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(Information)

COURT OF AUDITORS

SPECIAL REPORT No 6/99**concerning the principle of additionality, together with the Commission's replies***(submitted pursuant to Article 248(4), second subparagraph, EC)**(2000/C 68/01)***CONTENTS**

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SUMMARY

Introduction

This report concerns the principle of additionality, which is one of the four main principles governing the Structural Funds. The Court has examined the verification of this principle for the 1989 to 1993 and 1994 to 1999 periods, for all the Structural Funds Objectives (1, 2, 3, 4, 5a, 5b and 6), in order to obtain an overall view of its implementation. Checks were carried out at the Commission and on the spot in Spain, Germany, France, Italy and the United Kingdom. Questionnaires were sent to the 15 Member States (see paragraphs 1 and 2).

Summary of the main findings

The main findings concerning the procedures for verifying additionality and their implementation at the Commission and in the Member States are as follows:

- (a) the principle of additionality, as defined in the regulations, allows differing interpretations by the Member States (see paragraph 4). The obligations in the regulations have not been backed up by sanctions or other consequences (see paragraph 6);
- (b) the procedures for verifying the principle are inadequate, difficult to use and not always observed (see paragraphs 7 to 11);
- (c) the division of responsibilities at the Commission for monitoring and checking has not been laid down (see paragraphs 12 to 13) and there is no coordination between the Directorates-General (DGs) involved (see paragraphs 14 to 17); these failings have hampered the work on the verification of additionality. Clauses suspending payments, because of the absence of information enabling the *ex ante* verification of the observance of the principle, have been used in an unsatisfactory and, on occasion, irregular way (see paragraphs 18 to 21);
- (d) work on the verification of additionality for the 1989 to 1993 period is still unfinished for certain Member States (see paragraphs 24 to 28). For the 1994 to 1999 period, it is difficult to establish whether the principle has been observed by some Member States, because of the methodological weaknesses affecting the data submitted (see paragraphs 29 to 38).

The main causes of the methodological difficulties in the verification of the principle of additionality are as follows:

- (a) the difficulties in determining the public structural expenditure, or comparable expenditure, to be taken into account, the incompleteness of the existing statistical and budgetary data and problems in identifying which expenditure headings to analyse and in compiling the data (see paragraphs 40 to 50);
- (b) the overlapping of the periods makes it difficult to compare expenditure during the programming period with a reference period. In fact, the actual programming period does not necessarily coincide with the calendar years under consideration, because of possible extensions to the period in order to fulfil commitments and the minimum extension of two years for making the payments, which always results in the simultaneous implementation of at least two periods. This overlapping of the periods therefore results in verifications being carried out on disparate elements and the impossibility of comparing the *ex ante* and on-going verifications (see paragraphs 51 to 57);
- (c) problems connected with comparing data from one period with the previous one and the influence of the starting point chosen for the reference period. Thus, the potentially eligible expenditure or the eligible areas may not be the same for the two periods, and certain special circumstances, such as privatisations, must be taken into account (see paragraphs 58 to 63);

- (d) expenditure is broken down geographically in proportion to the population or the surface area of the relevant zones, and this simplification leads to questionable results (see paragraphs 64 to 68).

Conclusions

The report's main conclusions are as follows:

- (a) the difficulties encountered are caused by the limited development of the principle in terms of concepts and methodology and the joint failure to find appropriate and effective procedures for verifying it (see paragraph 69);
- (b) the absence of any sanctions in cases where the Member States are in breach of their obligations has not encouraged them to observe the relevant provisions (see paragraph 70);
- (c) the identification of the structural assistance interventions in the eligible regions is unreliable, and this leads to the inclusion of a large number of estimates and hypotheses which are difficult to verify (see paragraphs 71 to 72);
- (d) verification of the principle of additionality is an exercise which is isolated from the on-going processes of monitoring and evaluation of the structural measures, which means that the work done by the Commission and the Member States is of little practical use (see paragraph 73);
- (e) deficiencies in the organisation and coordination of the Commission departments in this area have reduced the effectiveness of individual efforts (see paragraph 73);
- (f) for the new programming period, and in accordance with the relevant regulations, procedures for verifying additionality should be drawn up that are more workable, that are integrated into the programming, monitoring and evaluation frameworks and that are suitable for use with the budgetary and statistical information that is available. These data should be improved (see paragraphs 74 to 75).

INTRODUCTION

1. This report concerns the verification of the principle of additionality in the Structural Funds (SFs). The Court's checks concerned all the Objectives (1, 2, 3, 4, 5a, 5b and 6) and were carried out by means of an inspection of the Commission's files, questionnaires sent to the 15 Member States and meetings with the responsible bodies in Spain, Germany, France, Italy and the United Kingdom.

2. The operation of the SFs is based on four overall principles: concentration, partnership, programming and additionality. Additionality is designed to ensure that SF appropriations do not take the place of public expenditure by the Member State on structural or comparable projects in the whole of the territory eligible under an Objective ⁽¹⁾.

3. Since 1975, the concept of additionality has been the subject of numerous analyses. In Council Regulation (EEC) No 724/75 of 18 March 1975 ⁽²⁾ the view was already being expressed that 'the assistance of the European Regional Development Fund (ERDF) should not lead Member States to reduce their own regional development efforts but should complement these efforts' (11th recital). Since then, subsequent ERDF and SF regulations have attempted to give better and more precise definitions of the concept of additionality. Thus, Article 36 of Regulation (EEC) No 1787/84 on the ERDF ⁽³⁾ defined two kinds of additionality (specific or overall) and the choice between them was left to the Member States. During the reform of the SFs in 1988, overall additionality, by Objective and by Member State, was chosen. In 1993, and in response to the difficulties of implementing this principle, the concept was reformulated. Finally, in 1998, in its proposals for SF regulations for the period 2000 to 2006, the Commission submitted new guidelines ⁽⁴⁾.

4. In spite of the successive reformulations of the principle of additionality in each of the new SF regulations, it has always been defined in terms that allow differing interpretations by the Member States. Specifically, Article 9(2) of Regulation (EEC) No 4253/88 makes provision for taking account of 'the macroeconomic circumstances', 'a number of specific economic circumstances', 'an unusual level of public structural expenditure undertaken in the previous programming period' and 'business cycles in the national economy'.

5. The Commission attempted to make the contents of Article 9 more complete and precise by including a 'statement' in the minutes of the Council meeting held on 20 July 1993, at which the texts of the regulations governing the SFs were adopted. A statement of this kind is only binding on its author, but has made it possible to clarify certain points.

6. The Member States' obligations are defined in the Regulation as: to observe the principle of additionality, to ensure that struc-

tural expenditure is maintained and to provide the relevant information. However, there are no specific provisions on the consequences of failure to meet these obligations. In fact, the provisions on payments, on financial control and on reduction, suspension and cancellation of assistance concern decisions to grant aid under the heading of individual forms of assistance (operational programmes, global grants or major projects), whereas verification of additionality must be carried out at the general level of the Community support framework (CSF) ⁽⁵⁾.

PROCEDURES FOR VERIFYING ADDITIONALITY

7. Under the provisions of the regulations, the procedures for verifying additionality are supposed to be agreed between the Commission and the Member State concerned when the CSFs are drawn up. However, these procedures, which either merely refer to the provisions of the regulations or contain extremely brief rules of a standard type, were not always established in the various CSFs or single programming documents (SPDs) of Objectives 2 and 5b. Checks at the Commission and in the Member States showed that the verification procedures are insufficient to enable the principle to be verified.

8. These procedures should have been workable and adapted to the particular institutional, administrative and statistical systems of the Member States. The procedures laid down in the CSFs and the SPDs did not tackle the real methodological and practical difficulties already encountered during the previous period. Sometimes they state that the previous period's method is to be used, when in fact no method had been defined, or when it had proved inadequate. For certain Member States, the process of drawing up the CSFs/SPDs resulted in the presentation of incomplete tables or numerical data (see paragraphs 29 and 30).

9. The verification procedures consist of the obligation to send to the Commission on a regular basis global tables, covering all the regions and areas concerned, which include the final or provisional expenditure for the previous years and estimates and forecasts for future years. A table of this kind is difficult to verify without, on the one hand, a relevant breakdown of the data by region and by expenditure category and, on the other hand, a distinction between actual and forecast expenditure.

10. In a number of these procedures ⁽⁶⁾, if, in the Commission's opinion, there appears to be a risk that the respect of the principle of additionality is endangered the Commission may request that the Member State communicate, within a specified time, details of the measures it intends to take in respect of eligible

non-co-financed expenditure. The Commission will then decide, in accordance with the procedures laid down in the regulations, what measures it will take in respect of expenditure co-financed by the Structural Funds. However, the regulations do not lay down any procedures which allow the Commission to take measures. Moreover, in the absence of a precise legal basis, there is no definition of the nature and content of these possible measures. For these reasons, this provision has never been applied.

