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Accompanying document to the

Report on *ex ante* verification of additionality in the regions eligible under the Convergence objective for the period 2007–2013

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THE VERIFICATION OF ADDITIONALITY BY MEMBER STATE

Austria

The structural expenditure taken into account in verifying additionality is for Burgenland, the only region falling under the Convergence objective in Austria.

It derives from federal and regional budgets and from the budgets of the municipalities of the region. Structural expenditure by public enterprises was considered irrelevant in the eligible area at the time of the *ex ante* verification, and so was not included in setting the reference level. Should the situation change, the Austrian authorities will inform the Commission.

www.oerok.gv.at

Belgium

Expenditure taken into account to verify additionality for the period 2007-2013 is based on structural expenditure aimed at contributing to the economic and social development of the Hainaut, the only region falling under the Convergence objective in Belgium.

Expenditure was determined from the budget headings of the Walloon Region, the French-speaking Community and, if necessary, of the Federal Government. The expenditure of the local authorities (municipalities, inter-municipalities and provinces) has been estimated considering the grants allocated by the Walloon Region to these entities, because they lack substantial means to lead significant structural actions.

The notion of "public-enterprises" includes the expenditure of the inter-municipal energy distribution companies (electricity and gas), as they have room to carry out certain investments.

http://europe.wallonie.be/apps/spip/IMG/pdf/CRSN_belge_final_juillet07.pdf

Bulgaria

The whole territory of Bulgaria falls under the Convergence objective. As Bulgaria joined the European Union in 2007, verification was carried out for the first time.

Expenditure from the budgets of the first- and second-level spending units, the municipalities and institutions with independent budgets (state universities, the national health insurance fund and the state social insurance fund) was taken into account for the eligible categories. The capital spending of the biggest government-owned public enterprises that have an impact on the Bulgarian economy was also included in the additionality table.

www.eufunds.bg

Czech Republic

Of the eight Czech regions, seven fall under the Convergence objective (the region of Prague falls under the regional competitiveness and employment objective). Therefore expenditure incurred in Prague had to be excluded from the verification exercise for the Convergence objective.

Structural expenditure was calculated based on the financial statements of all relevant entities covered by public budgets.

The application used for this purpose (ARIS: Automated Budgetary Information System) produced information according to NUTS2 regions and was processed externally under the supervision of the Ministry of Finance. Local budget expenditure incurred in the Prague NUTS2 region is excluded from the ARIS summary tables automatically. For other expenditure in Prague, estimates had to be made to identify which parts were actually spent in the Prague region and which in the rest of the Czech Republic, as this expenditure had to be included for verification purposes.

Similarly, the ARIS database does not identify state budget expenditure that, according to financial statements, is assigned to Prague but is in fact spent in other NUTS2 regions (except for local budget expenditure). Therefore, other databases (ISPROFIN, CEDR) and techniques were used to identify investment and non-investment expenditure and expenditure of state funds incurred in the Prague region and in the rest of the Czech Republic.

The information used to determine the scope of additionality was obtained from databases of the Ministry of Finance on financial statements of the expenditure of the state budget, local budgets and the State Environmental Fund, the State Fund of Transport Infrastructure and the State Fund for Housing Development for 2004 and 2005.

http://www.strukturalni-fondy.cz/

Estonia

The whole territory of Estonia falls under the Convergence objective.

Only structural expenditure originating from the state budget of the Republic of Estonia, and from the budgets of regional and local authorities for the eligible categories was taken into account. Spending by public service bodies (state-owned enterprises) that have their own independent budgets was also included in the additionality tables.

Data were gathered from different sources:

- for actual payments from the state budget, the state treasury database and audited financial statement of state budget execution were used;

- for local municipality expenditure, the annual financial reports of local municipalities (submitted regularly to the Ministry of Finance) were reviewed;

- for other eligible public expenditure, i.e. expenditure by state-owned enterprises, their annual financial reports (submitted regularly to the Ministry of Finance) were used;

- data on payments from Structural Funds for the period 2004-2006 were extracted from the Structural Funds operational system (SFOS);

- to forecast Structural Fund payments for the period 2007-2013, data from the financing table for the Estonian NSRF 2007-2013 were used.

For programming the state budget expenditure in eligible fields for the period 2007-2013, an annual growth rate of 6% was calculated.

http://www.struktuurifondid.ee

France

Guadeloupe, Guyana, Martinique and Reunion Island are the French regions falling under the objective Convergence for the period 2007-2013.

