

Evaluation of the Cohesion Policy Operational Program 2007-2013. The case of Extremadura

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ABSTRACT: This work summarises the main findings of the review of the implementation of the Cohesion Policy in Extremadura (Spain) during the Operational Program 2007-2013, which closed early 2017. The PERCEIVE project, developed within the H2020 framework, gives the opportunity to analyse the characteristics of the region, its main strengths and weaknesses together with the opportunities and threats, and how the Cohesion Policy addresses these challenges. We perform a general overview of the Operational Program 2007-2013 in Extremadura, analysing the final expenditure by priority themes, the absorption rate, the time-line of the implementation and execution, and a comparison with the current 2014-2020 programming period. We also analyse the governance of Cohesion Policy in Extremadura and the institutional setting. We finish this report by summarising the main conclusions and the expected outcomes of the research project in its next stages.

JEL Classification: O18; O21; R10.

Keywords: Cohesion Policy; Structural Funds; Extremadura; Operational Program.

Evaluación del Programa Operativo 2007-2013 de la Política de Cohesión. El caso de Extremadura

RESUMEN: Este trabajo resume las principales conclusiones de la revisión de la Política de Cohesión en Extremadura (España) durante el Programa Operativo 2007-2013, que cerró a principios de 2017. El proyecto PERCEIVE, desarrollado dentro del marco H2020, brinda la oportunidad de analizar las características de la región, sus principales fortalezas y debilidades, junto con las oportunidades y amenazas, y cómo la política de cohesión aborda estos desafíos. Desarrollamos una visión general del Programa Operativo en el periodo 2007-2013 en Extremadura, analizando el gasto final por temas prioritarios, la tasa de absorción, el cronograma de implementación y ejecución y una comparación con el actual periodo de programación 2014-2020. Asimismo, analizamos la gobernanza de la Política de Cohe-

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sión en Extremadura y el entorno institucional en la que se desarrolla. Terminamos este informe resumiendo las principales conclusiones y los resultados esperados del proyecto de investigación en sus siguientes etapas.

Clasificación JEL: O18; O21; R10.

Palabras clave: Política de Cohesión; Fondos Estructurales; Extremadura; Programa Operativo.

1. Introduction

The AQR IREA Research group¹ of the University of Barcelona is involved in the PERCEIVE project (Perception and Evaluation of Regional and Cohesion policies by Europeans and Identification with the Values of Europe), financed by the European Commission within the H2020 framework². This project aims at both mapping and explaining inter- and intra-regional variations in: *a)* the experiences and results of cohesion policy implementation, *b)* citizens' awareness and appreciation of EU efforts for delivering cohesion and *c)* European identities and citizens' identification with the EU.

In doing so, PERCEIVE develops a comprehensive theory of «cohesion in diversity», and use this theory to create a better understanding of the channels through which European policies contribute to create both different local understandings of the EU and different levels of European identification across profoundly different European regions. In its actual initial phase the general objective is to grasp the complexity of the conceptual interactions between the following constructs of the project:

- the heterogeneity of the European regions, understood as territorial units with their own endowments of socio-economic, cultural and institutional traits targeted by Cohesion Policy;
- the framework of Cohesion Policy and its actual implementation experiences, that differ from country to country and from region to region;
- the contribution of Cohesion Policy to the emergence of a European identity and to the citizens' identification with the European integration project.

The project analyses 9 regions listed in Table 1 according to the Cohesion Policy (CP) Objective. One of the analysed regions is Extremadura, for which we have carried out a case of study. This work is a summary of the application of CP in such region once the 2007-2013 Operational Programme was closed in early 2017. We review the case of study of Extremadura by briefly introducing the main characteristics of the region (section 2), summarising the main aspects derived from a SWOT analysis (section 3), reviewing the figures of CP in Extremadura (section 4) and describing the governance of CP (section 5). Section 6 concludes describing with the main findings and listing the future lines designed in the research project.

¹ <http://www.ub.edu/aqr/>.

² <http://www.perceiveproject.eu/>.

Table 1. List of the case-study regions

<i>Region</i>	<i>Country</i>	<i>NUTS2 code</i>	<i>Cohesion Policy Objective</i>
Emilia-Romagna	IT	ITH5	Competitiveness
Norra Mellansverige	SE	SE31	Competitiveness
Essex	UK	UKH3	Competitiveness
Burgenland	AT	AT11	Convergence-Phasing out
Extremadura	ES	ES43	Convergence
Calabria	IT	ITF6	Convergence
Warmińsko-mazurskie	PL	PL62	Convergence
Dolnośląskie	PL	PL51	Convergence
Sud Est Romania	RO	RO22	Convergence

2. Extremadura: the path towards convergence

The region of Extremadura (divided administratively in the provinces of Cáceres and Badajoz) is located in the west of Spain, and covers an area of 41,634 Km² (very close to the size of the Netherlands) representing 8.25% of the total country's area and 1.05% of the EU-25. It is a region bordering Portugal, located geographically in the periphery of the EU, with most of its territory being rural. Indeed, according to the Spanish National Institute of Statistics, in 2014 only seven municipalities had more than 20,000 inhabitants of the 387 existing in Extremadura, and 290 did not surpass 2,000 inhabitants, indicating the high degree of ruralization.

Extremadura is one of the least populated regions in Spain with 1,104,004 inhabitants in 2013 (49.6% men and 50.4% women), representing 2.36% of the total population of the whole of Spain and 0.22% of the population of the EU-28. Out of these, 41,658 inhabitants are of foreign nationality, which represents a 3.8% of the total resident population, lower than the Spanish average (close to 10%). Indeed, the low rate of immigrants in Extremadura also affects the birth rate, since in Extremadura only 5.3% of the children born are of foreign mothers compared to the 15% in Spain. Therefore, the lower weight of immigrants in Extremadura does not contribute to its demographic growth, contrarily to other Spanish regions.