11. Information to enable monitoring of the principle of additionality has rarely been sent within the periods specified in the CSFs and the SPDs; for certain Member States and Objectives it has never even been sent (see paragraphs 32 to 35). In the specific cases of Objectives 2 and 5b, certain Member States stated that the verification procedures did not lay down any precise timetable for the sending of information.

IMPLEMENTATION AT THE COMMISSION

Allocation of responsibility for verification

12. Within the Commission, the division of responsibilities for monitoring and checking the observation of the principle of additionality does not appear to have been adequately laid down or formalised. Four Directorates-General (DG II, DG V, DG VI and DG XVI) have to deal with additionality issues, and within these directorates several departments are involved. Apart from a letter sent by the Secretary-General to the Member States on 6 August 1990, explaining that the tables must be sent to the DGs in charge with a copy to DG II (Economic and financial affairs), there is no Commission document which sets out clearly the division of responsibility between its departments.

13. The DGs in charge of each Objective are those responsible for the management, and DG II plays an advisory role, owing to its expertise in the economic sphere. It is supposed to receive the reports sent by the Member States via the DGs in charge, and is responsible for examining these documents and sending its conclusions to the relevant DGs. This arrangement is not very effective. The fact is that DG II carries out analyses, makes proposals and requests modifications to certain decisions or to the supplementary information, which are not always accepted, because, formally, it does not engage in dialogue with the Member States or react directly to them. DG II was not called on to participate in the additionality verification exercise for Objectives 3 and 4 for the 1994 to 1999 period because of the methodology adopted by DG V. This methodology was based on samples and takes into account the Objective 1 regions, for which the monitoring of additionality is carried out within the framework of the Objective 1 CSFs.

Coordination

14. At DG VI (Agriculture), few arrangements were made for verifying additionality. DG VI is of the opinion that the respon-

sibility for verifying additionality lies with DG II, since it does not possess the necessary technical expertise to carry out this task. For several Member States, DG VI was not able to provide any documents on the verification of additionality.

15. At DG XVI (Regional policy and cohesion), a horizontal department is responsible for monitoring the principle of additionality which relies, as far as technical aspects are concerned, on the work carried out by DG II. However, this department is not always informed of contacts between the geographical units and the Member States. These deficiencies in coordination between the horizontal department, the geographical units and DG II result in documents being dispersed around several units and in several different people communicating with the Member States. This situation makes partnership with the Member States difficult, and also makes it hard to obtain an overall view of the issue.

16. At DG V (Employment, industrial relations and social affairs), in spite of the checks concerning Objectives 3 and 4 of the European Social Fund (ESF) carried out in 1996 by the Court (7), the situation remains unsatisfactory. The results of the audit of the observance of additionality for Objectives 3 and 4 for the 1990 to 1993 period, carried out by the 'Audit and inspection' sector of the financial unit of DG V, were very disappointing: for seven Member States (B, EL, E, IRL, I, NL and UK) it was not possible to complete the exercise and nothing has been done to rectify this situation (see paragraph 28). With regard to the 1994 to 1999 period, where the geographical units did receive information, it was not subjected to much examination.

17. Under these circumstances, there were serious failures of coordination in all the DGs involved. The files are very incomplete and dispersed, making it very difficult for the Commission administrators to know what the situation is. Interdepartmental discussions and discussions with the Member States were often informal, so that the results were not recorded in the files. Some Commission departments asked Member States for information which had already been provided to other Commission departments and which had obviously not been circulated. In order to obviate these problems, one Member State decided to send information to all the officials who might possibly be responsible for the file by post and by e-mail.

Suspensive clauses

18. The use of suspensive clauses gives a clear illustration of the consequences of this lack of coordination. This kind of clause provides for the automatic suspension of payments after the first advance if the relevant information needed for *ex ante* verification of additionality has not been provided by the Member State. The Commission inserted them in decisions granting assistance as a means of exerting pressure. This is not a case of the application of Article 24 of Regulation (EEC) No 4253/88, which is supposed to govern the suspension of payments, but of a procedure

lacking any procedures or fixed criteria stating when these clauses are to be inserted and applied. Thus, clauses of this kind have been employed for Objectives 2 and 5b, but not for the other Objectives, although there are factors which might also, in some circumstances, have justified their insertion. In the case of some Member States, these clauses were inserted in some regional SPDs, although additionality must be measured at the level of the entire group of regions to which an Objective applies. The Commission justified this practice as necessary to avoid penalising regions which had provided the information required, but it resulted in unequal treatment between Member States.

19. In many Member States the verification of additionality for Objectives 2 and 5b was carried out by the same departments, using identical approaches and sources. However, suspensive clauses were only used for one or the other Objective. The only explanation to be found for this lies in purely formal aspects and in the fact that the DGs in charge and their counterparts in the Member States differ.

20. The lifting of these clauses has not always been the subject of formal procedures. This decision was communicated, on only one occasion, to the relevant Member State by means of a letter from the Commissioner responsible, which was accompanied by the amended verification procedures and the corresponding tables. On other occasions, the lifting of the clause was communicated by means of a letter from the Director-General. On some occasions, there was no written communication.

21. Since in the case of multifund assistance there is a single decision to grant assistance covering all the Funds, the suspensive clauses obviously apply to all of them. However, the lack of coordination and the absence of appropriate monitoring and financial control in respect of the files resulted in the payment of approximately ECU 140 million before the lifting of the suspensive clauses. The payments in question concern the ERDF (ECU 4,3 million), the EAGGF Guidance (ECU 2,7 million) and the ESF (ECU 133,5 million) for Objective 2 (ECU 42,4 million for the 1994 to 1996 period and ECU 87,8 million for the 1997 to 1999 period) and Objective 5b (ECU 10,3 million). The majority of the files involved are the responsibility of DG V, which ought to have monitored the suspensive clauses even though it is not in charge of these Objectives. Despite the existence of suspensive clauses, all the eligible requests for payments from the ESF submitted by the Member States concerned were granted, revealing the weaknesses of the control procedures used.

Procedures

22. As a general rule, the Commission does not send the national authorities involved the results of its analyses of the documents sent by the Member States. There is no procedure laid down to cover this point. If the information is judged to be insufficient, the Commission sometimes asks the Member State for additional information. If the information is judged to be satisfactory, the Member State is not always informed of the fact. The national authorities are very often unaware of the status of a file on which

they have had to do a lot of work⁽⁸⁾. On the other hand, the absence of a reaction from the Commission does not necessarily mean that it considers the information to be correct. It may happen that this lack of reaction is simply because of the lack of any analysis by the Commission. In cases where the SFs are managed by the regional SPDs and not by a CSF, the absence of a Monitoring Committee at national level has made contact between the Commission and the Member States more difficult. For Objective 1, this concerns France and the United Kingdom, for Objective 2, all of the Member States except Spain are concerned and for Objective 5b, all of the Member States are concerned.

THE STATE OF PROGRESS OF WORK ON THE VERIFICATION OF ADDITIONALITY

Introduction

23. The Commission has issued very little information on the state of progress of the work that has been carried out with the aim of verifying the observance of the principle of additionality. All that is available is a communication to the Consultative Committee on the development and conversion of regions⁽⁹⁾, a single annual report on additionality from 1990 to 1993, concerning Objectives 3 and 4⁽¹⁰⁾ and a few paragraphs in the annual reports on the SFs. These paragraphs are very brief and sometimes include incorrect information. For example, the 1995 annual report⁽¹¹⁾ states that 'Objective 5b was the only Objective for which it was possible to confirm in 1995 that additionality had been observed in all Member States'. However, most Member States have not carried out any *ex post* verification operation concerning this Objective, and, moreover, have not been asked to do so by the Commission⁽¹²⁾.

The 1989 to 1993 period

24. Work on the *ex post* verification of the observance of the principle of additionality for the 1989 to 1993 period is still unfinished for certain Member States. The extremely long periods over which data collection, processing and forwarding, and the Commission's examination, the discussions and exchanges of letters were spread have led to a gradual loss of interest on the part of the Member States and the Commission in this exercise, which is required by the regulations. In addition, the fact that the results have not been formally stated or published makes knowledge of the state of progress in each Member State and on each Objective impossible.

25. For Objective 1, two of the Member States (F and UK) out of the seven involved (EL, E, F, IRL, I, P and UK) have not even begun *ex post* verification. In the case of the others, the Commission has accepted, although not without difficulty and occasionally with reservations (EL), the data and results submitted by the Member States (in some cases extremely late — Italy in 1997). In Germany, no verification was carried out for the 1991 to 1993 period on account of the special circumstances of the new *Länder*.

26. For Objective 2 (B, DK, D, E, F, I, L, NL and UK), the situation is less certain. Three Member States have not sent in the data (F, L and UK), and for three others the data sent were inadequate. The Italian authorities did not send in information on the year 1988 until May 1999.

