Has ERDF support to SMEs in the area of e-commerce been effective?
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(pursuant to Article 287(4), second subparagraph, TFEU)
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Conclusions and recommendations

Reply of the Commission
Terms and abbreviations

AWP: Annual Work Programme
B2B: Business-to-Business
B2C: Business-to-Consumer
DAE: Digital Agenda for Europe

Deadweight: Deadweight occurs where funding is provided to support a beneficiary who would have made the same choice in the absence of aid. In such cases, the outcome cannot be attributed to the policy, and the aid paid to the beneficiary has had no impact. Thus the share of expenditure which generates deadweight is ineffective by definition, because it does not contribute to the achievement of objectives.

ERDF: European Regional Development Fund: The ERDF provides financial assistance to promote economic and social cohesion between the regions of the EU. ERDF interventions are mainly implemented through operational programmes involving a large number of projects.

EU: European Union

ICT: Information and communication technologies

Impact: Longer term socioeconomic consequences that can be observed after a certain period after the completion of an intervention, which may affect either direct addressees of the intervention or indirect addressees falling outside the boundary of the intervention, who may be winners or losers.

Intermediate Body: Any public or private body or service which acts under the responsibility of a managing authority, or which carries out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations.

Managing Authority: A national, regional or local public authority or a public or private body designated by the Member State to manage an operational programme.

OP: Operational Programme: A document approved by the Commission, which takes the form of a coherent set of priorities comprising multiannual measures encompassing a large number of projects.

Output: That which is produced or accomplished with the resources allocated to an intervention (e.g. grants distributed to SMEs, websites developed, IT software purchased).

Result: Immediate changes that arise for direct addressees at the end of their participation in an intervention (e.g. increased turnover, increase in the number of customers, an increase in the percentage of online sales, job creation).

SMEs: Small and medium-sized enterprises. The Commission defines them as enterprises with fewer than 250 employees and an annual turnover of less than 50 million euro and/or a balance sheet total not exceeding 43 million euro.
Executive summary

I
E-commerce technologies are viewed as a way of accelerating economic growth, of further developing the single market and of speeding up European integration. This is of particular importance in the case of small and medium-sized enterprises (SMEs), which are still lagging behind large enterprises when it comes to adopting information and communication technologies (ICT).

II
The Commission has therefore increasingly placed importance on the need to foster e-commerce developments, in particular through one of its flagship initiatives, the Digital Agenda for Europe (DAE). The ERDF budget has devoted around 3 billion euro to the promotion of ICT-uptake by SMEs during the 2007–13 programming period.

III
The audit addressed the question of whether ERDF support to SMEs in the field of e-commerce was effective and concluded that the ERDF support to e-commerce projects contributed to increasing the availability of business services online. However, shortcomings in the monitoring made it impossible to assess to what extent it contributed to the achievement of the EU and Member States’ ICT strategies as well as SMEs’ development objectives. Moreover, weak selection procedures resulted in co-funded projects that were unlikely to provide value for money.

IV
The Court therefore recommends that the Commission:

(a) ensure that it obtains consistent and reliable information from the Member States on the Operational Programmes’ progress, not only in financial but also in performance terms, with a particular emphasis on result indicators and targets;

(b) insist that the selection criteria and procedures put in place by the Member States ensure the selection of projects that maximise added value among applicants in terms of fostering e-commerce development in SMEs and achieving the DAE targets while, at the same time, ensuring such procedures are appropriate to their targeted beneficiaries in terms of the time and administrative work required;

(c) require Member States’ managing authorities to put management tools in place for the purpose of monitoring the impact of the grant on the business development of the SMEs supported.
Introduction

Why is e-commerce important?

01 Electronic commerce (hereafter ‘e-commerce’) is ‘the sale or purchase of goods or services, whether between businesses, households, individuals or private organisations, through electronic transactions conducted via the Internet or other computer-mediated (online communication) networks’.

02 E-commerce technologies are viewed as a way of accelerating economic growth, of further developing the single market and of speeding up European integration. This is particularly relevant to small and medium-sized enterprises (SMEs), whose role in the European economy has been repeatedly acknowledged by the Council, the European Parliament and the Commission, but which are still lagging behind large enterprises when it comes to adopting information and communication technologies (ICT).

03 Promoting ICT-uptake, and in particular e-commerce, is therefore key to improving overall development and competitiveness, especially in the case of SMEs, and creating jobs, as has been noted in several Commission documents.

EU information society strategies

04 Since 2000 the Commission has drawn up several strategies for developing the information society in the EU: it launched the eEurope initiative and the European Information Society 2010 Strategy (i2010 Strategy) within the framework of the Lisbon strategy, and in 2010 it launched the Digital Agenda for Europe (DAE), which constitutes one of the seven flagship initiatives of the current Europe 2020 strategy targeting growth and jobs (see Figure 1).

05 The DAE builds on the i2010 strategy. It stressed the importance of the sustained commitment of the EU and Member States as a whole, including at regional level. It contains actions grouped in pillars. One of the pillars (‘Digital Single Market’) focuses on, among other things, making online and cross-border transactions straightforward. Three of its 13 targets concern e-commerce and one focuses specifically on SMEs, i.e. 33% of SMEs to make online sales and purchases by 2015. The last Digital Agenda Scoreboard showed a slow increase in the number of SMEs selling and purchasing online: from 12% in 2009 to 14% in 2013 respectively.

1 Eurostat and the OECD’s common definition.

2 The Internet economy is believed to generate 2.6 jobs for every job lost and may account for 25% of net employment creation (which is considered to have been the case in France over the 1995–2010 period). McKinsey, ‘Impact d’internet sur l’économie française’ (The impact of the Internet on the French economy), March 2011.


4 COM(99) 687 final of 8 December 1999 — eEurope — An information society for all.


7 In 2010, the DAE had 101 actions grouped in seven pillars. In 2012, as part of its update, the Commission adopted seven new priorities and 31 more actions.

8 The other two targets are both 50% of individuals buying online and 20% of individuals buying online cross-border by 2015.
The aim was doubling the share of e-commerce in retail sales (3.4% in 2010) and that of the Internet sector in European GDP (less than 3% in 2010) by 2015. COM(2011) 942 final of 11 January 2012 — A coherent framework for building trust in the Digital Single Market for e-commerce and online services.

Moreover, in January 2012 the Commission adopted the Communication on e-commerce and online services with the aim of doubling the volume of e-commerce in the EU by 2015°.
Introduction

European Regional Development Fund (ERDF) support to e-commerce investments

07
In the 2007–13 programming period, the Community Strategic Guidelines stated the importance of ICT-uptake by firms, especially SMEs, with regard to increasing productivity and promoting an open and competitive digital economy. The Lisbon strategy mid-term review also emphasised the importance of ICT-uptake by all sectors of the economy and the role cohesion policy could play in fostering the adoption of ICT.

