

# CATEGORISATION 2007-2013

## Frequently Asked Questions

Date 28/5/2009

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## CATEGORISATION 2007-2013

### Frequently Asked Questions

#### 1. WHY DO I HAVE TO DO THIS CATEGORISATION?

As the volume of resources invested through Cohesion Policy has increased the policy has increasingly been recognised as an important instrument to improve competitiveness and sustainability. In parallel the demand for transparency and information has grown.

With increased decentralisation it becomes more and more difficult to report in a coherent and consistent way, on a European level, on how the EU tax payer's money contributes to both cohesion policy and the other policies of the EU. This information is needed to inform the European budgetary authorities, civil society and individual citizens. The information is at the same time useful for each of the Member States and regions concerned.

Finally the categorisation system is also the basis for the Lisbon Earmarking exercise<sup>1</sup> (i.e. a sub set of the priority themes are identified with core Lisbon Agenda priorities).

#### 2. WHAT ARE THE FIVE DIMENSIONS?

The codification system identifies five so-called dimensions. This means there are five ways of looking at the use of Cohesion and Structural Funds.

The five dimensions are:

- (1) *Priority themes:* Within the specific Council regulations on the Cohesion Fund, the European Regional Development Fund and the European Social Fund, the scope of eligibility under each fund is defined<sup>2</sup>. You are basically asked to indicate the expenditure under each of these priority areas of intervention. In some cases, a priority theme can cover a variety of development measures (i.e. different types of research activity) whereas some are thematically more specific (i.e. renewable energy from wind power).

There is no code "00"

- (2) *Type of financing:* You are asked to give information on the nature of the funding. This dimension has three basic strands, grant funding (non refundable), non-grant funding and risk capital. If none of this applies, you tick box 04.

There is no code "00"

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<sup>1</sup> Defined in Article 9.3 and Annex IV of EC Regulation 1083/2006, OJ L 239, 1.9.2006.

<sup>2</sup> See Article 2 of the cohesion Fund Regulation, Article 4 to 6 of the ERDF Regulation and Article 3 of the ESF Regulation.

- (3) *Territory*: In this dimension you are asked to code for type of zone that the investments will be made in. In policy and political context it is relevant to know whether the investment relates to a rural area or what is done for areas with a natural handicap.

The Commission is aware of the fact that the distinction between what is urban and what is rural is made differently from one Member State to the other. This is okay. There is no need to harmonise this definition. Furthermore, the Commission also realises that the distinction is more and more blurred. All that is asked is to make a choice. It will give a clearer idea on how the investments are spread.

In making this choice the Commission proposes three steps:

1. First look at whether an operation is specifically for cross-border, trans-national or inter-regional co-operation. In that case you tick the relevant box. This should, by definition, be the case for Objective 3, but you may also find such cases under the other objectives.
2. If 1 does not apply then ask yourself whether, according to your national or regional practice, the location of the investment is on an island, in the mountains, in an outermost region or in a region depending on fisheries, or otherwise in a region with a natural handicap. If so, you use the relevant code.
3. If 1 or 2 do not apply you decide whether the operation is (predominantly) urban or rural.

The code “00” is available where the territorial dimension cannot be established or is not relevant – i.e. in the case of technical assistance in support of the OP.

- (4) *Economic activity*: In general the *Economic Activity* code is linked with the end use of the investments under the related priority theme. This dimension in principle is different from the priority themes. Though some priority themes are clearly thematic (i.e. energy investment) many other are not (i.e. assistance to research activities in SMEs). The following examples show how to use this dimension:

- A TEN-T motorway construction project (or even a TEN-T single carriageway road project) should ideally be registered under code 21 in the first dimension and under code 11 - 'Transport' in the fourth dimension, the objective being transportation not construction;
- The construction of waste water treatment plant should be registered under code 46 in the priority theme dimension and under code 21 ('Activities linked to the environment') in the fourth dimension;
- A research project on the development of 'clean transport' devices for the transport industry (car, railway...). This would be registered under code 01 in the first dimension and under code 05 ('Manufacture of transport equipment') in the fourth dimension;

- A project aiming at stimulating research and innovation on renewable energy in SMEs should be registered under code 04 in the first dimension and under code 08 ("Electricity, gas, steam and hot water") in the fourth dimension.

The "*economic activity*" codes are derived from the statistical NACE classification, but they are presented on an aggregate, simplified level with codes added for the services sector.