27. The Commission has not taken any concrete steps to carry out an *ex post* verification of the observance of additionality for Objective 5b. The only analyses carried out concern the calculations of the baseline for the 1994 to 1999 period. Only one Member State (E) has sent, of its own initiative, final data to the Commission, but has received no reply.

28. For Objectives 3 and 4, the Commission published a report ⁽¹³⁾ in 1995 setting out the results of an audit it had carried out on the data provided by the Member States, which was, in the majority of cases, insufficient ⁽¹⁴⁾. The 12 Member States were examined, even though for the three to whom Objective 1 applied additionality was verified within the framework of the CSF for this Objective. The Commission concluded that the principle of additionality was being observed in four countries (D, F, L and P), was less sure in three other countries (DK, I and NL) and stated that the principle had not been observed at all in the five remaining countries (B, EL, E, IRL and the UK). This situation has still not been monitored and the process of verifying additionality has therefore not been completed.

The 1994 to 1999 period

29. At the beginning of the 1994 to 1999 period, the initial results of the *ex ante* verifications were set out in the majority of the CSFs/SPDs, in varying degrees of detail. In many cases the data needed were sent by the Member States only a few days before the approval of the CSFs/SPDs, or afterwards. For example, the *ex ante* verification of Objective 2 for 1994 to 1996 for Luxembourg was only carried out during the summer of 1998.

30. The Commission carried out the *ex ante* analyses on the basis of the tables sent in by the Member States. Usually these tables had been created by putting together many items of data relating to regions, sectors and other units. Their reliability can only be properly evaluated if their sources and the methods used to draw them up are known, which is not often the case. The lack of the methodology and tools needed to examine the validity of the results obtained by the Member States leaves the Commission no alternative but to accept the conclusions reached by the national authorities.

31. Tables 1 and 2 show the annual average expenditure on development in the Objective 1 regions as given in the CSFs/SPDs. The extreme variations that can be seen in these tables could, in some cases, be the result of the quality and the quantity of the information transmitted by the Member States. Thus, for example, according to the data submitted by the Member States for the 1994 to 1999 period, the SFs financed 39,7 % of the ECU 919,9 million of government expenditure connected with the development of the French Objective 1 regions, whereas for the German regions, this percentage was apparently 4,5 % of the ECU 50 646 million.

It turned out that the methodology used by these Member States resulted in underestimating the expenditure connected with regional development in France, and overestimating it in Germany. However, given the lack of homogeneity in the data submitted by the Member States and the fact that the Member States have varying socio-economic circumstances and priorities, it is difficult to draw conclusions from such comparisons.

32. The on-going verifications were not carried out in the same way for all the Objectives. For Objectives 1 and 6, all the Member States except France converted their tables of expenditure to current values, although the updatings were carried out after long delays.

33. For Objective 2, 1994 to 1996, the on-going verifications were not carried out until the *ex ante* verifications for the 1997 to 1999 period. Serious problems were posed by transfers of assistance between the two periods, their overlapping and their relatively short duration, and these have not yet been resolved. It is doubtful whether two separate *ex post* verifications, for 1994 to 1996 and 1997 to 1999, are feasible, and some Member States intend to carry out just one verification. The only advantage of this would be to gain some time pending the necessary methodological reflections on the root of the problem.

34. With regard to Objectives 3 and 4, checks made with the managers at DG V revealed failures to observe the timetables set in the SPDs for sending in data. Several Member States had not sent in any data at all. Following these checks, the Commission reminded some Member States of their obligation to carry out the on-going verifications for which provision had been made.

35. Four Member States (B, DK, F and L) had not carried out the on-going verifications for Objective 5b. The Italian authorities only did so at the end of 1998. Verification of additionality for Objective 5a poses particular problems, since its implementation procedures are different from those of the others. Specifically, Community financing of the measures provided for in Regulations (EEC) No 2328/91 ⁽¹⁵⁾ and (EC) No 950/97 ⁽¹⁶⁾ is carried out through the refunding of expenditure effected, and not through the use of an SPD. It was not until 1995 that the Commission began discussing with the Member States the procedures for verifying additionality for this Objective. These discussions have not yet resulted in agreement on a suitable methodology.

36. It is difficult to establish whether the principle of additionality has been observed by some Member States for the 1994 to 1999 period. When the relevant CSFs were adopted, two Member States (D and E) indicated that they could not guarantee they would maintain their structural expenditure at the same level as during the previous programming period, because of circumstances which permit observance of the principle of additionality to be waived, as laid down in Article 9(2) of Regulation (EEC) No 4253/88 (see paragraph 4). If one or more Member States cannot ultimately maintain the same level of expenditure, they will be inclined to make use of the derogations allowed for in the Regulation.

Table 1

Development expenditure in the Objective 1 regions according to the *ex ante* verifications carried out within the context of the CSFs or SPDs

(in million ECU, 1994 prices)

Country	Annual average 1989 to 1993						Annual average 1994 to 1999					
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion ⁽³⁾	Structural Funds/Public (%)	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion ⁽³⁾	Structural Funds/Public (%)
	1	2	3	4=2+3	5=1-2	6=2/1	1	2	3	4=2+3	5=1-2	6=2/1
France	724,40	243,90	247,60	491,50	480,50	33,67	919,90	365,10	331,50	696,60	554,80	39,69
Spain	14 545,00	2 023,00	1 979,00	4 002,00	12 522,00	13,91	18 933,00	4 385,00	2 124,00	6 509,00	14 548,00	23,16
Ireland	2 077,40	917,70	588,50	1 506,20	1 159,70	44,18	2 507,60	936,60	389,30	1 325,90	1 571,00	37,35
Belgium	847,84	26,13	32,90	59,03	821,71	3,08	1 047,62	121,66	130,64	252,31	925,96	11,61
Greece	6 730,00	1 649,00	1 134,00	2 783,00	5 081,00	24,50	7 644,00	2 330,00	1 183,00	3 513,00	5 314,00	30,48
Portugal	5 564,00	1 782,00	1 054,00	2 836,00	3 782,00	32,03	6 988,00	2 330,00	1 012,00	3 342,00	4 658,00	33,34
Italy	16 628,95	1 706,26	1 814,65	3 520,91	14 922,69	10,26	19 806,28	2 476,65	2 930,39	5 407,04	17 329,63	12,50
Germany ⁽¹⁾	49 609,00	1 081,00	1 764,00	2 845,00	48 528,00	2,18	50 646,00	2 273,00	1 722,00	3 995,00	48 373,00	4,49
The Netherlands					125,50						164,60	
Austria ⁽²⁾					169,87		210,53	33,12	47,89	81,01	177,41	15,73
United Kingdom	1 822,00	303,30	260,10	563,40	1 518,70	16,65	2 083,10	393,50	282,70	676,20	1 689,60	18,89

⁽¹⁾ For Germany the data in the first section concern the period 1991 to 1993.⁽²⁾ For Austria the data in the first section concern the period 1993 to 1994 and those in the second section concern the period 1995 to 1999.⁽³⁾ Observance of the principle of additionality is measured by comparing these two columns.

Table 2
Development expenditure in the Objective 1 regions according to the *ex ante* verifications carried out within the context of the CSFs or SPDs ⁽¹⁾

(in million ECU, 1994 prices)

BELGIUM	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	239,3	3,9	6,6	10,5	235,5	307,4	23,0	30,7	53,7	284,4
2. Human resources	492,8	13,5	15,6	29,1	479,3	573,0	42,3	42,0	84,2	530,8
3. Productive environment	115,4	8,7	10,7	19,4	106,7	165,9	55,8	57,3	113,1	110,2
4. Other	0,3	0,0	0,0	0,0	0,3	1,3	0,6	0,6	1,3	0,6
Total	847,8	26,1	32,9	59,0	821,7	1 047,6	121,7	130,6	252,3	926,0

GERMANY	Annual average 1991 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	15 415,0	0,0	0,0	0,0	15 415,0	11 758,0	184,0	171,0	355,0	11 574,0
2. Human resources	27 149,0	324,0	549,0	873,0	26 825,0	22 410,0	710,0	510,0	1 220,0	21 700,0
3. Productive environment	5 598,0	757,0	1 215,0	1 972,0	4 841,0	10 981,0	1 328,0	1 018,0	2 346,0	9 653,0
4. Other	1 447,0	0,0	0,0	0,0	1 447,0	5 497,0	51,0	23,0	74,0	5 446,0
Total	49 609,0	1 081,0	1 764,0	2 845,0	48 528,0	50 646,0	2 273,0	1 722,0	3 995,0	48 373,0

GREECE	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	3 200,0	611,0	507,0	1 118,0	2 589,0	3 500,0	1 068,0	658,0	1 726,0	2 432,0
2. Human resources	1 706,0	404,0	226,0	630,0	1 302,0	2 120,0	574,0	191,0	765,0	1 546,0
3. Productive environment	1 589,0	532,0	319,0	851,0	1 057,0	1 764,0	647,0	308,0	955,0	1 117,0
4. Other	235,0	102,0	82,0	184,0	133,0	260,0	41,0	26,0	67,0	219,0
Total	6 730,0	1 649,0	1 134,0	2 783,0	5 081,0	7 644,0	2 330,0	1 183,0	3 513,0	5 314,0

