2010 and 2011), the Director General has issued some reservations at the level of intermediate bodies. Almost all these reservations were due to deficiencies in the management system detected by the national Audit authority and adequately reported to the Commission. Consequently, for those intermediate bodies, the payments were interrupted and corrective measures were asked to be taken.

As regards the main type of irregularities detected by the auditors (EC and national), it can be underlined issues as: quality of the management verifications at the level of the intermediate bodies, in particular, when checking public procurement, selection of operations or State Aid compatibility.

Nevertheless, the importance of the public procurement irregularities has been significantly reduced this period in relation to previous ones as the national eligibility rules do not allow the certification of additional works which caused lots of financial corrections in both 94-99 and 2000-2006 periods.

In addition, the supervisor role of the Managing and Certifying Authorities has been reinforced although there are still internal institutional/legal restrictions to really enable them to impose their criteria to the regions. This issue will have to be addressed in the preparation of the 2014-2020 programmes.

ESF

Background information and state of play:

In 2011, DG Employment undertook 10 audit missions in Spain concerning the implementation of ESF in the 2007-2013 programming period. The majority (8) of these audits related to the re-performance of the work of the Audit Authorities and the confirmation that the National Audit Opinion could be relied upon. The results of these audits are (i) in 4 cases, the audit results issued by National Auditors were of acceptable quality; (ii) in 2 cases, DG EMPL could partially accept the results of the National Auditors and appropriate corrective measures have been launched in order to address the flaws, and (iii) in 2 cases, the results of the National Auditors were unacceptable and financial corrections have been implemented in order to mitigate the risk of irregular expenditure being declared.

DG EMPL further undertook 2 system audits which led, in both cases, to the interruption and/or suspension of the programs. The authorities concerned have, in one case, implemented financial corrections and issued a strict action plan in order to strengthen their systems. In the second case, a suspension decision has been taken and further measures are underway in order to mitigate the risks.

7. CONT request: *Extent to which the systemic problems identified with regard to public procurement in Spain have been addressed in the Commission's proposal on the directive on public procurement (COM(2011) 896) and on whether the most recent Spanish legislation in the area of public procurement addresses the detected weaknesses*

The Commission's proposal for a directive of the European Parliament and Council on public procurement has been prepared on the basis of the experience in the implementation of the 2004 directives in all Member States including Spain.

In particular, the Commission proposes to widen the use of the negotiated procedure compared to the Directives currently in force and to allow modifications of the initial contract, the later not being authorised under the current Directives.

The Spanish legislation (Ley 30/2007) has been the object of an infringement procedure (Case 2008/2014) on the possibility of using negotiated procedures in cases not foreseen in the Directive 2004/18/EC. This infringement procedure was sent to the Court of Justice, but finally dropped because of the approval by Spain of a new legislation (Ley 2/2011). The

consolidated text of this Law (after approval of the Real Decreto Legislativo 3/2011) has been analysed by the Commission's services. On the basis of the publication in the Spanish Official Journal of the circular of April 2012 giving an interpretation of Article 107 of the consolidated Law compatible with Directive 2004/18/EC, the Commission services have not reopened the infringement procedure.

8. CONT request: *Reasons behind Spain's outstanding payment requests amounting to EUR 2.262,6 million at the very end of 2011 with regard to Social Fund and ERDF. In case this aims at avoiding de-commitments in application of the N+2 rule, Commission's assessment as to the respect of regulatory controls and the legality and regularity of such last minute payment requests as compared to those received earlier in the budget year*

ERDF and Cohesion Fund

For the ERDF, the delay in payment has been because of the complexity of the Spanish system which has meant that in order to target interruption of payment deadlines, additional information has to be obtained from the Spanish authorities and detailed calculation made of the precise interruption. Most payment claims contain expenditure from a number of intermediate bodies – the amounts for those under reserve need to be deducted from the Commission interim payment and this task has to be done manually. For the 2011 AAR, DG Regional Policy applied a multiannual risk analysis to the programmes for the first time, which has led to additional calculations of interruption, again carried out manually.

ESF

Background information and state of play:

DG EMPL's services closely monitor the implementation of the N+2 rule and the consumption of annual commitments. Regular monitoring meetings have been held with the Spanish National Authorities throughout the year in the framework of the ad-hoc working group which met approximately every two months.

The committee should also be aware of the complexity of the Spanish system of implementation which is characterised by an important level of de-centralisation and where expenditure is incurred and verified at regional level. These verifications take place throughout the year before the aggregate amounts are declared to the Certifying Authority (national level) which, in turn, carries out additional certification procedures. Only once these additional verifications have taken place, the expenditure is declared to the Commission.

A third element to take into account is the fact that DG EMPL has interrupted and/or suspended many payments, thus adding to the fact that at year end, an accumulation of payment claims was registered into the Commission accounts. In this respect, the ad-hoc technical working group developed solutions to many of the deficiencies and as a result, payments could be released.

The committee should also be aware that Spain is the second largest receiver of Cohesion funds and thus, the amount of declared expenditure may appear to be high in comparison to smaller programs.

9. CONT request: *Our committee would also like to obtain information on any OLAF investigations with regard to structural funds in Spain*

ERDF and Cohesion Fund

According to the information available at DG Regional Policy level so far, OLAF carried out 43 external investigations in Spain since 2001 for the ERDF and the Cohesion Fund. Out of these cases:

- 36 cases are closed cases (with no financial impact or with a financial follow-up carried out by the Commission in past years)
- 3 investigations are on-going (concerning the regions of Murcia (Cartagena), Ceuta and Asturias)
- and 4 cases are under follow-up by the Commission with possible financial impact (in Cataluña, Galicia (2), and Murcia for 1994-1999 or 2000-2006 programmes).

In addition, OLAF informed DG Regional Policy that it is currently assessing information for 21 cases that could or not lead in the future to external investigations, depending on the outcome of the evaluation.

Considering the sensitive nature of information related to external investigation for suspected fraud and the independence of OLAF, and in line with procedures in place for this type of request, the Committee is invited to directly contact OLAF for any further question on these issues.

ESF

There are currently 11 OLAF cases concerning Spain in financial follow-up in DG EMPL.

For those cases OLAF transmitted to EMPL final case reports and relevant financial follow-up is on-going. The details on those cases are referred to in the Annex. One case (A-rep 892) was reported separately, since it was closed by OLAF and transmitted for financial follow up but recently OLAF has restarted some actions in relation to this case.

10. CONT request: *Cases before the Court of Justice of the European Union brought by Spain or against it in the last ten years in the context of structural funds*

ERDF and Cohesion Fund

There have been 17 cases before the Court of Justice of the European Union brought by Spain in the last ten years in the context of structural funds:

- T-111/12 Spain vs. Commission: Action of 12 March 2012 brought by Spain against financial correction decision.
- T-109/12 Spain vs. Commission: Action of 15 March 2012 brought by Spain against financial correction decision.
- T-96/12 Spain vs. Commission: Action of 7 March 2012 brought by Spain for failure to act.
- T-235/11 Spain vs. Commission: Action of 17 May 2011 brought by Spain against financial correction decision.

- T-54/11 Spain vs. Commission: Action of 8 February 2011 brought by Spain against financial correction decision.
- T-540/10 Spain vs. Commission: Action of 13 December 2010 brought by Spain against financial correction decision of
- T-384/10 Spain vs. Commission: Action of 8 September 2010 brought by Spain against financial correction decision.
- T-263,264,265,266/10 Spain vs. Commission: Action of 16 June 2010 brought by Spain against suspension of payment application.
- T-178/10 Spain vs. Commission: Action of 21 April 2010 brought by Spain against the interruption of payments.
- T-138/10 Spain vs. Commission: Action of 8 April 2010 brought by Spain against financial correction decision.
- T-113/10 Spain vs. Commission: Action of 18 March 2010 brought by Spain against financial correction decision.
- T-65/10 Spain vs. Commission: Action of 1 March 2010 brought by Spain against financial correction decision.
- T-358/08 Spain vs. Commission: Action of 23 September 2010 brought by Spain against financial correction decision.
- T-3/07 Spain vs. Commission: Action of 2 January 2007 brought by Spain against financial correction decision.
- T-2/07 Spain vs. Commission: Action of 2 January 2007 brought by Spain against financial correction decision.
- T-402/06 Spain vs. Commission: Action of 27 December 2006 brought by Spain against the decision reducing financial assistance.
- T-357/05 Spain vs. Commission: Action of 19 September 2005 brought by the Comunidad de Valencia against financial correction decision decided on 5 July 2006 by the Court of First Instance. Appeal case before the Court of Justice (C-363/06).

ESF

Joint cases T-263/10, T-264/10, T-265/10, T-266/10, Spain v. Commission

Status: pending; oral hearing took place on 26 October 2011; decision to be delivered on 21 June 2012

Spain brought an action for annulment of the decisions of the Director General of DG EMPL (authorising officer by delegation - AOD) taken in April-May 2010 to interrupt the payment deadlines for the interim applications for payment for four of the ESF Operational Programmes (OP) *Baleares*, *Lucha contra la Discriminacion*, *Galicia* and *País Vasco*. The AOD took the decisions on the basis of the disclaimer in the Annual Control Reports 2009 that due to the late approval of the management and control systems, no system audits have been performed.

Main pleas:

Spain claims that the Commission took the decision to interrupt the payment deadlines, without any report from a national or Community audit body to suggest the existence of a significant deficiency in the functioning of the management and control systems and therefore in violation of Article 91(1)(a) of Council Regulation 1083/2006. Secondly, Spain claims the violation of the audit strategy accepted by the Commission. It demands that the Commission pays interest on account of the delay in the actual payment of the interim applications for payment.

The Commission first, pleads the inadmissibility of the case, based on the provisional nature of the interruption (6 months, leading to payment or suspension decision) and, on a subsidiary basis, the rejection on the substance, based on the indicative nature of the audit strategy, which was not preventing the Spanish authorities to start their audit work on systems. The Commission sustains that it has based itself on sufficient evidence which suggest the deficiencies and not full evidence to interrupt the payment deadlines and that, therefore, the lack of information on the management and control systems is itself to be considered a significant deficiency.

In all cases payments were resumed before the expiration of the six months period provided for in Article 91 (1) of Council Regulation 1083/2006, following the submission by Spain of the information on the system audits required.

11. CONT request: *Information about the effectiveness of actions undertaken in Spain in the framework of the Competitiveness and Innovation Framework-Programme, and in particular of the future options of the COSME programme (which will follow the entrepreneurship and competitiveness programme of the CIP programme; effectiveness of actions undertaken in the framework of the programme "Erasmus for Young Entrepreneurs"*

ESF

A background note describing actions co-financed by the ESF to combat youth unemployment in Spain is attached in Annex 5.

European Cohesion Policy in Spain

ANNEX 1

EN

The European Union (EU) comprises 27 Member States forming a community and single market of 493 million citizens. However, great economic and social disparities still remain among these countries and their 271 regions. European Cohesion Policy is at the centre of the effort to improve the competitive position of the Union as a whole, and its weakest regions in particular.

Through the European Regional Development Fund (ERDF) and the European Social Fund (ESF), otherwise known as the Structural Funds, as well as the Cohesion Fund, it invests in thousands of projects across all of Europe's regions to achieve its primary task: to promote economic and social cohesion by reducing these disparities between Member States and regions. With a budget of **€347 billion** for 2007–13, Cohesion Policy represents the single largest source of financial support at EU level for investment in growth and jobs, designed to enable *all regions* to compete effectively in the internal market.

However, as the challenges facing Europe's regions have changed over time, so too has the policy. Against a background of momentous change in the Union as a result of enlargement and of increasing globalisation, concerns about energy supplies, demographic decline, climate change and more recently, world recession, the policy has evolved, in step, as a key part of the response to meet these new realities.

IMPACT AND RESULTS OF COHESION POLICY IN SPAIN

Spain has narrowed the gap with the rest of EU-27 in terms of gross domestic product (GDP), moving from 92% to reach 106.8% of the Union average GDP per head between 1995 and 2007.

Growth in GDP per head was on average 0.5 percentage points a year higher than the EU average between 1995 and 2006.

Between 2000 and 2005, over 377 000 people received support for activities linked to self-employment and the social economy, which includes housing, childcare, training and skills development. Almost 2.5 million people received support in the form of continuous training.

Between 1995 and 2004, Cohesion Policy co-financed over 1 200 km of roads and motorways, saving an estimated 1.2 million hours of travel time a year.

Cohesion Policy 2007–13



The Spanish high-speed train network was extended in the period 2000–06 with connections linking Lleida-Tarragona-Barcelona, Córdoba-Málaga and Madrid-Valladolid (some 850 km in total).

Between 2000 and 2006, 2 000 km of water pipelines were renovated and 600 km of new pipelines constructed, serving some 2.6 million people (around 6% of the Spanish population). In addition, between 1995 and 2005, the construction or enlargement of 57 water treatment plants increased the coverage among the population of urban agglomerations from 41% to 77%. Finally, no later than the end of 2010, 13 newly built or improved desalination plants will provide an additional 850 Hm³ (= 850 billion litres) for both human and agricultural consumption.

