

**Position of the Commission Services on the development of Partnership Agreement
and programmes in SPAIN for the period 2014-2020**

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INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF funds deliver long-lasting economic and social impacts, the Commission has proposed a new approach to the use of the funds in its proposal for the **2014-2020 Multiannual Financial Framework**². Strong alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and away from a culture of entitlement. The CSF funds will thus provide an important source of public investment and serve as a catalyst for growth and jobs by leveraging physical and human capital investment while they serve as an effective means to support the implementation of the **Country Specific Recommendations** issued in the context of the European Semester. This approach is in line with the European Council's call of 29 June 2012 regarding the use of the Union's budget³.

CSF funds should aim at jointly fostering **competitiveness and convergence**, by setting the right country-specific investment priorities. A general **refocus of spending** towards research and innovation, support to SMEs, quality education and training, inclusive labour markets fostering quality employment and social cohesion, delivering the highest productivity gains, mainstreaming of climate change objectives and shifting to a resource-efficient low carbon economy is necessary. In order to do so, planning and implementation of CSF funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders, notably in the frame of strategies such as the Atlantic strategy for maritime policy. The Europe 2020 objectives must be mainstreamed across the different CSF funds, each of them bringing their contribution to smart, sustainable and inclusive growth. Moreover, CSF funds have a key role to play in supporting financial instruments that can **leverage private investment** and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF funds that maximises their combined impact.

The purpose of this position paper is to set out **the framework for** dialogue between the Commission services and Spain on **the preparation of the Partnership Agreement and Programmes** which will start in autumn 2012. The paper sets out the key country specific challenges and presents the Commission Services' preliminary views on the main funding priorities in Spain for growth enhancing public expenditure. It calls for

¹ The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final.

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12).

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

optimizing the use of CSF funds by establishing a strong link to productivity and competitiveness enhancing reforms, leveraging private resources and boosting potential high growth sectors, while emphasizing the need to preserve solidarity within the Union and ensuring the sustainable use of natural resources for future generations. There is also a need to concentrate future EU spending on priority areas to maximise the results to be obtained, rather than spreading funding too thinly. EU funding should also be used to fund EU level priorities and to ensure that Spain can draw full benefits from its EU membership. Therefore the Commission proposes to group and limit EU funding to the key challenges outlined in this position paper. National public spending can not only be used to co-finance but also to finance investments which are complementary and linked to EU funded projects in particular at regional and local level.

The starting point of the Commission's considerations are the assessment of Spain's progress towards its Europe 2020 targets in its Staff Working Document on the 2012 National Reform Programme and Convergence Programme⁴, underpinned by the country-specific recommendations addressed by the Council last 6 July 2012, and country-specific development challenges. The position paper takes account of the lessons learnt during the 2007-2013 programming period and the Commission's legislative proposals for 2014-2020.

In a context of fiscal discipline, this position paper encourages Spain and its regions to develop and implement medium-term strategies capable of facing the challenges ahead, notably globalisation, while helping preserve the European social model. Moreover, it provides for a flexible framework for Spain and its regions to react and refocus European, national and local resources on creating growth and employment so that fiscal sustainability and growth-friendly policies go hand-in-hand.

Finally it invites Spain and its regions to exploit to the maximum potential synergies between the CSF funds and with other sources of EU funding in a strategic and integrated approach.

1. MAIN CHALLENGES

Spain is undergoing a deep crisis that has halted its convergence process. The country and most of its regions have caught up with the EU-27 average (from 91.4% in 1995 to 104.7% in 2007) in terms of GDP per capita (in PPS) although the impact of the current crisis is recently curbing the convergence process (100.2% in 2010⁵) and widening unemployment disparities. In 2012, Spain's economy is expected to contract by 1.8% and the prospects for recovery in the short term are limited. Unemployment figures (25.1% overall rate; 52.9% youth unemployment)⁶ are the highest among the EU countries.

There is wide evidence that the traditional Spanish growth model – based mainly on construction and other low added value activities – has come to an end. Future EU support needs to be a key lever to facilitate the transition towards a more knowledge-based, innovative and less resource-intensive development model. To this end, the alignment with EU 2020 objectives is therefore crucial.

⁴ Relevant documents are available on Europe2020 website: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

⁵ GDP per capita (in PPPs) is expected to decrease to 96.8% in 2013.

⁶ Source: Eurostat. Data: July 2012.

The main challenges are increasing productivity⁷ and competitiveness and fostering employment in a framework of fiscal consolidation⁸ and credit crunch⁹. Establishing a strong link between productivity-enhancing measures, leveraging private investment and boosting potential high growth sectors are crucial for Spain. In this context, developing the human capital skills needed, easing access to finance for SMEs and creating an innovation-friendly business environment emerge as overarching priorities. Moreover, a sustainable path to economic growth requires a proper management of natural resources.

Equally important is to improve the quality of education and vocational training, address the high level of early school leaving and the mismatch between the high education attainment and the skills needs.

Internal GDP disparities did not broaden during the period of higher growth. As a result, it is expected that only one region (Extremadura) will be still considered a 'less developed' region in 2014-2020, although five (Andalucía, Canarias, Castilla-La Mancha, Melilla and Murcia) will probably be part of the 'transition' category. Overall, two traditional development axes can be identified in Spain along the Mediterranean coast and the Ebro valley, together with the capital city. As for unemployment, which is an overall problem (specifically youth unemployment), the higher rates are to be found in Southern and Eastern regions. The specificities of Canary Island as an outermost region should also be duly considered.

The analysis of Spain's progress towards national 2020 targets shows significant gaps in R&D expenditure, employment, early school leavers and people at risk of poverty. GHG emissions, renewable energy and energy efficiency are also still far from the targets.

Europe 2020 headline targets	Current situation in Spain	National 2020 target in the NRP
3% of expenditure on research and development	1.39% (2010)	3%
20% greenhouse gas (GHG) emissions reduction compared to 1990 ¹⁰	-3% (2010 emissions compared to 2005) -10% (2020 projections compared to 2005) ¹¹	-10% (national binding target for non-ETS sectors compared to 2005)
20% of energy from renewables	13.8% (2010)	20%
20% increase in energy efficiency	7.7% (2010)	20.1% or 25.2 Mtoe
75% of the population aged 20-64 should be employed	61.6% (2011)	74% (68.5% for women) 66% by 2015
The share of early school leavers should be under 10%	26.5% (2011) ¹²	15%

⁷ The labour productivity grew in Spain during 1995-2007 by 4.4% compared to 15.3% in the Euro area (AMECO database).

⁸ The general government deficit is expected to fall from 11.2% of GDP in 2009 to 6.3% of GDP in 2013 according to the EC Spring 2012 Economic Forecasts.

⁹ The bank loans to the private sector in 2011 decreased by 2.5%.

¹⁰ 30% if the conditions are right

¹¹ Based on existing measures. Commission report *Progress towards achieving the Kyoto Objectives* (2012)

¹² Source: INE.

At least 40% of 30-34 years old should have completed a tertiary or equivalent education	40.6% (2010)	44%
Reducing the number of people at risk of poverty or exclusion by 20 million in the EU	11.7 million (2010) 25.5% of population	-1.4/1.5 million (over 2010 levels)

Therefore Spain's most pressing challenges, which are interrelated, refer to:

- high overall and youth unemployment, low labour productivity and increasing poverty and social exclusion;
- low competitiveness of SMEs and their scarce presence in international markets;
- weak research and innovation system and the insufficient private-sector participation;
- inefficient use of natural resources.

High overall and youth unemployment, low labour productivity, and increasing poverty and social exclusion

Due to labour shedding during the crisis, unemployment has reached a record high in Spain, and **youth unemployment**¹³ is particularly worrying, since it brings aside a risk of creating a 'scarred' generation of young workers facing a dangerous mix of high unemployment and increased inactivity, as well as persistently high working poverty. While the adjustment of imbalances is on-going, it will take time to reallocate labour force freed from the construction sector. Restore growth and employment, with special attention to young people not in employment, education or training, the low skilled, the most vulnerable groups and rural, remote and scarcely populated areas, it is an urgent need to be addressed.

Labour market policies in Spain, in particular active labour market policies (ALMP), play an insufficient role in promoting labour mobility and in reducing the occupational and skills mismatch of unemployed. Compared to other EU countries, a large share of expenditure on ALMP is devoted to encouraging the hiring and retaining of personnel (mainly by subsidising social security contributions), while spending on training, labour integration, and professional recycling is relatively low. In addition, prior to the crisis the training programmes have focused on those already in work instead of those out of work.

Problems in the **education** system in Spain include low levels of achievement at secondary level, too many students leaving school early¹⁴ and a vocational training system insufficiently tailored to market needs. These issues contribute to low productivity growth and reduce the employability of the workforce.

Therefore, it is urgent to design and implement the necessary labour market, education and training measures to supporting the labour force transition towards the needs of the productive sector and new skills and jobs (including green jobs, those demanded by demographic trends, new technologies, diversification of employment in rural areas, etc.).

¹³ The youth unemployment rate reached 52.9% in July 2012.

¹⁴ As regards education, some progress has been made in reducing the number of early school leavers; however, the rate remains high (26.5%) and conceals significant disparities across regions.

Furthermore, the **social consequences of the crisis** are reflected in the increasing number of people at risk of poverty or social exclusion (approximately 11.7 million people, or 25.5% of the population in 2010). The problem is acute in rural, fisheries dependant areas and remote and scarcely populated areas, where access to basic services is often difficult. Specific challenges include the need to improve employability of vulnerable groups (such as migrants, people with disabilities, Roma and others), in particular through fostering the social economy.

Low competitiveness of SMEs and scarce presence in international markets

Spain ranks 36th with respect to the World Economic Forum Global Competitiveness Index and 14th with respect to the European Commission's Regional Competitiveness Index. According to the World Bank, it ranks 49 (out of 183) in the ease of doing business but 147 as regards the facility to start a firm.

Spain is in the process of regaining competitiveness. Since the beginning of the crisis Spain has made important progress in terms of compensating for past losses of its price and cost competitiveness. However, a significant part of this adjustment has been due to cyclical factors, in particular the sharp reduction in employment which implied a strong improvement in measured productivity. A more structural, long-lasting, re-balancing of the economy requires that structural problems that are hampering growth and limiting competitiveness should be tackled.

Spain's export performance has been relatively resilient in the wake of the crisis. However, based on this performance, further improvements in external competitiveness and enlargement of the export base of Spanish economy are of key importance. This is critical in order to mitigate the negative impact of the on-going deleveraging of the private and public sectors and in the adjustment of large external imbalances built up in the years prior to the crisis.

Fostering the competitiveness of SMEs is crucial to allow them move up the value chain and reap the opportunities of globalisation in international markets in a period of sluggish domestic demand and credit crunch¹⁵. 99.9% of the Spanish firms are SMEs (93.1% are micro-firms) and they account for more than 75% of the total employment¹⁶. The Spanish average firm has a smaller size than those in countries with similar development level. Moreover, Spanish exports are still mainly directed towards the EU internal market and less to high-growth world markets. In some traditional, declining sectors diversification is an urgent need. According to the SWD, Spain needs to improve its price and non-price competitiveness, re-orient its economy to the tradable sector, reallocate resources and diversify its economic base¹⁷.