08
The ERDF budget for ICT-uptake by SMEs for the 2007–13 programming period, which includes e-commerce investments, amounts to around three billion euro, i.e. 11 % of the support targeted directly at SMEs and 21 % of that targeted at ICT. According to the Commission, by November 2013, 57 % of the abovementioned budget had been allocated to selected projects, showing a low absorption rate when compared to 85 % for all structural funds (see also paragraphs 24 and 27).

ERDF management system

10
The ERDF is part of the cohesion policy funds. Cohesion policy funds are implemented through multiannual programmes, in shared management arrangements between the Commission and the Member States. For each programming period, on the basis of Member States’ proposals, the Commission approves operational programmes (OPs) and indicative financial plans which include the EU and national contributions.

11
Projects financed through the OPs are selected by managing authorities and carried out by private individuals, associations, private or public undertakings or local, regional and national public bodies.

09
There are no figures available on the amounts allocated specifically to e-commerce investments because the reporting categories laid down in the regulations do not require separate reporting on e-commerce support. Moreover, the expenditure category covering e-commerce support also includes education, training, networking and other SME services and applications.

The Court examined whether ERDF support to SMEs in the field of e-commerce was effective. The audit focused on three main audit questions:

(a) Were OPs, developed by the Member States and approved by the Commission, a good basis for efficiently supporting e-commerce measures for SMEs?

(b) Have managing authorities selected and monitored e-commerce projects properly?

(c) Have the e-commerce projects co-financed by the ERDF been successfully implemented and provided measurable benefits to the beneficiary SMEs?

The audit focused on the support provided by the ERDF during the 2007–13 programming period and covered five OPs from the following four Member States: Greece (‘Digital Convergence’), Italy (‘Piedmont’ and ‘Emilia-Romagna’), Poland (‘Innovative Economy’) and the United Kingdom (‘Lowlands and Uplands of Scotland’). Altogether these accounted for 1.6 billion euro (51 %) of the ERDF budget set aside for ICT-uptake by SMEs.

The Member States were selected because their OPs included e-commerce measures, and on the basis of the budget allocation for and amounts committed to ICT-uptake by SMEs.

Audit evidence was collected from interviews with the Commission and Member States’ officials, as well as from project managers.

It should be noted that in the United Kingdom (Lowlands and Uplands of Scotland) there were two levels of project implementation (project sponsors’ projects and SMEs’ projects). Only the SMEs’ projects are included in this figure.

The audit work covered:

(a) a review of the Commission’s strategic framework for e-commerce and the information society;

(b) an examination of the national and relevant regional e-commerce strategy documents drawn up for the 2007–13 period by the countries selected, as well as analysis of the related OPs;

(c) visits to national and regional authorities responsible for managing the OPs in the Member States selected;

(d) an on-the-spot examination of 30 projects that had been operational for at least 2 years, in order to be able to assess their impact. The total eligible costs of the projects audited ranged from approximately 1 800 euro to 527 000 euro (to which the ERDF contribution ranged from 12 % to 74 %). Three projects took the form of non-financial assistance, i.e. the provision of consultancy services;

(e) a study visit to a region implementing the so-called ‘ICT voucher scheme’ (see Box 2), a pilot project recently introduced by the Commission, in order to assess this alternative use of the ERDF and compare it to the selection procedures under which the projects audited had been chosen and implemented.
Observations

Member States’ Operational Programmes (OPs) served as a good basis for providing support to small and medium-sized enterprises (SMEs) in the field of e-commerce but not for performance measurement

17 The Court examined whether:

(a) Member States drew up their OPs in line with relevant strategies in the field of ICT;

(b) OPs defined specific objectives and measures addressing the identified needs, as well as appropriate targets and indicators to monitor their performance.

All Member States selected drafted the OPs audited in line with relevant regional or national information and communication technologies (ICT) strategies

18 When the OPs were drawn up, all the Member States selected had a strategic framework in place that addressed their needs in terms of ICT-up-take/the information society, as well as of SME development and competitiveness. However, only the Greek strategy examined was so comprehensive as to include an organisational structure that attributed responsibilities with regard to both the implementation of the strategic objectives, and the resources needed and available.

19 The strategies were subsequently taken into account by the managing authorities in the OPs, though only the OPs of Italy (Emilia-Romagna) and Greece explicitly mentioned them. Furthermore, only the Greek managing authority made explicit reference to EU information society strategies from the very start of the programming period. When the DAE was launched in May 2010, one managing authority in the United Kingdom took due account of it and adapted its OP accordingly (see paragraph 23 and Box 1).
Observations

All OPs audited included e-commerce measures and associated targets and indicators but late amendments to the latter sometimes hampered proper performance assessment.

20 All the managing authorities had included in their OPs measures to promote e-commerce either specifically in SMEs or as part of wider measures relating to e-business and ICT-uptake by SMEs, thus addressing the needs identified in the related strategies (see paragraph 18).

21 In turn, the Commission appraised the needs analyses contained in the OPs and verified whether the targets set were in line with those analyses and whether they contributed to EU policies.

22 All the managing authorities had defined their own output indicators for the e-commerce measures described in their OPs and all but one had also defined result indicators (see Figure 2), as well as the target values associated with them. At the outset they served as a good basis for monitoring programme implementation. Nevertheless, just two OPs (Italy (Piedmont) and Greece) captured the ‘e-commerce for businesses’ indicator set in the DAE. The diversity of indicators prevented any aggregation that could be used to provide information at a higher level.

23 The Court found that between 2009 and 2013 the Commission had approved several amendments to all five of the OPs examined. In three cases (Greece, Italy (Piedmont) and Poland), however, indicators were changed in OP amendments made towards the end of the programming period, i.e. in 2012 and/or 2013 (see also paragraph 19).

Box 1

Example of an OP amendment appropriate to the new EU initiative: United Kingdom (Lowlands and Uplands of Scotland)

The OP ‘Lowlands and Uplands of Scotland’ had been amended in March 2011 to include measures that aimed at better addressing the objectives of a new EU flagship initiative, the DAE.

The amendment was made to include support for broadband connectivity for rural SMEs and to align the Scottish Government’s Digital Strategy with the DAE.