A SNAPSHOT OF ACHIEVEMENTS

- 1 200 km of new roads and motorways (2000–06)
- An extension of some 850 km to the Spanish high-speed rail network (2000–06)
- 377 000 people received support as part of self-employment and social/economic activities (2000–05)
- Renovation of 2 000 km of water pipelines and construction of 600 km of new pipelines (2000–06)
- An investment of around €4 billion on R&D and innovation (2000–06)



European Union
Cohesion Policy

Between 2000 and 2006, expenditure from the Structural Funds amounted to around €4 billion in Spain on Research & Development (R&D) and innovation, together with the information society, covering:

- over 21 000 R&D and innovation-based projects;
- nearly 10 000 researchers participating in projects;
- support for over 500 technology and research centres;
- the co-financing of most of the present 64 Spanish technology parks;
- support for technology-based activities in around 100 000 small and medium-sized enterprises (SMEs);
- investment of nearly €1 billion in information and communications technologies (ICT) infrastructure, significantly narrowing the gap with the EU average.

EUROPEAN INVESTMENT IN SPAIN – 2007–13

For the 2007–13 period, Spain has been allocated more than €35 billion in total: €26.2 billion under the Convergence Objective (€3.5 billion from the Cohesion Fund), €8.5 billion under the Regional Competitiveness and Employment Objective and €559 million under the European Territorial Cooperation Objective¹.

Spain has 45 programmes under both the Convergence and the Regional Competitiveness and Employment Objectives. Of these, 23 receive funding from the European Regional Development Fund (ERDF) (including one joint programme with the Cohesion Fund), with 22 receiving funding from the European Social Fund (ESF). A new multi-objective ‘Technology Fund’ programme devoted to research and innovation for and by enterprises has also been set up.

Andalucía, Castilla-La Mancha, Extremadura, Asturias, Ceuta, Melilla, Murcia and Galicia fall under the Convergence Objective. Aragón, Baleares, Cantabria, Cataluña, Madrid, Navarra, País Vasco Canarias, Castilla y León, Comunidad Valenciana and La Rioja fall under the Regional Competitiveness and Employment Objective. From 2007 to 2013, 16.3 million people will be living in ‘Convergence regions’ (37% of the total, compared to 59% in 2000–06).

FUNDS FOR SPAIN IN BILLION € 2007–13

Objective	Fund	EU	National Public	Total
Convergence	CF	4	1	5
	ERDF	17	7	24
	ESF	5	1	6
Total Convergence		26		
Regional Competitiveness and Employment	ERDF	6	4	10
	ESF	3	2	5
Total Regional Competitiveness and Employment		9		
Total European Territorial Cooperation*	ERDF	1	-	1
TOTAL		36	15	51

Figures have been rounded up

* Each Territorial Cooperation programme includes a minimum of 15% co-financing from each participating Member State.

¹ The Convergence Objective concerns regions characterised by low levels of GDP and employment, where GDP per head is less than 75% of the EU average as it stood between 2000 and 2002. It applies to 99 regions representing 35% of the EU-27 population and aims to promote conditions conducive to growth and ones which lead to real-time convergence in the least-developed Member States and regions. The Regional Competitiveness and Employment Objective is applicable to the rest of the EU, or to 172 regions, representing 65% of the EU-27 population. It aims to enhance the competitiveness and attractiveness of regions, as well as boost their employment levels. It should be noted that the rural development and fisheries policy are separate and do not form part of this brochure.

DELIVERING THE LISBON STRATEGY FOR GROWTH AND JOBS

The relaunch of the Union’s Lisbon Strategy in 2005 aimed to bolster the competitive position of EU regions in the world economy by placing growth, jobs and competitiveness at the top of the Union’s agenda. For the 2007–13 period, European Cohesion Policy has attached increasing importance to delivering the so-called ‘Lisbon objectives’.

For the programming period 2007-13, Spain has substantially refocused Cohesion Policy priorities from physical infrastructure in transport and environment towards the core Lisbon objectives, notably in the areas of research, innovation and the information society.

In financial terms, 79% of the funding in the ‘Convergence regions’ and 81% in the ‘Regional Competitiveness and Employment regions’ will be invested in Lisbon-related priorities. A significant increase has been agreed for the R&D, innovation and information society sectors, up from about €3.9 billion in 2000–06 to over €8 billion in 2007–13, including the two new multi-objective programmes: the ‘Technology Fund’ programme, devoted to research and innovation for and by enterprises, and the ‘Knowledge Economy’ programme.

MAIN PRIORITIES OF COHESION POLICY IN SPAIN, 2007–13

Investments in R&D, innovation, entrepreneurship, transport and **environmental projects** represent the highest area of support, with €12 billion of funds (35% of the total allocation for Spain).

In the 2007–13 period, the investments will focus on closing the remaining gaps in **transport** infrastructure, mainly in Convergence regions and remote areas, with investments of €7.5 billion.

To increase **labour participation**, Spain has allocated a large amount of the ESF money to attracting and retaining more people in employment. 45.5% of the ESF, or €3.6 billion, will support access to employment by modernising and strengthening labour market institutions and implementing preventive and active labour market institutions: €225 million of this allocation will be used to improve access to employment for women.

Particular attention has been given to the **water resources**, with €4 billion allocated to management and distribution of water (€2 billion) and to waste water treatment (€2 billion).

The ERDF will support **electronic services and applications for citizens** (e-health, e-government, e-learning, e-inclusion, etc.) with some €741 million within the ‘Information Society’ priority.

Some €461 million will be devoted to operations for **energy efficiency and alternative sources of energy**.

€860 million (10.6% of the total ESF allocation in Spain) will be devoted to the activities jointly undertaken by the social partners, notably regarding the **adaptability of workers and enterprises**.

A total of €218 million of ESF support has been directed towards the integration of **migrants**.

Of the ESF support for Spain, 6.65% aims to tackle the **poverty and social inclusion** challenges.

THE ESSENTIALS, 2007–13

- €12 billion for R&D, innovation, entrepreneurship, transport and the environment
- €7.5 billion for transport infrastructure
- €4 billion for management and distribution of water and for waste water treatment
- €3.6 billion to attract and retain more people in employment

ASSISTING THE OUTERMOST REGIONS

The EC Treaty and the four communications adopted by the Commission in 2004, 2007 and 2008² stress the need to recognise the special nature of the outermost regions³ and to put in place a genuine European strategy to support them. The 2007–13 Cohesion Policy combines several specific measures to assist the Canary Islands (and the other outermost regions):

- rates of assistance from the Structural Funds (ERDF and ESF) increased to 85%;

- a specific allocation to offset additional costs arising from the handicaps of the outermost regions which, for the Canary Islands, represents €490 million.

In addition, the Canary Islands benefit from an 'Innovation Fund' which supports initiatives that contribute to the stimulation of the innovating spirit in all sectors of the economy of the archipelago.

BUILDING BRIDGES BETWEEN NEIGHBOURS

In Europe today, economic success is often dependent on a region's capacity to develop networks with other regions. Cooperation and sharing experience between regions can be a key trigger in stimulating a dynamic, forward-looking regional development process. The EU has an important role to play in brokering and supporting such partnerships, both between regions within the Union, and with neighbouring regions outside. Thousands of projects developed over many years under the INTERREG initiative have demonstrated the benefits for regions of working in partnership, sharing ideas and charting new and innovative ways of harnessing European investment.

The **European Territorial Cooperation Objective** is financed through the ERDF for the period 2007–13 and

supports cross-border, transnational and interregional co-operation programmes to encourage regions and cities across the EU and further afield to work together and learn from each other.

In Spain, there are six territorial cooperation programmes: two cross-border cooperation programmes with EU Member States and four transnational programmes. In addition, Spain takes part in all four interregional cooperation programmes (total budget for all the 27 EU Member States: €443 million)⁴: INTERACT II, URBACT II, ESPON/ORATE and INTERREG IV C.

⁴ INTERREG IVC promotes exchange of experience and good practices among the regions, URBACT – thematic city networks, INTERACT – support for cooperation programme management organisation, ESPON – an observation network for spatial planning.

THE EU ON CALL

The **European Union Solidarity Fund** was created after the floods which hit Central Europe in summer 2002. It grants emergency aid to Member States and acceding countries in the event of a major natural disaster.

In 2002, Spain suffered €436 million in damage from the Prestige oil spill and received €8.6 million in aid from the Solidarity Fund. In 2003, Spain suffered €53 million in damage from the forest fires on the Portuguese border and received €1.3 million in aid from the Solidarity Fund.



Spain

€35 billion
for 2007–13

Boosting
growth, jobs and
competitiveness

² COM(2004) 343 final, COM(2004) 543 final, COM(2007) 507 final and COM(2008) 642 final.

³ The outermost regions (the Azores, Madeira, the Canary Islands and the four French overseas departments) face specific problems listed in the Treaty: remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products.

Regional Policy on the ground

► HIGH-SPEED TRAIN MADRID-BARCELONA-FRENCH BORDER (AVE)

One of the most important projects of railway transports in Spain is the high-speed train Madrid-Barcelona-French Border (AVE). The Madrid-Zaragoza-Barcelona line was inaugurated on 20 February 2008, after parts of the line had been in operation since 2003 (Madrid-Zaragoza-Lleida) and 2006 (Lleida-Tarragona). Construction is currently underway to connect the new high-speed line from Barcelona to the French TGV network via the Perthus tunnel under the Pyrenees.

The high-speed train Madrid-Barcelona (AVE) is currently one of the world's fastest long-distance trains in commercial operation, with non-stop trains covering the 621 km (386 miles) between the two cities in just 2 hours and 38 minutes (speeds up to 300 km/h).

With this line, Spain took a decisive step for the interoperability of its high-speed network, as well as the improvement of connectivity within different areas of the Spanish territory and between Spain and Europe. The connection between Madrid and Barcelona means that the two biggest cities in Spain are linked to each other in two hours and a half, with at least 10 000 people estimated to be taking this line daily. This has drastically reduced the air traffic between the two cities and enhanced the most environmentally-friendly mode of land freight and passenger transport in terms of energy consumption and, subsequently, carbon dioxide emissions.

The European Union has made an important financial contribution to this project, in particular via the Cohesion Fund and the TEN-T budget.

The total cost of this line is €10.5 billion, with EU Cohesion Policy contributions amounting to about €3.4 billion. Other sources of EU funding include the TEN-T budget, which contributed €70.9 million.

Website: <http://www.adif.es/>

► THE NATIONAL RENEWABLE ENERGIES CENTRE (CENER)

The National Renewable Energies Centre (CENER) is an industrial technology centre dedicated to the research, development and promotion of renewable energies in Spain. The objective of creating a national centre was to consolidate Navarra's expertise nationally and internationally and to become Spain's industrial reference centre for renewable energies and one of the leading centres in Europe.

From the outset, a key objective was to obtain a high degree of financial self-sufficiency through focusing on economically profitable activities and services, and to reach sales figures of €3 million by 2004.

The centre's purpose is to identify, generate, disseminate and transfer scientific and technical knowledge and value-added services to the renewable energy sector. This is done by collaborating with companies, institutions and official organisations to promote the development of renewable energies at national level, and it also contributes to advancing this sector to an outstanding position in the world.

The centre fulfilled the sales figures objective by 2004, and the remaining objectives were met by 2007. Revenue from contract research and development (R&D) and services amounts to some 60% of an annual budget of €12 million.

The total cost of the project was €46 million, with an EU contribution of nearly €3 million.

The National Renewable Energies Centre in Navarra aims to become one of the leading centres in Europe.

Website: http://www.navarra.es/home_es/

► ANDALUSIAN STONE TECHNOLOGY CENTRE (CTAP)

Macaël marble has been hewn from the Sierra de los Filabres Mountains in Almería in southern Spain since Phoenician times. It was used in the Roman Theatre in Mérida, the Great Mosque in Córdoba and the Alhambra in Granada, as well as countless monasteries, cathedrals, palaces and sculptures. Today, the stone sector in Andalusia remains concentrated in the area of Macaël in the north of the province of Almería, where there are some 400 companies and a direct workforce of some 9 000 people.

The Andalusian Stone Technology Centre was set up to develop the innovation aspects of the traditional Andalusian stone sector.

The CTAP works closely with businesses, providing them with the modern technologies required by the evolution of markets whilst promoting concepts from Andalusian craft heritage in these same markets. Activities range from laboratory tests to the development of quality programmes and certification, via a whole array of services to SMEs: design, technological development, respect for the environment, training and marketing.

The plant will allow the CTAP to become more efficient in its research effort, and it will also allow the companies in the sector to try new research and development projects and ideas without heavy investments or having to stop their production processes. The CTAP also owns two patents, and has developed various methods for innovation management in the companies in the sector.

