

**Financial Mechanism 2004-2009
Annual Report 2007-2008**

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Madrid, 5 May 2008

1. Executive Summary

This is the third annual report on the implementation of the Financial Mechanism 2004-2009, from May 2007 to May 2008.

The Financial Mechanism 2004-2009 will continue to contribute to the reduction of the social disparities in the EEA. All the Spanish projects contribute to the reduction of economic and social disparities in the European Economic Area.

14 Agreements have been signed or are ready to be signed between the FP and the FMO, one of them the technical assistance for the Focal Point (see Annex I). The approved grants are from 3 Ministries, 3 Regions, one province, 4 Municipalities, one foundation, one entrepreneurs' organization and one NGO. Many regional governments have supported the applications from their areas. The two poorest regions have been selected for the highest total grants (Andalusia 4.5 MEuros and Extremadura 5.5 MEuros).

5 approved projects are classified in Sector A (Protection of the environment), 2 in Sector B (Promotion of sustainable development), 4 in Sector C (Conservation of the European cultural heritage), 2 in Sector D (Development of human resource and equal gender opportunities) and 1 Technical Assistance.

5 projects are pending because of insufficient information about the details of the projects (0009 and 0006) or new applications at the request of the FMO and visits of the appraisal agents

The impact of the projects on the Spanish economy will be small, although they will have an important impact at local level and in some cases important visibility at national level.

During the year state aid issues have arisen in several projects. Some of them were solved but in other 3 projects the FMC approved the projects under the condition of a favourable decision of the European Commission. The problem with the state aid issue has been slowing down the process. The FP and the promoters were unable to convince the FMO that the grants were compatible with the common market. Several legal surveys and reports have been sent by the FP and the promoters.

The FP is preparing the presentation of 2-3 new projects after the approval of the pending projects.

The General Directorate of European Funds fulfils the tasks of the Spanish Focal Point. It has the responsibility for the management and coordination

of the EEA FM in Spain, including that for the use of funds, financial control and audit and the rest of responsibilities included in Annex A of the Memorandum of Understanding concerning promoters, projects, annual meetings with the FMC, information, publicity and documents' storing.

The FP and the Payment Authority will ensure that financial control and audit are conducted in compliance with applicable rules, ensuring the efficient and correct use of available funds, sufficient audit trails in all institutions and effective financial control and audits of approved projects. The FP and the Payment Authority shall take all necessary measures to prevent and detect fraud and irregular payments. The audits will depend on the state of implementation of the different projects. In May 2008 8 of the projects are in their planning stage and only one (ES-0014) has began the works.

The FP publicises the EEA grants on its website and also monitors the promoters' websites and publicity, sending regularly reports on this issue to the FMO.

Due to the restructuring of the Agencia Erasmus (Erasmus Agency) and the need for a 15% co-financing, the Agency renounced the implementation of the Block Grant for Scholarships, because it would discriminate against all other Spanish Erasmus students. The Ministry of Education finds very difficult to act as intermediary for budgetary reasons. The FP has not yet received any proposals of possible intermediaries.

The FP have been helping the applicants. gaining valuable experience in the processing of applications and PIPs and a solid foundation has been laid for project management and reporting in the years to come.

The experience of the year is good for the knowledge of the projects and preparation for annual project reporting. The promoters have tried to send the information required.

2.1. Introduction

This is the third annual report on the implementation of the Financial Mechanism 2004-2009, from May 2007 to May 2008.

The Memorandum of Understanding (MoU) was signed in Brussels by the Ambassadors of the 4 countries concerned, in May 2005. The Rules and Procedures for the FM establish the guidelines for bilateral relations and determines a total grant of 44 million euros (net amount) for the period 2004-2009.

The Financial Mechanism 2004-2009 will continue to contribute to the reduction of the social disparities in the EEA. Spain continues its commitment to the EEA FMO objectives in this third phase of the relations, helping to secure a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development.

Over the last 12 months Focal Point (FP) relations with the different stakeholders and potential beneficiaries have been progressing to achieve the overall aim of the FM. All the Spanish projects contribute to the reduction of economic and social disparities in the European Economic Area. As promoted by public institutions sustainable development and environmental, economic and social aspects of the projects have been taken into account.

The 14 approved grants are from 3 Ministries, 4 Regions, one province, 4 Municipalities, one foundation, one entrepreneurs' organization and one NGO. Many regional governments have supported the applications from their areas. The two poorest regions have been selected for the highest total grants (Andalously 4.5 MEuros and Extremadura 5.4 MEuros). The total amount of the approved grants is about 28 MEuros.

5 of the approved projects are classified in Sector A (Protection of the environment), 2 in Sector B (Promotion of sustainable development), 4 in Sector C (Conservation of the European cultural heritage), 2 in Sector D (Development of human resource and equal gender opportunities) and there is a Technical Assistance grant. Environmental projects have been quickly assessed. The consultant had the necessary expertise.

One the projects (Roncal ES-0019) has been rejected and 5 other projects are still n the evaluation process.

IMPACT

The annual GDP of Spain rounds 1,050 billion euros. The impact of the projects on the Spanish economy will be small, although they have an important impact at local level and in some cases visibility at national level. The total grants for the FM represent a thousandth part of the Structural Funds coming from the EU for the period 2007-2013 (44 million versus 40 billion).