With regard to agriculture, the competitiveness is limited by the size and structure of the holdings, the level of innovation and technological development, the low value of the products in the market chain, the price volatility, the high risk of the production and the low efficient use of resources; in addition, there are limited diversification opportunities

¹⁵ Only 3% of the total number of Spanish enterprises (some 100,000) export and more than half of these exports are concentrated on some 500 firms, mainly large firms and some medium-sized (*Internacionalización, empleo y modernización de la economía española*, ICEX, 2010: http://www.clubexportadores.org/index.php/es/documentos/cat_view/58-informes-estudios-y-notas-tecnicas/142-publicaciones)

¹⁶ Source: Eurostat (2008) http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-ET-11-001/EN/KS-ET-11-001-EN.PDF

¹⁷ Page 6 of the Staff Working Document Assessment of the 2012 National Reform Programme and Stability Programme for SPAIN. SWD (2012) 310 final.

in rural areas. The Spanish fisheries sector still faces the major challenge of achieving economic profitability, as well as social and environmental sustainability, despite emphasis on fleet renewal and concentration via temporary or permanent cessation of fishing activities. The aquaculture sector has not managed to contribute its share to meet the continuing growing seafood demand.

During the last decades Spain has been able to develop its major transport infrastructure and has one of the best developed networks in Europe. Rationalising the transport system can also have a decisive influence in raising the competitiveness of firms. The current modal split is still un-balanced towards road¹⁸.

The in-depth review on the prevention and correction of macroeconomic imbalances¹⁹ finds that Spain was experiencing very serious macroeconomic imbalances, implying a significant deviation of economic and financial resources to the construction sector. Construction activities financed from CSF intervention, including in transport infrastructure, should thus be more limited than under the previous budgetary frameworks.

Weak research and innovation system and insufficient private-sector participation

Very low productivity growth in Spain, 0.4% on average over the period of 1999-2008, lies behind the deterioration of price competitiveness. The substantial increase in R&D expenditure in 2000-2009²⁰ did not lead to a significant boost of innovation in Spain, as shown by most of the indicators (e.g. patents, trademarks, etc.). In comparison with other EU countries, Spain is still considered a moderate innovator²¹, with relative weaknesses in firm investment, linkages with businesses (public-private and private-private collaborations) and entrepreneurship, and in the introduction of new product, processes or services into the market.

Contrary to the trend in similar economies in the EU, the considerable increase in R&D public expenditure of the last years has not resulted in a catching-up process towards a more innovative model of production. Therefore, the challenge is to foster innovation in all its forms – technological and non-technological, eco-innovation, etc. – and in a broad sense – encompassing new products and processes but also new, more efficient organisational structures and delivery mechanisms.

In order to reverse the recent trend of falling investment and make progress towards the 3% target, not only should spending priorities be reviewed to allow further increases of public funds allocated to support R&D and innovation but the participation of the business sector (51.5% of total R&D investment in 2010²²), which clearly falls short of the EU-27 average (61.5% in 2010²³), should be boosted.

The business environment is not innovation-friendly enough and there is a need to better link research and businesses, including agriculture and agro-food sector.

¹⁸ Freight transport by road accounted for 96.6% of the total transport in 2009 (compared to 77.5% in the EU). Spain is still well below the EU average in density of railways (69.7%), except in high-speed lines for passengers (Source: DG REGIO, RRG. Data: 2010. Index of length, relative to area and population).

¹⁹ Source: http://ec.europa.eu/europe2020/pdf/nd/idr2012_spain_en.pdf

²⁰ The annual growth rate has been of more than 14% in this period. Member State Competitiveness performance and policies 2011, Commission Staff working documents SEC(2011)1187

²¹ Innovation Union Scoreboard 2011: http://ec.europa.eu/enterprise/policies/innovation/files/ius-2011_en.pdf

²² Source: National data (INE): http://www.ine.es/inebmenu/mnu_imasd.htm

²³ Source: Eurostat.

Inefficient use of natural resources

Spain is currently on track to meet its national energy targets by 2020, still key challenges in this field include: ensuring a stable and predictable regulatory framework, removing administrative and regulatory barriers, completing the energy networks (including interconnections with France), developing smart grids and improving energy demand management and storage options for variable renewable electricity (e.g. from wind and solar photo-voltaic power). The promotion of clean ocean energy generation and supply is important in this context.

As regards energy efficiency, the capacity of the implementation of energy efficiency measures to create innovative, sustainable jobs should not be neglected, especially in sectors heavily hit by the crisis (e.g. renovation of buildings).

Spain is particularly affected by climate change which exacerbates risks of forest fires²⁴, erosion and extreme meteorological events such as droughts and floods

In spite of a steady progress in recent years, Spain still needs to fulfil some of the requirements of the relevant environmental EU legislation²⁵ (e.g. wastewater treatment, waste management, air pollution, etc.). There is an enormous pressure over the existing water resources²⁶, and attention should be paid to the management of soil²⁷ (erosion, salinization, loss of organic matter and desertification). The protection and valorisation of biodiversity and natural areas (including, in particular, coastal zones under demographic pressure and marine areas), which represent a large part of the territory²⁸ is also important.

Most stocks fished are still overexploited and subject to wasteful practices (discards), and therefore they do not yield their full economic potential. In the Mediterranean, 80% of the stocks are overfished and 47% in the Atlantic²⁹. There are some imbalances between certain fleets and resources that Spain should evaluate and address, as well as issues of control and data collection.

Particular attention should be paid to make transport more sustainable for energy efficiency, environmental performances (CO₂, air pollution, noise) and competitiveness (congestion).

²⁴ The average annual surface affected by fires is of 100.000 ha between 2002 y 2011 (with high fluctuations depending on the year). Between January and September 2012, more than 184.000 ha were affected (MAGRAMA)

²⁵ Indeed, Spain continues to have one of the highest numbers of infringement cases in the EU. 8% of the population was still not connected to urban wastewater treatment in 2008 (Eurostat) and more than 50% of municipal waste is still landfilled (EC CSR, p. 24)

²⁶ In Spain, 75% of the overall water consumption is used by agriculture and livestock farming (INE; 2008) and 14% of agricultural land under irrigation yields more than 60% of the total value of agricultural products (Bio Intelligence services (2012), Water saving potential in agriculture: Findings from existing studies and application to case studies). In the last 6 years, the amount of water used in the agricultural sector has been reduced by 11% (EUA, INE). Nevertheless, water resources in some areas are particularly stressed and leakages in water distribution networks need to be tackled.

²⁷ The risk of desertification affects almost three quarters of the territory, less than 3% of organic matter in most of the territory, increasing salinisation problems in some areas, and 23% of the territory subject to landslides (Country Analysis Reports, EIONET collection, EEA, 2009; pan-European landslide susceptibility map (version 4/6/2012) and map of organic carbon content in the surface soil in Europe, JRC).

²⁸ Spain makes the largest contribution to the Natura 2000 network in the EU (27,2% of its national land territory). Source: Natura 2000 Barometer (June 2011).

²⁹ COMMUNICATION FROM THE COMMISSION TO THE COUNCIL concerning a consultation on Fishing Opportunities for 2013. COM (2012) 278 final du 7.6.2012.

2. PRIORITIES FOR FUNDING

The CSF funds will be one of the most important instruments to tackle the main development challenges for Spain and to implement the Europe 2020 strategy. Each fund should give priority, when relevant, to policy areas addressed in the Country-Specific Recommendations and in the national reform programmes. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. Targeted funding should harness growth in Spain's marine and maritime economic sectors. To this end the intervention from the CSF funds needs to be concentrated on a limited number of priorities. Experience shows that thematic concentration allows for an increase in effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Prioritisation is of particular importance in times of fiscal consolidation.

Four complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges³⁰. They reflect the importance of funding needs and potential contribution to growth and jobs. There is no ranking in the presentation of the funding priorities.

These are the priorities the Commission would like to co-finance in Spain for the next programming period 2014-2020. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds.

2.1 Increasing labour market participation and labour productivity, as well as improving education, training and social inclusion policies, with specific attention to youth and vulnerable groups

Increasing employment and improving the working conditions, with specific attention to young people and those people most at risk, should remain the main priorities for Spain. In line with the Country Specific Recommendations, CSF funds should contribute to enhance growth, job creation and social cohesion. Thus the relative share of CSF investment should increase in comparison to the programming period 2007-2013.

Improving the labour market situation and employment prospects of youth

The significant decline in employment in Spain has had a particularly hard impact on youth. This calls for an integrated approach, which combines macroeconomic policies and targeted measures addressing labour demand and supply as well as the quantity and quality of employment. A right balance between short-term and medium-term measures should also be achieved, from a double focus perspective: improving and reinforcing the efficiency of active labour market policies and improving the transition from the education to the productive system.

Priority should be given to improving the employment prospects for the young, providing a personalised assistance to young jobseekers where possible. It is essential to create, implement and reinforce adequate measures to respond to the challenge, including fostering young people participation in apprenticeship-type vocational trainings; reinforcing schemes offering further education and the possibility to introduce a 'youth

³⁰ The thematic objectives in the proposed regulations and their link to the funding areas are outlined in Annex I.

guarantee³¹; and a system of early career counselling based on cooperation between schools and public employment services.

Increasing labour market participation, with particular attention to the most vulnerable groups

In order to address the employment challenges it is facing, Spain has implemented a series of labour-market reforms recently, whose key measures include: regulatory changes to address labour-market duality; promoting internal flexibility; reorganising subsidies to firms hiring specific groups of workers; and improving labour-market intermediation and the delivery of employment services. CSF funds should play an important role in the implementation of these measures, namely by providing the necessary support to measures aiming to increasing the efficiency of active labour market policies (shift of resources from employment subsidies to training, retraining, professional recycling and labour integration measures) and reinforce coordination of public employment services (PES) and their capacity to provide adequate support to jobseekers.

Integration of the most vulnerable groups remains a major concern in Spain. Greater emphasis should be put in active inclusion measures and in strengthening services for vulnerable and lower-income groups, especially workers with dependants, to avoid further adverse consequences of a deterioration in their economic and labour market situation. Additional efforts are also needed in relation to the long-term unemployed and older workers, including by adapting age management and training in work places.

Concrete actions to facilitate the labour market integration of the most disadvantaged (including Roma, migrants and people with disabilities) should remain a priority, as well as enhancing child, elderly and long-term care and access to affordable, sustainable and high quality services (especially in rural areas). Finally, the role played by social innovation and innovative social enterprises should not be neglected. CSF funds should provide support to these areas, as well as to territorial pacts, local initiatives for employment and social inclusion and community-led local development strategies.