With respect to the evolution in time, population growth between 2003 and 2013 is of 2.8% (compared to the 11.7% for Spain and 2.9% for the EU28), as a result of a more positive evolution of women, who present a higher growth rate (3%). In addition, the behavior of birth and mortality in recent years has led to a vegetative balance that shows difficulties for generational replacement. The average number of children per woman in 2013 is around 1.27, slightly below the Spanish average of 1.37.

On the other hand, Extremadura had a population density in 2013 much lower than in Spain and the EU: only 26.6 inhabitants per km² in Extremadura, compared to 93.4 in Spain and 116.3 in the EU. Also, the analysis of the distribution of the population in Extremadura reveals that 60% of the population resides in municipalities of less than 20,000 inhabitants, far from the Spanish average which stands at around 32%.

The analysis of the age structure shows a slightly older population than the national and the EU-28 averages. In 2013, people under 45 represent 54.1% of the population of Extremadura compared to 56.1% of the whole of Spain. The percentage of the population over 65 (19.4%) is higher than that of Spain (17.7%), showing the participation of Extremadura in the generalized aging process.

Regarding the economic context, the GDP of Extremadura in 2013 represented only 1.6% of the Spanish GDP and 0.1% of the total amount produced in the EU28. These figures were quite stable from 2003 to 2013, as the growth over the entire period in Extremadura was similar to that of the whole country and only slightly behind the EU28. To be clear, the annual average growth rate of GDP at current market prices was 2.5% in Extremadura and Spain, and 2.6% in the EU28. However, two different sub-periods can be identified. The first one from 2003 to 2010, in which the Extremadura's economy grew faster (annual growth rate of 3.2%) than the Spanish and, particularly, the EU28 ones (3.0 and 2.0%, respectively). The second, when the crisis began to hit the Spanish economy harder. From 2010 to the end of the analysed period, the GDP in Extremadura decreased at an average annual rate of 0.7%, more than in the whole of Spain (-0.5%) and in contrast with the (slow) recovery of the EU28 area those years (0.6%). In any case, none of these differences caused a modification in the position occupied by Extremadura in the ranking of the Spanish NUTS 2 regions. In terms of economic size, the region ranked 15 out of the 17 Spanish regions over the entire period. As for the distribution of the economic activity between the two provinces in the region, the most interesting feature is that the contribution of Badajoz is higher than that of Cáceres. On average over the period, about 62% of the GDP in Extremadura was produced in the former province.

Consistent with the above-mentioned situation, Extremadura was the Spanish region with the lowest GDP per capita all over the period. It was just 15,300€ in 2013, despite the average annual growth over the period from 2003 to 2013 was higher in Extremadura than in the whole of Spain (2.2% vis-à-vis 1.5%), and similar to that in the EU28. Again, such an improvement corresponds fully to the period up to 2010, since from that year to 2013 the GDP per capita decreased in the region. In relative terms, the GDP per inhabitant in Extremadura in 2013 was 69% and 57% that of Spain and the EU28, respectively. Convergence to the Spanish and EU28 averages was observed in the years up to 2010, with the gap widening again afterwards. Extremadura is the only Spanish region that still remains within the Convergence objective of the CP, as it is below the threshold of the 75% of the EU average income. Finally, it should be mentioned that, broadly speaking, the two provinces of Extremadura shared similar levels of GDP per capita, being also similar their evolution over the period.

The project is particularly interested in the relationship between the CP, and its implementation in the region, and the citizens' perception of the EU project and its regional policy. Such perception can be affected by the institutional context. In this regard, it is worthwhile noting that Spain is about the EU average in terms of the institutional quality perceived by the citizens, as the country as a whole ranks 15 out of the 28 EU Member States in the 2013 Quality of Government index (QoG), with a normalized score of 51.3³. Compared to the 2010 edition of the QoG, the score of Spain decreased somewhat, as the normalized score for that year was 60.8, although the position in the ranking of EU countries was the same. The lower confidence of the citizens in the political system, with for instance an increasing number of cases of corruption in the media (Spain ranked 17 among the EU28 in the 2013 corruption perception index of Transparency International), jointly with the socio-economic consequences of the Great Recession in Spain are likely to be behind the decrease in the QoG score between the two years.

In the particular case of Extremadura, institutional quality, as measured by the 2013 QoG, is slightly above the country average. The normalized score for the region is 54.3, three points higher than the Spain's score. It is actually one of the ten regions, out of the 17 NUTS 2 Spanish regions, with scores above the country average. In comparison with the set of EU28 regions, Extremadura is about the median, ranking 102 out of the 196 EU28 spatial units included in the QoG dataset. Based on the score for 2010, 69.7, it can be said that the region also experienced a sudden worsening in the quality of the institutional framework. Finally, it can be mentioned that the position of the region in each of the three pillars of the QoG index is quite heterogeneous. In the Quality Pillar, is clearly above the regional average in Spain, ranking fifth, whilst it is at the bottom of the list (thirteenth) with respect to the Impartiality Pillar. As for the Corruption Pillar, Extremadura is the third best-positioned Spanish region in term of the citizens' perception of corruption.

Figures from the 2016 Eurobarometer reveal that almost four out of five Spaniards feel they are citizens of the EU. This number increased with respect the one recorded for 2010, when about three quarters of the Spanish population feel themselves as citizens of the EU. Interestingly, this feeling reached a minimum in 2013, likely due to the situation caused by the crisis and the budget cuts urged by the EU. In any case, the identification of the Spanish population with an EU citizenship seems to be much higher than the one observed for the EU as a whole, where two thirds of the population feel they are citizens of the EU in 2016, a figure which is slightly above the one observed in 2010. In a similar vein, in 2016 the share of the population that see themselves as only Spaniards (23%) is significantly lower than the corresponding one in the EU as a whole (37%). This is mostly due to the fact that 61% of the population in Spain see themselves as both nationals and Europeans, while this figure is 53% in the EU as a whole. Interestingly, the share of individuals that declared to be only nationals decreased continuously in Spain since 2005, at a pace similar to that observed for the entire EU.