The total cost of the project was €3.4 million, with an EU contribution of €2.5 million.



More information

EU Regional Policy

http://ec.europa.eu/regional_policy/

Cohesion Policy in Spain

http://ec.europa.eu/regional_policy/atlas2007/spain/index_en.htm

National website

<http://www.dgfc.sgpg.meh.es/index.jsp>

European Social Fund

<http://ec.europa.eu/social/>



Linking France and Spain by train

General Background on Spain (ERDF)

Structural Funds: programming / implementation (general)

Financial allocations:

	Convergence			Regional Competitiveness and Employment		European Territorial Cooperation	Total
	Cohesion Fund	Convergence	Statistical phasing-out	Phasing-in	Competitiveness		
Overall financial allocation EU 27	69.578	199.322	13.955	11.409	43.556	8.723	347.410
Indicative financial allocation for Spain	3.543	21.054	1.583	4.955	3.522	559	35.217

Miñon EUR, current prices. (These figures differ from those on page 2, which are at 2004 prices, for the purpose of comparison). Due to rounding, figures may not add-up to the total shown.

ELIGIBLE REGIONS

Convergence Objective: Andalucía, Castilla-La Mancha, Extremadura, Galicia.

Statistical phasing-out: Ciudad Autónoma de Ceuta, Ciudad Autónoma de Melilla, Principado de Asturias, Región de Murcia.

Phasing-in: Canarias, Castilla y León, Comunidad Valenciana.

Competitiveness and Employment Objective: all the other regions.

Implementation (all funds):

- Expenditure declared to the Commission (31.12.2011): 36%
- Operations selected by the Managing Authority (31.12.11): 66%

Financial implementation for ERDF (at 33.27%) continued to be around the Union average with a marginally better performance in competitiveness (35.25%) programmes than convergence (34.54%) however the multi objective national programmes are well behind at 25.88%. The Cohesion Fund implementation was good at 57.32%.

The regional programmes have a standardised structure of priorities (7 in Convergence, 6 in phasing in and 5 in Competitiveness). They are:

1. Knowledge economy (R+D, information society, ICT)
2. *Entrepreneurial development and innovation* (Convergence and phasing in only)
3. Environment, natural surroundings, water resources and risk prevention
4. Transport and energy
5. Local and urban sustainable development
6. *Social infrastructure* (Convergence only)
7. Technical assistance

General overview

2011 was marked by major political changes in Spain. In the spring, many of the regional governments changed political colour and at the end of the year the centre right Partido Popular took power. The PP now dominates much of Spain at a national and regional level. Many senior staff in the autonomous communities' intermediate bodies were replaced.

In November, a general election took place in Spain which involved a change in the governing party. The new government took power in December, but the high level appointments of officials, especially for EU funds took place recently .

The crisis has reduced the capacity of national authorities to part-finance operational programmes, which could lead potentially to a significantly higher risk of de-commitment. For this reason, the Member State has requested a general increase in intervention rates up to the maximum allowed by the Regulations, despite the fact that it reduces the expected impact of the programmes on the economy.

The Commission has accepted this proposal, but has requested to review the programmes in order to bring them more in line with EU 2020 key priorities: business innovation, SMEs, energy efficiency and integrated urban development.

General economic data:

Indicator	Spain	EU-27
Average total population (1000 inh.) - 2008	45,593	498,714
Population aged 65+ (% total population) - 2010	16.8	17,2
Natural pop. change (pro mille-annual average) – 2001-07	1,7	0,6
Net migration (pro mille-annual average) – 2001-07	1.4	2,9
GDP/head (PPS) (index, EU27 = 100) - 2009	103.2	100
Change in GDP/head (PPS) - 2000-07	1,8	1,9
Employment rate (% population aged 20-64) - 2010	62,5	68,5
Change in employment rate (% change) - 2000-10	1,8	2,0
Unemployment rate (% active population) - 2010	20,1	9,6
Youth unemployment rate (% active population, aged 15-24) - 2010	42,8	21
Population aged 25-64 (%) with:		
- low educational attainment - 2010	30,7	27,3
- medium educational attainment - 2008	21.7	47.2
- high educational attainment - 2010	35,7	25,9

R&D expenditure - GERD (% GDP) - 2008	1.4	1.9
R&D business expenditure - BERD (% GDP) - 2006	0.7	1.2
Change in GERD (% GDP) – 2003-2007	0.4	0.0
Employment in high-technology sectors (% total employment) - 2010	3.2	4.4
Authors of EPO patent applications (index, EU27 = 100) - 2006-07	26.2	100.0
Households broadband access to internet (% households) - 2010	57	61

MANAGEMENT AND CONTROL SYSTEM

The Spanish operational programmes have a common implementation system as they all have a common managing authority (except the OP Cohesion Fund), a common certifying authority and common national intermediate bodies.

1. Managing Authority

The managing authority, bearing the overall responsibility for implementation of the 19 regional operational programmes (OPs) and 3 pluriregional OPs, is located in the "Subdirección General de Administración de FEDER" of the Ministry of Finances and Public Administration.

The managing authority for the Cohesion Fund OP is located in the same ministry, but in a different directorate: "Subdirección General de Fondos de Cohesión y de Cooperación Territorial Europea".

However, they both depend of the same Director General and therefore are similar in its functioning.

2. Intermediate bodies

In view of the number of programmes and the variety of types of projects and beneficiaries, the tasks of the managing authorities have been delegated to 145 intermediate bodies. They are divided into:

- 35 national intermediate bodies, which manage operations in all operational programmes (although not all are present in all programmes);
- 35 regional intermediate bodies, which apart from the responsibility for their own Ops, in some cases (Asturias, Andalucía, Melilla, Ceuta, Murcia and Castilla y León) deal with the projects under the Cohesion Fund OP;
- 24 local intermediate bodies (municipalities, Diputaciones Provinciales and Consejos Insulares) in the Cohesion Fund OP; and
- 51 local intermediate bodies (municipalities) for the Urban Initiative in the regional ERDF OP's.

3. Certifying authority

A single certifying authority has been designated for all Spanish operational programmes: Subdirección General de Certificación y Pagos - Ministry of Finances and Public Administration.

4. Audit authority

A single audit authority has been designated for all Spanish operational programmes: Intervención General de la Administración del Estado (IGAE).

However, for the audit of the expenditure managed at regional level in the 19 regional operational programmes and in the ERDF – Cohesion Fund OP, 19 regional control bodies have been designated (17 Intervenciones Generales (IGs) of the autonomous regions + 2 IGs of autonomous cities).

A Control Coordination Commission has been created with the purpose to coordinate the work of the audit authority and the 19 control bodies, to decide on common methodologies and to harmonize the procedures (common checklists, minimum requirement for reports...).

DG REGIO AUDIT STRATEGY

The audit strategy is based on a three-year rolling plan and sets out the audit work for the year in question and two following years, with detailed audit plans until June following the year in question. The strategy covers two programming periods (2000-2006 and 2007-2013) and five funds (ERDF, CF, ISPA/IPA, ETC, EU Solidarity Fund).

1. Preparation

The audit strategy is prepared in the audit directorate of DG REGIO and followed by internal consultation and coordination with the operational directorates and also with the other Structural Funds DGs on the quality assurance and improvement process as well as on the performance indicators related to the audit activities.

2. Building up the assurance

DG REGIO's assurance is based on a cascade assurance system which is inherent in the shared management mode: the overall assurance process for the Funds under shared management with the Member States is built on a control structure following the single audit concept (cf. Article 73 of Regulation 1083/2006), whereby one level of control (DG REGIO) may rely on the work of previous controls performed by other bodies (national audit authorities). The Commission's assurance is gradually built up over the programming period, from the set-up and validation of compliance of the management and control systems, to audits during the implementation of programmes and to the closure phase.

3. 2007-2013 programming period

The assurance is mainly based on the following audit work:

- the review of the audit authorities under which the reliance is assessed which can be placed on their audit work and in particular in view of application of a.m. Article 73, whereby the Commission can conclude that it can rely on the national audit authorities and limit its own audits, thus freeing up audit resources for other audit work;
- the enquiry on bridging the assurance gap, which complements the aforementioned one, under which the Commission carries out its own on-the-spot audits directly at the level of the Managing Authority/intermediate body, with a view to bridging any perceived assurance gap related to e.g. public procurement, management checks, state aid and financial engineering instruments;
- as regards European Territorial Cooperation, audits on adequate implementation of management verifications which have been identified as a high inherent risk;
- audits on ISPA/IPA and the European Union Solidarity Fund;
- thematic audits on recoveries and financial engineering identified as risk areas and pilot performance audits with a view to developing REGIO's methodology and capacity in these types of new audits which focus on the results of our policies.

4. 2000-2006 programming period

The assurance is mainly based on the following audit work:

- ERDF closure audits in selected Member States in order to eliminate any remaining irregular expenditure and to be able to conclude that there is low risk after closure;
- audits on the Cohesion Fund, both on closed and on-going projects in all Member States concerned.

ANNUAL CONTROL REPORT

The Annual Control Reports are prepared by the Audit Authorities and submitted by the Member States to the Commission as provided for in Article 62(1)(d)(i) and (ii) of Regulation 1083/2006. They constitute a critical element that the Commission is taking into account in order to assess how the Member States have fulfilled their obligations and responsibilities for using Community budget appropriations.

1. Scope of the report

The annual control report, submitted by 31 December of each year, sets out the findings of the system and operation audits carried out during the 12 month-audit-period ending on 30 June of the year concerned and reports any shortcomings found in the systems for the management and control of the OP. The audits concern the expenditure of the preceding year.

2. Content

The reports shall include the following information:

- indication of the reference periods and bodies involved;
- changes to the management and control system and to the audit strategy;
- system audits: list of the audits carried out and the description of the principal findings and conclusions drawn from the audit work for the management and control systems and their functioning, including the sufficiency of management checks, certification procedures and the audit trail, adequate separation of functions and compliance with Community requirements and policies;
- audits of operations: description of the sampling methodology, summary table with expenditure declared to the Commission and audited expenditure; description of the principal results of the audits, indicating in particular the amount of irregular expenditure and the error rate resulting from the random sample audited; indication of the conclusions drawn from the results of the audits with regard to the effectiveness of the management and control system; information on the follow-up of irregularities, including revision of previously reported error rates;
- Indication of whether any problems identified during system or operation audits were considered to be of a systemic nature and of the measures taken, including a quantification of the irregular expenditure and any related financial corrections;
- Description of coordination between audit bodies and supervisory work of the audit authority;
- Follow-up of previous years' audit activity (outstanding audit recommendations and follow-up of results of systems audits and audits of operations from earlier years).

3. Annual audit opinion

Based on the audit work carried out under their responsibility, the audit authorities issue an opinion, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular.

The model of the opinion is provided in the Annex VII to Regulation 1828/2006, with 3 possible types of opinions: unqualified (high level of assurance), qualified (average level of assurance) and adverse opinion (low level of assurance).

General background on Spain (ESF)

General programming and implementation structure in 2007-2013

The total ESF amount for Spain for the programming period of 2007-2013 is €8 057 328 822. The financing is split between two objectives as follows:

2007-2013 PROGRAMMES (reference date: 20/12/2010)	ESF allocation	Total allocation	Advance payments (% of Σ ESF allocation)
Regional Competitiveness and Employment	2.809.522.687	4.696.441.876	7,5%
Convergence	5.247.806.135	6.580.591.268	7,5%
TOTAL	8.057.328.822	11.277.033.144	7,5%

Spain's ESF strategy seeks to foster employment stability and improve workers' adaptability.

Furthermore, the strategy aims to improve opportunities and working conditions for vulnerable groups – with a view to integrating them into the workforce as well as helping them to get better, more qualified jobs. ESF supports also reforms in education and training structures in Spain, investment in research and innovation and self-employment.

The priorities for the ESF programme in Spain are:

Priority 1: To foster entrepreneurship and improve the adaptability of workers, employers and enterprises:

i) Developing systems and strategies for lifelong learning within companies, complemented by other training and services for employees.

- ii) Designing and establishing new and more productive working patterns.
- iii) Developing specific employment, training and support services to assist restructuring in several sectors.
- iv) Helping independent workers and new business start-ups.

Priority 2: To enhance employability, social inclusion and equal opportunities for men and women

- i) Modernising and strengthening labour market institutions and establishing proactive and precautionary measures in the job market:
- ii) Improving access to jobs and boosting the long-term development and employment of women and migrants. Setting up return-to-work courses for disadvantaged groups.
- iii) Promoting partnerships, agreements and initiatives by establishing networks among relevant organisations.
- iv) Improving the formulation, follow-up and assessment of policies and programmes.

Priority 3: To increase and improve human capital

- i) Designing and rolling out education and training reforms.
- ii) Boosting attendance in education and lifelong learning.
- iii) Investing in research and innovation, especially at universities.

Priority 4: To promote transnational and inter-regional co-operation

- i) Promoting partnerships, agreements and initiatives by establishing networks among relevant organisations.

