

Reform of the verification of additionality 2014-2020
Technical Paper for the Structural Actions Working Party
based on questions submitted by Member States

5 August 2012

This overview of questions and answers has been drawn up to provide further information for delegations. The clarification provided does not prejudge in any way the final position of the Commission on any of these questions.

Why does the Commission propose to use Gross Fixed Capital Formation (GFCF) in order to verify the respect of additionality?

Article 86 of CPR is the result of a discussion which the Commission organised at technical level with national experts in 2011. The conclusion was that GFCF, also coded P.51 in the ESA nomenclature, was the best possible proxy to verify the level of 'public or equivalent structural expenditure'. GFCF is the main indicator of public investment in the Stability and Convergence Programmes (SCPs).

In practice, it means that Member States will be required to maintain a certain level of GFCF throughout the programming period 2014-20 in order to comply with additionality. Two groups of Member States will be distinguished:

- Member States, where 70% or more of the population lives in less developed and transition regions, will have to maintain a certain level of GFCF at national level.
- Member States, where the population living in less developed/transition regions is higher than 15% of the total and below 70% of the total, will have to maintain a certain level of GFCF in these regions.

The main advantage of the new verification system is that it is simple and comparable between Member States. It reduces the administrative burden and establishes a direct link with the Stability and Growth Pact.

Why did the Commission not include Capital transfers in its proposal (ESA code: D9)?

The Commission is aware that GFCF is not a perfect "proxy" of the equivalent structural expenditure eligible for the Structural Funds. However, when the Commission presented its proposal for the reform of additionality, capital transfers were not part of the compulsory data which Member States have to provide as part of their SCPs.

The new Code of Conduct on the data to be contained in the SCPs has been agreed between the Member States and the Commission in January 2012. It also foresees that Member States have to transmit information on capital transfers (table 2a; page 20).

Consequently, capital transfers could be added as a complementary indicator to GFCF, although its availability at regional level still needs to be further examined.

Why does the Commission propose to link the verification of additionality to a population threshold?

The Commission is of the opinion that the verification of additionality should apply in all Member States where regional disparities affect a substantial part of the population. Using alternative thresholds such as the share of the Structural Funds allocation of projected national GDP would exclude a number of Member States from the verification, which will receive a significant financial contribution from the Structural Funds for their less developed/transition regions.

What does it mean that additionality will be verified at 'national' and 'regional' level?

National level means the entire Member State. The information on GFCF provided in the SCPs will be used to verify additionality. Additionality is considered to be respected if the level of GFCF in 2014-20 meets the target set in the partnership agreement.

Regional level means the totality of regions classified as less developed and/or transition regions. The aggregate GFCF (as % share of GDP) of the less developed/transition regions will have to be reported (i.e. a single figure for these regions). Additionality is considered to be respected if the aggregate level of GFCF in 2014-20 of the less developed/transition regions meets the target set in the partnership agreement.

What does the Commission propose for Member States which have to verify additionality at regional level, but where GFCF is not reported at regional level?

In Member States where GFCF is not reported at regional level, the Commission proposes to use estimates based on capital investment data at regional level. A preliminary assessment based on a feasibility study on regional GFCF carried out by Eurostat suggests that most Member States, which will have to verify additionality at regional level in 2014-20, collect regional investment data. Some of them have reliable data of GFCF at regional level at their disposal (see table below). The Commission suggests examining the situation with each Member State concerned on a bilateral basis in order to agree on the data and the approach to be used.

Existing regionalised data on GFCF and capital public investments

COUNTRY	DATA AVAILABILITY
Belgium	Data on regional accounts is collected and regionalised national expenditure is estimated.
Germany	GFCF of general government at Lander level and total public investment by Lander are both available.
Greece	The GFCF of public administration at regional level is available.
Spain	Spain has a system of regional accounts (cuentas regionales) including fixed investments.
France	France has a system of public accounts (Chorus) including regional data.
Italy	Italy manages the CPT database, including capital expenditure by economic sector, region and level of government.
Slovenia	The GFCF of public administration at regional level is available.
UK	Public expenditure by region, function and category (current or capital expenditure) is available

How will the new verification system decrease the administrative burden?

In 2007-13 the verification of additionality is based on an analysis of public accounts and a bottom-up, sector-based aggregation of public investment data in convergence regions. Each mid-term additionality report required lengthy technical meetings between the Commission and the Member States concerned. Most Member States had to submit additional information

on the level of public investment, investments of public companies, regional and economic activity breakdown of public expenditure etc. to verify additionality at mid-term.

The new verification system will significantly reduce the administrative burden and the resources needed to verify additionality. GFCF at national level is available in SCPs, while GFCF at regional level will in many cases require a fairly simple data extraction from national statistical sources. In some cases, estimates for regional GFCF will be needed on the basis of available capital investment data at regional level.

What will be the reference level of public expenditure in 2007-13 to be maintained in the period 2014-20?

The reference level for 2014-20 will be the average level of GFCF in 2007-13. Where additionality needs to be verified at regional level, the aggregate GFCF (or its equivalent) of the less developed/transition regions in 2007-13 will be the reference level. However, in the negotiations on the partnership agreement, the Commission will consider specific circumstances such as the macroeconomic situation or significant changes in the Structural Funds allocation when determining the new reference level.

Why is it not sufficient to rely on the SCPs when verifying additionality in 2014-20?

The additionality requirement covers the entire programming period 2014-20. Consequently, Member States will have to commit themselves to maintain a certain level of GFCF until 2020 in their partnership agreements. In the SCPs, on the other hand, GFCF is only reported from year $x-1$ to $x+3$. The level of GFCF to be maintained in 2014-20 will be set ex-ante on the basis of existing economic forecasts. It can be modified at mid-term (2018) if the economic situation has changed significantly. Since SCPs are submitted annually, a full set of forecasts for 2014-20 will be available by the time of the mid-term verification.

In Member States where additionality will be verified at regional level, national GFCF (as reported in SCPs) will only be used as a reference value by the Commission. What matters is the aggregate GFCF of the less developed/transition regions, which is not reported in SCPs.

Will the commitments made on additionality be adjusted to the fluctuations of the economic cycle by expressing GFCF as % of GDP?

The GFCF in the partnership agreement is a target to be achieved, based on the prospects of public investment and GDP growth available at the ex-ante stage. If these prospects change, the target can be adjusted during the mid-term and ex-post verification. In other words, if GDP grows beyond what is estimated at the ex-ante stage it does not mean that GFCF will have to grow accordingly to respect additionality.

Which funds will be affected by a financial correction?

No change foreseen as compared to 2007-13 period. Financial corrections will only cover ERDF and ESF allocations for less developed/transition regions since financial allocations for the Cohesion Fund are established at national level.

Will there be a review in terms of regional eligibility at mid term?

No. Regional eligibility for the Structural Funds is valid for the entire programming period.
No exception for additionality.

Why will the ex-post verification already take place in 2022, i.e. before programme closure?

The ex-post verification can be carried out independently of programme closure since all necessary data will be available by the end of 2021.