



Brussels, 19 March 2015
(OR. en)

7292/15

FIN 219
FSTR 13
FC 15
REGIO 20
COMER 44

"I/A" ITEM NOTE

From: Working Party on Structural Measures
To: Permanent Representatives Committee (Part 2)/Council
Subject: Draft Council conclusions on Special Report No 20/2014 "Has ERDF support to SMEs in the area of e-commerce been effective?"
- Adoption

1. On 13 January 2015, the General Secretariat of the Council received Special Report No 20/2014 "Has ERDF support to SMEs in the area of e-commerce been effective?", adopted by the Court of Auditors at its meeting on 12 November 2014.
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives Committee (Part II), at its meeting on 21 January 2015, instructed the Working Party on Structural Measures to examine this report according to the rules laid down in the abovementioned conclusions.
3. The Working Party on Structural Measures examined the Special Report on 23 February and 11 March 2015 and an agreement on draft Council conclusions was reached on 17 March 2015 following a silence procedure.

¹ Doc. 7515/00 FIN 127 + COR 1.

4. The Permanent Representatives Committee is therefore invited to recommend to the Council to adopt, as an "A" item, these draft Council conclusions as set out in the Annex to this document.
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Draft Council conclusions on the European Court of Auditors Special Report No 20/2014

"Has ERDF support to SMEs in the area of e-commerce been effective?"

THE COUNCIL OF THE EUROPEAN UNION,

- (1) WELCOMES the special report from the European Court of Auditors (hereinafter referred to as "the Court") and TAKES NOTE of its observations that support to e-commerce projects contributed to increasing the availability of business services online, however, it also concluded that shortcomings in the monitoring made it impossible to assess to what extent it contributed to the achievement of the EU and Member States' ICT strategies as well as SMEs' development objectives.
- (2) NOTES that the audit focused on the support provided by the ERDF during the 2007-2013 programming period and covered five OPs from four Member States, including an on-the-spot examination of 30 projects that had been operational for at least 2 years and a study visit to a region implementing the so-called "ICT voucher scheme". The total ERDF budget for ICT-uptake by SMEs for the 2007-2013 programming period, which includes e-commerce investments, amounts to around EUR 3 billion, i.e. 11 % of the support targeted directly at SMEs and 21 % of that targeted at ICT. Audited OPs altogether accounted for EUR 1,6 billion (51 %) of the ERDF budget set aside for ICT-uptake by SMEs.
- (3) RECALLS that since 2000 the Commission has drawn up several strategies for developing the information society in the EU: it launched the eEurope initiative and the European Information Society 2010 Strategy (i2010 Strategy) within the framework of the Lisbon strategy, in 2010 it launched the Digital Agenda for Europe (DAE), which constitutes one of the seven flagship initiatives of the current Europe 2020 strategy targeting growth and jobs, and in January 2012 the Commission adopted the Communication on e-commerce and online services with the aim of doubling the volume of e-commerce in the EU by 2015.

- (4) TAKES NOTE of the Court's findings that:
- 4.1. All OPs audited were in line with relevant regional or national information and communication technologies (ICT) strategies;
 - 4.2. All OPs audited included e-commerce measures and associated targets and indicators;
 - 4.3. In most cases SMEs implemented the ICT projects smoothly and project outputs were generally in line with the related application;
 - 4.4. Mostly projects were carried out within budget and without major delays. Where budget overruns occurred, the amounts involved were small and did not affect the amount of public co-financing. All project delays had been notified to and approved by the managing authority;
 - 4.5. Almost no enterprise experienced major technical problems during or after implementation; the IT applications developed were operational and worked without interruption;
 - 4.6. Many SMEs stated that they had benefited from the implementation of their project through increased turnover, an increase in the number of customers, an increase in the percentage of online sales, and/or job creation.
- (5) TAKES NOTE that:
- 5.1. According to Commission's estimate as of November 2013, 57% of the budget for ICT-uptake by SMEs was allocated to selected projects and thus showed low absorption rate when compared to all structural funds;
 - 5.2. Managing Authorities were not focusing sufficiently on ICT project results at both selection and monitoring stages, thus over half of the projects examined were not asked to report on any result-oriented targets;

5.3. Combination of a lack of demanding criteria and comparative selection of applications and the absence of comprehensive business information in project applications have resulted, in over one-third of the audited cases, in the co-funding of projects that offered low or no value for money;

5.4. The selection procedures were sometimes too lengthy.

(6) CONSIDERS that e-commerce technologies enhance economic growth, contribute positively to developing of the single market and of speeding up European integration. This is of particular importance in the case of SMEs, which needs for ICT investments have to be addressed appropriately.

(7) TAKES NOTE of the overall conclusion by the Court and in particular that the Court calls upon:

7.1. The Commission to ensure that it obtains consistent and reliable information from the Member States on the OPs' progress, not only in financial but also in performance terms (relevant result indicators and target values). Thereby, it is important for the Commission and Member States to design a monitoring system in such a way that progress towards all target values set can be measured in a timely way and allowing for comparison over time. Although standardisation is possible with output indicators, results indicators are tailor-made and mirror the objective pursued.

The new European Structural and Investment Funds regulatory framework for the period 2014-2020 has put a stronger emphasis on result orientation, therefore Member States in their OPs are asked to clearly identify common and programme specific output indicators (with target values), and result indicators that will measure the progress towards the change sought through investment (with baselines and target values). Detailed information on the progress of OP implementation will be shared with the Commission on an annual basis (from 2016 onwards) allowing tracking over time;

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

According to the new European Structural and Investment Funds regulatory framework for the period 2014-2020, principles "for the selection of operations" and "operations" and "output indicators", including the "quantified target value" have to be duly embedded in OPs and addressed, as appropriate and in line with the regulatory framework, through ex ante conditionalities and action plans. The type of selection principles and detailed selection criteria (including incentives for crossborder dimensions in projects) will however depend on the specific objective and context of the investment.

- 7.3. Member States' managing authorities to put management tools in place, as appropriate and in line with the regulatory framework, for the purpose of monitoring the impact of the grant on the business development of the SME supported.

The new European Structural and Investment Funds regulatory framework for the period 2014-2020 requires result indicators in the OPs at the priority axis level and output indicators at operations level during the programming period; it also foresees explicit requirements for the necessary checks and controls ensuring that the data entered into the monitoring systems are reliable and consistent.

- (8) WELCOMES the variety of instruments (including ICT voucher scheme) that are available for promoting smart use of ICT that contributes to regional development through accelerating SMEs growth, improving their competitiveness, reducing overhead costs and cutting time that is needed to process operations conducted online.

- (9) CONSIDERS that the Court's recommendations are properly addressed by the new European Structural and Investment regulatory framework for the period 2014-2020, however CALLS on Member States and the Commission to build on lessons learned from experiences of investments in e-commerce and ICT technologies from the programming period 2007-2013;
- (10) CALLS upon the Commission, within the existing legal framework, to strengthen the monitoring and information gathering systems in such a way that it becomes possible to assess the effectiveness of programmes and projects put forward by beneficiaries of support given, while keeping the administrative burden as minimal as possible, and using simple and measurable indicators, in accordance with the cost-benefit principle;
- (11) CALLS upon the Member States to ensure that Managing Authorities put in place management tools, in line with the existing legal framework, that will enable assessing and reporting on the projects' impact in general and, given this report, in particular the impact on business development of supported SMEs.
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