SPAIN	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	8 604,0	1 092,0	1 084,0	2 176,0	7 512,0	11 123,0	1 772,0	1 124,0	2 896,0	9 351,0
2. Human resources	3 427,0	465,0	274,0	739,0	2 962,0	4 036,0	1 267,0	438,0	1 705,0	2 769,0
3. Productive environment	2 514,0	466,0	621,0	1 087,0	2 048,0	3 733,0	1 315,0	552,0	1 867,0	2 418,0
4. Other	0,0	0,0	0,0	0,0	0,0	41,0	31,0	10,0	41,0	10,0
Total	14 545,0	2 023,0	1 979,0	4 002,0	12 522,0	18 933,0	4 385,0	2 124,0	6 509,0	14 548,0

FRANCE	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	266,8	75,8	102,5	178,3	191,0	305,6	101,6	112,5	214,1	204,0
2. Human resources	231,8	69,3	66,3	135,6	162,5	260,0	99,1	73,2	172,3	160,9
3. Productive environment	165,2	76,7	77,0	153,7	88,5	256,7	124,7	104,4	229,1	132,0
4. Other	60,7	22,2	28,9	51,1	38,5	97,6	39,7	41,4	81,1	57,9
Total	724,5	244,0	274,7	518,7	480,5	919,9	365,1	331,5	696,6	554,8

IRELAND	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	762,2	205,5	133,5	339,0	556,7	1 121,2	184,8	130,0	314,8	936,4
2. Human resources	731,7	361,8	245,8	607,6	369,9	833,4	411,6	138,0	549,6	421,8
3. Productive environment	565,0	339,0	202,1	541,1	226,0	499,0	305,2	105,5	410,7	193,8
4. Other	18,5	11,4	7,1	18,5	7,1	54,0	35,0	15,8	50,8	19,0
Total	2 077,4	917,7	588,5	1 506,2	1 159,7	2 507,6	936,6	389,3	1 325,9	1 571,0

ITALY	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	11 563,7	650,6	792,9	1 443,5	10 913,1	11 261,6	736,7	978,0	1 714,7	10 524,9
2. Human resources humaines	1 460,0	419,6	234,5	654,1	1 040,4	2 060,9	530,7	280,7	811,4	1 530,2
3. Productive environment	2 409,0	630,2	783,1	1 413,3	1 778,8	6 029,0	1 194,6	1 665,4	2 860,0	4 834,4
4. Other	1 196,3	5,8	4,2	10,0	1 190,5	454,8	14,6	6,3	20,9	440,2
Total	16 629,0	1 706,3	1 814,7	3 520,9	14 922,7	19 806,3	2 476,7	2 930,4	5 407,0	17 329,6

THE NETHERLANDS	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure										
2. Human resources										
3. Productive environment										
4. Other										
Total	125,5				125,5					164,4

AUSTRIA	Annual average 1993 to 1994					Annual average 1995 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	107,1				107,1	97,7	6,6	11,5	18,0	91,1
2. Human resources humaines	23,1				23,1	36,6	8,6	10,1	18,7	28,0
3. Productive environment	39,7				39,7	74,6	17,1	25,5	42,6	57,4
4. Other	21,6				0,0	1,6	0,8	0,8	1,7	0,8
Total	191,4				169,9	210,5	33,1	47,9	81,0	177,4

PORTUGAL	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	3 258,0	518,0	458,0	976,0	2 740,0	4 320,0	691,0	421,0	1 112,0	3 629,0
2. Human resources	1 114,0	582,0	274,0	856,0	532,0	1 173,0	685,0	220,0	905,0	488,0
3. Productive environment	1 005,0	649,0	311,0	960,0	356,0	1 277,0	832,0	320,0	1 152,0	445,0
4. Other	187,0	33,0	11,0	44,0	154,0	218,0	122,0	51,0	173,0	96,0
Total	5 564,0	1 782,0	1 054,0	2 836,0	3 782,0	6 988,0	2 330,0	1 012,0	3 342,0	4 658,0

UNITED KINGDOM	Annual average 1989 to 1993					Annual average 1994 to 1999				
	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF- SPD contribution	Public total, net of the Structural Funds contribu- tion	Public (national + EC)	Structural Funds (CSF - SPD)	National counterpart	CSF - SPD contribution	Public total, net of the Structural Funds contribu- tion
	1	2	3	4=2+3	5=1-2	1	2	3	4=2+3	5=1-2
1. Infrastructure	768,9	84,4	81,4	165,8	684,5	952,8	111,8	63,6	175,4	841,0
2. Human resources	405,6	106,8	74,9	181,7	298,8	480,4	149,1	111,3	260,4	331,3
3. Productive environment	611,5	87,8	91,3	179,1	523,7	631,7	118,8	103,4	222,2	512,9
4. Other	36,8	24,3	12,5	36,8	12,5	18,2	13,8	4,4	18,2	4,4
Total	1 822,8	303,3	260,1	563,4	1 519,5	2 083,1	393,5	282,7	676,2	1 689,6

(¹) The breakdown of expenditure by category is shown for information only, as additionality is measured globally.

37. The 1994 to 1999 period was affected by the general environment of reductions in budget deficits. *Table 3* shows the trend in the gross-fixed capital formation of governments, which is a good indicator of the trend of government investment expenditure. This dropped considerably in most Member States and, as a whole, fell from 3 % of GDP in 1991 and 1992 to 2,7 % in 1994 and to 2,1 % in 1998. This is due, in part, to privatisations in the fields of transport, energy and telecommunications. It should be noted that expenditure is measured in absolute terms for the calculations made to verify additionality and that economic growth is thus not taken into account.

38. The trend of expenditure on active measures to promote employment could be used as an indicator, in particular in the context of verifying additionality for Objectives 3 and 4. For the period 2000 to 2006, this expenditure will be the basis for verification work on the newly defined Objectives 2 and 3. However, as it has few statistical data at its disposal, the Commission makes use of data published by the OECD. The Commission plans to create a database, expected to become operational during the year 2000, to improve the quality, reliability and comparability of data on employment policies. In addition, the trend in expenditure in connection with active measures depends to a great extent on unemployment rates. On the one hand, a considerable reduction in unemployment may cause a substantial drop in expenditure on active employment policies, as has been seen in Finland in the context of Objectives 3 and 4. On the other hand, an increase in the unemployment rate may also lead to a reduction in expenditure connected with active measures, because of their replacement by passive measures, as has been seen in the new German *Länder*.

DIFFICULTIES DETECTED AND THEIR CAUSES

Introduction

39. Analyses of the Commission's files, on-the-spot visits and answers to questionnaires reveal numerous methodological difficulties. There are several reasons for this: the absence of a theoretical basis for the principle, which would have enabled a precise methodological framework well known to all the participants to be built up; verification procedures which were unsuitable for the particular circumstances of the Member States and for the information available; hastily carried out *ex ante* verifications and failure to examine critically the problems encountered for the 1989 to 1993 generation. In addition, the information needed for the verification of the principle of additionality, notably for Objectives 2 and 5b, is collected from numerous sources of various kinds, which are not always reliable or recent. The result of this is that too many estimates and hypotheses are included. The difficulties observed by the Court demonstrate the need to make the work done to verify additionality clearer, simpler and more effective.

Table 3

Government investment expenditure (gross-fixed capital formation of governments, as % of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
B	1,4	1,4	1,3	1,5	1,6	1,4	1,2	1,4	1,5
DK	2	1,9	2,3	2,2	2	1,9	2,1	2	1,8
D	2,2	2,5	2,8	2,5	2,4	2,2	2	1,8	1,8
EL	2,8	3,2	3,5	3,1	3	3,2	3,1	3,4	3,8
E	5	4,9	4	4	3,9	3,7	3	2,9	2,9
F	3,3	3,4	3,4	3,3	3,2	3,1	2,8	2,8	2,7
IRL	2,1	2,2	2	2,2	2,3	2,4	2,4	2,3	2,5
I	3,3	3,3	3	2,6	2,3	2,2	2,3	2,3	2,5
L	5,4	4,9	5,5	5,4	4,4	4,7	4,8	4,7	5,4
NL	2,7	2,7	2,8	2,7	2,7	2,7	2,6	2,7	2,6
A	3,2	3,3	3,3	3,2	3,2	3	2,8	2	2
P	3,4	3,5	3,9	4	3,6	3,7	4,1	4,2	4,2
FIN	3,6	3,7	3,5	2,8	2,8	2,6	2,7	2,8	2,5
S	3	3	2,9	1,1	3,1	2,9	2,1	2,5	1,4
UK ⁽¹⁾	2,3	2,1	2,1	1,9	1,8	1,8	1,3	1,1	1,2
EU-15	2,9	3	3	2,8	2,7	2,6	2,4	2,2	2,1

⁽¹⁾ Budget year.