The Sector A (environment) and B (sustainable development) projects will have an important impact in their geographical areas: 0015, 0016, 0023 and 0024. Cultural heritage projects can have different impact, local or national.

Projects 0007, 0010, 0012, 0022 will have visibility at national level and in some cases they can have impact at international level. The previous phase of project 0022 Via de la Plata received the European prize "Europa Nostra" in 2006.

Horizontal Issues

All the Spanish projects contribute to the reduction of economic and social disparities in the European Economic Area, at national, regional or local level. As promoted by public institutions sustainable development and environmental, economic and social aspects of the projects have been taken into account.

The Focal Point, with the assistance of the MA, will monitor cross cutting issues. There are commitments of the promoters to comply with them.

Environment Economic aspects Social aspects Gender equality and good governance The 20 projects include information on cross-cutting issues.

Environment: Many projects are included in Sector A (environment). Several projects aim at implementing actions for fire prevention and reforestation. All the projects comply with the environmental regulations.

Economic aspects: Sustainable development (urban and rural tourism, creation of businesses) is the final aim of most of the projects, including the cultural heritage and human resource ones.

Social aspects: Several projects have the goal of training people, research and creation of businesses with all their social implications. One of them aims to introduce social changes by the emphasizing gender equality. All the projects will have a positive social impact.

Good governance: Practically all the institutions are public institutions. The selected projects comply with good governance. There are commitments of the promoters, most of them public authorities (Ministries, Governments of the regions, Local Councils) to comply with it. Transparency, cooperation, best practice and responsibility will be monitored by the FP.

Gender equality: The FP and the MA comply with all the requirements on GE enshrined in Spanish law.

The selected projects comply with gender equality. Gender equality is laid down in Spanish Law and Constitution. The balance of family and working life has been of serious concern to the Government for 4 years. Last year the Parliament approved the Equality Law. The Ministry of Equality was created in April 2008 by the new Government. The promoters must comply with gender equality and the FP will monitor it.

The project ES-0009 promoted by the Ministry of Labour refers specifically to Gender Equality (see 2.1.2). The first objective of the project is to develop a Guide to Good Practices that will include actions, standards and measures that exist in both countries and that are aimed at favouring women's access to and continuity of employment, and to encouraging the participation of men in domestic life. The aim of the guide will be to raise awareness to the balance between personal, family and working life, through dissemination of its contents. Despite the fact that regulations regarding Equal Opportunities between Men and Women in both Norway and Spain contain no sex discrimination, the reality is that there are still inequalities for most working women, especially in Spain. The idea of learning about the good practices implemented in a country like Norway, whose social reality and social policies are more developed than ours, was born as a result of our concern about the inequalities between women and men in the reconciliation of personal, family and work life.

The bilateral relations between Spain and the donor States are very good. Cooperation exists and there are many opportunities for future partnerships. The FP is in continuous contact with the FMO and the donors, especially with the Norwegian Embassy in Madrid, to deal with concrete issues. Spain has been and is opened to cooperate with EEA EFTA states.

In most of the projects there are opportunities for improving bilateral relations with the donors. But in projects 0006 and 0009 there are well established basis. Project 0009 affords a unique chance for contact between a Northern European country with exemplary social initiatives, and Spain, a Mediterranean country making steady progress in equal opportunity policies.

This project 0006 has a big impact on the bilateral relations between the donors and Covarrubias Local Council. A big amount of Norwegians and other tourists visit and will visit this town that sponsors each year activities and festivals in honor of the Norwegian Princess Kristina.

2.2. Progress of project evaluation and implementation

Although 14 projects have been approved by the FM Committee after May 2007, for the time being it is not possible to send annual project progress reports prepared by the promoters due to the preliminary implementation of all of them. The real implementation of the FM has to wait until the completion of each project.

No disbursements have been done because there are not yet any certification of expenses. One certification is forecast for the first semester. Several certifications will probably occur in the second semester of 2008. The NGO has asked for the advance payment of project 0010.

In a meeting of the Experts' Committee from different Spanish Ministries (Public Administration, Education, Culture, Environment, Industry Tourism and Trade, and Public Works) in June 2007, the authorities of the Ministry of Finance informed about the GOLs and the implementation of the FM. A new meeting is planned in next June.

The FP has been in permanent contact with the promoters, their regional governments, the Ministries and the FMO during the different phases of acceptance, evaluation and approval of the projects. After the last Annual Report, the FMC has approved 14 projects, including the FP project ES-0029 (Technical assistance to the Focal Point). The promoters and the FP have accepted the Grant Offer Letters and their respective conditions, sending the PIP (for the last projects the acceptance letters and the PIP were sent together). By May 5th, the FP (Mr Zamora) has signed 9 Grant Agreements with the Chairman of the FMC (see Annex I) and 5 Grants Agreements are in the process of being signed. All the GOLs have been accepted.

During 2007 and 2008, the FP has been coaching the applicants and gaining valuable experience in the processing of applications and PIPs and a solid foundation has been laid for project monitoring and reporting in the future. The Focal Point has been helping the promoters with different problems and new RAIs (especially those with State Aid Issues). This will continue until the selected projects are approved.

