## European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund, 2007-2013

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This report from the Commission is on ex ante verification of additionality in the regions eligible under the Convergence objective for the period 20072013.

Additionality is one of the main principles underpinning the economic role and driving the functioning of cohesion policy. It requires that contributions from the Structural Funds do not replace public expenditure by Member States, in order to ensure that they have a genuine economic impact. This report summarises the main findings of the verification of this principle at the ex ante stage for the period 20072013 along with an analysis from an economic perspective.

Member States reached an agreement on the target level of expenditure to be kept throughout the period. As a result, more than EUR 650 billion (in 2006 prices) will be invested from different domestic financial sources over the period 20072013. This amount is additional to the EUR 174 billion (in 2006 prices) of Structural Funds which are planned to be paid in the Convergence objective regions over the same period.

The notion of additionality is relatively simple but its actual implementation involves a number of methodological complexities. The verification of additionality at this 'ex ante' stage for the period 20072013 was based on Article 15 of Regulation (EC) No 1083/2006 and on the Guidelines set out in Working Document No 3 (December 2006). The latter was intended to set common principles for negotiations between the Commission and the different Member States. Some of the purposes of the document are to improve transparency, ensure equality of treatment between countries, and make the results obtained for each Member State comparable.

Despite these efforts, several **shortcomings** remain, including:

- Difficulties to compare results across Member States: Member States do not follow a single, standard methodology for national public accounting. As a result, the methodological approaches to collect data required to verify additionality differ across countries. In most cases, data are taken from budgetary sources which are classified in different ways from one Member State to another. This makes the cross-country comparison difficult. This problem is even more compelling when comparing structural expenditure funded by national and Community sources since they are not classified in a coherent and streamlined way;
- Shortcomings in data comparability over programming periods: the methods used may also vary over time even within a single Member State. For instance, some significant discrepancies were found in some Member States between the actual expenditure claimed for the ex post verification of the period 20042006 and the actual expenditure for the same period used for the ex ante verification of the period 20072013;
- **Problems to capture all relevant eligible expenditure**: determining relevant expenditure based on the different accounting sources that exist in Member States is difficult. In most cases, data are taken from budgetary sources which are not always broken down to all the sub-national levels. This makes it very difficult to identify the relevant expenditure, particularly at local level and, therefore, most often it is necessary to use of estimations and case-by-case analyses, which affect the reliability of the final result;

- **Heterogeneity of the information provided**: the information submitted by some Member States in their National Strategic Reference Framework (NSRF), and in the annexed reports and methodological notes could be further streamlined. The data submitted lack homogeneity and vary in quantitative and qualitative terms from one Member State to another. Moreover, this information was not always presented in the same way (for instance, Member States did not use the same reference year for the deflators);
- **Difficulties in verifying the reliability of data**: the Commission has limited instruments to verify that the information provided is correct. A breakdown of expenditure by region could be developed, in particular for Member States whose territory is partially eligible under the Convergence objective. This could also help to reduce the use of estimates to determine spending at sub-national level. In addition, complementary documents linked to regional or national budgets could provide additional proof of the reliability of this expenditure;
- No monitoring mechanism: finally, the additionality rules do not provide for instruments that allow the Commission to monitor on a regular basis the evolution of variables in Member States (e. g. fiscal performance or privatisation processes), which may affect the level of their public spending and thus the additionality results. Possible solutions should be explored, including linking the information necessary to verify additionality to the regular information provided by Member States in their stability programmes.

In sum, there is clearly room to improve the information and the methodology for determining and verifying additionality, which is an important principle of cohesion policy. The Commission intends to engage in a more in-depth and permanent dialogue with Member States on how to overcome the shortcomings and improve the application of the principle.

The next verification of additionality will take place in 2011. At that time, the principle will be considered as having been complied with if the actual annual average of structural expenditure in the period 20072010 is at least the same as the level forecast for the period or if this spending fits a predetermined spending profile agreed upon during the ex ante assessment. In the latter case, the 20072010 annual average may be below the annual average for 20072013.

At the mid-term review, Member States will have an opportunity to revise the level of expenditure in the light of significant changes in the economic situation. This may be particularly relevant in the current financial crisis. It is therefore important that future discussion takes place on a more robust basis.