Administrative capacity and European Funds absorption capacity in Spain

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Abstract

All member countries of the European Union have certain amounts of assigned funds to execute projects, programs and policies. However, certain states have performed particularly lower than others when they have had to spend these funds, often not being able to spend the totality of their assigned amount by the end of the 2014-2020 period. Previous literature has found a positive correlation between administrative capacity and absorption capacity (the capacity of states to spend European funds). In this thesis I aim to explain how administrative capacity affects absorption capacity in Member States. Thus, the goal of this thesis is to unravel the causal mechanisms that link administrative capacity with absorption capacity. Particularly, I analyze the case of Spain and its expenditure of the European Regional Development Fund by conducting an analysis based on the administrative capacity indicators established by the World Bank. My findings reinforce the idea that administrative capacity matters to absorb European Funds. Particularly, administrative capacity works through multiple causal mechanisms that form a complex interrelated system that affects the ability of states to spend their assigned funds.

Keywords: administrative capacity, absorption capacity, European funds

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1. INTRODUCTION

The COVID-19 pandemic has been the largest economic shock the world has experienced in decades, with both an enormous short-term and long-term impact (World Bank, 2020). The economic consequences of the pandemic on the world economy are large and carry persistent negative effects, with no country escaping unscathed (Chudik et al., 2020)

The European Union has approved a massive amount of funding in order to help European economies recover from the consequences of the COVID-19 pandemic. Adding the Multiannual Financial Framework 2021-2027 (€1,704.3 billion) and the temporary recovery instrument NextGenerationEU (€750 billion) a total of €1,824.3 billion will be allocated from 2021 to 2027. This will be the largest stimulus package ever financed with EU budget (European Commission, n.d.-a)

From these funds, Spain has the option of receiving around €140 billion from the NextGenerationEU (NG-EU), which added to the funds received from the Multiannual Financial Framework 2021-2027 (MFF 2021-2027), it could add up around €200 billion. (Feás & Steinberg, 2021; Hidalgo, 2020a)

However, Spain is the country that performs the worst in spending European Funds among all the Member States (European Commission, 2021a). Now the country has to spend the funds that were not spent from the MFF 14-20, the MFF 21-27 funds and the NG-EU funds. When considering Spain's performance, one of the questions that come to mind is why is this nation the worst performer of all the Member States when spending European Funds. When analyzing literature on the national/regional capability in spending European Funds, we see that, despite the differences in the countries and regions analyzed, authors seem to agree that administrative capacity matters. Many authors have found a positive correlation between administrative capacity and the spending degree of European Funds (Bachtler et al., 2014; Hapenciuc et al., 2013; Milio, 2007; Terracciano & Graziano, 2016; Tosun, 2014).

Each author has defined administrative capacity in its own way, giving as a result mixed evidence on how this capacity affects the absorption capacity of EU Member. Therefore, this thesis aims to find causal mechanisms that link administrative capacity with the ability of Member States to spend funds (i.e. their absorption capacity), and how do they affect this ability. The goal is to contribute to the existing literature gap; while authors agree in the fact that administrative capacity affects spending performance, they have not specified the causal mechanisms through which it affects the mentioned performance. With causal mechanisms I mean "a complex system that produces an outcome by the interaction of a number of parts" (Bunge, 1997; Glennan, 1996;2002;2005, as cited in Pedersen & Beach, 2010, p.2). Therefore, this thesis aims to answer the following research question:

"How did administrative capacity affect the European Funds absorption capacity of Spain during the MFF 14-20 period?"

Answering the main research question and examining the causal mechanisms through which administrative capacity affects the absorption capacity of Member States leaves the door open for the improvement of such performance. Understanding how does administrative capacity work in relation to European funds can provide ways of improvement, tackling the main issues that negatively affect the ability to spend European Funds. Improving the performance in this spending can lead to a better use of European funding and therefore a better economic recovery from the COVID-19 pandemic. Thus, this thesis has both academic and practical relevance: it aims at contributing to a public administration literature gap and it aims at contributing to a present question that exists in the public administration domain. Therefore,further than just an addition to the present literature, this thesis aims to make a contribution from a national public policy perspective; analyzing what has brought the country to this point may help in finding potential solutions to this problem.

This thesis will be structured in the following way. First, a theoretical framework with the state-of-art of the present literature regarding administrative capacity, European funds and their relationship will be presented. Next, the methodology used in this thesis will be presented. After that, the results of the analyses will be discussed, followed by the conclusion and discussion.

2. THEORY

European Structural and Investment Funds are a powerful instrument to implement EU cohesion policy. But in order to maximize the effectiveness of these funds (funded, eventually, by taxpayers' money) they must be spent. Thus, knowing how to improve the spending of these funds across Member States is key. The following literature review; discusses the impact of European Funds across States and regions; addresses the problems that exist in the conceptualization of administrative capacity; and confirms the positive relationship between administrative capacity and absorption capacity in Member States.

2.1. On European Funds

European Structural and Investment Funds have a clear impact on those regions and countries that are funded. Authors agree on the relevance of ESIF and its funds in order to promote economic, social and territorial cohesion in the European Union. For instance, Tosun (2014) argues that the European Regional Development Fund is a key instrument for the European Union in order to correct unequal development between regions and prevent the escalation of existing disparities. The ERDF not only strengthens economic and social cohesion in the EU, but also has an impact on political processes (such as government formation). The positive impact of funds on those regions that receive European funding versus those which do not receive European funding has also been studied. Back in 2017, Di Cataldo (2017) analyzed the impact of EU funds in Cornwall and South Yorkshire, two of the UK's most subsidized regions. The author found that regions that receive EU funding grow faster and seem to diminish unemployment. However, gains are not long-term, and they don't lead to a self-sustainable development path. Funding is successful, but the effects are not long-lasting. The author suggested that it is important then to prepare beneficiary regions for when the funding will be cut down. There are more studies in other regions and countries, such as Andalusia, in Spain, which is the region that receives the highest amount of ERDF in Europe. Lima & Cardenete (2008) argue that the European Regional Development Fund has had a huge positive impact on Andalusian regional development. The authors add that there is a "learning effect" by which policymakers and receivers of the funds improve their performance from one year to another, a result of the aggregated experience in managing funds. Thus, the effectiveness of the funds increases over the years.

Despite the clear positive impact of ESIF (and particularly of ERDF) that the literature has identified, there seems to be some mixed evidence on the whole effectiveness of the funds at the point of being implemented. The implementation of European Funds can only work if the funding is properly absorbed, this is, properly spend, and the projects properly executed and implemented. For instance, Aiello & Pupo (2012) found that the impact of ESIF on GDP per-capita growth was higher in the South of Italy than in the rest of the country; however, they found that structural funds did not radically modify regional disparities in terms of labor productivity, this is, they did not have an impact on structural conditions that determine long term growth of regions. The authors find that projects funded by EU funds are only conditionally effective; they can only work at their best if the institutions of supported regions are of sufficient quality. The paper argues that EU regions tend to engage in a race to obtain the maximum amount of funds (quantity) instead of focusing on the quality of projects funded (quality). EU procedures (certifications, reports…) pay more attention to quantity than to quality. The authors argue that regions have no incentives to engage in quality projects, thus provoking a moral hazard and rent-seeking situation, in which regions just aim at achieving a high level of expenditure. Levels of expenditure can become the objective itself, rather than the means to achieve regional policy objectives. Also, Jurevičienė & Pileckaitė (2013) found that the real impact of EU support on a national economy is disputed. They argue that the absorption capacity on the demand side is the ability of project applicants to generate acceptable projects. It is determined by macroeconomic absorption capacity, financial absorption capacity and administrative capacity. Also, they defined absorption capacity as "the extent to which a member state is able to (…) efficiently spend the financial resources allocated from the EU funds" (Martin, 2010 as cited in Jurevičienė & Pileckaitė, 2013, p.3). The authors found out that the EU fund absorption rate does not explain the efficiency and expediency of absorption. If quickly absorbed, they found that European funds may bring little to no benefit to the national economy, or even affect it negatively.

In relation to this, there is also evidence that politicians may use European funds with political objectives. Bouvet & Dall'Erba (2010) found that economic criteria are not the only determinant of fund allocation. They found that the political situation within a country/region and the relations between the various governance structures also influence the allocation of funds. There is intense bargaining among governance levels during the allocation process. The authors argue that national governments use EU funds "to secure votes in regions where their position is weaker" (Bouvet & Dall'Erba, 2010, p.524)

In sum, the literature agrees on the positive impact that European Structural and Investment Funds have on its beneficiaries, and particularly on the positive impact that European Regional Development Funds have on those regions that benefit from them. However, their impact seems to be not for the long-term; also, taxpayers' money might not be efficiently spent, since the absorption capacity of states might not be enough to maximize the impact of European funding. Also, politicians might engage in a race to capture the maximum possible quantity of European funding (often for electoral purposes) rather than focusing on how this funding is spent (this is, the quality of the funded projects).

2.2. On administrative capacity

No consensus has been reached to universally define the term "administrative capacity", nor on how to operationalize it and measure it. Although it has been widely studied, all authors seem to agree on the high variability interpretation degree of the term. Goyal et al., (2018) argue that administrative capacity literature is fragmented; capacity is widely researched but poorly theorized, and often articles do not offer any operationalization of capacity. Capacity is used as a residual or "background concept", the absence of which is used to explain failures or low performance (Addison, 2009, as cited in Goyal et al., 2018). The authors try to establish two levels at which administrative capacity can be operationalized. At the macro-level, which involves policy actors like national/sub-national governments, alliances, pacts, etc., administrative capacity is defined as "having the capacity to identify, formulate and implement policy decisions and ensuring the uniformity of implementations" (Goyal et al., 2018, p.8). The authors also identify the mezzo-level, which involves organizational actors like government departments, autonomous governmental organizations and non-profit organizations. Here, the authors define administrative capacity as "having the capacity to control different management systems, and having the capacity to identify, formulate and implement programs or policies" (Matei & Camela-Dogaru, 2013; Hawkes et al., 2016; Swann, 2015, as cited in Goyal et al., 2018, p.8). The management systems include capital, financial, human resources, performance management, and information technology.

Administrative capacity can also be divided into different specific typologies. Nelissen (2002) defines administrative capacity as "the degree to which the new types of governance are successful in handling societal and administrative problems for which they have been created" (Nelissen, Goverde, and van Gestel, 2000 as cited in Nelissen, 2002, p.12). The author argues that there are different types of administrative capacity: short- and long-term; formal and informal; planned and spontaneous; local, regional and national. Nelissen (2002) makes a distinction between indicated administrative capacity (understood as the potential that governing bodies have to execute certain tasks) and effective administrative capacity (understood as performance, rather than potential). The paper argues that there are several contingents, structural and cultural factors that influence effective administrative capacity: instrumental limits, acceptance and legitimacy issues, changes in demography, political influence (or redefinition of performance criteria), or ecological factors.

Even within a particular country, the term can be subject to multiple interpretations, as each agent has its own valuation of factors that are considered to fall within the scope of "administrative capacity". Ko et al., (2021) point out that there is a universal consensus on the importance of administrative capacity but it is defined differently by regimes and stakeholders. In Korea, where they developed their study, the authors arrive at the conclusion that, while academia values leadership, information technology and training related to policy capacity, members of the National Assembly value innovation capacity related to specific policy issues. Although the authors admit that the results of the study are difficult to generalize to other countries, they point out that governments worldwide "must be able to do the right thing, as well as do things right, in order to deliver values beyond efficiency to their citizens" (Ko et al., 2021, p.13).

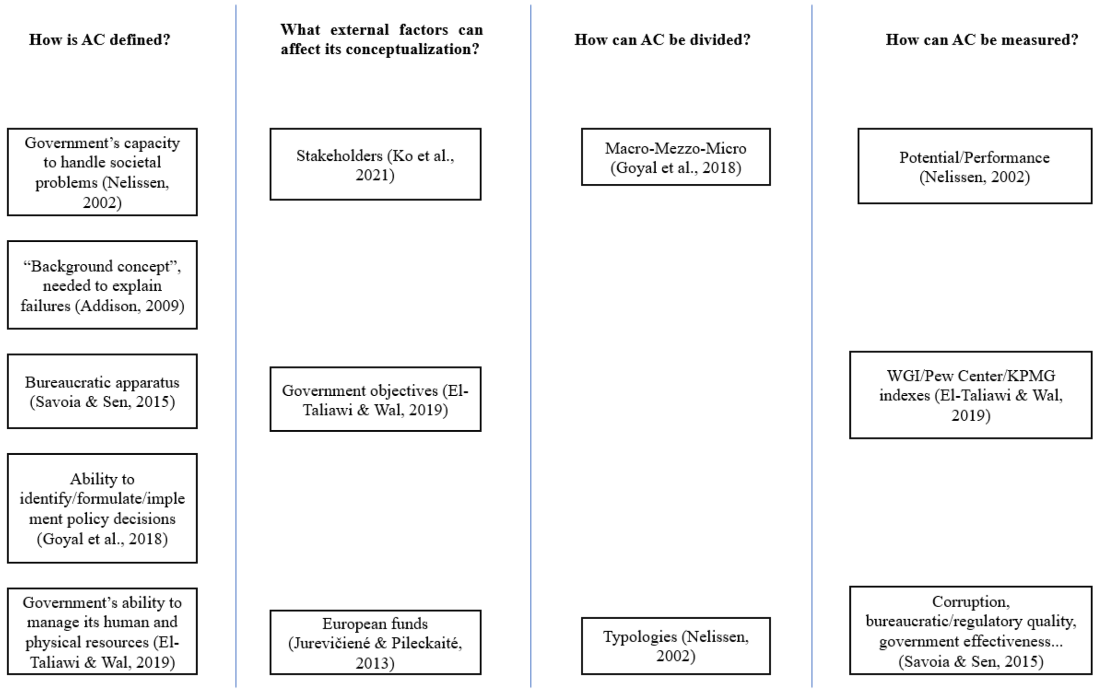
The term is not only conflictive when being defined, but also when being measured. El-Taliawi & Wal, (2019) argue that, although administrative capacity is necessary for achieving policy success, there is a gap in examining how this capacity should be measured and built. They argue that administrative capacity is necessary for the successful implementation of government initiatives and policies; those require capable organizations that "can define problems, set priorities, allocate resources, and carry out the requisite implementation of policies to deliver public goods and services efficiently and effectively" (Caiden, 1973 as cited in El-Taliawi & Wal, 2019, p.244). It is closely related to organizational-operational capacity: the authors say that, in conclusion, administrative capacity is "the ability of the government to manage its human and physical resources to deliver on its objectives" (El-Taliawi & Wal, 2019, p.244). The authors present the most used frameworks and indicators to understand and measure administrative capacity. According to Honadle (1981, as cited in El-Taliawi & Wal, 2019, p.246), “capacity involves the ability to anticipate change; develop programs; attract, absorb, and manage resources, evaluate activities; and apply lessons to future activities”. In order to build this capacity, it is required to implement a proper support system to enhance the government’s implementation and delivery capabilities. The authors argue that normative values that underlie reform efforts should be identified, and then apply support systems and indicators for evaluation.

El-Taliawi & Wal, (2019) also identify various indices used to measure capacity indices. They mention World Banks “Worldwide Governance Indicators”, World Bank’s Index of State Credibility”, Pew Center on the States’ “Government Performance Project”, and KPMG’s change readiness index. The authors argue, however, that the term “administrative capacity” is used either too narrowly or too broadly; there is no agreement on the use of the term. Cross-country comparisons on this issue are limited since it lacks a common framework or methodology, and measures are implemented differently. Also, it is needed to distinguish between the different tiers of government being examined (capital cities and their rural counterparts, for example, might have different capacities and needs).

Finally, Savoia & Sen, (2015) frame administrative capacity as part of a wider “State capacity”, alongside legal capacity, infrastructural capacity, fiscal capacity, and military capacity. Eventually, they consider administrative capacity to be the bureaucratic apparatus needed by the state to design and implement policies. They argue that the following data are used as indicators of the level of bureaucratic and administrative capacity in some indexes: corruption in government, bureaucratic quality, rule of law, regulatory quality, and government effectiveness.