14 The Piedmont OP was amended four times (in 2009, 2010, 2012 and 2013) and Greece’s OP was amended twice (in 2011 and 2012), but indicators were amended only once, in 2012, in both cases. In Poland, amendments were made in 2011 and 2013 and indicators were amended on both occasions.
### Observations

#### Details and changes of the e-commerce performance indicators and target values used in the OPs examined

<table>
<thead>
<tr>
<th>OP</th>
<th>Output indicators (and target values)</th>
<th>Result indicators (and target values)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovative Economy (Poland)</strong></td>
<td>- Number of projects co-financed: 13,100 for the supply of services and 250 for the use of information services</td>
<td>- None</td>
</tr>
<tr>
<td><strong>Lowlands and Uplands of Scotland (United Kingdom)</strong></td>
<td>- Number of enterprises supported (450)</td>
<td>- Enterprises financed that can accept orders (8.75%)</td>
</tr>
<tr>
<td><strong>Digital Convergence (Greece)</strong></td>
<td>- Number of enterprises receiving support for e-commerce (5,700)</td>
<td>- Enterprises financed that can accept online payments for sales via the internet (1.31%)</td>
</tr>
<tr>
<td><strong>Emilia-Romagna (Italy)</strong></td>
<td>- Number of projects co-financed (13,100)</td>
<td>- Since the start: Number of e-commerce strategies developed (4,100)</td>
</tr>
<tr>
<td><strong>Piedmont (Italy)</strong></td>
<td>- Number of enterprises supported (450)</td>
<td>- Percentage of enterprises running sales for enterprises (B2B) through specialized internet markets (12.4%)</td>
</tr>
</tbody>
</table>

**Text/Figures in bold:** Currently applicable

**Normal text/figures:** No longer applicable

---

**Source:** ECA.
In particular, the result indicators and/or their target values were changed considerably, which hampered assessment of the actual results of a project’s implementation. When target values were altered (OPs in Greece, Italy (Piedmont) and Poland), previous and new values could not be compared because the definition of the indicators (OPs in Greece and Poland) or the measurement units (OPs in Greece and Italy (Piedmont)) had been changed, and such changes had not always been justified by budget decreases or external factors. In two cases, the reason for changing was the low demand for the actions offered, which also resulted in a low absorption of funds (see also paragraphs 8 and 27).

The Court considers that such changes towards the end of the programming period (when the actual achievements were already known) jeopardised objective measurement of the OPs’ effectiveness in developing e-commerce. Nevertheless, these changes were accepted by the Commission when approving the OP amendments in 2012 and 2013.

In addition, most of the Commission monitoring activity on the OPs focused on financial information, which is important albeit insufficient to evaluate actual progress made. Moreover, the categorisation of financial data reported to the Commission by two managing authorities (in Greece and the United Kingdom) was not reported in a consistent manner, as they did not always classify e-commerce projects correctly, i.e. in accordance with the expenditure code laid down in the Council regulation. In two cases, the reason for changing was the low demand for the actions offered, which also resulted in a low absorption of funds (see also paragraphs 8 and 27).

Since 2003 the Commission has made efforts to issue guides aimed at promoting the use of policy tools in the area of ICT-uptake by SMEs, which includes e-commerce. In addition, in 2013 it also proposed an alternative initiative that would make it easier for SMEs to implement ICT projects, i.e. the ‘ICT Innovation Voucher Scheme’ (see Box 2). This initiative was intended to remedy the slow absorption of funds that had been made available for the purpose of addressing the issue of ICT-uptake by SMEs.


16 E.g. the guides ‘Regional Policy for Smart Growth of SMEs’ and the ‘Digital Agenda Toolbox’ (which may be found on the Smart Specialisation Platform page managed by the Commission’s Joint Research Centre at http://s3platform.jrc.ec.europa.eu/guides).

17 The absorption rates for measures promoting ICT-uptake among SMEs were well below the ERDF average.
Observations

Managing authorities focused more on outputs than on results at both selection and monitoring stages

The Court examined whether the managing authority ensured that:

(a) the selection procedure provided it with enough information on the enterprises’ rationale for making the investment and on whether project implementation could contribute to attaining OP’s objectives, enabling it to maximise the potential of ERDF funding to provide added value in terms of both boosting SMEs’ development and contributing to the implementation of EU information society strategies;

(b) project performance was monitored both during and after implementation in order to assess the projects’ contribution to SME development and to achieving strategic objectives.

ICT Innovation Voucher Scheme — an alternative support scheme for SMEs

The ‘ICT Innovation Voucher’ is a simplified scheme for helping SMEs to modernise their existing business through ICT-uptake. In practice, it offers them a small credit line so that they can buy pre-defined products or services from accredited suppliers. The scheme aims to provide prompt support to SMEs and reduce their administrative burden.

It has been undergoing testing in two Spanish regions since 2013. In the region where the pilot project is more advanced (Murcia), the procedure takes 2 months from the time a call is issued to the date on which grants are approved. In addition, according to the managing authority the administrative cost is less than 10%.

The Court identified two shortcomings, however. Firstly, not enough attention was paid to ensuring that project funding was driven by SME demand (and not ICT-supplier demand) and, secondly, no result indicators were sought from the beneficiary SMEs, thereby precluding assessment of the impact that the implementation of a project actually had.
Observations

Project-selection procedures rarely assessed whether the projects selected were the most likely to contribute to SME development and/or EU information society objectives

Managing authorities rarely requested either a business plan or quantifiable targets when assessing project applications

29 The ERDF regulations did not call for business plans or other measurable financial or business targets for OPs in the 2007–13 programming period. Such a requirement is considered good practice, however, when it comes to assessing the viability and pertinence of undertaking any business venture. Among the OPs examined, only two of the managing authorities (in Poland and the United Kingdom) asked for business plans to be submitted with project applications, though not systematically. Consequently, only six of the 30 enterprises whose projects were examined provided a business plan, or other measurable financial or business targets (see Box 3).

30 In addition to the six applicants that provided a business plan, a further eight of the 30 enterprises whose projects were audited had included quantifiable business targets in their project applications, which provided a robust basis for project monitoring (see paragraphs 44 to 46).

31 In the case of the remaining 16 projects examined (out of 30), the managing authority did not have appropriate information on the enterprises’ rationale for making the investment. In particular, in these cases the information requested by the managing authority did not include a business plan or any quantifiable business targets.

Example of a comprehensive business plan in a project application

In Poland, all projects funded under the measure aimed at promoting Business-to-Business (B2B) solutions were asked to provide a comprehensive business plan with their project applications.

The business plan was required to provide detailed information that included a description of the company, a description of the project (project components, justification for the investment proposed, details of the financial, technical and human resources needed to carry out the project), the expected benefits (including objectives, measurable output and result indicators, and target values), and financial information on the company (balance sheet, profit and loss account and cash flow statements).

Such detailed information provided a basis for a good understanding of the projects’ rationale and consequently for selection of the most efficient projects.
Observations

In some cases projects audited did not meet the measure’s objectives as set out in the OPs

32
In Greece, five of the audited co-financed projects did not comply with the measure’s objectives as set out in the OPs. Whereas the OP highlighted the need to support micro and small enterprises, the calls for proposals under which the projects audited had been selected had also allowed large companies to apply for co-financing (see Box 4).

