

Special Report

## Selection and monitoring for ERDF and ESF projects in the 2014–2020 period are still mainly outputs-oriented

(pursuant to Article 287(4), second subparagraph, TFEU)



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The Commission's replies

## **GLOSSARY**

**Europe 2020 Strategy:** The EU's growth strategy for the 2010–2020 period, aimed at allowing it to recover from the crisis. The strategy is split into five headline targets covering employment; research and development; climate and energy; education; and social inclusion and poverty reduction.

**European Code of Conduct on Partnership:** A set of principles set out in Commission Delegated Regulation (EU) No 240/2014 to support Member States in organising partnerships for drawing up and implementing partnership agreements and operational programmes.

**European Structural and Investment Funds (ESIF or ESI funds):** The ESI funds are five separate funds that aim to reduce regional imbalances across the Union, with policy frameworks set for the seven-year MFF budgetary period. The funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

**Ex-ante conditionalities:** Conditions which Member States must meet before they can receive any funding under the European Structural and Investment Funds. When preparing operational programmes in the 2014-2020 programme period, Member States were required to assess whether these conditions have been fulfilled. If they have not, action plans were required to be drawn up to ensure fulfilment by 31 December 2016.

**Financial indicators:** Values used to monitor progress in terms of the (annual) commitment and payment of the funds available for any project, measure or programme in relation to its eligible cost.

**Indicator:** A measurable proxy for an objective, providing information to support an assessment of the degree to which an objective has been met.

**Intervention logic:** The link between the assessed needs, objectives, inputs (planned and allocated), outputs (targeted and achieved) and results (intended and actual).

**Investment priorities:** For each priority axis, Member States must set out in their operational programmes the investment priorities and corresponding specific objectives. They are listed in the specific Regulations governing the ERDF, ESF and CF.

**Managing authority (MA):** A managing authority is a public or private body which has been designated by a Member State to manage an operational programme. Its tasks include selecting projects to be funded, monitoring how projects are implemented, and reporting to the Commission on financial aspects and achieved results.

**Monitoring:** The regular examination of expenditure, outputs and results, which provides up-to-date information on whether projects/programmes are progressing as intended.

**Monitoring committee:** A committee which monitors the implementation of an OP. It consists of “representatives of the relevant Member State authorities” (e.g. representatives of the managing, certifying and audit authorities, implementing bodies, employer or employee organisations, and civil society). The Commission also has an observer role.

**Operational Programme (OP):** A statement of a Member State’s priorities and specific objectives which describes how funding (EU and national public and private co-financing) will be used over a given period (currently seven years) to finance projects. The projects within an OP must contribute to a certain number of objectives specified at the level of the OP’s priority axes. OP funding may come from the ERDF, CF and/or ESF. The OP is drawn up by the Member State and has to be approved by the Commission before any payments can be made from the EU budget. OPs can only be modified during the programme period if both parties agree.

**Outputs:** Something that is produced or accomplished with the resources allocated to an intervention (e.g. training courses delivered to unemployed young people, number of sewage plants, or a length of road built).

**Output indicators:** Values used to measure the outputs of the operations supported or the outputs at operational programme level.

**Performance framework:** A set of milestones and targets defined for each priority axis in an Operational Programme, forming an important pillar of the performance-orientation approach.

**Performance reserve:** Resources constituting 6 % of the resources allocated to the ERDF, ESF and CF or to the EAFRD and EMFF, to be made available after the 2019 performance review if certain requirements are met or exceeded.

**Priority axis:** One or more investment priorities associated with one thematic objective. The funding in an operational programme is organised by priority axis.

**Results:** Immediate changes that arise for beneficiaries at the end of their participation in an intervention (e.g. improved accessibility to an area due to the construction of a road, trainees who have found a job).

**Result indicators:** Values used to measure the results generated by supported projects, or the results achieved at operational programme level.

**Selection/award criteria:** Predefined criteria used in selection procedures to assess applicants' ability to complete the proposed action or work programme.

**Specific objective:** The envisaged result to which EU action aims to contribute.

**LIST OF ABBREVIATIONS**

AA	Audit Authority
AIR	Annual Implementation Report
CA	Certifying authority
CF	Cohesion Fund
CPR	Common Provision Regulation
CSF	Common Strategic Framework
DMA	Delegated Managing Authority
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI funds or ESIF	European Structural and Investment Funds
IB	Intermediate body
IP	Investment priority
MA	Managing Authority
MS	Member State
OP	Operational Programme
PA	Priority axis
SMEs	Small and medium-sized enterprises
SO	Specific objective
TO	Thematic objective

## **EXECUTIVE SUMMARY**

I. For the 2014-2020 programming period, the EU has allocated almost €349.4 billion towards achieving its objectives in terms of cohesion policy. This policy aims to support job creation, business competitiveness, economic growth, sustainable development and improvement in quality of life. To achieve these objectives, funding is allocated to projects delivered by beneficiaries in Member States. Authorities in Member States select projects to fund and monitor their implementation. It is critical that this funding is allocated effectively, namely through the delivery of expected results.

II. In order to support this goal, the Commission implemented various measures aimed at increasing focus on results in the 2014-2020 period. In previous reports, we have welcomed the improvements that these have brought. But we have also highlighted serious weaknesses in the effectiveness of these measures, and the quality of the monitoring information relating to spending on Cohesion Policy. This report consolidates and develops these previous findings.

III. We examined how well the focus on results is embedded within the way projects are selected, and how well the Commission and Member States can demonstrate the EU budget is well spent. As such, we have examined the selection and monitoring arrangements of projects using Cohesion funding.

IV. We conclude that, despite longstanding intentions, the design of selection procedures and the processes themselves continue to emphasise outputs and absorption rather than results. Moreover, shortcomings in the monitoring arrangements made it difficult to assess the extent to which EU funding has contributed to the achievement of the EU's and Member States' objectives. Specifically, for the OPs we visited, we made the following findings:

- On project selection, potential beneficiaries were well informed and provided with appropriate support to access to EU funding. The procedures we examined were designed to support the selection of projects relevant to the OPs' objectives, but selection criteria seldom required applicants to define quantified result indicators at project level. Furthermore, most project selection was done on a first-come first-served

basis. Applications were only scored and ranked against each other in one selection procedure.

- On monitoring, we found that monitoring systems had only become functional at a late stage, mainly because of delays in adopting the legislative framework. There remain weaknesses in some of the IT systems used for collecting and aggregating monitoring data. Furthermore, slow progress in the audits of the respective monitoring systems introduced the risk that there now may not be enough time to take any necessary corrective action before the performance review in 2019.
- Monitoring information remains mostly outputs-oriented. The Commission's main report to measure achievements presents progress for the main output indicators alongside the implementation of funding. However, there is only limited information on the achievement of results.

V. We therefore recommend the following:

- In order to ensure a consistent and genuine results-oriented approach to the selection of projects, Member States should ensure that a comparison between project applications takes place, require beneficiaries to define at least one genuine result indicator for each project and carry out an assessment of the expected results and indicators in the assessment report for the applications.
- In order to ensure a results-oriented monitoring, Member States should include one or more genuine and quantified result indicators in the grant agreement, which contribute to the result indicators set at OP level, and the Commission should define common result indicators for the ERDF based on a common definition of "results".
- The Commission should improve the reporting on performance and ensure that a meaningful performance review takes place in 2019.

## **INTRODUCTION**

### ***Cohesion policy is the EU's main investment policy***

1. Cohesion policy is the EU's main investment policy. It is aimed at supporting job creation, business competitiveness, economic growth, sustainable development and improvements in quality of life. Around one-third of the EU's budget is allocated to cohesion policy. At current prices, this amounted to around €230 billion in the 2000-2006 programme period, €346.5 billion in the 2007-2013 period and €349.4 billion in the 2014-2020 period.

2. Cohesion policy is delivered through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). These funds, together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), are part of the European Structural and Investment Funds (ESIF). They are implemented through operational programmes (OPs) which set out investment priorities and specific objectives<sup>1</sup>. These also describe how funding will be used during the programme period to finance projects. The OPs are implemented by the Member States and their regions. This means that the Member States and their regions select, monitor and evaluate projects.

### ***Performance orientation is a key priority for the Commission and the Member States during the 2014-2020 period***

3. The Europe 2020 Strategy is the EU's ten-year jobs and growth strategy. It was launched in 2010 to create conditions conducive to smart, sustainable and inclusive growth. With a view to meeting the objectives and targets set in the Europe 2020 Strategy, the Commission emphasised in 2010 the need to improve the effectiveness of the cohesion policy by focusing on results<sup>2</sup>.

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<sup>1</sup> Investment priorities and specific objectives are established based on the Member State's partnership agreement, which is an agreement between the Member State and the Commission outlining the country's strategic goals and investment priorities.

<sup>2</sup> COM(2010) 700 final of 19 October 2010 "The EU Budget Review".

4. The legislative package for cohesion policy in the 2014-2020 programme period therefore introduced significant changes intended to increase focus on performance<sup>3</sup>. The main measures are the following:

- The introduction of ex-ante conditionalities (EACs)<sup>4</sup> which require a Member State to fulfil certain conditions for the effective use of ESI funds (e.g. existence of policy/strategic frameworks) by the end of 2016. One of them, general ex-ante conditionality No 7<sup>5</sup>, requires “the existence of a system of result indicators necessary to select actions which most effectively contribute to desired results, to monitor progress towards results”.
- The introduction of a performance reserve, setting aside part of the EU funding allocated to the OPs, to be released only if a subset of indicators (mainly spending/output indicators) reach pre-defined milestones. The release of this reserve in 2019 will be based on a performance review carried out in 2019<sup>6</sup>.

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<sup>3</sup> All these aspects were dealt with in our Special Report No 2/2017 “The Commission’s negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion: spending more targeted on Europe 2020 priorities, but increasingly complex arrangements to measure performance” and Special Report No 15/2017 “Ex ante conditionalities and performance reserve in Cohesion: innovative but not yet effective instruments”.

<sup>4</sup> Article 19 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

<sup>5</sup> General Ex ante conditionality 7, Annex XI Part II of Regulation (EU) No 1303/2013.

<sup>6</sup> Articles 20, 22 and 96 and Annex II of Regulation (EU) No 1303/2013.

- A reinforced intervention logic during the programming exercise<sup>7</sup> requiring Member States to assess their needs and commit to a set of results before considering where and how to spend cohesion funds.
- A more consistent use of performance indicators to measure progress towards achieving results<sup>8</sup>.

### ***The importance of project selection and monitoring to achieve performance***

5. In 2017, we concluded<sup>9</sup> that the Commission and Member States had been successful in developing OPs with a more robust intervention logic. This means that the OPs set out in a consistent way the aims of the interventions (specific objectives/results) and how these will be achieved (required funding, actions to be undertaken and expected outputs).

6. However, to achieve policy effectiveness, it is not only important to set clear goals and consider results during the programming exercise. It is essential that a results-oriented approach is followed through during the implementation phase of the OP, as it is mainly the quality of projects funded and their added value in terms of tangible results which will determine the effectiveness of a policy. Project selection, monitoring and reporting is thus essential for achieving performance. An overview of the implementation cycle of an OP and the bodies concerned is provided in ***Figure 1***. The processes relevant to our audit are highlighted in yellow.

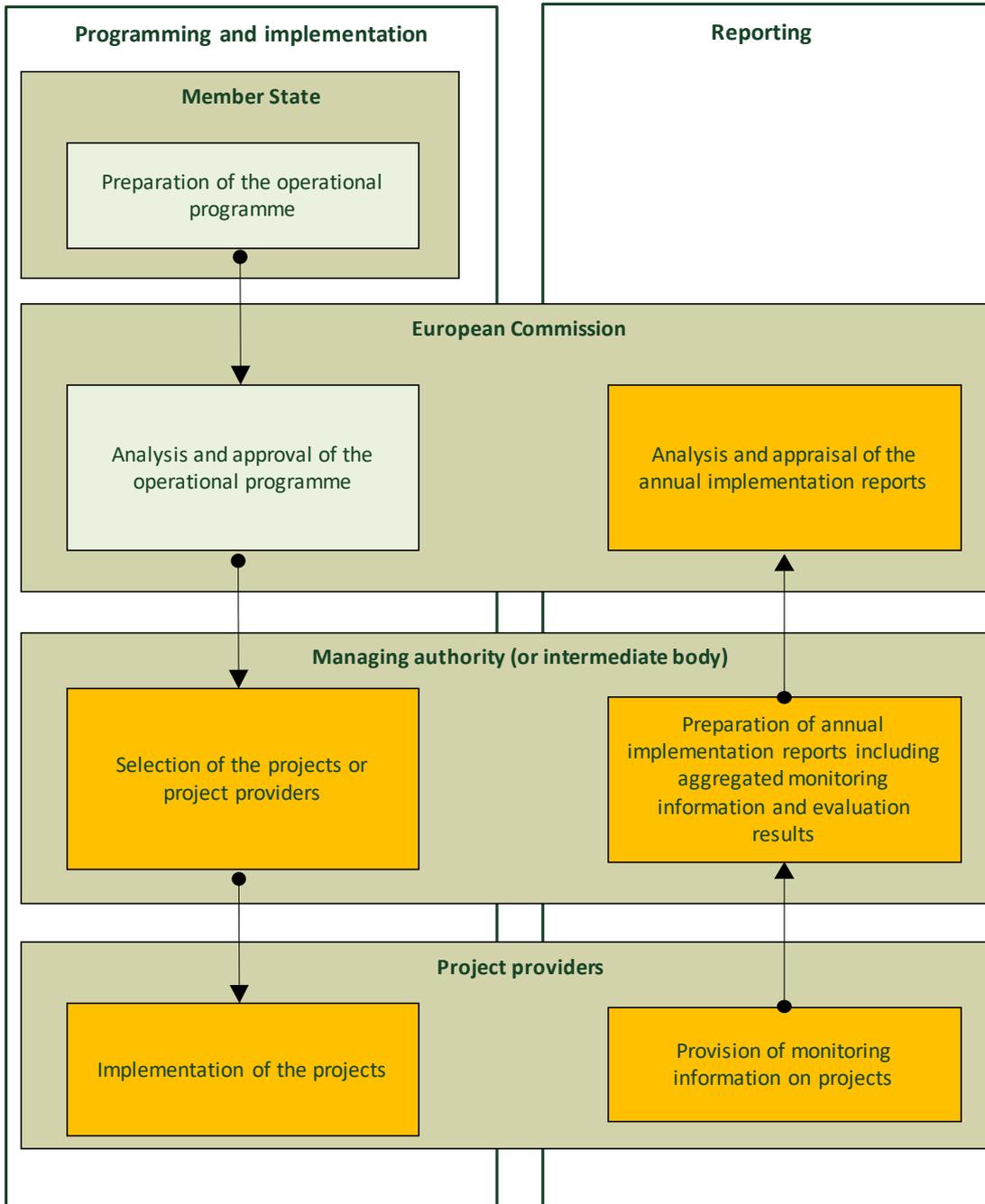
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<sup>7</sup> Articles 9 and 96 of Regulation (EU) No 1303/2013.

<sup>8</sup> Annex I of Regulations (EU) No 1300/2013, No 1301/2013 and No 1304/2013, Article 5 of Regulation (EU) No 1301/2013, article 3 of Regulation (EU) No 1304/2013 and Article 96(2)(b)(ii) of Regulation (EU) No 1303/2013.