To conclude, the literature on administrative capacity is fragmented and has not reached a consensus on how to define the term, nor how to measure it. However, we can identify certain common traits that all authors seem to agree on. Keeping it at its “greatest common divisor”, **administrative capacity is the capacity that public administrations have to define, manage and implement policies and programs**. It can be measured in multiple ways (often depending on the scope of the research) but, as it will be shown in the next section, there seems to be a tendency to use the Worldwide Governance Indicator of the World Bank. In **Figure 1** I provide a non-exhaustive summary of the different conceptualizations of administrative capacity. These conceptualizations are not independent and often other authors merge them. As it will be seen in the next section, these sub-conceptualizations go even further, especially when they interrelate with European funds. However, they are all sub-ramifications of conceptualizations already present in **Figure 1**. Of course, there are more conceptualizations of administrative capacity, but doing an exhaustive literature review of this concept is not the scope of this thesis. However, further research in this field would need to establish a common conceptualization and/or measurement methodology to reduce the present fragmentation degree that we are able to find in the present literature.

Figure 1. Fragmentation in administrative capacity (AC) literature



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As it has been previously argued, absorption and administrative capacities share some traits or "key words" (for instance, implementation). In some literature, the concepts of administrative capacity and absorption capacity can even merge (Horvat, 2005); in other literature, they can be separated concepts that relate to each other (Jurevičienė & Pileckaitė, 2013). For this thesis, however, I will consider **absorption capacity as a quantitative indicator, this is, the level of expenditure of European funds over a total budgeted amount** . This is a concept separated from administrative capacity that, as it has been seen, includes multiple qualitative and quantitative variables that altogether create the concept of "administrative capacity". I will use this conceptualization in order to delineate a proper, objectively measurable dependent variable.

2.3. On the relationship between administrative capacity and European Funds absorption capacity

One key topic for the researchers has been to know why there's a difference in spending degrees of European funding across Member States. The literature was quick to establish a relationship between administrative capacity and absorption capacity. For instance, Hapenciuc et al., (2013) identify three main dimensions of European funds' absorption capacity: macro-economic absorption capacity, financial absorption capacity, and administrative absorption capacity (NEI 2002, pp.2, as cited in Hapenciuc et al., 2013). Horvat (2005, p.9) defines administrative absorption capacity in relation to European Funds as "the ability and skills of central, regional and local authorities to prepare acceptable plans, programs, and projects in due times, to decide on programs and projects, to arrange coordination among the principal partners, to cope with the vast amount of administrative and reporting work required by the Commission, and to finance and supervise implementation properly, avoiding fraud as far as possible".

Milio (2007, p.435) also defined administrative capacity as "the ability of the institutions to manage Structural Funds policy according to their rules and procedures". The author argues that administrative capacity is defined by four key actions: management, programming, monitoring, and evaluating. Milio (2007) develops a series of indicators to measure each of these key components, which form what she classifies as the "administrative capacity loop"; the loop means that a high level of Structural Funds implementation occurs when every action is performed correctly. A high absorption level cannot be achieved by any component alone. The author compares Sicily and Basilicata, two Italian regions, and provides evidence to show that, where administrative capacity is low (Sicily) the process of implementing Structural Funds is slowed, and the level of expenditure is lower. But when administrative capacity key components are notable, expenditure is higher. The paper suggests that there are two determining factors of administrative capacity across regions. First, the more hierarchical the organizational structure is, the more difficult is to coordinate the management and the programming of activities; also, the more subdivisions that regional administration presents, the more difficult it is to work in a coordinated manner. Second, where government instability is high, the worse the four key actions are carried out.

Terracciano & Graziano (2016), using the same administrative capacity loop as Milio (2007), compare the Italian regions of Campania and Puglia. They develop a new measurement tool, the regional administrative capacity matrix, which also starts from Milio's matrix. They show evidence that a higher degree of regional administrative capacity is correlated with greater expenditure capacities in relation to European funds.

In line with the research on Italian regions, Tosun (2014) found that there was a positive relationship between administrative capacity and ERDF absorption. The author uses the indicator "government effectiveness" to approximate the administrative capacity of Member States, provided by the Worldwide Governance Indicator of the World Bank. The paper argues that, while administrative capacity positively correlates with absorption rates, income levels of Member States negatively correlate with absorption performance. The author also finds some evidence for a negative relationship between fiscal decentralization and ERDF absorption levels.

Incaltarau et al. (2020) state that government effectiveness and public diversion of funds significantly affect the recipient countries' ability to absorb Structural and Cohesion Funds funds. The authors capture administrative capacity through the variables "government effectiveness" and "regulatory quality"; they capture political governance with the variables "political stability" and "diversion of public funds" (used to measure corruption). Government effectiveness captures the following variables, extracted from the World Bank Worldwide Governance Indicators: "perceptions of the quality of public services; the quality of the civil service and the degree of its independence from political pressures; the quality of policy formulation and implementation; and the credibility of the government's commitment to such policies". Regulatory quality captures "perceptions of the ability of the government to formulate and implement sound policies and regulations", variable extracted from the World Bank Worldwide Governance Indicators as well (Kaufmann et al., 2010).

Incaltarau et al. (2020) find that only government effectiveness and diversion of public funds exert a significant positive effect on SCF absorption. The higher the government effectiveness and control of corruption is in a country, the higher the amounts of SCF absorbed. Government effectiveness has a higher effect on stimulating SCF absorption; therefore, the paper shows that "administrative capacity levels are more important than political governance conditions when it comes to SCF absorption". The authors argue that they do not find that higher incomes are less likely to maximize EU funds absorption (which challenges the results of Tosun, 2014). Incaltarau et al. (2020) do not find that political decentralization is a predictor of EU funds absorption.

In line with Incaltarau et al. (2020), Van Wolleghem (2020) argues that administrative capacity (measured, again, with the Worldwide Governance Indicator on government effectiveness established by the World Bank), rather than preferences on implementation, explain to a higher extent the implementation of European Integration Funds. However, he finds evidence that simplifying spending rules may not be translated into increased use of European funds. He also argues that decentralization and national financial capacity play a role in the use of funding. Also, the author suggests that economic cycles have an effect on absorption capacity.

Hidalgo (2020a) argues that before the MFF 14-20, many projects were materialized in big investments in infrastructures. That meant that with just one project, countries were able to invest lots of money. In other words, in previous MFFs it was easy to manage funds, since some few investment projects absorbed lots of spending and certification. However, the author points out that this will not be an option with the present nor the future MFFs nor the NG-EU. The limitations for the eligibility of projects have increased. The author observes that those countries with more available funds have more problems in certifying them. This, the author argues, is result of the increased costs brought by having to manage many more projects than before. The author recommends that Spain should take into account the administrative capacity of each particular administration in order to plan the selection of projects subject to European Funds, as it clearly is a key component related to their implementation.

There is an academic consensus on the relationship between administrative capacity and absorption capacity in Member States. The higher the administrative capacity (whether regional or national), the higher the absorption capacity. Also, administrative capacity is often the most important feature that defines the implementation degree of European funding, being even more important than regulatory conditions or political preferences, among others. There seem to be conflictive results on whether the decentralization of the States plays a role in absorption capacity. This, however, does not fall within the scope of this paper. Regarding the measurement of the independent variable, researchers tend to use the government effectiveness variable of the World Bank's Worldwide Governance Indicator to measure administrative capacity in Member States.

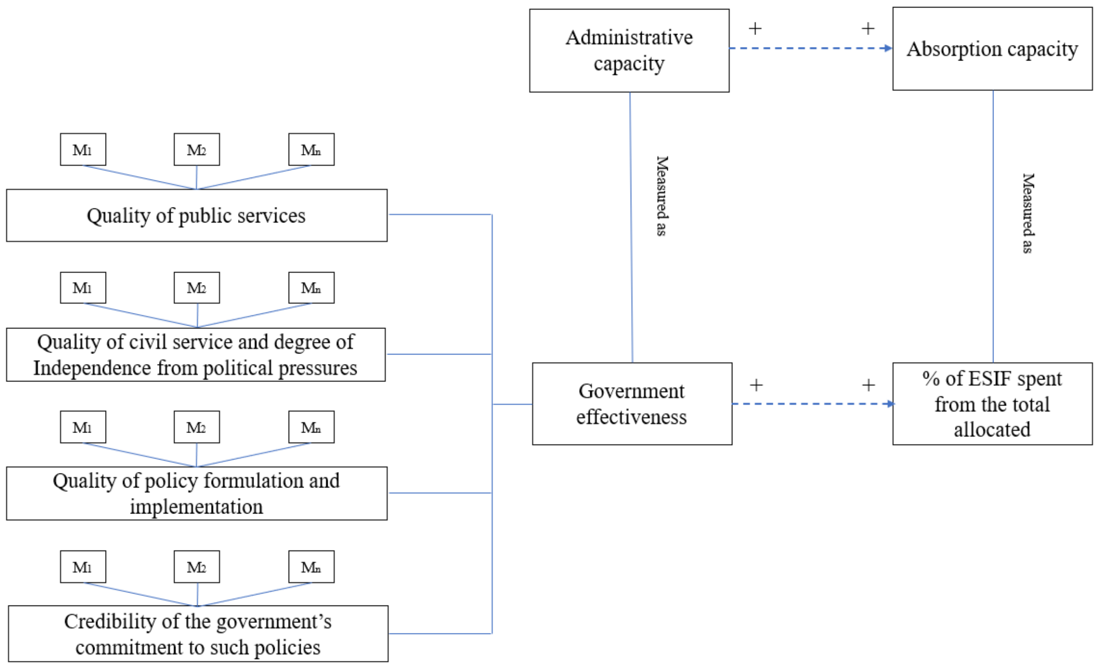
2.4. Conclusions

The impact of European Funds on Member States is in general lines positive, although often is not as efficient as it should be. The literature shows that administrative capacity is positively related to absorption capacity. Thus, in order to improve the efficiency (or the absorption capacity) of funds, improving administrative capacity is key. However, further research is needed to clearly identify the mediator variables that establish that cause-and-effect relationship. The fragmentation in literature in the conceptualization of administrative capacity might be a key obstacle to overcome in order to analyze how does this variable affect absorption capacity.

3. CONCEPTUAL FRAMEWORK

As seen in the literature review, the positive relationship between administrative capacity and absorption capacity is clear and uncontested. In their research, academics have mostly used the World Bank's Worldwide Governance Indicator (WGI) to measure administrative capacity. The features of WGI will be further explained in the research design section. In the literature, the "government effectiveness" feature measured by the WGI is used to capture administrative capacity. Government effectiveness, as mentioned, captures four constituents (or sub-indicators) based on population perceptions: the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (Kaufmann et al., 2010). These sub-indicators have an impact on absorption capacity, which can be measured as the % of the European Structural and Investment Funds spent, from the total allocated in the country. The indicators, in order to have an impact on the absorption capacity, must be configured as a set of causal mechanisms. This reflection is captured in **Figure 2**:

Figure 2. Conceptual framework



Source: Author

Administrative capacity is the independent variable of the research, and absorption capacity the dependent variable. M_1, M_2, M_3…M_n are the components that form each of the 4 sub-indicators that, together, form the governance effectiveness indicator and that, in the context of this thesis, relate to the spending of European Funds. The lines that put together the boxes are, then, causal mechanisms; while the dotted lines are associations. Thus the interaction of M1, M2, Mn, creates the complex system that undermines (or boosts) national absorption capacity (i.e., when Mn interact among them create the causal mechanisms that have absorption capacity as an outcome). The objective, as stated, is to establish a mechanistic causal explanation that identifies the causal mechanism or (different) causal mechanisms by which administrative capacity (cause) and absorption capacity (effect) are linked. In other words, the main goal is to explain how M_n affects administrative capacity in relation to absorption capacity. The four sub-indicators established by the WGI are not clarified, and the authors do not mention what are the components that form each sub-indicator. The main goal of the thesis, then, is to establish which are the components that form these sub-indicators in Spain and in the MFF 14-20 context, as it will be later explained. M_n influences the perception of population (it's important to remember that these indicators are based on national self-perception) of each indicator, which has an influence on government effectiveness, which is translated into higher spending of European funds and thus a higher absorption capacity. The main inherent hypothesis of this thesis is that administrative capacity has one or multiple causal mechanisms that link it with absorption capacity. The objective of this paper, then, is to find these causal(s) mechanisms. No extra hypotheses are provided given the specificity of the research question and the inherent features of process-tracing, the research method that will be used.

A key outcome of this thesis will be the development of a solid conceptual framework that can clarify and establish the mechanisms by which administrative capacity affects absorption capacity.

4. RESEARCH DESIGN

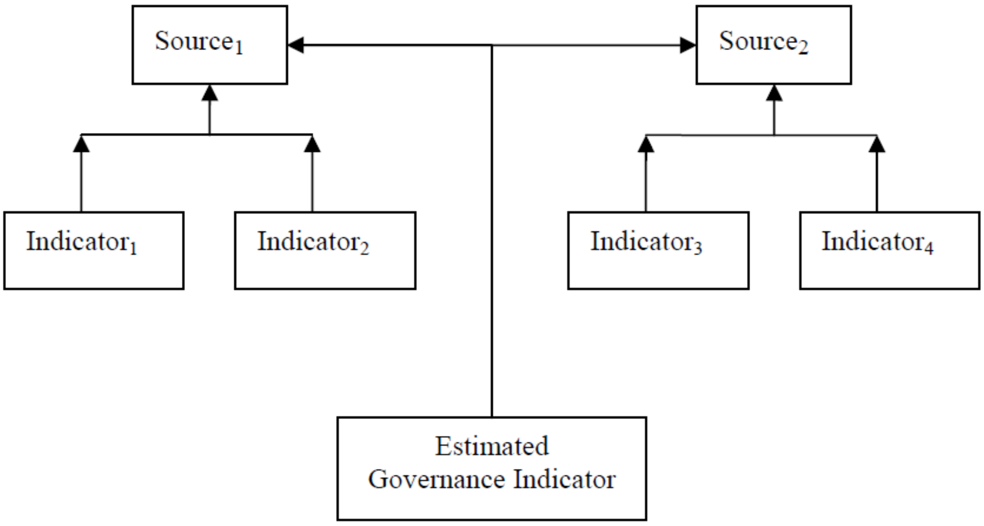
This section will elaborate on the research design of this thesis and justify the election of this particular methodology.

4.1. Why a within-case analysis?

As explained before, the main objective of this thesis is to analyze how administrative capacity affects absorption capacity in Member States. Administrative capacity will be measured through the government effectiveness indicator of the WGI in order to get aligned with the literature that has found a positive relationship between the two variables and that have used such indicator to measure administrative capacity ((El-Taliawi & Wal, 2019.; Incaltarau et al., 2020; Tosun, 2014).