Improving the labour productivity, reducing early school leaving and increasing participation in vocational education and training (VET), and long-life learning

Investment emphasis needs to be placed on training and the updating of competencies and skills required to fostering adaptation of workers, enterprises and entrepreneurs to change and the transition to new skills and jobs, specially targeting the most productive sectors and those with the best prospects, and promoting diversification opportunities and start up support, specifically in rural areas and fisheries. In this regard, the job potential of the green economy and white sector should be particularly explored.

CSF intervention could help increasing supply of education at the secondary level, and in particular, vocational training opportunities. Foreign language and business training should be promoted from basic to higher education. Particular attention should be paid to improving the attractiveness, supply quality and efficiency of vocational education and training in the framework provided by the European Quality Assurance Framework for VET (EQUAVET). Cooperation between the relevant stakeholders in defining training

³¹ E.g. by establishing schemes to offer further education, (re)training or activation measures to every young person not in employment or in education or training, within 4 months of leaving school.

catalogues, including educational institutions, University and enterprises should be enhanced. In the light of the reforms to be implemented by the Spanish government, CSF should also contribute to incentivise work-based schemes such as dual vocational education and training.

Furthermore, CSF should also enhance their support to lifelong learning measures, providing specific support to the low-skilled and older workers.

The high early school leaving rate, despite having notably decreased in recent years, makes necessary to deploy the necessary CSF resources to address this challenge, with attention to specific needs (e.g. regional differences, target groups). Specific policies to increase and facilitate access to early childhood education and care for children, accompanied by quality monitoring measures, remain also a priority.

Finally, investments should also prioritise actions directed to promote self-employment and business creation, including by fostering entrepreneurial skills at all educational levels.

2.2 Supporting the adaptation of the productive system to higher added-value activities by enhancing the competitiveness of SMEs

The CSF funds can make a decisive contribution to increase the competitiveness of the Spanish economy, in particular by supporting start-ups and SMEs as the main creators of jobs in the Spanish economy. Given the weak internal demand and the fact that only few Spanish SMEs are present in international markets, enlarging the export base of firms is crucial to regain the path of sustained growth and create jobs. To this aim, first, entrepreneurs should be adequately supported and obstacles to the creation and development of firms should be removed, in order to increase the number of new firms. Second, access to finance for start-ups and SMEs should be eased, in particular through revolving financial instruments (some of which are still underdeveloped in Spain). This will ensure their financial viability and favour its growth, especial in times of credit crunch. Third, tailored-made support to SMEs for access to foreign markets should be provided³². Overall, this funding priority should deserve appropriate attention, both in strategic and budgetary terms (e.g. a higher priority than in past programming periods) and, in particular, facilitating access to finance through revolving instruments will become an overarching priority.

Promoting entrepreneurship and SMEs competitiveness, including in agriculture and fisheries

The creation of new enterprises – especially technologically-based and innovative start-ups – should be promoted by fostering entrepreneurship and facilitating installation through incubators and spin-offs from universities³³. This should also favour generational renewal in the agricultural and fisheries sector.

³² These priorities are consistent with the conclusions of the 2011 European Competitiveness Report for Spain:http://ec.europa.eu/enterprise/policies/industrial-competitiveness/monitoring-member-states/files/es_country-chapter_en.pdf

³³ The 2011 Spanish edition of the Global Entrepreneurship Monitor (GEM) identifies three main obstacles deterring people from setting up new firms or enlarging them: weaknesses in education and the social environment, public support to entrepreneurs, and difficulties in access to finance. <http://gem.fundacionxavierdesalas.com/Mis%20archivos/Informes/GEM2011.pdf>

Existing SMEs should be nurtured so that they can grow in size, strength and added value in order to create stable and quality employment. The support provided should aim at increasing their productivity and competitiveness by developing new products and processes, up-taking ICTs and making them more efficient in terms of energy and resource consumption. This can be achieved by introducing up-to date technologies, providing training, re-skilling and up-skilling where necessary, upgrading the management and organisation systems in the supply chain, as well as improving the market organisation to drive competitiveness and value-adding capabilities.

Additionally, with regard to agriculture and rural development, the focus should be put on farm restructuring, concentration of the offer, promoting the quality and the value-added of agricultural products, as well as marketing opportunities, fostering modernisation, innovation and setting-up risk management tools. As regards fisheries and aquaculture, stock management, improving quality of products and appropriate marketing are key to improve competitiveness of SMEs.

As some areas are highly dependent on specific, declining or stagnant economic sectors or activities, measures should be put forward to diversify the economic base. This applies in particular to rural areas, as well as to fisheries and aquaculture and other traditional sectors.

Easing access to finance for SMEs, especially through non-grant, revolving financial instruments

Given budgetary restrictions and the need to ensure a higher leverage effect of the available funds, the bulk of this support should shift away from grants to targeted financial instruments, in particular through revolving funds and other innovative financial instruments (e.g. risk and seed capital, guarantees, equity loans, microcredits, etc.). Such instruments may involve several types of participants including international financial institutions, banks, venture capital funds, business angels, etc. The difficulties of the Spanish SMEs in having access to credit³⁴ and the fact that the supply of these alternative financial instruments is still relatively limited point to a development potential that should be fully exploited. The lessons learnt from the current JEREMIE/JESSICA funds should be duly taken into account in setting-up and managing the new instruments.

Assisting SMEs in their internationalisation process

In order to restore the sustainability of its external position, Spain needs to improve further its current account. A preferred adjustment path would involve a switch of resources from non-tradable to tradable sectors. That can be achieved by increasing the competitiveness of Spanish economy and further improving its export performance.

The number and share of SMEs being active in foreign markets should be boosted by increasing their competitiveness and assisting them in their internationalisation. This includes support in outlining international strategies, guidance to enter new markets and continued support thereafter, assistance in searching for commercial partners or foreign investors, etc. The provision of tailor-made solutions and services should be privileged.

³⁴ According to the 2011 GEM report, 70% of the new Spanish entrepreneurs needed external financing to set up their business in 2011, compared to only 50% in 2008.

Rationalising the transport system to support economic activity by integrating transport modes in less developed and transition regions³⁵

Multimodal transport should be promoted through, for instance, the establishment of intermodal logistics centres, the completion of multimodal access to ports – including connections with their hinterland and maritime connectivity – and to other key infrastructures and the development of rail freight transport. Connections with TEN-T networks and inter-regional and cross-border missing links should be completed so as to correct the traditional radial networks. Investments supported by the ERDF should be closely articulated with the Connecting Europe Facility instrument.

The involvement of the private sector in financing these infrastructures – through PPPs and other financial instruments – should be a priority. This funding area will reduce its relative share in the total funding in comparison to the period 2007-2013.

2.3 Promoting an innovation-friendly business environment and strengthening the R&D and innovation system

Being still considered a moderate innovator, Spain has to strengthen its R&D and innovation system in order to support the evolution of its economic base towards higher added-value activities. To this aim, not only the total R&D investment should be boosted but in particular that carried out by the private sector. Since transforming its research potential into new marketable products, services and processes is not yielding the expected results, stress should be put in fostering innovation in all its forms.

Promoting an innovation-friendly business environment

Comprehensive strategies to foster innovation in firms should be implemented. They may include measures to facilitate the set-up of start-ups, access to finance for innovative firms, collaborative schemes and networking, support to entry new markets, etc. Awareness raising measures may also be required.

Boosting R&D and innovation investment

The total R&D investment should be boosted as a key lever to favour sustained, quality growth at mid to long-term, including for the maritime economy. Innovative public procurement³⁶ may prove very useful to facilitate the first market entry for innovative firms.

The existing national and regional R&D and innovation infrastructures and capacities may be upgraded and completed on the basis of national roadmaps and linked to EU priorities (ESFRI)³⁷.

Increasing the participation of the private sector in R&D and innovation activities

³⁵ According to the ERDF Regulation proposal, in more developed regions ERDF shall not support investments in infrastructure providing basic services to citizens in the area of transport.

³⁶ Innovative public procurement in key public sector areas (e.g. social innovation and public service applications such as health, e-government, low carbon buildings and energy efficiency), using the whole spectrum of tools offered under the EU procurement rules.

³⁷ ESFRI Roadmap Projects and other equivalent world class research infrastructures identified through national road maps or equivalent strategic analysis of national centres of excellence, national research infrastructures or facilities in the country.

With the aim to increase the private sector involvement in R&D and innovation activities, the links between the scientific system (universities and research centres) and enterprises should be reinforced, through for example the development of networks (e.g. clusters, links with centres of excellence, etc.). In this regard, synergies among CSF funds as well as with Horizon 2020 and other EU instruments (e.g. Marie Skłodowska-Curie Actions, Joint Programming Initiatives; ERA-NETs and Article 185 initiatives, COSME) need to be fully exploited.

Support should be targeted to product and service innovations identified under European Innovation Partnerships (EIPs)³⁸ and Knowledge Innovation Centres (KICs) linked to the European Institute of Technology (EIT), in connection with the related Colocation Centre (CC Iberia).

Fostering technology transfer and knowledge sharing

Particular attention should be paid to fostering technology transfer, as well as to the development and uptake of key enabling technologies (KETs), low carbon energy technologies as pursued under the Strategic Energy Technology Plan (SET Plan)³⁹ and of pilot lines or early product validation. Fostering the set-up and growth of new innovative firms in high-tech sectors related to these technologies is crucial.

2.4 Making a more efficient use of natural resources

It is not only necessary to increase the productivity and competitiveness of the productive system but also to make it more resource-efficient so as to ensure a more sustainable development model in the medium to long run. To this aim, enhancing energy efficiency and fully exploiting renewable energies are crucial, but also implementing preventive or demand-side plans and measures aiming at reducing consumption, pollutants and risks. Within this funding area, priorities should shift from the provision of 'hard' environmental infrastructures to other 'softer' and more strategic tools that are key to improve the management of natural resources.

Enhancing energy efficiency

The implementation of energy efficiency measures in public buildings, in SMEs and in dwellings (including in agriculture and the agro-food sector) should be a priority⁴⁰. This can apply mainly to the existing buildings – but also to new constructions – through the corresponding renovation plans. Innovative financing schemes⁴¹ – such as Energy Performance Contracting⁴² –, mostly in public buildings and enterprises, should be actively promoted. To be effective, the EU funding intensity should reflect the economic conditions of target groups and expected energy savings (ambition of the investment in terms of energy saved/renewable energy generated). Furthermore, attention should be given to the efficiency of district heating/cooling networks and industrial waste heat recovery.

³⁸ For instance those EIPs currently adopted on active and healthy ageing (COM(2012)83), agricultural productivity and sustainability (COM(2012)79), smart cities and communities (COM(2012)4701) and raw materials (COM(2012)82), or in progress like that on water.

³⁹ http://ec.europa.eu/energy/technology/set_plan/set_plan_en.htm

⁴⁰ In line with the National Energy Efficiency Action Plan:
http://ec.europa.eu/energy/efficiency/end-use_en.htm

⁴¹ In this sense, the current experience of the JESSICA fund managed by IDEA (Instituto de Diversificación y Ahorro Energético) should be carefully assessed and enlarged, including the corresponding result indicators.

