



# REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF  
AUDITORS' SPECIAL REPORT

**ERDF support for SME competitiveness:**  
design weaknesses decrease effectiveness of  
funding

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the Special Report.

## EXECUTIVE SUMMARY (Paragraphs I-VII)

### Commission replies:

**I.** Small and medium-sized enterprises (SMEs) are the backbone of the EU's economy and therefore there is a strong SME dimension across EU policies. Cohesion policy plays a key role in supporting SMEs competitiveness. Thus, for the 2014–2020 programming period, the European Regional Development Fund (ERDF) supports SMEs competitiveness through the specific thematic objective “enhancing SMEs competitiveness”. ERDF investments help SMEs to: access finance, benefit from targeted business support, e.g. know-how and advice, information and networking opportunities, cross-border partnerships; improve their access to global markets and international value chains; exploit new sources of growth such as the green economy, sustainable tourism, health and social services including the “silver economy” and cultural and creative industries; invest in human capital and in organisations providing practice-oriented vocational education and training; forge links with research centres and universities to promote innovation, create and scale-up start-ups. In addition, SMEs receive ERDF support for important factors affecting their competitiveness such as research and innovation, digitalization and the shift towards a low-carbon economy under thematic objectives outside the scope of this audit. To address the challenges posed by the COVID-19 crisis, cohesion policy's Coronavirus Response Investment Initiatives (CRII) and REACT-EU are providing additional support to SMEs. By the end of 2020, around 1.2 million SMEs have received ERDF support. For the 2021–2027 programming period, cohesion policy will continue supporting SMEs competitiveness and their transition towards more sustainable and digital models.

**V.** According to Article 125(3)(a) CPR 2014-2020, the Managing Authority (MA) is ultimately responsible for drawing up appropriate selection procedures and criteria used for selection of operations. Only operations, which have been positively assessed against the selection criteria and meet applicable thresholds can be retained for support. Managing Authorities have to set these thresholds (“minimum number of points”) in such way that they “ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority” (Article 125(3)(a)(i) of CPR 2014-2020). Within this framework, Managing Authorities can choose between competitive and non-competitive calls, taking into account the advantages and disadvantages of each method on a case-by-case basis.

**VII.** First indent: the Commission accepts the recommendation.

Second indent: The Commission accepts the sub-recommendation b), but does not accept sub-recommendation a).

Third indent: The Commission accepts the recommendation.

## INTRODUCTION (Paragraphs 1-17)

### Commission replies:

**4.** The objective of the Small Business Act was to lay down guiding principles for the conception and implementation of SME policies both at EU and Member State level.

It remains valid and is complemented by the more recently adopted SME Strategy. Both are used as a basis for the Annual SME Performance Review.

## AUDIT SCOPE AND APPROACH (Paragraphs 18-25)

No Commission replies.

## OBSERVATIONS (Paragraphs 26-75)

### Commission replies:

**28.** Programmes are targeted towards the Thematic Objectives and Investment Priorities identified in the Regulations, including T03. Those are all linked to Union strategy for smart, sustainable and inclusive Growth.

**34.** The revision of the ERDF programmes in 2020 led to an increase in the number of SMEs supported through a combination of three elements:

- The transfer of resources from other to specific measures aimed at supporting SMEs (e.g. national operational programmes for enterprises and competitiveness moved about EUR 1.5 billion to the benefit of the national guarantee scheme or to support SMEs affected by the COVID crisis).
- The reduced volume of resources for the single intervention allowed to increase the volume of SMEs benefitting from the support.
- The extension of intervention to working capital support without links to investment allowed to enlarge the field of interventions.

### COMMON REPLY TO PARAGRAPHS 66 TO 67

In selecting operations, Managing Authorities have to satisfy relevant legal provisions, as set out in Article 125 CPR 2014-2020. Only operations, which have been positively assessed against the selection criteria and meet applicable thresholds can be retained for support. Managing Authorities have to set these thresholds (“minimum number of points”) in such way that they “ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority” (Article 125(3)(a)(i) of CPR 2014-2020). Within this framework, Managing Authorities can choose between competitive and non-competitive calls, taking into account the advantages and disadvantages of each method on a case-by-case basis.

# CONCLUSIONS AND RECOMMENDATIONS

## (Paragraphs 76-80)

### Commission replies:

**79.** Fourth indent: Only operations, which have been positively assessed against the selection criteria and meet applicable thresholds can be retained for support. Managing Authorities have to set these thresholds (“minimum number of points”) in such way that they “ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority” (Article 125(2)(a) of CPR 2014-2020).

### Recommendation 1 – Review the design of ERDF calls

The Commission accepts the recommendation.

The Commission will promote the findings and recommendations of this report with Managing Authorities in Member States. The Commission will reach out to the Managing Authorities highlighting the main elements of the audit report and recommendations and invite them to put these in the agenda of the first relevant monitoring committee of the concerned programmes.

In addition, and in line with the provisions of article 40(2)(a) of Regulation (EU) 2021/1060, the Commission can request the criteria used for the selection of operations prior to their submission to the monitoring committee and will do so for the first calls of the programming period. This will make it possible to discuss and provide support, if requested, for the design of selection criteria for SMEs calls on a case-by-case basis.

### Recommendation 2 – Review ERDF selection procedures for grant awards

The Commission does not accept part a) and accepts part b) of the recommendation.

The Commission agrees that selection criteria should be appropriately ambitious, but does not agree that competitive calls are always the appropriate default option for SMEs support. The legal basis leaves Management Authorities free to choose whatever selection procedure they consider most appropriate to maximise the contribution of Union funding in relation to each situation, programme or their customary administrative practices.

Managing Authorities can choose between competitive and non-competitive calls (cf. recital 60 of Regulation (EU) 2021/1060), taking into account the advantages and disadvantages of each method on a case-by-case basis.

The Commission intends to implement the accepted parts of recommendation 2 together with recommendation 1.

## **Recommendation 3 – Prioritise the use of repayable aid for SME competitiveness**

The Commission accepts the recommendation.

a) The use of financial instruments is discussed with Managing Authorities at the level of specific objectives during programme negotiation. Relevant information will be provided by the Member States in the Programmes, in line with Article 22(3)(d)(vii) of Regulation (EU) 2021/1060.

b) The Commission will invite and support Member States to provide due justification for the use of grants, based on clear needs (such as addressing market failures) and specific policy objectives (for example better standards for circular, green and more just economy). Using grants in conjunction with financial instruments will be strongly supported.