³ The QoG is regularly produced for the European countries and regions by The Quality of Government Institute of the University of Gothenburg. Visit <http://qog.pol.gu.se> for further details.

The share of the population that tend to trust in the EU in 2015 was also somewhat higher in Spain than in the EU as a whole (48% vis-à-vis 42%). This figure was even larger in Extremadura, where 52% of the population tends to trust in the EU, this region ranking third among the set of Spanish regions in this respect. In comparison with the data from the Flash Eurobarometer for 2012, the percentage of people that tends to trust in the EU in Extremadura increased from 38% that year to 52% in 2015. The increase in the share was less pronounced in Spain (from 38% to 48%), whereas it decreased in the EU (from 46% –EU27– to 42% –EU28–). Overall, these figures suggest that trust in the EU is more frequent among the population in Extremadura than in most of the other Spanish regions and far more than in other EU countries.

The higher identification with the EU in Spain in general and in Extremadura in particular could be explained by the positive perception of the effect of the EU Regional Policy. This is so despite only 28% of the Spanish population in 2015 declared to hear about EU cofinanced projects, in comparison with a 34% in the EU as a whole. It is worth noting that this share sharply decreased from 2008 onwards, in which the fraction of the population that heard about it was as high as 62%. This percentage also decreased over the period in the entire EU, but in a lower amount (it was 49% in 2008). By contrast, the positive perception of the impact of the Regional Policy on the development of the city/region in Spain was quite stable over the period from 2008 to 2015. About 80% of the Spanish population thought that its effect was positive, which is a percentage slightly above the one for the EU (75% in 2015). Finally, it should be stressed that the share of population believing that the decisions about the Regional Policy projects should be taken at the EU level rather than at the national or local/regional levels is significantly higher in Spain than in the entire EU (25% versus 16% in 2015; 29% versus 17% in 2010). This is consistent with the higher level of trust in the EU by the Spanish population and, possibly, with the lack of trust in the local and regional governments in a period characterised by frequent cases of political corruption.

3. Results of a SWOT analysis for Extremadura in the 2007-2013 period

This section summarizes the results of the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis for Extremadura. This is a region with clear weaknesses that explain, at least in part, its still low level of development (it is the only Spanish region that remains as a Convergence Region after the EU enlargement). Nevertheless, it needs to be recognized that the Region has used quite adequately the EU funds of the period 2007-2013, to counterbalance the socio-economic effects originated by the Great Recession and the European debt crisis. Their impact would have been far more dramatic in the absence of the European funds. The Operational Program designed to achieve convergence with the Spanish and European averages was adapted to lessen the impact of the crisis in the economy of Extremadura. Actually, it might be the case that the availability of the European funds and the policies adopted under the

Operational Program had contributed to improve some key features of the Extremadura's economy. If so, they had helped to take advantage of the region's strengths and to pave the road for new opportunities for the business sector and individuals living and working in the Region.

The SWOT exercise for Extremadura considered the six dimensions defined for the set of regions under analysis in the PERCEIVE project. The main results are synthesized next.

3.1. Business and local production competitiveness systems

Regarding the business and local production competitiveness, as a positive aspect, it can be mentioned the existence of sectors (agri-food, energy) with high potential, as well as accessibility and extension of use of internet which has enabled new channels of communication and internationalization for the enterprises in the region. As for the weaknesses, we should stress the low density of local markets that hinders the private economic activity in the region, the low accessibility from/to the region, the excessive dependence on the public sector budget, the lack of innovative business culture, the high seasonality of activities in which the region specializes and, as a result, the low level of productivity, entrepreneurial density, and internationalization of the Extremadura's economy. These are, among others, the factors that impede a faster progress of the Region.

3.2. Education, Research and Development and Innovation

One of the major weaknesses of the Region is the low effort in innovative investments, as proxied for instance by the proportion of total domestic R&D expenditures relative to GDP, coupled with the limited private participation in R&D expenditures. This may be due to the lack of a sufficiently developed innovative culture and the type of existing business firms, where 99.9% are small and medium-sized enterprises, of which 96.7% are micro-firms.

Other weaknesses include the low level of training of the population, the low number of R&D&I personnel involved and the scarce participation in regional, national and European R&D programs, as well as in Singular Scientific Technology Facilities (only one in the Region). Extremadura is also in a weak situation regarding the link between the knowledge-generating structure and the business network, and in the implementation of the outcome of the innovation process, as revealed by the low number of patent applications per million inhabitants, which is well behind the figure for the country as a whole. The weak position of Extremadura in terms of R&D and innovation threatens the future of the Region due to the increasing competition at national and international level for the attraction of investments, as well as for the attraction and retention of talented individuals. This is aggravated by the difficulties in changing the perception about the situation of the Region, in communicating its

strengths and opportunities, and to include Extremadura in the list of locations with high competitive business dynamism.

However, there are also positive elements in Extremadura that are worth highlighting. For instance, the strong improvement in the educational attainment of its population, the significant advances in the technological background, the efforts of the Regional Administration to improve the R&D&I system and to facilitate access to European funds. As stated by the Junta de Extremadura (2017), «the adjustment of the regional scientific-technological system to the sectors of specialization with real capacity for economic development and generation of added value and employment, together with the design of instruments more adapted to the needs of the business community, which facilitate relations with knowledge-generating centers, offers a great opportunity to guide research to the productive needs of the Region, promoting the transfer of knowledge to companies and fostering the development of the innovative potential of the traditional sector prevailing in the Region.»

3.3. Infrastructures

The study of this dimension reveals the existence of contradictory elements. On the one hand, the internal transportation by road and rail has improved (although it still shows deficiencies by the territorial extension that must cover and the antiquity of the railway network) but, on the other, the geostrategic position limits its usefulness given the difficult and expensive access to the main urban and business centers of Extremadura. In fact, difficulties in the access from/to the region by train and airplane are among the main weaknesses of the region.