In 3 cases, problems with the state aid issue have been damaging the speed of the process but the FP and the promoters were unable to convince the FMO that the grants were compatible with the common market:

In a letter dated 15 June 2007, the FMO highlights the possibility of three Spanish projects, ES-0011, ES-0013 and ES-0017, constituting a framework for State aid.

ES-0011 : Gijón Council, Construction of a Technological Science Park.

ES-0013 : Provincial Government of La Coruña, “Promotion of renewable energy in the province of A Coruña” through the installation of photovoltaic panels

ES-0017 : CECO (Cordoba businessmen confederation). Construction of a Training Centre for Companies.

Likewise, in a subsequent letter dated 18 July 2007, it expresses its doubts regarding the compatibility of the three aids with the internal common market, based on the consideration that we are indeed dealing with a framework for State aid. For this, it sets out the following reasons:

S-0011: Depending on the terms and conditions that are established, possible existence of an economic advantage for the final beneficiaries (entrepreneurial companies with a science-technology base that make use of the services and installations)

ES-0013: Sale of excess electricity implying therefore an economic activity in the market

ES-0017: Depending on the terms and conditions that are established, possible existence of an economic advantage.

The FP sent to the FMO additional information about those three projects with state aid issues in July, August and September 2007.

The FP received no information from the FMO about these 3 projects since September 2007.

In February and March 2008 the FMC decided to approve this 3 projects, conditioned to the positive decision of the EC on its compatibility with the Common Market.

This decision of the FMC comes after a semester. The FMO could have advise the FP to send these 3 applications to the EC or, alternatively, could have sent the three applications itself. The delay is creating uncertainty in the promoters (and the FP). There is a risk the projects might fail to be implemented.

Mr. Zamora went Brussels on 14 March 2008 and had a meeting with Mrs Andresen, to discuss the problems caused by the decision with reference to these 3 projects. On March 27th, Mr Zamora sent a letter to Mr Erdal, the Chairman of the FMC, asking for a change in the first date of eligibility of the expenses.

On 10 April, the FP received a letter communicating that the notifiable aid cannot be put into effect until the Commission has taken a decision authorizing such aid (“stand-still clause”). The first date of eligibility has to

be the date of the Commission approval, because an earlier date would be incompatible with the standstill clause.

The FP is preparing the presentation of 2-3 new projects after the approval of the pending projects.

2.3. Approved Projects

To follow the project approval process during the period June 2007 to May 2008, see Annex I.

Although approved projects are classified by sector, some of them could be included in more than one, i.e. 0024 is a sustainable development project (Sector B) but it could also be classified as an environmental project (Sector A):

-4 in Sector **A**. Protection of the environment

-2 in Sector **B**. Promotion of sustainable development

-5 in Sector **C**. Conservation of the European cultural heritage

-2 in Sector **D**. Development of human resource and equal gender opportunities

-1 Technical Assistance

The 14 approved grants are from 3 Ministries (Environment, Education and Finance), 4 Regions, one province, 4 Municipalities, one foundation, one entrepreneurs' organization and one NGO.

ES-0029 "Technical Assistance to the Focal Point", presented by the Focal Point. Cost: EUR 870,000. Grant: EUR 696,000.

It consists in co-financing the related expenses of the Focal Point, the Payment Authority and the Monitoring Agent for the period 2007-2011 to monitor and control the projects.

The GA has been signed. The FP shall ensure that the cross-cutting issues are applied, regarding all the Spanish applications.

SECTOR A

ES-0007 "Geochemical mapping of soils and surficial formations of Spain", presented by the Geological and Mining Institute of Spain-IGME

(Spanish Ministry for the Education). Cost: EUR 3,698,870. Grant: EUR 2,278,874. The Plan intends to carry out the geo-chemical cartography at a 1:50.000 scale of both sediments and soils.

The database shall remain in the ownership of IGME and should be available to the public (without preferential access) for at least 5 years after the approval of the PCR.

The national agreement between the FP and the promoter has been signed.

ES-0013: "Promotion of renewable energies in the province of A Coruña"), sponsored by the provincial government of A Coruña (Galicia). Cost: EUR 3,107,955. Grant: EUR 1,181,023. The project aims at setting up photovoltaic and thermal solar installations in 19 rural town halls, supported by wind power. Project concerning renewable energy in A Coruña: this project doesn't include a state aid scheme, but a legal incentive regulated under the national law (RD 436/2004 of 12 March). In this law, the Spanish government adopted the legal and economic framework for the production of electricity under the so-called Special Regime. This new Decree, which superseded Decree 2818/98, introduced important changes to the legislative framework for electricity in order to promote a more stable and predictable Special Regime (not state aid) for the promotion of the development of renewable energy and facilitate the transferral to the electricity grid of increasing volumes of renewable energy.

The FMC conditioned the Grant to a European Commission positive decision on its compatibility with the common market. The promoter and the FP sent the acceptance letter.

ES-0015 "Murcia Forest Fire Rehabilitation", sponsored by the Region of Murcia. Cost: EUR 6,130,649 Grant: EUR 2,999,727. The project aims at carrying out restoration actions to reduce soil erosion, the stabilization of mountainsides and improving the vegetable cover, roadworks, silvicultural and phyto-sanitary treatments, projects management and administration

The national agreement between the FP and the promoter has been signed.