Worldwide Governance Indicator reports six dimensions of governance for over 20 countries over the period 1996-2000, being one of them “government effectiveness”. In order to compute this indicator, the authors combine over 30 underlying data sources and create an aggregate indicator. So, in order to obtain the indicator “government effectiveness”, the authors of the WGI average data from the underlying sources that correspond to this particular concept of governance. (Kaufmann et al., 2010). In **Figure 3** Thomas (2006) provides a visual representation of the computation of each governance indicator:

Figure 3. Model of governance underlying the WGI



Source: Thomas, 2006

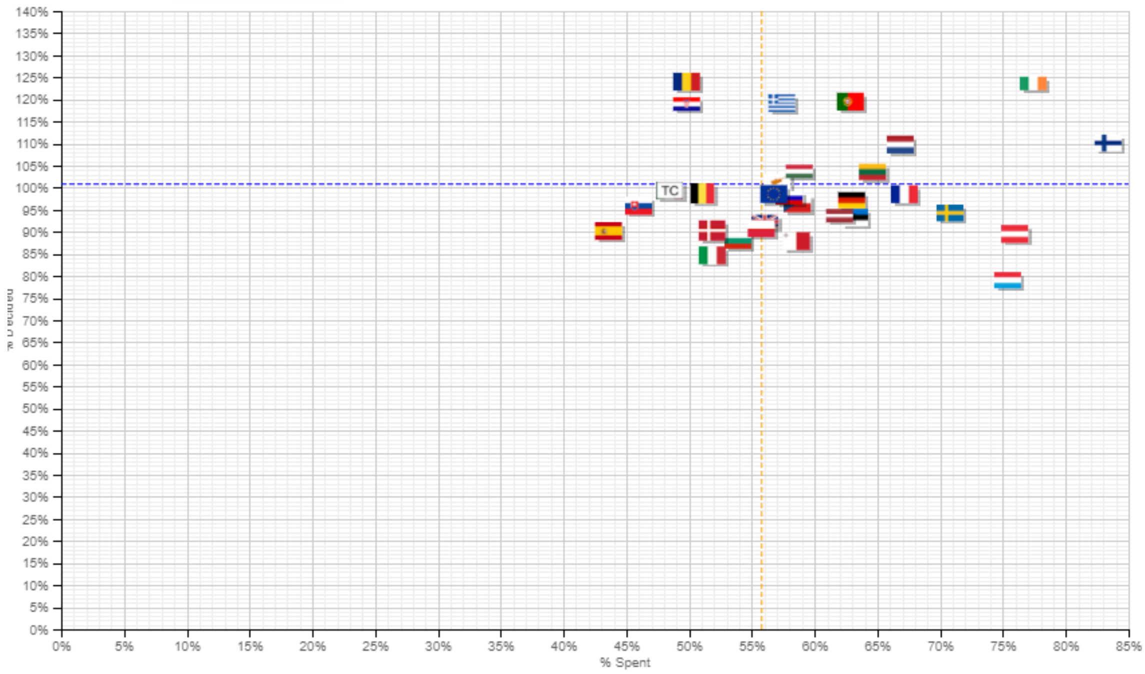
The reader may find which sub-indicators form "governance effectiveness" in **Appendix 1.** It is observable each source has some type of specialization when providing data to compute the aggregate indicator. For instance, the Economist Intelligence Unit Riskwire (EIU) & Democracy Index and the Political Risk Services International Country Risk Guide (PRS)[1] focus more on the quality of bureaucracy, while other representative sources are more focused on infrastructure quality, for instance. The immediate logic could tell us that, if we are able to extract the value of each sub-indicator from the aggregate indicator, and compare it across countries, we would have a place to begin the research. For instance, if we know the value of the EIU index and the PRS index, and compare it across Member States that have received approximately the same amount of European Funds, we would know if bureaucracy has a (high/low) degree of influence on absorption capacity. Now I will explain why this is not a valid approach.

Looking at the EU Multiannual Financial Framework 2014-2020 we find a huge disparity in the spending of European funds between countries. Until 31/12/2020 (last data available) Spain has just spent a 43% of the total planned funds. This contrasts with other countries such as the Netherlands (66% of spending), Finland (82% of spending), Ireland

[1] Abbreviations provided by the authors Kaufmann et al., 2010

(76%), or Portugal (62%). Spain is 13 points below the European average when we are talking about the spending of European structural and investment funds[2] (ESIF). It is true that thanks to the n+3 rule Spain has until 2023 to spend all the decided funds (93%); but this leaves 2 years to spend 48% of all the decided funds, while in 6 years Spain has spent just the previously mentioned 43% (European Commission, 2021a). Under the n+3 rule, money can be disbursed for funds up to two to three years after the end of the Multiannual Financial Framework (MFF); any allocated money which is not claimed by the Member State for its spending will be deducted and goes back into the EU budget (European Commission, 2013). **Figure 4** shows a visual representation of an overview of the implementation of 2014-2020 ESIF finances.

Figure 4. EU overview of implementation by Member State – total cost of selection and spending as % of planned



Source: (European Commission, 2021a)

The Commission uses as a basis for calculating the percentages of the planned funds, this is, the total budget of the ESI funds programs. It represents "the total planned investment volume". The vertical axis corresponds to the budget allocated to decided projects as a %

[2] This paper will indistinctly use "European funds" to refer to "European structural and investment funds", or ESIF. This will be used to facilitate the lecture of the paper. However, from a strict point of view, European funds are more than just the ESIF (although more than half of EU funding is channelled through ESIF) (European Commission, n.d.-b)

of the planned. The horizontal axis corresponds to the “total investment expenditure as a % of planned”. (European Commission, 2021a). It can be appreciated how Spain is the worst performer when spending funds, despite being the third maximum beneficiary of these funds behind Poland and Italy (European Commission, 2021b).

In order to properly understand what this data means, it is needed to explain how these funds are allocated and managed in the MFF. These funds are not just available for countries so they can use them how they consider; before receiving these funds, the countries have to prepare investment projects (which can be financed by funds) that can be applied in the country. If these projects are eligible (this is, that they can be funded by European Funds), they are registered in the national management funds system. When they are registered, the investment goes under the “decided” category, this is, the vertical axis. After publishing the corresponding bid, the next step is to execute the investment; once the execution is finished, the administrations need to justify it and verify it (this is, they need to prove that the funds were correctly used and that all the project was fully completed). After justifying and verifying, the project gets “certified” before the European Commission. The horizontal axis corresponds then to this % of certified spending (Hidalgo, 2020a). The difference in % between “decided” and “spent” is the result of the execution, verification, and certification phases. Any mistake in these phases could suppose that the national administration would have to assume all or part of the whole investment corresponding to European Funds. (Hidalgo, 2020a).

European Structural and Investment (ESIF) funds mainly focus on five areas: research and innovation, digital technologies, supporting the low-carbon economy, sustainable management of natural resources, and small businesses (European Commission, n.d.-b). They are divided into five funds, which are detailed in **Table 1** and that together form the MFF:

Table 1. The 5 European structural and investment funds

Fund	Abbreviation	Objective
European regional development fund	ERDF	"Promoting balanced development in the different regions of the EU"
European social fund	ESF	"Supporting employment-related projects throughout Europe and invests in Europe's human capital"
Cohesion fund	CF	"Funding transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average"
European agricultural fund for rural development	EAFRD	"resolving the particular challenges facing EU's rural areas"
European maritime and fisheries fund	EMFF	"helping fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts"

Own elaboration, based on information from (European Commission, n.d.-a)

First of all, I will take the three maximum beneficiaries of the ESIF 2014-2020: Poland, Italy, and Spain. I elaborate **Table A-1** and **Table A-2** to compare their absorption capacity of European funds and **Table A-3** to compare the governance effectiveness indicators of the three countries. The tables can be found in **Appendix 2**. It can be observed that, despite performing consistenyl better in governance effectiveness terms than Poland and Italy, the absorption capacity from Spain has been consistently lower as well.

Two more observations can be done here. First, the ERDF is the fund that has the highest budget among all the other funds from the ESIF, accounting for 40%-50% of the total ESIF budget. Second, Poland and Italy have the same expenditure ratio in the ESIF as in the ERDF (with variability of 1-2 points). Spain, however, spends 8 points less in ERDF than in the ESIF (35% versus 43%).

As it has been argued, Spain shows a higher governance effectiveness indicator (and thus, administrative capacity) than Poland and Italy. Yet, its expenditure level is lower than the other two countries. We might hypothesize that there are certain sub-indicators within governance effectiveness that have a higher impact on absorption capacity. For instance, if bureaucracy quality has a higher impact on absorption capacity, maybe Spain has a lower level of this particular sub-indicator but the total average computation is higher than the other two countries when added to the other sub-indicators. In **Table 2** I show how each of the sources has established the government effectiveness indicator for these three countries [3] . Let us remember that the authors of the WGI compute the indicators through the average of each source and that each source, as explained before, specializes in one or other sub-indicator [4].

[3] The units in Table 5 are an internal index, made from perceptions-based governance data sources. The variables have been rescaled by the authors to run from zero to one, with higher values indicating better outcomes (Kaufmann et al., 2010)

[4] Only those sources shared across countries have been used in Table 5. Poland has three sources that do not give any value to neither Italy nor Spain; these sources have been discarded, for consistency purposes.

Table 2. WGI sources indicators for the top 3 ERDF beneficiary countries

Year	2014			2015			2016			2017			2018			2019		
Source/Country	POL	ITA	SPA	POL	ITA	SPA	POL	ITA	SPA	POL	ITA	SPA	POL	ITA	SPA	POL	ITA	SPA
EIU	0.50	0.38	0.75	0.50	0.50	0.75	0.50	0.50	0.75	0.50	0.50	0.75	0.50	0.50	0.75	0.50	0.50	0.75
GWP	0.57	0.59	0.63	0.65	0.42	0.68	0.60	0.47	0.67	0.71	0.47	0.67	0.69	0.50	0.67	0.69	0.48	0.66
WMO	0.89	0.78	0.89	0.83	0.72	0.83	0.83	0.72	0.83	0.72	0.72	0.72	0.72	0.67	0.72	0.72	0.67	0.72
WCY	0.48	0.27	0.41	0.49	0.31	0.43	0.38	0.38	0.43	0.38	0.32	0.46	0.46	0.32	0.45	0.45	0.36	0.45
IPD	0.79	0.88	0.96	0.79	0.88	0.96	0.79	0.92	0.92	0.79	0.92	0.92	0.79	0.92	0.92	0.79	0.92	0.92
PRS	0.75	0.63	0.75	0.75	0.63	0.75	0.75	0.63	0.75	0.75	0.63	0.75	0.75	0.63	0.75	0.75	0.63	0.75
GCS	0.55	0.55	0.64	0.53	0.59	0.66	0.57	0.58	0.63	0.57	0.59	0.66	0.56	0.59	0.65	0.54	0.64	0.67

Source: Author. Data extracted from Kaufmann & Aart, n.d.

In **Table 2** we are able to observe that Spain (SPA) performs consistently better than Italy (ITA) and Poland (POL) in all the indicators related to governance effectiveness. Only in the period 2017-2019 Poland performs slightly better than Spain based on the Gallup World Poll (GWP) source. However, the difference is not significant nor sufficient to explain the disparity in absorption capacity across the three countries. From **Table 2** we can derive some observations.

First, although the literature has established a positive relationship between administrative capacity/governance effectiveness (based on WGI indicators) and absorption capacity of Member States (based on European funds spending), we are not able to quantitatively explain why Spain is the lowest performer of all Member States. Therefore, Spain is an outlier. Despite performing consistently better in governance effectiveness terms than Poland and Italy, its absorption capacity has been consistently lower as well.

Some potential explanations arise from this situation. A potential explanation could be that, as authors use perception-based data, the Spanish population tends to overperceive its national governance effectiveness. However, this does not seem like a plausible explanation, since then this over/under-perception effect would have been replicated across countries and researchers would have not been able to establish a positive correlation between administrative capacity and absorption capacity.

Another potential explanation is that somehow, despite having a high degree of governance effectiveness, the causal mechanisms that (theoretically) would allow Spain to have a high degree of absorption capacity present some flaws. This thesis aims to establish how these causal mechanisms link what is (apparently) a high degree of administrative capacity with a low degree of absorption capacity.

From a public administration/public policy perspective, the Spanish situation is especially interesting. In addition to the €200 billion that Spain is going to receive as a result of its assignation of NG-EU and MFF 2021-2027, we have to also add the remaining part of the MFF 2014-2020, (the part that still needs to be executed and certified from the previous budget) which is around €36 billion (Feás & Steinberg, 2021). In **Figure 5** Feás & Steinberg (2021) present a summary of all the money that Spain has to spend in the following years:

Figure 5. Estimate of EU funds for Spain 2021-27 (current prices)

Item	€ million	Committed before	Spending horizon
NGEU	**154,996**		
REACT-EU	12,800	2020-21	End of 2022
RRF, grants	69,528		
First tranche (70%)	46,603	2021-22	End of 2024
Second tranche (30%) (1)	22,925	2022-23	End of 2026
RRF, loans (1)	71,600	2021-26	Not applicable
Just Transition Fund (2)	339	2021-23	End of 2026
EAFRD (rural development)	729	2021-23	End of 2026
MFF 2021-27 (except EAGF)	**43,813**	2021-27	End of 2030
European Social Fund	11,153	2021-27	End of 2030
ERDF (rural development)	23,540	2021-27	End of 2030
Cohesion (ETC)	683	2021-27	End of 2030
EAFRD	7,802	2021-7	End of 2030
Just Transition Fund	451		
Brexit Adjustment Reserve (tranche 1) (3)	184		
TOTAL NGEU + MFF (except EAGF)	**198,809**		
Pro memoria:			
Remaining balance MFF 2014-2020	36,839		
EAGF 2021-27	39,193		
Direct payments	37,412		
Other payments (1)	1,781		
SURE	21,300		

Source: Feás & Steinberg, 2021

In the next decade Spain has to spend around €200 billion of European funding, yet, if we observe its past performance in spending European funds, the task that the country has ahead is big. €200 billion means around 16% of the annual Spanish GDP, which is around 2.2% of the GDP for each year (Hidalgo, 2020a). If Spain has been the lowest performer of all the Member States in spending €56 billion in 6 years, we should expect the same (or even a lower performance) if the country now has to spend €200 billion in the same amount of time, even with the n+3 rule.

For all the reasons stated above, I argue that, in order to make a significant contribution to the literature and to public policy, the best way to approach the research on this issue is a within-case analysis, using Spain as the main case study. Its unique condition as an outlier can shed some light on the cause-and-effect relationship between administrative capacity and absorption capacity.

The case study will be done through a process-tracing methodology. Process tracing is defined as "the systematic examination of diagnostic evidence selected and analyzed in light of research questions and hypotheses posed by the investigator" (Collier, 2011). The main idea is to trace causal processes (or causal mechanisms; or causal chains) (Toshkov, 2016). The main goal of using this particular research method in this thesis is, as mentioned before, to gain insights into causal mechanisms. In the literature, there is little consensus about what causal mechanisms are, and even if "mechanism" is a proper word to underly a causal relation (Falleti & Lynch, 2009; Hedström & Ylikoski, 2010). However, Pedersen & Beach (2010) argue that process-tracing methodologies benefit from adopting a "mechanistic" approach to causation. For this reason, this thesis will adopt the understanding of these authors of causal mechanism: "a complex system that produces an outcome by the interaction of a number of parts" (Bunge, 1997;Glennan, 1996;2002;2005, as cited in Pedersen & Beach, 2010, p.2).

In order to obtain evidence that answers the main research question, this thesis will rely on prior knowledge, as it is the main method to infer causal mechanisms in process tracing (Collier, 2011; Toshkov, 2016). In addition to this, this paper will also rely on quantitative analysis to support my study. The main idea and the way this thesis approaches process-tracing methodology is through alternating three main steps. First, explore how prior knowledge approaches each sub-indicator for the governance effectiveness indicator, which is used as a proxy for administrative capacity; particularly, which are the components that form these sub-indicators[5]. Second, explore and analyze how these previously analyzed components affect the sub-indicator in the Spanish context, and how this sub-indicator potentially relates to the spending of European funds in Spain. Finally, and whenever possible, use a quantitative analysis using relevant data to support or reject

[5] The selection of the components is done through the review of the present literature, always choosing those components that have been identified to have a potential relation to European funds. This is an inherent limitation that this thesis presents due to the fact that Kaufmann et al. (2010) do not define what components form each sub-indicators in the development of their WGI government effectiveness indicators. Therefore, the choice of the components are in itself an hypothesis of the author developed through the exploration of present literature.

what the second step has exposed. The goal, then, is to see how the "interaction of a number of parts", being those the components that form the sub-indicators, creates a "complex system" that defines administrative capacity and that produces the lowest absorption capacity of the whole European Union; i.e., the "outcome".

As stated in the conceptual framework, particularly in **Figure 2**, the main hypothesis of this thesis is that there are mediator variables that link the "the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies" (Kaufmann et al., 2010, p.4) to absorption capacity. This is, there is a causal mechanism behind that union: the goal is therefore to "explicate the causal chains that lead from one event to another and from one variable to another" (Toshkov, 2016, p.66). The reader may notice that I keep using WGI's definition of government effectiveness (used to measure administrative capacity) after previously stating that Spain does not fit into what previous research has found. Despite that, I consider that what WGI's governance effectiveness indicator captures is a valid starting point to start developing the process tracing analysis. Without taking into account its quantitative values (which, in fact, the WGI authors do not classify into their own definition; e.g. there is no sub-index of "quality of public services") I will use what Kaufmann et al. (2010) consider to form governance effectiveness to explain the components of administrative capacity and link them to absorption capacity. This will allow two things. First, adapting to the existing literature and what researchers have considered a valid definition of administrative capacity. Second, establish initial "nods" from which I can start developing the process tracing analysis.