⁴² Proposal for an Energy Efficiency Directive, COM (2011) 370.

Increasing the use of renewable energies

Both the production and distribution of renewable sources can be supported along the priorities identified in the National Renewable Energy Action Plan. Renewables use should also be promoted in public buildings, SMEs and dwellings, particularly by allowing auto-consumption⁴³. The development and deployment of smart grids should be fostered, with the corresponding provision of training in order to meet the skill development needs in this area.

Implementing climate change mitigation and adaptation measures (including risk management and prevention)

There is room for Spain to develop and implement climate change adaptation (in line with the National and Regional Plans for adaptation to climate change), risk prevention and management plans in a number of fields. For instance, prevention plans in relation to forest fires, coastal protection, floods, droughts and soil erosion, algae blooms and invasive species, industrial risks, marine and coastal observation systems, etc.

Spain is also encouraged to engage in fighting diffuse GHG emissions in the agricultural sector (methane and nitrous oxide emissions) and development of carbon sinks in forests.

Improving the management of waste (prevention, recycling), water (demand-side measures), wastewater and air pollution⁴⁴

Investment in environmental infrastructure should be strictly targeted to those fields in which Spain still lags behind in the implementation of the EU acquis. For waste management, emphasis should be given on waste prevention and recycling. As for water, in addition to improving its quality (nitrates pollution), the emphasis should be put on adopting the necessary measures to curb the demand – by means, inter alia, of an adequate pricing policy for cost recovery- and reduce the pressure on the existing resources (e.g. reducing leakages in the water supply network and modernising the existing irrigation systems). In this regard, investments should comply with the river basin water management plans. This funding area will reduce its relative share in the total funding in comparison to the programme period 2007-13.

Protecting biodiversity and marine resources

Particular attention should be paid to biodiversity protection⁴⁵ as well as to management, restoration and monitoring of Natura 2000 sites in compliance with the Habitats and Birds Directive⁴⁶, HNV⁴⁷ and protected areas as referred to in the Maritime Strategy Framework Directive⁴⁸. Moreover, the definition of new coastal and marine protected areas should be promoted.

Promoting clean urban transport

⁴³ In line with the National Renewable Energy Action Plan:

<http://www.eea.europa.eu/data-and-maps/figures/national-renewable-energy-action-plan>

⁴⁴ According to the ERDF Regulation proposal, in more developed regions ERDF shall not support investments in infrastructure providing basic services to citizens in the area of environment.

⁴⁵ As set out in the EU Biodiversity Strategy. COM (2010) 244 final.

⁴⁶ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora.

⁴⁷ HNV: High Nature Value Farmland.

⁴⁸ Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy.

This includes sustainable urban mobility plans, and actions to deploy them (intelligent transport systems, environment friendly / low-carbon transport systems, clean vehicles and schemes for in-city user charging and access restrictions). Intelligent urban transport should cover the functional urban areas, in order to improve urban-rural linkages and provide access to jobs and services from rural areas too.

3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY

Together with financial consolidation **structural reforms** play a key role in enhancing the overall efficiency thereby the growth potential of the Spanish economy. They are also **key condition** for the successful implementation of the CSF funds which can only have optimal impact, if an appropriate policy, legal and administrative framework is in place.

Therefore the new Common Provisions Regulation will set out **ex-ante conditionalities** which are **preconditions relating to the effective and efficient use of EU funds** which should be fulfilled by the time a programme is approved. The Commission will formally examine the consistency and adequacy of the information provided by Spain in the framework of its assessment of the Partnership Agreement and programmes.

Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, Spain will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed and at the latest within two years of the adoption of the Partnership Agreement of by 31 December 2016. The detailed actions relating to the fulfilment of the conditionalities will be set out in the relevant operational programmes.

Based on experience from the current programming period and the CSRs, the Commission Services have identified a number of **ex-ante conditionalities critical for successful implementation of the above funding priorities**. The Spanish authorities need to take actions to fulfil the pre-conditions for successful spending in each of these areas before the start of the next programming period:

- Spain needs to effectively implement the Small Business Act (SBA), in particular regarding the lengthy and costly process of setting up business and obtaining licenses and the poor cooperation among SMEs.
- All the national and regional research and innovation strategies for smart specialisation must be ready in time. The Commission has asked the Spanish regions to develop a regional research and innovation strategy for smart specialisation (RIS3). To achieve this, preparatory works – involving a broad range of stakeholders – need to start as soon as possible, if necessary with the support of the S3 platform created by the Commission.
- The Water Framework Directive has to be fully implemented, in particular as regards the introduction of an adequate pricing policy for cost recovery and the adoption of the corresponding river basin management plans (due in 2009) most of which are foreseen to be adopted only in the second half of 2013.
- Labour market institutions should be modernised and strengthened, including actions to enhance transnational labour mobility. The criterion on delivering 'personalised services and active and preventive labour market measures at an early stage, which are open for all jobseekers' is considered as not being completely fulfilled. For this, Public Employment Services (PESs) must evolve from offices managing subsidies to

truly professional orientation services, offering to the unemployed information, orientation and intermediation in the labour market and an adequate follow-up. Moreover, PESs should further ensure an increased efficiency of active and labour market. A strong link between the implementation of active and passive labour market policies should also be ensured.

- In relation to active inclusion, it is important to ensure effective coordination and balance between the three pillars (inclusive labour markets, access to services and adequate income), in particular between the last two. Spain has committed to present its National Social Report which will cover these policy areas. In the absence of this report and on the basis of the NRP 2012, it is difficult to assess the fulfilment of this ex-ante conditionality.

Regarding the general ex-ante conditionalities, some concern could arise in relation to the capacity to ensure a results-oriented monitoring and to undertake high quality impact evaluations for all the programmes, in particular at regional level. In order to overcome these weaknesses, the corresponding administrative capacities should be built up, in particular through ad hoc training and use of external expertise.

In fisheries, the ex-ante conditionalities refer to administrative capacity for Data Collection and the implementation of a Union control, inspection and enforcement system. Ex-ante conditionality on fisheries control is partially met. More efforts are needed for full compliance as regards control. As regards Data Collection, Spain should pursue its efforts to improve data quality and availability so as to ensure a smooth shift from direct to shared management. As regards aquaculture, Spain has to deliver a multiannual national strategic plan.

4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION

Under the European territorial cooperation goal, the ERDF supports cross-border and transnational cooperation. For cross-border cooperation programmes, Spain should elaborate with each of its neighbouring countries strategies to address the respective border's specific needs (e.g. in the Portuguese border, water and fire prevention projects could be especially relevant; with France, cross border network infrastructure; in external borders and cooperation with third countries, network building and enhancing institutional capacity). The shared use of common public services along the borders should be promoted (e.g. use of common infrastructure in the field of healthcare, waste and water treatment, accessibility, ICTs, disaster management systems and emergency services, joint education and training schemes). Special focus should also be paid to strengthening the cross-border labour market and fostering the mobility of workers across borders.

The transnational dimension of the Atlantic strategy can bring new dynamism to the maritime economic sectors as well as enlarge their economies of scale. The Commission proposes to take on board the priorities that will result from the on-going Atlantic Forum and will request Spain to outline its plans on how it intends to contribute to the Atlantic Maritime Strategy. No fully-fledged sea-basin strategy exists for the Mediterranean Sea basin but there is potential for transnational cooperation for maritime policy in this region. European Territorial Cooperation can be used to improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy in the framework of all programmes in which Spain participates.

ANNEX

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

Strategic orientation and concentration

Experience from previous programming periods indicates several factors affecting effectiveness of investment, in particular the need for strategic orientation and concentration, the need to avoid fragmentation of investments, projects insufficiently embedded in national systems, weak response to the actual needs, and low European value added. A general shift towards more coherent and innovative approach is necessary in order to demonstrate clearly the impact on attaining the Europe 2020 objectives. For future investments in areas listed below the Commission expects specific justification regarding their usefulness for attaining the Europe 2020 objectives and respect of the following considerations:

- In general, funding should be rigorously justified in projects that can generate sufficient revenues, by applying the financing-gap method, as has traditionally been the case (e.g. in the environment and transport sectors). To some extent, this refers to the existence of market failures, which is an underlying pre-requisite for the EU intervention in any field (e.g. the ERDF should only invest in ICTs infrastructure in under-served areas). Support needs to be granted in accordance with EU state aid rules. Financing should address real market failures and be limited to the minimum necessary, so that funds are used efficiently, overcompensation is avoided and distortions of competition are limited.
- Support for SMEs and projects expected to generate substantial financial returns should be delivered primarily through financial instruments, which would increase the multiplier and leverage effect of EU funding. In these fields, the possibility to declare private investment as eligible cost – when foreseen by the legislation – would attract private capital and thus reduce the public national contribution.
- As regards added value and the need to concentrate EU funding in those investments where the returns may be higher, there are several examples where EU involvement should be limited. For instance, direct assistance to large firms (which is in principle forbidden by the proposed ERDF regulation); water provision infrastructures (as some of the existing ones – e.g. desalinations plans – are under-utilised and the stress should be put in reducing water demand); some transport infrastructures (since the actual supply may in general be sufficient and they are very resource-consuming); etc. In any case, the co-financing of already – or almost – finished projects should be excluded.
- Regarding the ESF, the focus should be on those actions which set-up has proven to be efficient and not too complex as opposed to other actions (e.g. too high number of actors, not well coordinated or with no sufficient capacity to manage ESF resources). Together with a clear and accurate identification of actions to be financed, it is important to identify the most relevant actors for the different fields of intervention.

Structure of programmes

The proposed 2014-2020 legislation for the CSF funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Cooperation at all levels is key to achieving quality of spending. Annex I of the Commission's amended proposal for the Common Provision Regulation⁴⁹ includes elements of the Common Strategic Framework and sets out different options for integrated approaches to programming, to achieve coordination and synergies during implementation, which MS are encouraged to explore.

For the ESF, the option to design thematic interregional OPs linked to the Europe 2020 targets and country specific recommendations may present opportunities too. For rural development, the option to draw up thematic sub-programmes within a rural development programme provides the opportunity to devote closer attention to particular needs. Within a single OP for the EMFF as stipulated by the EMFF regulation, structuring the OP along regional lines to take account of MS administrative and political organisation may assist in allowing maximum synergies with regional interventions of other funds and improving the efficiency of the delivery system. Support to fish catching sector should contribute to an effective reduction in fishing capacity.

The most suitable architecture will have to be developed in partnership with stakeholders in Spain and in negotiations with the Commission.

Number of programmes and their territorial articulation

The Spanish authorities are invited to reflect on how to reduce the current number of programmes and the corresponding administrative costs in relation to the implementation of the Structural Funds, an urgent need in a period of budgetary constraints. This could be achieved by grouping certain interventions (e.g. by categories of regions, by thematic field, etc.) and/or by eliminating current programmes with limited added value (e.g. the national ERDF Technical Assistance OP).

