



Press Release

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Financial instruments in EU cohesion policy: checks at closure showing results

More than 1 000 financial instruments were used across the Member States for the 2007-2013 EU cohesion policy. A new special report published today by the European Court of Auditors (ECA) shows that the necessary steps have been taken to verify the eligibility of expenditure at closure. Checks have yielded tangible results, although some errors – one large – remained undetected. But overall, the auditors note that most problems encountered in the 2007-2013 period have been cleared up.

Financial instruments under shared management (FISM) were a relatively new but important method of EU cohesion policy financing in the 2007-2013 programming period. Their contributions totalled €16.4 billion, of which €11.3 billion was made up of EU co-financing through the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Eligibility verifications at closure should address errors and weaknesses spotted during implementation. But the process takes a long time: seven years after the end of the 2007-2013 programming period, some validation work is still ongoing.

“Publishing an audit report on a topic related to the 2007-2013 period today may appear outdated at first glance”, said Ladislav Balko, the member of the European Court of Auditors responsible for the report. “But as financial instruments have an ever greater role in the EU cohesion policy, our conclusions are both timely and relevant for the upcoming 2014-2020 closure process.”

The guidance provided by the European Commission proved to be timely and adequate. This was especially helpful given the brevity of the 2007-2013 FISM provisions in legislation. Moreover, audit authorities’ checks generally worked. However, limitations on their mandate for instruments managed by the EIB Group meant that they often had to rely entirely on the (limited) reports of the EIB Group’s external assessor.

Over 80% of cohesion operational programmes with FISMs were fully closed by the end of 2020. The Commission reviewed them in detail. In the end, its closure work could result in corrections of over €270 million. The EU auditors note, however, that no adjustment was applied for the largest error they found. The Commission deemed expenditure of €139 million from a FISM supporting SMEs in Spain to be eligible, even though 80% of funds were given to large corporations (some even publicly listed).

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 eca.europa.eu.

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Most of the shortcomings identified in the 2007-2013 period have been addressed for 2014-2020. Guidance was further expanded and the provisions in the legislation for cohesion policy have grown tenfold. Measures have also been taken to tackle restrictions on audit authorities' powers for EIB-managed instruments. In addition, issues with the eligibility of instruments for SMEs are less likely to occur in the 2014-2020 programming period, as dedicated funds have been introduced.

The auditors nevertheless warn of remaining issues and persisting uncertainties, which may hamper the effective closure of financial instruments used during the 2014-2020 period. They therefore recommend that the European Commission should provide advice on the most frequent errors uncovered in audits. They also ask the Commission to provide clear guidance to national audit authorities for obtaining assurance on the eligibility of financial instrument expenditure at closure.

Background information

Financial instruments are an alternative to traditional grants, as they provide reimbursable forms of financial support. They are mainly loans, guarantees, equity and quasi-equity investments, designed to have a revolving nature: at the end of the agreed repayment period, the funds are to be reinvested for similar purposes to maximise the impact of public investments. At the end of the 2007-2013 period, there were 1 058 financial instruments under shared management across 25 Member States.

Special report 06/2021: "Financial instruments in cohesion policy at closure of the 2007-2013 period: verification work yielded good results overall, but some errors remained" is available on the ECA website (eca.europa.eu) in 23 EU languages.

Over recent years, the ECA has published several audit reports on EU financial instruments, including [special report 19/2016](#), "Implementing the EU budget through financial instruments — lessons to be learnt from the 2007-2013 programme period"; [special report 36/2016](#), "An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes"; and [special report 17/2018](#), "Commission's and Member States' actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results".

This summer, we plan to publish an audit report on the Commission's reporting on legality and regularity in Cohesion spending.

The ECA presents its special reports to the European Parliament and the Council of the EU, as well as to other interested parties such as national parliaments, industry stakeholders and representatives of civil society. The vast majority of the recommendations made in the reports are put into practice.

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