Source: COM(98) 682 final of 2 December 1998.

Expenditure to be taken into account and compiling the data

40. It is not easy to determine the public structural expenditure, or comparable expenditure, which is to be taken into account. The relevant expenditure is that which, by its nature and purpose, is capable of being co-financed by the SFs, including expenditure which has not been co-financed in this way (). For this reason, it is theoretically necessary to identify all the expenditure which is potentially eligible under the relevant Objective ⁽¹⁸⁾.

41. In practice, some of the tables submitted look more like an attempt to demonstrate capacity to spend Community assistance or to prove the existence of the co-financing than a verification of additionality. There are cases where the expenditure to which *ex ante* additionality applies which was taken into account is more or less identical to that in the SPD's financing plan. In several countries, in the context of Objectives 3 and 4, only co-financed expenditure is analysed.

42. The expenditure to be taken into account is expenditure by the national, regional or local government administration, or by bodies carrying out a public service function, whether they are public, semi-public or para-public or, where relevant, by private undertakings.

43. No Member State has been able to identify all of the sums spent by these administrations, bodies and undertakings. Expenditure by the relevant private undertakings ⁽¹⁹⁾ is very rarely taken into account despite its increasing importance within the context of SF financing and investment in infrastructure. The extent to which expenditure by public bodies and undertakings is taken into account varies. In some cases it has been excluded completely, while in others significant efforts have been made to try to identify and evaluate it.

44. As far as public administrations are concerned, the majority of the Member States have encountered difficulties in obtaining complete data on expenditure at the local level. In several cases, it was not taken into account at all, in spite of its size. Sometimes, only expenditure carried out at a central or regional level was identified. For Objectives 3 and 4, many Member States only take into account central government expenditure.

45. Identifying the expenditure headings to analyse also poses problems. For Objective 1, the Commission proposed in 1993 a list of functional categories of expenditure based on the United Nations statistical classification (COFOG). In fact, though, there is no Member State which compiles information on additionality on the basis of the available statistics. It is done instead on the basis of budgetary data, which are classified in a different way. Identifying the relevant expenditure is a difficult task, which has to be carried out on a case-by-case basis.

46. If the budgetary expenditure of central government is compared with that of the regions and other bodies, it can be seen that the same expenditure may be recorded several times, particularly in the case of subsidies and transfers from one public administration to another. Only a consolidated public administration's account could prevent them being counted twice ⁽²⁰⁾.

47. For Objectives 2 and 5b, the expenditure headings chosen are in some cases identical; in other cases they are similar and occasionally they are totally different. Because of the regional nature of Objectives 2 and 5b and the national nature of Objectives 3 and 4, double counting of expenditure also occurs frequently. In addition, cases occur where expenditure which should not have been taken into account is included in the analyses. In Germany, for Objective 1, unemployment benefit was treated as structural assistance.

48. It is almost impossible to identify all of the relevant expenditure ⁽²¹⁾. For this reason, all the Member States have introduced simplifications. However, the rationale for these simplifications is not always economic, but is based on the availability of data, with the result that a consistent approach cannot be guaranteed.

49. For example, the French authorities only took into account expenditure recorded in national plan contracts between the State and the regions. In the SPD No 1, they undertook to transmit to the Commission, before 31 December 1994, a new indicative financial table including an estimation of all of the public expenditure eligible for the SFs, based on significant information covering most of the expenditure at stake in the eligible areas. This table would then be used as the basis of the monitoring of additionality. It has not yet been sent.

50. In the case of Objectives 3 and 4, the Commission had already acknowledged the difficulty, or even the impossibility, of establishing all of the expenditure in the ESF's sphere of intervention ⁽²²⁾. For this reason, it decided to take a representative sample of bodies as a basis for the period 1994 to 1999. However, since its underlying hypotheses were not confirmed, this approach does not enable the observance of additionality to be verified correctly, because comparisons are made between dissimilar elements. In fact, assistance in the field of Objectives 3 and 4 is especially variable, being dependent in particular on the business cycle, and it was not stable during the two periods under comparison. In addition, choosing the bodies which are among the largest beneficiaries of the Social Fund produces results more relevant to the verification of co-financing than of additionality.

Overlapping of periods

51. Another major difficulty concerns the overlapping of periods. The verification of additionality must in fact enable the expenditure trend during the programming period to be

compared with a reference period. But the actual programming period does not necessarily coincide with the calendar years taken into consideration. In fact, in addition to possible extensions to the period in order to fulfil commitments, there is a minimum extension of two years for making the payments, which always results in the simultaneous implementation of at least two periods.

52. If the aim is to match up the payments with the programming period to which they belong, it is necessary to wait for at least two more years, and also to make numerous additional adjustments in order to charge expenditure which was completed after the calendar years to which the relevant CSF refers. This method would be possible as far as co-financed expenditure is concerned, but it does not solve the problem of non-co-financed expenditure, which must also be taken into account.

53. The other possibility is to deal only with expenditure during the calendar years under consideration, without reference to which CSF each item belongs to. This approach is a pragmatic one, but it departs from the rationale behind the operation of the SFs. This second option was chosen by the Commission in 1996, when some Member States had adopted the first approach.

54. However, the *ex ante* verifications for the 1994 to 1999 period and the tables included in the corresponding CSFs/SPDs assumed that final payments for all the appropriations would be made during these years. This hypothesis was unrealistic in the light of the implementing provisions of the Funds. As a result, the *ex ante* verifications of additionality were based on an illogical premise. It should be noted that numerous measures from the 1989 to 1993 period have not yet been closed, that there have been delays with regard to the 1994 to 1996 period for Objective 2 which have resulted in large amounts of the Funds being transferred to the 1997 to 1999 period, and that the majority of measures for the 1994 to 1999 period will not be closed until 2002.

55. Most Member States analyse national expenditure on the basis of payments. Other Member States, such as France and Belgium, use budgetary commitments, at either the forecast or implementation stage.

56. Paradoxically, one of the weakest aspects of additionality calculations are the figures established for expenditure under the CSFs/SPDs, both with regard to the SFs and their national counterparts. Several Member States merely set out in the various tables the SF financing plans and those of their national counterparts as submitted in the CSFs/SPDs.

57. The *ex ante* and on-going verifications were therefore carried out on the basis of very disparate items of data which could not easily be compared. For the years that have already been closed, payments are still mixed together with forecasts or commitments.

Starting point and comparability of data

58. A key factor in the verification of additionality is the starting point. The structural expenditure trend for a period must be compared with the previous situation. For the 1989 to 1993 period, the Member States were left to choose between the 1987 to 1988 period or the average of these two years. Leaving it up to the Member State to choose the reference period, when the various results are already known, does not seem very well advised. In certain cases, such as Objective 2 in the Netherlands or Objectives 3 and 4 in France, the choice of reference period may be decisive, in that one may oblige the auditor to conclude that the principle has not been abided by and the other may have the opposite effect.

59. For the 1994 to 1999 generation, the reference period used is the previous one, except for the new Member States, which were able to decide on a period during the *ex ante* verification. For Objective 6 in the 1995 to 1999 generation, the reference periods chosen by Sweden and Finland were 1991 to 1992 and 1993 respectively.

60. One difficulty concerns the comparison of data from one period with data from the previous one, for the potentially eligible expenditure in one period is not necessarily the same as that for the previous period, when changes in the provisions of the regulations are taken into account. The same is true of the eligible regions and areas. To make it possible to make reliable comparisons the tables must be adjusted to the new circumstances; for example, the tables for the 1989 to 1993 period must be recalculated, taking into account the newly-eligible areas and categories of expenditure.

61. There are cases where, within the context of the new definition of Objective 4, expenditure categories for this Objective were included in the data for the 1994 to 1999 period but were ignored for the previous period. The result of this is an artificial increase in expenditure ⁽²³⁾. The same phenomenon occurs frequently in other Objectives for certain expenditure categories.

62. Privatisations are one of the specific economic circumstances which must be taken into account within the context of additionality. Several verification procedures provide that the national authorities are to notify the Commission of any partial or total privatisation so that, working in partnership, they may establish, on a case-by-case basis, the procedures for taking account of them. Little use has been made of these provisions. As a general rule, and in spite of the size of the privatisation phenomenon, few concrete steps have been taken to ensure that the bases for comparison are homogeneous. In most cases, verifications have continued to be carried out as if nothing had changed, in the absence of a precise methodological framework. In other cases, the Commission left it up to the Member States to choose between excluding or including the relevant expenditure in the tables for the two periods. In cases where this expenditure has decreased, it is entirely in the interest of the Member State, which is already aware of the results, to exclude it. Given the significance of the areas involved (telecommunications, energy, etc.), this step alone may bring

about a substantial change in the final result. It should also be noted that the private sector is, to an increasing extent, taking over investments which were traditionally the responsibility of the public sector ⁽²⁴⁾. This phenomenon has not been taken into account for the comparisons either.