Taking into account the distribution of competences in employment, education and training among the national and the regional levels, the possibility of having one or more national thematic ESF OPs could be explored. The national ESF OP(s) would then cover the less, more developed and transition regions, but with a strong regional dimension. The thematic national coverage would entail a better alignment to the needs identified by the country specific recommendations and the national targets (i.e. youth unemployment, education, social inclusion) and would thus ease implementation. Lessons could be drawn from the 2000-2006 and 2007-2013 programming periods, where the thematic ESF OP Fight against Discrimination has been proven successful in the integration of vulnerable groups facing diverse challenges for their integration into the labour market. The innovative approach of the OP strategy, together with the involvement of relevant public and private stakeholders were key to its success.

Regarding the EAFRD, in addition to 17 regional OPs, there are currently one National Rural Network programme and one National Framework. Spain is invited to carefully assess whether this latter should be continued in 2014-2020. Likewise, on the basis of current experience, the objectives and allocations of the National Rural Network programme should be reviewed.

⁴⁹ COM (2012) 496 final of 11.9.12.

Simplifying and improving the governance system

Spain has a complex administrative and territorial structure. Nevertheless, there is room for simplifying the governance system of the funds and making it more efficient. To this aim, several options should be explored.

First, not only the number of programmes but also that of intermediate bodies should diminish (there are currently some 150 IBs in 2007-2013 only for the ERDF, without taking into account 'second level' IBs, which should be avoided), for instance, by limiting their participation to the programmes or priority axes where their contribution is more relevant. This will facilitate the preparation and the implementation of the OPs, make them more flexible and reduce problems with the management and control systems and the corresponding payments interruptions.

Second, without prejudice of the indispensable coordination to be ensured at central level, the possibility that some regions take up the role of MA/CA/AA for their programmes – as it is currently the case for the EAFRD – could be considered, in particular for the ERDF (this role is now centrally ensured by the Ministry of Finance and Public Administration for all the ERDF programmes). Given that the institutional and administrative capacity of the Spanish regions is, in general, adequate, this would streamline procedures and financial circuits and avoid unnecessary delays and problems arising from the current complex programme structures, which include both national and regional components.

The essential role of the central MAs in coordinating this system is now certainly hindered by its complexity, which constitutes a limiting factor, for instance, 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 MAs to the (second level) IBs and to the beneficiaries. The same applies to the audit system, where the distribution of tasks between the current national Audit Authority (IGAE⁵⁰) and the regional audit bodies usually encompasses delays and rigidities.

Finally, in order to attract private funding to complement the public co-financing (in particular, in times of severe budgetary restrictions), the option to declare expenditure on the basis of total costs – instead of public costs – could be considered where foreseen by the legislation.

Coordination, complementarity and synergy

In setting up the programmes, synergy should be sought not only between the five CSF funds but also with other EU instruments such as Erasmus for All, Horizon 2020 and Programme for Social Change and Innovation, The Competitiveness of Enterprises and SMEs programme (COSME), the LIFE programme and Connecting Europe Facility. It is important to ensure coordination at national and/or regional level, in order to avoid duplication of effort and identify areas where additional financial support is needed from different funds/instruments and to promote the mainstreaming of best practices/innovative actions identified at EU or national/regional level.

Coordination and synergies among the funds (including CSF and other EU funds, as well as national and regional financial instruments) in Spain could be improved. The existing arrangements and coordination bodies, both at national and at regional level, are aimed at avoiding overlapping and double co-financing rather than making the most of the

⁵⁰ Intervención General de la Administración del Estado.

possibilities offered by the different funds in achieving common strategic objectives (for instance, consideration should be given to launching joint calls for projects on those topics fields where synergies can be achieved). According to the reinforced performance orientation, the emphasis should be put in reaching the strategic objectives commonly agreed, for which the possibilities offered by the regulations and the CSF (e.g. integrated actions) should be fully exploited. The role to play in this regard by existing or new thematic networks should be enhanced.

For instance, as regards CSF funds, in addition to the direct contribution to financing thematic objectives 8 to 10, the ESF can also make a valuable contribution to thematic objectives 1 to 6, *inter alia*, through adapting training needs to the labour market demands, i.e. by up-skilling the labour force. To facilitate the transition towards the new productive model, strong synergies must be sought between the ERDF (infrastructure provision) and ESF (training to adapt work supply to the work demand of the sectors with potential of development).

Likewise, synergies between the EAFRD and other funds – notably the ERDF and the ESF – may be exploited, for instance, in relation to water management, soil erosion and floods prevention and forest fires fighting. Measures may include training, knowledge transfer, innovation and research initiatives, territorial integration and sustainable development.

In synergy with the ERDF, the Connecting Europe Facility (CEF) can provide funds to finance projects on the TEN-T core networks and notably on the Mediterranean and Atlantic corridors, as well as horizontal priorities such as traffic management systems or multimodal connections. CEF can also trigger private investments and PPP through financial instruments.

Synergies should also be sought between Investment in Growth and Jobs programmes and European Territorial Cooperation programmes, as well as between these and EU strategies for macro-regions or sea-basin strategies (e.g. the Atlantic Maritime Strategy).

Integrated approaches to territorial development

Integrated approaches to territorial development should be promoted by making use of the instruments provided for in this regard (ITIs, community-led local development approach, integrated operations, Joint Action Plans, urban development platform, innovative urban actions). To this aim, the role of local actors should be enhanced. Integrated approaches are particularly appropriate in order to actively involve stakeholders and the population – especially of small-size areas – in the preparation and implementation of a development strategy, as shown by the LEADER experience.

Integrated Territorial Investments (ITIs) in Cohesion Policy allow the implementation of parts of programmes in a cross-cutting manner and can provide flexibility below the programme level to implement integrated actions. Where this mechanism is selected, the Spanish authorities should define for each ITI an appropriate governance structure and in particular designate a management body. Allocations should be defined in the programmes for the ITIs. The Partnership Agreement should set out the contribution to the integrated approach for territorial development, including – where appropriate – a planned integrated approach to sustainable urban development. It should identify the cities where sustainable urban development strategies will be implemented or the principles established for their identification.

Community-led Local Development (CLLD) offers an integrated bottom-up approach in response to complex territorial and local challenges through the involvement of local communities. Spain is invited to explain its approach as regards CLLD across the CSF

funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF funds and coordination mechanisms. Spain should also indicate the way preparatory support will be made available for local actors.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission Services' view on priorities for CSF funds for Spain. They have been developed on the basis of the Commission services in depth country analysis⁵¹ and selected from the 11 thematic objectives, which stem from Common Provision Regulation⁵² for CSF funds adopted by the Commission on 6 October 2011. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF funds.

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives, those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities. The challenges and funding areas for Spain correspond to the following thematic objectives:

Funding priorities	Related thematic objectives
<i>Increasing labour market participation and labour productivity, as well as improving education, training and social inclusion policies, with specific attention to youth and vulnerable groups</i>	<ul style="list-style-type: none"> • <i>Promoting employment and supporting labour mobility</i> • <i>Promoting social inclusion and combating poverty</i> • <i>Investing in education, skills and lifelong learning</i>
<i>Supporting the adaptation of the productive system to higher added-value activities by enhancing the competitiveness of SMEs</i>	<ul style="list-style-type: none"> • <i>Enhancing access to, and use and quality of, information and communication technologies - partly</i> • <i>Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector)</i> • <i>Promoting sustainable transport and removing bottlenecks in key network infrastructures</i>
<i>Strengthening the R&D and innovation system and its links with the private sector</i>	<ul style="list-style-type: none"> • <i>Strengthening research, technological development and innovation</i> • <i>Enhancing access to, and use and quality of, information and communication technologies – partly</i>
<i>Making a more efficient use of natural resources</i>	<ul style="list-style-type: none"> • <i>Supporting the shift towards a low-carbon economy in all sectors</i> • <i>Promoting climate change adaptation, risk prevention and management</i> • <i>Protecting the environment and promoting resource efficiency</i>

⁵¹ http://ec.europa.eu/europe2020/europe-2020-in-your-country/espana/index_en.htm

⁵² COM(2011)615 final/2: http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1

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|--|--|
| | <ul style="list-style-type: none"> • <i>Promoting sustainable transport and removing bottlenecks in key network infrastructures</i> |
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FUNDING PRIORITY: INCREASING LABOUR MARKET PARTICIPATION AND LABOUR PRODUCTIVITY, AS WELL AS IMPROVING EDUCATION, TRAINING AND SOCIAL INCLUSION POLICIES, WITH SPECIFIC ATTENTION TO YOUTH AND VULNERABLE GROUPS

The objectives of this funding priority will be achieved primarily by the thematic objectives 'Promoting employment and supporting labour mobility', 'Promoting social inclusion and combating poverty' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Promoting employment and supporting labour mobility
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<p>Country Specific Recommendation n° 5 of 2012: Implement the labour market reforms and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.</p>

<p>Country Specific Recommendation n° 6 of 2012: Review spending priorities and reallocate funds to support access to finance for small and medium-sized enterprises (SMEs), research, innovation and young people. Implement the Youth Action Plan, in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.</p>

<p>Country Specific Recommendation n° 2 of 2012: Ensure that the retirement age is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the Global employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.</p>

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Facilitating access to employment for job-seekers and inactive people, paying attention to the gender dimension, including local employment initiatives and support for labour mobility
 - Increasing employment and improving the working conditions of young people, older workers, women, low-skilled and vulnerable groups; while reducing the number of people in long-term unemployment:
 - Stepping up the efficiency of active labour market policies.
 - Improving the efficiency of public employment services (PES) and their coordination at national and regional level. There is the need to actively

support in Spain the implementation of a more demand driven approach towards European job placement services.

2. Ensuring a sustainable integration of young people not in employment, education or training into the labour market
 - Fostering young people's participation in apprenticeship-type vocational trainings;
 - Reinforcing schemes offering further education, (re) training or activation measures to every young person not in employment or in education / training;
 - Introduce a "youth guarantee" by establishing schemes to offer further education, (re)training or activation measures to every young person not in employment or in education or training, within 4 months of leaving school.
3. Promoting self-employment, entrepreneurship and business creation
 - Promoting business incubators and other types of support to entrepreneurs and self-employers, in particular in areas offering growth potential (including agriculture and the agro-food sector, the fishing sector – stock management, increasing unit value through improved quality, better marketing, additional processing and development of new species, etc. – and aquaculture –quality farmed fish and shellfish-).
4. Fostering adaptation of workers, enterprises and entrepreneurs to change
 - Design and implement the necessary measures to support the labour force transition towards new skills and jobs (including green jobs, those demanded by demographic trends, new technologies, required structural sectorial adjustments e.g. in the maritime economy from fisheries and shipbuilding towards marine biotechnology, maritime tourism, aquaculture, etc.):
 - Providing adequate education, training, reskilling and upskilling, according to the needs of the productive sector.
 - Promoting diversification opportunities and start up support, specifically in rural areas.
 - Securing maritime employment through the enhancement of labour mobility across sea-related sectors, as well as between land-based and sea-based jobs, including through capacity building, education and re-training.
 - Establishing measures to address the issue of seasonality in the maritime and coastal tourism sector and devising alternatives, as well as mobility opportunities for the concerned workforce.
 - Strengthening the cross-border labour market and fostering the mobility of workers across borders.
5. Promoting an active and healthy ageing
 - Putting in place measures to increase the labour market participation and employment rate of older women and men including by adapting age management in work places and labour markets to higher effective retirement ages and securing access to training.