Priority 5: Technical assistance

- i) Programming management, information, external evaluations, seminars, studies and campaigns, etc.

Priority axis	Community funding	National counterpart	Total funding
Improving adaptability of workers, employers and enterprises	2 207 669 944	917 904 873	3 125 574 817
Enhancing employability, social inclusion and equal opportunities	4 474 859 732	1 858 094 845	6 332 954 577
Improving human capital	1 143 652 056	487 037 553	1 630 689 609
Promoting transnational and inter-regional co-operation	112 673 018	52 013 865	164 686 883
Technical assistance	118 7474 072	53 434 415	171 908 487
Total	8 057 328 822	3 368 485 551	11 425 814 373

Spain's national ESF strategy is implemented through 22 Operational Programmes: three national programmes with around 60% of the total of ESF funding for Spain (Adaptability and Employment, Fight against Discrimination and Technical Assistance and Transnational and Interregional cooperation), and 19 regional programmes which will be allocated the remaining 40% of funds. From the regional, 4 programmes correspond to Convergence Objective (Andalucía, Castilla-La Mancha, Galicia and Extremadura), 4 to phasing-out Convergence (Murcia, Asturias, Ceuta and Melilla), 3 to phasing-in Regional Competitiveness and Employment (Comunidad Valenciana, Canarias and Castilla y León) and 8 to Regional Competitiveness and Employment (Madrid, Cataluña, Aragón, País Vasco, Baleares, Navarra, La Rioja and Cantabria).

Main ESF interlocutor in Spain:

Ministerio de Empleo y Seguridad Social

(UAFSE) Unidad Administradora del Fondo Social Europeo,

Carlos Tortuero, (UAFSE) Deputy Director

Assessment of ESF interventions in the 2007-13 period

Since its accession in 1986, Spain has been the largest beneficiary of EU cohesion policy, where more than €170bn has been invested. Over this period, evaluations show substantial progress in terms of growth, job creation and economic convergence with the rest of the EU due to huge investment in basic infrastructure networks especially.

The strategy foreseen in Spain's NSRF and the Spanish ESF OPs is overall still valid and appropriate in order to respond to the structural needs currently facing the national labour market, despite the fact that some concrete OP might require some adjustments in order to speeding up the implementation of EU funds or reorienting the initiatives among priorities.

However, as a result of the current economic situation and its implications on the labour market, together with, in some cases, the application of the automatic de-commitment rule, some Spanish ESF operational programs have already been modified in order to wholly and effectively guarantee the absorption of EU funds. This is the case for the national OP Adaptabilidad y Empleo (modified in 2010), and the regional OPs Comunidad Valenciana (2009), Navarra (2009), Castilla-La Mancha (2011) and Cantabria (2012).

Significance of the ESF

The ESF contribution to strengthening employment, education and social inclusion in Spain has been crucial. But given the challenges Spain is facing, the ESF is more necessary than ever for dealing with the lasting consequences of the economic crisis and for supporting the move to a new economy model.

Employment results

According to macroeconomic simulations, about 170.000 annual (gross) jobs were created or maintained as a result of EU funded interventions between 2007 and 2010. As regards ESF interventions, 2.8 million people (of which 60% of women) benefited from training courses; around 30% of trainees are still in the same job or have improved their job

conditions and more than 20% of people trained were employed 6 months after the training programme.

Support to Europe 2020 targets

The current financial crisis has affected the room for manoeuvre for the Spanish authorities to make the best use of EU funds. Budgetary and credit restrictions have led to delays in programme implementation, so an increase in EU co-financing rates could prove decisive in this respect. The ESF OPs in Spain are a key instrument to support the structural reforms which are under way thus it is crucial to guarantee the national matching funds for the OPs not to jeopardize the efficiency of the measures co-financed by ESF.

In this context, the Commission believes that the reduction in the overall investment makes it even more necessary to focus on selecting projects providing the highest added value and contributing to the Europe 2020 objectives. Spain should take further advantage in promoting the use of innovative financial instruments (including PPPs) to mobilise private capital support to the economy. For Spain, improving the functioning of the labour market, in particular as regards the alarming unemployment rate, together with education and life-long learning have an important role to play to support the necessary structural transformation of the economy. The actual allocation between the funds is to reflect the priorities the EU and Spain have set in the areas of employment, education and social inclusion under the Europe 2020 strategy.

Member State	Region - OP	CCI number	Current status	Interruption decision art. 91 (Reg. 1083/2006)
ES	Murcia	2007ES161PO001	warning letter for national part to be sent plus separate warning letter for intermediate body AENA	AENA February 2012
ES	Melilla	2007ES161PO002	warning letter for national part to be sent	
ES	Ceuta	2007ES161PO003	warning letter for national part to be sent	
ES	Asturias	2007ES161PO004	warning letter for national part to be sent	
ES	Galicia	2007ES161PO005	warning letter for national part to be sent plus separate warning letter for intermediate body AENA	AENA February 2012
ES	Extremadura	2007ES161PO006	warning letter for national part to be sent plus separate warning letter for intermediate body AENA	AENA February 2012
ES	Castilla La Mancha	2007ES161PO007	warning letter for national part to be sent	
ES	Andalucia	2007ES161PO008	total interruption plus separate warning letter for intermediate body AENA	February 2012
ES	ERDF/Cohesion Fund	2007ES161PO009	warning letter for intermediate body Huesca	
ES	Cantabria	2007ES162PO001	warning letter for national part to be sent	
ES	Pais Vasco	2007ES162PO002	total interruption	February 2012
ES	Navarra	2007ES162PO003	warning letter for national part to be sent	
ES	Madrid	2007ES162PO004	warning letter for national part to be sent	
ES	La Rioja	2007ES162PO005	warning letter for national part to be sent	
ES	Cataluña	2007ES162PO006	interruption of IFEM and ACC10 (intermediate bodies) + warning letter for national part to be sent	February 2012 only IFEM and ACC10 (IBs)
ES	Baleares	2007ES162PO007	warning letter for national part to be sent	
ES	Aragon	2007ES162PO008	warning letter for national part to be sent	
ES	Castilla y León	2007ES162PO009	warning letter for national part to be sent plus separate warning letter for intermediate body AENA	AENA February 2012
ES	Valencia	2007ES162PO010	interruption of IMPIVA and AVT (intermediate bodies) + warning letter for national part to be sent plus separate warning letter for AENA	November 2011 only IMPIVA and AVT (IBs), AENA February 2012
ES	Canarias	2007ES162PO011	warning letter for national part to be sent plus separate warning letter for intermediate body AENA	AENA February 2012
ES	Investigación, Desarrollo e innovación	2007ES16UPO001	1 pre-suspension letter (ENISA), warning letter INIA and 2 interruption letters CDTI, DGTTE	September, October 2011, February 2012
ES	Asistencia Técnica y Gobernanza	2007ES16UPO002	warning letter INIA	October 2011
ES	Economía basada en el Conocimiento	2007ES16UPO003	warning letter INIA	October 2011

Number of programmes with interruptions (full or partial) 20

Number of programmes warned or pre-suspended 23

Suspensions

Member State	Region - OP	CCI number	Current status	Suspension decision	Decision to lift the suspension
ES	Baleares	2007ES052PO005	Suspension decision	05/10/2011	No

Total suspensions decisions adopted in 2010

1

Total suspensions decisions adopted in 2011

1

Interruptions

Member State	Region - OP	CCI number	Current status	Interruption decision art. 91 (Reg. 1083/2006)	Payments resumed (date)	Suspension decision
ES	Baleares	2007ES052PO005	Closed	08/04/2010	01/09/2010	new suspension procedure started in 2011
ES	Navarra	2007ES052PO009	Closed	02/02/2011	11/08/2011	
ES	Pais Vasco	2007ES052PO010	Closed	07/05/2010	16/07/2010	
ES	Pais Vasco	2007ES052PO010	Pre-suspension letter	27/05/2011	No	te be closed, financial corrections pending
ES	Lucha contra la discriminacion	2007ES05UPO002	Reserve closed	06/05/2010	12/10/2010	
ES	Galicia	2007ES051PO002	Closed	14/04/2010	10/08/2010	
ES	Galicia	2007ES051PO004	Pre-suspension letter	10/02/2011	02/03/2012	
ES	Andalucia	2007ES051PO005	Closed	22/02/2011	30/12/2011	
ES	Adaptabilidad	2007ES05UPO001	Partial interruption Pre-suspension letter to be sent	24/02/2012	No	
ES	Cataluna	2007FR052PO002	Interruption and pre-suspension letter	28/02/2012	No	te be closed, financial corrections pending
ES	Lucha contra la discriminacion	2007ES05UPO002	Interruption	28/02/2012	No	te be closed, financial corrections pending
ES	Comunidad Valenciana	2007IT051PO002	Interruption and pre-suspension letter	06/03/2012	No	te be closed, financial corrections pending
ES	Adaptabilidad	2007ES05UPO001	Partial interruption	03/04/2012	No	

Total interruption decisions 2010

13

Total interruption decisions 2011

13

DG REGIO AAR 2010

**Spanish programmes, regions or intermediate bodies in reservation in 2010
and the actions taken by the Commission**

Reason for reservation	Action plans
Spain, part of all programmes affected by deficiencies in 13 intermediate bodies	
<p>In Spain all the tasks of the managing authorities have been delegated to 145 intermediate bodies and some intermediate bodies are involved in more than one programme. They are divided into national intermediate bodies which manage operations in all operational programmes and regional intermediate bodies.</p> <p>This reserve for Spain applies to 22 operational programmes. However, in practice, the reservation is linked to serious deficiencies in the management and control systems of 13 intermediate bodies which operate in all operational programmes. These deficiencies concern, for example, insufficient management verifications, high error rates resulting from audits of operation.</p> <p>List of intermediate bodies under reservation:</p> <ul style="list-style-type: none"> - DG Cooperación Local - DGI (Dirección General de Investigación) - Enisa - Ciudad Autónoma de Melilla - Xunta de Galicia - Gob. Cantabria - Gob. País Vasco (Diputación Foral de Bizkaia, Diputación Foral de Gipuzkoa, Diputación Foral de Alava, Azaro Fundazioa) - Gob. Navarra - Comunidad de Madrid - Gob. Balear - Gob. Aragón - C. Valenciana - Ayuntamiento Zaragoza <p>Given the number of intermediate bodies in the programmes, the systems are not always</p>	<p>The Member State has defined action plans to address the deficiencies detected. DG Regional Policy will monitor the implementation of these action plans during 2011, through targeted audit missions and follow-up reviews.</p> <p>There are three areas where DG Regional Policy will take further steps to resolve the issues: Melilla, Comunitat Valenciana and the Direccion General de Investigacion (DGI). DG Regional Policy will follow this up at the Annual Coordination Meeting and the monitoring committees as well as normal bilateral contacts with the national and regional authorities to communicate the importance of correcting the systemic problems and the irregularities and advise them on possible solutions.</p> <p>The majority of the follow up of the reserves will be carried out in the context of the monitoring of the work carried out by the regional and national auditors. Desk officers for the programmes affected by the problematic intermediate bodies will closely monitor and check progress made with remedial actions at national level during the monitoring committees and will report any information.</p>

Reason for reservation	Action plans
<p>clear and the lists of intermediate bodies in the programmes are indicative, which means that some intermediate bodies may be operating in programmes where they are not listed in the programming documents.</p> <p>In addition, in one programme (Melilla), the adverse opinion is due to the absence of evidence of any audit work.</p>	

DG REGIO AAR 2011

**Spanish programmes, regions or intermediate bodies in reservation in 2011
and the actions taken by the Commission**

Reservation for the entire programmes:

Member State	OP (ref)	OP (name)	Programme authorities with major systemic deficiencies (Key requirements category 3 and 4)	Annual reported error rate (2011 ACR)	Cumulative residual risk	Comment
(ES) Spain	2007ES161PO008	Programa Operativo FEDER de Andalucía	Managing Authority	5%-10%	2% - 5%	One regional IB Junta Andalucía ; in addition full reservation on the national part
	2007ES162PO002	Programa Operativo FEDER del País Vasco	Managing Authority	Unreliable	< 2%	All regional IB concerned, in addition full reservation on the national part

Reservation only for a sub-part of the programmes:

Member State	OP (ref)	OP (name)	Programme authorities with major systemic deficiencies (Key requirements category 3 and 4)	Annual reported error rate (2011 ACR)	Multiannual residual error rate	Comment
(ES) Spain	2007ES161PO001	Programa Operativo FEDER de la Región de Murcia	Managing Authority	< 2%	< 2%	Full reservation on the national part
	2007ES161PO002	Programa Operativo FEDER de Melilla	Managing Authority	< 2%	< 2%	Full reservation on the national part