The code "00" is available where the Economic activity dimension is not relevant – i.e. in the case of technical assistance in support of the OP.

- (5) *Localisation*: In this dimension you are asked to indicate the alphanumerical code of the NUTS area in which the investment takes place (for instance the two letters and three figures for NUTS III). Member States are encouraged, where relevant, to always provide the most detailed localisation level, i.e NUTS III. This is particularly important for infrastructures or services provided serving "local" needs.

A presentation of the NUTS system<sup>3</sup> is provided by EUROSTAT on this link: [http://ec.europa.eu/eurostat/ramon/nuts/introduction\\_regions\\_en.html](http://ec.europa.eu/eurostat/ramon/nuts/introduction_regions_en.html)

In the case of a programme dealing with more than one NUTS region there are two possible scenarios:

- In the first scenario all the relevant NUTS III regions are within one NUTS II region. In that case the NUTS II code could be used if apportioning is not practical;
- In case two or more NUTS II regions are linked with an operation you provide the common denominator at the lowest possible level. In simple terms, if the two or more NUTS II regions are in one NUTS I region you give the code of that NUTS I region (two letters and one number). If they even cover more than 1 NUTS I region you give the country code.
- Another scenario relates to operations covering two Member States, i.e. in the context of Co-operation Objective programmes. In this case, where apportioning is not practical, you simply insert the code "EU". The "EU" code is not a defined NUTS code but is accepted in this context to avoid use of a "00" code. No code "00" is accepted in this dimension.

## 2.1. What use is the collection of information on the combination of the codes?

These five dimensions are each useful individually for specific purposes (for example: how much do we spend on grants and how much do we spend on other types of support?).

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<sup>3</sup> The current nomenclature of territorial units for statistics (NUTS-2003/EU25) subdivides the territory of the European Union after the enlargement into 89 regions at NUTS level 1, 254 at NUTS level 2 and 1 214 at NUTS level 3.

However, the system for the Period 2007-2013 – in particular the reporting of information on combinations of codes - allows for the first time to cross analyse the data.

The data, when it is presented according to the combinations in which it is allocated, can give insights into how the investments are allocated. The data in that form allows the possibility to answer questions such as:

- How much investment in research is linked to the environment? Or human health?
- How much support in rural areas goes to SMEs priority themes?
- Under the economic activity dimension linked to tourism ('Hotels and restaurants') what forms of support are offered under the priority themes (ICT, improving human capital, etc...)
- What type of support under the priority themes is provided directly to a specific NUTS III or NUTS II region?
- Which economic sectors benefit most from the priority themes on 'Improving access to employment and sustainability'?

By offering this opportunity for a more thorough and on-going detailed analysis, it will provide a more robust EU wide overview on the use of the Funds.

## **2.2. Why are there no common definitions of the “Priority themes” and of other specific codes in the other dimensions?**

The categorisation system has no role in determining eligibility or in relation to financial control. The purpose of the system is to encourage information exchange and greater transparency. A common sense use of the codes is encouraged, including the use of national conventions or definitions where available.

The Commission is aware that in some Member States a central authority has defined the use of certain dimension codes according to certain national practices.

The Commission has not provided harmonised definitions, but is happy to clarify any questions that arise.

Email: [REGIO-HEAD-OF-UNIT-D2@ec.europa.eu](mailto:REGIO-HEAD-OF-UNIT-D2@ec.europa.eu)

## **2.3. Do I have to choose a code?**

In order to give complete and digestible information, the system is designed in a way that obliges you to make a choice (either-or). For each operation at least one recognised code should be chosen in each of the five dimensions. The reason is that the data under each dimensions should add up to the total of the programme.

The codes in Dimensions 1-4 are all two digit codes. Even the codes "01" or "02" are two digit codes. They should not be presented as "1" or "2" – in the data systems and data transfer the format of the codes should be respected. See question 5.2 below. Only the Dimension 5 codes on location are alphanumeric.

In order to make the choice simpler some national or regional systems allow you to split an allocation to an operation selected under the operation programme between two or more codes on a pro rata or apportioned basis. This is acceptable and would be seen as a good practice, but is not an obligation.

It may also be that, in advance, it is not possible to identify, for example, the economic sectors that will benefit from a business support measure. In such a case one of the generic economic activity codes could be used – "06 - Unspecified manufacturing"; "22 - Unspecified services", etc.

#### **2.4. Is it ok if there are multiple combinations of codes?**

In theory each of the codes could be applicable to the range of programmes in a Member State (except for the NUTS codes). You will notice that in practice the codes used in a specific programme context are more limited.