Actions under this thematic objective should be coordinated with interventions under all the other thematic objectives⁵³.

Thematic objective: Promoting social inclusion and combating poverty

Country Specific Recommendation n° 7 of 2012: Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Active inclusion
 - Strengthening child-contingent support to facilitate the labour market participation of parents (in particular lone parents and second earners); investing in childcare, elderly care and long-term care infrastructure.
2. Integration of marginalised communities such as the Roma
 - Implementing actions to facilitate the labour market integration of the most disadvantaged groups and marginalized communities (including Roma).
3. Enhancing access to affordable, sustainable and high-quality services, including health care, social services of general interest, training, guidance and counselling.
 - Enhancing access to affordable, sustainable and high quality services, including training, guidance and counselling.
4. Promoting the social economy and social enterprises
 - Supporting social innovation and innovative social enterprises through developing new business models to address societal challenges.
 - Contributing to physical, social and economic regeneration of deprived urban and rural communities through integrated plans.
 - Promoting an international cooperation approach, in particular as regards migrant issues.
 - Promoting small agricultural business and diversification opportunities in non-agricultural activities in rural areas.
5. Community-led local development strategies
 - Designing and implementing territorial pacts, local initiatives for employment and social inclusion, community-led local development strategies supported actively by regional and local authorities, cities, social partners and NGOs (comprehensive network approach).
 - In rural areas, actions should focus on improving access to health and social services, and to foster local development by promoting community-led local initiatives.

⁵³ Thematic objectives 1, 2, 3, 4, 5, 6, 7, 9, 10 and 11 according to the draft Regulation.

- Enable green growth as a means to stabilize employment and infrastructure in rural areas.

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at SMEs, environment, labour market and education⁵⁴.

Thematic objective: Investing in education, skills and lifelong learning

Country Specific Recommendation n° 6 of 2012: Review spending priorities and reallocate funds to support access to finance for small and medium-sized enterprises (SMEs), research, innovation and young people. Implement the Youth Action Plan, in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Reducing early school leaving and promoting equal access to good quality early-childhood, primary and secondary education
 - Implementing strategies encompassing prevention, intervention and compensation measures to reduce early-school leaving, decrease the number of low achievers and promote inclusive education with a special focus on areas and target groups with specific needs (e.g. migrants, Roma).
 - Increasing access to early childhood education and care for children between birth and compulsory school age, which should be accompanied by strong measures to monitor and ensure minimum quality standards.
2. Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems, including the agriculture, fisheries, aquaculture and forestry sectors:
 - Increasing participation in vocational education and training and lifelong learning, especially for the people most in need of up-skilling and re-skilling.
 - Enhancing the links between educational catalogues and labour market needs (skills matching) at all educational levels, including University; improving supply, quality and labour market relevance of vocational education and training and incentivising work-based schemes such as dual vocational education and training.
 - Enhancing the skills profile of the workforce towards activities with promising growth and employment potential such as: business services, health and social sectors, digital economy, green jobs, blue growth, creative industries and services in the field of culture and tourism.

⁵⁴ Thematic objectives 3, 6, 8 and 10 according to the draft Regulation.

- Implementing the National Qualification Framework (MECU) and promoting recognition and accreditation of professional competencies facilitating validation of work experience.
- Fostering entrepreneurial skills, ICTs skills and foreign language learning at all educational levels.
- Promoting joint education and training schemes across borders with immediate neighbours and/or in wider EU context.
- Investing in education and training infrastructure.
- Promoting dissemination of knowledge and information.

Actions under this thematic objective should be coordinated with interventions under all the other thematic objectives⁵⁵.

FUNDING PRIORITY: SUPPORTING THE ADAPTATION OF THE PRODUCTIVE SYSTEM TO HIGHER ADDED-VALUE ACTIVITIES BY ENHANCING THE COMPETITIVENESS OF SMES

The objectives of this funding priority will be achieved primarily by thematic objective 'Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector', as well as thematic objectives 'Enhancing access to, and use and quality of, information and communication technologies' and 'Promoting sustainable transport and removing bottlenecks in key network infrastructures'.

Thematic objective: Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector

Country Specific Recommendation n° 6 of 2012: Review spending priorities and reallocate funds to support access to finance for SMEs, research, innovation and young people.

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms.
 - Along with introducing entrepreneurship as a cross-cutting issue in all education and training programmes, improving social recognition and the media image of entrepreneurs is essential.
 - The focus should be put on entrepreneurship with a sustainable long-term vision, the priority being the consolidation and growth of start-ups and SMEs⁵⁶. A proper strategy is needed to ensure a sustained impact of the public support.

⁵⁵ Thematic objectives 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11 according to the draft Regulation.

⁵⁶ In fact, 71% of the new firms in 2011 were self-employment and thus, at this stage, they do not trigger job creation. Likewise, 77% of the start-ups did not export.

2. Easing access to finance for start-ups and SMEs, in particular through revolving financial instruments.
 - In order to leverage private funds a broad range of revolving instruments may be used, including loans, guarantees, equity, seed capital, micro-credits, etc.
3. Developing new business models for SMEs, in particular for internationalisation.
 - The process of internationalisation of SMEs⁵⁷ should be understood in a broad sense, including both exports and FDI – abroad and inside the country –, as all these activities have substantial returns in terms of growth and employment.
 - Given that the firms which are strategically active in the international markets increase their turnover, innovate more, create more stable and qualified employment and become more resilient to the downturns of the economic cycle, they should be targeted with a specific strategy.
 - A thorough assessment of the different public support measures aiming at promoting the internationalisation of SMEs – at different levels and by several bodies – should be undertaken in order to increase co-ordination and efficiency⁵⁸.
4. Fostering structural changes in the economy by developing new business models in SMEs, including agricultural and fisheries sectors.
 - Encourage cooperation between companies at EU macro-regional level (i.e. Atlantic strategy) and enhance transnational cooperation along the business value chains exploiting potential complementarities and synergies.
 - Promote eco-innovation among SMEs, in particular through supporting development of clusters in green technologies, including agriculture, marine and maritime sectors.
 - Enhancing the potential of the bioeconomy sectors notably in order to foster growth and jobs in rural, coastal and industrial areas.
 - Diversify economic activity in rural and coastal areas, in particular by supporting business start-ups and the reassignment of vessels for maritime activities⁵⁹, support business development and entrepreneurship to enhance competitiveness, viability and sustainability in agriculture, fisheries and aquaculture.
 - For the outermost regions the EMFF should be used to improve sustainability and competitiveness of the fishery and aquaculture sectors.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, Spain needs to fully implement the provisions of the Small Business Act (SBA), in particular regarding the lengthy and costly process of setting up business and obtaining licenses and the poor cooperation among SMEs.

⁵⁷ See also the Commission communication ‘Small Business, Big World - a new partnership to help SMEs seize global opportunities’ of 9.11.11:

http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm#h2-1

⁵⁸ For instance, in the framework of the *Consejo Interterritorial de Internacionalización*, gathering the central (ICEX) and the regional administrations, the chambers of commerce, employers' organisations, etc.

⁵⁹ Outside fishing activities of small scale coastal fishing vessels.

The following pre-requisites for the success of the financial instruments should be taken into account: ensure a sufficient management capacity and expertise; avoid over-allocation of resources (for instance, to speed up the absorption of the funds and to skip the N+2 rule); take possible time delays (e.g. design, implementation, etc.) into account; and carry out an in-depth ex-ante financial gap analysis. The challenges will be to effectively extend in a smooth but determined manner the use and scope of these tools to virtually all the areas of intervention of CSF funds and to ensure an adequate reporting and evaluation.

As these priorities concern all sectors, the maximum synergies must be sought among the CSF funds, as well as with other EU instruments (e.g. Programme for the Competitiveness of Enterprises and SMEs).

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at R&D, innovation, SMEs, low carbon economy, environment, human capital development⁶⁰, in line with the national/regional research and innovation strategies for smart specialisation.

Thematic objective: Enhancing access to, and use and quality of, information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- Support effective use and uptake of ICTs by enterprises, with a particular attention to SMEs, by eliminating the existing barriers for the use of ICT.
- Foster the development of e-commerce, enterprise resource planning and, electronic invoicing, in order to increase the SMEs productivity and competitiveness.
- Enhance skills and competencies on IT-related skills of business through designated capacity building and training strategies. Measures to stimulate the demand should be adopted.
- Priority should be given to ensuring that exchanges between administrations and enterprises as well as citizens can be done digitally, in order to increase administrative efficiency, transparency and the quality of service.

The existence of an NGA (Next Generation Access Network) has been proposed as one of the ex-ante conditionalities for Community CSF funding. It has also been underlined the importance to include within national or regional RIS3 a chapter for digital growth containing budgeting and prioritisation of actions through a SWOT analysis carried out in alignment with the Scoreboard of the Digital Agenda for Europe. It is essential that Spain updates its national broadband plan so as to develop a comprehensive set of effective measures to advance NGA coverage and take-up in line with the Digital Agenda and national targets. Spain should also consider the inclusion of an NGA take-up target in its national broadband plan in line with the Digital Agenda targets.

⁶⁰ Thematic objectives 1, 2, 4, 6, 8, 9 and 10 according to the draft Regulation.

Actions under this thematic objective should be coordinated with interventions under all other thematic objectives⁶¹, in the framework of the national/regional research and innovation strategies for smart specialisation.

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructures

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Supporting a multimodal Single European Transport Area by investing in the Trans-European Transport Network (TEN-T) network.
 - Particular attention should be paid to fill the gap of the core networks notably the Mediterranean and Atlantic corridors (except in the more developed regions). It is also important to foster modal integration through intelligent transport systems and fine-tuning of administrative procedures, from the maritime single window to the single logistic window.
2. Enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure.
 - It is important to ensure seamless mobility and interoperability across networks and an appropriate accessibility to the main logistic platforms. Appropriate standards for efficient freight transport across the core network should be deployed.
3. Developing environment-friendly and low-carbon transport systems and promoting sustainable urban mobility.
 - The national ERTMS (European Rail Traffic Management System) deployment plan needs to be fully implemented. Spain should pursue its choice of deploying ERTMS level 2 according to the geographical basis of the national deployment plan⁶².

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery:

- In general terms and given the remarkable investments already carried out in recent years, transport investments needs should be limited whilst the focus should be on the rationalisation of the existing transport system and demand management. In order to diminish the public cost of these investments in a period of fiscal consolidation, proper cost-benefit analysis should be carried out (i.e. to avoid over-investment or over-sized infrastructures) and the use of public-private partnerships should be

⁶¹ Thematic objectives 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 according to the draft Regulation.