As seen, there are certain countries that have access to a different type of funds while others do not, which might affect the analysis. For instance, as it has been seen, Poland has access to the Cohesion Fund, while Spain has not. To keep it consistent, I have chosen to analyze the performance of the European Regional Development Fund, as all countries receive a budget on this particular fund (European Commission, 2021b). The chronology of the expenditure level will range from 2014 to 2020. First, because it is the last data available. Second, because it is the theoretical timeframe in which countries should have spent their MFF 14-20 money without the n+3 rule.

4.2. Research limitations

For its design, this research has certain limitations. First, for being a single-case study, the possibility of generalization of the case is limited (Toshkov, 2016) Spain is an outlier: it has all the conditions to achieve a high degree of absorption capacity, yet it does not. Although that could mean a limitation in the generalization of the study, it must be said that generalization is not an essential goal *per se* of this thesis. However, managing to uncover the causal mechanisms for a “deviant” case can add strength to the causal inference derived from this paper.

Second, the n+3 rule allows countries to spend their ERDF funds until 2023. One could argue that Spain (in fact, all Member States) still has 3 years to spend the budgeted money so, despite the low performance in the present, they could end up with a high degree of expenditure by the end of 2023. As explained before, Spain is going to receive the MFF 21-27 money and the NG-EU money. In addition to that, it has to spend in three years what it has not spent in 6 (corresponding to the MFF 14-20, the subject of the analysis). It is assumed that rushing to spend European funds money might affect the quality of the projects that they fund. In addition to this, this rule is a “double-edged sword”. It has been a habitual practice for Spain to delay the spending of present MFFs in order to give some years to use the n+3 rule to spend the accumulated funds from the previous MFFs (Conejo, 2020). For this reason, I argue that the n+3 rule is not a research limitation *per se*, since the cumulative results of the use of this rule have direct effects on the absorption capacity of the immediate following package of European funds. Achieving a higher, time-consistently expenditure level of European funds should be a priority for the country.

Third, there might be a limitation on the availability of data. As case study designs have to rely on existing theory, if prior knowledge fails to suggest a causal relationship between building blocks “it is very hard to connect various pieces of within-case material into compelling explanations” (Toshkov, 2016, p.305).

5. ANALYSIS

The analysis part of this thesis will be divided into three sub-sections, one for each sub-indicator of the governance effectiveness indicator. Two of the sub-indicators ("quality of public services" and "commitment of the government to such policies") will be merged in one single sub-section for reasons that will be explained later in the thesis. Each sub-section will provide a conceptualization of the sub-indicator, an exploration of the status of it in the Spanish context and its potential relation, as well as quantitative analysis (when possible and necessary) to test hypotheses that emerge through the analysis.

5.1. Quality of the civil service and its independence from political pressures

5.1.1. Quality of the civil service

Civil service is a collective term to refer to the body of government officials (civil servants) whose occupations are not political nor judicial. They answer to their government and are in charge of implementing policies and laws. They are in charge of managing and implementing allocated European Funds in Spain (Brunat, 2021; De Antonio, 2021; Expansión, 2020).

Civil servants hold most of the responsibility for the proper management of European Funds. A first potential hypothesis would be that the size of the civil service body is not sufficient to face all the management demands that European funding can ask. When we observe the public employment size, we can see that Spain is slightly below the average of the OECD in terms of employment in the general government as a percentage of total employment. In 2017, 15.3% of the total employment was employed in general government in Spain, while the OECD averaged 17.7% (OECD, 2019). However, it was still the 21st country of the OECD in these terms. To give context with the other top countries beneficiaries from the ERDF, in 2017 Poland was in 15.84%, and Italy on 13.43% (OECD, n.d.-a). From all central administration employees, in 2018 a 70.2% were civil servants in Spain, which is above the average of 68% of the OECD (OECD, 2019). We can observe that in absolute numbers, Spain does not average a strong weakness in comparison to other countries in terms of number of civil servants. However, as it has been argued, we should zoom in on the "quality" of this civil service to analyze how administrative capacity is affected by it. Size by itself is not sufficient for assessing a civil service system's performance (van der Meer et al., 2018). For this particular analysis, the "quality" of the civil service is its capacity to manage, implement and certify projects funded by ERDF.

Hidalgo (2020, as cited in Gimeno, 2020) argues that the main problem with civil servants when they have to manage European funds is the high rate of temporality. In Spain there are two main categories of public sector employees: civil servants and employees with a labor contract. Civil servants enjoy a permanent position while employees with a labor contract do not enjoy tenure. (European Commission, 2018). Within civil servants, there's also a temporary figure: the "interino". An "interino" is a civil servant that, even after having passed the corresponding competitive process, does not enjoy a permanent post. The Spanish Legislative Code states that they are those workers that "for urgency and need reasons, they are named as ["interinos"] to develop the functions of civil functionaries, when there are the following circumstances:

- The existence of vacant places when they are not possible to be covered by civil functionaries
- The temporary substitution of the civil functionary
- The execution of temporary programs, which cannot be for longer than three years(…)
- The surplus or accumulation of work, for a maximum period of six months(…)" (Real Decreto Legislativo 5/2015, de 30 de Octubre, 2015)

In other words, they are temporary civil servants who have passed a public selection procedure, but do not have a permanent job and have to work temporarily. In addition to these "interinos", another temporary worker can be counted. Within the previously mentioned employees with a labor contract, there is the figure of a "temporary worker". Instead of being a civil servant that has passed a public selection procedure, it is a standard worker that works temporarily for the public administration under a "standard" job contract. There are multiple subdivisions in those two main figures. However, for simplicity and research purposes, I will divide the workers in the public sector for the duration of their contract: temporary and permanent (this is, not distinguishing between civil service workers and employees with a labor contract, since the distinction in their functions is rather blurred in Spain (European Commission, 2018)).

Hidalgo (2020, as cited in Gimeno, 2020) argues that, due to the high rate of temporality in public employment, every time a new temporary worker arrives, he/she does not know anything about the project and has to catch up. European funds are a bureaucratic labyrinth, and they are not easy to manage. To test Hidalgo's argument, first it is needed to know the weight of temporality amongst Spanish civil servants and the evolution of this temporality over time, so we are able to know if it is a salient issue or not. In **Table 3** I show the evolution of this temporality. To compute the temporality rate I divide the temporary contracts over the years between the total contracts (which are a sum of the permanent contracts and the temporary contracts):

Table 3. Public sector workers in Spain by type of contract, 2014-2020 [6] [7]

Year	2020	2019	2018	2017	2016	2015	2014
Permanent contract	2371.6	2331.1	2349.8	2311.4	2326.7	2331.1	2335.3
Temporary contract	925.9	891.4	800.7	717.2	674.1	643.9	590.5
% of temporary contract over total civil servants	28.08%	27.66%	25.42%	23.68%	22.4%	21.64%	20.18%

Source: Author, data from Instituto Nacional de Estadística (n.d.)

There is a limitation in this data, and it is that the National Statistics Institute of Spain does not distinguish the type of civil servant. This is, in these statistics, workers that are not related to European funds management are included, such as policemen or healthcare workers. However, it gives us a good view of the general panorama of temporality in the public sector in Spain. We can observe that from 2014 to 2020 the percentage of temporary civil servants over the total civil servants has increased by 8 points. Right now, 1 of every 3 civil servants is on a temporary contract. To have a reference, in Germany the temporary contracts suppose 16% of the total contracts in the public sector (Pérez & Pérez, 2021). The European Commission is conscious that this is a problem, and it has already asked Spain to develop measures to reduce this temporality in the public sector in order to receive the NG-EU funds (Pérez & Maqueda, 2021).

In addition to this, it must be taken into account this is national aggregate data. The national central public administration has a lower temporality rate amongst its workers than the regional public administrations, where the rates are even higher (European Commission, 2018; Pérez & Pérez, 2021).

To check Hidalgo's (2020, as cited in Gimeno, 2020) argument, I create **Table 4**. I computed a "temporality rate" in the public sector for each of the 19 Spanish regions using the INE statistics. I decided to run the numbers for each of the regions due to the

[6] Unit: 1000 people
[7] The numbers used are an average of the 4 trimesters of each year.

country's unique quasi-federal system, in which regional governments have a high degree of public power (European Commission, 2018). In addition to this, in Spain the vast majority of workers who are in charge of managing European funds are in the regional public administrations, not in the national public administration (Hidalgo, 2020b). As stated before, this is obtained by dividing the number of temporary contracts in the public sector by the sum of permanent contracts and temporary contracts. I called this variable "TEMPORALITY". After that, I used European Commission's (2021) data to obtain how much of the ERDF has been spent in each region (in % over the total planned in that particular region). I called this variable "SPENDING". In my analysis I left out interregional projects since, due to data limitations, I was not able to know which region was in charge of managing each part of the project, and the amount of money that was allocated in each region.

First of all, I ran a Pearson's correlation to check if there is an association between these two variables, and how strong is that association (if it exists). I ran the correlation using TEMPORALITY and SPENDING of 2020. I obtained the following results:

Table 4. Pearson correlation between TEMPORALITY and SPENDING in 2020 for the 19 Spanish regions

	Spending	Tempor~y
Spending	1.0000	
	19	
Temporality	0.4555	1.0000
	0.0500	
	19	19

Source: Author. Data from INE (n.d.) and European Commission (2021)

A statistically significant Pearson coefficient of 0.455 can be observed, a sign of moderate/strong correlation between the two variables. In order to obtain more information about this correlation, I ran a linear regression using TEMPORALITY as the independent variable and SPENDING as the dependent variable. I obtained the results shown in **Table 5.**

Table 5. 19 Spanish regions linear regression results for 2020.

Source	SS	df	MS			
				Number of obs	=	19
				F(1, 17)	=	4.45
Model	.081241913	1	.081241913	Prob > F	=	0.0500
Residual	.310368614	17	.018256977	R-squared	=	0.2075
				Adj R-squared	=	0.1608
Total	.391610526	18	.02175614	Root MSE	=	.13512

SPENDING	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TEMPORALITY	.9351072	.4432878	2.11	0.050	-.0001483	1.870363
_cons	.1223257	.1413109	0.87	0.399	-.1758142	.4204657

Source: Author. Data from INE (n.d.) and European Commission (2021)

The regression showed a positive and significant coefficient, indicating that the higher the proportion of temporary contracts over the total contracts in the public sector in each region, the higher the absorption capacity for ERDF. Intrigued by these results, I decided to run a panel linear regression to test the pace of ERDF expenditure in relation to how the proportion of temporary contracts in the public sector evolved in each region over the years. Again, I used TEMPORALITY as the independent variable and SPENDING as the dependent variable. I used data ranging from 2014 to 2020. This is, I computed the temporality rate for workers in the public sector for each year (using INE data) and the ERDF expenditure percentage for each year (using European Commission data), for each region. For the panel region I did not take into account interregional projects (this is, collaborative projects between multiple regions) due to data limitations. A summary of this data (which also has been used for the creation of **Table 4** and **Table 5**) can be found in **Appendix 3.**

In **Table 6** I show the results for the panel linear regression:

Table 6. 19 Spanish regions panel linear regression results for 2014-2020

```
Random-effects GLS regression                   Number of obs     =        133
Group variable: regionum                        Number of groups  =         19

R-sq:                                           Obs per group:
     within  = 0.4884                                         min =          7
     between = 0.1035                                         avg =        7.0
     overall = 0.2469                                         max =          7

                                                Wald chi2(1)      =      49.62
corr(u_i, X)   = 0 (assumed)                    Prob > chi2       =     0.0000
```

SPENDING	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
TEMPORALITY	1.775108	.2519905	7.04	0.000	1.281215	2.269
_cons	-.319669	.0657431	-4.86	0.000	-.448523	-.1908149
sigma_u	.02851158					
sigma_e	.13104428					
rho	.04519806	(fraction of variance due to u_i)				

Source: Author. Data from INE (n.d.) and European Commission (2021)

Again, the panel linear regression showed a positive, statistically significant coefficient, meaning that, the higher the proportion of temporal workers over the number of total workers in the public sector, the higher the ERDF spending rate. My analysis suggests that Spanish regions rely on temporary workers to manage and execute projects financed by ERDF funding.

However, these results should not be interpreted in the wrong way. Again, the implementation of European Funds does not benefit from a higher ratio of temporary workers (Hidalgo, as cited in Gimeno, 2020). It works the other way around; due to the lack of permanent workers, Spain hires temporary workers to compensate for the lack of human resources in the public sector. Due to data limitation issues, I have not been able to compute a temporary rate for each of the Member States in order to run a cross-country analysis. However, relying on qualitative data, we can observe that the European Commission has asked Spain to reduce this temporality in order to improve its capacity of absorbing European Funds. (Pérez & Maqueda, 2021; Pérez & Pérez, 2021; Varela, 2021). The high number of temporary workers in the public sector and the reliability of the Spanish public sector on these temporary workers to manage, execute and certify these European funds are a limitation to increase the absorption capacity of the country.

This reliability on temporary workers probably acts as a limit for the "learning effect" identified by Lima & Cardenete (2008), an effect by which policy-makers and receivers of funds improve their performance in executing ERDF funds from one year to another. This is related to the problem that a new (temporary) worker might face when having to manage, execute, implement or certify any project funded by a European fund: getting lost in bureaucracy and the (complex) management procedure (Hidalgo, as cited in Gimeno, 2020). In other words, Spanish public administration is underfunded in human resources terms (Sánchez, 2020).

5.1.2 Independence of the civil service from political pressures

Formal politicization is defined as "the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards and disciplining of the members of public service" (Peters and Pierre, 2004, p.2, as cited in Bach et al., 2020, p.6). In Spain, access to civil service is, in general, through a merit-based competitive procedure. Promotions are also based on this procedure. However, this internal competition for promotion does not happen in practice and the preselected candidate is given an advantage in the process. Either the profile of the vacancy is "adapted" so only a particular candidate can fulfill it, or the merit process is degraded when assessing each candidate's generic and specific merits (European Commission, 2018). This has particular relevance at the regional level, where the level of politicization is higher than in the national central government (European Commission, 2018).

In addition to this, in Spain, the senior positions of the ministries are appointed by the government. Most of these positions are filled by civil servants who usually return to their previous positions once they are dismissed, provoking a revolving door process between political appointments and the civil service (European Commission, 2018). Eventually, this high degree of politicization leads to a reduction of the formal role of civil servants in policy advice (European Commission, 2018). If civil servants are not involved in policy advice regarding European funds, while at the same time they are the ones in charge to manage them, we could expect a lower performance when spending these funds, since policies will be developed without the advice of the workers that have to work with the fruits of these policies. In addition to this, due to the high rates of discretionary appointments, their instability is high, and some projects may not outlast their promoters. (European Commission, 2018). From a more general approach, high degrees of politicization in the public sector impact negatively on senior officials' work attitudes, particularly on their job satisfaction and on their commitment to the organization (Kim et al., 2021) which could lead to lower performances of these senior officials. Politicization in the public service is also associated with more corruption, less effectiveness in public management and public spending, and less governance quality (Institut Ostrom, 2021).

In line with that, Bach et al. (2020) found that Spain has the highest degree of politicization amongst senior executives in the public sector of a study in 18 European countries. Connecting with the previous analysis, it is arguable that due to the high degree of politicization of the public service, senior positions are vulnerable to political changes and susceptible to being constantly changed (since, eventually, they are appointees). With Turkey and Chile, Spain is the only country when every time a government changes, between 95% and 100% of all the senior public executives are substituted (Institut Ostrom, 2021). To give an example, just a government change in Catalonia supposes putting at risk more than 340 senior positions, with aggregate retribution higher than €27 million (Institut Ostrom, 2021).

This analysis implies three consequences of the politicization of the civil service for senior officials in the Spanish public administration. First, senior positions are not chosen by who is more capable of managing projects funded by European funds, but by political criteria, which probably leads to a lower spending rate (since knowledge is being substituted by political affinities). Second, senior positions are vulnerable to constant changes derived from political interests, which could lead to the fact that multiple senior officials come and go during the execution of solely one project; again, acting as an obstacle to the "learning effect" pointed out by Lima & Cardenete (2008). Third, the politicization of the civil service could worse senior officials' performance due to the negative impact of this politicization on their work attitudes. To sum up, the more politicization, the lower the performance in managing European funds (González Vallvé, 2021).