The estimation of the expenditure is founded on the national structural expenditure for the economic and social development of these four outermost regions (UPR). The exercise has been carried out from expenditure of nine budgets from 2000 to 2005, taking into account the national budget plus eight local involved authorities (one region and one department for each UPR). Before that, an overview of the national and sub-national entities' budget nomenclatures was carried out for each financial year of the reference period (2000-2005). For all these years, budgetary headings corresponding to the expenditure categories concerned have been carefully identified.

The exercise covered the whole national expenditure from 2000 to 2005. It includes expenditure within the DOCUP, the PIC, and other contracts and whatever other expenditure eligible to the Structural Funds. , PIC or within the plan contracts, once they are considered eligible under the Structural Funds.

As for local expenditure, the Ministry of Economy regrouped the payments carried out by the local entities which were embedded in their administrative accounts.

All the figures result from the gross data provided by the central information systems of the central administration and by the external services of the State. Therefore no estimates have been made to build the different tables. Finally, the expenditure of national public enterprises could not be captured with sufficient reliability. For this reason, this expenditure was aggregated to the national expenditure.

http://www.diact.gouv.fr/

Germany

Of Germany's 16 *Länder* (regions), six fell under Objective 1 in the 2000-2006 programming period. The regional coverage changed for the 2007-2013 period: Berlin (East) is not eligible under the Convergence objective while Lüneburg region in Lower Saxony is now eligible.

Structural expenditure was calculated based on the budgets of the Federal Government and the *Länder*. Data were provided by the Federal Ministry of Economics and Technology and the Federal States.

With reference to Article 15(3) of the Regulation, the Commission and Germany added a bilateral declaration that *'when determining the level of public or equivalent expenditure, the specific German situation with an exceptional high level of public expenditure after the reunification will be taken into account'*. Thus the European Commission agreed to decrease the level of structural expenditure to be maintained for the period 2007-2013 by EUR 6.1 billion.

http://www.bmwi.de/BMWi/Navigation/Europa

Greece

Of Greece's 14 regions, 12 were eligible under Objective 1 during the period 2000-2006. The regional coverage has changed for the 2007-2013 period: Sterea Ellada and Notio Aegaio are being phased in under the regional competitiveness and employment objective and are thus no longer eligible.

Structural expenditure was calculated based on the eligible expenditure from the public investment programme (PIP), from the ordinary budget and from public enterprises in the fields of transport, telecommunications, energy, water supply and sewage works.

Due to the exceptional nature of the 2004 Olympic Games, expenditure debited against a specific budget code in the PIP was not included, pursuant to Article 15(3) of the Regulation. This amounted to: EUR 1 001.41 million in 2002, EUR 1 555.37 million in 2003, EUR 1 797.92 million in 2004, and EUR 318.11 million in 2005.

As the regions of Sterea Ellada and Notio Aegaio are no longer eligible under the Convergence objective, envisaged public investment in these regions was excluded from all categories of expenditure used in calculating additionality (the public investment budget, the ordinary budget, public corporations, the Community contribution, and national participation). The corresponding decline in structural expenditure was 5.92%, reflecting the percentage of payments made from the public investment budget in these two regions in the period 2000-2005.

The category 'Others' includes capital expenditure that cannot be allocated directly to the main additionality categories (basic infrastructure, human resources, and productive environment).

http://www.espa.gr/

Hungary

Of Hungary's seven regions, six are eligible under the Convergence objective. Some structural expenditure in these regions was estimated using national data corrected according to the share of population living in the eligible regions.

Structural expenditure was calculated based on the tables of Classification of Functions of Government (COFOG). Every year the Ministry of Finance prepares a table based on the closing accounts, comprising the consolidated figures of the 'legal general government' on cash-flow. The legal general government covers the central budget, local governments, extra-budgetary funds and social security funds.

As some structural expenditure incurred in the reference years 2004-2005 was considered exceptional by the Hungarian authorities and the Commission, it was agreed to correct the annual average level of structural expenditure for the period. The reduction agreed was around 8% of total spending. The Commission accepted this reduction not only allowing for the nature of the exceptional expenditure but also considering that the final reference expenditure was significantly higher than the Hungarian *ex ante* commitment for the period 2004-2005. In this context, the risk of the Structural Funds substituting for national structural expenditure is very low. The Commission considers this a moderate reduction as it does not exceed 10% of expenditure.