<sup>9</sup> Special Report No 2/2017.

**Figure 1 - Overview of the implementation cycle of an OP**



Source: ECA.

**Main participants and their role in project selection and monitoring**

7. Projects are selected by the national and regional authorities responsible for managing the OPs. These managing authorities (MAs), or intermediate bodies (IBs) to which they delegate powers, lay down selection criteria, organise selection committees and decide

which projects will receive European funding. The Commission is not involved in the selection of projects as opposed to its crucial role in the negotiation of OPs. However, the Commission is involved through its advisory role in the OPs monitoring committees<sup>10</sup> where the methodology and criteria used for selecting projects are approved. It also provides guidance, based on best practices and shared experience with Member States.

8. The responsibility for monitoring projects lies with the Member States. Managing authorities monitor the implementation of OPs and projects, aggregate monitoring information and submit Annual Implementation Reports (AIRs) to the Commission. The monitoring committee also reviews the implementation of the OPs and approves AIRs. Here also, the Commission's role is limited to issuing guidance, examining the performance of OPs together with the MAs, and making observations on AIRs.

9. In its reporting role nevertheless, the Commission submits its annual synthesis of Member States' AIRs and strategic reports (in 2017 and 2019) to the discharge authority (European Parliament), and to the European Economic and Social Committee and the Committee of the Regions<sup>11</sup>.

### **AUDIT SCOPE AND APPROACH**

10. This audit sought to answer the question of whether the selection of projects and monitoring systems for ERDF and ESF projects in the 2014-2020 programme period were results-oriented. Given the level of advancement of the OPs' implementation, and building on the audits already carried out, this audit allowed us for the first time to follow the "results-oriented approach" through the whole implementation phase as the first results are becoming available. It is also of high relevance to the performance review scheduled for 2019.

11. In the first part, we report on our analysis of selection procedures in place for the audited OPs. We assess the design of these selection procedures, especially the

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<sup>10</sup> Article 48(3) of Regulation (EU) No 1303/2013.

<sup>11</sup> Article 53(2) of Regulation (EU) No 1303/2013.

determination of the selection criteria and their result orientation, as well as the phase of evaluation of the applications. In the second part, we examine the management and control systems in place and the monitoring that has been carried out so far by the MAs/IBs of the visited OPs to measure operational performance at programme and national level. We review the reliability of data, its availability and capacity to produce relevant information for management and for reporting to the Commission.

12. In total, we examined 34 projects (see list of projects in **Annex I**). We focused on the ERDF and ESF, and more specifically on three thematic objectives (TOs)<sup>12</sup> (see a description of the 11 thematic objectives in **Annex II**):

- TO3, enhancing the competitiveness of SMEs (16 projects),
- TO8, promoting sustainable and quality employment and supporting labour mobility (12 projects), and
- TO9, promoting social inclusion and combating poverty and discrimination (6 projects).

13. We looked at projects selected directly by the MA (or intermediary body) through 20 selection procedures (see list in **Annex III**), from seven OPs located in four Member States: the Czech Republic, France, Italy and Finland (see list in **Annex IV**). These OPs and Member States were selected according to the materiality of funding allocated and the stage of the projects' implementation. We selected the projects based on the amount of grant received and their level of advancement at the time of the audit. The priority axis, investment priorities and specific objectives to which the selected projects correspond are listed in **Annex V**. The related output and result indicators are listed in **Annex VI** for the ERDF and **Annex VII** for the ESF.

14. We also reviewed the actions taken by the Commission in relation to project selection and monitoring of operational programmes for the ESF and the ERDF in general.

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<sup>12</sup> Article 9 of Regulation (EU) No 1303/2013.

## **OBSERVATIONS**

### ***Project selection is insufficiently focused on results***

15. The selection procedures put in place by the managing authorities should prioritise the selection of those projects that are the most relevant to the objectives pursued and which have the greatest likelihood of delivering results, as well as ensuring that available funding is spent in line with the rules. We checked the extent to which results had been reflected in the design of selection procedures (e.g. the selection criteria used for assessing an application, the method used for assessing projects and the documentation available to potential bidders) as well as in the implementation of the selection procedures and thus in the projects selected.

16. Previous ECA audit work<sup>13</sup> showed that the Commission and Member States had been successful in developing OPs with a more robust intervention logic i.e. with a clear link between development needs, specific objectives and result indicators. This intervention logic should be reflected in project selection procedures. We consider that there are a number of key criteria that should be taken into account by MAs when designing procedures to ensure that they are results-oriented:

- the selection criteria applied should ensure that projects are aligned with OP objectives;
- the selection criteria should support the selection of projects that have not only quantified output indicators but also quantified result indicators to measure projects achievements;
- beneficiaries should be encouraged to submit applications to ensure that a high number of projects are available for selection;
- finally, the project selection should be based on a direct comparison of applications to identify and prioritise the projects best suited for funding.

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<sup>13</sup> See ECA's SR No 2/2017.

17. The extent to which MAs applied these variables while processing the applications received and how they influenced the selection of results-oriented projects is described in the next paragraphs (see **paragraphs 18 to 38**).

**The selection procedures support the selection of projects relevant to OPs' objectives**

18. Two measures were introduced for the 2014-2020 programme period legislative framework which are designed to trigger the selection of projects relevant to OPs' objectives:

- OPs must set out “guiding principles” for the selection of projects for each priority axis<sup>14</sup>;
- MAs must design selection procedures and criteria “that ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority”<sup>15</sup>.

19. In addition to these, the following requirements were also introduced for the 2014-2020 period to trigger the selection of more results-oriented projects:

- under general ex-ante conditionality 7 (see also **paragraph 4**), “a system of result indicators necessary to select actions which most effectively contribute to desired results” must be in place;
- MAs must also draw up selection procedures and criteria that “ensure the contribution of operations to the achievement of the [...] results of the relevant priority”<sup>16</sup>.

20. The “guiding principles” act as guidance for project selection, detailing the main selection criteria to be used. Coupled with the description of the projects to be allocated funding, providing examples of such projects, and beneficiaries, they give a good overview of the type of projects to be funded under each specific objective. These principles are used as

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<sup>14</sup> Article 96(2)(b) of Regulation (EU) No 1303/2013.

<sup>15</sup> Article 125(3)(a)(i) of Regulation (EU) No 1303/2013.

<sup>16</sup> Article 125(3)(a) of Regulation (EU) No 1303/2013.

a basis for preparing the selection criteria, and may be referred to directly within selection criteria.

21. We found that, in some cases, the principles were of a general nature; however, they all referenced the need for selected projects to be in line with the specific objectives of the OP, as described under each priority axis. The selection criteria, for the selection procedures we examined, were consistent with the guiding principles. Each procedure entailed at least one criterion about projects' relevance and their contribution to the specific objective.

22. Overall, the selected applications we examined were assessed against the criteria defined within the selection procedure. We found that the 34 projects we examined for this audit were relevant to the OP specific objectives.

**The focus on results when assessing project applications was weak, and seldom included quantified results**

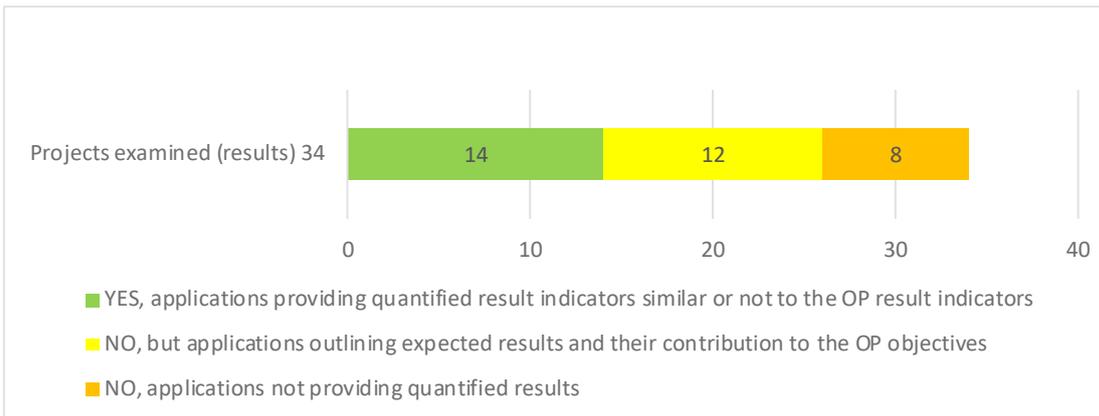
23. We examined how MAs carried out their selection of projects in practice, in particular the existence in the project proposal of clear expected results and objectives accompanied by clearly defined and quantified output and result indicators (linked to the specific objectives). We also assessed whether the MAs had assessed each applicant's ability to achieve expected results.

24. We found that 18 out of 20 of the selection procedures we examined included criteria requiring beneficiaries to describe their project's expected results (see [\*\*\*Annex VIII\*\*\*](#)). However, only four out of 20 procedures included criteria requiring the quantification of result indicators at project level (selection procedures 17, 18, 19 and 20). And in three cases, these result indicators did not correspond directly to those defined at OP level (see example in [\*\*\*Box 1\*\*\*](#)).

<b>Box 1 - Example of result indicators at project level different from result indicators at OP level: project No 32, selected through selection procedure No 17</b>	
Result indicators at project level (see <i>Annex I</i> , project No 32)	<ul style="list-style-type: none"> <li>• amount of additional turnover generated</li> <li>• amount of additional direct exports</li> <li>• number of new jobs created</li> </ul>
Result indicators at OP level (see also <i>Annex VI</i> , PA 1, SO 3d)	<ul style="list-style-type: none"> <li>• evolution of the business dynamic index</li> <li>• number of growing companies</li> </ul>

25. Our review of the 34 applications of selected projects corroborates these findings. All the applications provided quantified information for output indicators that corresponded to those at OP level, or such data could be obtained directly from the IT system (for instance for indicators such as number of enterprises receiving support). However, only 14 applications provided quantitative information on expected result indicators. In six of these, the result indicators did not correspond directly to the OP indicators. The other applications mainly provided a narrative description (see *Figure 2* and see *Annex VIII*).

**Figure 2 - Information provided in the applications upon expected outputs and results**



26. Regarding the assessment of applications, we found that the MAs had assessed the overall feasibility and likelihood of the projects to succeed. However, while there was an assessment of the achievability of the expected results for all 18 ERDF projects, this assessment was only performed for 2 of the 16 ESF projects we examined. We also found that the assessment of achievability remained vague in the assessment reports, except in

seven cases<sup>17</sup> which included a more detailed description about the relevance of the indicators and the likelihood of the targets being met.

27. In terms of scoring the applications, we found that the provision of expected results was part of the scoring process in only 11 cases. This indicates that, as long as the envisaged projects were aligned with the type of actions set out in the selection procedure, the MAs assumed that it would contribute to the OP's objectives. However, they did not focus on the magnitude of this contribution.

### **Beneficiaries were encouraged to apply for funding**

28. To ensure timely absorption throughout the programming period and at the same time ensure the focus on results, there is a need for a sufficient number of bidders able to provide good applications. The promotion of a call and related guidance to potential applicants by MAs is an important variable determining the overall effectiveness of selection procedures. A broader applicant population is likely to ensure that better projects are selected.

29. The measures aiming at promoting calls to potential bidders were prepared by the MAs on the basis of the detailed requirements set in the EU regulation. They were submitted to the Monitoring Committees for approval as part of the OP's communication strategy that is required by the Regulation<sup>18</sup>.

30. We found that MAs had encouraged beneficiaries to participate in the selection procedures. First, MAs used several sources to promote a call to potential bidders. These included the involvement of Chambers of Commerce, local business associations, and online tools. MAs also relied on partners to circulate information on upcoming calls within their networks, based on the knowledge they acquired in the monitoring committees.

31. Furthermore, the guidance on funding provided by MAs to applicants was publicly available and, except for one MA at the time of the audit, it set out clear conditions for

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<sup>17</sup> Projects Nos 27, 28, 30, 31, 32, 33 and 34.

<sup>18</sup> Article 116 and Annex XII(3) of Regulation (EU) No 1303/2013.

receiving support, provided detailed information on the procedure for application and financing arrangements, referring explicitly to the selection criteria to be applied.

**Selection procedures did not usually involve any comparison between project applications, resulting in a risk that the best projects will not be selected**

32. In our review of procedures, we checked that projects submitted for funding were assessed against each other. This is another important measure to ensure that the most results-oriented projects are selected.

33. In the framework of shared management, selection procedures were defined by the MAs and approved by the monitoring committees, based on the requirements in the EU Regulations<sup>19</sup> and the Commission's guidance<sup>20</sup>. Neither the ESI Funds Regulations nor any Commission guidance specifies the type of selection procedure to be used; this is left to the MAs' discretion.

34. Out of the 20 procedures we examined, 10 were temporary calls for proposals, 6 were permanent calls, 3 were direct awarding procedures, and one a reiterated call (see also details in *Annex III*). We found that in all selection procedures except one (IT, OP Piemonte, No 13) no comparison between project applications had taken place. As a result, funding may not have been allocated to the best projects. This was mitigated to some extent in some of the OPs visited, where an informal (French and Finnish OPs) or a formal (Italy Puglia) pre-selection had taken place, allowing the MAs to limit the submission of applications to the most suitable projects. We found the following:

- Fifteen out of twenty procedures were based on the first-come first served principle, where an application was selected provided that it met the criteria and that sufficient funding was available. Of these, 13 had been subject to a formal or informal pre-selection. We noted that some had been required to reach a minimum score for

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<sup>19</sup> Article 132 of Financial Regulation (EU, Euratom) No 966/2012, Articles 34 and 125 of Regulation (EU) No 1303/2013.

<sup>20</sup> COM guidelines: [http://ec.europa.eu/regional\\_policy/en/information/legislation/guidance/](http://ec.europa.eu/regional_policy/en/information/legislation/guidance/).

selection (see selection procedures Nos 4 and 5 for the Czech OPEIC and 16, 17, 18, 19 and 20 for the Finnish OP).

- In the three direct awards, there was, by definition, no competition (see selection procedures No 1, 3 and 12).
- In one case (IT, OP Piemonte, selection procedure No 8)<sup>21</sup>, funding had been awarded to projects already selected during the previous 2007-2013 programming period simply by extending their duration. This allowed the IB to avoid interruptions to the provision of training to young people, and allowed it to start absorbing the funds. But it also prevented potential new applicants from participating.

***The quality of monitoring data is at risk, and it is mostly outputs-oriented***

35. We checked that the monitoring systems allowed the systematic collection of data on specified indicators, thus enabling the measurement of the progress made at project, programme and EU levels. We also examined whether this had been reported on in a way that allowed the success of the financed projects, and thus the effective and efficient use of the EU budget, to be demonstrated.

36. The following section contains our assessment of the necessary conditions to enable monitoring and reporting on the achievement of objectives. We first checked whether the MAs had set up functional monitoring systems before starting to implement the funds. We also looked at whether the performance information reported by the beneficiaries had been reliable, complete and timely. We also examined the role of the MAs and the Commission.

37. Finally, we consider whether the systems in place produced results-oriented performance information; specifically, whether they produced meaningful aggregated information, as this is a key element to allow reporting on the effective use of funds at Member State and EU level via annual monitoring and reporting.