5.1.3. Civil service performance assessment

It has been seen that the use of performance assessment systems in the civil service can act as a catalyst for the improvement of the public sector (OECD, 2005). With performance assessment of the civil service I refer to the extent to which performance assessments are used in Human Resources decision-making in the public sector (InCiSE, 2019). I decided to include performance assessment in this section because, as it will be seen, Spain is the second-lowest performer in this issue from all the Member States despite performing better than the average of all countries assessed in the International Civil Service Effectiveness Index (InCiSE, 2019), which brought up my attention in exploring if it had a direct relation on the low spending performance of the country.

To test if the performance assessment of the civil service has any impact on the absorption capacity of European Funds, I develop a database with the "performance assessment" indicator for "HR management" from the International Civil Service Effectiveness (InCiSE) Index 2019 for each Member State. Due to data limitations within this index, Romania, Croatia, Luxembourg, Cyprus, and Malta are not included. I used this indicator as the independent variable ("PERFORMANCE"). I used the total ERDF spent amount by each Member State (not including, as said, Romania, Croatia, Luxembourg, Cyprus and Malta) at the end of 2020 as the dependent variable ("PRCTSPENT"). The data I used to obtain the variables can be found in Appendix 6. I obtained the results shown in **Table 7**:

Table 7. Linear regression results. % of ERDF expenditure and civil service performance assessment

Source	SS	df	MS			
				Number of obs	=	23
				F(1, 21)	=	4.34
Model	.036473089	1	.036473089	Prob > F	=	0.0496
Residual	.176474738	21	.008403559	R-squared	=	0.1713
				Adj R-squared	=	0.1318
Total	.212947826	22	.009679447	Root MSE	=	.09167

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Performance	.222568	.1068337	2.08	0.050	.0003953	.4447407
_cons	.3729349	.0806127	4.63	0.000	.2052916	.5405783

Source: Author. Data from European Commission (2021b) and InCiSE (2019)

The results of my analysis showed a positive, statistically significant coefficient, meaning that countries that have (and use) better performance assessment systems for civil service have a better ERDF absorption capacity. The causal mechanism of this has a double ramification. The proper use of civil service performance assessment can both affect the quality of civil service itself (as it assists in taking better human resources decisions and in shifting attitudes to work) and the quality of policy/program formulation and implementation (as it improves public performance through improved goal setting, organizational culture change and management innovation) (OECD, 2005). Spain, having the second-lowest civil assessment performance indicator from all the Member States, is also the second-worst performer in spending ERDF, and my analysis suggests that improving civil service performance assessment can, through the causal mechanisms described before, improve the absorption capacity of the country.

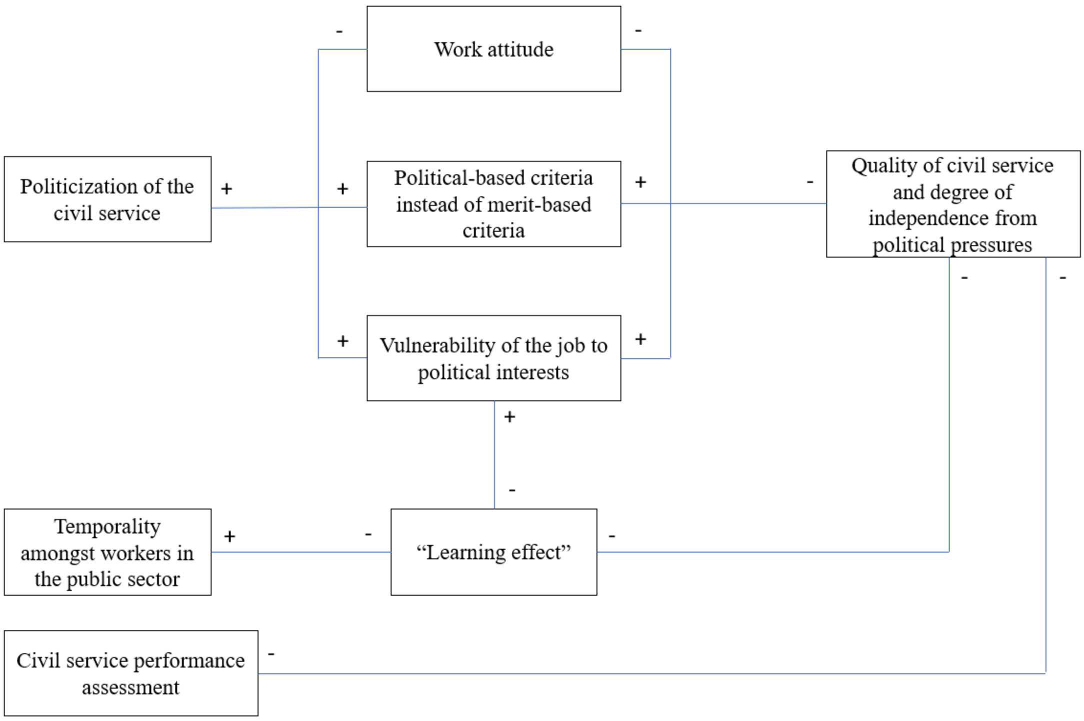
5.1.4. Conclusions

The Spanish civil service is characterized by its high degrees of temporary contracts amongst its workers and by its politicization. My analysis suggests that Spain relies on temporary workers to manage ERDF, which is not the appropriate strategy to achieve maximum efficiency in absorption capacity terms. As projects funded by European funds require a certain "know-how" degree that is achieved through experience, the use of temporary workers to manage these funds limit this accumulation of "know-how" within the public administrations (i.e., acts as a barrier to the "learning effect"). Also, the high degree of politicization of the civil service, especially on the senior layers, affects in a negative way how projects funded by ERDF are managed. It causes vulnerability in the job of these officials, who usually do not outlast the duration of a whole project, with a new senior official arriving and not knowing the situation of such project Also, politicization does not allow the most adequate workers (thus, those with higher merits) to access top positions, since these are chosen by political criteria. In addition to this, my analysis suggests that the Member States that use performance evaluation systems for their civil services perform better in spending European funds, affecting both the quality of the civil service and the quality of project formulation and implementation.

Finally, such politicization may also have an effect on the work attitude of these senior officials. These effects can be maximized in regional governments (rather than in the national government) who often have more responsibility than the national government in managing ERDF. Further research would be needed on these differences which, eventually, are a fruit of the high degree of decentralization of the Spanish State.

In **Figure 6** I show a visual representation of the analysis I developed in this section:

Figure 6. Quality of civil service and degree of independence from political pressures. Graphical representation of its causal mechanisms in Spain



Source: Author

5.2. Quality of policy formulation and implementation

Recovering Goyal (2018) definition of administrative capacity at the macro-level, which involves policy actors like national/sub-national governments, alliances, pacts, etc., administrative capacity is defined as "having the capacity to identify, formulate and implement policy decisions and ensuring the uniformity of implementations" (Baer, 2014; Brieba, 2018; Cunha et al., 2017; Guillen & Capron, 2016; Hawkes et al., 2016; Karo & Kattel, 2015; Knutsen, 2013; Matei & Camela-Dogaru, 2013; Mendez & Bachtler, 2017; Namara et al., 2015; Surubaru, 2017; van Ham, 2018; Wen, 2017, as cited in Goyal et al., 2018, p.8). This is, quality of policy formulation and implementation is a key feature of administrative capacity. This section is going to analyze what affects the quality of policy formulation and implementation and how this affects the absorption capacity in the Spanish context.

Hidalgo (2020a) suggests that, quality of policy formulation and implementation can be affected by the amount of funds spent on each particular policy or project. This is due to the higher management costs that a bigger budgeted amount suppose for public administrations, affecting the capability of public administrations to formulate and implement projects. Therefore, the author suggests that the higher the amount of available funds, the higher the difficulty to certify and spend them. This could lead to the assumption that certain European countries/regions (Spain, or some Spanish regions) are being given too high quantity of ERDFs for their policy formulation and public services capacity. Thus, adjusting the budgeted ERDF to a more "optimal" amount would lead to lower management costs and therefore a higher absorption capacity. To test Hidalgo's argument, I formulate two potential hypotheses in the Spanish context:

H1: The higher the amount of ERDFs that a region has access to, the lower the spending in % terms

H2: the higher the amount of ERDFs destined to a project, the lower the spending in % terms

To test H1, I used the data I used to create **Table 5** and **Table 6**. As the dependent variable I used the % of expenditure of ERDF in each of the 19 Spanish regions, at the end of 2020 ("SPENDING"). As the independent variable I used the total amount of budgeted funds for each of these regions ("AMOUNT"). I proceeded to develop a linear regression using these two variables. The result of my analysis can be seen in **Table 8:**

Table 8. Linear regression results. Relation between % of ERDF expenditure and total ERDF budgeted amount for the 19 Spanish regions, 2020

Source	SS	df	MS			
				Number of obs	=	19
				F(1, 17)	=	1.64
Model	.034425773	1	.034425773	Prob > F	=	0.2177
Residual	.357184753	17	.021010868	R-squared	=	0.0879
				Adj R-squared	=	0.0343
Total	.391610526	18	.02175614	Root MSE	=	.14495

SPENDING	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
AMOUNT	-4.77e-11	3.72e-11	-1.28	0.218	-1.26e-10	3.09e-11
_cons	.4484992	.0432219	10.38	0.000	.3573089	.5396895

Source: Author. Data from European Commission (2021b)

The linear regression results show a negative coefficient, but the results are non-significant. This leads me to reject the hypothesis that regions that receive a higher amount of funds perform worse in spending them. In order to check the robustness of my analysis in relation to the role of the amount of budgeted funds, and test H2, I used another approach as well. I developed a database based on European Commission's (2021) ERDF data. The database can be seen in **Appendix 4**. I used the spent amount (in %) of ERDF projects over the budgeted (planned) amount to projects, categorized by detailed themes at the end of 2020 as the dependent variable ("PRCT SPENT TDETAIL"). These themes could include, for instance, fundings used for projects related to improving renewable energy, railways, etc. As the independent variable, I used the total budgeted amount for each detailed theme ("PLND TDETAIL"). There is an advantage of using this data over the data used in **Table 8**: it takes into account interregional projects, which I could not use there (since, due to information limitations, it is not clear which regions manage each project). However, this new data is not classified by regions (due to data limitations). I ran a linear regression with the mentioned variables and I obtained the following results, shown in **Table 9**:

Table 9 Linear regression results. % of ERDF expenditure and total ERDF budgeted amount for all the ERDF sub-thematics in Spain, 2020

Source	SS	df	MS			
				Number of obs	=	85
				F(1, 83)	=	1.72
Model	.10936391	1	.10936391	Prob > F	=	0.1937
Residual	5.28696449	83	.063698367	R-squared	=	0.0203
				Adj R-squared	=	0.0085
Total	5.3963284	84	.064242005	Root MSE	=	.25239

PRCTSPENTT~L	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
PLNDTDETAIL	9.61e-11	7.33e-11	1.31	0.194	-4.98e-11	2.42e-10
_cons	.2691713	.0327045	8.23	0.000	.2041234	.3342193

Source: Author. Data from European Commission (2021b)

Again, the results are not statistically significant. To check the robustness of my results, I ran a cross-country analysis, comparing the budgeted amount with the spent amount by the end of 2020. I used as the dependent variable the % of ERDF spent ("PRCTSPENT") and as the independent variable, the total ERDF budgeted amount for each country ("PLANNED"). The data I used as variables can be found in **Appendix 5**. I ran a linear regression with these two variables, obtaining the results shown in **Table 10**:

Table 10 Linear regression results. % of ERDF expenditure and total ERDF budgeted amount for all the Member States, 2020

Source	SS	df	MS			
				Number of obs	=	28
				F(1, 26)	=	1.42
Model	.013174741	1	.013174741	Prob > F	=	0.2435
Residual	.240510973	26	.009250422	R-squared	=	0.0519
				Adj R-squared	=	0.0155
Total	.253685714	27	.009395767	Root MSE	=	.09618

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
Planned	-1.94e-12	1.62e-12	-1.19	0.243	-5.28e-12	1.40e-12
_cons	.5526398	.0238097	23.21	0.000	.5036983	.6015814

Source: Author. Data from European Commission, (2021b)

The results that I obtained are again not statistically significant. Therefore, my analysis suggests that the amount of ERDF budgeted does not affect their expenditure, leading to the rejection of both H1 and H2. Apparently, the amount of budgeted ERDF does not affect the formulation and/or implementation of projects funded by ERDFs.

From 1986 until 2006, the European Cohesion Policy was oriented towards infrastructures (this is, hardware). During this period, Spain performed particularly well in spending European Funds (González Vallvé, 2021), materializing the projects funded by these funds in big investments in infrastructures, being able to spend a big amount of money in just one project, which meant less complex management process (Hidalgo, 2020a).

After 2007, when the European Union shifted the orientation of its Cohesion Policy from infrastructures/hardware to software (R+I, education, modernization…) the performance of Spain in spending European funds diminished enormously (González Vallvé, 2021). Spain was not able to spend enormous amounts of money on few projects, and the new MFFs added limitations to the Member States in the eligibility of projects. With the new orientation, projects could be less oriented towards infrastructures, asking for a higher degree of effort in management terms (Hidalgo, 2020a). Also, there are certain thematics (especially thematics that orbit around the "software" orientation from the European Cohesion Policy) in which traditionally Spain has had problems in absorption terms, as there were not enough projects to absorb all the budgeted amount (González Vallvé, 2021; Sánchez, 2020). Thus, rather than being an amount problem (or what we could qualify as a "too big to absorb" approach), it is a thematic problem. As the reader may observe in **Appendix 4**, Spain performs notably low (being "low" as less than 35%) in spending funds related to the green economy (thematics related to energy and environment), cultural thematics and ICT/R+I thematics. In addition to this, Conejo (2020) argues that, instead of focusing the spending of European funds in strategic sectors that are most fit to absorb this funding (like most successful Member States do), there were certain regional and local public administrations that split the funds beforehand during the MFF 14-20. This is, instead of focusing on efficiency, public administrations pre-split the funds by quantity and political criteria, giving as a result that certain regional public administrations were over-funded in relation to their administrative capacity (Conejo, 2020).

In addition to this, the bureaucracy that orbits around accessing European funding is a stumbling block. For instance, for the period 2014-2020, "the volume of rules for Cohesion Policy alone runs to over 600 pages of legislation and 5000 pages of guidance"

(Juezyca & Weimers, 2021). 52% of Spanish businesses think that the excessive amount of norms and bureaucratization of European funding limit their usefulness (Grant Thorton, 2021). This huge bureaucratization degree is added to a country where the most problematic factor for doing business is already the inefficient government bureaucracy (World Economic Forum, 2019).

In Spain, a huge part of public administrations do not have qualified personnel (as a result of the process that affects the "quality of civil service" variable) that can face the high degree of bureaucracy complexity that European funds entail; this leads to these public administrations hiring private consulting firms to try to put a solution to this issue (Rama, 2021a). In other words, as the State does not have enough public resources, it trusts the private sector through agreements that move risks to the public infrastructure (Gabor, as cited in Cancela, 2021).

Particularly, the Spanish government relies on the auditing and consulting services of the "Big Four": KPMG, EY, PwC and Deloitte (Cancela, 2021; Domínguez, 2021). These four companies enjoy an oligopoly situation in Spain, being able to accumulate 70% of the turnover generated by the auditing services in a year in the whole country (Europa Press, 2019). In 2015, Big Four's aggregate market penetration was 30% in Spain (in comparison to 4% in China, 6% in Britain and 20% in Germany) (The Economist, 2015). Zooming in the role of management consulting services for the public sector, in 2019 (last data available) Public Administration was the second main client industry for the Spanish management consulting industry, accounting for 17.5% of the market share within all the management consulting industry; that's 4.8% higher than the European average, which is 13.7% (European Federation of Management Consultancies Associations, 2020).