In view of the general macroeconomic prospects, the annual national structural expenditure to be maintained during the programming period 2007-2013 is the same as for the period 2004-2005.

http://www.nfu.hu/index

Italy

The number of regions eligible under Objective 1 (2000-2006) and under the Convergence objective (2007-2013) fell from six to five: Basilicata (phasing out), Campania, Calabria, Puglia and Sicilia. The region of Molise is being 'phased in' under the regional competitiveness and employment objective and is thus no longer eligible under the Convergence objective. The calculation of eligible structural expenditure for additionality purposes takes account of this change in the map of convergence regions compared to the period 2000-2006.

Additionality tables cover the expenditure of ministries, and regional and local administrations. For non-budget expenditure, public enterprise expenditure was included.

The eligible public expenditure forecast is based on the annual nominal increase of total public expenditure of 1.7% envisaged in the Italian Stability Programme (December 2006).

Some expenditure related to urban areas has been included in the category 'Others'.

http://www.dps.mef.gov.it/qsn/qsn.asp

Latvia

The whole territory of Latvia is eligible under the Convergence objective.

Structural expenditure was calculated based on information submitted by line ministries on the execution of their annual budgets. The additionality table also includes data on expenditure by local municipalities.

Following the principle of proportionality, the eight biggest Latvian cities were selected and information on the execution of their budgets (representing 55% of the total municipal budget in 2005) was considered in the additionality assessment. Expenditure by public companies in the period 2007-2013 was estimated at 0.5% of the total expenditure under each category where expenditure by public companies is possible.

The national public or equivalent structural expenditure outside the NSRF was calculated on the assumption that this expenditure is, on average, proportional to GDP, which is estimated to grow at a sustainable rate of above 5% annually.

The increase in the level of structural expenditure to be maintained in the period 2007-2013 is explained, mainly, by a forecasted very positive macroeconomic scenario.

http://www.esfondi.lv/events.php?id=496http://www

Lithuania

The whole territory of Lithuania is eligible under the Convergence objective.

The bulk of the expenditure was calculated on the basis of information from the state budget. These appropriations include state and municipal expenditure. The remainder comes from the State Social Insurance Employment Fund and major public enterprises (based upon criteria agreed with the Commission).[1]

In the first two cases, the source of information is official data from the reports submitted to the Seimas (Parliament) of the Republic of Lithuania. In the third case, the source is official information provided by the relevant companies to their founders or owners.

http://www.finmin.lt/web/finmin/home

Malta

The whole territory of Malta is eligible under the Convergence objective**.**

Actual structural expenditure in the reference period 2004-2005 (EUR 103.3 million in 2006 prices) does not match expenditure in the *ex post* verification exercise for the period 2004-2006 (EUR 160.3 million in 1999 prices) because the expenditure incurred in building the new Mater Dei Hospital, corresponding to an annual average of €79,604 million in 1999 prices in the reference period, has been excluded for both periods. This expenditure is considered an exceptional item of public structural expenditure as agreed

[1] Expenditure by *state companies or state-owned companies* is included in the calculations if the companies meet the following criteria: they fulfil a public function explicitly delegated to them by the State; the State holds at least 50% of their shares; they are not leased for a period longer than 10 years; and no decision has been adopted on the sale of more than 50% of their shares or on their lease for more than 10 years.

between Malta and the European Commission in the 2004-2006 Single Programming Document.

Non-budget expenditure comes from state-owned enterprises which have not been privatised. These are the Enemalta Corporation, the Water Services Corporation, the Malta Maritime Authority and Malta Industrial Parks.

http://ppcd.gov.mt/home?l=1

Poland

The whole territory of Poland is eligible under the Convergence objective.

Structural expenditure was calculated based on the budgets of the government, regions, municipalities and public enterprises. This expenditure was calculated by the Ministry of Finance on the basis of reports on structural expenditure drafted by all public sector bodies. At sub-national level, structural expenditure in the eligible fields was calculated on the basis of a sample of 496 administrative units. Specific indices were used to estimate overall public eligible structural expenditure at sub-national level from the information collected for the units included in the sample. Public enterprises for which a decision on privatisation was taken before the end of 2005 were excluded from the calculations.