⁶² More information on this issue can be found on:
http://ec.europa.eu/transport/rail/interoperability/ertms/doc/edp/national_deployment_plans/2010_update/es_fiche_2010.pdf

carefully considered together with other financial instruments, including EIB financing⁶³.

- Ensure financial sustainability of investments through the preparation and implementation of an appropriate maintenance strategy (applying the "polluter pays" and "user pays" principles). Revenues from pricing and charging systems and not EU funds should be used for financing maintenance costs.
- EU support for seaport infrastructures should be conditional upon the existence of a comprehensive long-term port development strategy (based on an assessment of needs) for all the ports of the region (N.B. Recommendations of the European Court of Auditors).
- Investments supported by Cohesion Policy should be closely articulated with the Connecting Europe Facility instrument.

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at low carbon economy, climate change adaptation, environment, human capital development⁶⁴.

FUNDING PRIORITY: STRENGTHENING THE R&D AND INNOVATION SYSTEM AND ITS LINKS WITH THE PRIVATE SECTOR

The objectives of this funding priority will be achieved primarily by thematic objective 'Strengthening research, technological development and innovation', as well as thematic objective 'Enhancing access to, and use and quality of, information and communication technologies'.

Thematic objective: Strengthening research, technological development and innovation

Country Specific Recommendation n° 6 of 2012: Review spending priorities and reallocate funds to support access to finance for SMEs, research, innovation and young people.
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Enhancing research and innovation infrastructure (R&I) and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest.
 - To strengthen research and innovation capacity, the existing R&I infrastructures must be consolidated and upgraded, and new R&I facilities created, particularly oriented to the productive sector demand.
 - Capacity-building for R&I excellence and technological change, by investing in innovative solutions and research infrastructures and equipment, in particular those of European interest in the context of Joint Programming Initiatives, the

⁶³ More information on this issue can be found on EPEC (European PPP Expertise Centre): <http://www.eib.org/epec/>

⁶⁴ Thematic objectives 4, 5, 6, 8, 9 and 10 according to the draft Regulation.

ESFRI ('European Strategy Forum on Research Infrastructures') research infrastructures, the development of the Regional Partner Facilities and within the Strategic Energy Technology Plan. This includes support for “satellite infrastructures” linked to the ESFRI-related research infrastructures, national/regional research facilities and technology centres, competence centres and science parks, with a clear focus on enhancing applied research, through reinforced cooperation with industry to leverage private R&I investment.

- Public-private share management R&I infrastructures should be promoted. For instance, pilot and technology demonstration plants.
 - Completing the existing capacities in R&I may also be necessary on condition that the new infrastructures, beyond the implementation of the ESFRI roadmap, fit into the corresponding strategic frameworks and are coordinated at national and regional level.
2. Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation.
- To support entrepreneurial and collaboration efforts among innovating firms and also with the public sector. For instance by R&D&I programmes for applied research, pilot lines, demonstration and early product validation actions, advance manufacturing capabilities and first production and deployment projects. As well as by fostering National and/or international Joint Technology Initiatives jointly with business associations and technology platforms.
 - To foster technology transfer from research provider to the industry through public support services to SMEs for technology transfer and intellectual property rights exploitation; mapping of available public research and innovation support to the industry (collaborative research, advice, technological services).
 - To provide more incentives to research and innovative entrepreneurship. For instance grant incentives for public research teams and individual researchers who carry out research productive collaborations with the private sector and innovation award for young innovative entrepreneurs.
 - To promote business R&I investment and creation of new innovative firms. For instance through innovation vouchers schemes, microcredits lines, risk and venture capital and fiscal incentives schemes for enterprises conducting R&I activities.
 - To increase awareness among private sector, particularly SMEs, of regional, national and community funding opportunities for R&I.
 - Strategic priorities should be aligned with the solution of societal challenges. In this respect, the establishment of operational groups and networks in the scope of the European Innovation Partnerships (EIPs) would be a useful tool. In the case of agriculture, health, energy and environment this is a priority that would help to increase competitiveness productivity and sustainability.
 - Innovation in areas such as blue energy, aquaculture, maritime, coastal and cruise tourism, marine mineral resources, blue biotechnology in line with the Blue Growth Communication⁶⁵.

⁶⁵ COM (2012) 494 Blue Growth Communication: opportunities for marine and maritime sustainable growth.

- Public procurement, at national, regional and local level, may also be a valuable tool to facilitate the first market entry for innovative firms, particularly SMEs. Several European Commission recommendations and concrete actions to develop in this field have been pointed out at the Guide to Research and Innovation Strategies for Smart Specialisation (RIS3)⁶⁶.
 - Design and creative services should be promoted as a factor for innovation, in particular for SMEs, through support to creative hubs, networks and clusters and through vouchers.
3. Supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies.
- In the case of Spain, opportunities exist notably in the domains of health, energy, environment and agriculture. Key Enabling Technologies (KETs) present opportunities for SMEs.

This thematic objective should be implemented in line with the priorities identified in the ERA Communication adopted by the Commission on 17 July 2012. Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery.

In order to achieve these goals, a more strategic multi-level approach to innovation should be developed in the framework of smart specialisation strategies at regional and national level (RIS3)⁶⁷, where firms and other actors in the regional and national R&D+i systems should be closely involved and coordinated⁶⁸.

Actions under this thematic objective should be coordinated with interventions under the related thematic objectives aiming at ICTs, SMEs, low carbon economy, climate change and environment, transport, human capital development⁶⁹, in the framework of the national/regional research and innovation strategies for smart specialisation.

Thematic objective: Enhancing access to, and use and quality of, information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- Since Spain occupies a prominent position in the world and European ranking of scientific-technical ICT publications (15th at worldwide level and 5th at EU level⁷⁰) measures to foster ICT research should focus on exploiting research results or to be market-oriented.

⁶⁶ RIS3 Guide.

⁶⁷ S3 Platform website: <http://s3platform.jrc.ec.europa.eu/home>

⁶⁸ See Innovation policy Trend Chart:

http://www.proinno-europe.eu/sites/default/files/repository_files/12/03/Spain_TC_final.pdf

⁶⁹ Thematic objectives 2, 3, 4, 5, 6, 7, 8, 9 and 10 according to the draft Regulation.

⁷⁰ Informe de recomendaciones del Grupo de expertos de alto nivel para la Agenda digital en España 2012: <http://www.minetur.gob.es/telecomunicaciones/es-ES/Novedades/Documents/informe-recomendaciones-ade.pdf>

- Promote innovation in the ICT sectors as a measure to improve business competitiveness in accessing to new markets.
- Encourage the development of ICT solutions in non-technological sectors, and develop new product, processes and services. Like, for instance, smart cities and culture and creative industries (i.e. digitisation of cultural heritage), as well as e-administration and services (health, education, justice, inclusion)
- In rural and coastal areas, actions should focus on improving access to health and social services, and to foster local development by promoting community-led local initiatives.
- Improve ICT skills and competencies by supporting different levels of digital literacy and training from high skilled practitioners to basic digital literacy.
- Increase take-up and use of digital public services by designing and implementation of awareness of online service provisions and making it more accessible to all citizens and more user-friendly.
- Spain is encouraged to further invest in the implementation of cross-border eGovernment services. These investments should ensure synergies with the envisaged future European digital services infrastructure activities under the proposed CEF (Connecting Europe Facility). In that sense, the potential of the Canary Island as a ICTs hub for EU/Africa/America – in particular in the field of marine and climate information systems – should be developed.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities (Digital chapter in RIS3 and NGA plan) in advance of 2014.

Actions under this thematic objective should be coordinated with interventions under all other thematic objectives, in the framework of the national/regional research and innovation strategies for smart specialisation.

FUNDING PRIORITY: MAKING A MORE EFFICIENT USE OF NATURAL RESOURCES

The objectives of this funding priority will be achieved primarily by thematic objective 'Supporting the shift towards a low-carbon economy in all sectors', as well as thematic objectives 'Promoting climate change adaptation, risk prevention and management', 'Protecting the environment and promoting resource efficiency' and 'Promoting sustainable transport and removing bottlenecks in key network infrastructures'.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Country Specific Recommendations n° 3 and 8 of 2012:

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| <ul style="list-style-type: none"> • Introduce a taxation system consistent with the fiscal consolidation efforts and more supportive to growth, including a shift away from labor towards consumption and environmental taxation. • Complete the electricity and gas interconnections with neighboring countries and address the electricity tariff deficit in a comprehensive way, in particular by improving the cost efficiency of the electricity supply chain. |
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Promoting energy efficiency

- Implement energy efficiency measures in industry, transport, building and public services, including in agriculture and fisheries, in line with the Spanish Energy Efficiency Action Plan for 2011-2020.
- Support energy efficiency measures aiming at introducing efficient heating and cooling systems in public and private buildings, SMEs and farms, particularly by promoting auto-consumption. This can apply in priority to existing buildings but also to new constructions.
- Promote the use of JESSICA-type holding funds and other revolving financial instruments.

2. Promoting the production and distribution of renewable energy sources

- Increase the share of renewable energies sources (RES) in final energy consumption by production of electricity as well as in heating and cooling systems and the use in transport systems with investment in networks facilitating reception of energy from renewable sources, including marine energy.
- Develop RES innovations, technologies and industries by targeted support schemes for SMEs in the field of production and development of RES technologies as well as support for R&D and cluster initiatives in line with smart specialisation strategies. Increase share of biofuels in transport, in particular through R&D support in the area of 2nd and 3rd generation biofuels.
- Develop environment-friendly energy production limiting the impacts on the environment in forest and agriculture areas (risk of intensification of forestry, land take for biofuels and short rotation crops).

3. Promoting Energy grids

- Complete electricity and gas interconnections with neighbouring countries – in particular with France.
- Promote the connections of the RES to the national grid as well as to smart grids.

Close coordination must be ensured between CSF Funds and existing climate-related instruments, for instance, with LIFE+ or the NER300 Programme.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery:

- As the bulk of climate-related investments are carried out by the private sector, Spain should ensure that public funding complements private investment, leveraging it, and not crowding it out. Support should focus on areas where current incentives are insufficient.
- In order to substantially increase the EU resources allocated to this thematic objective, Spain may need to adapt its legislation and/or to make further use of state aid schemes.

- Development of energy production should be environmentally-friendly and in particular avoid negative impacts on nature and biodiversity, as well as retaining forests as carbon sinks rather than turning them into carbon sources in Europe.

The mix of measures should allow achieving the 20.1% increase in energy efficiency agreed by Spain as EU binding target for 2020. They should also be in line with the Spanish Renewal Energy Action Plan for 2011-2020 and should allow achieving the 20% of energy from RES agreed by Spain as EU binding target for 2020.