2007ES161PO003	Programa Operativo FEDER de Ceuta	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES161PO004	Programa Operativo FEDER de Asturias	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES161PO005	Programa Operativo FEDER de Galicia	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES161PO006	Programa Operativo FEDER de Extremadura	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES161PO007	Programa Operativo FEDER de Castilla La Mancha	Managing Authority	2%-5%	< 2%	Full reservation on the national part
2007ES162PO001	Programa Operativo FEDER de Cantabria	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES162PO003	Programa Operativo FEDER de Navarra	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES162PO004	Programa Operativo FEDER de Madrid	Managing Authority	< 2%	2%-5%	Full reservation on the national part
2007ES162PO005	Programa Operativo FEDER de La Rioja	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES162PO006	Programa Operativo FEDER de Cataluña	Managing Authority	2%-5%	2%-5%	2 IB (AAC10, IFEM) ; in addition full reservation on the national part
2007ES162PO007	Programa Operativo FEDER de Baleares	Managing Authority	5%-10%	2%-5%	Reservation due to the residual risk for the regional part ; in addition full reservation on the national part
2007ES162PO008	Programa Operativo FEDER de Aragón	Managing Authority	2%-5%	< 2%	Full reservation on the national part
2007ES162PO009	Programa Operativo FEDER de Castilla y León	Managing Authority	2%-5%	< 2%	Full reservation on the national part
2007ES162PO010	Programa Operativo FEDER de la Comunidad Valenciana	Managing Authority	> 10%	> 10%	2 regional IB under reservation (AVT, IMPIVA); in addition full reservation on the national part
2007ES162PO011	Programa Operativo FEDER de Canarias	Managing Authority	< 2%	< 2%	Full reservation on the national part
2007ES16UPO001	Programa Operativo FEDER de Investigación, Desarrollo e innovación por y para el beneficio e las empresas		2%-5%	< 2%	2 IB under reservation (DG Transferencia de Techno, CDTI); in addition full reservation on the national part

	2007ES16UPO002	Programa Operativo FEDER de Asistencia Técnica y Gobernanza		2%-5%	< 2%	one IB INIA already under reservation (2011 warning letter); in addition another IB under reservation (AENA)
	2007ES16UPO003	Programa Operativo FEDER de Economía basada en el Conocimiento		2%-5%	< 2%	one IB INIA already under reservation (2011 warning letter)

Targeted action plan to remedy the most significant deficiencies

Spain / National and regional intermediate bodies+ national part of 19 regional OPs	Audit actions	<ul style="list-style-type: none"> - Validation of national ad-hoc action plans (INIA, AENA, IFEM&ACCIO, IMPIVA&AVT, DGGTDE). - Audits on the spot will be carried to follow-up these interruptions or warning letters - Follow-up of interruption letter sent through a mission on the spot on the control body País Vasco which did not comply with the legal requirements and whose control were not finalised at the moment of the ACR. An interruption letter was already sent - Validation of the analysis to be made by the AA on the programmes or intermediate bodies with error rates above materiality level reported in the ACR(national part of 19 regional OPs, CDTI, Andalucía, Ayto de Huesca) - An annual coordination meeting with the Spanish audit authority will take place in 2012 to discuss on audit coordination including follow-up of action plans.
	Operational actions	<ul style="list-style-type: none"> - Warning letters for 3 IBs (INIA, AENA, municipality of Huesca) - Interruption letters for 7 IBs (Regional government of Andalucía, Regional Government of País Vasco, Regional government of Baleares, Regional government of Cataluña (two bodies, i.e. IFEM & ACCIO), OP 'Technology Fund [DGTI, DGGTDE]) + one interruption letter for national part of 19 regional OPs - Pre-suspension letter for Regional Government of Comunidad Valenciana (2 bodies, i.e. IMPIVA & AVT) - Follow up of action plans already implemented (INIA and AENA) or under way for the other IBs, in particular two research intermediate bodies (DGTI, DGGTDE) - Formal request to withdraw all irregular operations during monitoring meetings with the MA/CA and report on corrections made as appropriate - Formal request to the CA to continue providing information on the breakdown of intermediate body expenditure in payment claims

ESF and YOUTH EMPLOYMENT in SPAIN

A. INTRODUCTION

The informal European Council held on 30 January 2012 agreed to establish urgent measures to reduce youth unemployment aggravated by the crisis and set that each Member State would redirect uncommitted resources from the Structural Funds of the current programming period to develop a Youth Employment Plan. Furthermore, in the case of Spain (and the other 7 countries where youth unemployment is above the European average) a Task Force¹ was created for the preparation of this Plan, with representation from government, various ministries and the European Commission.

As regards ESF, the objective of the Plan would be to set the framework to accelerate and reinforce implementation of the appropriate actions and develop new intervention approaches where necessary.

B. NATURE AND SCOPE OF THE CHALLENGE

The high youth unemployment in Spain (49.6% in the last quarter of 2011) is rooted in significant educational system and labour market weaknesses (non -exhaustive list):

- Very high and persistent early school leaving rates (although subject to important differences among regions) (28.4% in 2010, 26.3% in 2011). Although the early school leaving phenomenon in Spain has proven not to be linked to the economic cycles, the effects of the economic crisis are visible in the evolution of ESL rates in the last months. Active labour market policies are especially important for young people leaving school before completing upper secondary education, with little specific training, lack of experience and its lowest rate of coverage of unemployment benefits.

- Polarization and educational mismatch: Spain shows a high rate of unemployment (and underemployment) among people with tertiary studies.

- Labour market segmentation: the Spanish youth labour market is characterized by high rates of (involuntary) temporary and part-time employment. This entails an increased

¹ Please see conclusions of the YOI action group for Spain.

incidence of the vicious circle of temporality - unemployment - limited opportunities for training for the young too.

Context data

Unemployment rates by age (2011 –Q4)

16-19	5.25%
20-24	34.24%
25-29	72.29%
30-34	70.01%

Unemployment rates by educational level (2011-Q4)

No education	49.75%
Primary education	34.29%
Secondary education (1st step)	28.80%
Secondary education (2nd step)	22.68%
Tertiary education	13.65%

C. ESF RESPONSE

Non- allocated funds (slide of the President to the European Council of 30 January):

ESF €2.712m (latest figure €2.200m); ERDF/CF €8.000 m-

Total unallocated: 10.712m - 31% of total funds.

(i) Actions already taken

In the current programming framework, all Spanish operational programmes include a series of both general and specific actions that have benefited young people.

Up to the end of 2011, a total of 3.042.646 young persons² (of which 1.609.729 young women) have benefited of actions co-financed by the ESF in Spain. The operational programme *Adaptabilidad y Empleo* accounted for 1.117.754 young beneficiaries, and, among the regional programmes, it is worth to note that Andalucía benefited 1.345.393 young beneficiaries. These actions mounted to EUR 2.393.245.179, 85.

Among priorities, priority axes 2 (Employability, social inclusion and equal opportunities) and 3 (Human capital development) is the one who dedicated most resources for young people and counted for the biggest number of young beneficiaries. Actions co-financed under this priority axis focus on two important specific measures for young people: Initial Vocational Training Program and prevention of school dropout.

Specific actions under priority axes 2 and 3 include scholarships and training grants in enterprises, support measures for the return of young qualified people to rural areas, training activities, training for unemployed, pathways to integration, guidance and advice activities, and, in general, actions to improve employability (including support to self-employment and entrepreneurship). The Public Employment Service manages two specific actions for young people, also co-financed by the ESF: the School- Workshops and employment aid (permanent hiring incentives). Finally, it is also worth noting that the multiobjective operational programme *Lucha contra la Discriminación* finances specific actions for young people belonging to groups facing greater difficulties in entering the labour market.

(ii) Actions planned (2012-2015)

Spain is currently examining a reallocation of ESF financing to support public employment services to develop active labour market policies including for young people.

A number of regional OPs are eventually to be reprogrammed too to focus on early school leavers and vocational training.

For the remaining years of the current programming period, the bulk of the planned implementation is located in priority Axis 2 (employability, social inclusion and equal opportunities), managed by the Public Employment Service and the Autonomous Communities.

² Data provided by the UAFSE, ESF Managing Authority for Spain

It is expected to continue with the implementation of most of the actions that are currently being developed: School workshops, scholarships and training grants in enterprises, training contracts, training actions, pathways to integration, guidance and counseling, support to employability actions.

Moreover, Spain is currently analyzing the possibility of including some **new actions** in the national programme *Adaptabilidad y Empleo* in line with the labor market reform of February 2012 (hiring incentives – permanent contracts for young people; and support to training and apprenticeships contracts).

Under the national programme *Lucha contra la Discriminación*, other new activities that would be launched include a new program for unemployed low or unskilled young people with disabilities and lack of training; horizontal pathways for integration to be integrally developed in enterprises and a new project with young women that emphasizes learning in the workplace. Some regions are also currently analyzing the possibility of introducing new actions in relation to youth employability.

Forecast ESF measures youth employment, 2012-2015.

Priority axes and expenditure categories	Financial allocation foreseen up to the end of the programming period - Youth				Forecast beneficiaries ³		
	TOTAL ESF OPs	O.P. Adaptability and Employment	O.P. Fight against Discrimination	Regional OPs	Total nr. Young people	Total nr. women	Total nr. men
SUBTOTAL E.C. 62	41.741.443,50	reprogramming		41.741.443,50	57.936	39.146	18.790
SUBTOTAL E.C. 63	41.579.590,40			41.579.590,40	11.102	6.366	4.736
SUBTOTAL E.C. 64	2.828.598,00			2.828.598,00	227	64	163
SUBTOTAL E.C. 68	36.745.166,29			36.745.166,29	4.548	2.688	1.860
TOTAL AXIS 1	122.894.798,19	reprogramming		122.894.798,19	73.813	48.264	25.549
SUBTOTAL E.C. 65	33.322,00			33.322,00	10	5	5
SUBTOTAL E.C. 66	664.630.803,68	477.264.688,37	2.149.643,20	185.216.472,11	1.377.761	703.873	672.390
SUBTOTAL E.C. 69	10.867.210,84		5.013.209,38	5.854.001,46	10.278	9.851	427
SUBTOTAL E.C. 70	14.796.447,81		6.932.162,81	7.864.285,00	41.787	20.314	21.473
SUBTOTAL E.C. 71	79.451.774,82		24.215.911,74	55.235.863,08	28.905	13.783	15.122
SUBTOTAL E.C. 80	73.361.348,91	73.361.348,91		--	12.183	48	44
TOTAL AXIS 2	846.740.908,05	550.626.037,28	38.310.927,13	257.803.943,65	1.470.924	747.874	709.461
SUBTOTAL E.C. 72	261.878.201,00	reprogramming		258.278.201,00	548.168	279.164	269.004
SUBTOTAL E.C. 73	349.603.434,94	reprogramming		349.603.434,94	925.401	409.840	515.563
SUBTOTAL E.C. 74	64.139.910,78	reprogramming		64.139.910,78	4.378	2.351	2.027
TOTAL AXIS 3	672.021.546,72	reprogramming		672.021.546,72	1.477.947	691.355	786.594
SUBTOTAL T.P. 80	1.743.977,00			1.743.977,00	1.474	725	749
TOTAL AXIS 4	1.743.977,00			1.743.977,00	1.474	725	749
TOTALS	1.643.401.229,96€	reprogramming	38.310.927,13€	1.054.464.265,56€	3.120.077	1.488.218	1.522.353

³ Note that the young beneficiaries data has not always been provided disaggregated by gender in all OPs. Thus, the total doesn't correspond to the addition of "young women" and young men".

Spain: CIP figures

EEN	2007-2010	22.553.168
Innovation	2009	963.597
ecoinnovation	2009-2010	12.543.567
others	2007-2010	9.665.273
		45.725.605

EIP	2007-2010	45.725.605
ICT-PSP	2007-2010	14.698.194
IEE	2007-2010	35.677.799

96.101.598

4. Project fiches



Fact-finding delegation of the Committee on Budgetary Control to SPAIN

PROGRAMME of 20 April

Project: Descontaminación de suelos en las parcelas 138-139, 002 y tramo 2 del jardín del Turia en el PAU de la Avda. de Francia de Valencia

Description: the project consisted in carrying out the works of decontamination of the fields in the plots 138-139 and stretch 2 of the Turia garden considered in the Urban Action Plan of the Avenida de Francia in the city of Valencia.

The goal of the project is the recovery of the soil that was polluted by heavy metals and fuel.

To achieve the recovery of the soil it was carried out an inertisation and solidification treatment in an external treatment plan for dangerous wastes.

The works have been carried out according to the Decision 2003/33/CE establishing the criteria and procedure of admissibility for wastes in landfills according to art. 16 and annex II of the Directive 1999/31/CE.

The works consisted in:

-Preparation of the terrain where the works were going to take place, fence, and clearing of underbrush (more than 230 000 m2).

-After the needed analysis, the excavation was made till the polluted soil was reached.

-According to the level of pollution of the terrains where the works were going to take place, therefore, according to its different characterization as a waste, each waste was transferred to the proper premises: if it qualified whether as hazardous wastes or not, they were transferred to the right external treatment plant or to the proper landfill for that kind of wastes.

