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#### 'I/A' ITEM NOTE

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)/Council
Subject:	European Court of Auditors' Special Report No 8/2018: "EU support for productive investments in businesses - greater focus on durability needed" - Adoption

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1. On 13 April 2018, the European Court of Auditors' Special Report No 8/2018 entitled "EU support for productive investments in businesses - greater focus on durability needed" was published in the *Official Journal of the European Union*<sup>1</sup>.
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors<sup>2</sup>, the Permanent Representatives Committee (Part II), at its meeting on 25 April 2018, instructed the Working Party on Structural Measures to examine this report according to the rules laid down in the above-mentioned conclusions.

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<sup>1</sup> OJ C 132, 13.4.2018, p. 6.

<sup>2</sup> Doc. 7515/00 FIN 127 + COR 1.

3. The Working Party on Structural Measures examined the Special Report on 2 and 16 May and 1 June 2018. All delegations agreed on the draft Council conclusions as set out in the Annex to this note on 4 June 2018.
  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 note.
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**Draft**

**Council conclusions on European Court of Auditors' Special Report No 8/2018**

**"EU support for productive investments in businesses- greater focus on durability needed"**

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES Special Report No 8/2017 by the European Court of Auditors (hereafter referred to as "the Court") and the Commission's observations to the Report;
- (2) TAKES NOTE that the Report assesses the durability of outputs and results of productive investments in businesses in five Member States<sup>3</sup> under the European Regional Development Fund (ERDF) during the periods 2000-2006 and 2007-2013;
- (3) TAKES NOTE of the findings of the Report, in particular that:
  - The durability requirements under EU law were met in all regions where the audit took place;
  - The projects audited had, in general, delivered outputs as planned;
  - The majority of the projects audited had durable results, while for one quarter of the projects, results were partially durable and for another fifth of the projects, results were not durable;

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<sup>3</sup> Austria, the Czech Republic, Germany, Italy and Poland.

- In case of lack of durability, the Court identified as underlying reasons an insufficient focus on durability at the different levels of management of EU funds as well as management weaknesses and, in some cases, exogenous factors such as the economic crisis;
  - The majority of projects generated direct results, mostly related to job creation, improved access to finance and loans, increased production and productivity, also beyond the completion of the project;
  - The regulatory framework for cohesion policy in the period 2014-2020 has strengthened the focus on durability;
  - Further improvements to enhance durability of results are recommended by the Court for cohesion policy post-2020;
- (4) WELCOMES the overall satisfactory situation regarding the durability of projects as pictured in the Report;
- (5) NOTES that the concept of durability used in the audit differs from the durability requirements of EU legislation for the previous as well as the current programming period, and that the recommendations of the Court are not aimed at legislative changes in the current or the next programming period;
- (6) UNDERLINES the importance attached by the Council to the performance orientation of cohesion policy, which was evidenced *inter alia* by the introduction of a number of new performance based elements into cohesion policy legislation 2014-2020;

- (7) In the light of the recommendations of the Court:
- a) CALLS on the Commission and Member States to take, at their respective management level, all necessary measures to ensure the fulfilment of the legal durability requirements for productive investments;
  - b) CONSIDERS that additional requirements on durability, related in particular to monitoring, reporting and evaluation, might create higher costs and an additional administrative burden for beneficiaries as well as management and implementation structures;
  - c) CALLS on Member States to pay particular attention to avoiding as much as possible deadweight losses when designing the selection procedures of projects;
  - d) CONSIDERS, however, that in fast changing and innovative sectors, risks regarding durability are higher by nature;
  - e) UNDERLINES the difficulty to establish a causal link between the results of an individual project and the indirect benefits for an entire region;
  - f) UNDERLINES that decisions on corrective measures linked not to infringements of EU legal durability requirements but to the failure to achieve particular targets of a project lie within the competence of Member States and their Managing authorities.
  - g) CONSIDERS that durability is an established concept in cohesion policy and as such could be considered as good practice for all EU instruments that relate to productive investments and infrastructure.
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