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<sup>21</sup> OP Piemonte, Italy, Call “Obbligo d’istruzione” 2015/2016.

### **Assurance on the quality of monitoring data may not be provided in time for the 2019 performance review**

38. The monitoring of an OP's progress towards its objectives is done on the basis of the data collected from various sources. This data is aggregated at OP and Member State level, and forms the basis for the reports sent to the OP's monitoring committee and to the Commission. In order to present a correct view of the situation at OP or Member State level, it is essential that the data collected is reliable, complete and timely. To achieve this, the MAs have to set up a monitoring system including the collection of data and checks on the source of the data. In order to gain assurance on the quality of the data, the Commission relies on the audit work carried out by the audit authorities at Member State level as well as its own audit work.

39. In the specific context of the performance review, it is also important that the data, and the systems used to produce them, be audited as early as possible, to allow Member State authorities to address any detected weaknesses regarding the data quality well before the end of June 2019. It is then that the 2018 Annual Implementation Reports (AIRs) – the basis for the performance review and the allocation of the performance reserve – will be sent to the Commission.

### Extensive EU rules lay down how Member States should set up their monitoring systems for the 2014-2020 period

40. With a view to achieving the systematic collection and monitoring of data produced at OP level, the regulatory framework for the 2014-2020 programme period introduced several changes concerning data collection and monitoring arrangements:

- MAs must put in place a management and control system (MCS) covering adequate systems for reporting and monitoring<sup>22</sup>.

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<sup>22</sup> Articles 72, 73 and 74 of Regulation (EU) No 1303/2013.

- MAs are responsible for establishing a computerised system to record all the data related to the OPs indicators<sup>23</sup> for monitoring and reporting purposes.
- Under EAC 7, MAs must put in place “a system of result indicators necessary to select actions which most effectively contribute to desired results, to monitor progress towards [those] results”<sup>24</sup>. OPs were required to demonstrate fulfilment of all the ex-ante conditionalities (EAC) by 31 December 2016<sup>25</sup> (see **paragraph 4**).
- By 31 December 2015<sup>26</sup>, Member States were required to ensure that all exchanges of information between beneficiaries and a MA, Certifying Authorities (CA), AAs and IBs could be carried out electronically<sup>27</sup>.

41. The Commission has also established specific guidance<sup>28</sup>, for its staff and the Member States’ responsible authorities, on a common methodology for assessing management and control systems in the MS, including the existence of adequate systems for monitoring and reporting.

Performance information is not always reliable, complete and timely, and this has an impact on the implementation reports issued by the Member States

#### *Data reported by the beneficiaries*

42. For the ERDF, in many cases, the data for result indicators is collected from national statistics bodies (see examples in **Annex VI**). The remainder comes from beneficiaries. For ESF, most of the data is reported via data collected from beneficiaries (see **Annex VII**).

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<sup>23</sup> Article 125(2)(d) of Regulation (EU) No 1303/2013, this requirement is also part of the Management and control system, Article 72(d) of Regulation (EU) No 1303/2013.

<sup>24</sup> Ex ante conditionality 7, Annex XI Part II of Regulation (EU) No 1303/2013.

<sup>25</sup> Article 19 of Regulation (EU) No 1303/2013.

<sup>26</sup> Article 122 of Regulation (EU) No 1303/2013.

<sup>27</sup> Article 122(3) of Regulation (EU) No 1303/2013, their actual use by the beneficiaries is not obligatory.

<sup>28</sup> EGESIF\_14-0010-final 18/12/2014, Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States.

Managing authorities check that the data collected from beneficiaries is correct at project completion, when receiving their final report. During project implementation, checks can also be done on-the-spot, on a sample basis.

43. A number of plausibility and consistency checks are carried out automatically by the systems in place on the data provided by the beneficiaries, especially for the ESF. MAs also have tools to monitor the completion of the data provided on participants which allow them to remind beneficiaries who have submitted incomplete data to provide further information.

44. Our audit revealed issues regarding the quality of the data collected. We identified a general issue regarding the completeness and correctness of the data concerning participants to ESF co-financed actions. This data is classified as sensitive in national legislation<sup>29</sup>, so it is up to participants to decide whether to declare it. It is also difficult for the Member States and the Commission to check its accuracy. An additional weakness regarding the collection of data is presented in **Box 2**.

**Box 2 - Example**

*Issues regarding timeliness of the data*

For the French national ESF OP, larger beneficiaries submitted their data for the 2014-2015 period late. This was corrected in 2016, and resulted in significant differences between the values reported in the 2015 AIR and those reported in the 2016 AIR for the year 2015.

45. In its audit of performance data reliability (2014-2020), the Commission reported on other issues regarding the reliability of data, for instance:

- data not collected which resulted in achievements not being recorded and thus not being taken into account in order to determine the progress of an OP, leading to an incorrect understanding of the situation;

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<sup>29</sup> For instance information on the participant's background: migrants, foreign background, minorities including marginalised minorities such as the Roma, participants with disabilities, other disadvantaged.

- a misunderstanding on the MAs' part regarding the definition of common indicators (for instance, Common Output indicator 26, 'Enterprises cooperating with research organisations') resulting in an overstatement of the number of companies reported under this indicator;
- double counting/failure to cap the value for indicator 'population served' at the number of area residents, resulting in inconsistent values.

#### *Availability and reliability of performance information*

46. The existence of functional monitoring systems at the time MAs start implementing programmes is a key element ensuring that performance data is generated in time, which ensures that monitoring can take place.

47. The late approval, in December 2013, of the legislative framework for the period 2014-2020 at EU level, delayed the development of the IT systems used for monitoring. For the ESF indicators, added complexity concerning the sensitivity of the data and the definition of the indicators, required additional discussions well into 2014. This further delayed the finalisation of the IT systems. In two cases, other factors led to the delays: reorganisation of the regions (France, OP Lorraine et Vosges), and the design of a new single IT system for all 2014-2020 ESI funds in the Czech Republic.

48. The effects of the delay are reflected in the level of implementation of EAC 7 on the existence of a system of results indicators. At the end of 2016, the deadline to complete action plans, 50 plans remained incomplete, i.e. around 11 % of all OPs still did not fulfil this requirement. However, by the end of February 2018, all the action plans related to EAC 7 had been completed.

49. In the first half of 2017, the fourth year after the start of the programme period, we found that some IT systems were still not fully functional; this poses risks to the completeness and accuracy of the data collected (see examples in **Box 3**). In its audit of

performance data reliability (2014-2020)<sup>30</sup>, the Commission drew attention to the absence of electronic data exchange systems with beneficiaries, resulting in the manual encoding of the data on indicators by the MA into the system, a potential source of clerical errors.

**Box 3 - Examples of IT systems still not fully functional and related risks**

Czech Republic - OPE

- Problems with transferring data between the Labour Office and the OP. Data only started to be reported electronically to the OP from 31.3.2017. Until then, data was shared via Microsoft Excel files. This jeopardises the transfer of data between systems, especially given the large amount of data involved.
- The AIR 2016 was the first AIR containing relevant data.

The MA discovered inconsistencies in the data reported by the system for the AIR. This required to recalculate and fill them in manually in the AIR.

Italy - OP Puglia

The tools used for exchanging data with beneficiaries electronically were not working properly at the time of the audit<sup>31</sup>, and the system for collecting and storing the data was empty. Data was merely stored on staff computers. As a result, the aggregation of data with a view to producing the 2016 AIR (to be submitted to the Commission by 30 June 2017) was done manually, in separate files.

*Implementation reports issued by the Member States*

50. The MAs must submit to the Commission an Annual Implementation Report (AIR) for each OP, which is approved by the Monitoring Committee. The AIR delivers key information on the implementation of the OP, mostly by providing quantitative and qualitative

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<sup>30</sup> On the basis of 20 Commission's audits on the reliability of performance data carried out mostly in 2017.

<sup>31</sup> The MA managed to settle this later during 2017.

information on common and programme-specific indicators<sup>32</sup>. The 2016 AIRs, submitted in June 2017, were the first reports sent to the Commission on the “progress made towards achieving the objectives of the programme”<sup>33</sup>. The Commission carries out a quality review of the AIRs (consistency of number of participants with population of the areas covered, for instance).

51. At the end of 2017, 26 AIRs had still not been accepted by the Commission due to missing data for the indicators used in the performance framework, inconsistencies in the data reported with the information provided on the implementation of the OP, or a lack of explanation for some of the data reported. Around 40 % of ERDF OPs had not reported any values for their performance framework indicators in 2017, on which there was no Commission analysis at the time of the audit.

52. The shortcomings identified in the AIRs raise questions about the reliability of the information provided as well as the level of progress reached until now as presented in the documents issued by the Commission based on the AIRs<sup>34</sup>: the annual synthesis report to the Parliament and the Council, European Economic and Social Committee and the Committee of the Regions and, in 2017 and 2019 only, the strategic progress report, which summarises progress made.

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<sup>32</sup> Article 50(2) of Regulation (EU) No 1303/2013.

<sup>33</sup> Article 50(4) of Regulation (EU) No 1303/2013.

<sup>34</sup> As well as on the Member States progress reports for 2017. Article 52 of Regulation (EU) No 1303/2013, to be submitted by 31 August 2017 and 31 August 2019 on the implementation of the Partnership Agreements as at 31 December 2016 and 31 December 2018. Progress reports present, namely, the “progress made towards the achievement of the Union strategy for smart, sustainable and inclusive growth, as well as of the Fund-specific missions referred to in Article 4(1), through the contribution of the ESI Funds to the thematic objectives selected, and in particular with regard to the milestones set out in the performance framework for each programme, and to the support used for climate change objectives”.

Audits on management and control systems and the reliability of collected data started late, limiting the degree of assurance on the monitoring systems and reducing the time available to address detected weaknesses

53. Appropriate arrangements for the verification and correction of the performance information are necessary to ensure its quality and hence, its use in the context of monitoring and reporting. Good practices requires audits on the systems producing the data - and associated corrective actions - to be carried out and finalised before the data is included in AIRs and strategic reports.

54. Under the legislative framework, both the Member States' audit authorities and the Commission<sup>35</sup> audit the functioning of the monitoring systems. These audits should, in particular, ensure the existence of reliable systems for collecting, recording and storing performance data, and assess whether this performance data is reliable.

*Audit authorities' assessment of the functioning of the management and control systems*

55. An assessment of the systems in place at MA level was carried out during the early stages of the implementation of the OPs as part of the designation procedure<sup>36</sup>. In this procedure, an independent audit body (often the AA) was required to produce a report and an opinion on whether the MAs had fulfilled the criteria relating to the internal control environment, risk management, management and control activities and monitoring<sup>37</sup>. The

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<sup>35</sup> See Articles 75 and 127(4) of Regulation (EU) No 1303/2013 and Annex VII of Commission Implementing Regulation (EU) 2015/207 of 20 January 2015 laying down detailed rules implementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards the models for the progress report, submission of the information on a major project, the joint action plan, the implementation reports for the Investment for growth and jobs goal, the management declaration, the audit strategy, the audit opinion and the annual control report and the methodology for carrying out the cost-benefit analysis and pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council as regards the model for the implementation reports for the European territorial cooperation goal (OJ L 38, 13.2.2015, p. 1) and EGESIF\_14-0010-final 18.12.2014, Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States - key requirement 6 and 15.

<sup>36</sup> Articles 123 and 124 of Regulation (EU) No 1303/2013.

<sup>37</sup> Article 124(2) and Annex XIII of Regulation (EU) No 1303/2013.

designation was required to take place before the first submission of an interim payment for the OPs. Thus, without this designation, OPs cannot be reimbursed. At this stage, the audit covers the existence of systems and procedures, but it does not cover good implementation, which is checked in the context of the audit authorities' system audits on management and control systems.

56. Due to the late approval of the OPs and late finalisation of the IT systems (see **paragraph 47**), the designation process was late. This was also affected by national factors (reorganisation of the regions in France in 2015, complex management structures - for instance, the French PON FSE has 13 delegated managing authorities and 120 intermediary bodies). For the OPs examined in this audit, the MAs were designated between September 2016 and February 2018, more than two and four years into the programme period respectively (see **Annex IV**).

57. Due to the late implementation of OPs and the resulting limited amount of data collected, systems audits were only beginning at the time of our audit visits i.e. during the first half of 2017. Any problems regarding the quality of data thus did not become apparent until the second half of 2017. This was almost four years after the start of the seven-year programme period and one-and-a-half years before the 2018 AIRs, which form the basis for the allocation of the performance reserve, are forwarded to the Commission.

#### *The Commission's audits*

58. In addition to relying on the audit work and systems in place in the Member States, the Commission also carries out its own audits. There are two types: "early preventive systems audits", aimed at obtaining reasonable assurance at an early stage of the implementation that the management and control systems are functioning well, and "performance reliability data audits". But given the aforementioned delays, and thus the late finalisation of the monitoring systems as well as the minimal reporting of relevant data, these audits were conducted later than planned. Especially for the ERDF, audits could only start after the 2016 AIRs were received. In total, by the end of 2017, the Commission managed to carry out 23 audits in 12 Member States: 12 performance reliability data audits and 11 early preventive systems audits.

59. For most of these audits, reporting was ongoing at the beginning of 2018. According to the Commission, the preliminary results for the audited systems were rather positive, even though some shortcomings were highlighted. At the same time, however, around 40 % of ERDF OPs did not report any values for their performance framework indicators<sup>38</sup> in the 2016 AIRs submitted in 2017. For these OPs, in February 2018, the Commission had not carried out audits to determine whether the absence of reporting was due to delays in implementation or a lack of a functioning data-reporting system.

60. The late undertaking of the systems audits means that the overview of the monitoring systems's status is not complete. Shortcomings are particularly susceptible to being identified late and there may not be sufficient time to apply the necessary adjustments. This jeopardises the implementation of the performance review in 2019, which will be based on data reported by Member States in the 2018 AIRs by 30 June 2019.

#### The performance review may not be based on realistic milestones

61. In the OPs we visited, on the basis of the 2015 AIRs or in the monitoring information available at the time of the audit, we noted that there were already cases where OPs had achieved the targets set for 2023, as well as risks of underachievement. Requests for amendments in order to adjust the targets to a more realistic value, had not been submitted for the OPs visited. Only one (Czech Republic, OPEIC) had already asked for, and obtained, amendments, mainly in relation to the modification of allocations within priority axes. On the other hand, according to the Commission, in February 2018, out of the 17 480 indicators used in the existing 430 OPs, the corresponding target value for 2023 had been modified upwards in 1445 instances and downwards in 941 instances.

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<sup>38</sup> Performance indicators are a set of indicators defined for each priority axis in an OP, which values at the end of 2018 will be compared by the Commission with that of set milestones in order to decide upon the release of the performance reserve in 2019.

62. This indicates that a number of milestones<sup>39</sup> of the performance framework are no longer realistic. In case milestones need to be revised, this requires that amendments be made to the OP, which can only be done at the Member States initiative<sup>40</sup>. Given the duration of the amendment procedure (set in the Regulation at three months), there is a risk that the values reached at the end of 2018 by the performance-framework indicators are not compared with realistic milestones.

**The information generated on the basis of the data collected is still mostly outputs-oriented**

63. Performance information is collected so that the Member States and the Commission can use it for reporting purposes, in order to be accountable for what has been achieved with funding.