During the process, 102 993, 12 Tons of material were removed to the treatment plant, and 381 446, 76 Tons were removed to a non-hazardous landfill.

In addition, 64 224, 41 Tons of inert wastes were transferred to an inert wastes landfill. Finally, the dig was fulfilled with material.

There is no difference between the planned works and the works done.

After the Decision CE (2011) 9990 final the aid to the Project was reduced by EUR 7 757 675.20, and therefore:

Total cost of the project stated in the Decision: EUR 17.783.184

Cohesion funds: EUR 14.226.547,2 (80% 17.783.184€)

Final cost of the project: EUR 28 297 304.

Cofunding: 80%

For any further information, please contact:

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Fact-finding delegation of the Committee on Budgetary Control to SPAIN

PROGRAMME of 20 April

Project: “Investigación en materiales y procesos ecológicos en el sector de la automoción y medios de transporte: PROYECTO BIOCAR”

Description: the Project consists in carrying out a study on new materials and ecological processes related to the auto motion sector and the perception of those among the public.

The objectives of the study are:

- Optimisation of processes from an energy efficiency point of view.
- Industrial research for the application of new plastic materials.
- Industrial research for high resistance new metallic materials (Steel, titanium alloy, and magnesium) as well as its processing technology.
- Research on the model of perceived quality by the user about the components made with the developed materials as a compulsory validation criterion.
- Investigación en el modelo de calidad percibida por el usuario en las piezas fabricadas con los materiales desarrollados como un criterio de validación indispensable.

Additional information: the total expenditure stated in the payment claim nº 1 to the EC, dated of 30th September 2009, was EUR 527 186, 56 of eligible expenditure. The aid of the project is EUR 422 549, 25.

Afterwards, an expenditure correction took place (Later, there was an expenditure rectification later (20th June 2011) for an amount of EUR 39 998 and therefore the aid was lowered.

Thus the net expenditure of the project is: EUR 488 188, 56 of eligible expenditure, which means an aid of EUR 390 550, 84.

For any further information, please contact:

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5. Closed OLAF cases: ERDF, Cohesion Fund & ESF



Regio internal ID	Member State	OLAF ID	Programme concerned or case title*	Status	Comments
152	ES	n/a	97.11.61.004 Extremadura	Closed	No financial impact
185	ES	OF/2004/0068	94.11.09.008 Extremadura	Closed	No financial impact
194	ES	OF/2005/0182	Cataluña	Closed	No financial impact
207	ES	OF/2005/0566	INSULA Canaries	Closed	No financial impact
232	ES	OF/2004/0589	Cataluña obj 2	Closed	No financial impact
279	ES	OF/2005/0045	n/a	Closed	No financial impact
280	ES	OF/2005/0048	2000ES161PO016	Closed	Closed with financial impact
286	ES	OF/2007/0317	Murcia	Closed	No financial impact
287	ES	IU/1996/4010	TGV Espagne	Closed	No financial impact
299	ES	n/a	2000ES161PO014	Closed	No financial impact

315	ES	OF/2005/0187	Programme accessibilité 2001-03	Closed	No financial impact
317	ES	OF/2007/0857	2000ES161PO009	Closed	No financial impact
326	ES	OF/2006/0087	PRODER 1994-99 and Leader+ 2000-2006	Closed	Closed without financial impact.
330	ES	OF/2006/0511	2000ES161PO003	Closed	Closed with financial impact
418	ES	OF/2008/0718	ESF/ERDF -Ecologists in action	Closed	No financial impact
421	ES	OF/2008/0159	2000ES161PO014	Closed	No financial impact
422	ES	OF/2008/0385	Betancuria	Closed	Non case decided 18/2/2009. No financial impact.
444	ES	OF/2005/0570	LEADER Spain, PO Andalucia	Closed	Closed without any financial follow-up recommended by OLAF
458	ES	OF/2009/0331	Zamora	Closed	Non case. Note 5834 of 22/6/2010. No financial impact.
481	ES	OF/2009/0405	Salamanca, acoustic wall	Closed	Non case 27/10/2009. No financial impact
503	ES	OF/2008/0519	LEADER	Closed	Non case. No financial impact

514	ES	OF/2008/0281	Camino del Pinot Houses	Closed	Non case 26/6/2008. No financial impact
536	ES	OF/2009/0869	Ebro	Closed	Non-case decided on 27/5/2010. No financial impact
537	ES	OF/2009/0915	Modernisation of Regantes del bajo Guadalquivir	Closed	Non-case decided on 27/4/2010. No financial impact.
538	ES	OF/2009/0937	Complaint on funding	Closed	OLAF closed 16/7/2010. No financial impact .
587	ES	n/a	TIC and EDUCATION	Closed	Non case. Note 6803 of 19/7/2010. No financial impact.
601	ES	OF/2010/0132	2007ES162PO011	Closed	Non case decided July 2011. No financial impact
631	ES	OF/2010/0520	Water system Orduña	Closed	Non case. Note ARES(2011)1037516 of 30/9/2011. No financial impact.
634	ES	OF/2010/0254	Analicia hotels	Closed	Non case. Note 1383 of 28/2/2011 from OLAFB4. No financial impact.
663	ES	OF/2010/0024	Galicia 2000-2006: SOGAMA - elimination of s	Closed	Non case. Note ARES(2011)1037432 of 30/9/2011. No financial impact.
727	ES	OF/2010/0937	Equipamiento del centro de recepcion visitantes	Closed	Non case. Note ARES(2011)1120041 of 20/10/2011. No financial impact.
728	ES	OF/2011/0027	Plagiarised study	Closed	Non case. Note ARES(2011)1090204 of 13/10/2011. No financial impact.

768	ES	OF/2011/0088	URBAN Coruna	Closed	Non case. Note ARES(2011)1073414 of 10/10/2011. No financial impact.
784	ES	OF/2011/0080	Temporary posts	Closed	Non-case decided June 2011. No financial impact.
845	ES	OF/2011/506	ERDF/ESF - Memta Cervaem Omega	Closed	Non case. Note ARES2011 1404035 (Thor 30748 of 22/12/2011). No financial impact.
878	ES	OF/2012/0079	Jaen Watering project	Closed	Non case. Note 9355 of 18/4/2012 from OLAF. No financial impact.

* The ID of the programme can be provided on request (to be noted though that there is no financial impact regarding the cases)

EMPL ID	DATE	TITRE	PAYS	Type gestion	Etat dossier	N° PCS	OLAF ID	N° AREP	Nature
88	38552	Fondos de formation Baix Llobregat	ES	FSE	Clôturé + suivi DG EMPL	940311ES3-940323ES3-970233ES2	OF/2005/0299	947	27/01/2012: Case closed by OLAF.
110	11-Apr-06	SEMINAR/Iniciativa Empresarial_Formación continua	ES	FSE	Clôturé + suivi DG EMPL	2000ES053PO311 2000ES053PO311- 2000ES051PO015	OF/2007/0758		13/12/2011: Case closed by OLAF.
131	17-Jan-07	formation Jaen et Granada (ESF-SP-Jaén & Granada)	ES	FSE	Clôturé + suivi judiciaire	2000ES051PO015	OI/2007/0063		21/03/2011: Olaf demande d'être informé de la réponse des autorités de gestion afin qu'il puisse actualiser le suivi administratif de ce dossier. (Desk en Cc.)
166	05-Jun-08	Iniciativa Empresarial y Formación Continua	ES	FSE	Clôturé + suivi DG EMPL	2000ES051PO015	OF/2006/0134	1241	13/12/2011: Case closed by OLAF.
167	05-Jun-08	Grup Catalã de Seguretat / Bufalvent	ES	FSE	Clôturé + suivi DG EMPL	2000ES053PO313 / 2000ES162DO004	OF/2006/0584	1242	13/12/2011: Case closed by OLAF.
194	09-Jan-09	SP Centro de profesoras	ES	FSE	Clôturé + suivi DG EMPL	2000ES161PO010	OF/2006/0694	946	13/12/2011: Case closed by OLAF.
358	01-Feb-11	Entrepreneurs de la province de Cadiz (Andalousie)	ES	FSE	Clôturé + suivi DG EMPL	2000ES161PO003- 2007ES051PO005	OF/2010/0112		13/12/2011: Case closed by OLAF.
393	08-Dec-11	Consejeria Empleo Junta de Andalucia	ES	FSE	Clôturé + suivi DG EMPL		OF/2011/0149		24/11/2011: Olaf/B4 nous informe de ce cas qu'il a décidé de classer sans suites. Néanmoins, l'Office estime que la DG EMPL est mieux placée pour traiter cette question dans le cadre des audits des procédures de gestion des Etats membres.

EMPL ID	DATE	TITRE	PAYS	Type gestion	Etat dossier	N° PCS	OLAF ID	N° AREP	Nature
399	30-Jan-12	Academia privada ESCUL de Valladolid	ES	FSE	Clôturé + suivi DG EMPL		OF/2011/0634		25/01/2012: OLAF/B4 nous informe de ce cas qu'il a décidé de classer sans suites. Néanmoins, l'Office estime que ce cas nécessite un suivi de la part de la DG EMPL.
405	05-Mar-12	ESF Operative Program Andalucia / Training course FPO	ES	FSE	Clôturé + suivi DG EMPL	2007ES051PO005	OF/2012/0175		05/03/2012: OLAF.01 nous informe de ce cas qu'il a décidé de clôturer en demandant le suivi par la DG EMPL. Cas attribué à EMPL/E4 via ARES.

6. Information on ongoing OLAF cases



Information from OLAF for CONT's delegation to Spain

SPAIN – STRUCTURAL FUND CASES.

23 CASES IN TOTAL

14 INVESTIGATION CASES (which OLAF conducts/investigates directly itself)

- 8 European Regional Development Fund (ERDF) cases
- 4 European Social Fund (ESF) cases
- 2 Cohesion Funds (CF) cases

9 CO-ORDINATION CASES (which OLAF manages in partnership with the National and/or Commission services concerned)

- 5 ESF
- 2 CF
- 1 ERDF
- 1 Agri Rural Development case

Whilst all of these cases are important, two of the Investigations involve potentially very large amounts of EU funding.

However, as all such OLAF cases are ongoing, OLAF cannot comment further on them at this stage.

Situation on 23 May 2012

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7. Short presentation of OHIM



Short presentation of OHIM¹

(Office of Harmonization for the Internal Market)

Institutional information

OHIM is a non-profit-making European agency. Based in Alicante in Spain, the Office's investment in e-Business tools allows us to work with companies from all over the world via the Internet. OHIM has around 700 staff and an annual income of over €180m.

Mission

The mission of the Office is to manage the Community Trade Mark and Community Design registration systems. In order to do so, the Office carries out examination, registration, opposition and cancellation procedures for Community Trade Marks and examination, registration and invalidity procedures for registered Community Designs. All decisions adversely affecting a party to proceedings can be appealed before the Boards of Appeal of the Office. The Office keeps public registers of these rights and procedures. It shares the task of issuing decisions on requests for invalidity or revocation of registered rights with the Courts of the EU Member States.

The Office engages in cooperation and harmonization activities with National Offices in the EU, as well as with major IP offices outside the EU, including its partners in the Trilateral, and the WIPO. The Office also maintains close contacts with major user organisations, several of which have observer status at the administrative bodies of the Office. The ultimate aim of all those activities is to benefit users of the CTM and of national trade mark systems by fostering convergence among the offices, both in terms of IP practices and tools.

In fulfilling its role, the Office must be a quality-focused, productive, agile, user-friendly, accessible, efficient and cost-effective organisation.

Organisation

As a European agency, OHIM is supervised by the European Commission, but has legal, administrative and financial autonomy. The Council of Ministers decides on the appointment of the President, the Vice President, and the President and Chairs of the Boards of Appeal. The President is responsible for the running of the Office and there is also an Administrative Board and a Budget Committee each composed of one representative from each Member State and one representative from the European Commission.

Implementing the Strategic Plan

OHIM's Strategic Plan for 2011-2015 has two broad themes or pillars – organisational excellence and international cooperation - and six major lines of action supporting three cumulative goals. The

¹ source: OHIM webpage: <http://oami.europa.eu>

first goal is to build a strong, vibrant and creative organisation; the second to increase quality and optimise timeliness; and the third to promote convergence of practice.

The lines of action deal with matters such as our staff policy, our infrastructure and Information Technology needs, and a very detailed new approach to quality. Two action lines deal with the creation of an IP Academy and a European Trade Mark and Design Network to facilitate the convergence of practice which is necessary for the national and Community IP systems to work in harmony as they should.

To ensure that OHIM obtains the expected results from the strategic plan, the Office has developed a strategy implementation framework. This focuses on translating the strategic plan into operational terms, ensuring the implementation of the six lines of action and tracking the progress. Under the management reorganisation a new horizontal service – the Portfolio and Quality Management Service – was created with the job of keeping the execution of the strategy on track. This service is responsible for monitoring and following-up the plan's implementation and leading the continuous improvement of the Office's internal processes.