ES-0016 "Fluvial Park in Buñol"(Valencia)", sponsored by the Municipality of Buñol. Cost: EUR 1,270,000. Grant EUR 999,998. The project aims at the restoration of the river bank, creating leisure areas with beautiful landscapes and eliminating a woodpulp factory.

The national agreement between the FP and the promoter has been sent for the signature of the promoter.

ES-0023 “Forest fires prevention in forests by the CHE” in Aragon region, sponsored by the CHE- Spanish Ministry for the Environment. Cost: EUR 5,984,595. Grant: EUR 3,000,077. The project aims at implementing actions for the prevention of fires in the mountain areas under the control of the Confederation of the Ebro river.

The national agreement between the FP and the promoter has been prepared for the signature of the applicant’s responsible person.

SECTOR B

ES-0010 “Promotional campaign Natura 2000 Network”, sponsored by the NGO “SEO/BIRDLIFE (Sociedad Española de Ornitología) in 4 regions. Cost: EUR 1,342,200. Grant: EUR 999,939. The project aims at developing a promotional campaign regarding the Natura 2000 Network in 4 regions under the objective (Andalucía, Extremadura, Castilla-La Mancha and Castilla-León), printing of promotional materials and conducting workshops and seminars on special developments for birds under the Natura 2000 Network.

It is the only project with an advance payment. The promoter has provided declarations about the co-financing of the project. The NGO has asked for the advance payment of project 0010.

The national agreement between the FP and the promoter has been signed.

ES-0024 “Forest procedures in fire degraded areas of the forest”, sponsored by the Government of Extremadura region”. Cost: EUR 4,563,332. Grant: EUR 1,999.652. The project aims at reforesting different mountain areas burnt in 2003 and recovering the tree cover.

The national agreement between the FP and the promoter has been sent for the signature of the promoter.

SECTOR C

ES-0012 “Accessibility, removal of architectural barriers and recovery of public spaces in the Carmel neighborhood, its surroundings and access points to ParK Güell and Tres Turons in Barcelona”, sponsored by the Local Council of Barcelona. Cost: EUR 6,700,300 Grant: EUR 2,956,842. The project chiefly aims at recovering the access ways to the above mentioned parks through the Carmel neighborhood.

As public goods there can be problems to insure the property (condition in the GOL), although some of them will be insured (escalators, lifts)

The PIP is being revised. The signature of the GA is pending.

ES-0014: “Urban refurbishment and protection of the cultural heritage of Hostalric”, sponsored by the Municipality of Hostalric. Cost: EUR 2,293,655. Grant: EUR 969,069. It is the second phase of the project for the urban renovation of Hostalric that received a funding from the Financial Instrument 1999-2003. The main works refer to the restoration of the medieval wall and to the development of a center for cultural activities.

The national agreement between the FP and the promoter has been signed.

The works have begun and a part of the expenses can be certified by the end of June. It is the first project that can be certified by the MA and the FP.

ES-0022 “Vía de la Plata II”, sponsored by the Government of Extremadura. Cost: EUR 4,670,000. Grant: EUR 1,868,000.

This is the second phase of a project that was already funded in the past by the EEA. The re-fitting of the Roman Silver Route comprises the restoration of a number of archaeological historic buildings and their transformation into museums and the recovery of both the Route and the repair of four bridges. Also the purchase of an archeological site.

It is subject to certain conditions for the purchase of sites.

Due to problems with the PIP, the Grant Agreement has recently arrived.

ES-0025 “Recovery and valoration of the Ekain caves and construction of the Museum of Prehistory” presented by a Foundation and the Basque

Government. Cost: EUR 4,982,073. Grant: EUR 1,800,023. In the application, the grant covered 36.13% of the cost of the first phase of the project focusing on the Ekain caves and the Prehistory Museum.

But the Ekain Foundation is not able to co-finance € 3,182,050 for the period 2007-2011, and that is the reason why the completion of the works have been delayed. The purpose has not changed, the Ekain Foundation wants to present to the FMO the new approach of the project and the new budget for the completion of the preliminaries of the Prehistoric Museum; requesting that continue to subsidize said project.

The amount of works to be undertaken between 2007 and 2011 has dropped from € 4,982,073 to € 2,382,490 and the Ekain Foundation would want an increase in the percentage of the grant (if possible to increase this percentage to 50%, which would amount € 1,191,245, which is less than the € 1,800,023 accepted by the FMC).

The FMO made a request in April for more information (RAI) and for the agreement of the Focal Point, concerning the new promoter's plan.

SECTOR D

ES-0011: Name of the Project: "Center for training and support for business initiative and activity of Córdoba", presented by the Government of Andalusia. Cost: EUR 7,888,049. Grant: EUR 4,500,132.

The project, set up by the Business Confederation of Cordoba, aims at developing training actions, initiatives for the support of businesses and the creation of new businesses. It is expected that 4,700 square meters of suitable premises be constructed in which to carry out said actions.

The FMC conditioned the Grant to a European Commission positive decision on its compatibility with the common market. The promoter and the FP sent the acceptance letter.