33
With regard to a measure under one OP (Poland) that aimed to help newly established companies provide online services, the Court found that, at the selection stage, the only proof required to demonstrate that an enterprise was newly established was an extract from the register of companies’ stating the date on which the enterprise had been set up. This selection criterion was therefore easily circumvented. In fact, of the five audited projects supported under the above-mentioned measure, two actually comprised the new legal form of enterprises that had existed previously and either closed down or severely limited their business activity, which had then been transferred to the newly created enterprise. The entrepreneurs had decided to set up a new company that met the eligibility criteria in order to receive ERDF co-financing. This by-passing of the abovementioned eligibility criterion diminished the effectiveness of this measure.

Box 4
Selection of projects that were not in line with the measure’s objectives as set out in the OPs

In Greece, the OP made explicit reference to the need to support microenterprises in the tourism sector, and defined measures with the objective to address this need, which were highly concentrated in the OP’s catchment area and whose level of ICT adoption was particularly low. Many of the targeted enterprises were assessed as having a poor or no presence online. Support to such microenterprises also aimed to reduce the impact of seasonality on the Greek tourism business by increasing economic activity that could be sustained throughout the year.

However, the call for proposals was drawn up in such a way that it did not place particular emphasis on either micro or even small enterprises. The outcome was that large hotels also received funding (four of the seven enterprises assessed in the tourism sector belonged to top Greek hotel chains).

These hotels also had a well-established business model based on two main elements: selling through tour operators (hence, selling directly via the website was of minor importance), and reliance on seasonality (they are open 6 months a year). The implementation of the co-financed projects had no impact on their above-mentioned business model, even though this constituted an objective laid down in the OP and its guidelines.
18 The United Kingdom’s (Scotland) selection procedure comprised two stages. The first involved the managing authority applying a two-part procedure to select project sponsors (intermediaries). The first part of the procedure allowed the managing authority (or intermediate body) to establish whether or not a project met the OP eligibility criteria. Successful project applications then,

Weak selection procedures resulted in co-funded projects that were unlikely to provide value for money

34 Differences were noted in the selection procedures of the OPs audited, particularly with regard to the types of project, funding ceilings and selection processes (see Figure 3).
Most of the selection procedures were conducted on a ‘first come, first served’ basis where only eligibility criteria were applied and they were easy to fulfil. Up until 2010, under only two of the five OPs in Italy (Piedmont, Emilia-Romagna) had the managing authority used a qualitative selection procedure based on substantive criteria, ranking of applications and expert evaluation. In 2010, Poland decided to amend its selection procedures and introduced qualitative evaluation and ranking of proposals into the selection process.

The combination of a lack of demanding criteria and comparative selection of applications and the absence of comprehensive business information in project applications resulted, in over one-third of the cases, in the co-funding of projects that offered low or no value for money:

(a) In Greece, four projects — consisting in the development of a website with an online booking facility — were redundant. The enterprises had had a website and online booking facility before they carried out the project. Moreover, the websites developed had the same layout as other websites put in place by other hotels in the same chain, which had also been co-funded (at the same or a very similar cost) by the ERDF under the same call for proposals.

(b) Ten of the 30 co-financed projects audited (all 10 of which were in either Italy (Emilia-Romagna and Piedmont) or Greece\(^\text{19}\)) would have been carried out even in the absence of public co-financing, according to what was stated by the project owners. Moreover, five of these 10 projects had started well before the grant had been notified. Three of them started before the enterprises had even submitted a co-financing application. All these projects represent deadweight.

(c) In one Member State (United Kingdom), project sponsors provided advice to enterprises, in addition to or instead of grants. In the case of the three SME projects that received advice, according to the project owners, the impact of the ERDF support was negligible, since all three enterprises had developed their own e-commerce strategy and online presence independently and at their own expense. In two of those cases, the advice did not help the enterprises in any way and was therefore considered useless by them.

\(^{19}\) Including the four projects mentioned in paragraph 36 (a).
Observations

The selection procedures were sometimes too lengthy

37 The average time taken to approve the projects audited (timespan from the launch of the call for proposals to the grant award) lasted more than 6 months in the case of three of the five OPs audited (in Greece and Italy (Emilia-Romagna and Piedmont)). This potentially affected applicants who could not raise sufficient capital and were actually in greater need of public financial support, and could not carry out their projects as a result.

38 Delays of several months were only partly explained by the fact that the selection process included an expert evaluation and comparison of applications received, based on a set of substantive criteria. This was the case in Italy, where the average project approval took either 8 months (OP for Emilia-Romagna) or 14 months (OP for Piedmont).

39 However, delays of 7 months were difficult to justify when the selection procedures were also ‘first come, first served’ with no substantive appraisal and comparison of applications, as was the case in Greece. (‘Digital Convergence’ OP). Similar procedures in the United Kingdom (‘Lowlands and Uplands of Scotland’ OP) or Poland (‘Innovative Economy’ OP) took between 2 and 4 months.

40 The duration of the selection procedure under the Greek OP may also be compared to that of the pilot project for the ‘ICT Innovation Voucher’ initiative, since they both funded similar types of off-the-shelf projects, specifically defined at regional level, on a first come, first served basis. Under the voucher pilot project very similar projects were selected in less than one third of the time needed in Greece (see Box 2).

In most of the Member States visited, the selection procedure did not take account of the cross-border dimension

41 At the beginning of the programming period, the selection procedures under which the audited projects were selected in all the Member States visited, with the exception of Greece (where it was compulsory), did not take the matter of cross-border online services into consideration, despite this being an important factor as regards achieving a more integrated digital internal market (as stated in the i2010 strategy and emphasised in the DAE) (see also paragraph 5). In 2010, after reviewing its selection procedure and criteria, Poland introduced the selection criterion of ‘the international dimension of a project’ (offer of cross-border services) into the OP concerned.
Only seven of the 22 enterprises whose projects were examined and for which cross-border transactions made sense actually carried out a project that enabled them to create a website or adapt their own for cross-border transactions. Another four enterprises already had such a component available to them within their company or the company group to which they belonged. Hence, half of the enterprises that by implementing their respective projects could have benefited from the opportunities brought by cross-border e-commerce had missed out on them.

Ten of the 23 enterprises whose projects were audited, and of which it was reasonable to expect a multilingual website, did have a website in two or more languages. Of those 10 enterprises, two had had a multilingual website before the project was implemented. The remaining eight had this capability for the first time as a result of their projects being implemented.

Managing authorities were, in most cases, unable to assess the impact of a project on an SME’s development.

Over half of the projects examined were not asked to report on any result-oriented targets.

All the managing authorities asked beneficiary enterprises to submit reports on the progress of their project’s implementation and, depending on the duration, reports were submitted either following or both during and after project implementation. However, in 16 of the 30 cases examined this information concerned only the physical completion of the project, i.e. purchase and/or development of the necessary IT solutions. Moreover, the reports did not contain information on the duration of one third of the projects audited.