The Spanish public administration has spent thousands of millions of euros to outsource public services to the "Big Four" (Cancela, 2021). These firms are also hired by public administration to "write the rules of the game", this is, to develop the framework by which European funds can be allocated and absorbed. In other words, they have an influence on policy-making strategic decisions (Cavanna, as cited in Domínguez, 2021; Cancela, 2021; Valero, 2021; Zaharis & Huliaras, 2020). As bureaucracy that underlies European funding becomes more and more difficult, the limitations on administrative capacity lead to public administration hiring private consulting firms; his leads to the feeling of the "Big Four" actually having better know-how on European funding than public administrations themselves, stimulating a privatization/outsourcing dynamic (Cancela, 2021; Zaharis &

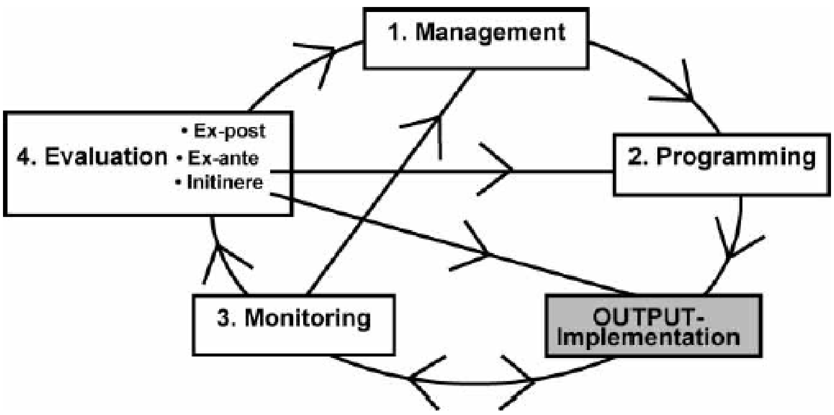
Huliaras, 2020). However, while technical-professional and commercial-professional logics "co-exist within the Big 4, the latter clearly is privileged over the former" (Spence & Carter, 2014, p.20). Those who embody this commercial-professional logic ascent to the top of the hierarchy, while those who embody technical-professional logic do not, jeopardizing the public interest mandate (Spence & Carter, 2014). In line with that, Lamberts (2021, as cited in Valero, 2021) pointed out that consultants that work in the Big Four are "not employees with an independent scientific thinking, but mostly graduates from business schools who have been taught the neo-liberal credo".

It is arguable then that management consulting services and auditing services, particularly those services developed by the Big Four, have a highlighted role in assisting public administrations in managing European funds and projects which are financed by them. The lack of administrative capacity, in conjunction with the high degree of bureaucratic complexity that the European funds suppose, have led public administrations to a privatization/outsourcing dynamic, enabling consulting/auditing firms to be both "writers of the rules of the game" and "players of the game" (Cancela, 2021; Domínguez, 2021; Valero, 2021). This self-reinforcing dynamic stops public administration from acquiring and developing the proper resources to face European funds challenges by themselves, as they trust the private sector to lead in these matters. On the other hand, it is not in the interest of consulting firms to help public authorities to develop their own capacity, as they are hoping for a new contract and a continuation of their working relations (Zaharis & Huliaras, 2020). In addition to this, this private sector does not know the reality of the territory where they work (Rama, 2021a), and often follows commercial logic over technical logic (Spence & Carter, 2014). As Hanlon (1994, p.150, as cited in Sikka, 2013, p.58) argues, within these major firms "the emphasis is very firmly on being commercial…rather than on being public-spirited on behalf of either the public or the state".

However, it is not the reliability of the public administration on the private sector *per se* that limits the spending of European funds. Again, the low public administration capacity is what allows management consulting firms and auditing firms to thrive (Zaharis & Huliaras, 2020), being the Big Four the main beneficiaries in the Spanish scenario due to their oligopoly condition (Europa Press, 2019) and their lobbying effort – through conferences, expositions, reports and press presence (Cancela, 2021). Thus, I argue, the privatization self-reinforcing dynamic limits administrative capacity, as the public sector is displaced for the private sector in spending European funds. This has two consequences for my analysis: a reduction of the quality of policy formulation and implementation which, instead of following a public interest/technical logic, follow a commercial logic, and it is not adapted to the reality of the territory where this policy (or projects) have to work; second, an stagnation (or reduction) of the degree of quality of public services, as public administrations rely on the private sector to provide those services.

The last issue I bring up for this section is evaluation. Evaluation is one of the key components of the administrative capacity loop developed by Milio (2007). The author states that evaluation "assesses whether the programme implementation is carried out as initially foreseen" (Milio 2007, p.435). Furthermore, in its administrative capacity loop model, she establishes how evaluation relates to all the key components of what she argues administrative capacity is, especially regarding how evaluation and implementation relate, as it has been said. In **Figure 7** I present Milio's (2007) administrative capacity loop model:

Figure 7. Model of analysis: administrative capacity loop



Source: Milio (2007)

For this reason, I argue that it is needed to include evaluation as a potential causal mechanism that, from the administrative capacity approach, affects absorption capacity.

On the other hand, policy evaluation is the "systematic assessment of the operation and/or the outcome of a program or policy, compared to a set of explicit or implicit standard, as a means of contributing to the improvement of the program or policy" (Weiss, 1998, as cited in Khan et al., 2017, p.175) It can be undertaken before, during and/or after the implementation of any policy or program, and it allows policymakers to look backward in order to improve policy performance in the future, improving the decisions of public officials (Khan et al., 2017). It contributes to policymakers making informed decisions, spending public resources adequately and properly assess the feasibility of initiating or continuing a policy (OECD, 2020). In other words, it helps to avoid or minimize policy failures (Howlett, 2009). Milio (2007) observed that in Italy, regions that presented better evaluation indicators also had a higher degree of spending capacity in relation to European funds.

Gonzalo Vallvé (2020) argues that Spain switched its evaluation culture when the European Commission changed its European Cohesion Policy preferences from "hardware" to "software" with the new MFFs. The author argues that Spain used to make good use of evaluation systems for its policy/programs, but not anymore. Spain shows huge deficiencies in policy/program evaluation (Cuello, 2017), especially in *ex-post* evaluation (Díaz, 2021, as cited in Brunat, 2021). Cuello (2020, as cited in Ruiz, 2020) argues that Spain follows a legalist perspective when facing challenges, focusing on the policy/programs following the law rather than being more effective, which is the result of the Napoleonic tradition of its public administration. Bustelo (2020, as cited in Ruiz, 2020) adds that the lack of "institutionalization translates into a lack of incentives for public administration to introduce a proper evaluation system. The author argues that this institutionalization requires demand (as political willingness) and offer (professionalization); she states that policy evaluation is not part of the political agenda in Spain. Monge (2020, as cited in Ruiz, 2020) claims that the polarization climate that defines Spanish politics is a huge determinator of this lack of demand for policy evaluation. in this climate, policy evaluation is understood as a form of looking for accountability and people to blame, with an inquisitorial and stigmatizing spirit, rather than being something constructive (Bustelo & Monge, as cited in Ruiz, 2020).

Including more evaluation systems that go further than those stipulated by the European Commission (one ex-ante and one ex-post mandatory, external evaluations) can provide countries with the necessary resources in order to adapt to the difficulties that a project funded by European funds might encounter, stimulating the expenditure of the project

(Sánchez, 2020). Right now, Spain lacks these evaluation mechanisms that provide adaptability to European projects and programs (V. Sánchez, 2020).

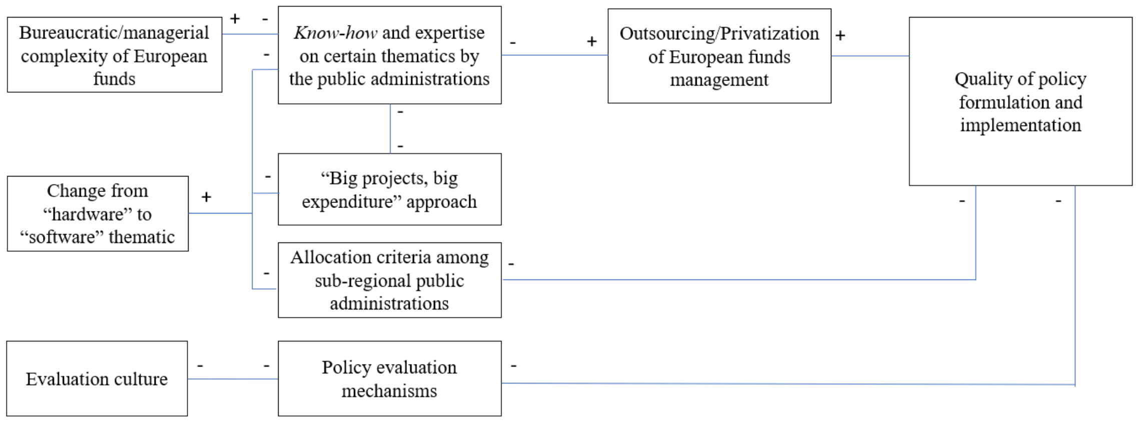
5.2.1. Conclusions

Spain was used to projects in which it could excel at financing them with European funds. Big infrastructure projects were key to allocate and certify enormous amounts of European funding while minimizing administrative costs. With the change of paradigm of the European Cohesion Policy from "hardware" to "software", Spain was not able to do this anymore. As a result, more projects with less funding had to be executed. The country, and particularly its public administrations, were not used to these kinds of projects nor their thematics, more oriented towards the green economy and research and innovation. Its public services were not ready for such change. This, in addition to the understaffing of public administrations and a poor allocation criterion, led them to hire private consulting firms, which were at the same time the ones who participated (and are going to participate) in the elaboration of the framework by which projects can be spent and certified. This led to the feeling that consulting firms (especially the Big Four) accumulated the knowledge on European funding (Cancela, 2021), leading public administrations into a privatization loop by which incorporating proper professionals that could manage the huge load that European funds supposed was not a need, since consulting firms could do most of the part. These consulting firms, as it has been argued, follow a commercial logic rather than a public service logic, which limits the efficiency of the European funding. This stagnates and/or decreases the quality of public services, as their functions are absorbed by the private sector and as they do not receive European funding under the most efficient criteria. However, more research would be needed to identify how privatization of the public sector through consulting firms affects the quality of public services in a country.

In addition to this, Spain lacks an evaluation culture that covers policies/programs. Spain lacks a proper policy evaluation culture in regard to European funds that allow the public administrations to adapt to the circumstances that such funds can bring up.

In **Figure 8** I show a summary of the analysis developed in this section:

Figure 8. Quality of policy formulation and implementation/public services. Graphical representation of their causal mechanisms in Spain

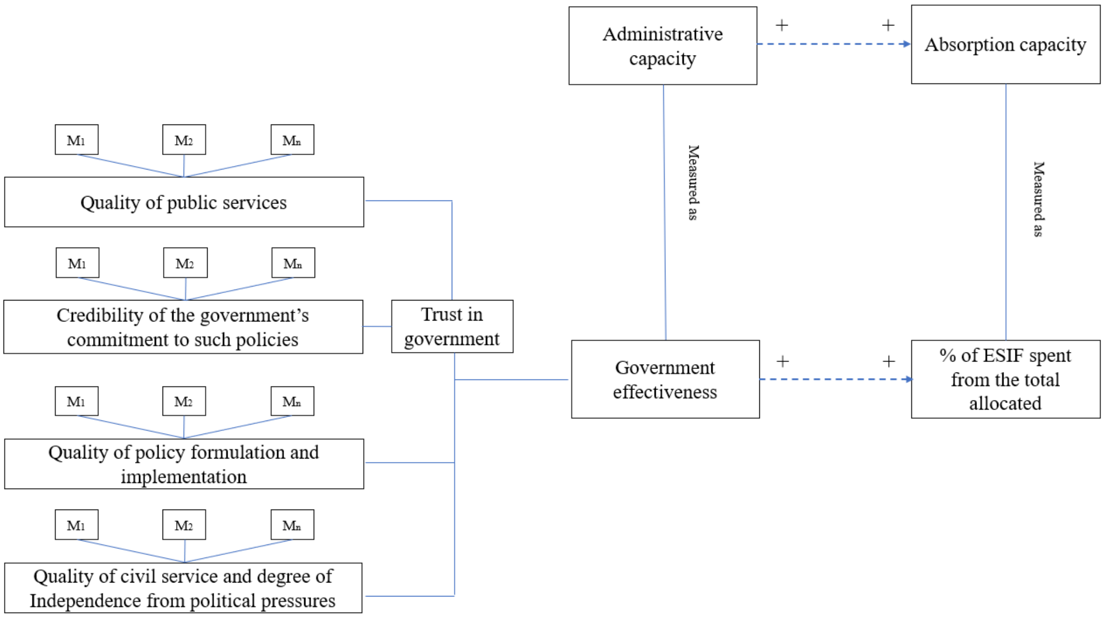


Source: Author

5.3. Public services and credibility of the government: the foundations for trust in the government

In this section I have decided to put together the indicators "quality of public services" and "credibility of the government's commitment to such policies" for various reasons. First, I argue that the credibility of the government's commitment is intrinsically related to trust in government, which is the actual indicator that measures citizens' perceptions of the competence and intent of their government (Chew et al., 2021). Therefore, the credibility (or reliability) of the government is one sub-indicator of trust in government, which involves more factors than just its credibility (OECD, n.d.-b). The performance of public service is a predictor of trust in the government (Guerrero, 2011; Gyorffy, 2013 as cited in OECD, 2017). The satisfaction of people with the quality of public services is positively related to their trust in the government (OECD, 2017). Thus, I argue that, as both credibility of the government's commitment to the policies it develops and the quality of public services are sub-indicators that are part of "trust in the government", it makes sense to analyze the variable "trust in the government" as a whole, which is more quantifiable than its two sub-indicators. Therefore, putting them together in this section makes sense as one indicator is a partial explanatory of the other one. However, this section will focus on the trust in government since the quality of public services is just one of the multiple factors that influence citizens' trust (OECD, 2017). For these reasons, **Figure 2** would transform into **Figure 9**:

Figure 9. Updated conceptual framework



According to the OECD (2017, p.12) trust in government is driven by two main complementary components: "competence or operational efficiency, capacity, and good judgment to actually deliver on a given mandate (…) and values or the underlying intentions and principles that guide actions and behaviors". In other words, two main types of trust can be identified: trust in competence (responsiveness and reliability) and trust in intentions (integrity, openness and fairness) (OECD, 2017).

In order to observe the relation of trust in government with the ERDF absorption capacity, I took the OECD (2021) indicators of trust in government as the independent variable ("TRUST") at 2020 or the latest data available, and the percentage of expenditure of ERDF at 31/12/2020 ("PCRTSPENT") as the dependent variable and I ran a linear regression. Due to OECD data limitations, Croatia, Malta and Cyprus were not included. The results of the linear regression are shown in **Table 11**:

Table 11. Linear regression results. Trust in government and ERDF % expenditure

Source	SS	df	MS			
Model	.054633963	1	.054633963	Number of obs	=	25
Residual	.184670037	23	.008029132	F(1, 23)	=	6.80
				Prob > F	=	0.0157
Total	.239304	24	.009971	R-squared	=	0.2283
				Adj R-squared	=	0.1948
				Root MSE	=	.08961

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
TRUST	.0025495	.0009774	2.61	0.016	.0005277	.0045714
_cons	.4118762	.0497004	8.29	0.000	.3090631	.5146893

Source: Author. Data from European Commission, 2021a and OECD, 2021

As the reader may observe, the results of my analysis show a positive, statistically significant coefficient. Governments who are trusted by their citizens perform better in spending European funds, this is, their absorption capacity is higher.

However, it is important not to fail in a reverse causality mistake. Trust in government is a multifactorial indicator that, despite having two main divisions (trust in competence and trust in values) it has multiple dimensions that influence these two main divisions. This goes, for instance, from the trust in the government being transparent and open to trust in proper budgeting or fiscal discipline among many others; and, of course, not forgetting about the role of public services (OECD, 2017).