Depending on the variety of codes relevant under the specific operational programmes – in particular the priority themes, economic sectors and NUTS codes – the list of theoretical combinations may still be significant. However, even within the mix of codes relevant for the programme not all theoretical combinations will be realised. Furthermore bear in mind that it will normally not be more than the number of operations or beneficiaries.

#### **2.5. What if I make a mistake one year in encoding an operation or group of operations?**

You may sometimes make a mistake in encoding. You may also have more information available later in the programming process. As the reporting exercise is cumulative during the period there is the possibility to reflect corrections (or more complete data) in the cumulative data in the next AIR exercise.

On an aggregated level approximations or errors may not normally influence the overall message that the compilation of information will give as errors or approximations may cancel one another out.

### **3. WHAT AMOUNT SHOULD BE INDICATED AGAINST EACH COMBINATION OF CODES?**

#### **3.1. What financial figure should I report?**

The amount in euro linked to each combination of codes shall only indicate the EU funding for the operations selected.

#### **3.2. What if my currency is not the euro?**

For those Member States not in the euro zone they are invited to gather the information on the allocation to operations selected in national currency and to calculate the euro value of the commitment made by applying to all programmes in that MS one appropriate exchange rate which best approximates the expected euro value of the allocations made (i.e. historical average or other benchmark rate). It is recalled that this data is for information purposes and does not have any accounting purpose.

### **3.3. What does ‘operations selected’ mean?**

The objective in providing information on “operations selected” is to give an insight into the “project pipeline” of the OPs. “Operations selected” should not be restricted to projects completed, or only those projects with expenditure incurred.

Member States are encouraged to use a common national definition of the concept “operations selected” to be used consistently under their national and regional management systems from year to year.

The Commission understands “operations selected” as operations that have been selected by the Managing authority or its delegated bodies following a selection process.

This may typically involve a grant decision (such as a grant offer letter, or other forms of confirmation of inclusion of a project in the OP or allocation of EU funding from the OPs).

## **4. WHEN DO I HAVE TO ACT? WHEN DO I HAVE TO REPORT THE INFORMATION?**

### **4.1. REPORTING: At the moment of programming**

The Council regulation required submission of an indicative breakdown for each of the first three dimensions (how the cohesion fund and the structural funds were expected to be allocated). It included the indicative **allocation of the EU funds** and national matching funding. Managing Authorities were asked to indicate how 100% of the investments were expected to be distributed over the various categories in each dimension. This was obviously an estimate and has no legal value. The final results are likely to be different.

In order to keep the information as up to date as possible, revised forecasts are needed if major changes of the programmes occur.

### **4.2. DATA COLLECTION: At the moment an operation is selected under the Operational programme**

You normally have foreseen to administer the selection and implementation of operations via a computer system. For some of you this will mean collecting (through application forms, etc.) information on each individual project (operation) that is proposed for support.

For the purposes of this information exchange only data on selected operations (see above) should be reported on. As a minimum this will require allocating at least one code under each dimension for each operation selected. In some cases you will do this in an aggregated form (group of projects or schemes).

The codes should be encoded electronically for the generation of appropriate reports.

#### **4.3. REPORTING: at the moment of submitting the annual and final reports.**

Each year you are required (in the context of the annual report) to provide information on the cumulative allocation of the Funds by categories to the operations selected **on a cumulative basis** (thus not in relation to specific years).

This information is to be delivered in one table capturing consolidated information by each combination of codes.

When registering each operation in the Managing Authorities data system you select and encode a code for each of the five dimensions. In a way you create a sort of **bar code** for each operation. Again, if Member States wish to split operations up between codes (i.e. rather than chose one code in a specific dimension for the project as a whole) they are entitled to do so.

For the Annual reports (and final report) you are asked to make a list of all the combinations that you have chosen. For each of these combinations you indicate the amount of EU money that carries the same bar code.

#### **4.4. What do I do if I have not collected the information?**

Though the information exchange requirements were defined on the adoption of the Commission Regulation in 2006 some Member States have suggested in early 2009 that they will need to adapt their IT systems and introduce data collection practices. This suggests that they will not be in a position to fully respect the information obligations for the 2008 report.