ES-0017 "Scientific and Technological Park of Gijón: Towards entrepreneurial consolidation", sponsored by the Town Council of Gijón (Asturias). Cost: EUR 4,240,268. Grant : EUR 1,999,710.

The project aims at consolidating the 3rd phase of the Park and enlarging the current space available for the companies that have already

been set up, as well as those that are newly created. 30 businesses have already been set up so far, which have created 400 job placements.

The FMC conditioned the Grant to a European Commission positive decision on its compatibility with the common market . The promoter and the FP sent the acceptance letter.

Meeting with Promoters 28 November 2007

On 28 November 2007, the promoters of projects approved before this date attended a meeting in the Spanish Ministry of Finance: FMO staff, the Monitoring Agent Price Waterhouse Coopers-PwC and the Focal Point-FP were in attendance in order to explain how to fill in the PIP and the reporting Guide.

Participants in this meeting In Madrid, are listed in Annex II

The main theme of the session was to explain to EFTA cofinanced projects promoters the characteristics of the project reports. PwC began by introducing the EEA and continued by describing the control method that PwC will use before for the certification of each project.

Then, representatives of the FMO carefully explain the PIP, PIR and the PCR, with the following highlights:

PIP:

- There is an emphasis on Part III of the summary, regarding physical indicators
- Any important change in the PIP must be reported to Ministry of Finance, explaining the causes. The FP will send it to the FMO asking for a new template.
- In the situation that there were not important changes, it is no necessary to modify the PIP (introducing the differences directly in the next PIR).

PIR:

- Should be sent electronically at the beginning disbursement month, but it will not be paid until they receive the signed copy.
- It should reflect the real execution to the date of the certification, even if it does not coincide with the PIP, explaining these differences.

PCR:

- The FMO will deduce 5% of the last payment as guarantee until the adoption of the PCR.

- It must be justified appropriately in the event that there may be a reduction in the amount executed of the project

Finally, the meeting closes with a round of questions:

1.- COMUNIDAD AUTONOMA DE MURCIA:

The question of translation costs was raised. FMO confirmed that those costs qualify as management costs and are included in the Application Form and PIP). Another question was about the official logo. FMO clarified this point.

2.- SEO:

The NGO raised the question of the flexibility of the costs cited by FMO. FMO quoted 15%. If it was higher, the PIP should be modified.

3.- INSTITUTO DE LA MUJER:

This institution raised the possibility of creating a network of promoters to deal with their common queries.

4.- SEO:

It was asked if PwC would always send the same person to monitor each project. PwC replied that this would normally be the case.

5.- COMUNIDAD AUTONOMA DE MURCIA:

Murcia wanted to know if they could publicise the remaining 50% of national co-financing, to which the FMO EFTA responded positively, except for projects controversial in the field of advertising.

6.- INSTITUTO GEOLOGICO Y MINERO DE ESPAÑA:

Express its doubt on the criteria listed in the specifications in order to ensure the eligibility requirements.

7.- JUNTA DE EXTREMADURA:

They perform works by administration, which EFTA replied that there would be no problem.

8. CITY COUNCIL OF HOSTALRIC:

Express its doubts about if costs of 2% because of unforeseen contingencies would be eligible, because in the past they were not accepted. The answer was negative.

2.4. Non approved selected projects

Of the selected projects, one has been rejected (0019-Valle del Roncal) and 5 are pending because of insufficient information about the details of the projects (0009 and 0006) or new applications at the request of the FMO and visits of the appraisal agents (0031, 0032 and 0033). After the visit of the appraisal teams the FP hopes that the necessary information will be completed.

The **pending** projects are promoted by 1 the new Ministry of Equality, 1 Region (Balearic Islands) and 3 Local Councils.

ES-0009: “A balance for personal, family and professional life and gender equality “sponsored by th new Ministry of Equality” (Cost: 1.6 million Euros. Grant: 1.2 ME) between KS-Norway and the Spanish Instituto de la Mujer-Women’s Institute. It consists on seminars, experts’ meetings and the elaboration of the book on good practices. The promoter has been sending information to the FMO along the year. After a meeting in the Norwegian Embassy in Madrid (24 January 2008) the FP received the answers to the RAI of 5 February 2008. The project partners have been discussing the requested information and the Spanish promoter has hold two meetings with FEMP (the main Spanish collaborating organization) in order to elaborate the answers. The questions were useful in order to go deeper into the project matters. Elaboration of the answers has permitted to clarify certain descriptive issues of the project which has led to an operational optimization of the project itself and adjustments concerning the practical implementation. Project’s length has been reduced from 38 months to 34 months. Revision of the total length have involved modifications in most of the main activities’ length, which has also meant that tasks and actions have been revised in order to ensure an optimal implementation. Activities adjustments imply that expenses framework had to be also readjusted to the new time schedule.

The project promoter, Instituto de la Mujer, will be responsible for the implementation of the project with the help of the other stakeholders.

The project is being prepared for approval. The FP is preparing the answer about the activities, dates and information about the responsible person.

ES-0006: *“Construction of the San Olav chapel”*, sponsored by Fundación Princesa Kristina, in Covarrubias (Burgos-Castilla León). Cost: 1.4 ME. Grant: 0.4 ME.