3.4. Poverty and social exclusion

There are many weaknesses in Extremadura as regards poverty and social exclusion (e.g. high unemployment rates, poverty, exclusion and low female participation in the labor market). The situation in recent years, however, has improved in comparison to the nearby regions. It is worth to highlight the improvement in the system of protection for children, likely thanks to the European funds received to support this policy.

3.5. Natural and cultural heritage and tourist attractiveness

This is a dimension that offers many potentialities, due to the patrimonial and natural wealth of the region. These strengths should allow the development of the tourism industry, although also in this case the geographical position of the Region and the difficulties in accessing it by the usual transportation modes are a limiting factor. There are plans for the development of cultural tourism that must overcome the existing threats. Problems related to soil and environmental degradation have

also been identified during the development of the SWOT, although their real impact strongly depend on the type of economic development to follow.

3.6. Energy and Environmental Protection

Extremadura is an energy exporting region, with competitive advantages with respect to many other regions in Spain and the European Union. In addition, there is a clear compromise for promoting the use of alternative types of energy and encouraging the development of sustainable energies. Besides, it is key for the region to ensure environmental control in particularly sensitive areas such as the agrarian (both irrigated and rainfed). In general, this control must be ensured, as discussed in the previous dimension, to avoid that economic development is at the expense of environmental deterioration. Conversely, the level of recycling is lower than in other Spanish regions, and there is little waste water treatment.

4. Cohesion policy in Extremadura

4.1. General overview of Cohesion Policy in 2007-2013

Extremadura was one of the four Spanish regions that remained as a convergence region after the EU enlargement. The development of the CP in Extremadura is designed under the umbrella of an Operational Program, which follows the Strategic Guidelines at the European level, plus the National Strategic Reference Framework, developed at the Spanish national level. In addition to the Operational Program of Extremadura, other CP programs are also affecting the region, including multiregional programs, the Cohesion fund at the national level, plus the European Social Fund, whose design and implementation has no territorial dimension.

The content of the Operational Program of Extremadura (OPE) include:

- A SWOT analysis of the region;
- Justification of the chosen priorities and coherence with the EU and National strategies;
- Specific objectives for each of the priorities;
- Financial plan with annual breakdown by priority axis;
- Implementing provisions.

The Spanish National Strategic Reference Framework include 4 final objectives, which are implemented through 27 priority axes, which disaggregated into 84 categories of expenditure, which may vary for every region. The OPE faces as key objectives achieving a high rate of economic growth and high levels of cohesion. As intermediate objectives, the OP lists:

- Increasing the economic competitiveness, through increased investment in R & D;

- Intensifying the degree of incorporation and exploitation of information and communication technologies as the basic axis of the «knowledge economy»;
- Increase the number of infrastructures to improve territorial accessibility;
- Promoting greater social integration;
- Promoting local and rural development;
- Preserving of habitat and ecosystem diversity within the framework of a sustainable development model.

The 11,317 projects developed in Extremadura accounted for a total expenditure of 2,569 M € over the 2007-2015 period (see Table 2). The OPE was, by far, the more important tool of the CP, followed by the OP Technological Fund. Badajoz accounted for 58% of the projects but just for 35% of the funds; Cáceres had 25% of the projects and 40% of the funds; and multiprovincial projects represented 17% of the total and accounted for 25% of the funds. Most projects in the operational programs on Knowledge economy and Technological Fund were developed in urban areas, while most projects in the OPE and those under the Cohesion Fund were developed in rural and sparsely populated areas.

Table 2. Cohesion Policy in Extremadura, by Operational Program

	<i>Projects</i>		<i>Total budget</i>		<i>Total Funds</i>		<i>Private Investment</i>	
OP Extremadura	8005	71%	2092,9 M €	80,6%	1674,3 M €	80,6%	140,8 M €	75,5%
OP ERDF Cohesion Fund	26	0%	225,9 M €	8,7%	180,7 M €	8,7%	0M €	0,0%
OP Knowledge economy	588	5%	156,9 M €	6,0%	125,5 M €	6,0%	0M €	0,0%
OP Technical Assistance	26	0%	2,3 M €	0,1%	1,9 M €	0,1%	0M €	0,0%
OP Technological Fund	2672	24%	118,4 M €	4,6%	94,7 M €	4,6%	45,6 M €	24,5%
	11317	100%	2596,4 M €	100%	2077,1 M €	100%	186,3 M €	100%

4.2. Expenditure by priority themes

As for priority themes, projects devoted to research and technological development (R&TD), innovation and entrepreneurship represented a large majority (close to 70%) but collected 21% of the total funds. Besides, they accounted for 100% of private investments. Transportation projects were the ones with a larger share of funds allocation (32%), followed by projects devoted to Environmental protection and risk prevention, in particular to the Management and distribution of water (drink-

ing water) and to the Management of household and industrial waste. Investments in social infrastructure (including Education and Health infrastructure) accounted for about 10% of total funds.

On average, the largest projects were those on Transportation (4.7 M €), Rural and Urban Regeneration (2.2 M €) and Environmental protection and risk prevention (1.4 M €). The two largest projects (about 200 M € each) were linked to the construction of the high speed railway between Navalmoral de la Mata (in the north of Extremadura) and the capital of the region, Mérida, which belong to the Madrid-Cáceres route. Well beyond these figures we find 18 projects with a global budget above 20 M €, many of them linked with the construction or maintenance of highways (8 projects), water management systems (5 projects), education and health facilities (4 projects), and one large project about services to citizens.

As for the timing of the projects (see Figure 1) 14% started the first year of the OPE, 2007, and in 2009 52% had already begun. Still, 28% started in 2013 and later. Most projects lasted less than one (23%) or two (16%) years. Still, 38% of all projects lasted five years or longer (Figure 2).