In such cases:

- Member States are strongly advised to make the necessary technical adjustments to their data systems and collect the cumulative data as foreseen in time for the 2009 report.
- For the 2008 AIRs, Member States or Managing Authorities in this situation are nonetheless required to estimate as accurately as possible the list of combinations under the 5 dimensions linked to selected operations in the format defined in the Regulation.  
(In view of the link that has been made between this information, the Strategic Reports 2009 and the operations selected by priority themes (including Lisbon earmarking), the emphasis in the 2008 report should be on accurately estimating the allocations to operations selected under the priority theme dimension, while approximating the allocation of the dimension codes in the other four dimensions.)

### **5. DATA TRANSFER**

#### **5.1. How is this information to be transferred in the context of the annual implementation report?**

The submission of this data is an obligatory part of the submission of the annual implementation report (AIR) needed to comply with the Regulations. The Commission

asks Member States to transmit the data on the allocation by combination of dimensions only in electronic form. (A paper version of the table cannot be processed and is not therefore useful. See also point 6 below.)

In 2008 an internet-based interface involving manual data input was available. However, as the number of operations and combinations increase such data is not suitable for manual input. In the revised version of the SFC 2007 AIR module (to be introduced in early June 2009) the system of manually encoding the categories data through an internet interface **will not** be available.

For the 2009 and annual reporting exercise two solutions are offered for this data transfer:

1. Ideally, Member States will develop a 'web-services' based data transfer linked with SFC 2007. This option will allow the development of a dedicated interface allowing smooth transfer. Member States are encouraged to make use of their Technical Assistance funds in order to develop an appropriate IT solution in order to report on this combination of codes through a 'web-service' based data transfer.
2. Until Managing Authorities build this 'web-services' link a second solution will be implemented. Managing Authorities can extract from their own data systems the relevant data in an EXCEL datasheet format to be loaded as a data file through SFC 2007 with the Commission uploading the data into the data system. To this end the Commission will provide in early June 2009, through SFC 2007, a standardised EXCEL format to be used by the Member States (closely following Annex II Part C of the Implementing Regulation).

**In all cases the uploading of this excel sheet as an attachment in SFC 2007 will be mandatory in order to be able to complete the submission of the Annual Implementation Report.**

## **5.2. Is there a technical description of the EXCEL format to be used in SFC2007?**

The EXCEL templates are available on the SFC2007 help page in 22 languages. Please note that these templates are preformatted in order to avoid data validation problems. If other Excel sheets are used please make sure that all columns are text based (this avoids problems with the abbreviation of codes "01" "02" as "1" and "2").

The help page is found here:

[http://ec.europa.eu/employment\\_social/sfc2007/sfc2007\\_help/index.htm](http://ec.europa.eu/employment_social/sfc2007/sfc2007_help/index.htm)

## **6. HOW CAN THIS INFORMATION BE PRESENTED IN THE ANNUAL IMPLEMENTATION REPORT (AIR) TO THE MONITORING COMMITTEE?**

A printed table presenting the range of combinations of the five dimensions is not easily usable or understandable to the reader in paper form. An issue therefore arises as to how the data is presented as part of the AIR to the Monitoring Committee.

When presenting the Annual Implementation Report to the monitoring committee for approval, the Managing Authorities are encouraged to present summary tables on the

funding to operations selected by each of the five dimensions separately (i.e. without combination). The format of those tables would be comparable to the table in Annex II – Part B, of the Commission implementation Regulation, but for the five dimensions<sup>4</sup>. The summary tables presented to the Monitoring Committee should, of course, be coherent with the data on the combinations presented electronically to the Commission.

## **7. CAN I USE THIS INFORMATION COLLECTED AT EU LEVEL?**

As a minimum the Commission will make aggregate data available on the EU or national level in relevant publications. Examples of publications already prepared based on the data provided by the Operational Programmes include:

- Communication on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013 - COM(2008)301
- Commission staff working document SEC(2007)1547 of 14 November 2007 "Regions delivering innovation through Cohesion Policy"

Those reports are available on this webpage:

[http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/comm\\_en.htm](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/comm_en.htm)

The Commission also regularly publishes aggregated data per theme, at EU or national level where appropriate, on the INFOREGIO website. Follow the statistics button on the specific thematic pages: [http://ec.europa.eu/regional\\_policy/themes/index\\_en.htm](http://ec.europa.eu/regional_policy/themes/index_en.htm)

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<sup>4</sup> The possibility of generating the 5 summary tables through SFC 2007 (once the Annex II.C EXCEL file has been uploaded) is being studied by the Commission. It is planned to make such a service available at latest in 2010).