64. Result indicators and targets laid down in the grant agreements signed between beneficiaries and MAs are essential for measuring the achievement of results. However, several key issues in the set-up of the monitoring systems are affecting the measurement and monitoring of the contribution of projects to the achievement of the OP objectives.

A set-up which relies mostly on output indicators, especially in the early years of implementation for the ERDF, and a lack of quantified result indicators defined at project level

65. The current set-up allows for a more systematic collection of data for a number of well-defined indicators, though the number of indicators is very high. The existence of common indicators also allows for the aggregation of this data at OP, Member State and EU levels. However, in the set-up of the logical framework for the ERDF, many result indicators at OP level are not directly related to the funded interventions. These indicators are often national indicators which take into account the influence of external factors, and their sources are

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<sup>39</sup> Milestones are the values set for the indicators of the performance framework to be reached by the end of 2018.

<sup>40</sup> See Article 30(1) CPR, CPR Annex II and Article 5(6) of Regulation (EC) No 215/2014.

mainly national statistics offices (see examples in **Box 4** and see also **Annex VI**). These result indicators do not isolate the impact attributable to the ERDF interventions, and cannot therefore be considered immediate results of the OPs.

<b>Box 4 - Examples of result indicators for which the data is collected from published statistics rather than funded projects</b>	
<p><b>France, OP Grand Est:</b></p> <ul style="list-style-type: none"> <li>• Priority axis 2; TO 3, investment priority A: development of SMEs:</li> </ul> <p>Specific result indicator: evolution of the region's industrial SME investment</p>	<p><i>Source:</i> Banque de France.</p>
<p><b>Czech Republic, OPEIC:</b></p> <ul style="list-style-type: none"> <li>• Priority axis 2; TO 3, investment priority 3b: increase in exports of SMEs:</li> </ul> <p>Specific result indicator: percentage of exports in the total turnover of companies</p>	<p><i>Source:</i> Ministry of Industry and Trade.</p>
<p><b>Finland, OP Sustainable growth and work:</b></p> <ul style="list-style-type: none"> <li>• Priority axis 1, TO 3, investment priority 3d:</li> </ul> <p>Specific result indicator: Business dynamics index</p>	<p><i>Source:</i> National statistics office of Finland.</p>

66. To mitigate the fact that results generated by ERDF projects often materialise (well) after project completion, at a time when there is no monitoring of the projects as such, MAs must carry out evaluations at priority axis level<sup>41</sup>. At least once during the programming period, these evaluations assess how support from the ESI Funds has contributed to the objectives for each priority. But given the late start of the implementation, the number of evaluations already carried out is still limited. As a consequence, for the time being, the progress of the OP is mainly measured through the output indicators.

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<sup>41</sup> Article 56 of Regulation (EU) No 1303/2013.

67. At project level, we found that result indicators were not systematically mentioned in the grant agreements (see **paragraph 25**). Only six<sup>42</sup> out of the 18 ERDF projects examined in this audit contained results indicators in the applications and thus in the grant agreement. However, these result indicators were not the same as those used at OP level. This means that they cannot be used for reporting purposes or to measure the progress made in achieving OP objectives. In four other cases<sup>43</sup>, the results indicators were not quantified (i.e. no target was given) thus preventing an assessment of their contribution to the OP objective from being made and limiting the measurement of the project's achievement to its outputs.

68. For the ESF projects, result indicators were mentioned in 7 out of 16 projects. For the remaining projects, the results described were either not related to the OP indicators, or they were not quantified. In any given project, this makes it impossible to compare the value reached with an estimated target. However, in the case of the ESF, even if results and result indicators are not defined at project level or quantified, the measurement of the values for the common result indicators is still taking place, as project beneficiaries have to report those data in the MA's IT systems.

69. We have previously mentioned the lack of result indicators defined at project level<sup>44</sup> in our annual reports. This makes it difficult to measure and to monitor the extent to which projects contribute to the achievement of the OP objectives.

**The release of the performance reserve is based on indicators that are mostly input- and outputs-oriented**

70. Member States can demonstrate progress in programme implementation through milestones (to be reached by 2018) and target values (to be reached by 2023) for three types

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<sup>42</sup> Projects 27, 28, 31, 32, 33 and 34.

<sup>43</sup> Projects 6, 7, 8 and 9.

<sup>44</sup> E.g. AR 2015 - Chapter 6 paragraph 6.86 "Result indicators were not defined for 38 % of the projects". Or AR 2016 - Chapter 6 paragraph 6.56 "For 42 % of the projects it was not possible to identify and measure a specific contribution to the overall programme objectives, since no result indicators or targets were defined at project level".

of indicators: financial, output and result. They can be complemented by key implementation steps (KIS) to measure projects that are on-going or scheduled to be started, but for which it is unlikely that any outputs can be achieved by December 2018. Overall, the indicators used in the performance framework must be representative of the actions under the priority axis. In order to trigger the release of the performance reserve, the values reached at the end of 2018 for these indicators must be between 75 % and 85 % of the milestone value.

71. As shown in a previous ECA report<sup>45</sup>, the vast majority of the indicators used in the performance framework under the cohesion policy related to output (57 %), key implementation steps (9 %) and financial indicators (33 %), with the use of result indicators remaining marginal. Thus, the release of the reserve will to a large extent remain input- and outputs-oriented, and not focused on results (see also **paragraph 62**).

#### Most reporting at EU level concerns output indicators

72. The main objective of the Commission's strategic report 2017<sup>46</sup>, which encompasses the 2017 annual synthesis report drawn up based on the 2016 AIRs, is to report on the achievements of the ESI Funds towards attaining the EU2020 objectives. However, the report mainly presents the level of implementation as well as the values reached for the main output indicators by the end of 2016. It presents no information on the achievement of results, except for the following ESF result indicators: the number of participants that found a job immediately after the training, and the number of participants that gained a qualification immediately after training. For the ERDF, this is also due to the fact that there are no common result indicators; those used at Member State level cannot, therefore, be aggregated.

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<sup>45</sup> SR No 15/2017.

<sup>46</sup> COM(2017) 755 final of 13 December 2017 "Strategic report 2017 on the implementation of the European Structural and Investment Funds".

73. As we have reported recently, there is a fundamental problem affecting result indicators in particular. In fact, ERDF and ESF result indicators measure different things in different ways<sup>47</sup>. Furthermore, the concept of a “result” is interpreted differently in the fund-specific regulations. The ERDF result indicators cannot be used to measure the immediate results of the OPs. In addition, the high number of different performance indicators pose a real challenge to the collection and reporting of performance information<sup>48</sup>.

### **CONCLUSIONS AND RECOMMENDATIONS**

74. Although the set-up of OPs is now more results-oriented, with a stronger intervention logic and an extensive set of indicators, overall we conclude that the selection of projects under the ERDF and ESF is not fully results-oriented and that the monitoring in place is still more outputs-oriented.

#### ***Selection procedures were not results-oriented in important aspects***

75. For the OPs we visited, selection procedures were used to support the selection of projects relevant to the OPs’ objectives. However, they do not systematically include selection criteria requiring the definition of quantified result indicators at project level corresponding to those at OP level. Consequently, result indicators were rarely included in applications; even when this was the case, they did not necessarily correspond to the OP indicators, or had not been quantified. Furthermore, only one-third of the assessment reports included a specific assessment of the expected results in relation to OP objectives (see **paragraphs 18 to 27**).

76. We found that MAs had provided comprehensive information on the OPs, on access to EU funding, and on the selection procedures through several channels. Beneficiaries were

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<sup>47</sup> See SR No 2/2017, paragraph 150.

<sup>48</sup> See SR No 2/2017, paragraph 131.

generally well informed, or could rely on support from specialised organisations (see **paragraphs 28 to 31**).

77. However, only 1 of the 20 procedures examined involved a scoring and a ranking of applications against each other. Projects were generally approved on a first-come first-served nature. As a result, funding may not have been allocated to the best projects (see **paragraphs 32 to 34**).

***There are risks to the quality of monitoring data, which remains more outputs-oriented rather than results-oriented***

78. Following the late adoption of the legislative framework, we found that some of the OPs' monitoring systems were not operational at the start of the programme nor fully operational at the time of the audit. Consequently, data was input manually and at a later stage. Data collection also occurred outside the IT systems, creating errors, which, in some cases, impacted upon the data presented in the AIRs (see **paragraphs 35 to 52**).

79. The late adoption of the regulatory framework led, in most OPs, to a late start of the implementation. Until the end of 2016, only a limited amount of data was collected in IT systems. Consequently, the audits necessary to provide assurance on the monitoring systems and the reliability and availability of the data mostly started in 2017. The results of these audits only became available at the end of 2017, four years into the seven-year programme period. This means that assurance obtained upon the monitoring data is, up to now, only partial. The Commission thus does not have an overview of the functioning of the monitoring systems, including IT systems. The performance review will take place in 2019 and, in the remaining time available, there is a risk that any corrective measures cannot be completed in time and that the performance review will not be based on correct information (see **paragraphs 53 to 60**).

80. We found that a number of milestones of the performance framework are no longer realistic. In case milestones need to be revised, there is no certainty that the necessary OP amendments can be made in time for the performance review (see **paragraphs 61 and 62**).

81. Regarding result indicators, ERDF and ESF indicators measure different things in different ways. In fact, the concept of a “result” is interpreted differently in the fund-specific regulations. For both funds, we identified the risk that a meaningful aggregation of performance data (in particular regarding results) may not be feasible at EU level<sup>49</sup>. Furthermore, we recommended<sup>50</sup> that the Commission should define a common definition of “outputs” and “results” (see **paragraph 73**).

82. For the ERDF, many result indicators often use other sources, such as data from national statistics offices. Evaluations should measure achievements against the OPs’ objectives. However, given the late start of implementation, few evaluations were available at the time of our audit. Consequently, for the ERDF, it is difficult to monitor to what extent the projects contribute to the achievement of the OP objectives (see **paragraphs 63 to 69**). This problem also applies to the ESF, as many grant agreements do not include quantified result indicators.

83. Similarly, output and financial indicators predominantly form the basis of the performance framework. This means that the release of the performance reserve will be mainly based on these types of indicators rather than on the results achieved and the actual progress made towards the OP objectives. Also, the information published in the Commission’s reporting is mostly outputs-related, except for the ESF where the aggregated value for some result indicators is provided (see **paragraphs 70 to 72**).

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<sup>49</sup> See SR No 2/17, paragraph 150.

<sup>50</sup> See SR No 2/17, recommendation 3.

### Recommendation 1 – Results-oriented selection

In order to ensure a consistent and truly results-oriented approach to the selection of projects, Member States should:

- (a) have selection criteria requiring the beneficiaries to define at least one genuine result indicator based on a common definition of what constitutes a “result” for their project, including a baseline and a target. This result indicator should contribute to the result indicators set at OP level;
- (b) include an assessment of these expected results and indicators in the assessment report for the applications;
- (c) when deciding on the selection procedures to be used, ensure that a comparison between project applications takes place.

**Target implementation date: starting in 2019 for upcoming calls for proposals.**

### Recommendation 2 - Results-oriented monitoring

- (a) In order to allow the monitoring of projects’ contributions to OP objectives, Member States should include quantified result indicators in the grant agreement, contributing to the results indicators set at OP level.

**Target implementation date: starting in 2019 for upcoming calls for proposals.**

- (b) In order to make the ERDF monitoring framework more results-oriented, and in particular to allow the aggregation of performance information, the Commission should define common result indicators for this fund based on a common definition of “results”.

**Target implementation date: preparation of the next MFF.**

**Recommendation 3 - Reporting on performance and preparation of the performance review in 2019**

To improve the Commission's reporting on performance and to carry out a meaningful performance review with reliable data and realistic milestones, the Commission should:

- (a) have an overview of the main weaknesses in and uncertainties about the OPs' monitoring systems based on audits by both the Commission and the AAs (the necessary systems audits/performance-reliability audits);
- (b) ensure that OP amendments requested by Member States relating to justified revisions of milestones of the performance framework are processed in time for the performance review.

**Target implementation date: before the finalisation of the performance review.**

This Report was adopted by Chamber II, headed by Mrs Iliana IVANOVA, Member of the Court of Auditors, in Luxembourg at its meeting of 27 June 2018.

*For the Court of Auditors*

Klaus-Heiner LEHNE

*President*

**ANNEX I****List of projects selected for this audit***(amounts in million euros)*

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see <u>Annex III</u> )
<b>Czech Republic - OP Employment (OPE) 2014CZ05M9OP001 (amounts in million CZK)</b>											
1	"New working opportunities" (Call Instruments of Active labour market policy)	Yes	4 011	3 304.6	ESF	8	1.1	1.1.1	1.4.2015 ongoing	Participants in employment: 14 304	1
2	Child care centre for preschool children #1 (Call Support of creation and operation of day care services for children of pre-school age for companies and public outside the City of Prague)	Yes	4.9	4.2	ESF	8	1.2	1.2.1	1.1.2016 - 31.12.2017	Places in kindergarten: 24	2
3	Child care centre for preschool children #2(a) (Call Support of creation and operation of day care services for children of pre-school age for companies and public outside the City of Prague)	Yes	4.1	3.4	ESF	8	1.2	1.2.1	1.1.2016 - 31.12.2017	Places in kindergarten: 20	2
4	Child care centre for preschool children #2(b) (Call Support of creation and operation of day care services for children of pre-school age for companies and public outside the City of Prague)	Yes	4.9	4.2	ESF	8	1.2	1.2.1	1.1.2016 - ongoing	Places in kindergarten: 20 Number of persons using a childcare facilities: 30	2
5	"Support of selected social services (asylum houses, daily centres, etc) in one region"	Yes	411.8	350	ESF	9	2.1	2.1.1	1.1.2016 - ongoing	Actual realisation: NA yet, project in start up phase	3

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
<b>Czech Republic - OP Entrepreneurship and Innovation for Competitiveness (OPEIC) 2014CZ16RFOP001 (amounts in million CZK)</b>											
6	Support to exports for the companies	Yes	1.2	0.6	ERDF	3	2.1	3b SO 2.2	3.7.2015 - 10.5.2016	Number of participations in exhibitions and fairs abroad 3 (but the same company): one company supported Grants previously received: 12 projects OPPI 265.2 million CZK, 4 Fair grants 53 million CZK	4
7	Participations in trade fairs abroad in 2016	Yes	3.3	1.6	ERDF	3	2.1	3 b SO 2.2	9.9.2015 - 21.12.2016	Number of participations in exhibitions and fairs abroad 3 (but the same company): one company supported Grants previously received: 8 projects from OPPI 117.3 million CZK 1 OPLZZ 5.3 million CZK	4
<b>Czech Republic - OP Entrepreneurship and Innovation for Competitiveness (OPEIC) 2014CZ16RFOP001 (amounts in million CZK)</b>											
8	Building of a production hall for woodworking division	Yes	8.6	3.8	ERDF	3	2.1	3 c SO 2.2	1.11.2015 - 25.1.2016	Revitalisation of the company's site (844 mq) Number of companies using the revitalised infrastructure: 1 Grants previously received: 7.2 million CZK	5
9	Reconstruction of a Building	Yes	21.2	7.4	ERDF	3	2.1	3 c SO 2.2	7.9.2015 - 6.9.2016	Revitalisation of the company's site (2721 mq) Number of companies using the revitalised infrastructure: 1 Grants previously received: OPPI 12 projects 123.7 million CZK, OPLZZ project 2.2 million CZK	5