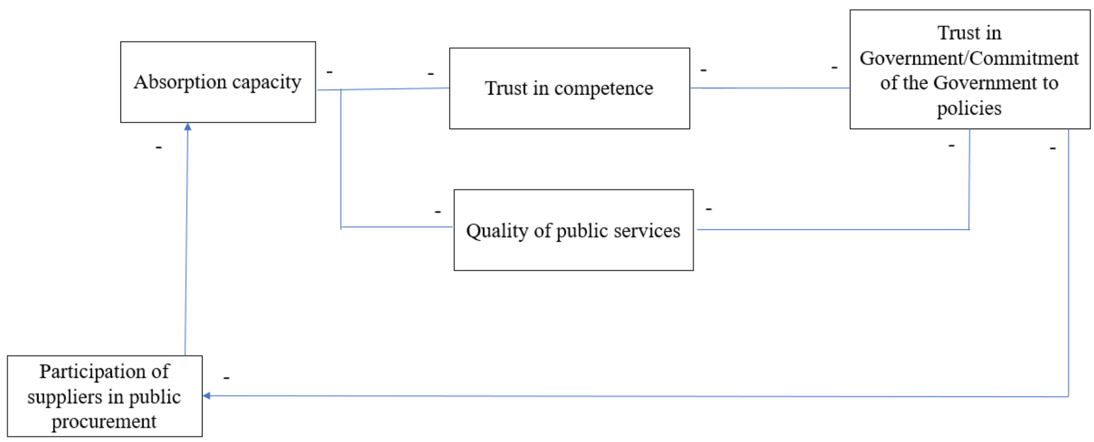
The Spanish government is the second-worst performer among all the Member States in spending ERDFs, and the worst performer in spending European funds. Rather than this being a consequence of the lack of trust in government, the fact that citizens are aware of this low performance is what (among other things) reduces their trust in the government. Observing the news, people's trust in the Spanish government competence is affected by the MFF 14-20 lack of expenditure, as this gives doubts for the ability of the government to spend the MFF 21-27 funds and the NG-EU funds. (Alonso, 2020; Arroqui, 2020; Ferrari, 2021; Plaza, 2020; Rama, 2021a, 2021b; Romero, 2020; C. Sánchez, 2020; Sánchez-Silva, 2020). Knowing that the government is the worst performer in spending European funds among all the Member States probably affects the trust in the competence of the government to spend future European funds. In addition to this, European funds, which are often used to improve the quality of public services (European Commission, n.d.-a), are not properly spent, thus not improving public services as much as possible.

As it has been seen, public services are intrinsically related to trust in Government (OECD, 2017). Not improving public services due to the lack of absorption capacity means not improving citizens' trust in Government.

5.3.1. Conclusions

Low trust in the government is a consequence, not a cause *per se*, of the lack of absorption capacity. Trust in government is multifactorial and, eventually, is a citizens' perception measure. It is not only correlated with absorption capacity, but also negatively with corruption, and positively with the confidence in the media, the banks or the judicial system, among others (OECD, 2013). When European funds are not spent the credibility of the government's commitment is reduced and, therefore, the trust in the government is reduced as well, as mainly reliability and responsiveness (two key components "trust in competence" driver) are proven not to work properly. Lack of trust in the Government supposes a barrier to participation in public procurement by suppliers (European Commission, 2016) which, at the same time, limits European funds' spending capacity. In **Figure 10** I show a summary of the analysis developed in this section:

Figure 10. Trust in Government and quality of public services. Graphical representations of their causal mechanisms in Spain



Source: Author

6. CONCLUSIONS

In this thesis I show how administrative capacity affected the absorption capacity of Spain for the MFF 2014-2020 period. My findings suggest that administrative capacity has multiple causal mechanisms that end up affecting absorption capacity. The analysis I provide leads to some considerations. First, the Spanish civil service shows some limitations that limit the expenditure capacity of European funds. The high degree of temporality among workers in the public sector, combined with an important politicization factor among senior workers, results in a huge rotation of workers that do not have time to be immersed in the projects, and that does not provide continuity to a potential "know-how" that could be incorporated in the public administration, in addition to potentially affect the work attitude of the workers. This analysis justifies European Commission's preoccupation regarding temporality amongst the public sector in Spain (J. Sánchez, 2021; Varela, 2021)

Second, due to the inability of the public administration to provide human resources that can face in a satisfactory manner the challenges that European funds bring, the Spanish public administration has engaged in an outsourcing/privatization process of public functions. Public administrations hire now private consulting firms, which are seen as the experts in the topic, to manage European funds. However, this is not efficient since usually these consulting firms are driven by a commercial logic rather than a public-service logic. The privatization process acts as a barrier to reinforce the public sector, which is not seen as a key component anymore since its functions are externalized. I believe that more research could be developed in this field, for instance, a cross-country analysis on the role of private consulting firms in the managing of European funds in Member States in relation to the absorption capacity of each country. In addition to this, there are certain themes (energy, R+I…) with which Spain is not used to work with (González Vallvé, 2021). The country particularly underperforms in these specific themes and, as the public sector is not learning how to properly face their unique characteristics (due to the reasons listed above) it endangers the Spanish absorption capacity in future periods.

Third, Spain lacks an evaluation culture that stimulates the adaptation to the dynamism that projects financed by European funds suppose. It lacks both more evaluation in policy and projects that allow public workers to see what works, what does not work and how the public administration can adapt to that. And the country also lacks an evaluation system of the civil service performance that stimulates public workers to perform better and to make better use of public resources which, eventually, come from the taxpayer. Evaluation is a key process to achieve successful expenditure of European funds (Milio, 2007)

Finally, trust in government is a retro-feed mechanism that lives from the administrative capacity performance. The lower the administrative capacity, the lower the absorption capacity which at the same time lowers trust in government. That reduces the participation of suppliers in the public procurement process, which means a lower expenditure of European funds (i.e. lower absorption capacity). This has an immediate effect on the quality of public services, in two ways: first, due to the reduced participation of suppliers, maximum efficiency is not achieved. Second, as European funds are not spent properly, public services are not improved as much as they could. These two factors altogether stagnate or reduce the quality of public services, which at the same time stagnates or reduces trust in government, and the loop starts all over again.

While administrative capacity affects absorption capacity (Incaltarau et al., 2020; Jurevičienė & Pileckaitė, 2013; Milio, 2007; Tosun, 2014), it is probably not the only factor that determines the national expenditure of European funds. I believe that more research on this field (further than just research about administrative capacity) could be useful for countries to study all the factors that determine the national capability to spend European funds. Future research should also examine within-case analyses from a different administrative capacity approach, in order to help policymakers understanding which mechanisms affect how European funds are spent. Also, while I have analyzed a relatively long list of potential mechanisms that, altogether forming administrative capacity, affect European funds, a more extensive review beyond the most immediate mechanisms would identify other relevant factors. I primarily focused on mechanisms that link administrative capacity with absorption capacity. However, there might be other mechanisms outside this sphere that might influence in an (in)direct way absorption capacity as well.

This thesis has focused on Spain as the main object for a within-case analysis. Thus, the generalization of this analysis remains limited. However, there are some data or nuances that might be used in other potential within-case analyses (temporality, the relation between the amount of funds and expenditure, etc.) or as a basis for cross-case analyses. In addition to this, due to the rule n+3 Spain might achieve a relatively high degree of expenditure by the end of the given period, thus implying a limitation to the data used in this paper. It must be also said that unraveling the whole dynamic process in which I considered causal mechanisms to be part of has been out of the scope of this thesis. Therefore, the final result has been rather static than dynamic. I believe, however, that future research might add a further dynamic component to similar analyses.

Finally, the fluidity of the concept “administrative capacity” becomes a limitation itself, as WGI sub-indicators have been used as a guide in this thesis. However, other conceptions of administrative capacity could shed a light on other non-identified potential causal mechanisms that have not been included in this thesis. Further research could be developed.

Spain is in a unique position right now, with huge amounts of money coming from multiple European sources. If properly used, this money can suppose not only recovery from the COVID-19 pandemic economic consequences, but a repositioning of the country in the European sphere. However, Spain has to reform its public service and improve its administrative capacity, solving the issues that act as a barrier to spend European funds. Working on these issues will surely benefit the country in more ways than just on its absorption capacity, improving government effectiveness and thus improving the performance of public administration in the country. As Hidalgo (2020b) points out, “the problem of Spain is not a European funds administration problem, but an administration problem. Period.”

Appendix 1. Individual variables used to construct the government effectiveness in the Worldwide Governance Indicators

Government effectiveness “captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies” (Kaufmann et al., 2010). Individual variables used in the construction of this indicator are:

Representative sources

Economist Intelligence Unit Riskwire & Democracy Index (EIU)

- Quality of bureaucracy/institutional effectiveness
- Excessive bureaucracy/red tape

World Economic Forum Global Competitiveness Report (GCS)

- Quality of road infrastructure
- Quality of railroad infrastructure
- Quality of port infrastructure
- Quality of air transport infrastructure
- Quality of primary education

Gallup World Poll (GWP)

- Satisfaction with public transportation system
- Satisfaction with roads and highways
- Satisfaction with education system

Institutional Profiles Data base (IPD)

- Coverage area: public school
- Coverage area: basic health services
- Coverage area: drinking water and sanitation
- Coverage area: electricity grid
- Coverage area: transport infrastructure
- Coverage area: maintenance and waste disposal

Political Risk Services International Country Risk Guide (PRS)

- Bureaucratic quality

Global Insight Business Conditions and Risk Indicators (previously); IHS Markit World Economic Service (now) (WMO)

- Infrastructure disruption
- State failure
- Political instability

Non-representative sources

African Development Bank Country Policy and Institutional Assessments (ADB)

- Quality of public administration
- Quality of budgetary and financial management
- Efficiency of revenue mobilization

Afrobarometer (AFR)

- Handling improving basic health services
- Handling addressing educational needs

Asian Development Bank Country Policy and Institutional Assessments (ASD)

- Quality public administration
- Efficiency of revenue mobilization
- Quality of budgetary & financial management

Business Enterprise Environment Survey (BPS)

- How problematic is electricity for the growth of your busines?
- How problematic is transportation for the growth of your business?

Bertelsmann Transformation Index (BTI)

- Consensus building
- Steering capability
- Resource efficiency

Global Integrity Index (GII)

- Civil service integrity
- Public management

- Business environment & infrastructure
- Welfare
- Health and education

IFAD Rural Sector Performance Assessments (IFD)

- Allocation & management of public resources in rural development

Latinobarometro (LBO)

- Trust in government

World Bank Country Policy and Institutional Assessments (PIA)

- Quality of public administration
- Quality of budgetary and financial management
- Efficiency of revenue mobilization

Institute for Management and Development World Competitiveness Yearbook (WCY)

- Adaptability of government policy to changes in the economy is high
- Bureaucracy does not hinder business activity
- The distribution infrastructure of goods and services is generally efficient

Source: Kaufmann et al., 2010

Appendix 2. Absorption capacity and governance effectiveness indicator of the 3 top beneficiaries of the MFF 14-20

Table A-1. Expenditure % of the top 3 ESIF 2014-2020 beneficiary countries at 31/12/2020

Country	Total ESIF 2014-20 budget	Total spent (until 31/12/2020)
Poland	€104 938 990 398	€57 371 209 401 (55%)
Italy	€72 422 920 998	€36 763 343 160 (51%)
Spain	€56 552 107 526	€24 039 983 114 (43%)

Source: Author. Data from European Commission, 2021a and European Commission, 2021b

Table A-2. Expenditure % of the top 3 ERDF 2014-2020 beneficiary countries at 31/12/2020

Country	Total ERDF 2014-20 budget	Total spent (until 31/12/2020)
Poland	€47 609 324 372	€26 433 951 665 (56%)
Italy	€31 198 209 463	€15 153 386 756 (49%)
Spain	€29 551 078 949	€10 231 067 471 (35%)

Source Author. Data from European Commission, 2021a and European Commission, 2021b

Table A-3. 2014-2019 Government effectiveness indicator evolution from the top 3 ERDF beneficiary countries

Country	2014	2015	2016	2017	2018	2019
Poland	74.52	74.52	73.56	74.04	75.00	73.08
Italy	68.27	69.23	72.12	69.71	68.27	69.23
Spain	84.13	85.10	83.17	81.73	79.33	79.81

Source: Author. Data Kaufmann & Aart, (n.d.)

Appendix 3. Regional rate of temporal contracts over all contracts in the public sector and regional ERDF spending rate 2014-2020

	Temporality Rate							ERDF Spending rate						
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
01 Andalucía	25.48%	27.05%	22.80%	22.11%	20.40%	22.30%	20.66%	31%	23%	14%	3%	0%	0%	0%
02 Aragón	29.66%	28.76%	25.85%	27.19%	24.82%	20.08%	20.29%	39%	32%	21%	0%	0%	0%	0%
03 Asturias, Principado de	28.45%	28.63%	29.20%	29.70%	25.10%	24.24%	33.11%	60%	25%	18%	12%	0%	0%	0%
04 Balears, Illes	30.25%	30.43%	32.12%	27.25%	24.11%	22.85%	23.60%	51%	22%	12%	1%	0%	0%	0%
05 Canarias	34.98%	33.08%	29.78%	28.54%	28.53%	29.64%	27.52%	47%	29%	17%	4%	0%	0%	0%
06 Cantabria	37.25%	33.92%	29.31%	26.86%	26.40%	27.23%	21.31%	76%	77%	54%	11%	0%	0%	0%
07 Castilla y León	28.41%	28.45%	24.95%	23.20%	22.53%	21.53%	20.10%	47%	21%	12%	0%	0%	0%	0%
08 Castilla - La Mancha	26.93%	26.59%	27.66%	24.08%	24.44%	22.75%	19.79%	36%	23%	13%	5%	0%	0%	0%
09 Cataluña	24.29%	24.17%	24.20%	21.01%	20.86%	17.74%	18.75%	32%	21%	12%	0%	0%	0%	0%
10 Comunitat Valenciana	28.42%	29.71%	27.61%	25.59%	21.02%	23.01%	19.47%	28%	21%	12%	0%	0%	0%	0%
11 Extremadura	36.66%	32.86%	33.80%	36.13%	30.60%	31.78%	30.28%	32%	23%	12%	4%	0%	0%	0%
12 Galicia	27.25%	25.56%	24.11%	24.00%	22.32%	19.78%	18.76%	49%	37%	20%	9%	0%	0%	0%
13 Madrid, Comunidad de	25.82%	23.92%	20.08%	17.74%	18.37%	16.29%	13.57%	15%	7%	5%	1%	0%	0%	0%
14 Murcia, Región de	26.63%	26.83%	25.73%	21.55%	22.56%	20.09%	19.27%	32%	22%	13%	5%	0%	0%	0%
15 Navarra, Comunidad Foral de	37.82%	36.78%	28.50%	26.28%	26.97%	28.26%	25.39%	41%	26%	21%	5%	0%	0%	0%
16 País Vasco	38.19%	36.76%	35.53%	33.41%	32.24%	29.55%	26.27%	36%	28%	21%	4%	0%	0%	0%
17 Rioja, La	29.26%	24.29%	26.47%	27.36%	18.78%	18.57%	19.62%	67%	60%	32%	4%	0%	0%	0%
18 Ceuta	14.05%	16.52%	17.48%	16.07%	18.70%	16.67%	9.38%	28%	23%	12%	0%	0%	0%	0%
19 Melilla	31.79%	30.51%	19.49%	20.00%	20.39%	25.69%	13.59%	38%	30%	19%	0%	0%	0%	0%

Source: Author. Data from INE (n.d.) and European Commission (2021b)

Appendix 4. ERDF budgeted amount and spent amount in Spain by main them and sub-theme, at 30/12/2020