A new methodology was used to set the spending profile to be maintained during the period 2007-2013. These calculations were based on an annual average rate increase of 5.2% of GDP.

http://www.mrr.gov.pl/English/Strony/default.aspx

Portugal

The regions eligible under the Convergence objective in Portugal are Norte, Centro, Alentejo, Algarve and Açores.

Some modifications regarding the type of expenditure taken into account have been included in the *ex ante* verification of additionality for 2007-2013, reflecting the redefinition of the public sector (several public companies were sold off), and changes in the map of the convergence regions in relation to the period 2000-2006 (all Portuguese territory was eligible under the former Objective 1) as Lisbon and Madeira are no longer eligible.

The redefinition of public enterprises had an annual average impact of about EUR 834 million less to be considered. As for the revision of the convergence regions map, the exclusion of non-convergence regions for the period 2007-2013 led to an annual average reduction of about EUR 1.5 billion.

Ex ante verification was also carried out on the basis of specific enquiries to the different regional authorities, because of the absence of regionalised data for the period 2000-2005.

The category 'Others' includes expenditure to improve the design and monitoring of programmes through technical assistance, as well as urban and rural integrated projects and other social infrastructure.

http://www.qren.pt/

Romania

The eight NUTS II Romanian regions are eligible under the Convergence objective. As this Member State joined the European Union in 2007, this was the first time verification was undertaken.

A methodology was prepared by the Ministry of Public Finance based on Commission Working Document No 3.[2] The Ministry of Public Finance and the relevant line ministries identified the relevant budget headings and items covering structural spending.

The categories taken into account in constructing the additionality tables were the national programmes financed from the state budget and other public sources; structural expenditure from local budgets; external loans contracted by public institutions; EU pre-accession funds and the corresponding public co-financing; Structural Fund allocations 2007-2013 under the Convergence objective and public co-financing for the Structural Funds and the Cohesion Fund.

The financial data used for the reference period (2004-2005) are the annual averages of actual structural expenditure, according to the budget execution for the relevant years.

The annual average of planned structural expenditure for the period 2007-2013 is mainly based on data from the State Budget for 2007 and the medium-term budget perspectives for 2008-2010 (as approved by the Parliament in December 2006), plus the financial programming of operational programmes under the Convergence objective. As regards public enterprises, since their share in total capital investment is marginal, they have been included under the national investment programmes.

Slovak Republic

The whole of the Slovak territory is eligible under the Convergence objective, with the exception of the capital region Bratislava.

Additionality tables cover the expenditure of ministries, their budgetary and contributory organisations, and state funds (the Environmental Fund). Regional self-government includes the reports of municipalities and higher territorial units, together with budgetary and contributory organisations set up by them. Non-budget structural expenditure by public enterprises[3] which are not going to be privatised and will remain in state ownership is included in the verification exercise. By contrast, structural expenditure relating to

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[2] See footnote 4.

[3] Public enterprises administered by the Ministry of Transport, Posts and Telecommunications of the Slovak Republic were included in the verification exercise: Železničná spoločnosť Slovensko, a.s. (Slovak Railways Company), Železničná spoločnosť Cargo Slovakia, a.s. (Slovak Cargo Railways Company), Národná diaľničná spoločnosť, a.s. (National Motorways Company).

public enterprises whose privatisation has been concluded or is ongoing was excluded from the exercise.

As the Bratislava region is not included in the Convergence objective regions, data from the Bratislava region were excluded. However, there are many organisations which have their registered office (headquarters) in Bratislava but operate throughout the country, or have a nationwide range of activities. In such cases, statistical estimation methods were used to exclude structural expenditure.

http://www.strukturalnefondy.sk/Default.aspx?CatId=72

Slovenia

The whole territory of Slovenia is eligible under the Convergence objective.

To determine eligible expenditure, structural expenditure from the budget of the Republic of Slovenia, local government budgets and extra-budgetary funds was taken into account.

Structural expenditure from the budget of the Republic of Slovenia was determined at the level of sub-programmes in the national budget classification. For local expenditure, data submitted to the Ministry of Finance by the 210 municipalities were used. Extra-budgetary funds relevant to eligible expenditure were also taken into account to construct the additionality tables.

http://www.svlr.gov.si/index.php?id=719&no_cache=1

Spain

The regions eligible under the Convergence objective in the period 2007-2013 in Spain are Andalucía, Castilla-la Mancha, Extremadura and Galicia, for the whole period and Asturias, Murcia and the autonomous cities of Ceuta and Melilla under the 'phasing-out' system.