The competent managing authorities (in Greece, Italy and the United Kingdom) did not ask for any result-oriented targets for any of the 16 projects concerned. The only information requested, and provided by the beneficiaries, concerned the actual cost of the project and the outputs achieved.
For the other 14 projects, detailed monitoring of business data was sought so as to allow the managing authority to assess the immediate impact of the project’s implementation on the enterprise’s development. In the case of one managing authority, payments were linked to project performance (see Box 5).

No further systematic monitoring was carried out once a project had been fully implemented other than by one managing authority (Poland) and one project sponsor (United Kingdom), which had specified an obligation to this effect in the grant agreement. Other managing authorities were therefore left with information that was insufficient to judge how effectively the support given had contributed to the development of the co-financed enterprises and/or the strategic objectives set.

Example of result-oriented management: linking payments to performance

In Poland, payments were linked to the achievement of business-result targets. Where the target values were not attained, the Intermediate Body had the possibility to decrease the amount of the grant. This was the case with one of the projects assessed, where underperformance (the expected revenue target was not achieved) was reflected in decreased public-funding support of 5% for the project in question.

In some cases, monitoring systems did not record project performance in a reliable manner

In the case of all but one of the managing authorities examined, performance information was provided by SMEs in the form of a standardised report. One managing authority (Italy (Emilia-Romagna)) had no such standardised format, however, which meant that the reports it received varied greatly in terms of quality, since each enterprise chose what and how to report. This, in turn, meant that the managing authority was unable to assess whether or not a project had been completed successfully. For example, one beneficiary failed to declare that one of the components of the project (online shopping basket) had not been developed, and the managing authority did not address the matter, despite it being part of the co-financed project.
In the case of two other managing authorities (Italy and the United Kingdom), the data entered in the monitoring systems was not fully reliable and/or comprehensive:

(a) In Italy (Piedmont), the managing authority did not check the accuracy of the information provided. In two of the four projects assessed, the information fed into the system was erroneous (in one case it concerned the output indicator and in the other, the number of employees at one of the enterprises co-financed).

(b) In the United Kingdom (Lowlands and Uplands of Scotland), the poorly-defined indicators set by the managing authority resulted in each project sponsor interpreting them differently and hence not reporting progress in a consistent manner.

Lack of data sometimes hampered monitoring of the economic use of EU funding

In the United Kingdom (Lowlands and Uplands of Scotland), enterprises were supported via intermediaries (i.e. project sponsors). In some cases, intermediaries provided non-financial assistance, i.e. provision of advice or consulting services (see also paragraph 36(c)).

In two cases the intermediaries’ administrative costs were considerable, especially when compared to those of the pilot project for the ‘ICT Innovation Voucher’ initiative (see Box 2). In the other Member States it was possible to establish the exact amount paid to SMEs for ICT-uptake, whereas in this case it was unclear how much ERDF funding was actually devoted to supporting beneficiaries (see Box 6).

Lack of information on the economy of the administrative costs incurred by intermediaries

In Scotland, the managing authority implemented projects via intermediaries, i.e. project sponsors.

As the intermediaries themselves were providing the consultancy support to SMEs, administrative costs, including salaries, accounted for a significant share of the expenditure reimbursed: one project sponsor used 55% of its budget for salaries and another 18% for marketing activities, while in the case of another, salaries accounted for 82% of the total budget. In the absence of any data being made available, however, the Court was unable to conclude whether or not the funds in question were used economically. Furthermore, one of the intermediaries was unable to document the time spent or work involved in providing advice to some of the SMEs that it supported.
Observations

**Overall SMEs implemented the projects smoothly but the results achieved were not always demonstrated**

52
The Court assessed whether:

(a) projects had been carried out and were maintained as initially planned;

(b) the intended economic benefits of implementing a project were obtained and measured.

**Project outputs were generally in line with the related application**

53
In most cases projects were carried out within budget and without major delays. Where budget overruns occurred, the amounts involved were small and did not affect the amount of public co-financing. For all projects delays had been notified to and approved by the managing authority.

54
In 25 of the 30 projects audited, outputs were achieved as planned and were operational:

(a) 17 beneficiary enterprises were able to go online following the creation of a website, and nine of them were able to conduct online sales;

(b) another eight enterprises had had an online presence before the project was implemented, but chose to either create a new website or update their existing one.

In four of the abovementioned 25 cases, the e-commerce developments formed part of wider projects aimed at digitising the enterprise’s internal procedures (e-business).

55
In the case of the remaining five projects audited (in Greece, Italy (Piedmont) and Poland), their implementation did not provide the intended outputs. In the case of one project the enterprise did not make use of the application developed. Another four projects, despite the IT applications developed and implemented, either failed to carve out a niche in the market or experienced technical difficulties (see paragraph 57).

56
Even though the vast majority of projects did not provide for an IT maintenance budget at the outset (only four projects did so), this posed no problem to any of the enterprises whose projects were assessed. In fact, the IT software was generally designed to ensure low maintenance costs and enable users to upgrade and make changes themselves (this was the case for 14 projects).
Almost no enterprise experienced major technical problems during or after implementation. The IT applications developed were operational and worked without interruption. The few exceptions were the following: two enterprises in Greece whose website and/or online booking page could not be accessed and three other enterprises in Poland and Italy that failed to find a market niche and had no customers. In these three cases the sustainability of the project was not merely a matter of IT maintenance: one project was not completed and for the other two the enterprises feared that they would not continue their economic activity beyond the legal sustainability period.

Many SMEs stated that they had benefited from the implementation of their project but the results achieved were not measured systematically.

Of the 30 enterprises whose projects were assessed, barely half had been asked to provide result targets (see also paragraphs 44 to 46). Of the 14 projects whose applications contained result targets that were also monitored, the results were achieved in eight cases. Result targets consisted of increased turnover, an increase in the number of customers, an increase in the percentage of online sales, and/or job creation.

As far as the other half of the enterprises receiving ERDF support to develop e-commerce is concerned, no link could be established between the input received and the business development achieved by the enterprise.

Thirteen enterprises claimed that they had made efficiency gains as a result of their project’s implementation, albeit that all but one had not fixed any such targets in their project applications. Of these 13 enterprises, only four were able to quantify them. Six enterprises had not linked the co-funded website to their internal business software, which meant that every online booking received had to be entered in their internal systems manually.

Job creation was generally not the aim of most of the projects co-financed. However, eight projects had a job-creation target which the enterprises had set as a result target in their project applications.

All eight projects achieved their target. A further five enterprises claimed that they had hired one or more people as a result of the project’s implementation, four of which were able to substantiate this. Half of the enterprises whose projects were assessed organised training for their staff in the use of the IT applications developed under the project. This training was customised to cater for the individual enterprises that requested it, hence no certificates were issued. On-the-job training was also common.
Conclusions and recommendations

E-commerce technologies are viewed as a way of accelerating economic growth, of further developing the single market and of speeding up European integration. The Commission has therefore increasingly placed importance on the need to foster e-commerce developments, in particular through one of its flagship initiatives, the DAE. The EU structural funds budget has devoted three billion euro to the promotion of ICT-uptake by SMEs during the 2007–13 programming period.