The chapel is intended to be a cultural and ecumenical center, also available for exhibitions and talks. The project will be monitored by the local authorities in cooperation with Fundación Princesa Kristina.

The promoter, a Norwegian -Spanish Foundation has recently sent to the FP the answers to the RAI and the documents concerning EIA regulations and to avoid the possible State Aid Issue. The Foundation has renounced to the possible revenues from tickets and other activities.

This project has a big impact on the bilateral relations between the donors and Covarrubias. A big amount of Norwegians visit and will visit these town.

On April 2008, the FP sent the answers to the last RAI and environmental requests from the EC.

ES-0031 *“Rehabilitation of St. John the Baptist Church”*. Sponsored by the town council of Burguillos del Cerro (Badajoz-Extremadura). Cost: 1,932,000 Euros. Grant : 1.5 ME

The project aims to restore a XIIth Century church as well as to provide it with equipment and furniture.

The FMO made a request for a new application due to insufficient information about the details of the project. The promoter sent it and registered as ES-0031 The promoter sent in March the answers to a new RAI and has received a the visit of a new appraisal agent at the end of April.

ES-0032: *“Recovery and upgrading of the Aqueduct and the Walls of Segovia for tourist use”*, sponsored by the Town Council of Segovia (Castilla-León). Cost: 6 million Euros. Grant: 3 ME.

The project comprises a number of actions to be carried out near the walls of the city (the Jewish cemetery mills and hydraulic systems, Huerta de los Briz, etc.).

The FMO made a request for a new application due to insufficient information about the details of the project. Segovia sent a new application that was registered as ES-0032. Then it received a new RAI, that answered and received again the visit of an appraisal agent in April.

ES-0033 *“Rehabilitation of Pati Sa Lluna”*, sponsored by the Autonomous Region of the Balearic Islands. Cost: 6.6 million Euros. Grant: 3.3 ME.

The project aims at making the “Pati Sa Lluna” convent available for the development of cultural tourism, through its restoration and rehabilitation.

The FMO made a request for a new application, registered as ES-0033, according to the new Master Plan of the project. The applicant has appointed a consultant to fill-in answers to the RAI due to insufficient information about the details of the project. The RAI has been sent on 18 April. The answers to the RAI has been sent (by e-mail and DVD with its 30 files) on 18 April. The FMO has informed that a new appraisal agent will be appointed for this project

ES-0019 *“Development of rural tourism at the Roncal Valley”*, presented by the *Mancomunidad del Valle del Roncal* (Community of the Roncal Valley, Navarre). Cost: 2,356,000 Euros. Grant: 1.2 ME

The project focuses on the sustainable development of the Valley, but has had environmental and co-financing problems.

Finally, on 9 April 2008, the FMC sent a letter to the FP with a reasoned refusal of project ES-0019

3. The managerial set-up

The General Directorate of European Funds fulfils the tasks of the Spanish Focal Point. It has the responsibility for the management and coordination of the EEA FM in Spain, including that for the use of funds, financial control and audit and the rest of responsibilities included in Annex A of the Memorandum of Understanding concerning promoters, projects, annual meetings with the FMC, information, publicity and documents' storing.

The FP will ensure that financial control and audit are conducted in compliance with applicable rules, ensuring the efficient and correct use of available funds, sufficient audit trails in all institutions and effective financial control and audits of approved projects.

The FP comprises the senior adviser, answering directly to the Director General. The senior adviser is responsible for the Financial Mechanisms and is in constant touch with the FMO and the promoters.

The financial management and control of the FP, including the Paying Authority, are separate from other functions within the General Directorate of European Funds-GDEF, as described in the part of disbursement arrangements of Annex A.B. of the MoU.

The GDEF constituted two new Units (Control and Payments), both under the authority of the Director General. The Unit of Payments is in charge of the checking of the certifications and the preparation of the proposals of payments to be signed by the responsible person. It has been designated as Payment Authority for the FM 2004-2009.

4. Monitoring and Audit Plan

According to Annex A of the Memorandum of Understanding, to perform the necessary monitoring and audit functions of the projects financed for the period, the Contracting Board of the Ministry of Finance-FP contracted for two years (till February 2009) Price Waterhouse Coopers (registered in the Spanish Official Registry of Auditors), who had won the tender. According to Spanish legislation 2 years is the limit for contracts, but they can be renewed for two more years if the results are satisfactory. So, it is expected a renovation of the contract in February 2009, for the period 2009-2011.

