EUROPEAN COURT OF AUDITORS

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Press Release

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EU support for productive investments in business needs greater focus on durability, say Auditors

There was not enough emphasis on durability of results in the management of EU Regional Development support for productive investments in European businesses between 2000 and 2013, according to a new report from the European Court of Auditors. The auditors concluded that the results of around one in five projects did not last beyond completion and that for another quarter they did so only partially. This was mainly due to a lack of emphasis on durability in the management of the support.

The European Regional Development Fund helps finance investment in capital or assets to create and safeguard sustainable jobs through measures which also encourage local and regional development. Over €75 billion was earmarked for this purpose between 2000 and 2013, and more than €68 billion is planned for 2014 to 2020.

The auditors assessed whether this funding had been managed in a way which ensured durability of outputs and results and what were the main factors affecting it. They examined 41 completed productive investment projects co-financed between 2000 and 2013 in Austria, the Czech Republic, Germany, Italy and Poland.

The auditors found that durability requirements under EU law were met in all the regions audited. Moreover, the projects audited had, in general, delivered outputs as planned and, in most cases, the assets purchased and other outputs still existed and were being used. However, in many cases, no long-lasting results were attained.

"A majority of the projects examined had generated the expected direct results, mostly related to job creation, improved access to finance and loans, increased production and productivity. But, in one fifth of them, the results achieved by completion did not last," **said Ladislav Balko, the Member of the European Court of Auditors responsible for the report**.

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report.
The full report is available at www.eca.europa.eu.

ECA Press

Mark Rogerson – Spokesperson T: (+352) 4398 47063 M: (+352) 691 55 30 63
Damijan Fišer – Press Officer T: (+352) 4398 45410 M: (+352) 621 55 22 24
12, rue Alcide De Gasperi - L-1615 Luxembourg
E: press@eca.europa.eu @EUAuditors eca.europa.eu

Moreover, in nearly half of the projects audited, it was not possible to assess durability at the end of the legal durability period as information had not always been collected during project implementation and beyond and/or because relevant documents were no longer on file at the time of the audit.

In a few cases, the absence of lasting results was due to factors clearly beyond the control of the authorities and beneficiaries, such as the economic crisis after 2007/2008 or changes in national legislation. Frequently, however, this was due to management weaknesses such as an insufficient focus on durability at a strategic planning level, poor project selection, monitoring and reporting procedures, and inconsistent application of corrective measures by the authorities in the event of failure to achieve expected targets.

The auditors note that the regulatory framework has brought improvements for the 2014-2020 period. But further action is still needed to attain durability of results in the current programme period and improve programme design after 2020.

The auditors recommend that the Member States should:

- promote durable results through more focus on identifying and mitigating risks and better analysis of the needs of different types of businesses;

- improve selection procedures and criteria, as well as monitoring and reporting arrangements;

- establish clear corrective measures linked to the achievement of targets at project level (where they exist) and apply them consistently.

The Commission should:

- pay particular attention to how Member States address durability of project results during the approval process for operational programmes;

- ensure that Member States consistently apply clear corrective measures, including recovery arrangements, where projects fail to comply with EU legal durability requirements.

Moreover, the Commission and the Member States should ensure that evaluations look more systematically into durability of project results, in order to better prepare future EU business support schemes.

Note to Editors

Support for productive investment from the European Regional Development Fund is now confined to SMEs. However, large firms can also benefit provided the investment involves cooperating with SMEs and contributes to strengthening research, technological development and innovation or supporting the shift towards a low-carbon economy.

Special report 8/2018 “EU support for productive investments in businesses - greater focus on durability needed” is available on the ECA website (eca.europa.eu) in 23 EU languages.