The audit addressed the question of whether ERDF support to SMEs in the field of e-commerce was effective and concluded that the ERDF support to e-commerce projects contributed to increasing the availability of business services online. However, shortcomings in the monitoring made it impossible to assess to what extent it contributed to the achievement of the EU and Member States’ ICT strategies as well as SMEs’ development objectives. Moreover, weak selection procedures resulted in co-funded projects that were unlikely to provide value for money.

Member States’ OPs served as a good basis for providing support to SMEs in the field of e-commerce. They included e-commerce measures in line with their national or regional needs, as defined in their respective ICT strategies. However, meaningful measurement of the progress made was sometimes jeopardised by the fact that indicators and target values were revised, frequently towards the end of the programming period, and not always with proper justification. Moreover, expenditure related to e-commerce projects was not always reported to the Commission under the correct category and this hindered its overall assessment. In 2013, the Commission addressed the slow absorption of funds by proposing an alternative use of structural funds to promote ICT-uptake by SMEs through its ‘ICT Innovation Voucher Scheme’. But it did not pay enough attention to performance monitoring, which is indispensable for evaluating actual progress made (paragraphs 18 to 27).

Managing authorities focused more on outputs than on results, at both selection and monitoring stages. The limited nature of the selection criteria applied meant that they sometimes financed all eligible projects for as long as funding was available, regardless of any potential added value from the perspective of developing SMEs or the EU information society’s objectives (paragraphs 29 to 43). Moreover, managing authorities were, in most cases, unable to assess the impact of a project on an SMEs development. Finally, in two of the Member States selected, they did not carry out the necessary checks on the reliability of the data fed into the system (paragraphs 44 to 51).
Conclusions and recommendations

67
Overall SMEs implemented the projects smoothly and outputs were generally in line with the related application. Many SMEs stated that they had benefited from the implementation of their projects but results were only measured in less than half of the projects audited. In these cases, it was found that there were benefits for over half the SMEs concerned (paragraphs 53 to 62).

68
The Court therefore recommends the following:

**Recommendation 1**
The Commission should ensure that it obtains consistent and reliable information from the Member States on the OPs’ progress, not only in financial but also in performance terms. To this end, it should:

(a) assess the relevance of the result indicators proposed, both when approving the OPs and subsequent amendments;

(b) design a monitoring system in such a way that progress towards all target values set can be measured in a timely way and allowing for comparison over time;

(c) suggest standard indicators relevant to EU strategic objectives on e-commerce.

**Recommendation 2**
The Commission should insist that the selection criteria and procedures put in place by the Member States ensure the selection of projects that maximise added value among applicants in terms of fostering e-commerce development in SMEs and achieving the DAE targets while, at the same time, ensuring such procedures are appropriate to their targeted beneficiaries in terms of the time and administrative work required.

When selecting projects, Member States’ authorities should, where appropriate, require applicants to:

(a) provide justification of the need to implement the project concerned, ideally in the form of a sufficiently detailed and realistic business plan;

(b) demonstrate the financial viability of the project;

(c) demonstrate the need for public financial support in order to avoid deadweight spending;

(d) incentivise project owners to take the cross-border dimension of their business into account in order to fully exploit the opportunities of the single market.
Conclusions and recommendations

**Recommendation 3**

The Commission should require Member States’ managing authorities to put management tools in place for the purpose of monitoring the impact of the grant on the business development of the SME supported. It should require in particular that:

(a) a minimum set of robust indicators with related targets are defined in the grant agreements, measured and subjected to subsequent monitoring, both once the project has been implemented and is operational and at a later stage, when its full impact is likely to have taken effect;

(b) wherever appropriate, a mechanism is introduced that ensures that payments are linked to performance and allows for their adjustment in the event of serious underperformance;

(c) the necessary checks and controls are carried out to ensure that the data entered into the monitoring systems are reliable and consistent.

This Report was adopted by Chamber II, headed by Mr Henri GRETHEN, Member of the Court of Auditors, in Luxembourg at its meeting of 12 November 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA  
*President*
The ‘guiding principles for the selection of operations’ and ‘output indicators, including the quantified target value’ have to be part of the 2014–20 ESIF programmes and are subject to the negotiations with the Commission. The type of selection principles and detailed selection criteria will depend on the specific objective and context of the co-funded investment.

Member States with identified weaknesses in those areas are requested to describe in the programme (ex ante conditionality, action plan) what actions the authorities are planning to take in order to improve project selection procedures and administrative burden to beneficiaries. Where relevant, Member States are encouraged to use technical assistance in a proactive and focused way for envisaged improvements.

In addition, the Commission will advise managing authorities to include the recommendations of the European Court of Auditors in the selection process and selection criteria of digital growth projects.

Executive summary

III
The Commission welcomes the Court’s assessment.

The Commission considers that the effectiveness of the ERDF support to e-commerce projects allows increasing the availability of business services online.

The new regulations for the European Structural and Investment Funds (ESIF) for the 2014–20 period address the issue of monitoring at programming level by strengthening the result orientation and intervention logic by introducing ex ante conditionality. In the case of e-commerce investments, a specific ex ante conditionality is required in the form of a strategic policy framework for digital growth.

IV (a)
The Commission accepts this recommendation.

For the 2007–13 period, the Commission requires the managing authorities to report on the implementation of the programmes in line with the applicable ERDF regulations.

The 2014–20 ESIF programmes will put a stronger emphasis on results based on targets. At priority axis level the indicators will capture the overall performance in the axis, but not the individual performances of all types of action that might be included in that axis.

IV (b)
The Commission accepts the recommendation and will request appropriate measures to be taken by the Member States.

IV (c)
The Commission partly accepts this recommendation.

In particular, the Commission agrees in principle to having a mechanism introduced that ensures that payments are linked to performance. However, linking ERDF payments for e-commerce with results would be challenging.
**Introduction**

05 The Commission points out that the share of SMEs purchasing online is generally much higher, and the EU average of 26% is much closer to the target. This relative success is partly due to a higher starting point. Also, it is easy to purchase online, but difficult to sell since a platform needs to be set up, with payment and delivery mechanism.