63. The significant efforts made by several Member States to improve their methodology in recent years have not always been accompanied by adjustments in respect of previous years, in particular the reference period, because of the complexity and cost of doing so. For this reason, it is difficult to make correct comparisons, and extrapolations and estimates have had to be made.

Geographical breakdown of expenditure

64. For the geographical breakdown of expenditure, taking into account the difficulty of identifying it by eligible area under Objectives 2 and 5b, the Commission has agreed to a pragmatic approach, which involves allocating regional or even national expenditure to the relevant areas mainly in proportion to their population or their surface area. This method compromises the reliability of the verification of the principle of additionality within the context of Objectives 2 and 5b.

65. The starting hypothesis is that structural expenditure is divided equally between the eligible and non-eligible areas. This is a simplification which, of necessity, gives rise to overestimates or underestimates and thus makes it impossible to determine whether, in the eligible areas, the SFs have replaced any national expenditure or not.

66. The estimates made in allocating expenditure to the eligible areas give results which are on occasion highly debatable: in France, the method used results in the expenditure of one eligible area being higher than that of the whole region for some categories; in the United Kingdom, the breakdown of rural expenditure over a mainly urban population results in the allocation to certain areas of expenditure lower than that of the SPD on its own; in Italy, the expenditure is broken down globally, on the basis of the eligible population for the 1994 to 1999 period, and not region by region; moreover, for Objective 5b, it is compared to the expenditure for the 1989 to 1993 period, calculated on the basis of the eligible population for that period, which was, in the main, smaller.

67. Some confusion concerning the eligible regions and areas has also been detected. In Italy, expenditure for two areas which were not eligible under Objective 2 (Trento and Bolzano) was included. For Objective 5b for the 1994 to 1999 period, the regions examined initially were those which had been eligible in the previous period.

68. The treatment of Community initiatives and other Community measures also poses many problems. The *ex ante* verifications

have not dealt with this important issue. Few Member States, with the exception of those which are eligible in their entirety under Objective 1, took Community initiatives into account. While it is true that identifying these initiatives and breaking them down on a geographical basis cannot easily be done, the majority of the Member States simply ignored the issue. As a result, assistance which comes under this type of programme is classified as being wholly nationally financed, so that the Member State's structural assistance is artificially inflated. In addition, in two Member States (F and UK), Community initiatives were duly taken into account for the reference period (1989 to 1993), but not for the period subject to verification (1994 to 1999), further distorting the results.

CONCLUSION

69. Although the principle of additionality (non-replacement of national expenditure by Structural Funds appropriations) is relatively clear, considerable difficulties have been encountered in its application in practice because of the limited development of concepts and methodology relating to its content. The partnership between the Commission and the Member States has not succeeded in finding effective procedures for verifying the principle of additionality. In short, it is necessary for the content of the principle of additionality to be properly established by seeking appropriate, fixed methodology which would make verification of the principle feasible. Furthermore, the Commission ought to provide itself with the tools needed to analyse the consistency and plausibility of the data sent in by the Member States.

70. The obligations imposed by the regulations on the Member States to maintain structural expenditure and to provide the Commission with the appropriate financial data have not been backed up by sanctions or other legal consequences.

71. None of the Member States identify and register all the structural assistance interventions in the eligible regions by national, regional and local government, bodies carrying out a public service function and, under certain conditions, public and private undertakings. This is done solely for the purpose of calculating the additionality. Considerable individual efforts are made in various Member States to attempt to record all cases of assistance, but because of the size of the task the results can never be considered reliable. In addition, it is difficult to verify the whole process because of the large number of estimates and hypotheses included therein.

72. The quality of the verification is also dependent on the number of eligible regions/areas and the number of participants. For example, the task is easier in the countries which are eligible in their entirety under Objective 1. When the eligible regions/areas do not correspond to any statistical or administrative divisions, the estimates made lead to artificial results.

73. Verification of the principle of additionality is an isolated task which is not integrated within the framework of either monitoring or evaluation. The efforts made by the Member States and the Commission to verify the principle, which are often costly in terms of human and physical resources, are of little use if no practical conclusions can be drawn from them. In addition, deficiencies concerning the organisation and coordination of the Commission departments reduce the effectiveness of these individual efforts.

74. The operation of the Structural Funds is based on the principle of programming, as seen in the various plans (regional development plans, regional and social conversion plans, etc.) drawn up for each Objective. The difficulties detected reveal the need to search harder for appropriate tools and to improve the budgetary and statistical data, particularly at the regional level, so that programming of a high quality and a sound analysis of the trends in structural assistance can be produced.

75. In view of the difficulties detected, on the eve of the new 2000 to 2006 programming period and in the light of the new regulatory provisions governing the Structural Funds, which were adopted on 21 June 1999 ⁽²⁵⁾, the Commission, in partnership with the Member States, ought to define procedures for verifying additionality that are simpler, more concrete and more workable. They should be clearly set out in the implementation provisions of the CSFs and SPDs when these are being drawn up, thus enabling the principle of additionality to be better integrated into the programming framework. Verification of the principle of additionality should also be closely coordinated with the processes of monitoring and evaluation. Verification procedures must be more suitable for use with the budgetary and statistical information that is available. If these steps are not taken, it will not be possible to carry out the *ex ante* evaluations of additionality for the new generation under the right circumstances, and the efforts made by the Commission and the Member States will once again be in vain. Moreover, if financial sanctions or other penalties are to be applied, they should be based on precise criteria, in accordance with the provisions of the regulations.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 9 December 1999.

For the Court of Auditors

Jan O. KARLSSON

President

NOTES

⁽¹⁾ The principle of additionality is defined in Article 9 of Council Regulation (EEC) No 4253/88, as amended by Regulation (EEC) No 2082/93 of 20 July 1993 (OJ L 193, 31.7.1993, p. 20):

'1. In order to achieve a genuine economic impact, the Structural Funds and the FIFG appropriations allocated in each Member State to each of the Objectives under Article 1 of Regulation (EEC) No 2052/88 may not replace public expenditure on structural or comparable expenditure undertaken by the Member State in the whole of the territory eligible under an Objective.

2. For this purpose, in establishing and implementing the Community support frameworks, the Commission and the Member State concerned shall ensure that the Member State maintains, in the whole of the territory concerned, its public structural or comparable expenditure at least at the same level as in the previous programming period, taking into account, however, the macro-economic circumstances in which the funding takes place, as well as a number of specific economic circumstances, namely privatisations, an unusual level of public structural expenditure undertaken in the previous programming period and business cycles in the national economy.

The Commission and the Member States shall also agree, in establishing the Community support frameworks, the arrangements for verifying additionality.

3. To permit verification of the principle of additionality, the Member State shall provide the relevant financial information to the Commission at the time of the submission of the plans and regularly during the implementation of the Community support frameworks.'

⁽²⁾ Council Regulation (EEC) No 724/75 of 18 March 1975 establishing a European Regional Development Fund (OJ L 73, 21.3.1975, p. 1).

⁽³⁾ Council Regulation (EEC) No 1787/84 of 19 June 1984 on the European Regional Development Fund (OJ L 169, 28.6.1984, p. 1).

⁽⁴⁾ COM(98) 131 final of 18 March 1998.

⁽⁵⁾ See the Commission Legal Service's note of 20 January 1994 on this subject.

⁽⁶⁾ For example, the procedures established in the Objective 1 CSFs and SPDs for the 1994 to 1999 period.

⁽⁷⁾ Annual Report concerning the financial year 1996 (OJ C 348, 18.11.1997, paragraphs 7.30 to 7.34).

⁽⁸⁾ For example, at the beginning of 1999, the Spanish authorities had not been informed of the Commission's reaction to the *ex post* verifications for the 1989 to 1993 period for Objectives 1, 2 and 5b, the results of which had been given to the Commission at the end of 1995.

⁽⁹⁾ Communication to the Committee on the current situation in the field of verifying additionality. Item 5 of the agenda for the 25th meeting, 18 October 1995.

⁽¹⁰⁾ Annual Report. Additionality Objectives 3 and 4, 1990 to 1993. Audit and Inspection Sector - DG V. B.1, 1995.

⁽¹¹⁾ Seventh Annual Report on the SFs (1995), p. 22 - ISBN 92-827-8942-X, November 1996.

⁽¹²⁾ On 15 May 1995, the Commission sent a letter to all the Member States reminding them of their obligations concerning *ex post* verification, but this letter was only in respect of Objectives 1 and 2.

⁽¹³⁾ Annual Report. Additionality Objectives 3 and 4, 1990 to 1993. Audit and Inspection Sector - DG V. B.1, 1995.