First of all, we have a "Strategy Map" which takes as a starting point the three goals in the Strategic Plan and develops them into 20 objectives organised according to different perspectives of the organisation.

These perspectives are "Stakeholders", "Internal Processes", "Resources & Knowledge" and "Financial". This exercise allows us to highlight the areas where the strategic effort should be focused on and will facilitate measuring the results and the communication of the OHIM strategy, both to external partners and to staff.

Building on this "Strategy Map" we are implementing the strategic plan through a "Programme Management Model". In order to ensure the implementation of the Six Lines of Action defined in the Strategic Plan, the Office has launched seven programmes, each containing several projects. The Office has defined a common methodology to manage and plan the programmes and projects, establish their governance and measure the benefits.

Progress will be tracked using a "Balanced Scorecard" methodology, which defines specific goals down to the micro-level, helping us identify what we need do and what we should be measuring as well as providing a framework of performance measurements.

Hence, the Office has selected and defined indicators that will closely measure the accomplishment of strategic objectives and will set milestones for each of them to set the performance level required.

The Balanced Scorecard gives an overall view of the Office's performance in figures, facilitating the decision-making process and complementing the current monitoring system of the Office.

Accounting procedures

The annual accounts of the Office for Harmonization in the Internal Market include:

- **the financial statements of the Office (balance sheet, economic outturn account, cash-flow table, statement of changes in capital)**
- **reports on the implementation of the Office's budget**

The financial statements give a financial summary of the state of affairs of the Office over the course of the year. The balance sheet and the economic outturn account represent assets and liabilities together with the financial situation as it stands on 31 December. The cash-flow table shows treasury movements, amounts collected and disbursed during the year and the final treasury position. The statement of changes in capital presents in detail the changes that have taken place during the year in each item of the capital accounts.

The **budget implementation report** sets out budgetary operations for the year in terms of revenue and expenditure, and is accompanied by the tables showing figures at the closure of the year with regard to the expenditure, revenue and carryovers.

In accordance with the Financial Regulation CB-3-09 of OHIM, the Accounting Officer of the Office must, by 1 March of the following year, draw up the provisional accounts. By 1 July, the President of the Office has to present them to the Budget Committee and the Court of Auditors. They are also sent for information to the European Parliament, the Council of the European Union and the European Commission. At the end of the process the accounts are published in the joint publication of annual accounts in the Official Journal of the European Union. The annual accounts of OHIM must comply with the relevant rules and be accurate, comprehensive and present a true and fair view. They are drawn up in accordance with generally accepted accounting principles.

Performance Overview

During 2011, in spite of the continued strong growth in Community trade mark and design applications, the Office continued to perform well with regard to most timeliness objectives, and to build on the previous progress made.

In September, the Office received the one millionth CTM application, and during the year the number of trade marks and designs received reached new record levels, in spite of the general economic problems.

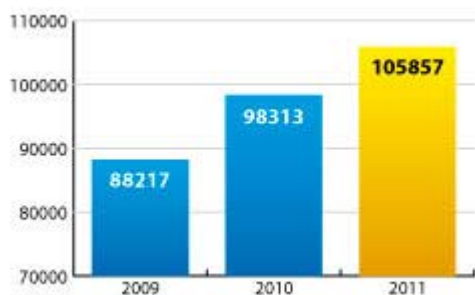
The Boards of Appeal saw a further increase in the number of appeals filed and both closed more cases and made more decisions than the previous year.

On e-Business, CTM e-filing continued to be the preferred route for users, and RCD e-filing continued to grow in popularity.

Trade Marks

By the end of 2011, just under 106,000 applications had been received, with Madrid Protocol applications representing 16% of the total.

This was 6% more than the Work Programme estimate and 7.7% up on the previous year.

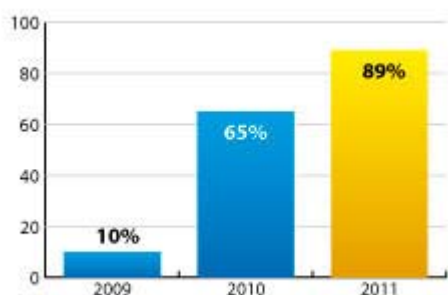


CTM applications (2008-2011)

In view of the progress on timeliness in 2010, the Service Charter standards for the publication and registration of CTMs were reduced by one week to 10 weeks and 25 weeks respectively. In spite of the steady increase in applications, processing times were maintained or improved. By the end of 2011, 98% of CTM applications for straightforward files (not experiencing opposition or appeal) were being published and 99% were being registered within the new standard times.

With regard to oppositions, just over 17,000 were received, which is about 800 fewer than in 2010. Around 6,300 opposition decisions were made which, given the improved situation with regard to pending stock and timeliness means that the Office is now working in the steady state regime.

The target time to notify opposition decisions within 10 weeks of the end of the adversarial proceedings was being met in 89% of cases during the final quarter, maintaining the substantial improvements compared with the previous year, when the target time was 17 weeks.

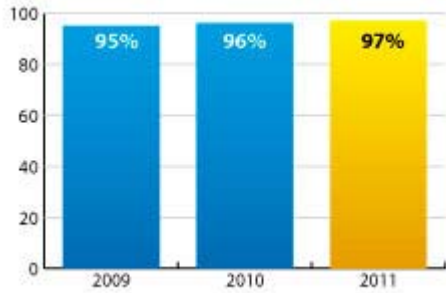


Opposition decisions within 10 weeks (%)

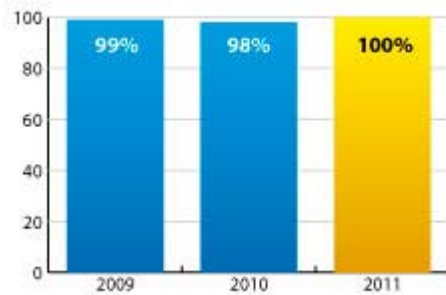
*preliminary

However, further work is needed on the quality of opposition decisions. During the final two quarters approximately 88% of decisions met the quality standard which was still far from the target of 95%.

The quality of our decisions on trade mark classification and on absolute grounds, on the other hand, was generally met or exceeded during last year.



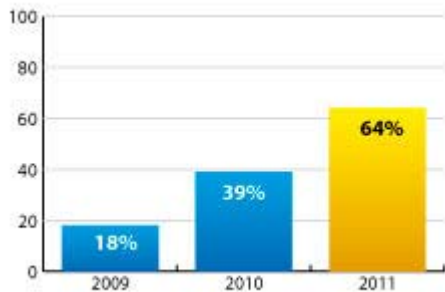
Decisions on classification complying with OHIM quality standards



Decisions on absolute grounds complying with OHIM quality standards

During 2011 we continued to receive increased numbers of CTM cancellations. Just under 1 100 cancellations were filed, which is almost 150 more than last year and 40% up on the number we received in 2009. The rise is broadly in line with the increased number of registrations during this period, and the Office also settled 986 cancellations, which is 36% more than in 2010.

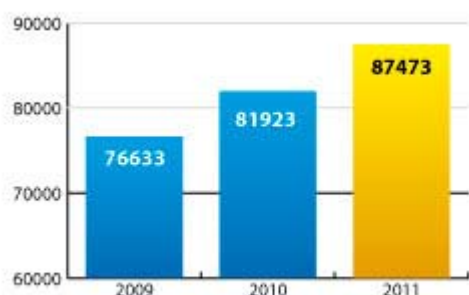
During the year, a special team was put in place to tackle the backlog in cancellation decisions. In the final quarter 64% of files were complying with the new standard to notify the decision within 22 weeks of the end of the adversarial part of the proceedings, compared with just 12% in the first quarter. The Office intends to continue to make progress and will be reducing the target time to 16 weeks for 2012.



Cancellation decisions within 22 weeks (%)

Designs

The number of registered Community designs received grew overall by 7% to just over 87,000. Both direct filings and international applications increased, but the rate of growth of IAs, while still robust at 25%, was lower than in recent years.



Designs received (inc. International Apps)

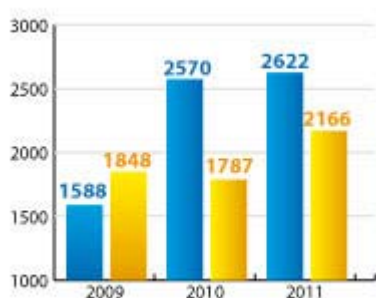
With regard to timeliness for designs, the Office met the new design objectives for the Office “first action” within 10 working days in case of files with problems in 99% of cases (target 80%). The new standard for RCD “fast-track” registration within two working days for files meeting some simple application criteria was also met 99% (on target). For non fast-tracked files, provided no user interaction was required, the target of registration within 10 working days was met in 97% of cases in the final quarter.

Turning to RCD invalidity requests, while only a relatively small proportion of designs attract invalidity applications the Office has been experiencing a rising trend. Over 340 RCD invalidity applications were received, which is which was 80% more than the Work Programme estimate. In spite of this increase, by the end of the year the new standard for notifying design invalidity decisions within 10 weeks was met in 91% of cases compared with just 79% in the first quarter.

Appeals

The Boards of Appeal saw another increase in the number of appeals filed during 2011. A total of 2,622 appeals were received, which was a 2% rise compared with the previous year, but 65% more than in 2009.

The Boards made 2,166 decisions and 2, 202 appeals were closed – in both cases these figures were over 20% higher than in 2010. By the year end, 90% of inter partes were being notified within six months (target 80%) and 89% of ex parte decisions within the same period (target 90%).



Received

Decisions

Appeals Received Versus Decisions Made

The year saw a rise of six the number of cases filed at the General Court to 212 and at the Court of Justice the number of cases filed went up from 31 to 40. Meanwhile, with regard to decisions made by the Luxembourg courts during the year, the original OHIM decision was upheld in about 80% of cases.

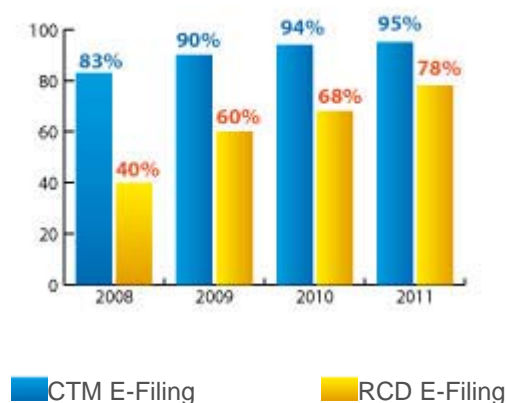
During 2011 a new Mediation Service was introduced as an alternative to appeals decisions before the Boards of Appeal. The service is staffed by a number of experienced experts from OHIM who have undertaken specialist mediation training.

Mediation is a new departure for the Office and the initial reaction from users has been positive. While initially Mediation is limited to appeals cases the Office is open-minded about the possibility that in future it could be extended to other appropriate inter partes disputes.

E-Business

The majority of OHIM's exchanges with customers now take place electronically and the Office is continuing to invest in user-friendly tools for customers and more efficient file handling behind the scenes.

By the end of the year CTM e-filing accounted for 95% of filings, excluding filings under the Madrid Protocol. For RCDs, e-filing reached 78% of the total; and 34% of oppositions against CTM applications were being received electronically. In addition, the proportion of fees paid by credit card rose to over 17% compared with 14% the previous year.



The Office is committed to creating and maintaining world-class e-Business tools, both for our own use and to share with our partners in national IP offices in EU member states (see separate report on the Cooperation Fund).

**Design “fast-track” conditions are – Must have (1) OHIM current account. (2) Use e-filing. (3) Either no priority claim or priority documents attached (4) Use Eurolocarno for product designation and classification. (5) Owner and Rep. must use pre-existing OHIM ID number in application.*

The Register

OHIM's Register contains details of around 450,000 owners and 46,000 representatives, with numbers growing every year. During 2011, significant progress was made in dealing with thousands of Recordals which were never published for technical reasons and removing double entries in the owners' database. Identical double entries were eliminated and requests were sent to owners and representatives to clarify whether entries with minor differences were distinct or not. These “cleaning actions” have become a daily task for the Owners and Representatives team, especially since the direct integration of CTM owners' data via e-filing, which has resulted in an increased number of errors. The team is working in close cooperation with colleagues in IT to define how our users should best insert their data to avoid such problems in future.

In addition to the work to clean up our Recordals we have also been improving the quality of seniorities - this time as part of a Cooperation Fund project involving 11 national offices. Under the Seniorities Project we corrected over 23 000 seniority claims in the Register and verified the remainder.