Table 3. Cohesion Policy in Extremadura, by Priority Themes. Total budget

Priority themes		Projects		Total budget		Total Funds		Private Investment	
01-09	Research & techn dev (R&TD), innovation and entrepreneurship	7864	69,5%	549,6 M €	21,2%	439,6 M €	21,2%	186,3 M €	100,0%
10-15	Information society	578	5,1%	149,4 M €	5,8%	119,5 M €	5,8%		
16-32	Transportation	178	1,6%	838,2 M €	32,3%	670,6 M €	32,3%		
33-43	Energy	144	1,3%	21,5 M €	0,8%	17,2 M €	0,8%		
44-54	Environmental protection and risk prevention	395	3,5%	567,1 M €	21,8%	453,7 M €	21,8%		
55-57	Tourism	141	1,2%	43,2 M €	1,7%	34,6 M €	1,7%		
58-60	Culture	77	0,7%	54 M €	2,1%	43,2 M €	2,1%		
61	Urban and rural regeneration	51	0,5%	112,9 M €	4,3%	90,3 M €	4,3%		
75-79	Investment in social infrastructure	1342	11,9%	254,8 M €	9,8%	203,9 M €	9,8%		
85-86	Technical assistance	547	4,8%	5,8 M €	0,2%	4,6 M €	0,2%		
		11317	100%	2596 M €	100%	2077,1 M €	100%	186,3 M €	100%

Table 4. Cohesion Policy in Extremadura, by Priority Themes.
Average budget by project

Priority themes		Projects	Total budget	Total Funds	Private Investment
01-09	Research & techn. dev (R&TD), innovation and entrepreneurship	7864	69.883 €	55.906 €	23.693 €
10-15	Information society	578	258.392 €	206.714 €	
16-32	Transport	178	4.709.085 €	3.767.268 €	
33-43	Energy	144	149.320 €	119.456 €	
44-54	Environmental protection and risk prevention	395	1.435.637 €	1.148.510 €	
55-57	Tourism	141	306.398 €	245.118 €	
58-60	Culture	77	701.212 €	560.969 €	
61	Urban and rural regeneration	51	2.213.590 €	1.770.872 €	
75-79	Investment in social infrastructure	1342	189.881 €	151.905 €	
85-86	Technical assistance	547	10.547 €	8.438 €	
		11317	229.423 €	183.539 €	16.464 €

Figure 1. CP Projects, by year

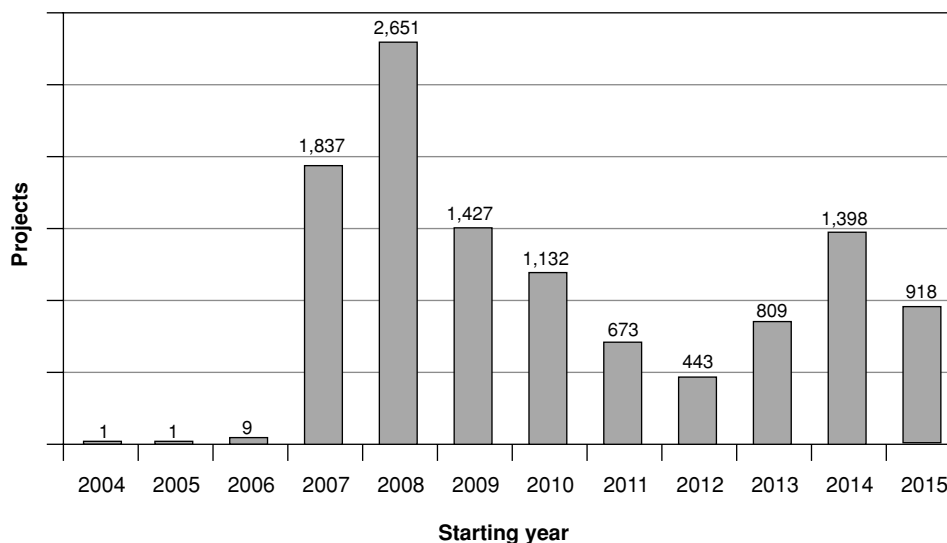
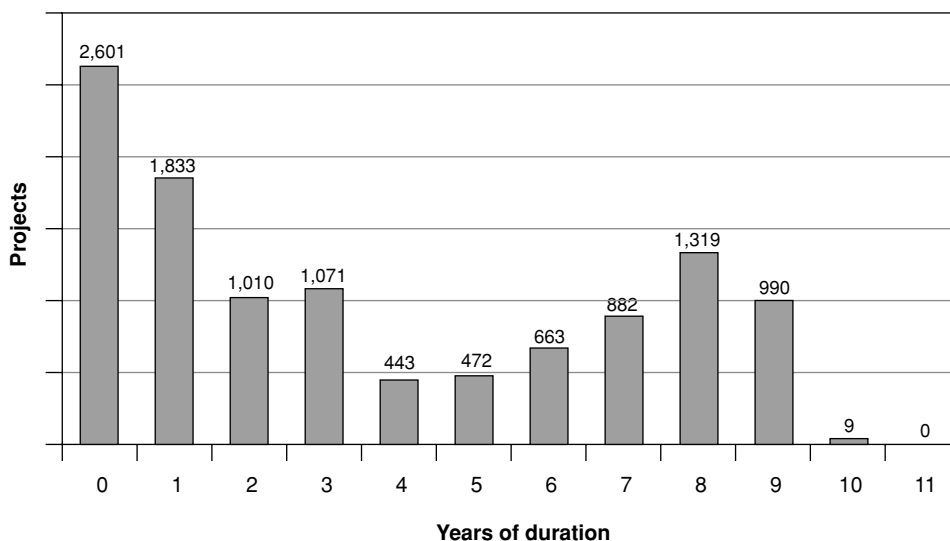


Figure 2. CP Projects, by duration



4.3. Expenditure performance and absorption rate

Expenditure had a diverse evolution by different priorities. As can be seen in Figure 3, according to the last published annual report of the OPE (2014), Social Infrastructures experienced a fast start of expenditure (38% 2007-2009), Rural and urban sustainable development concentrated a large share of expenditure in intermediate years (48% 2010-2011), while Business Development and Innovation and Environment, Natural environment, Water resources and Risk prevention had a largest share of expenditure in the last years (about 40% each between 2012 and 2014). According to this report, by the December 31st, 2014, about 80% of the programmed funds had been already executed, and the Managing Authority was taking appropriate measures to accelerate the implementation of operational programs and to ensure the full absorption of structural funds. Two main reasons are mentioned as hindering factors for the full absorption of funds:

- The original design of the OP, with an extreme concentration of funds in the convergence regions.
- The effects of the crisis, both in the public and private sectors, which limits the financial capacity and the demand for this type of projects.