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
<b>France - OP ERDF/ESF Lorraine et Vosges - 2014FR16M0OP015</b>											
10	Take over a printing activity (due to retirement of the previous owner)	No	2	0.04	ERDF	3	2	2.3A	18.9.2014 - 12.10.2015	Number of enterprises receiving support: 1 Jobs: + 2	6
11	Acquisition of equipment for production (e.g.: presse 140 tons with bi-injection system)	No	0.6	0.05	ERDF	3	2	2.3A	1.1.2014 - 31.12.2016	Number of enterprises receiving support: 1 Jobs: + 2	6
12	Investments for the development of a ski resort	No	6.7	1.1	ERDF	3	9	9.3A	1.1.2015 - 31.12.2016	Number of enterprises receiving support: 1 Number of enterprises receiving subsidy: 1	7
13	Acquisition of equipment for production (hydraulic tools)	No	1.6	0.02	ERDF	3	2	2.3A	2.7.2014 - 31.2.2016	Number of enterprises receiving support: 1 Number of enterprises receiving subsidy: 1 Jobs: + 6	6
<b>France - National OP ESF (PON FSE) - 2014FR05SFOP001</b>											
14	Support to people benefitting from the minimum income in the department	Yes	10.7	5.3	ESF	3	9	1.1	1.1.2014 - 31.12.2016	Number of participants expected: 6360 / year or 19 080 in total	8
15	Accompany/ guiding people in an insertion process, including learning French language	Yes	2	1	ESF	3	9	1.1	1.1.2014 - 31.12.2016	Number of participants to the action (2014-2016): 657 Positive outcome within 3 months after the project participation: 40 %	9
<b>France - National OP ESF (PON FSE) - 2014FR05SFOP001</b>											
16	Professional training of employees from the construction sector (Paris and neighbouring region)	Yes	9.5	4.8	ESF	2	8	5.3	1.1.2014 - 31.12.2015	Number of participants to the action (2014-2016): 2 464	10
17	Professionalization of networks about the creation of activities	Yes	5.2	2.6	ESF	1	8	3.2	1.1.2014 - 31.12.2016	No participants	11

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
18	Training activities for unemployed people	Yes	80	30.7	ESF	2	8	5.4	1.1.2014 - 31.12.2016	Number of participants to the training: 21 860 (targeted: 22 734)	12
<b>Italy - OP ESF Piemonte - 2014IT05SFOP013</b>											
19	Training courses to help insertion in the labour market (Technical e-commerce)	Yes	0.69	0.69	ESF	8	1	8.x	1.10.2015 - 15.6.2016	Technical e-commerce course (600 hours)	13
20	Training courses to help insertion in the labour market (hairdresser)	Yes	0.69	0.69	ESF	8	1	8.x	1.10.2015 - 15.06.2016	Hairdresser course (600 hours)	13
21	Vocational training to back up compulsory education (Carpenter)	Yes	0.99	0.99	ESF	8	2	8.x	1.10.2015 - 15.06.2016	Carpenter course (1 050 hours)	14
22	Vocational training to back up compulsory education (Agro-food processor)	Yes	0.99	0.99	ESF	8	2	8.x	1.10.2015 - 15.6.2016	Agro-food course (1 050 hours)	14
<b>Italy - OP ERDF/ESF Puglia - 2014IT16M2OP002</b>											
23	Acquisitions of 10 new buses for passenger transport	Yes	4.12	1.41	ERDF	3	3	3a	5.5.2015 - 31.12.2015	none	15
24	Acquisition of equipment for production of gluten-free pasta	Yes	2.7	0.8	ERDF	3	3	3a	16.6.2015 - 31.12.2015	- Turnover (2017 o/s) - Increase 4 work units	15
<b>Italy - OP ERDF/ESF Puglia - 2014IT16M2OP002</b>											
25	Restructuring and adaptation (building) of an existing school into a crèche	Yes	0.5	0.44	ERDF	9	9	9a	1.1.2016 - 31.12.2016	57 new places created in crèche	16
26	Restructuring and adaptation (building) of an existing school into a crèche	Yes	0.35	0.31	ERDF	9	9	9a	1.1.2016 - 31.12.2016	42 new places created in crèche	16

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
<b>Finland - OP Sustainable growth and work - Finland's structural funds programme - 2014FI16M2OP001</b>											
27	Investment in a powder painting line, acoustic wall element line and steel bending machine. Production reorganized according to LEAN	Yes	0.85	0.32	ERDF	3	1	3d 2.1	16.2.2015 - 30.6.2016	Turnover: + €0.3 million, + 10 % of current one Direct export: + €0.07 million, + 100 % from the current level Jobs: + 2 (of which 0 are women's jobs) Other: Significant energy savings per produced unit, at least 10 % of energy use	17
28	Investment for undertaking concrete production line development, internal logistics re-organisation as well as develop a new range of products	Yes	2.45	0.619	ERDF	3	1	3d 2.1	2.3.2015 - 30.9.2016	<u>Right after completion:</u> Turnover: + €0.41 million Jobs: + 1 <u>2 years after completion (not known yet):</u> Turnover: + €2.5 million, + 20 % of current turnover Jobs: + 7 Project contributes to low carbon economy	17
29	To develop and confirm the service model used in one city's Labour Service Center for young adults that have a background of substance abuse to encourage them to normalize their life so that they may envisage to start looking for a job	Yes	0.24	0.17	ESF	9	5	8i	2.1.2015 - 31.12.2016	Beneficiaries: 39 persons (target: 80 persons)	18

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
<b>Finland - OP Sustainable growth and work - Finland's structural funds programme - 2014FI16M2OP001</b>											
30	To offer training for people employed intermittently to increase their chances of finding jobs and their choice of jobs (social economy)	Yes	0.31	0.22	ESF	8	3	9i	1.1.2015 - 31.12.2016	Beneficiaries: 82 persons (target 100 persons)	18
31	Development of a user interface software for medical ultrasound scanner	Yes	0.34	0.17	ERDF	3	1	3a 1.1	30.1.2015 - 30.4.2016	At project completion / estimate 2 years after: Turnover: + €0.25 million + 100 % / + €10 million + 100 % Direct exports: + € 0.25 million + 100 % / + €9.8 million + 100 % Jobs: + 3 / 15 (of which women 0 / 5) (target 35) Jobs in R&D: + 3 / 10 (of which women 0 / 3) Other intangible rights 0 / 3 (target 4)	17
32	Development of new wooden cladding products coating line	Yes	1.4	0.56	ERDF	3	1	3d 2.1	27.1.2015 - 27.1.2017	At project completion / estimated 2 years after completion: Turnover: + €1 million +12 % / + €2 million + 24 % (target €3 million) Direct exports: NA / + €0.3 million + 33 % (target €1 million) Jobs: + 3 / + 6 of which female: + 1 / + 2 (target 2)	17

No	Project Description	Grants received previously	Total amount of investment	Amount of EU Grant	Fund	TO (a)	PA (b)	IP/SO (c)	Start & end date	Outputs and results achieved	Selection procedure No (see Annex III)
<b>Finland - OP Sustainable growth and work - Finland's structural funds programme - 2014FI16M2OP001</b>											
33	Extension of a factory for the development of production and logistics operations	Yes	1.17	0.35	ERDF	3	1	3d 2.1	1.6.2014 - 31.12.2014	At project completion / estimated 2 years after completion: Turnover: + €10 million + 150 % (target €11 million) / + €35 million + 350 % Direct exports: + €9 million + 643 % (target € 0.9 million)/ + €26 million + 999 %) Jobs: + 10 / + 50 of which women + 3 / + 5 (target 50) R&D jobs: + 2 /+ 2 of which women + 0/ + 1 (target 4) Other intangible rights 1 / 3 Project contributes to low carbon economy	17
34	Extension of the machinery park for modern technology for piping and steel structure production and re-organise the lay-out of the production site	Yes	1.43	0.5	ERDF	3	1	3d 2.1	13.2.2015 - 31.12.2016	At project completion / estimated 2 years after completion: Turnover: 0 / + €1.4 million + 34 % Direct exports: 0 / + €0.46 million + 136 % (target €0.75 million) Jobs: + 5 / + 8 of which female 0 / 0 Other : energy savings NA / + 1 MWh/a	17

Notes: (a) TO: thematic objective. (b) PA: priority axis. (c) IP: investment priority and SO: specific objective.

**ANNEX II****Thematic objectives**

<b>Number</b>	<b>Description</b>
<b>1</b>	Strengthening research, technological development and innovation
<b>2</b>	Enhancing access to, and use of quality of, information and communication technologies
<b>3</b>	Enhancing the competitiveness of SMEs
<b>4</b>	Supporting the shift towards a low-carbon economy in all sectors
<b>5</b>	Promoting climate change adaptation, risk prevention and management
<b>6</b>	Preserving and protecting the environment and promoting resource efficiency
<b>7</b>	Promoting sustainable transport and removing bottlenecks in key network infrastructures
<b>8</b>	Promoting sustainable and quality employment and supporting labour mobility
<b>9</b>	Promoting social inclusion, combating poverty and any discrimination
<b>10</b>	Investing in education, training and vocational training for skills and lifelong learning
<b>11</b>	Enhancing institutional capacity of public authorities and stakeholders and an efficient public administration

*Source:* Article 9 and Annex XI Part I of Regulation (EU) No 1303/2013.

**ANNEX III****List of selection procedures examined in this audit**

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see <i>Annex II</i> )
<b>Czech Republic OPE</b>									
1	Instruments of Active labour market policy (No 03_15_001)	Selection of actions to increase employment of supported persons, especially older, low-qualified and disadvantaged ones The beneficiary (CZ's Labour office) set in the Partnership Agreement	ESF	8	1.1.1	Direct award 29.7.2015 - 30.4.2016		NA	1
2	Childcare services outside the City of Prague (No 03_15_035)	To decrease the differences in the situation of women and men Support of creation and operation of day care services for children of pre-school age for companies and public outside the City of Prague ("Childcare services")	ESF	8	1.2.1	Temporary call for projects: 11.11.2015 - 8.1.2016		YES	2, 3, 4
3	"Social services" (No 03_15_005)	2.1.1 - To increase employability of persons in danger of social exclusion or socially excluded persons in the labour market and 2.1.2 - Development of social economy sector Support of selected social services linked to the regional mid-term plans of development of social services ("Social services") The beneficiaries (all CZ's regions) as well as the envelope per region, were set in the Partnership Agreement	ESF	9	2.1.1 2.1.2	Direct award launched: 26.6.2015 Applications accepted between: 20.7.2015 - 13.12.2019		NA	5

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see Annex II)
<b>Czech Republic OPEIC</b>									
4	Marketing I	Objective SO 2.2: To increase internationalization of SMEs - Services for SMEs focused on international competitiveness enabling entry to foreign markets; - Sophisticated consultancy of experts in international markets and consultancy for strategic management and innovation management, incl. mentoring and coaching; - Services to support SME networking in international research cooperation (Horizon 2020, COSME).	ERDF	3	PA2, SO 2.2	Temporary call 2.6.2015 - 30.11.2015		YES provided that the applications score a minimum of 60 points out of 100	6, 7
5	Real Estate I	Objective SO 2.3: To increase the use of entrepreneurial infrastructure - Modernization of production facilities and reconstruction of existing obsolete infrastructure, and - Reconstruction of brownfields (excluding costs for the removal of ecological burdens) and their transformation into modern business premises and newly reconstructed areas.	ERDF	3	PA2, SO 2.3	Temporary call in two phases: 1.6. till 31.8.2015 Eligible applications only: 1.12.2015 till 31.1.2016		YES provided that the applications score a minimum of 60 points out of 100	8, 9
<b>France OP Lorraine et Vosges</b>									
6	Entreprenariat et entreprises	Objective: To select projects with a view to support the investment in SMEs, at all stages of their development, to generate sustainable jobs and added-value	ERDF	3	PA 2 - SO 2.3.A	Permanent call 1 year revolving		YES provided that the criteria are met	10, 11, 13

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see Annex II)
7	Développement économique et touristique du massif	Objective: to increase the number of tourists in the Vosges area	ERDF	3	PA 9 - SO 9.3.A	Permanent call, 1 year revolving		YES provided that the criteria are met	12
<b>France PON FSE</b>									
8	Call for project	Call launched by the Intermediate Body	ESF	9	PA3 - 3.9.1.1	Temporary call 16.12.2014 - 31.3.2015		YES provided that the criteria are met	14
9	Call for projects - AAP interne 2014 - 2017	Call launched by the Intermediate Body	ESF	9	PA3 - 3.9.1.1	Temporary call 9.6.2015 - 30.7.2015		YES provided that the criteria are met	15
10	Call for project - 2014IDF-AXE2-01	Call launched by the Delegated Managing Authority	ESF	8	PA2 - 2.8.5.3	Temporary call 11.8.2014 - 17.11.2014		YES provided that the criteria are met	16
11	Call for project	Call launched by the Intermediate Body	ESF	8	PA1 - 1.8.3.2	Permanent call revolving 1.1.2014 - 31.12.2016		YES provided that the criteria are met	17
12	Call for projects - CSP 2014/15	Call launched by the Managing Authority	ESF	8	PA2 - 2.8.5.4	Direct award revolving 1.1.2014 - 31.12.2017		YES provided that the criteria are met	18

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see Annex II)
<b>Italy OP Piemonte</b>									
13	“Mercato del Lavoro” in the region Piedmont (except Turin province)	To select trainings to shorten the access to the labour market of mainly unemployed youths and adults (19-25 years sometimes older) with low levels of education and exposed to a range of factors that put them at a greater risk of long-term unemployment (Formazione professionale finalizzata alla lotta contro la disoccupazione) Call managed by the Managing Authority	ESF	8	PA1 SO: 1.8.i.1.3	Temporary call 10.7.2015 - 29.7.2015	YES scoring and ranking		19, 20
14	“Obbligo d’istruzione” CMT 2015/2016 in Turin province	To select courses to allow young people that have difficulties to integrate and have been excluded from school mainstream education, or even dropped out of school /compulsory education/instruction to fulfil their right/duty to 10 years education and training	ESF	8	PA1 SO: 1.8ii.2.4	NA This call was not a selection procedure as such but consisted in the prolongation of the contracts for beneficiaries selected previously via a similar call 2011/2012. For simplicity and time saving, the MA decided to reiterate the same training activity for the period 2015-2018.			21, 22
<b>Italy OP Puglia</b>									
15	D.D. No 2487 of 22/12/2014	Objective: Facilitate the creation of new production units; the extension of existing production units; the diversification of the production to new, additional products; fundamental change in the overall production process of an existing unit	ERDF	3	PA3 - 3.6	Permanent call		YES provided that the criteria are met.	23, 24
16	DD 367 of 6.8.2015	To select projects aiming at improving and upgrading the network of social welfare, educational and healthcare facilities across Puglia region. Its purpose is to fill in the gaps in the supply of social-care services to people, families and communities in the Region, by co-financing social investment plans or structural measures in the social, healthcare or	ERDF	9	9.10 and 9.11	Permanent call		YES as long as applications score a minimum of 70 points out of 100	25, 26

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see Annex II)
		educational fields. Eligible beneficiaries are e.g. public institutions, mainly municipalities , and private bodies offering social care services, which were formerly public welfare and charity institutions or other public utilities (e.g. local health services, chamber of commerce)							
<b>Finland - OP Structural Funds</b>									
17	Enterprise development and support schema	Complementary ERDF support schema executed in four Centres for Economic Development, Transport and the Environment	ERDF	3	3 / all, discretionary focussing on regional targeted actions	Permanent, valid for the whole MFF 2014-20. Annual national budgetary appropriation		Yes, as long as applications score a minimum threshold	27, 28, 31, 32, 33, 34
18	Centre for Economic Development, Transport and the Environment South Savo Finland, Mikkeli	ERDF: focus on Intelligent specialization ESF: focus on Support for youth actions and Integration of actors and enhanced cooperation	ESF ERDF	3 8 9	ERDF - PA2 ESF - PA3 ESF - PA4 ESF - PA5	Temporary call: 8.12.2014- 16.2.2015		Yes, as long as applications score a minimum threshold	29, 30
19	Centre for Economic Development, Transport and the Environment, North Ostrobothnia, Oulu		ESF ERDF	all	All PA/IP/SO	Temporary call: 5.5.2014-29.8.2014		Yes, as long as applications score a minimum threshold	N/A The projects selected were not advanced enough, thus not audited

No	Name / identification	Remarks	Fund	TO (a)	PA/IP/SO (b)	Type of selection procedure (c)	Competitive	1 <sup>st</sup> in 1 <sup>st</sup> serve	Projects audited (see Annex II)
<b>Finland - OP Structural Funds</b>									
20	Centre for Economic Development, Transport and the Environment, North Ostrobothnia, Oulu	Under ESF: special focus on the integration of the immigrants into society Under ERDF: focus on environmental and natural resources in particular bio-recycling economy as well as energy and material efficiency and on operations/projects linked to research-and development	ESF ERDF	3 8 9	ERDF - PA1 ERDF - PA2 ESF - PA3 ESF - PA4 ESF - PA5	Temporary call: ESF: 12.12.2015 - 5.2.2016 ERDF: 12.12.2015 - 12.2.2016		Yes, as long as applications score a minimum threshold	

*Notes:*

(a) TO: thematic objective.