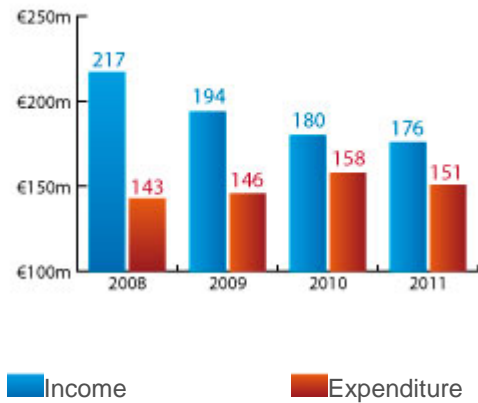
By the year end, out of a total of over 75 000 marks provided by the 11 national offices, more than 98% coincided with the data in the OHIM Register. We are including the cleaning of WIPO seniority data and several non-implementing offices in this project. As a result we also have ongoing quality checks of newly created seniorities.

Improved examination working methods were introduced in Recordals and during the final quarter, 97% of transfers and 99% of inspection of file requests were dealt with inside 14 days and all new cases were being treated within a maximum of 48 hours.

As a result of the work done in the Register in the second half of the year, a non-conformity with ISO 9001 certification for designs, which was raised the previous year, was eliminated and the re-certification process went smoothly.

Resources & Infrastructure

Despite the growth in applications, Income in 2011 reached €176m, which was slightly lower than the previous year. Expenditure was also lower at €151m, with staff (€73m), IT (€22m), translations (€17m) and cooperation activities (€7m) among the main expenditure headings.



Income and Expenditure (2007-2010)

Staff

OHIM's staff comes from all over the EU and includes many highly-qualified individuals drawn to Alicante in Spain by the prospect of working for one of the world's leading IP offices.

In 2011 the Office had a total of 730 staff made up of permanent or temporary civil servants and some employment agency workers. In addition, hundreds more jobs are maintained in companies providing support functions.

During the year the office implemented a comprehensive reorganisation, moving to a structure of five large Departments and five horizontal services, with the Boards of Appeal maintained as before.

The new Departments, each of which has a number of services, are:

Operations - responsible for all substantive CTM and RCD procedures, and dealing with the quality of decisions.

Operations Support - managing logistics and fees, the Register and providing information on CTMs and RCDs.

International Cooperation and Legal Affairs - in charge of cooperation programmes and institutional relations as well as litigation and legal practice.

Infrastructure (under the responsibility of the Vice President) - taking care of IT, buildings and other matters.

Resources - taking charge of all activities and operations related to Finance, Procurement, and Human Resources.

In addition to these departments, the Cabinet has five horizontal services, which are responsible for the IP Academy, Communication, Economics and Statistics, Internal Audit, and Portfolio and Quality Management.

One of the goals of the strategic plan is to build a strong, vibrant and creative organisation, capable of taking a leading role in the IP world as a true organisation of excellence.

OHIM's HR policies are focused on delivering a performance-driven organisation that both motivates and rewards staff, with excellent arrangements for ensuring gender and work-life balance, and opportunities for staff development.

With the creation of the Academy, which has taken charge of staff development and knowledge sharing with other stakeholders, OHIM has reinforced its commitment to investing in people.

With regard to work-life balance, the Office operates a flexible working time policy and also has around 140 teleworkers.

In addition, under the strategic plan a target was set to increase the female representation in management to 30%. As part of the new appointments accompanying the reorganisation, the number of women members of the Extended Management Advisory Committee moved from 4 to 13, which is three times as many as before and represents 34% of the total.

Infrastructure

The Office moved into the current purpose-built main office building during 2000 and has also rented additional space in a nearby building since 2004.

With the passage of time and development of the Office's work, the main building needed to be upgraded to provide additional space and better offices, with improved heating, ventilation, air conditioning and lighting. There was also a requirement for more flexible training and conference facilities.

Refurbishment work started during 2010 and continued in phases throughout 2011. Some of the main changes include the conversion of the two basement floors into offices, the creation of a training centre on the ground floor and the re-creation of the large Jean-Claude Combaldieu room as a flexible meeting space allowing its sub-division into a number of smaller-sized rooms.

During 2011, the refurbishment of the five office floors started on a floor-by-floor basis, with staff moving temporarily to the two basement floors, which had been converted and fitted out to a high standard, before returning to their original floor.

The fifth floor was handed over on schedule at the end of September, and the fourth floor at the beginning of January 2012. All floors are expected to be completed by the third quarter of 2012, with working areas featuring greater use of transparent walls with improved natural and artificial lighting, much more attractive décor, sound-proofing and individual air conditioning.

Following the refurbishment, OHIM is planning a one-wing extension which will allow the Office to fit all staff into a single, high quality campus. Work on the new wing is expected to start before the end of 2012 with a view to having the new wing fully occupied in mid-2015.

Legislative changes

The work to further harmonise trade mark laws and procedures under the process of legislative review is a very important building block in the plan to create a true collaborative network of trade mark and design offices.

While coming together with regard to IT systems under the Cooperation Fund and harmonising practices under the Convergence Programme is already bringing offices closer together, these initiatives need to be complemented by and supported by a rethink on the legislative framework. Since the approval of the 1988 Harmonization Directive to align national laws, and the 1994 CTM Regulation, there have been many changes in the social and business environment – not least because of the impact of the internet and the almost universal switch to online transactions.

The European Commission is leading the review process on the functioning of the trade mark system, but at the same time has also published a blueprint for a comprehensive strategy to revamp the legal framework in which intellectual property rights as a whole operate.

This strategy, “A Single Market for Intellectual Property Rights” covers action on patents and copyright as well as trade marks and Geographical Indications, where the Commission has launched a feasibility study on setting up a registry for non-agricultural GIs.

Among other things, this strategy also sets out a more effective enforcement framework for intellectual property rights within the EU, at the EU’s borders and in conjunction with non-EU countries.

As the Community trade mark coexists with national trade marks, together forming the European system, the Commission has decided to address the revision of both the CTM Regulation and the Trade Mark Directive at the same time. The Commission proposals, according to the current timetable, are expected early in 2012 during the Danish Presidency of the Council.

OHIM’s view is that the result of this legislative process should not be to create a new system, but to improve, simplify and to adapt it for the benefit of all stakeholders. Efforts should be concentrated in increasing efficiency, quality and predictability, and achieving a full implementation of electronic communications.

There should be clear rules improving the functioning of the whole registration procedure, including deadlines, a reduction of bureaucracy, and an emphasis on the harmonisation of the different regimes for the benefit of users. In addition, legislation can have its place in things like modernising the definition of a trade mark and incorporating the results of jurisprudence, where this would bring more clarity.

The Office would also like provisions fostering cooperation, creation of common tools and platforms, recognising the validity of electronic certificates and communications, as well as supportive legislation to help solve the issue of class headings.

In general we would like greater alignment of the Regulation and the Directive so that their provisions “mirror” each other. We would also like to see harmonisation of procedures in order to create a uniform business environment.

OHIM, as a major EU agency exclusively devoted to IP matters, is involved in a number of enforcement-related areas including public information, top level seminars for judges and creating shared database tools for IP data.

Due to the increasing threat of IP infringement the Commission set up the EU Observatory on Counterfeiting and Piracy in April 2009 to improve the quality of information and statistics related to counterfeiting and piracy; to raise public awareness of Intellectual Property rights; and to encourage the spread of national best practice strategies and enforcement techniques from both the public as well as the private sector.

The Observatory has been very successful in generating broadly-based stakeholder involvement. It created three initial sub-groups dealing with data gathering, existing legal frameworks and public awareness.

Given the complementary nature of their work, OHIM and the Observatory have been working closely together since early 2011 on the basis of a Memorandum of Understanding.

Two of the OHIM Cooperation Fund projects deal with enforcement issues. One is a database tool to facilitate the exchange of data between Commission services, OHIM, National offices, IP enforcement officers and right holders, and the other is an innovative counterfeiting intelligence support tool.

During the year, together with the Observatory, OHIM has supported INTERPOL and EUROPOL at major events for international enforcement agencies and has co-organised a number of enforcement related training activities including a practical seminar for Nordic customs authorities. The Office also helped with the successful “hands off my design” competition presenting different viewpoints on IP infringement from every part of Europe. For this competition, almost 60 designers answered the challenge of presenting their personal perspectives on counterfeiting and piracy in videos and posters, with the winners selected by an independent panel.

In May, the Commission tabled a draft Regulation transferring the Observatory to OHIM while also providing additional responsibilities and a more sustainable structure.

Under the Regulation, voted on by the European Parliament on 14 February 2012, OHIM will be given the following tasks related to the protection of intellectual property rights:

- Improving the understanding of the scope and impact of infringements of intellectual property rights, including industrial property rights, copyright, and rights related to copyright;
- Improving the understanding of the value of intellectual property;
- Enhancing the knowledge of best public and private sector practices to protect intellectual property rights;
- Raising citizens’ awareness of the impact of infringements of intellectual property rights;
- Enhancing the expertise of persons involved in the enforcement of intellectual property rights;

- Enhancing the knowledge of technical tools to prevent and combat counterfeiting and piracy, including tracking and tracing systems;
- Improving the online exchange between Member States' authorities and fostering co-operation with and between the central industrial property offices of the Member States, including the Benelux Office for Intellectual Property;
- Fostering international cooperation with intellectual property offices in third countries to build strategies and develop techniques for the protection of intellectual property rights, skills, and tools.

Welcoming the draft Regulation, OHIM President António Campinos said that it was a logical step in the increasing collaboration required to increase the effectiveness of EU efforts to protect trade mark and design rights.

“By combining forces,” Mr Campinos said, “we can avoid overlap and help lay the groundwork for an Intellectual Property policy in the EU where both registration and enforcement work effectively.”

OHIM believes that a lot of work still needs to be done in gathering evidence and making serious assessments. In particular there is still no reliable data on how much IP-related companies in the different industry sectors, at national and the EU level, account for in terms of GDP , growth and employment. The Office has now launched a major study designed to answer those questions, in cooperation with our partners in the National Offices and other international organisations.

In addition to providing greater resources for the Observatory 's tasks, the Office's existing experience working with IP offices and user organisations to mobilise stakeholders, reach consensus and deliver results in a professional, goal-oriented manner is expected to bring significant benefits.

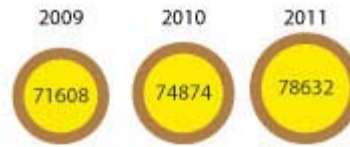
The Council is expected to adopt the Regulation in early March, with it coming into force by mid-April 2012. OHIM is committed to developing the Observatory's role using the values of transparency, inclusiveness, mutual respect and independence.

President Campinos believes: “For this to be earned, the Observatory must be a platform for exchange where everyone's voice and everyone's views are shared. The Observatory must be a European think tank for IP, providing independent data, assessments, regular reports, training, and exchanges of best practice.”

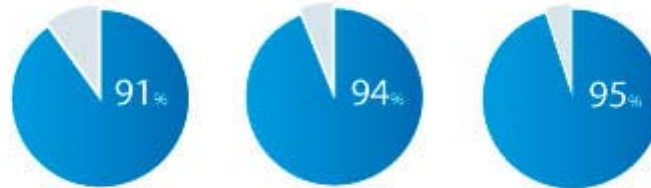
CTM filed (direct)



RCD filed

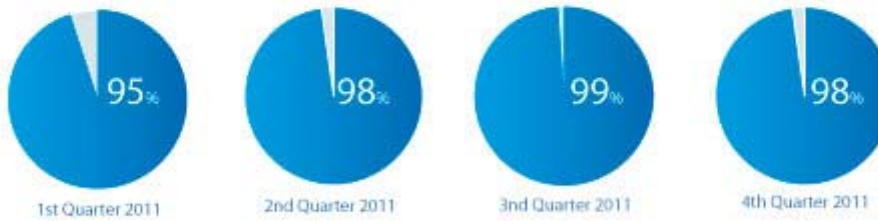


CTM e-filing (in %)

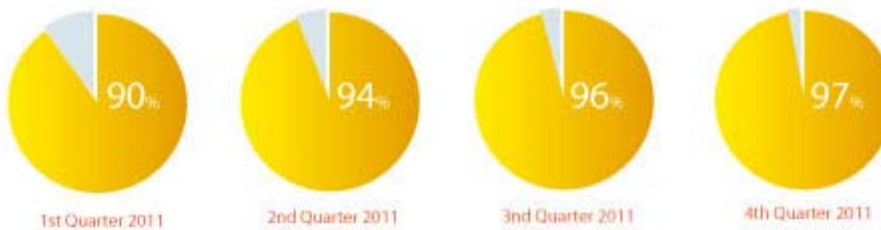


CTMs published within 10 weeks (%)

(Straightforward cases excl. opposed or appealed)



RCDs registered within 10 days (%)



Income & Expenditure

(in millions of euros)

Income



Appeals

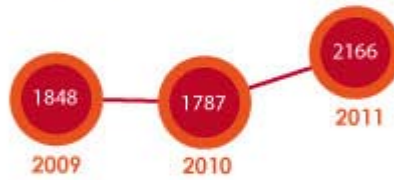
Appeals filed



Expenditure



Appeal decisions



Staff