The functions of the Monitoring Agent are as follows:

- Monitoring and evaluating the projects financed by the EEA Financial Mechanism through regular reports on the progress of the work, verification of reimbursement requests and their agreement with the financial contracts and annual monitoring reports as well as a final report for the collection of the balance.
- Prior training of the managers of the different projects on how the EEA Financial Mechanism works in relation to project development. This training includes an explanation of the certification system, the documents to be completed by managers, the documents needed by PwC to run checks, the times and deadlines for the work to be done, the recurring problems in previous periods and the most frequent problems with these types of projects to avoid certification glitches, etc.
- Preparing a general work plan to facilitate the monitoring of the different individual projects and the project as a whole and to thereby ensure that the pace of the work is homogenous, in collaboration with the General Directorate of European Funds of the Ministry of Finance.
- Planning the field checks to be performed and the method of performing them, along with the rest of the certification process:
 - Notification of control visits;
 - Documentation to be prepared by the project manager prior to and during the control visit;
 - Performance of control visit: analysis of documentation, verification that the procedures followed comply with the rules, that the progress of the project coincides with the application for aid and the pertinence of payment requests;
 - Preparation of inspection reports and verification of the certification issued by the project manager;
 - Submission of documentation to the Ministry of Finance for validation, after which it is forwarded by the Ministry to the EEA Financial Mechanism.
 - Verification, acceptance and payment of the certification by the EEA Financial Mechanism.

- Preparation of Project Monitoring Reports to be forwarded to the EEA Financial Mechanism.

AUDIT PLAN

14 projects have been approved by the Financial Mechanism Committee, some of them requiring a positive decision of the European Commission. Project Interim Reports, when received, will be filled-in and forwarded to the EEA Financial Mechanism Office by the Focal Point and the Payment Authority after the audits of the Monitoring Agent during the period May 2008 to May 2009. The FP and the Payment Authority shall take all necessary measures to prevent and detect fraud and irregular payments. The audits will depend on the state of implementation of the different projects. In May 2008 8 of the projects are in their planning stage and only one (ES-0014) has begun the works.

The Intervención General del Estado (IGAE) and the National Audit Office-NAO (Tribunal de Cuentas) are the Supreme Audit Institutions of Spain and can conduct the necessary audits on projects as considered necessary. During the preliminary stage of all the projects no audits of these two institutions are planned from May 2008 to May 2009. According to the PIPs no Project Completion Report (PCR) are foreseen for this period.

5. Publicity

The FP publicises the EEA grants on the GDEF website and also monitors the promoters' websites and publicity, sending regularly reports on this issue to the FMO.

The News about the Financial Mechanism 2004-2009, including the promoters' publicity reports are published on the website of the GDEF www.dgfc.sqpg.meh.es.

The FP guarantees the dissemination of result and publicity during the implementation stage.

The Focal Point, with the help of the MA, prepares quarterly reports for the FMO, with the information on publicity activities provided by the promoters. The MA helps the FP in usual auditing functions with the new tasks related to the gathering of information on publicity from the different projects.

At promoter level, publicity guidelines will continue to be enforced. A new GDEF website has being prepared with a separate part for EEA Grants, in

order to EEA-EFTA mechanism be better known as a part of the Internal Market.

The promoters publish and will publish their news, usually through websites and local and regional media.

Links to the promoters of the approved projects:

1. Diputación de A Coruña : <http://www.dicoruna.es/>
2. CH Ebro <http://www.chebro.es>
3. SEO/BIRDLIFE: <http://www.seo.org/>
4. Ayuntamiento de Buñol: <http://www.bunvol.es/>
5. Junta de Extremadura (2 projects): <http://www.juntaex.es/>
6. IGME: <http://www.igme.es>
7. Región de Murcia: <http://www.carm.es/>
8. CECO <http://www.cecocordoba.es/portaleco/default.aspx>
9. Ayuntamiento de Gijón: <http://www.ayto-gijon.es/>
10. Carmel : <http://www.agenciacarmel.net> 1416/
12. Ayuntamiento de Hostalric <http://www.hostalric.es/>

6. Scholarship Block Grant

Last year, the Norwegian Embassy in Madrid and the Focal Point had frequent contacts and meetings to find a suitable partner in Spain. The Spanish Consejo de Universidades-University Coordination Council was designated by the Ministry of Education as the Spanish partner for the twin Institutions of the three donors. The purpose of the block grant was to promote the mobility of Spanish Erasmus students to the donor countries as well as promoting research projects with these countries.

Due to the restructuring of the Agencia Erasmus (Erasmus Agency) and the need for a 15% co-financing, the Agency renounced the implementation of the Block Grant. A working lunch was organised 29 January 2008 in the Norwegian Ambassador's residence in Madrid in order to find a Spanish partner as intermediary for the Scholarship Fund .

The representative of the Ministry of Education informed that a 15% co-financing by the Spanish State of an extra scholarship for all Spanish Erasmus students going to the EEA/EFTA countries would not be compatible with Spanish legislation, because it would discriminate against all other Spanish Erasmus students. The Ministry of Education said that it would be very difficult for the Ministry itself to act as intermediary for budgetary reasons. It was suggested both by the Ministry of Education and by the Complutense University of Madrid, that several Spanish Universities could act as intermediaries, applying directly to the FMO for Erasmus and research block grants. The 15% co-financing would come directly from the

Universities. The FP has not yet received any proposals of possible intermediaries.

7. Conclusions-Listings of issues and recommendations

-The experience of the year is good for the knowledge of the projects and preparation for annual project reporting. Although 14 projects have been approved by the FM Committee after May 2007

-Environmental projects have been quickly assessed.

-4 of 5 of the pending projects were assessed by the same consultant

-State aid issues have arisen in several projects. Some of them were solved but in other 3 projects the FMC approved the projects under the condition of a favourable decision of the European Commission. The problem with the state aid issue has been slowing down the process of evaluation of the projects.