- (¹⁴) For France, information on the execution of ESF financing for 1987 to 1989 or on 1993 expenditure was missing. For Italy, only data on the two regions were analysed. For two other countries (DK and NL) the same report spoke of various circumstances limiting the validity of the conclusions.
- (¹⁵) Council Regulation (EEC) No 2328/91 of 15 July 1991 on improving the efficiency of agricultural structures (OJ L 218, 6.8.1991, p. 1).
- (¹⁶) Council Regulation (EC) No 950/97 of 20 May 1997 on improving the efficiency of agricultural structures (OJ L 142, 2.6.1997, p. 1 to 21).
- (¹⁷) Statement on Article 9, recorded in the minutes of the Council meeting of 20 July 1993.
- (¹⁸) A distinction should always be drawn between three different concepts: expenditure potentially eligible under the provisions of the regulations, expenditure eligible for co-financing under the forms of assistance adopted and expenditure actually co-financed.
- (¹⁹) Declaration on Article 9 in the minutes of the Council meeting of 20 July 1993.
- (²⁰) The fact that there is no consolidated account of this kind is one of

the reasons given by the French authorities for not using the methodology suggested by the Commission.

- (²¹) For example, the Spanish authorities considered that there were more than 2 000 million items of data that ought to be taken into account (reply to the questionnaire sent by the Court).
- (²²) Annual Report. Additionality Objectives 3 and 4, 1990 to 1993. Audit and Inspection Sector - DG V. B.1, 1995.
- (²³) In Spain, the tables for Objectives 3 and 4 show a considerable increase in national government expenditure from one period to the next. This is mainly due to the fact that approximately 37,5 % of the total expenditure for the new period is compared with the result posted for the expenditure for the previous generation, namely zero.
- (²⁴) See the Communication from the Commission: 'Government investment in the framework of economic strategy'. (COM(98) 682 final of 2 December 1998).
- (²⁵) Article 11 of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions for the Structural Funds (OJ L 161, 26.6.1999, p. 1).

THE COMMISSION'S REPLIES

SUMMARY

Introduction

The Commission welcomes the fact that the Court of Auditors has undertaken a major examination of additionality, which is one of the four key principles on which the Structural Funds are based, along with concentration, partnership and programming.

Summary of the main findings

With respect to the modalities of verification, the basic concept of additionality is rather simple while its implementation is more difficult. The Commission agrees that the lack of sanctions in cases of non-compliance with the principle of additionality is a major weakness and regrets that Member States have rejected a Commission proposal for such sanctions in the new Regulation.

In order to avoid disproportionately high administrative costs, the modalities of verification agreed between the Commission and the Member States have to be pragmatic — within a well-defined framework of minimum methodological requirements — to arrive at acceptable yet workable solutions adapted to the specific situations of individual Member States.

As regards methodological difficulties, which the Court of Auditors has rightly highlighted in its report, many of these will be resolved to a great extent by the new provisions on additionality for the next programming period. These provisions, including a reduction of the number of verifications and the simplification of the system in Objective 2 and 3 regions, are intended to facilitate the application and verification of the additionality principle while preserving the basic idea of the non-replacement of national spending by Community funding.

Conclusions

Regarding the Court's main conclusions the Commission's comments are as follows.

(a) While the basic concept of additionality is relatively straightforward, its actual implementation clearly involves some methodological complexities. However, most of these have been overcome in partnership between the Commission and the Member States through pragmatic solutions within a clear methodological framework.

(b) The Commission agrees that the absence of a sanctioning mechanism in the case of non-compliance with the principle of additionality is a major weakness and regrets that its initial proposal in the new general Regulation on the Structural Funds to link the verification of additionality to the allocation of the performance reserve has been rejected by the Member States.

(c) The simplifying methodologies applied to avoid disproportionate administrative costs do not necessarily reduce the overall reliability of the verification of additionality.

(d) and (e) Many regions consider the verification of additionality to be an extremely important source of information and a political tool to avoid reductions of national expenditure in the regions. The organisational structure of the Commission obliges several services to deal with different aspects of the same matter, a situation that is certainly not unique to additionality. In regard to organisation and coordination, the Commission wishes to underline the frequent contacts between the officials of the different Commission services and between officials of the Commission services and the national authorities in the context of meetings of the Monitoring Committees.

(f) The modalities for the verification of additionality in the forthcoming programming period as introduced in the new Regulation will be more simple, concrete and operational. As in the past, the Commission's services and the national authorities will find in partnership pragmatic solutions adapted to the specific situation of the Objectives and the Member States.

INTRODUCTION

4. The 1993 general Regulation on the Structural Funds introduced a clear definition of additionality and the general rules to be respected by the Member States. Regarding derogations, these were included at the insistence of the Member States. It should be emphasised however that, in practice, such derogations are rarely used.

5. The Commission underlines the usefulness of its declaration on the modalities of verification of additionality which is contained in the minutes of the Council's meeting of 20 July 1993 concerning the adoption of the Regulations. Notwithstanding its 'non-binding' nature, the document provides a basic framework for the practical verification of additionality and, as such, has not been contested by the Member States. The key provision of the declaration is that additionality takes place globally at the level of each Member State, and not at the level of each regional programme.

6. The Commission shares the Court's concern at the absence of effective sanctions for non-compliance with the principle of additionality. In this regard, it regrets that its initial proposal in the new general Structural Funds Regulation to link the verification of additionality to the allocation of the performance reserve has been rejected by Member States.

administrative burdens by striking a balance between the need for equal treatment and the need for flexibility to take account of the specific circumstances of the different Objectives, Member States and regions. The standard text in the CSFs and SPDs only reflects the legal undertaking to comply with the Regulation and not the details particular to each case.

General information explaining the common procedures and methodology for the verification of additionality for all Objectives was submitted to the Member States by letter of 6 August 1990 from the Secretariat-General and for Objective 1 by letter of 30 March 1993 from DG XVI. Information on the verification of additionality for Objective 1 in the period 2000 to 2006 was sent to Member States in August 1999.

8. The preparation of financial information necessary for the verification of additionality and its submission to the Commission is the responsibility of the Member States. The Commission recognises that certain Member States have difficulties in applying the system and has sought to take account of such difficulties, notably on the basis of experience during the previous programming period. Considerable improvements have been achieved in 1994 to 1999 in comparison with 1989 to 1993.

PROCEDURES FOR VERIFYING ADDITIONALITY

7. The Commission wishes to underline that there has been a considerable process of information, discussion and negotiation with the Member States regarding methodological issues relating to additionality. The aim has been to avoid disproportionate

With regard to Objective 1 in particular, and with just one exception which was subject to special requirements, the financial tables provided were complete and contained sufficient detail and justification to allow the identification of the eligible expenditure to be taken into account for the verification of additionality. In the case of Objectives 2 and 5b, where the available information was considered inadequate to establish an *ex ante* verification, 'suspensive clauses' were introduced in the programming documents.

9. With regard to ongoing monitoring of the verification of additionality, this takes place on the basis of financial information prepared by the Member States and submitted to the Commission following the same presentation as used for the *ex ante* evaluation.

10. With regard to the procedure to be adopted when compliance with additionality is in doubt, it is necessary to recognise that the statutory provisions provide the Commission with very few powers to deal with the matter.

IMPLEMENTATION AT THE COMMISSION

Allocation of responsibility for verification

12. Similar to most issues related to Structural Funds, the final responsibility for the verification of additionality rests with the DGs which are *chef de file* for each Objective, while DG II provides technical and methodological assistance in view of its economic and financial expertise.

Coordination

14. Similar to DG XVI, DG VI asked DG II for its assistance in the analysis of information submitted by Member States. This does not imply that DG VI considered DG II to have full responsibility for the verification of additionality.

15. While it is true that responsibility for additionality in DG XVI is divided between a horizontal unit and the geographical units, with the involvement also of DG II, the system in general operates satisfactorily. In this regard, it is necessary in particular to take account of frequent day-to-day contacts between the officials concerned.

16. The audit performed by DG V was useful and resulted in improvements in the reporting of additionality data from the Member States. In those Member States where no firm conclusions could be drawn due to lack of information, an effort was made by the operational units concerned to collect the necessary data and to complete the exercise as far as possible. The Commission agrees that the information received from the Member States on additionality should be examined in depth.

Suspensive clauses

18 to 19. In order not to delay the adoption of programmes for Objectives 2 and 5b due to the absence of technical information on additionality which is often difficult to prepare, the services had recourse to the use of 'suspensive clauses'. The intention was to provide the Member States with some extra flexibility in regard to the provision of information rather than proceed with a formal suspension of payments under the relevant provision of the Regulation.

20. In order to facilitate the rapid payment of amounts due, information regarding the removal of 'suspensive clauses' was frequently communicated to the Member State in an informal manner.

21. The Commission agrees that, once a 'suspensive clause' is included in a programming document, it covers all the Funds concerned. Therefore, it is acknowledged that no further payments should be made in such cases prior to the removal of the clauses. As is pointed out by the Court, a number of payments were undertaken while 'suspensive clauses' were still in force, although in some cases only shortly before their formal removal. Procedures will be put in place to avoid any repetition of such a situation for the next programming period.

