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On:	26 September 2022
To:	Delegations
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Subject:	Special Report No 08/2022 by the European Court of Auditors: ERDF support for SME competitiveness: Design weaknesses decrease effectiveness of funding - Council conclusions (26.09.2022)

Delegations will find in the annex the Council conclusions on European Court of Auditors' Special Report 08/2022 entitled "ERDF support for SME competitiveness: Design weaknesses decrease effectiveness of funding", approved by the Council (Agriculture and Fisheries) at its 3895th meeting on 26 September 2022.

**Council conclusions on Special Report No 08/2022 by the European Court of Auditors:
ERDF support for SME competitiveness: Design weaknesses decrease effectiveness of funding**

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES the Special Report No 08/2022 by the European Court of Auditors (hereafter referred to as “the Court”) and the replies of the Commission to the Report;
- (2) NOTES that the Court’s audit assessed whether the support from the European Regional Development Fund (ERDF) during the 2014-2020 programming period under the thematic objective 3 “Enhancing the competitiveness of small and medium-sized enterprises” did effectively contribute to increase the competitiveness of the supported SMEs. In that endeavor, the Court reviewed:
 - How SME needs were addressed by ERDF programmes, programme calls and selection procedures;
 - Regional and national ERDF programmes in Germany, Italy, Poland and Portugal, for a sample of 24 projects;
- (3) ACKNOWLEDGES that SMEs are a mainstay of the EU economy and that EU policy aims to increase their competitiveness, and UNDERLINES that cohesion policy funds, and in particular the ERDF, are among the main sources of EU funding to support SMEs. The focus on enhancing sustainable growth and competitiveness of SMEs will be among main priorities for the 2021-2027 programmes;

(4) TAKES NOTE of the findings of the Report, in particular that:

- In most of the audited ERDF programmes under thematic objective 3, the calls for project submission were not always successful in tackling all relevant obstacles to competitiveness encountered by beneficiary SMEs. In other cases, instead, the calls co-financed specific productive investments that did not result in demonstrable improvements to SMEs' competitive situation;
- The audited ERDF project funding was mostly done through calls that did not prove to be sufficiently selective;
- ERDF financing predominantly took the form of grants rather than financial instruments, which limited the number of supported businesses;

(5) SHARES the Commission's opinion in its replies to the findings and recommendations included in the Court's Report, in particular that:

- The Managing Authority is ultimately responsible for drawing up appropriate ambitious selection procedures and criteria used for selection of operations, in order to ensure that operations contribute to the achievement of the specific objectives and results of the relevant priority;
- Within this legal framework, the Managing Authority can choose between competitive and non-competitive calls upon due consideration of advantages and disadvantages of each method as appropriate, and with the aim of maximising the positive impact of the Union funding in relation to each situation;
- The use of financial instruments is discussed with Managing Authorities at the level of specific objectives during programme negotiation;

(6) TAKES NOTE of the recommendations of the Court and thus INVITES the Commission, where relevant to encourage and support Member States to:

- Take into account the main elements of the audit report
 - Consider the advantages and disadvantages of competitive and non-competitive selection procedures on case-by-case basis;
 - Where relevant, promote the use of repayable aid for SME competitiveness and favour other forms of support such as financial instruments and non-financial support, while taking into account regional specificities.
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