It is worthwhile noting here that in November 2007, the European Commission approved the OPE 2007-2013. Subsequently, in 2009 and 2010 the Monitoring Committee considered and approved proposals for revision of the OPE, updating the categories of expenditure, with a financial transfer between categories without changing the total amount per priority axis, the lists of intermediate bodies, and the monitoring

Figure 3. Yearly implementation of CP projects, by Priority Themes

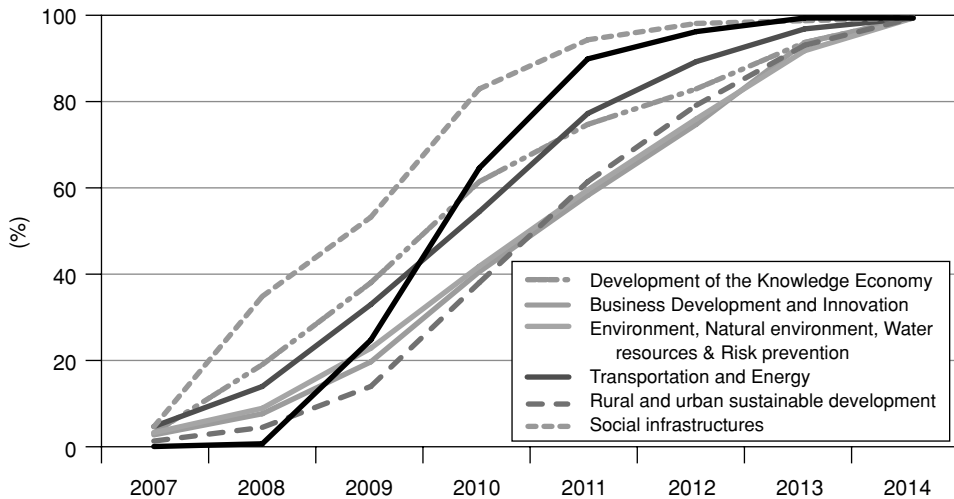


Table 5. CP Execution, by Priority Themes

Priority themes		Total programmed 2007-2013 (A)	Total executed 31-12-2014 (B)	Total ERDF funds 31-12-2014	% (B/A)
01-09	Research and technological development (R&TD), innovation and entrepreneurship	340.840.662 €	178.528.303 €	142.822.629 €	52,4%
10-15	Information society	47.611.841 €	28.623.633 €	22.898.906 €	60,1%
16-32	Transport	617.220.865 €	535.398.277 €	428.318.622 €	86,7%
33-43	Energy	27.243.072 €	18.941.017 €	15.152.814 €	69,5%
44-54	Environmental protection and risk prevention	505.031.038 €	399.461.582 €	319.569.266 €	79,1%
55-57	Tourism	22.207.894 €	19.047.144 €	15.237.717 €	85,8%
58-60	Culture	69.991.415 €	46.936.884 €	37.549.506 €	67,1%
61	Urban and rural regeneration	120.057.262 €	82.583.473 €	66.066.782 €	68,8%
75-79	Investment in social infrastructure	223.436.607 €	245.768.379 €	196.614.706 €	110,0%
85-86	Technical assistance	1.594.298 €	975.347 €	780.278 €	61,2%
Total		1.975.234.954 €	1.556.264.039 €	1.245.011.225 €	78,8%

and environmental indicators. The difficulties of implementing the OPE in a situation of economic crisis, which emerged strongly after the date of its elaboration, justified the revision of the Program in 2012. It mainly consisted on the increase in the co-financing rates of the axes up to 80%; the redistribution of financial allocations between and within the priority axes; the incorporation of a JESSICA⁴ type of financial engineering instruments; the inclusion of a new expenditure category; and the updating of the list of major projects, intermediate bodies and operational and environmental monitoring indicators. Further modifications were approved in 2013 and 2014.

4.4. Comparison between 2007-2013 and 2014-2020 programming periods

The CP in Spain for the 2014-2020 period is mainly focused in the smart growth strategy, covering two subheadings: i) the promotion of competitiveness and policies for growth and employment and, ii) actions aimed at promoting economic, social and territorial cohesion. For the first time since the Spanish accession to the EU, in this programming period there is only one Spanish region in the group of less developed regions, defined as those whose income per capita is less than 75% of the European average. This region is Extremadura. The transfers to Extremadura through the funds for less developed regions totals 2.083,80 M €, what represents about 20% less than in the previous programming period (2007-2013), although it is much less affected than other Spanish regions which are not any more below the 75% threshold. Still, this decrease is larger than the decline in the overall CP (-8.4%).

This amount is distributed between ERDF (71.3%), ESF (28.3%) and FEAD (0.4%). In comparison with the previous programming period, the ESF accounts now a higher share of the CP compared to the previous period (20.7%).

As for the ERDF (see Table 6), the funds are divided into four OP: OP-Extremadura (46% of the funds); OP-Sustainable Growth (40%); OP-Smart Growth (9%); and Small and Medium Enterprises (SMEs) (5%). Within these OP, the funds are distributed by priority axis. Following the European CP, the first four axis constitute key priorities for the ERDF. For Extremadura they represent 43% of the total ERDF.

As expected Extremadura allocates an important amount of resources to develop its public infrastructures, including high speed train, highways, research centers, transport centers, etc. It will also use resources to finance companies in the industrial and tourism sector. To this end, a series of industrial and agroindustrial incentives have been established, which will complement specific investment plans of the region.