09 The Commission shares the Court’s concern about the low absorption rates of the funds for ICT take-up. The Commission therefore drafted and disseminates’ guidance in order to promote the use of policy tools for ICT take-up by SMEs, including e-commerce. For instance, as part of the ‘smart guide to service innovation’, the guide to ‘Smart growth of SMEs’, the guide to ‘SME internationalisation’, the guide to different digital growth enhancing support methods ‘Digital Agenda Toolbox’ and the Blueprint for ICT innovation vouchers mentioned below. The Commission also provides access to digital growth experts via its technical assistance.¹

The Commission also launched in 2003 the European e-Business Support Network for SMEs (eBSN) as policy coordination platform designed for national and regional decision-makers and public policy experts in the field of e-Business. This includes an initiative to promote the smart use of IT and the integration of SMEs in global industrial value chains.²

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**Observations**

18 The Commission welcomes the Court’s assessment concerning the strategic framework put in place in all audited Member States. Moreover, the Commission stresses that the new ESIF regulation provides a better performance and result-orientation framework for the 2014–20 period. (See reply under point IV b))

22 The regulation governing the 2007–13 programmes does not include any requirement for standardised indicators being used for monitoring purposes. In addition, there is no core indicator specifically for e-commerce.

A ‘result indicator’ captures the results expected by the implementation of a given activity. Consequently, the Member States opt for a result indicator that best measures the performance of the activity undertaken. Although standardisation is possible with output indicators, results indicators are tailor-made and mirror the objective pursued.

**Common reply to paragraphs 23 and 25**

Results indicators are modified by the managing authorities during the entire programming period. The Commission points out that if a Member State requests a programme amendment, it is necessary to revisit also the corresponding indicators in the programme. If there is a serious deviation, there is a need to investigate what is the reason for such a deviation case by case. The European Commission negotiates amendments and requests a solid justification to be provided by the Managing Authority. The result indicators are updated both upwards (if the level of ambition can still be higher) and downwards (if the economic reality and the progress made on the ground was not dependent on a managing authority).

As regards Greece, the recent OP Digital Convergence modification of December 2012 principally concerned a considerable (about 300 M€) budget reduction to reinforce the OP Competitiveness. This reduction affected inevitably the value of indicators which had to be fine-tuned and adjusted accordingly.

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¹ See: http://s3platform.jrc.ec.europa.eu/guides
² As done in 2013-14 in the case of Hungary, Greece and Italy
By reference to the principle of subsidiarity and under shared management, it is up to Member States and regions to decide whether to launch an ICT Innovation Voucher Scheme in the framework of their OPs. The Commission currently promotes the uptake of the scheme by regions in their innovation or digital growth strategies.

The Commission also agrees with the need for supporting a demand-driven support scheme addressing the SMEs business needs.

However, the experience gained so far in the regions suggests that there is often not enough knowledge in SMEs to identify precisely the technology/ICT solution that would match its business concept and SMEs need support to identify and formulate their ICT demand and formulate an appropriate business plan. Providing advice to analyse and identify the right ICT business solution for the SMEs is also part of the voucher initiative.

In view of the experimental character of the voucher initiative and in view of the limited time of implementation, no result indicators are available to date. This information will be made available to the Commission at the next monitoring committees scheduled for mid-2015.

At programme level, it is important to underline that in the programming period 2007–13, there are not result indicators in place but output indicators. This information will be nevertheless requested at monitoring committees.
29 Under shared management, the setting out of detailed selection criteria and the selection of projects is the responsibility of the Member States. This means that when selecting the e-commerce projects, the managing authority decides whether a business plan has to be presented as part of the application (or other information in line with the objectives of the OP) and what it needs to contain. The Managing Authority also verifies the quality of the project application and supporting documents (e.g. quality of business plans).

31 Under shared management, the setting out of detailed selection criteria and the selection of projects is the responsibility of the Member States. This means that when selecting the e-commerce projects, the Managing Authority decides whether a business plan has to be presented as part of the application (or other information in line with the objectives of the OP) and what it needs to contain. The Managing Authority also verifies the quality of the project application and supporting documents (e.g. quality of business plans).

Common reply to paragraph 32 and box 4
The Commission underlines that it is aware of the case described in paragraph 32 and box 4. Appropriate corrective measures have been initiated by the Commission and the Member State.

33 The Commission stresses that ‘guiding principles for selection’ of operation, as part of OPs, are carefully scrutinised by the Commission in the negotiation of the ESIF programmes for the 2014–20 period to ensure that they fit the specific objectives and types of operations.\(^4\)

35 The Commission considers that sufficient evidence should be retained by the Managing Authority (or the delegated Intermediate Body) to witness that the selection procedure is transparent and meets the criteria decided by the Programme Monitoring Committee.

36 (a) The Commission underlines that it is aware of the case described. Appropriate corrective measures have been initiated by the Commission and the Member State.

36 (b) Concerning the Italian projects and as it was explained by the Member States’ authorities the call was drawn up in accordance with Regulation (EC) 1998/2006 (‘de minimis’). This regulation did not provide for an incentive-effect requirement, unlike other aid schemes. Nevertheless, the call limited retroactive expenditure to 01/01/2008 and did not extend it to 01/01/2007 as would have been possible.

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\(^4\) Art 96(2)b Common Provision Regulation: ‘(iii) a description of the type and examples of actions to be supported under each investment priority and their expected contribution to the specific objectives referred to in point (i) including the guiding principles for the selection of operations and where appropriate, the identification of main target groups, specific territories targeted, types of beneficiaries, the planned use of financial instruments and major projects;’
37 The Commission agrees with the Court and will, in relevant cases, raise the issue of the duration of project selection in the Programme Monitoring Committees with a view to ensure approved and faster procedures.

40 The Commission underlines the difference of intensity of intervention between the Greek OP and the pilots project ‘ICT innovation vouchers’ going in the case of the Greek OP from 40 000 to 200 000€ and in the case of the pilots from 5 000€ to 7 500€. This also could explain the difference in the duration of the selection procedure.

Furthermore, Murcia based its ICT innovation voucher pilot on its extensive experience in the design, implementation and management of innovation vouchers.

41 The cross-border dimension depends upon the nature of the business. The business can be local and therefore rules out cross-border activities. Future expansion of the business might in turn require the adaptation of the website with multi-lingual facilities.

The Commission insists for the 2014–20 ERDF programmes on the importance of internationalisation of SMEs, as analysis show that SMEs that are active beyond their national boundaries tend to be more competitive.\(^5\)

43 Translating the website could be envisaged when business opportunities arise abroad at the target market. However, the costs incurred might exceed the additional benefits depending upon the nature of the business.

**Common reply to paragraphs 44 and 45**

The regulation governing the 2007–13 programmes does not include any requirement for standardised indicators being used for monitoring purposes. In addition, there is no core indicator specifically for e-commerce.

The analysis of the reports submitted on the progress of the project’s implementation is done at Member State level. According to the legal bases the Commission provides guidance for the improvement of the project’s management.

A ‘result indicator’ captures the results expected by the implementation of a given activity. Consequently, the Member States opt for a result indicator that best measures the performance of the activity undertaken. Although standardisation is possible with output indicators, results indicators are tailor-made and mirror the objective pursued.

47 Systematic monitoring of fully implemented projects can be regarded as a good practice but is not an obligation under the regulations.