-The FP is preparing the presentation of 2-3 new projects after the approval of the pending projects

-The General Directorate of European Funds fulfils the tasks of the Spanish Focal Point. The FP and the Payment Authority will ensure that financial control and audit are conducted in compliance with applicable rules, ensuring the efficient and correct use of available funds, sufficient audit trails in all institutions and effective financial control and audits of approved projects. The FP and the Payment Authority shall take all necessary measures to prevent and detect fraud and irregular payments. The audits will depend on the state of implementation of the different projects. In May 2008 8 of the projects with a signed Grant Agreement are in their planning stage and only one (ES-0014) has begun the works.

--The FP publicises the EEA grants on its website and also monitors the promoters' websites and publicity, sending regularly reports on this issue to the FMO.

-Due to the restructuring of the Agencia Erasmus (Erasmus Agency) and the need for a 15% co-financing, the Agency renounced the implementation of the Block Grant for Scholarships, because it would discriminate against all other Spanish Erasmus students. The Ministry of Education finds very difficult to act as intermediary for budgetary reasons. The FP has not yet received any proposals of possible intermediaries.

ANNEX I

14 APPROVED PROJECTS

According to Annex B of the MoU the sectors were divided into four priority sectors:

- A. Protection of the environment
- B. Promotion of sustainable development
- C. Conservation of the European cultural heritage
- D. Development of human resource and equal gender opportunities

Approved EEA grants Million Euros			
Number of project, Cost promoter,sector		Grant (approved)	Grant Agreement
A			
ES-0007 IGME (A)	4.5	2,3	2008.2.20
ES-0013 A Coruña (A)	3,1	1,2	GOL
ES-0015 Murcia (A)	6,1	3	2007.10.29
ES-0023 CHEbro (A)	6	3	2007.10.29
B			
ES-0010 (B)	SEO/Birdlife 1.3	1	2007.9.25
ES-0024 (B)	Extremadura 5	2	2007.11.27

Number of project, Cost promoter,sector	Grant (approved)	Grant Agreement
C		
ES-0012 Barcelona (C) 6.8	3	GOL
ES-0014 Hostalric (C) 2.3	1	2008.2.20
ES-0016 Buñol (C) 1.3	1	2007.10.22
ES-022Extremadura(C) 5	1.9	GOL
ES-0025 Ekain (C) 4.9	1.8	2007.9.25
D		
ES-0011Córdoba (D) 8	4.5	GOL
ES-0017 Gijón (D) 4.5	2	GOL
TA		
ES-0029 Technical 0.8 Asistance to the FP(TA)	0.6	2008.3.25

ANNEX II

First Meeting with Promoters 29 NOVEMBER 2007

Assistants:

In representation of Ministry of Finance

- Cecilio Oviedo (Focal Point)
- Isidro Martin (Paying Authority)

In representation of the EFTA:

- Augusta Thorbergsdottir.
- Dávid Tas.
- Kurt Haugen.

In representation of PricewaterhouseCoopers

- Daniel de la Cuerda.
- Javier Herrero.

Representation of the project promoters:

- IDOM "Cuevas de Ekain"
- CITY COUNCIL OF HOSTALRIC
- JUNTA DE EXTREMADURA (Areas Degradadas)
- INSTITUTO GEOLOGICO Y MINERO DE ESPAÑA
- COMUNIDAD AUTONOMA DE MURCIA
- CITY COUNCIL OF BUÑOL
- JUNTA DE EXTREMADURA (VIA DE LA PLATA)
- CONFEDERACIÓN HIDROGRAFICA DEL EBRO
- SOCIEDAD ESPAÑOLA DE ORNITOLOGÍA (SEO/BirdLife)
- INSTITUTO DE LA MUJER

Workplan for the FM 2004-2009 in 2008 and 2009

5 June 2008: FM annual meeting

June 2008: Draft Minutes (of the annual meeting)

June 2008: Steering Committee Meeting

May 2008-December 2007: Other projects' evaluation and implementation. Additional information and appraisal of some applications of non approved projects

2008-2009: Preparation and signature of the Grant Agreements between the FMC and the FP(after the approval of the applications and PIPs)

2008-2009: Signature of the agreements between the FP and the promoters

June and December 2008: FMO Workshop in Brussels attendance

October-November 2008: Meeting with the participation of FMO staff, the Monitoring Agent and the Focal Point to explain the monitoring and reporting system to the recently approved projects' promoters

2008-2009: Publicity for newly approved projects through the website. The promoters will publish the approval of their individual projects and news through the Media and their websites.

2008-2009: Sending to FMO of the quarterly publicity reports and publishing them in the web of the Ministry

2008-2009: Individual project monitoring and reporting

May 2009: Annual report

June 2009: Annual meeting

AGENDA (5 June 2008: 11:45 am to 4 pm, lunch included)

- Opening remarks
- Annual Report.
 - Progress of project implementation: approved projects
 - Progress of project evaluation process
 - Managerial set-up
- Conclusions on new selected projects
- Publicity
- Scholarship programme
- AOB
- Conclusions
- 2 p.m.: Working lunch offered by Mr. Zamora