Actions under this thematic objective should be coordinated with interventions under the related thematic objectives aimed at R&D, ICTs, SMEs, climate change, environment, transport and human capital development.⁷¹

Thematic objective: Promoting climate change adaptation, risk prevention and management

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Supporting dedicated investment for adaptation to climate change.
 - Effective implementation of the Spanish National Climate Change Adaptation Plan, in particular of the vulnerable sectors and resources subject to funding, i.e. agriculture and stockbreeding, forest policy, infrastructure planning and management, building, land-use planning (including coastal areas prone to erosion, sea level rise and other effects).
 - Adaptation action in agriculture, soils and forests which should exploit synergies and avoid trade-offs with the mitigation objectives of conservation and enhancement of natural carbon sequestration reduction (through afforestation, sustainable management of soils and forests and reduction of nitrous oxide and methane emissions from agriculture -reduced use of fertilisers/pesticides, improved livestock management practices-).
2. Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems.
 - Preparation and implementation of prevention plans to deal with
 - forest fires and the restoration of damaged sites,
 - draughts, floods and soil erosion

The prevention plans for these disasters should include adapting some traditional practices regarding land use management, enhancing forest management and promoting appropriate training and advice to farmers and other land managers.

- coastal erosion
- alien species and algae blooms.
- industrial risks.

⁷¹ Thematic objectives 1, 2, 3, 5, 6, 7, 8, 9 and 10 according to the draft Regulation.

- Development of tools (detection, early warning and alert systems, risk mapping and risk assessment), investment in civil protection and emergency infrastructures and training.

In addition to exploiting synergies among CSF Funds, complementarity and coordination with LIFE+ should be ensured.

Moreover, as cooperation across regions and Member States in this field is essential, cooperation aspects (both national and international regarding immediate neighbours and the wider EU-context) have to be considered. Spain can greatly benefit of exchange of experience, networking and joint initiatives/actions in these issues.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery:

- Preparation of climate change adaptation strategies for regions not having one yet and establishing mechanisms to ensure their effective implementation, the coordination and coherence between national and subnational strategies as well as between sectoral policies.
- Prevention plans (fires, floods, draught, erosion...etc) should be aligned with climate change adaptation objectives, taking into due consideration likely changes in frequency and intensity of these events due to climate change.
- Introduce and implement climate smart practices, in particular in agriculture.

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at R&I, ICTs, SMEs, environment, transport and human capital development⁷².

<p>Thematic objective: Protecting the environment and promoting resource efficiency</p>
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Addressing the significant needs for investment in the waste sector to meet the requirements of the environmental *acquis*.
 - Wastewater: EU funds could support the completion of the infrastructure and processes to provide waste water treatment services in agglomerations not yet complying with the waste water treatment Directive. Tertiary treatment and re-use of waste water should be increased for irrigation and enriching ground water purposes.
 - Support development of waste infrastructure in line with the waste management hierarchy. Priority should be given to waste prevention, re-use and recycling, while waste landfilling needs to be reduced. Support could also be given to innovative solutions promoting a closed-loop economy.
2. Addressing the significant needs for investment in the water sector to meet the requirements of the environmental *acquis*.

⁷² Thematic objectives 1 to 10 according to the draft Regulation.

- Emphasis on measures to curb water demand and reduce pressure on existing resources. Measures should focus on promoting water efficiency (modernisation of irrigation systems in agriculture and reduction of leakages in water distribution networks) and appropriate water pricing, for irrigation and drinking water supply. Investments should comply with the River Basin Management Plans and could also include monitoring, green infrastructure, drought and flood risk prevention and river restoration. Innovative approaches could also be supported.
 - Water quality: Efforts should concentrate in ensuring the implementation of actions needed to meet the standard quality requested by the EU Directive, also for lead pollution issues. Actions to deal with the contamination of groundwater by Nitrates should also be supported (e.g manure storage). Efforts will be needed to reduce nutrient loads to water courses which flow into marine and fresh waters at risk of eutrophication.
3. Protecting biodiversity, soil protection and promoting ecosystem services including NATURA 2000 and green infrastructures.
- Investments should support sustainable management and restoration of Natura 2000 network (e.g.. management plans). In this context particular attention needs to be given to the completion of the marine part of the network.
 - Measures for rural and natural areas, the restoration, conservation and enhancement of freshwater, agro and forest ecosystems and their services; for urban areas: the restoration of degraded areas and the establishment of urban green infrastructure; and for marine areas, fleet management.
 - Soil. Measures are needed to tackle: 1) erosion problems related to some crops and to farmland abandonment in mountain areas; 2) salinization and increasing outputs of nutrients in irrigated areas; 3) desertification, 4) landslides, 5) deforestation and 6) low level of organic matter in soils.
 - Support the transition to environmentally sustainable fisheries (take measures to achieve Maximum Sustainable Yield and support discard ban, improvement of data collection for resource conservation purposes, strengthening the control of the implementation of CFP rules) as well as eco-innovation (innovation reducing impact on environment) and aquaculture with high level of environmental protection. Spain also needs to evaluate and identify any remaining overcapacity in its fleets in order to phase it out.
 - Support the use of integrated maritime policy tools for sustainable growth and competitiveness⁷³ as well as the sustainable exploration and exploitation of seabed resources.
4. Action to improve the urban environment, including regeneration of brownfield sites and reduction of air pollution.
- Investments are needed to reduce air pollutants through integrated urban measures and actions to reduce ammonia emissions from agriculture.

Synergies should be sought not only among CSF funds but also in the context of Horizon 2020 and LIFE. As regards local development, complementarities with the Creative

⁷³ Such as marine knowledge, Maritime Spatial Planning and Integrated Coastal Zone Management, and integrated maritime surveillance.

Europe programme, which supports the European cultural and creative sectors, need to be enhanced.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery:

- The 'polluter pays principle', adequate pricing of environmental services, as well as a shift from labour towards consumption and environmental taxes, should be carefully taken into account when considering public funding in the area of environment.
- Financing to Natura 2000 should be consistent with the Prioritised Action Framework.
- Implement Maritime Spatial Planning (MSP) and Integrated Coastal Zone Management (ICZM) as important tools for growth and competitiveness as well as enhancing sustainable use of marine waters and coastal zones through legal certainty. In this context, improvement of governance, including data sharing between relevant authorities, cooperation with neighbouring countries and capacity building are essential.

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at R&I, ICTs, SMEs, climate change adaptation, transport and human capital development⁷⁴.

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructures

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Developing environment-friendly and low-carbon transport systems and promoting sustainable urban mobility.
 - Develop urban sustainable mobility plans aiming to reduce congestion, accidents and pollution in Spanish cities.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following general considerations would improve governance and delivery:

- In general terms and given the remarkable investments already carried out in recent years, transport investments needs should be limited whilst the focus should be on the rationalisation of the existing transport system and demand management. In order to diminish the public cost of these investments in a period of fiscal consolidation, proper cost-benefit analysis should be carried out (i.e. to avoid over-investment or over-sized infrastructures) and the use of public-private partnerships should be carefully considered together with other financial instruments, including EIB financing⁷⁵.

⁷⁴ Thematic objectives 1 to 10 according to the draft Regulation.

⁷⁵ More information on this issue can be found on EPEC (European PPP Expertise Centre): <http://www.eib.org/epec/>

- Ensure financial sustainability of investments through the preparation and implementation of an appropriate maintenance strategy (applying the "polluter pays" and "user pays" principles). Revenues from pricing and charging systems and not EU funds should be used for financing maintenance costs.

Actions under this thematic objective should be coordinated with interventions under thematic objectives aimed at low carbon economy, climate change adaptation and environment⁷⁶.

C. ADMINISTRATIVE ARRANGEMENTS

General assessment of administrative capacities

In general, administrative capacity in Spain to manage EU funds has proved to be adequate both at central and at regional level, including the Managing Authorities (MAs), Intermediate Bodies (IBs), beneficiaries and partners.

However, some weaknesses in the 2007-2013 management and control systems of certain IBs and a number of requirements in the 2014-2020 period (e.g. implementation of the performance framework and impact evaluation, greater use of financial instruments) may entail the development and reinforcement of certain tasks, with the corresponding training needs.

In some cases, improved guidance and information flows from the MAs to the IBs and from these to the beneficiaries (especially to those groups having more obstacles in accessing the funds, e.g. farmers) would be valuable to ease their participation.

Reinforcing the coordination between the national and the regional public employment services is essential in order to improve the labour market intermediation system, the geographical labour mobility, the occupational and continuous training and the complementarity between active and passive labour market policies. To this aim, more human and technological resources should be devoted to them.

Administrative burden

In order to reduce administrative burden for beneficiaries – in particular SMEs and small beneficiaries – the use of simplified costs (lump sums, flat rates for indirect costs, standard scales of unit costs) should be encouraged (so far only pilot studies have been carried out for a number of regions). This would reduce the error rate and increase the effectiveness of the actions implemented.

The existence of common provisions for the CSF funds, including harmonised rules on eligibility and durability and a proportional approach to control, will also be a source of simplification. Other options, like linking payments with results only – as provided for in the Joint Action Plans –, or further utilisation of global grants, should be exploited too.

The development of a friendly to use, one-stop-shop ICT system for electronic exchange of information with beneficiaries and advice services – in line with the e-Cohesion initiative foreseen in the Common Provisions Regulation – should be a priority. This system, on the one hand, should allow all IBs and beneficiaries to receive information and to easily upload and update data and, on the other, ensure a quality, timely and suited

⁷⁶ Thematic objectives 4, 5 and 6 according to the draft Regulation.

reporting to the Commission. So as to avoid delays in the take-off of the interventions, the system should be fully operational at the moment of the adoption of the programmes.

Partnership

Partnership has traditionally been extensive in Spain both at vertical (among administrations) and horizontal (with stakeholders) level, especially during the programming phase. In order to preserve this broad involvement and participation, the Commission encourages Spain to maintain its comprehensive partnership arrangements in 2014-2020. However, there is room for improvement as regards the active participation of different stakeholders in the implementation of the interventions (e.g. in monitoring committees). In view of stimulating strategic debates on the content of the programmes, the development of informal *fora* should be considered.

Management and control systems

The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. For the CSF Funds, Spain is encouraged to reflect on how sound financial management could be further enhanced.

For Cohesion Policy, the management and control systems for 2014-2020 should build on the positive achievements in the 2007-2013 period.

For rural development, Spain should ensure an effective and efficient control environment and be able to confirm in advance the operability of its control systems.

Monitoring and evaluation

Monitoring and evaluation tasks in Spain have traditionally been carried out in a rather centralised way, the emphasis being put on financial absorption. For 2014-2020 the preparation and the implementation of programmes will need to be more focused on results. This will require adapting the corresponding monitoring and evaluation systems so as to be able to better track the physical progress of the operations, to improve the alert mechanisms when implementation is at risk, to carry out in-depth evaluations and to quickly translate their results into corrective measures. Setting reliable targets and developing sound methodologies to capture the impact of the interventions are crucial. In this sense, building strong monitoring and evaluation capacities – also at regional level – should be a priority.