Technical assistance	Planned	Spent	Percentagemainspent	Theme details	PLND TDETAIL	Spent tdetail	PRCT SPENT TDETAIL
Climate change adaptation and risk prevention	144,993,226 €	44,031,146 €	30.37%	Adapt to climate change and prevent and manage climate risks	144,993,226 €	44,031,146 €	30.37%
Competitiveness of SMEs	2,296,707,397 €	1,660,624,596 €	72.30%	Generic productive investment in SMEs	1,401,462,015 €	1,129,193,703 €	80.57%
				Advanced support services for SMEs	361,996,067 €	370,990,111 €	102.48%
				SME business development,e ntrepreunrship & incubation	359,614,644 €	81,365,824 €	22.63%
				Business infra. For SMEs, incl. Industrial parks and sites	50,731,680 €	13,728,893 €	27.06%
				Development and promotion of tourism services in or for SMEs	75,489,253 €	36,093,219 €	47.81%
				Secondary road links to TEN-T road netowrk (new build)	28,704,875 €	23,095,665 €	80.46%
				Other	18,708,863 €	6,157,181 €	32.91%
Educational and vocational training	526,351,821 €	236,402,962 €	44.91%	Education infrastructure for primary & gen. Secondary	300,757,968 €	181,934,775 €	60.49%
				Education infrastructure for VET & adult learning	172,416,589 €	32,928,757 €	19.10%
				Infrastructure for early childhood education and care	28,110,391 €	6,840,938 €	24.34%
				Education infrastructure for tertiary education	25,066,873 €	14,698,492 €	58.64%
Environment protection & resource efficiency	1,646,158,831 €	384,926,932 €	23.38%	Waste water treatment	854,282,864 €	167,179,179 €	19.57%
				Biodiversity, nature protection and green infrastructure	153,962,674 €	66,092,506 €	42.93%
				Protect, develop and promote public cultural assets	143,044,716 €	21,323,030 €	14.91%
				Protect, develop and promote public tourism assets	80,782,351 €	30,417,886 €	37.65%
				Water infrastructure for human consumption	86,074,525 €	21,701,895 €	25.21%
				Water management and drinking water conservation	52,148,732 €	15,383,809 €	29.50%
				Rehabilitation of industrial sites and contamined land	76,914,591 €	24,606,077 €	31.99%
				develop and promote tourism potential of natural areas	47,301,338 €	10,085,677 €	21.32%
				Household waste mgmt	42,949,620 €	16,284,500 €	37.92%
				Cycle tracks and footpaths	29,141,782 €	7,161,037 €	24.57%
				Other	29,832,518 €	3,150,538 €	10.56%
				Other social infrastructure	24,937,031 €	446,357 €	1.79%
				Household waste mgmt (incl. Mech, bio, thermal and landfill	24,786,089 €	1,094,443 €	4.42%
Information and communication technology	2,083,442,857 €	826,120,176 €	39.65%	Government services and applications	674,437,325 €	268,000,549 €	39.74%
				ICT: v-high-speed broadband (access/local loop; >10 mbps)	403,914,178 €	233,932,475 €	57.92%
				ICT services and applications for SMEs	271,817,702 €	54,934,927 €	20.21%
				e-inclusion, e-accessibility,e-learning and e-education	246,370,296 €	164,118,830 €	66.61%
				ICT solutions addressing healthy, active ageing and e-health	288,910,352 €	67,927,495 €	23.51%
				ICT: Backbone/backhaul network	86,035,785 €	6,746,595 €	7.84%
				ICT: High-speed broadband (access/local loop; >/=30 mbps)	58,648,088 €	16,579,893 €	28.27%
				Access to public sector info (incl.e-tourism, e-culture)	39,726,017 €	9,086,549 €	22.87%
				Other	13,583,114 €	4,792,863 €	35.29%
Low-Carbon Economy	2,467,553,114 €	756,158,654 €	30.64%	Energy efficiency renovation of public infra. And demo.	669,742,272 €	67,172,235 €	10.03%
				Energy efficiency renovation of housing stock and demo	357,598,004 €	204,785,171 €	57.27%
				Support to enviro-friendly production in SMEs	256,512,287 €	230,964,380 €	90.04%
				Clean urban transport infrastructure and promotion	328,939,315 €	112,744,924 €	34.28%
				Renewable energy: solar	247,642,489 €	21,047,980 €	8.50%
				Renewable energy: biomass	215,654,968 €	6,972,450 €	3.23%
				Renewable energy: wind	124,065,792 €	10,592,694 €	8.54%
				Cycle tracks and footpaths	106,283,549 €	33,944,793 €	31.94%
				Energy efficiency and demo.projects in SMEs	67,105,421 €	55,219,276 €	82.29%
				Other renewable energy (hydro, geo, etc) and RE integration	42,647,645 €	7,227,162 €	16.95%
				Intelligent transport systems	32,567,036 €	2,386,906 €	7.33%
				Other	18,794,336 €	3,100,684 €	16.50%

Network infrastructure in transport and energy	2,162,071,689 €	502,971,831 €	23.26%	Railways (TEN-T Core)	1,471,646,364 €	332,801,066 €	22.61%
				Other railways	213,649,292 €	13,939 €	0.01%
				Other reconstructed or improved road	180,720,775 €	85,873,118 €	47.52%
				Other national and regional roads (new build)	179,455,265 €	68,086,985 €	37.94%
				Other seaports	27,757,798 €	9,555,209 €	34.42%
				Multimodal transport (TEN-T)	39,667,845 €	1,231,249 €	3.10%
				Other	49,174,350 €	5,410,266 €	11.00%
Research and innovation	6,523,605,449 €	2,001,716,406 €	30.68%	R+I processes in SMEs (vouchers, process, design...)	909,786,265 €	508,226,835 €	55.86%
				R+I activities in public research centres	989,364,575 €	382,633,799 €	38.67%
				Research and innovation infrastructure (public)	750,447,244 €	234,543,478 €	31.25%
				Tech-transfer and university-SME cooperation	539,644,823 €	42,595,778 €	7.89%
				Research and innovation processes in large enterprises	401,702,713 €	447,214,061 €	111.33%
				Institutional capacity of public administrations	271,840,246 €	782,721 €	0.29%
				Health infrastructure	2,480,041,820 €	335,491,105 €	13.53%
				Other	180,777,760 €	50,228,629 €	27.78%
Social inclusion	441,409,298 €	196,869,579 €	44.60%	Health infrastructure	287,934,839 €	156,824,590 €	54.47%
				Housing infrastructure	90,222,371 €	24,967,594 €	27.67%
				Other social infrastructure	60,320,278 €	14,327,951 €	23.75%
				Other	2,931,810 €	749,443 €	25.56%
Technical assistance	345,591,993 €	93,040,800 €	26.92%	Preparation, implementation, monitoring and inspection	203,541,809 €	59,468,224 €	29.22%
				Evaluation and studies	62,113,565 €	7,402,705 €	11.92%
				Information and communication	79,936,919 €	26,169,871 €	32.74%
Multi-thematic	2,106,555,875 €	505,689,765 €	24.01%	Outermost regions: compensation due to accessibility	472,139,101 €	363,593,988 €	77.01%
				Other social infrastructure	340,983,163 €	15,147,160 €	4.44%
				Rehabilitation of industrial sites and contamined land	186,387,681 €	12,397,416 €	6.65%
				Clean urban transport infrastructure and promotion	144,734,589 €	13,883,091 €	9.59%
				Energy efficiency renovation of housing stock and demo	82,046,874 €	16,884,219 €	20.58%
				Cross-financing under ERDF (support to ESF-type actions)	62,051,476 €	322,567 €	0.52%
				R+I processes in SMEs(vouchers, process, design..)	35,100,000 €	30,331,972 €	86.42%
				Protect, develop and promote public cultural assets	139,708,292 €	9,144,881 €	6.55%
				Energy efficiency renovation of public infra. And demo.	69,804,764 €	4,506,906 €	6.46%
				e-government services and applications	141,878,838 €	12,428,000 €	8.76%
				Other	71,413,461 €	5,260,367 €	7.37%
				Protect, develop and promote public tourism assets	62,877,278 €	1,191,576 €	1.90%
				Housing infrastructure	50,398,131 €	3,227,805 €	6.40%
				Health infrastructure	25,612,900 €	6,330,740 €	24.72%
				Access to public sector info (incl.e-tourism, e-culture)	24,783,109 €	705,869 €	2.85%
				Cycle tracks and footpaths	103,495,754 €	8,686,244 €	8.39%
				Generic productive investment in SMEs	93,140,464 €	1,646,965 €	1.77%

Source: Author. Data from European Commission (2021b)

Appendix 5. ERDF budgeted amount and percentage spent at 30/12/2020, by country

Country	Planned	Prct Spent
Poland	47,609,324,372 €	56%
Italy	31,198,209,463 €	49%
Spain	29,551,078,949 €	35%
Germany	17,781,508,484 €	52%
France	17,600,777,762 €	56%
Czechia	16,711,756,298 €	52%
Portugal	15,203,971,902 €	66%
Romania	13,444,996,696 €	37%
Hungary	12,644,374,891 €	52%
Greece	11,663,601,646 €	61%
United Kingdom	10,256,797,934 €	48%
Slovakia	9,057,152,602 €	31%
Croatia	5,529,999,578 €	52%
Bulgaria	4,249,155,374 €	62%
Lithuania	4,006,649,987 €	59%
Latvia	2,901,039,025 €	58%
Estonia	2,441,018,177 €	55%
Belgium	2,327,588,196 €	43%
Austria	2,037,475,362 €	58%
Sweden	1,893,122,147 €	61%
Slovenia	1,822,106,210 €	54%
Finland	1,583,952,418 €	65%
Netherlands	1,372,214,547 €	72%
Ireland	941,550,196 €	40%
Malta	453,192,498 €	58%
Denmark	399,225,122 €	48%
Cyprus	352,821,837 €	64%
Luxembourg	48,170,185 €	52%

Source: Author. Data from European Commission (2021b)

Appendix 6. HR Management – Performance Assessment index for Member States [8] [9]

Country	Planned	Prct Spent	Performance
Poland	47,609,324,372 €	56%	0.62
Italy	31,198,209,463 €	49%	0.79
Spain	29,551,078,949 €	35%	0.32
Germany	17,781,508,484 €	52%	0.86
France	17,600,777,762 €	56%	0.86
Czechia	16,711,756,298 €	52%	0.89
Portugal	15,203,971,902 €	66%	0.91
Hungary	12,644,374,891 €	52%	0.97
Greece	11,663,601,646 €	61%	0.6
United Kingdom	10,256,797,934 €	48%	0.97
Slovakia	9,057,152,602 €	31%	0.27
Bulgaria	4,249,155,374 €	62%	0.72
Lithuania	4,006,649,987 €	59%	0.74
Latvia	2,901,039,025 €	58%	0.65
Estonia	2,441,018,177 €	55%	0.64
Belgium	2,327,588,196 €	43%	0.75
Austria	2,037,475,362 €	58%	0.55
Sweden	1,893,122,147 €	61%	0.85
Slovenia	1,822,106,210 €	54%	0.75
Finland	1,583,952,418 €	65%	0.63
Netherlands	1,372,214,547 €	72%	0.9
Ireland	941,550,196 €	40%	0.85
Denmark	399,225,122 €	48%	0.77

Source: Author. Data from European Commission, (2021b) and InCiSE (2019)

[8] Due to data limitations, the table deos not include Croatia, Romania, Malta, Cyprus nor Luxembourg
[9] The index goes from 0 (lowest) to 1 (highest)

Appendix 7. Other considerations

Although this thesis has mainly analyzed how does administrative capacity affects absorption capacity in Spain, we ought to remember that present literature does not exactly define what is administrative capacity. Therefore, there are certain issues that some authors might (not) consider part of a national administrative capacity that can affect the ability of Member States (and, in this particular case, of Spain) to spend European funds. As argued at the beginning, I have used WGI indicators to structure this paper as they are commonly accepted as a proper measure of a country's administrative capacity. The fact is, however, that WGI authors do not define what is each indicator. For this reason, in this section I have decided to include other potential administrative capacity indicators mentioned by authors as limitations of the Spanish absorption capacity but that they do not clearly fit in a WGI indicator.

First of all, certain authors consider that there are public procurement issues that limit the Spanish absorption capacity (Viesca, 2020 as cited in Alonso, 2020; Hidalgo, 2020a). Administrative capacity also measures the field of public procurement (European Commission, 2016). To check the role of public procurement in the Spanish absorption capacity I developed the following analysis:

First, I used data from the Single Market Scoreboard (SMS) developed by the European Commission (2019), particularly the performance of Member States in the policy area of public procurement. I took the 12 scores that the European Commission gives to each country and added them to create a single score for each country (due to data limitations, Slovenia is not included). With this, I developed an independent variable ("PUBLICPROC"). As a dependent variable I used the percentage of ERDF expenditure for each country on 31/12/2020 ("PCRT SPENT"). I ran a linear regression and I obtained the results displayed in **Table 12**:

Table 12. Linear regression results. Public procurement performance (SMS) and % of ERDF expenditure

Source	SS	df	MS			
				Number of obs	=	27
				F(1, 25)	=	1.06
Model	.010320399	1	.010320399	Prob > F	=	0.3130
Residual	.243331453	25	.009733258	R-squared	=	0.0407
				Adj R-squared	=	0.0023
Total	.253651852	26	.00975584	Root MSE	=	.09866

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
PUBLICPROC	.0004305	.0004181	1.03	0.313	-.0004306	.0012917
_cons	.4071421	.1247221	3.26	0.003	.1502721	.6640121

Source: Author. Data from European Commission, 2019 and 2021a

My analysis showed a non-statistically significant coefficient. Since within public procurement some authors believed it was the speed of countries decision-making process (Hidalgo, 2020a) (this is, the time that passes since the deadline for receiving offers and the date the contract is awarded) I took the "decision speed" indicator from the SMS. This indicator measures how many days pass, on average between the mentioned dates for all the Member States. I used the number of days for each country in 2019 as the independent variable ("DAYS") and the percentage of ERDF expenditure at 30/12/2020 as the dependent variable ("PRCT SPENT"). Again, due to SMS data limitations, Slovenia is not included. I obtained the results shown in **Table 13:**

Table 13. Linear regression results. Public procurement decision speed and % of ERDF expenditure

Source	SS	df	MS			
				Number of obs	=	27
				F(1, 25)	=	1.68
Model	.01594397	1	.01594397	Prob > F	=	0.2072
Residual	.237707881	25	.009508315	R-squared	=	0.0629
				Adj R-squared	=	0.0254
Total	.253651852	26	.00975584	Root MSE	=	.09751

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
DAYS	-.0005101	.0003939	-1.29	0.207	-.0013215	.0003012
_cons	.5888656	.0462871	12.72	0.000	.4935356	.6841957

Source: Author. Data from European Commission, 2019 and 2021a

Again, I obtained a non-statistically significant coefficient, leading me to the rejection of the hypothesis that public procurement performance and/or its decision speed affect ERDF expenditure. However, according to Milosavljević et al. (2018, p.246), the Single Market Scoreboard for Public Procurements "is subject to bias and numerous omissions, which significantly decreases its operational usage and deteriorates the real efficiency of public procurements". In order to add robustness to my analysis, I used another source that measured public procurement performance. Milosavljević et al. (2018) ranked European countries by using a Composite I-distance Indicator (CIDI) methodology that, according to the authors, weights public procurement efficiency in an objective and impartial manner. I used their CIDI score as independent variable ("CIDI") and the % of ERDF expenditure on 31/12/2020 as dependent variable ("PRCTSPENT"). To keep consistency with the SMS indicators, I left out Slovenia as well. The results obtained are shown in **Table 14**:

Table 14. Linear regression results. CIDI scores and % of ERDF expenditure

Source	SS	df	MS			
				Number of obs	=	27
				F(1, 25)	=	0.56
Model	.005533919	1	.005533919	Prob > F	=	0.4622
Residual	.248117933	25	.009924717	R-squared	=	0.0218
				Adj R-squared	=	-0.0173
Total	.253651852	26	.00975584	Root MSE	=	.09962

PrctSpent	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
CIDI	.0008479	.0011355	0.75	0.462	-.0014907	.0031864
_cons	.4913204	.0603801	8.14	0.000	.3669652	.6156756

Source: Author. Data from European Commission, 2021a and Milosavljević et al., 2019

I obtained a non-statistically significant coefficient. My analysis suggests that public procurement efficiency is not related to absorption capacity. However, more research would be needed in this, especially within the Spanish context, since its high degree of decentralization leads to regional governments having a big role in public procurement processes (European Commission, 2016).

Besides public procurement, some other authors argue that the big number of administrations involved in public procurement and in the management of European funds may limit the absorption capacity of the country (Viesca, 2020 as cited in Alonso, 2020; European Commission, 2016; González Vallvé, 2021; Hidalgo, 2020a). This is a direct result of the high decentralization degree of the country (European Commission, 2016). However, I will not analyze this for two reasons. First, I do not consider decentralization to fall within the domain of administrative capacity and therefore it is not part of the scope of this thesis. Second, the literature has already examined this question and the results are mixed and not conclusive (Incaltarau et al., 2020; Tosun, 2014; Van Wolleghem, 2020). Nonetheless, more research on this issue could be developed.

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