Procedures

22. Information relating to the verification of additionality is often presented to the Member States in the meetings of the Monitoring Committees and thereafter summarised in the minutes. Methodological issues are often discussed in informal technical meetings of the persons in charge before or after the Monitoring Committee meetings.

THE STATE OF PROGRESS OF WORK ON THE VERIFICATION OF ADDITIONALITY

Introduction

23. There is no particular requirement for the Commission to publish regular information on additionality. In addition, part of the information submitted by the Member States is of a confidential nature and inappropriate for publication. As explained above, most of the communication on additionality is done in the context of the Monitoring Committee meetings.

The 1989 to 1993 period

24. Regarding the 1989 to 1993 period, the majority of Member States has submitted the required tables. When the data have been accepted by the Commission, this has in general been communicated informally to the Member States in the context of meetings of the Monitoring Committees.

28. The audit referred to by the Court was indeed concluded but, due to lack of information from the Member States, no follow-up was carried out (see response to paragraph 16).

The 1994 to 1999 period

29. The Commission wishes to underline that there was in fact an intensive process of information, discussion and negotiation between Commission and Member States regarding the *ex ante* evaluation of additionality for the programming period 1994 to 1999.

30. The Commission has successfully obliged Member States to increase the transparency of additionality verification procedures, and has made considerable progress in improving the quality of information on data sources and methodological issues in 1994 to 1999 in comparison with the 1989 to 1993 period.

31. The Commission agrees that comparisons of additionality tables between Member States are difficult, mainly for two reasons. Firstly, they ignore the significant differences between Member States' expenditure in Objective 1 regions regarding political priorities, organisation and the relative importance of the Structural Funds. Secondly, they do not take into account the fact that the Commission has never encouraged Member States to include 100 % of their development-related expenditure in the additionality table, which would have meant an excessive administrative burden. The Commission's priority has been to have as many identical expenditure categories as possible in the current and reference additionality tables, which may require the exclusion of some expenditure.

32 to 35. The Commission acknowledges that the quality of information submitted by Member States on the intermediate verification of additionality varies considerably across the Objectives. This situation is clearly linked to the relatively heavy administrative burden of the present system of verification and will undoubtedly be improved by the considerable simplification of the system introduced for the next programming period.

37. The indicator of gross-fixed capital formation (GFCF) of the general government as calculated by the system of economic

accounts differs from the indicator of eligible expenditure as used for additionality which limits the value of comparisons between the two indicators. In particular, GFCF does not take into account most of the expenditure on human resources.

38. In the next programming period the verification of additionality for Objectives 2 and 3 taken together will be based on expenditure on active labour market policy and, where justified, other actions in accordance with the new Regulation on the Structural Funds (Article 11). However, the verification will continue to be based on information submitted by Member States. A harmonised statistical database on labour market policy, which is at present being established by the Commission, will complement the information submitted by Member States

DIFFICULTIES DETECTED AND THEIR CAUSES

Expenditure to be taken into account and compiling the data

39 to 50. The Commission agrees that the verification of additionality should be as clear, operational and simple as possible. In its relations with the Member States the Commission has therefore sought to be pragmatic to arrive at acceptable yet workable solutions adapted to their specific situations, within a well-defined framework of minimum methodological requirements. For the future, the verification of additionality will be facilitated by the considerable simplification of the system introduced in the new Regulations.

Overlapping of periods

51 to 57. The Commission would like to recall that additionality relates only to the spending of the Member State, and entirely excludes the contribution of the Structural Funds. Therefore, issues such as overlapping spending periods, delays in closing programmes, etc. are not very relevant in verifying additionality. In practice the overlap of spending between programming periods does not significantly affect the assessment of additionality and only does so to the extent that the time profile of Structural Funds' spending has an impact on the time profile of a Member State's own expenditure. For most Member States, the time profile of Structural Funds spending can be expected to only have a marginal effect. Finally, the pragmatic approach chosen by the Commission has the major advantage that it allows the verification of additionality in real time rather than several years after the event.

Starting point and comparability of data

58 to 59. The reference periods adopted as the baseline for measuring additionality resulted from discussions between the Commission and the national authorities and were not chosen arbitrarily by the Member States alone. The aim was to find the most recent and reliable reference period taking into account the specific situation of each country. In the case of Sweden, for example, which at the time had a financial year that did not coincide with the calendar year, the most recent reliable data were for the financial year 1991/1992, including data at the municipal level.

62. Although the private sector is sometimes undertaking investment in areas traditionally considered to be within the remit of the public sector, it would be extremely difficult to extend the verification of additionality to include private investment. Such an exercise would involve the collection and scrutiny of the accounts of a range of private companies — which would be under no obligation to provide either the national authorities or the Commission with relevant information.

Geographical breakdown of expenditure

64 to 68. In view of the small size of many areas eligible under Objectives 2 and 5b, for which there are hardly any budgetary data available, the Commission had no alternative but to accept the pragmatic approach of estimating the expenditure in these areas. This unsatisfactory situation was one of the main reasons for the Commission to suggest a shift to expenditure on active labour market policies at the national level for the verification of additionality for Objectives 2 and 3 for the programming period 2000 to 2006.

68. The Community Initiatives have not been included in the *ex ante* verification of additionality due to their relatively small budgetary impact and because they had not been allocated at the time of the *ex ante* verification.

CONCLUSION

69. The Commission agrees with the overall conclusion of the Court that the basic concept of additionality is relatively clear, whereas its actual implementation involves some methodological complexities. In most cases, however, these difficulties have been overcome in partnership between the Commission and the Member States through the identification of pragmatic solutions within a broad methodological framework. Furthermore, it is important, when examining the verification of additionality, to distinguish between the different Objectives of the Structural Funds: in par-

ticular, between Objective 1, which accounts for 70 % of Structural Funds' spending, and the remaining Objectives. In application of the principle of proportionality, the Commission has been much more rigid in assessing additionality for Objective 1 and somewhat more flexible for the other Objectives, in order to avoid imposing a disproportionate administrative burden on national and regional authorities which have to overcome major problems of data availability. In this regard, the Commission notes that the greater number of difficulties identified in the present report concerns non-Objective 1 regions.

70. The Commission agrees that the instruments available to sanction non-compliance with the principle of additionality, i.e. information to the public and the suspension of payments, are insufficient. The Commission regrets that its initial proposal in the new general Structural Funds Regulation to introduce a workable sanctioning mechanism by linking the verification of additionality to the allocation of the performance reserve has been rejected by Member States, which are at the same time both legislator and party to the verification of additionality.

71. In view of the impossibility of taking into account all public eligible expenditure, the Commission and Member States have to be pragmatic in order to arrive at acceptable yet workable solutions adapted to specific situations within a well-defined framework of minimum methodological requirements. The Commission has never urged Member States to include 100 % of their development-related expenditure in the additionality table, which would have meant an excessive administrative burden, but to have as many identical expenditure categories as possible in the current additionality table and the reference table.

72. The Commission agrees that the verification of additionality is much easier in Member States totally eligible for Objective 1 assistance, which receive the major part of Structural Funds. However, the unavoidable recourse to estimates for smaller regions and areas does not necessarily imply that the results are not reliable. In the forthcoming programming period, these problems will be reduced considerably by the new concept for the verification of additionality for Objectives 2 and 3 together.

73. Regarding the integration of additionality with the monitoring and evaluation systems, the Commission would underline the frequent contacts between the officials of the different Commission services and between officials of the Commission services and the national authorities in the context of Monitoring Committee meetings. The Commission agrees that there is room for improvement in the coordination of the actions of the different services of the Commission dealing with additionality and steps have already been taken to that end. At the same time, it must be acknowledged that there will always be some difficulties in circumstances where the organisational structure of the Commission obliges several services to deal with different aspects of the same matter, a situation that is certainly not unique to additionality.

74. There is certainly a general need for better regional information and statistics. The situation will improve in the coming years through the new European system of integrated accounts (ESA 95) which obliges Member States to provide improved and extended regional economic statistics. Regarding additionality, the need for regional data will be reduced considerably in the next programming period by the change of concept for the verification of additionality for Objectives 2 and 3 together.

75. In the Commission's view, the modalities for the verification of additionality in the forthcoming programming period as introduced in the new Regulation will be more simple, concrete and

operational. Article 11 of the new general Regulation and the information provided to Member States in August 1999 respond to many of the points raised by the Court. The frequency of verifications is reduced to a total number of three (*ex ante*, mid-term and at the end of the period), the verification of additionality for Objectives 2 and 3 will take place at the national level on the basis of expenditure on active labour market policies, the derogations apply only to the determination of the reference level *ex ante*, failure to submit satisfactory information on additionality *ex ante* will lead to a delay in the approval of programming decisions. As in the past, the Commission's services and the national authorities will find in partnership pragmatic solutions adapted to the specific situations of the different Objectives and Member States.