The additionality tables cover the structural expenditure of ministries and the different regional and local administrations. For non-budget structural expenditure, public enterprise expenditure was included. Potential company privatisations were also taken into account in determining which companies should be considered in the *ex ante* additionality evaluation.

Some adjustments in the type of expenditure to be included in the *ex ante* verification of additionality for 2007-2013 reflect changes in the map of the convergence regions in relation to the period 2000-2006. Castilla y León, Canary Islands Cantabria and Comunidad Valenciana are no longer eligible under the Convergence objective in the new programming period.

The eligible structural expenditure forecast is based on an annual nominal increase of total public expenditure of 6.6%.

http://www.dgfc.sgpg.meh.es

United Kingdom

Regions eligible under the Convergence objective in the United Kingdom are Cornwall, the Highlands and Islands of Scotland, and West Wales and the Valleys.

Structural expenditure was calculated based on the applicable structural expenditure lines in HM Treasury's public expenditure database. This database covers all spending by central and local government and other public bodies. Structural expenditure in Convergence regions was estimated using the relevant national or regional expenditure lines, corrected by the share of population.

http://www.berr.gov.uk/consultations/page28796.html

Table 1 - Deflators used by Member States for the construction of aditionality tables (2006 prices)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria		0,9228	0,9394	0,9526	0,9650	0,9814	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Belgium	0,8941	0,9057	0,9220	0,9386	0,9565	0,9785	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Bulgaria					0,9140	0,9620	1	1,0340	1,0570	1,0800	1,1030	1,1260	1,1520	1,1770
Czech Republic					1,0355	1,0094	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Germany	0,9443	0,9557	0,9692	0,9793	0,9877	0,9938	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Estonia					0,8960	0,9570	1	1,0410	1,0860	1,1210	1,1560	1,1870	1,2140	1,2280
Spain	0,8880	0,9057	0,9238	0,9423	0,9612	0,9804	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
France	0,7370	0,8110	0,8770	0,9310	0,9680	0,9850	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Greece	0,8231	0,8379	0,8697	0,9002	0,9308	0,9652	1	1,0320	1,0629	1,0927	1,1211	1,1480	1,1733	1,1968
Hungary					0.9399	0.9785	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Italy	0,8510	0,8764	0,9060	0,9337	0,9609	0,9809	1	1,0148	1,0332	1,0517	1,0713	1,0905	1,1109	1,1316
Lithuania*					0,8880	0,9383	1	1,0858	1,1913	1,2780	n.a.	n.a.	n.a.	n.a.
Latvia					0,8170	0,9001	1	1,1045	1,1908	1,2623	1,3253	1,3779	1,4259	1,4690
Malta					0,9450	0,9650	1	1,0290	1,0590	1,0900	1,1230	1,1156	1,1910	1,2270
Poland					0,9601	0,9854	1	1,0160	1,0390	1,0640	1,0900	1,1160	1,1430	1,1700
Portugal	0,8424	0,8733	0,9077	0,9322	0,9612	0,9804	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Romania					0,8073	0,9058	1	1,0740	1,1374	1,1942	1,2420	1,2793	1,3113	1,3440
Slovenia					0,9647	0,9806	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
Slovak Republic					1,0590	1,0350	1	1,0200	1,0404	1,0612	1,0824	1,1041	1,1216	1,1487
United Kingdom	0,8647	0,8836	0,9101	0,9352	0,9567	0,9767	1	1,0261	1,0536	1,0821	1,1113	1,1187	1,1187	1,1187

Source: REGIO calculations

** As the presentation of the deflators veries from one Member State to another, the Commission made a number of calculations in order to present them in an homogeneous manner (year 2006 = 1)*

*** Lithuania only provided deflators until 2009*

Table 2 - Exchange rates used for the conversion of the additionality tables to EUR in non-eurozone Member States on 31/12/2005 (1 EUR = x national currency units)

	Exchange rate
Bulgaria	1,9558
Czech Republic	29,7840
Estonia	15,6466
Hungary	248,0500
Latvia	0,7028
Lithuania	3,4528
Malta	0,4293
Poland	4,0250
Romania	3,6200
Slovakia	239,6400
Slovenia	38,5930
United Kingdom	0,6845

Source: DG REGIO calculations