(b) PA: priority axis, IP: investment priority, SO: specific objective.

(c) Type of selection procedures:

**Temporary Calls:** Calls that have a duration inferior of 12 months, usually few weeks to a few months.

**Permanent Calls:** Calls open with a duration superior of 12 months, sometimes for the whole duration of the programme period.

**Direct awards:** Involve the earmarking of funding to an organisation, usually a public body, who then redistributes the money to external beneficiaries.

*Source:* Documentation of the selection procedures.

**ANNEX IV****List of OPs examined in this audit**

ERDF	ESF	Total EU funds	Other funds	Total EU + other funds	TOs covered	Partnership Agreement approval date	EC approval date of the OP	Latest version and approval date	Designation of National Authorities by EC/MS	Managing authority (MA) If applicable: Intermediate Body (IB) or Delegated Managing Authority (DMA)
Amounts in million euros except for CZ										
<b>Czech Republic - OP Employment (OPE) - 2014CZ05M9OP001 (amounts in million CZK)</b>										
NA	2 119	2 119	450	2 569	8,9,11	13.4.2014	6.5.2015	21.7.2017	EC: 16.9.2016 MS: 13.9.2016	MA: Ministry of Labour and Social Affairs NO IB
<b>Czech Republic - OP Entrepreneurship and Innovation for Competitiveness (OPEIC) - 2014CZ16RFOP001 (amounts in million CZK)</b>										
4 331	NA	4 331	3 611	7 942	1,2,3,4,7	13.4.2014	29.4.2015	1.9.2017	EC: 13.3.2017 MS: 13.3.2017	MA: Ministry of Industry and Trade IB: Agency for Entrepreneurship and Innovation
<b>France - OP ERDF/ESF Lorraine et Vosges - 2014FR16M0OP015</b>										
337	72	409	279	688	1,2,3,4,5,6,9,10	8.8.2014	11.12.2014	NA	EC: 13.1.2017 MS: 21.12.2016	MA (since 1 January 2016): L'autorité régionale pour la nouvelle région Grand Est
<b>France - National OP ESF for employment and social inclusion (PON FSE) - 2014FR05SFOP001</b>										
NA	2 894	2 894	2 577	5 471	8,9,10,11	8.8.2014	10.10.2014	NA	EC : 12.1.2017 MS :21.10.2016	MA: Ministère du travail, de l'emploi, de la formation professionnelle et du dialogue social 13 DMA Several IB: of which Conseil départemental de la Seine-Saint-Denis, Conseil départemental du Val-de-Marne, Association France active, Fonds paritaire de la sécurisation des parcours professionnels

ERDF	ESF	Total EU funds	Other funds	Total EU + other funds	TOs covered	Partnership Agreement approval date	EC approval date of the OP	Latest version and approval date	Designation of National Authorities by EC/MS	Managing authority (MA) If applicable: Intermediate Body (IB) or Delegated Managing Authority (DMA)
Amounts in million euros except for CZ										
<b>Italy - OP ESF Piemonte - 2014IT05SFOP013</b>										
NA	436	436	436	872	8,9,10,11	29.10.2014	11.7.2017	12.12.2014	EC:8.9.2017 MS: 24.10.2016	MA: Region Piemonte (unit "Social Cohesion") IB: Citta Metropolitana Torino
<b>Italy - OP Puglia - 2014IT16M2OP002</b>										
1 394	386	1 780	1 780	3 560	1,2,3,4,5,6, 7,8,9,10, 11,12	29.10.2014	17.7.2014	13.8.2015	EC: 21.2.2018 MS:18.7.2017	MA: Region Puglia (unit "Servizio Attuazione del programma") IB: Puglia Sviluppo
<b>Finland - OP Sustainable Growth and work - 2014FI16M2OP001</b>										
766	513	1 279	1 279	2 558	1,3,4,8,9, 10	7.10.2014	11.12.2014	24.5.2016	EC: 20.12.2016 MS: 24.11.2016	MA: The Department of Enterprise and Regional Development at the Ministry of Economic Affairs and Employment IB: ELY-Centers in Mikkeli and Oulu

**ANNEX V**

**Priority axis, investment priorities and specific objectives to which the selected projects in  
Annex I correspond**

<b>Priority Axis</b>	<b>Thematic Objective</b>	<b>Investment priority</b>	<b>Specific Objective</b>
<b>Czech Republic - OPE</b>			
PA1	8	8i - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility of workers	1.1 - Increase employment of supported persons, especially older, low-qualified and disadvantaged ones
		8iv - Equality of women and men in all areas, including access to employment and career promotion, harmonisation of working and private life and promotion of equal pay the same work	1.2 - Reduce the differences in the situation of women and men at the labour market
PA2	9	9i - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability	2.1 - Increase the assertion of persons in danger of social exclusion and socially excluded persons in the society and at the labour market
<b>Czech Republic - OPEIC</b>			
PA2	3	3 (b) - Developing and implementing new business models for SMEs, in particular with regard to internationalisation	2.2 - Increase the internalisation of small and medium sized enterprises
		3 (c) - Supporting the creation and the extension of advanced capacities for product and service development	2.3 - Increase business infrastructure utilization
<b>France - OP Lorraine et Vosges</b>			
PA2	3	A - Promotion of entrepreneurship spirit	To support investment in SMEs at all stages of their development
PA9	3	A - Promotion of entrepreneurship spirit	To increase tourism in the Vosges mountains
<b>France - PON FSE</b>			
PA1	8	8iii - To support self-employment, entrepreneurship and creation of	2 -0 1. Reinforcement and sharing of the service offer within networks

Priority Axis	Thematic Objective	Investment priority	Specific Objective
		businesses, including innovating micro- and SMEs	and or between the different actors supporting the creation or take over of activities and the strengthening of activities
			1 - The professionalisation of employees and volunteers from the support networks to the creation of businesses and supporting organisations for strengthening the activities
PA2	8	8v - Employees', businesses' and entrepreneurs' adaptation to change	3 - Actions allowing to meet the conditions and prerequisites for an effective access to training
PA3	9	9i - Active inclusion, including the promotion of equal rights, the active participation and a better ability to work	1 - a) Implementation of personalised paths, strengthening employability, with regard to the different obstacles to overcome, in a global approach
<b>Italy - OP Piemonte</b>			
PA1	8	8i - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility	ER 8.5 - Promote the entry onto the labour market and the employment of the long-term unemployed and those with the greatest difficulties in finding work, and support for people at risk of long-term unemployment
		8.ii - Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee	ER 8.1 - Increase youth employment
<b>Italy - OP Puglia</b>			
PA3	3	3.a - Promoting entrepreneurship, in particular facilitating the economic exploitation of new ideas and fostering the creation of new businesses	ER 3.5 - Promoting the set-up and strengthening of micro-enterprises and SMEs
PA9	9	9.a - Investing in health and social infrastructure, which contributes towards development, reduced	ER 9.3 - Increasing/ strengthening/ improving the quality of socio-educational services and

Priority Axis	Thematic Objective	Investment priority	Specific Objective
		health inequalities and better service accessibility	infrastructure for children and welfare services and infrastructure for people of restricted autonomy, and upgrading the infrastructure network and local healthcare and welfare services
<b>Finland - OP Sustainable growth and work</b>			
PA1	3	3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	1.1 - Creating new business activities
PA1	3	3d - Supporting SMEs so that they can be part of the growth in the local, national and international markets and innovative processes	2.1 - Promoting the growth and expansion abroad of SMEs
PA3	8	8i - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility of workers	6.1 - Promoting the employment of young people and those in a weak position in the job market
PA5	9	9i - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability	10.1 - Improving the ability of those outside employment to work and function

**ANNEX VI****OP's output and result indicators for the priority axis described under Annex V funded with ERDF**

PA/IP /SO	Output indicators	Regions				Result indicators and source	Transition		Developed		Call	Project
		Less developed	Transition	Developed	Total		Baseline	Target 2023	Baseline	Target		
<b>CZECH REPUBLIC - OP Enterprise and Innovation for competitiveness (OPEIC) 2014CZ16RFOP001</b>												
<b>PA 2</b> <b>3b.2.2</b>	CO1: Number of enterprises receiving support CO2: Number of enterprises receiving grants CO4: Number of enterprises receiving a non financial support CO6: Private investment matching public support to enterprises (grants) (in million CZK)	4 600 2 100 3 000 84			4 600 2 100 3 000 84	SR: percentage of exports in the total turnover of companies ( <i>source</i> : MPO)	2011: 21.3 %	22.3 % - 23.8 %			4	6, 7
<b>PA 2</b> <b>3c.2.2</b>	CO1: Number of enterprises receiving support CO2: Number of enterprises receiving grants CO6: Private investment matching public support to enterprises (grants) (in million CZK) CO22: Total area of regenerated territory in hectares	695 695 335 150			695 695 335 150	SR: total area of regenerated territory in ha ( <i>source</i> : national data base on regenerated borwnfields)	2011: 25 875	25 900 – 26 050			5	8, 9
<b>France - OP GRAND EST FR16M0OP015</b>												
<b>PA 2</b> <b>3.A</b>	CO1: Number of enterprises receiving support CO2: Number of enterprises receiving grants CO3: Number of enterprises receiving a support other than grants CO4: Number of enterprises receiving a non financial support CO8: Employment increase in supported enterprises		1 100 805 530 520 960		1 100 805 530 520 960	SR4: evolution of the investment of the region's industrial SMEs ( <i>source</i> : national statistical office)	2012: - 8.0 %	3.0 %			6	10 ,11 and 13
<b>PA 9</b> <b>3.A</b>	CO1: Number of enterprises receiving support CO2: Number of enterprises receiving grants CO4: Number of enterprises receiving a non financial support CO9: Increase of number of expected visits		46 34 12 11 760	33 24 9 8 240	79 58 21 20 000	SR22: Number of expected visits and of skiers days in millions ( <i>sources</i> : Observatoires régionaux du Tourisme and Domaine skiable de France)	2011: 1 692	1 861	2011: 1 468	1 614	7	12

PA/IP /SO	Output indicators	Regions				Result indicators and source	Transition		Developed		Call	Project
		Less developed	Transition	Developed	Total		Baseline	Target 2023	Baseline	Target		
<b>ITALY - OP PUGLIA 2014IT16M2OP002</b>												
<b>PA 3 3.a</b>	CO1: Number of enterprises receiving support				2 000	SR3002: company net turnover rate ( <i>source</i> : ISTAT)	2012: - 0.6 %	0.4 %			15 & 16	23, 24, 25 and 26
	CO5: Number of start ups benefiting from support				500							
	CO8: Employment increase in supported enterprises				50						1	2
<b>FINLAND - OP Sustainable growth and work (2014FI16M2OP001)</b>												
<b>PA 1 3a</b>	CO1: Number of enterprises receiving support			2 465	2 465	Business dynamics index ( <i>source</i> : Statistics Finland)  SME locations			2010: 1	1.1	17	31
	CO2: Number of enterprises receiving grants			2 455	2 455							
	CO3: Number of enterprises receiving financial support other than grants			10	10				2010: 16 761	18 437		
	CO5: Number of new enterprises supported			1 200	1 200							
	CO6: Private investment matching public support to enterprises (grants in million euros)			51.697	51.697							
	CO7: Private investment matching public support to enterprises (non-grants in million euros)			10	10							
	CO8: Employment increase in supported enterprises			7 800	7 800							
	6: Number of companies that start a new business operation after receiving funding			850	850							
	7: Number of companies with a significant increase in turnover or staff			1 010	1 010							
	8: Number of companies promoting low-carbon solutions			615	615							
	10: Number of SMEs with improved accessibility as a result of the project (Outermost or northern sparsely populated regions)			220	220							
	9: Other investments promoting entrepreneurship as a result of the project (Outermost or northern sparsely populated regions - in million euros)			13.7	13.7							
<b>PA 1 3d</b>	CO2: Number of enterprises receiving grants			3 175	3 175		Business dynamics index ( <i>source</i> : Statistics Finland)			1	1.10	17
	CO3: Number of enterprises receiving financial support other than grants			20	20							

PA/IP /SO	Output indicators	Regions				Result indicators and source	Transition		Developed		Call	Project
		Less developed	Transition	Developed	Total		Baseline	Target 2023	Baseline	Target		
<b>PA 1 3d</b>	CO6: Private investment matching public support to enterprises (grants) in million euros CO7: Private investment matching public support to enterprises (non-grants) in million euros CO8: Employment increase in supported enterprises <i>Specific indicators:</i> Number of companies in projects where the main objective is to promote growth and international business operations Number of companies that are starting to export or that expand their exports to a new market area Energy saved (MWh) Companies with a significant increase in turnover or staff Companies promoting low-carbon solutions			337.15 10 4 900 5 170 1 330 460 435 1 340 650	337.15 10 4 900 5 170 1 330 460 435 1 340 650	Growing companies (employs min. 3 people and average growth of staff exceeds 10 %) (source: Statistics Finland)			4 326 4 759			

*Legend:* CO: common output indicator; CR: common result indicator, SR: specific result indicator (under the ERDF, all result indicators are specific to the Member State / OP).