⁴ Four joint initiatives were developed by the European Commission in co-operation with the European Investment Bank group and other financial institutions in the framework of the 2007-2013 programming period in order to improve the efficiency of the CP. Two of them refer to the promotion of financial engineering instruments (JEREMIE and JESSICA) and the other two (JASPERS and JASMINE) operate as technical assistance facilities.

Table 6. ERDF budget, by thematic objectives

<i>Thematic objectives</i>	<i>OP - Extremadura</i>	<i>OP - Sustainable Growth</i>	<i>OP - Smart Growth</i>	<i>SMEs</i>	<i>Total</i>
1 Innovation	109,5 M €		94,5 M €		204 M €
2 ICT	125,6 M €		25,7 M €		151,3 M €
3 SMEs	86,1 M €		18,2 M €	75,8 M €	180,1 M €
4 Low-carbon economy	34,2 M €	65 M €			99,2 M €
6 Environment	66,8 M €	145,5 M €			212,3 M €
7 Transportation	83,4 M €	302,2 M €			385,6 M €
9 Social inclusion	52,8 M €				52,8 M €
10 Education	119,3 M €				119,3 M €
12 Urban (OT2)		11,7 M €			11,7 M €
12 Urban (OT4)		18,3 M €			18,3 M €
12 Urban (OT5)		31,5 M €			31,5 M €
12 Urban (OT8)		11,7 M €			11,7 M €
13 Technical Ass.	1,7 M €	4,1 M €	1 M €		6,8 M €
TOTAL	679,3 M €	590,1 M €	139,5 M €	75,8 M €	1484,7 M €

5. The governance of Cohesion Policy in Extremadura

5.1. The country and region's political and institutional settings

Spain has a decentralized political system. Spanish *Comunidades Autónomas* (official name for regions) have an administrative status that empowers them to manage a large share of public budget. The 1978 Constitution declared the possibility to build such regions, and Extremadura became an Autonomous Community in 1983. The same year took place the first elections to the regional parliament. Juan Carlos Rodríguez Ibarra, the local leader of the socialist party, won the elections with 53% of votes and became the first president of Extremadura. In subsequent elections, the socialist party continued governing until 2011, when the right Popular Party achieved the presidency thanks to the support of the communist party. In 2015 the socialist party regained the presidency. Consequently, an important part of the execution of the CP 2007-2013 in the region took place in a unique period of political change.

Many competences initially belonging to the central government were transferred to regions at different moments in time. Catalonia started to manage the Health System in 1981. This region was followed by Andalusia (1984), the Basque Country and

Comunidad Valenciana (1987). The largest group of regions, including Extremadura, received this competence in 2001. As for Education, a similar pattern took place. The first regions receiving this competence were the Basque Country and Catalonia in 1980. Extremadura belonged to the last group of regions receiving the devolution of Education, in 1999. Similarly, Social Services were lately transferred to Extremadura (1995) compared to the starting regions (Catalonia, 1981 and Andalusia, 1984); Public Employment Services were transferred to Extremadura in 2001.

This way, we can say that Spain is a decentralized country: in 2015 only 21% of public employees belonged to the Central Administration. Still, there is a wide disparity in the volume of agreements transferring competences according to the different regions. Catalonia (189), Andalusia (155) and Galicia (154) are the regions with the highest volume of transfer agreements since 1978, while Extremadura is well behind (99). Similarly, the management systems of basic services such as Education and Health are very heterogeneous between regions. As for the Health system, Catalonia devotes 25% of total funds in private agreements and only 34% of total funds are payments for public employment. This contrast with the figures for Extremadura: only 4.3% of total funds are devoted to private agreements for public provision of health care and 50.2% of total funds are devoted for personnel expenditure. Likewise, Education provided privately in the public system accounts for 23.6% of total funds in the Basque Country against 8% in Extremadura. In both basic personnel services, Extremadura is at the top of the ranking of public providers of these public services. In this line, Extremadura is the Spanish region with the largest share of total employment working directly for public administration: 23.4% of total employment in 2015. This figure contrasts with a 9.3% in Catalonia and 13.6% of the Spanish average. The large figure for Extremadura corresponds to 3.5% for central administration, 12.4% for regional government and 6.7% for local bodies. 5.2. *The institutional setting of Cohesion Policy in Extremadura*

The National Strategic Reference Framework 2007-2013 (MENR) was the support of actions co-financed by the EU in Spain. This document developed the strategy defined for the interventions of the ERDF, ESF and Cohesion Fund, while presenting the contribution of Spanish regional policy to the fulfillment of the objectives of the Lisbon Strategy, in application of the measures provided for in the National Reform Plan. The MENR also incorporated the Community Strategic Guidelines on cohesion into the specific context of the Spanish regions. This way the regional general strategy incorporated the European Union strategy. As referred above, the MENR allocated a total sum of Structural Funds for Extremadura of 2,563.96 M € for the period 2007-2013, totaling 2,034.05 M € for ERDF and 529.91 M € for ESF support.

The OPE accounts 1,580.19 M €, more than three quarters of the ERDF aid for Extremadura. On the other hand, in the Multi-regional Programming one can find that the indicative allocation for Extremadura is added to the Operational Program on R&D PO and the Technological Fund, amounting to 63.09 M €; together with the OP on Knowledge based economy, 145.02 M €; plus 240.46 M € coming from the OP Cohesion-ERDF, and finally 5.29 M € from the Technical Assistance OP.

The ESF contributed with 20.7% of the total Structural Funds allocated to Extremadura in the MENR. Almost half, 250.09 M €, were allocated to the Regional Operational Program. The rest, in the Multi-regional Programming, were assigned indicatively in the Adaptability and Employment OP, 259.78 M €; in the anti-discrimination OP, 18.05 M €; and in the Technical Assistance OP, 1.99 M €.

