



Press Release
Luxembourg, 14 July 2015

EU funding for micro-entrepreneurs could be better targeted if specific needs are adequately assessed, say EU auditors

A report published today by the European Court of Auditors (ECA) reveals that EU funding for micro-entrepreneurs may not be adequately addressing their needs due to lack of specific needs assessments, proper risk management systems and comparative information on implementation costs.

“Creation of micro-businesses and start-ups could be an effective tool to reduce exclusion and unemployment. However, micro-entrepreneurs experience difficulties in accessing the conventional credit market, which hampers the creation of new micro-enterprises and the growth of self-employment. To tackle this issue, the EU provides grants or facilitates access to finance through loans and guarantees. We assessed whether these programmes adequately address the needs of the European micro-entrepreneurs. We found weaknesses relating to the programming and design stage, and a lack of sufficient reliable performance information which, in our view, may have a negative impact on the effectiveness of EU financial support provided to the sector,” stated **Iliana Ivanova, the ECA Member responsible for the report.**

The EU auditors reviewed 27 partly or fully completed projects, funded through the European Social Fund and the European Progress Microfinance Facility, representing approximately 1.2 billion euros paid out in Germany, Greece, Italy, Poland and Romania. In addition, they conducted a survey of 18 Managing Authorities in 14 Member States in charge of 22 ESF operational programmes to gather additional information about their experience regarding financial support to micro-entrepreneurs. The auditors examined whether the support was addressing the actual needs of micro-entrepreneurs and whether robust performance reporting systems were in place. They also examined whether sufficient information was available on the cost of implementing the financial support.

The auditors found weaknesses in the programming and design of the ESF financial support and a lack of sufficient reliable monitoring of performance. Moreover, neither the European Commission nor the Member States had comparative information on the administrative cost for each Member State and for each funding mechanism. Overall, the Auditors considered that these issues may have a negative impact on the effectiveness of EU financial support for micro-entrepreneurs.

In its report, the ECA recommends that:

- Member States perform needs assessments when designing funding instruments and preparing operational programmes which include EU financial support to micro-entrepreneurs;
- The European Commission make Member States’ use of ESF financial instruments conditional on robust risk management systems being in place;
- The Commission and the Member States design ESF financial support measures to reach the unemployed and vulnerable;
- For the period to 2020, the Commission analyse the implementation costs of the various grants, loans and guarantees to establish their actual levels and identify ‘good practices’ on how they can be disbursed at a reasonable cost.

The purpose of this press release is to give the main messages of the special report adopted by the European Court of Auditors. The full report is at www.eca.europa.eu

Notes to the editors:

Microfinance is usually for amounts below €25 000 and often of less than €10 000. Total demand for these levels of finance in the EU Member States is estimated to be above 12 billion euro. Examples mentioned in the report include €5 000 to expand a city kiosk and €9 500 to help establish a children's playground and a clothing store.

This Special Report (No 8/2015), entitled "**Is EU financial support adequately addressing the needs of micro-entrepreneurs?**", assessed whether the programming and design of the EU support was addressing the actual needs of micro-entrepreneurs and whether robust performance reporting systems were in place. In addition, the Court examined whether sufficient information is available on the implementation costs of the different EU funding mechanisms supporting micro-entrepreneurs.

European Court of Auditors (ECA) special reports are published throughout the year, presenting the results of selected audits of specific EU budgetary areas or management topics.