**ANNEX VII****Output and result indicators for the priority axis described under Annex V funded with ESF**

PA/IP	Output indicators	M	F	Total	Result indicators and source	Baseline			Target (2023)			Call	Project
						M	F	Total	M	F	Total		
<b>CZECH REPUBLIC - OP Employment 2014CZ05M9OP001</b>													
<b>PA1 1.1</b>	CO06: Participants below 25 years of age			38 571	CR01: Inactive participants who started seeking a job again after termination of their participation (IS ESF 2014+)			<b>2013:</b> 1 210			3 500	<b>1</b>	<b>1</b>
	CO07: Participants above 54 years of age			51 429	CR03: Participants gaining a qualification after termination of their participation			13 268			67 000		
	CO20: Number of projects fully or partially implemented by social partners or NGOS			100	CR04: Participants employed, including the self-employed, after termination of their participation			2 256			58 740		
	<i>Specific indicators:</i>				CR05: Disadvantaged participants seeking a job after termination of their participation, involved in education/ training, improving their qualification or already employed, including the self-employed			4 089			42 000		
	CESFO: Total number of participants			178 000	CR06: Participants employed 6 months after termination of their participation, including the self-employed			1 805			82 000		
	Unemployed participants, including the long-term unemployed persons			172 493	CR07: Participants whose position on the labour market has improved 6 months after termination of their participation			903			1 700		
	Participants with completed primary ISCED) or lower-secondary (ISCED 2) education			8 900	CR08: Participants at the age of 54+ employed 6 months, including self-employed, after termination of their participation			1 292			12 300		
	Inactive participants			5 687	CR09: Disadvantaged participants employed 6 months after termination of their participation, including the self-employed			268			41 000		

PA/IP	Output indicators	M	F	Total	Result indicators and source	Baseline			Target (2023)			Call	Project
						M	F	Total	M	F	Total		
<b>PA1 1.2</b>	CO20: Number of projects fully or partially implemented by social partners or NGOS			90	CR01: Inactive participants who started seeking a job again after termination of their participation (IS ESF 2014+)	134	1 220	1 354	100	1 400	1 500	<b>2</b>	<b>2, 3, 4</b>
	CO21: Number of projects targeting sustainable employment of women and sustainable career progression of women			410	CR03: Participants gaining a qualification after termination of their participation	49	440	489	50	450	500		
	CO22: Number of projects targeting public authorities or public services at national, regional and local levels			60	CR04: Participants employed, including the self-employed, after termination of their participation	26	245	271	48	432	480		
	CO23: Number of micro, small and medium sized enterprises supported (incl. cooperatives and social businesses)			130	CR05: Disadvantaged participants seeking a job after termination of their participation, involved in education/training, improving their qualification or already employed, including the self-employed	69	622	691	131	1 184	1 315		
	CO35: Capacity of supported child-care facilities or educational facilities			4 000	CR06: Participants employed 6 months after termination of their participation, including the self-employed	48	432	480	55	495	550		
	<i>Specific output indicators:</i> CESF0: Total number of participants	940	9 460	10 400	CR07: Participants whose position on the labour market has improved 6 months after termination of their participation	50	243	105	105	495	600		
					CR08: Participants at the age of 54+ employed 6 months, including self-employed, after termination of their participation	4	34	38	5	45	50		
	80500: The number of analytical and strategic documents written and published (incl. evaluation ones)			35	CR09: Disadvantaged participants employed 6 months after termination of their participation, including the self-employed			336			150		
	50100: Number of supported child-care facilities or educational facilities			333	<i>Specific indicators:</i> 50110: Number of persons using a childcare facility for pre-school children			400			6 000		
	50105: Number of employers supporting flexible forms of work			70	50130: Number of persons using a flexible form of work			50			500		

PA/IP	Output indicators	M	F	Total	Result indicators and source	Baseline			Target (2023)			Call	Project
						M	F	Total	M	F	Total		
PA2 2.1	CO20: Number of projects fully or partially implemented by social partners or NGOS			415	CR01: Inactive participants who started seeking a job again after termination of their participation (IS ESF 2014+)			2 527			3 326	3	5
	CO22: Number of projects targeting public authorities or public services at national, regional and local levels			14	CR04: Participants employed, including the self-employed, after termination of their participation			1 010			1 386		
	CO23: Number of micro, small and medium sized enterprises supported (incl. cooperatives and social businesses)			231	CR05: Disadvantaged participants seeking a job after termination of their participation, involved in education/training, improving their qualification or already employed, including the self-employed			934			5 636		
	<i>Specific indicators:</i>				CR06: Participants employed 6 months after termination of their participation, including the self-employed			665			860		
	CESFO: Total number of participants			167 244	CR007: Participants whose position on the labour market has improved 6 months after termination of their participation			3 326			16 724		
	67001: Capacity of supported services			32 063	CR008: Participants at the age of 54+ employed 6 months, including self-employed, after termination of their participation			143			138		
	67101: Number of supporting institutions supported			5	CR09: Disadvantaged participants employed 6 months after termination of their participation, including the self-employed			455			832		
	80500: The number of analytical and strategic documents written and published (incl. evaluation ones)			18	<i>Specific indicators:</i>								
	67401: New or innovated social services related to housing			247	67010: Use of supported services			16 000			74 000		
	10210: Number of social enterprises established thanks to the support			138	67110: Number of ancillary institutions which operate even after termination of the support			2			5		
	67300: Number of participants provided with consulting on social entrepreneurship			80	62910: Participants employed including self-employed 12 months upon leaving			333			430		
					67310: Former participants of projects in which intervention by means of social work served its purpose including the self-employed			27 914			62 558		

PA/IP	Output indicators	M	F	Total	Result indicators and source	Baseline			Target (2023)			Call	Project
						M	F	Total	M	F	Total		
					10211: Number of social enterprises established thanks to support, operating even after termination of support			100			92		
<b>FRANCE - NATIONAL OP ESF 2014FR05SFOP001</b>													
<b>PA3 9i</b>	CO01: Unemployed, including long-term unemployed CO03: Participants inactive  <i>Specific indicators:</i> 9i3: Number of women  9i4: Number of participants from priority districts from the City policy 9i5: Number of projects aiming at coordinating and facilitating the offer related to social insertion 9i7: Number of projects aiming at mobilising employers from the commercial and non-commercial sectors			1 400 000  675 000  1 000 000  230 000	CR02: Participants following a qualification after termination of their participation CR03: Participants gaining a qualification after termination of their participation CR04: Participants employed, including the self-employed, after termination of their participation  <i>Specific indicators :</i> R91.4: Number of actions for coordinating and facilitating implemented R91.6: Number of organisations with social utility and of employers that received support			91 322  25 961  281 063			180 000  52 500  575 000	<b>8 &amp; 9</b>	<b>14 &amp; 15</b>
<b>PA 1 8iii</b>	<i>Specific indicators :</i> 8iii1: Number of entrepreneurs or buyers that received support  8iii2: Number of female entrepreneurs that received support 8iii3: Number of entrepreneurs from priority districts from the City policy that received support			340 400  129 200  34 000	<i>Specific indicators (no common indicators for this specific objective) the values for different categories of regions are cumulated:</i> R83.1: Number of businesses created R83.2: Number of businesses created priority districts from the City policy R83.3: Number of sharing activities achieved  R83.4: Number of businesses created by women					90 000  9 000  36 000	<b>11</b>	<b>17</b>	
<b>ITALY - OP PIEMONTE 2014IT05SFOP013</b>													
<b>PA 1 1.8i</b>	CO01: Unemployed, including long-term unemployed CO23: Number of supported micro and SMEs	9 900	10 600	20 500  2 700	CR06: Disadvantaged participants in employment, including self-employment, 6 months after leaving training	34	36	35	45	45	45	<b>13</b>	<b>19 &amp; 20</b>

PA/IP	Output indicators	M	F	Total	Result indicators and source	Baseline			Target (2023)			Call	Project
						M	F	Total	M	F	Total		
<b>PA 1 1.8i</b>	CO01: Unemployed, including long-term unemployed CO23: Of micro, small and medium sized enterprises supported (incl. cooperatives and social businesses)												
<b>PA 1 1.8ii</b>	CO01: Unemployed, including long-term unemployed CO03: Participants inactive CO06: Participants below 25 years of age	8 500 13 300 18 150	8 500 7 700 12 550	17 000 21 000 30 700	CR06: Disadvantaged participants in employment, including self-employment, 6 months after leaving training	30.5	30.5	30.5	40.5	40.5	40.5	14	21 & 22
<b>FINLAND – OP Sustainable growth and work (2014FI16M2OP001)</b>													
<b>PA 3 8i</b>	<i>Specific indicators:</i> Number of participants under 30 years of age who are unemployed or outside the labour force Number of participants over 54 years of age who are unemployed or outside the labour force			26 000 8 600	<i>Specific indicator:</i> Participants under 30 in employment when leaving the measure (source: statistics Finland) Participants over 54 in employment when leaving the measure			2013: 23 17			30 23	18	29
<b>PA5 9i</b>	CO02: The long-term unemployed CO04: Those outside employment and not in training CO20: Number of projects realised or partly realised by social partners or civic organisations			11 250 4 100 55	<i>Specific indicator:</i> Improved work and functional capacity of the participants (Separate review)			2012: 5.5			5.9	18	30

Legend: CO: common output indicator; CR: common result indicator; M: male; F: female.

**Outputs and results in the selection procedures and applications examined**

(a)	(b)	Is there a selection criteria about result indicators / expected results?	Are there quantified indicators in the applications?		Is there an assessment of the indicators and the values provided?	
			Output indicators corresponding to those at OP level and quantified	Result indicators corresponding to those at OP level and quantified	Output	Results
<b>Czech Republic OPE 2014CZ05M9OP001</b>						
1	1	Expected results to be outlined, result indicators mentioned and corresponds to the OP indicators but no target / quantification required				NA, no information on results
2	2					
3	3				Use of "unit costs" (c)	
	4					
	5					
<b>Czech Republic OPEIC 2014CZ16RFOP001</b>						
4	6	Expected results to be outlined, result indicators mentioned and correspond to the OP indicators but no target / quantification required		Applications outlining expected results and their contribution to the OP objectives, no quantification of the result indicator related to the OP	They are binding and are mentioned in the grant agreement	Assessment used for the scoring
	7					
5	8 9					Assessment used for the scoring
<b>France OP Lorraine et Vosges 2014FR16M0OP015</b>						
6	10 11 13	Expected results to be outlined (project have to prove how they contribute to		Applications outlining expected results and their contribution to the OP objectives		Limited assessment of the expected results in the assessment reports

		Are there quantified indicators in the applications?		Is there an assessment of the indicators and the values provided?		
(a)	(b)	Is there a selection criteria about result indicators / expected results?	Output indicators corresponding to those at OP level and quantified	Result indicators corresponding to those at OP level and quantified	Output	Results
7	12	the achievement of the indicators)				Limited assessment of the expected results in the assessment reports (result indicator not assessed)
<b>France PON FSE 2014FR05SFOP001</b>						
8	14	Not explicitly requested but this is required in the standard format application		But result indicators different from the OP result indicators		
9	15			(Indicators different from the OP's were also provided)		
10	16			But result indicators different from the OP result indicators		
11	17		Output indicators not related to OP indicators and not quantified	Only qualitative information on the expected results	Only the relevance of the indicators used was assessed	Only relevance of the indicators used was assessed
12	18			(Indicators different from the OP's were also provided)	Consistency with amount of grant	
<b>Italy OP Piemonte 2014IT05SFOP013</b>						
13	19&20				Use of unit costs (c)	NA, no info on results
14	21&22					
<b>Italy OP Puglia 2014IT16M2OP002</b>						
15	23&24	Request for expected results only through the business plan		Applications outlining expected results and their contribution to the OP objectives		Assessment of the described expected results but with weaknesses
16	25&26					

(a)	(b)	Is there a selection criteria about result indicators / expected results?	Are there quantified indicators in the applications?		Is there an assessment of the indicators and the values provided?	
			Output indicators corresponding to those at OP level and quantified	Result indicators corresponding to those at OP level and quantified	Output	Results
<b>Finland OP Sustainable growth and work 2014FI16M2OP001</b>						
17 ERDF	27, 28 31, 32 33, 34	But they do not correspond to the OP indicators	No information on output indicators but data may be obtained directly from the IT system		NA, no info on outputs	But indicators do not correspond to the OP indicator
18 ESF	29	But for the ERDF they do not correspond to the OP indicator				Assessment used for the scoring
	30					NA, no info on results
19 ESF/ERDF		But for the ERDF they do not correspond to the OP indicator	NA, no projects examined under these selection procedures			
20 ESF/ERDF						

YES
  Partially
  NO
  NA: not applicable

*Note:* (a) See **Annex III** list of selection procedures. (b) See **Annex I** list of projects examined. (c) Unit costs is a methodology to determine the amount of eligible costs where this amount is equal to the output to be reached (for instance the number of places to be created in a crèche, here number of places created) multiplied by the unit cost per place.

*Source:* (1) Documentation for the selection procedures. (2) Applications submitted for the projects examined during this audit. (3) Assessment reports for these applications.

## **REPLIES OF THE COMMISSION TO THE SPECIAL REPORT OF THE EUROPEAN COURT OF AUDITORS**

### **"SELECTION AND MONITORING FOR ERDF AND ESF PROJECTS IN THE 2014-2020 PERIOD ARE STILL MAINLY OUTPUTS-ORIENTED"**

#### **EXECUTIVE SUMMARY**

IV. The selection of projects is the exclusive responsibility of the Member States (MS). The monitoring arrangements, as well as the achievements reported in the Annual Implementation Reports (AIRs) and progress reports, allow to assess progress towards the objectives quantified by the output and result indicator targets as programmed in the operational programmes (OP) (which include baselines and targets). Evaluations make it possible to assess the contribution to policy objectives.

First bullet: The Commission considers that there is a difference between direct results of projects financed and the results to be achieved at the level of the OP (reflected by the result indicators).

As regards the basis of selecting projects, the Commission considers that in many types of assistance, it is more efficient to set quality thresholds and accept all projects that meet this threshold than to apply a method of direct comparison of applications. The latter approach may lead to a high number of initial project applications which in itself do not necessarily result in better overall project quality and would entail unnecessary administrative burden for the managing authorities and for applicants.

Second bullet: Audits of the monitoring systems can only be carried out in a meaningful way once sufficient data on the projects implemented has been collected, aggregated and reported to the Commission. In the cases of the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), due to longer project duration, this explains a later start of the reporting and, therefore, of the audits on reliability of the reported values. The Commission will continue its own audits during 2018 and undertake further efforts to raise the awareness of audit authorities about the importance of providing assurance on the reliability of performance data monitoring systems ahead of the performance review.

The monitoring systems fall under the responsibility of Member States who should have put everything in place according to the regulatory requirements. The Commission has continuously made every possible effort to provide guidance and practical support (e.g. monitoring guidance document, evaluation partnership meetings, the ESF Data Support Centre) to Member States in setting up robust monitoring systems.

Third bullet: The Commission considers that the established monitoring framework is now more results-oriented.

The 2017 Strategic report is based on MS reports as of end-2016. Given the slow start of programme implementation, it was too early to report on results. Until the next strategic report, the achievement values for the European Structural and Investment Funds (ESI Funds) common indicators are available on the Open Data platform.