Overall, then, the more important tool for the CP in Extremadura was the OPE. The Managing Authority of the CP was the General Directorate for Administration of the ERDF, in the General Directorate of Community Funds of the Ministry of Economy and Finance. The Regional Government (*Junta de Extremadura*, JExt) was responsible for implementing a list of actions in this OP:

- The selection of operations for financing was carried out in accordance with the criteria applied to the OP and that such operations comply with the Community and national rules.
- It shall verify that the goods or the provision of the co-financed services have been delivered, again following applicable EU and national rules.
- It shall ensure that it has computerized systems compatible with the common information system for all ERDF operational programs in Spain.
- It shall be ensured that beneficiaries and other participants maintain a separate (or appropriate) accounting system in relation to all transactions related to the operation.
- Contribute to the evaluation of the OP.
- Establish procedures to ensure that all necessary expenditure and audit documents are available to have an appropriate audit trail.
- It shall be responsible for providing the Management Authority with the necessary information.
- Prepare and forward to the Management Authority its contribution to the annual and final implementation reports.
- Guarantee compliance with the information and publicity requirements.

The OP listed up to 20 intermediate bodies designated by the General Directorate of Community Funds (Ministry) and 5 intermediate bodies designated by the General Directorate of the Regional Government (JExt).

The Certification Authority shall be the Paying Unit of the General Directorate of Community Funds within the Spanish ministry of Economy and Finance. The Certification Authority must ensure having the following information:

- Systematic information from the Management Authority on the procedures it develops and the verifications regarding certified expenses. Likewise, it must have the appropriate information on the final results of the controls carried out under the responsibility of the Audit Authority.
- Detailed information on the measures taken by the beneficiaries as a result of the control actions, as well as the corrections made in compliance with those measures. The accuracy of the recording of these corrections in the computerized accounting system of the Funds shall be verified by the Management Authority.

The Audit Authority shall be the General Intervention of the State Administration (IGAE), under the Ministry of Economy and Finance. The General Intervention of the JExt will exercise in the OP the following tasks:

- Audit on control and management systems within the framework of the Audit strategy.
- Audit of operations within the framework of the audit strategy.
- Contribute to the preparation of the audit strategy and its updating.
- Contribute to the preparation of the annual control report.
- Contribute to the preparation of the declaration of partial and/or total closure.

The Management Authority established a Monitoring Committee, chaired by the Ministry of Economy and Finance, in co-chairing with the Junta de Extremadura.

Economic and social partners, environmental partners, bodies responsible for promoting equality and representatives of Local Authorities may also form part of this Committee. An annual report reviewed the progress made in the implementation of the OP, the main results achieved during the previous year, the financial execution as well as other factors to improve implementation.

The OPE may be re-examined and revised if one or more of the following occurs:

- major socio-economic changes;
- substantial changes in Community, national or regional priorities to a greater or different extent;
- depending on the evaluation of the program;
- as a result of implementation difficulties.

The OPE was evaluated from strategic and operational point of view. The evaluation was to be developed either by the Member State or by the European Commission.

6. Concluding comments

Extremadura is the only Spanish region that after several years of convergence with Europe and even after the EU enlargement remains in the group of less developed regions. Its geographical position, far away of large markets, and still isolated in terms of massive transportation modes such as high speed train connections, adds to some hindering factors, such as productive resources concentrated in very small firms, with a relatively large share of employment agriculture. Extremadura is a territory with very low density and a sparsely and ageing population distribution.

The Cohesion Policy (CP) applied in Extremadura has as a starting point a clear picture of this situation. The SWOT analysis developed in the programming phase of the Operational Program of Extremadura (OPE) reported a clear picture of a region with many weaknesses and threats, which, in any case, when properly addressed, were also seen as opportunities for development. Nevertheless, the initial diagnose at the beginning of the OPE dramatically changed few years after its start, due to the large impact of

the Great Recession. Local managers had to change from working with words like inclusion, quality and competitiveness, to face poverty, unemployment, firms' closings, etc.

The OPE was majorly managed by public bodies and only in some areas private investment was playing a role. The list of initial deficiencies was so large that major investments were made on transportation networks, water filtering systems and social infrastructures, including education and health facilities. On the contrary, projects focused in investments in R&D and innovation could not follow the OPE in the same line. This has a lot to do with the firm size and sectoral distribution of economic activity and, to some extent, also as a result of the crisis episode that stopped firms to invest in improving quality standards and competitiveness and drove them to a survival episode.

The main conclusion of this report is the importance of the CP for a lagging region as Extremadura. It has helped to renew social infrastructures, to build road network transportations, to promote changes in the productive capacity and in the sectoral distribution of economic activity, to improve the qualification of the labor force, and last but not least to address social problems in a rather convulsive period.

In order to understand the procedure of management of CP funds in Spain, it is needed to know that the management system of the operational programs are systems of co-management between the General State Administration and the Autonomous Communities. The municipalities, the local entities, are part of the General State Administration. There is a distribution made between administrations, when managing the total funds that a region receives. Approximately, in the period 2007-2013, the proportion managed by the Autonomous Community (like Extremadura) was 40%, compared to 60% managed by the State, through the CDTI, the General Directorate of Information Technology, hydrographic confederations, ADIF and others.

The next step of the research within the PERCEIVE project consists on confronting the definition and implementation of the CP in the region with the local actors involved in them. In other words, to provide answer to the question how do individuals perceive the CP? The project will report the opinions of managers of CP projects answering technical questions, including members of the Service of Management of European Funds, people involved in Certification, Control service, and Financing and Budget of the Region. Other type of individuals are those responsible of different units acting as beneficiaries of CP funds, such as people in different General Directorate of the Regional Government, such as Social Policy, Culture, Education, Firms and Competitiveness, Employment, Innovation, Energy, etc.

The interviews are to be carried out with the usage of a semi-structured questionnaire built around the following main topics:

- The governance of the EU CP projects, in order to understand how different authorities at different levels cooperate for planning and share the responsibilities for the implementation of the European CP;
- The level of citizens' engagement in European CP priorities identification, in order to understand whether a bottom-up approach is used;

- How the media inform about the European CP programmes, in order to appreciate the discrepancies (if any) about the goals of the European CP and its construction on the public discourse.

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