Managing Authorities should carry out evaluations to assess the effectiveness, efficiency and impact of a programme. An evaluation shall assess how support from the Funds has contributed to the objectives for each priority.

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The Commission points out that the details of the reporting obligations of the beneficiaries, including on quantitative and qualitative targets and considerations of the cost of the data generation and reporting vs the volume of support, are under shared management defined by the Managing Authority in line with the OP and its objectives.

Conclusions and recommendations

The Commission welcomes the Court’s assessment. The Commission considers that the effectiveness of the ERDF support to e-commerce projects allows increasing the availability of business services online. The new regulations for the European Structural and Investment Funds (ESIF) for the 2014–20 period address the issue of monitoring at programming level by strengthening the result orientation and intervention logic by introducing *ex ante* conditionality. In the case of e-commerce investments, a specific *ex ante* conditionality is required in the form of a strategic policy framework for digital growth.

The regulations governing the 2007–13 programmes do not include requirements for standardised indicators being used for monitoring purposes. In addition, there is no core indicator specifically for e-commerce allowing for specific performance monitoring.

49 (a)

The Commission acknowledges the problem, but draws the attention to the effects of the economic/financial crisis that led to a high business mortality rate, and to withdrawals from funded projects, as well as a generalised lengthening of the implementation times for interventions. To address this crisis, the Piemonte authorities focused their efforts (including the monitoring) on speeding up the absorption of the funds.

The Managing Authority is implementing a number of initiatives aimed at ending this ‘emergency’ situation and reinstating the regular, constant and orderly performance of computerised management activities for all information relating to the state of progress of the funded projects.

49 (b)

The Commission acknowledges that relevant indicators should be adequately defined to enable the Managing Authority to aggregate the data at OP level.

The new ESIF regulations for 2014–20 period address this problem.

Box 6

The projects audited concern primarily the provision of intermediaries’ expert advice and support services to new and existing business. Thus, salaries represent the main cost element of the grant.

In addition, marketing costs were generated by networking events organised for new companies to encounter successful entrepreneurs. New companies benefitted from these events as business opportunities arose at a later stage.

58

See the Commission reply to paragraph 22 on the better result-orientation under the 2014–20 common provision regulation.
Moreover, if a Member State requests a programme amendment, it is necessary to revisit also the corresponding indicators in the programme.

Secondly, although guidance was provided to the responsible authorities by the Commission on the principles of the categorisation information system, the classification of expenditure remains the responsibility of the Managing Authority.

The Commission points out the experimental character of the initiative ‘ICT Innovation voucher scheme’. The experience gained so far in the regions suggests that there is a real need for such an initiative in order to foster SMEs demand. In view of the limited time of implementation, no result indicators are available to date. This information will be made available to the Commission at the next monitoring committee schedule for mid-2015.

66 The Commission considers that the new ESIF regulation provides a better performance and result orientation framework for 2014–20 period.

In particular the ‘guiding principles for selection’ of operation, as part of OPs, are carefully scrutinised by the Commission in the negotiation of the ESIF programmes for the 2014–20 period to ensure that they fit the specific objectives and types of operations.7

67 The Commission welcomes the Court’s assessment.

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7 Art 96(2)b CPR (iii) a description of the type and examples of actions to be supported under each investment priority and their expected contribution to the specific objectives referred to in point (i) including the guiding principles for the selection of operations and where appropriate, the identification of main target groups, specific territories targeted, types of beneficiaries, the planned use of financial instruments and major projects;
The Commission agrees on the importance of monitoring the impact of grants. However, the indicators chosen for tracking progress and impact will not be standard. They will depend on the specific objectives of each OP. The indicators to be used reflect the variety of needs and political responses of regions/MS.

However, a strategic policy framework for digital growth includes standard indicators to measure progress of interventions in ICT areas, as foreseen in ex ante conditionality 2.1 of Annex XI of the common provision regulation.

**Recommendation 2**
The Commission accepts the recommendation and will request appropriate measures to be taken by the Member States.

The ‘guiding principles for the selection of operations’ and ‘output indicators, including the quantified target value’ have to be part of the 2014–20 ESIF programmes and are subject to the negotiations with the Commission. The type of selection principles and detailed selection criteria will depend on the specific objective and context of the co-funded investment.

Member States with identified weaknesses in those areas are requested to describe in the programme (ex ante conditionality, action plan) what actions the authorities are planning to take in order to improve project selection procedures and administrative burden to beneficiaries. Where relevant, Member States are encouraged to use technical assistance in a proactive and focused way for envisaged improvements.

In addition, the Commission will advise Managing Authorities to include the recommendations of the European Court of Auditors into the selection process and selection criteria of digital growth projects.

The Commission notes that this recommendation is addressed to the MS and stresses that details should be appropriate in the specific context of each OP.

**Recommendation 2 (a)**
The Commission raises such issues in the context of the negotiations of the draft ESIF programmes that have to include information on the selection principles of operations. The type of selection principles and detailed selection criteria will however depend on the specific objective, the type and volume of intervention and context of the investment. This may not in all cases of e-commerce support lead to the requirement of the presentation of a business plan.

**Recommendation 2 (b)**
The Commission agrees that the ERDF contribution to the project should be based on a cost–benefit analysis which demonstrates the financial viability of the project. This is a subject of selection requirement set by the monitoring committees in Member States.

**Recommendation 2 (d)**
The Commission promotes the internationalisation of SMEs, as internationally active SMEs create more jobs and are more innovative than SMEs that only operate in their national market. The 2014–20 ESIF regulations therefore also encourage the cooperation beyond the OP territory (see Art.70(2) common provisions regulation). Whether specific incentives for cross-border dimensions in projects are appropriate has however to take into account the specific objectives and types of actions in a programme.

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Recommendation 3 (a)
The Commission accepts the recommendation. The 2014–20 legal framework requires result indicators in the programmes at the priority axis level and output indicators at operations level during the programming period.

Recommendation 3 (b)
The Commission agrees in principle, but in practice cannot accept the recommendation. The results of an e-commerce projects can be influenced by external factors that cannot be known in advance. Linking ERDF payments for e-commerce with results would be challenging for this reason.

Recommendation 3 (c)
The Commission accepts the recommendation to require Member States to put in place the necessary checks and controls ensuring that the data entered into the monitoring systems are reliable and consistent.
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In recent years, the EU has co-financed e-commerce projects in the context of its cohesion policy with the support of the European Regional Development Fund. In this report, the European Court of Auditors assesses whether e-commerce projects were successful in supporting ICT uptake by SMEs by auditing a sample of EU co-financed e-commerce projects in Greece, Italy, Poland and the United Kingdom.

The Court concludes that the ERDF support to e-commerce projects contributed to increasing the availability of business services online. However, it also concludes that shortcomings in the monitoring made it impossible to assess to what extent it contributed to the achievement of the EU and Member States’ ICT strategies as well as SMEs’ development objectives.