V.

Second bullet: The definition of result indicators, applicable to all Funds, is included in Article 2 of the Commission's proposal for a Common Provisions Regulation (CPR) for the post-2020 programming period.

The Commission's legislative proposal for the post-2020 programming period includes a list of common result indicators for ERDF and the Cohesion Fund in line with the Better Regulation Guidelines and with the concept of 'results' used under the European Social Fund (ESF). These result indicators would measure the effects on the beneficiaries, including the short-term ones, of the interventions supported.

The Better Regulation guidelines and toolbox provide definitions of output, result and impact indicators, as well as their links with objectives.

Third bullet: The Commission will continue working with the Member States to improve the reliability of data. The Commission has invited the Member States to submit relevant OP amendments necessary to revise targets and milestones by 30 June 2018 in order to ensure their timely processing.

## **OBSERVATIONS**

16.

Fourth bullet: As regards the basis of selecting projects, the Commission considers that in many types of assistance, it is more efficient to set quality thresholds and accept all projects that meet this threshold than to apply a method of direct comparison of applications. The latter approach may lead to a high number of initial project applications which in itself do not necessarily result in better overall project quality and would entail unnecessary administrative burden for the managing authorities and for applicants.

25. The Commission considers that there is a difference between direct results of projects financed and the results to be achieved at the level of the OP (reflected by the result indicators). Whereas direct results are influenced only by the action co-financed, results indicators are affected by different external factors outside the control of the managing authorities. A well- designed intervention logic shall ensure that the outputs and direct results of the selected projects contribute to achieving the expected results of the OP.

26. The selection of projects is the exclusive responsibility of the managing authorities that define the selection criteria and apply them when examining the applications for funding.

27. Selection criteria do not necessarily have to include scoring of expected results. The intervention logic of the programme sets out how the outputs of the individual projects contribute to achieving the expected results of the OP.

See also the Commission reply to paragraph 25.

28. A broad population of applicants is not always necessary, depending on the policy area.

32. The Commission considers that in many types of assistance, it is more efficient to set a quality threshold and accept all projects that meet them than to apply a method of direct comparison of applications. In other types of assistance competitive selection procedure may not contribute to the specific objectives of the OP (e.g. transport infrastructure projects or projects of municipalities where competition between public authorities/municipalities is not necessary).

34. The Commission notes that in the case of Finland the procedure included the allocation of a minimum score to ensure that only quality projects are selected. Comparison between projects would not bring more quality except if there was insufficient funding to select all the projects.

The Commission considers that the quality of projects selected depends more on the selection criteria applied than on the type of selection procedure.

See also Commission reply to paragraph 16.

44. The classification is in accordance with the applicable EU rules on data protection. Indeed, in case of the special category of data (sensitive data), the participant can refuse to declare it. Nevertheless, the managing authority (MA) is required by the ESF monitoring guidance to document the attempt of collection. Moreover, the Directive lays down that subject to the provision of suitable safeguards, MS may, for reasons of substantial public interest, lay down exemptions to the participant's consent.

Having regard to the participants' right to refuse consent, the participation records are considered as complete if all non-sensitive data are recorded.

The minimum requirement for participation records complete with all non-sensitive data has been clarified in the ESF monitoring guidance.

## **Box 2 - Examples**

The French MA has taken measures targeting delegated MAs, IB and beneficiaries in order to foster a timely collection and submission of data, as advised by the Commission and national evaluations. Correction of AIR data allowed to report about more than 925 000 participants at the end of 2016.

## **Box 3 - Examples of IT systems still not fully functional and related risks**

First bullet: The Commission constantly monitors the performance of the Czech single IT monitoring system for all OPs. It has been a regular point of the Partnership Agreement follow-up meetings with the National Coordinating Authority which is in charge of the functioning of the ESI Funds IT monitoring system.

Second bullet: The issue raised by the ECA is in line with the results of the Commission's performance data reliability audit of this programme.

52. The shortcomings in the AIRs do not necessarily put into question the reliability of the data reported. When the Commission has doubts about the indicator values reported, the issue is raised in the observation letters on the AIRs. Any relevant audit findings are followed up as well.

53. Performance data should be verified by the managing authority before it is included in the AIR. On the other hand, system audits (by audit authority or the EC) may be carried out more usefully after submission of the AIR, to allow backtesting of the data submitted to the Commission, in order to provide assurance on the reliability of the entire system for collecting, aggregating and reporting the data including the last step of submitting the data to the EC through SFC2014.

The legal base, however, does not give enough time to audit AIR data before the AIRs and strategic reports are issued. Most recent, corrected and updated data can always be found on the Open Data Platform.

60. To mitigate the risk the ECA refers to in this paragraph, the Commission will continue its own audits during 2018 and undertake further efforts to raise the awareness of audit authorities about the importance of providing assurance on the reliability of performance data monitoring systems ahead of the performance review.

61. A meaningful assessment concerning the underachievement of targets set for 2023 can only be performed once the timeline for meeting the targets is reached.

Linking, coupling or modifying allocations across priority axes, as well as the upward and downward revisions of target values for 2023 can be misleading as, whilst such modifications of allocations between priority axes indeed "naturally" lead to changes in target values, there are other reasons that can justify the change of 2023 target values.

62. The Member States may propose revisions of milestones and targets when changes in allocations for a given priority occur or in duly justified cases provided for in the Regulations (Article 30(1) CPR, CPR Annex II, Article 5(6) of Regulation (EC) No 215/2014).

In order to make sure that such OP amendments are submitted and processed in due time before end 2018 and to avoid changes in the performance framework designed to simply adjust values to actual implementation on the ground, Member States have been invited to officially submit any such request by 30 June 2018. The assessment of these OP amendment requests follows a standard procedure in order to ensure consistent treatment.

65. The logical framework for the ERDF in 2014-2020 period takes account of the fact that achievement of the objectives set for the programmes is due to the actions co-financed by the public intervention, for example by the Funds, as well as other factors. Therefore, while the result indicators allow to make a judgement on whether or not the indicators move in the desired direction, to disentangle the effects of the EU intervention from the contribution of other factors and to understand the functioning of a programme it is necessary to carry out an impact evaluation.

69. See Commission reply to paragraph 25.

71. The performance framework relies on various indicators to ensure that programmes are on track to deliver what was agreed. Result indicators may not be appropriate (for ERDF/CF), because the timing when results can be achieved and captured by the system is not compatible with the compulsory timeframe for a useful performance reserve allocation.

72. All ESI Funds common indicator achievements as reported by the MAs are publicly available in the Open Data Platform.

The 2017 Strategic report is based on MS reports as of end-2016. Given the slow start of programme implementation, it was too early to report on results.

73. The definition of result indicators, applicable to all Funds, is included in Article 2 of the Commission's proposal for a Common Provisions Regulation for the post-2020 programming period.

The Commission's legislative proposal for the post-2020 programming period includes a list of common result indicators for ERDF and the Cohesion Fund in line with the Better Regulation Guidelines and with the concept of 'results' used under the ESF. These result indicators will measure the effects on the beneficiaries, including the short-term ones, of the interventions supported.

The ESF and ERDF context are fundamentally different. However, the Commission has set up an inter-service group to address the differences of indicators across all ESI Funds. In this way, the highest possible consistency as regards the concepts will be reached, taking into account the different nature of the operations co-funded by the ESI Funds.

The Better Regulation guidelines and toolbox provide definitions of output, result and impact indicators, as well as their links with objectives.

## **CONCLUSIONS AND RECOMMENDATIONS**

74. The Commission considers that the established monitoring framework is now more results-oriented.

Delegated regulation 480/2014 requires the recording and storing of monitoring data, in particular the target value of the output and result indicator (data fields 33 and 38), and the achievement values at operation level.

In the context of ESI Funds, outputs and results are equally measured, monitored and reported on regularly through for instance the Annual Implementation Reports. Member States have the possibility to report either on partially or fully completed operations according to the regulatory provisions. Also, due to the duration of the participations, result indicators are reported with a certain time-lag compared to output indicators. The achievement values of all ESI Funds common indicators are available in the Open Data Platform.

75. The Commission considers that there is a difference between direct results of projects financed and the results to be achieved at the level of the OP (reflected by the result indicators). Whereas direct results are influenced only by the action co-financed, results indicators are affected by different external factors outside the control of the managing authorities. A well- designed

intervention logic shall ensure that the outputs and direct results of the selected projects contribute to achieving the expected results of the OP.

The selection of projects is the exclusive responsibility of the managing authorities that define the selection criteria and apply them when examining the applications for funding.

77. The Commission considers that in many types of assistance, it is more efficient to set a quality threshold and accept all projects that meet them than to apply a method of direct comparison of applications. In other types of assistance competitive selection procedure may not contribute to the specific objectives of the OP (e.g. transport infrastructure projects or projects of municipalities where competition between public authorities/municipalities is not necessary).

The Commission considers that the quality of projects selected depends more on the selection criteria applied than on the type of selection procedure.

78. The monitoring systems fall under the responsibility of Member States who were required to put these into place according to the regulatory requirements.

The Commission has followed a proactive approach in relation to monitoring by providing guidance to Member States and its desk officers, by carrying out plausibility tests of the data submitted by Member States, and by introducing additional validation rules in the IT system 'SFC' minimizing the possibility to report erroneous data. Updates of data are normal and have been encouraged by the Commission. Data validation takes time, especially when setting up the MIS. Most recent, corrected and updated data can always be found on the Open Data Platform.

79. The Commission will carry out additional audits of monitoring systems under its specific enquiry during 2018 and continue collaboration with the audit authorities to increase assurance on the reliability of performance data monitoring systems ahead of the performance review.

80. The Member States may propose revisions of milestones and targets when changes in allocations for a given priority occur or in duly justified cases provided for in the Regulations (Article 30(1) CPR, CPR Annex II, Article 5(6) of Regulation (EC) No 215/2014).

In order to make sure that such OP amendments are submitted and processed in due time before end- 2018 and to avoid changes in the performance framework designed to simply adjust values to actual implementation on the ground, Member States have been invited to officially submit any such request by 30 June 2018.

REGIO has made an internal analysis of upcoming OP amendments relevant to performance framework changes, prioritised the upcoming performance review in its management plan and has planned resources accordingly.

81. The ESF and ERDF context are fundamentally different. However, the Commission has set up an inter-service group to address the differences in concepts across all ESI Funds. In this way, the highest possible consistency will be reached taking into account the different nature of the operations co-funded by the ESI Funds.

The definition of result indicators, applicable to all Funds, is included in Article 2 of the Commission's proposal for a Common Provisions Regulation for the post-2020 programming period.

The Commission's legislative proposal for the post-2020 programming period includes a list of common result indicators for ERDF and the Cohesion Fund in line with the Better Regulation Guidelines and with the concept of 'results' used under the ESF. These result indicators would measure the effects on the beneficiaries, including the short-term ones, of the interventions supported.

82. Individual projects deliver outputs and direct results, which are not necessarily the same as the specific objectives of the programmes. It is the totality of the projects financed under a specific objective that shall contribute to achieving the expected results.

The intervention logic of the programmes describes how the outputs of the individual projects shall contribute to achieving the objectives of the programme. It is the task of evaluation to assess ex-post whether the intervention logic was effective to reach the objectives.

Concerning the ESF, the grant agreement does not require quantified targets according to the delegated act (480/2014, see above).

83. In the ESF context, outputs and results are equally measured, monitored and reported on regularly for instance through the Annual Implementation Reports. It is to be noted that Member States have the possibility to report either on partially or fully completed projects according to the regulatory provisions.

The performance framework relies on various indicators to ensure that programmes are on track to deliver what was agreed. Result indicators may not be appropriate (for ERDF/CF), because the timing of when results can be achieved and captured by the system is not compatible with the compulsory timeframe for a useful performance reserve allocation.

All ESI Funds common indicator achievements as reported by the MAs are publicly available in the Open Data Platform.

### **Recommendation 1 – Results-oriented selection**

The Commission notes that this recommendation is addressed to the Member States.

### **Recommendation 2 – Results-oriented monitoring**

(a) The Commission notes that this sub-recommendation is addressed to the Member States.

(b) The Commission accepts the recommendation.

The definition of result indicators, applicable to all Funds, is included in Article 2 of the Commission's proposal for a Common Provisions Regulation for the post-2020 programming period.

The Commission's legislative proposal for the post-2020 programming period includes a list of common result indicators for ERDF and the Cohesion Fund in line with the Better Regulation Guidelines and harmonised with ESF. These result indicators would measure the effects on the beneficiaries, including the short-term ones, of the interventions supported.

### **Recommendation 3 – Reporting on performance and preparation of the performance review in 2019**

(a) The Commission accepts this recommendation and considers it as being implemented.

The audit units in DG EMPL have already carried out a significant number of audits on the reliability of performance data and continue to include this aspect in their Early Preventive Audit missions. Furthermore, a specific performance audit, covering also the monitoring systems, was carried out by an external auditor – under the responsibility of DG EMPL – and any issues of concern have been raised and addressed by the Member States.

The audit plan of DG REGIO for 2017-2018 includes 20 audit missions under the specific enquiry on performance data reliability. On 28 May 2018, the management of DG REGIO discussed an overview of the results from 13 of such audits of reliability of performance data monitoring systems carried out so far in nine Member States. Further audits are planned for the remainder of 2018, and collaboration with the Audit Authorities (AAs) will continue in order to increase assurance on the reliability of the monitoring systems ahead of the 2019 performance review.

(b) The Commission accepts this recommendation and considers it as being implemented.

Where Commission or AA audits identify weaknesses, the necessary corrective actions are set out in the respective audit reports with a corresponding deadline.

(c) The Commission partially accepts this recommendation.

OP amendments are submitted at the initiative of the Member States but there is no legal deadline to submit them. The Commission took the necessary steps to organise itself that the OP amendments related to the performance framework are processed in good time. Furthermore, in order to make sure that such OP amendments are submitted and processed in time, Member States have been invited to submit officially any such request by 30 June 2018. The assessment of these OP amendment requests follows a standard procedure in order to ensure consistent treatment. The Commission will deal with these OP amendments in the regulatory deadline provided by the CPR.

<b>Event</b>	<b>Date</b>
Adoption of Audit Planning Memorandum (APM) / Start of audit	18.1.2017
Official sending of draft report to Commission (or other auditee)	3.5.2018
Adoption of the final report after the adversarial procedure	27.6.2018
Commission's (or other auditee's) official replies received in all languages	23.7.2018

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For the Cohesion policy funds during the 2014–2020 programme period, we examined how well Member States focus on results in selecting projects and how well the Commission and Member States can demonstrate, through their monitoring, that the EU budget is well spent. We found that although the Commission has taken various measures to increase results-orientation, selection procedures continue to emphasize outputs and absorption rather than results. Moreover, shortcomings in the monitoring arrangements made it difficult to assess the extent to which EU funding has contributed to the achievement of the EU's and Member States' objectives. We recommend that, during the selection process, the Member States ensure a comparison of project applications, require beneficiaries to identify at least one real result indicator for each project to be included in the grant agreement and contributing to the OP indicators, and assess expected results and indicators in the evaluation report of the applications. The Commission should define common result indicators for the ERDF, improve reporting on performance, and ensure a meaningful performance review in 2019.



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