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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee (Part 2)/Council
Subject: Special Report No 21/2018 by the European Court of Auditors:
Selection and monitoring for ERDF and ESF projects in the 2014-2020
period are still mainly outputs-oriented
- Adoption

1. On 7 September 2018, the European Court of Auditors' Special Report No 21/2018 entitled "Selection and monitoring for ERDF and ESF projects in the 2014-2020 period are still mainly outputs-oriented" was published in the *Official Journal of the European Union*¹.
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors², the Permanent Representatives Committee (Part II), at its meeting on 10 October 2018, instructed the Working Party on Structural Measures to examine this report according to the rules laid down in the mentioned conclusions above.

¹ OJ C 315, 7.9.2018, p. 20.

² Doc. 7515/00 FIN 127 + COR 1.

3. The Working Party on Structural Measures examined the Special Report on 27 November 2018. All delegations agreed on the draft Council conclusions as set out in the Annex to this note on 28 November 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 at one of its future meetings.
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Council conclusions on Special Report No 21/2018 by the European Court of Auditors:

Selection and monitoring for ERDF and ESF projects in the 2014-2020 period

are still mainly outputs-oriented

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES Special Report No 21/2018 by the European Court of Auditors (hereafter referred to as "the Court") and the Commission's observations to the Report;
- (2) NOTES that the Court's audit described in the Report covered 34 projects funded under the European Regional Development Fund (ERDF) and the European Social Fund (ESF) in four Member States in the programme period 2014-2020;
- (3) TAKES NOTE of the findings of the Report, in particular that:
 - The design of selection procedures and the processes themselves continue to emphasise outputs and absorption rather than results;
 - Selection procedures were designed to support the selection of projects relevant to the objectives of the Operational Programmes, but the selection criteria seldom required applicants to define quantified result indicators at project level;
 - The monitoring systems had only become functional at a late stage, mainly because of delays in adopting the legislative framework;
 - Monitoring information remains mostly outputs-oriented;
 - The legislative package for cohesion policy in the 2014-2020 programme period introduced significant changes intended to increase focus on performance;

- (4) RECALLS its conclusions of 26 June 2017 and 12 March 2018 on Special Reports No 2/2017 and No 15/2017 of the Court³ concerning result- and performance orientation of cohesion policy in the programme period 2014-2020, and REMAINS COMMITTED to high quality standards in this policy area;
- (5) CONSIDERS, however, that a bigger set of projects, based on a more representative sample selected following a sound and scientific methodology, and a distinction between ERDF and ESF projects might have given more authority to the findings of the Court;
- (6) CONSIDERS the Report as a useful contribution to reflections of Member States on how to further improve performance in cohesion policy;
- (7) Broadly SHARES the observations of the Commission to the findings and recommendations included in the Court's Report, in particular that:
- For many types of assistance, it is more efficient to set quality thresholds for projects to be selected than to apply a method of direct comparison of applications;
 - A difference needs to be made between the direct results of projects financed and the results to be achieved at the level of the Operational Programmes, NOTING that result indicators are generally set at the level of Operational Programmes and not at project level;
 - There is recognition of the common efforts to consistently promote result orientation in the current programming period, NOTING that the intervention logic of the programmes links the outputs of the individual projects to the attainment of the objectives of the programmes;
 - While the achievements of cohesion policy are the result of actions co-financed by public funds (which in particular for the ERDF and the Cohesion Fund may take longer to materialise), they are also influenced by external factors; a proper assessment of the overall results of EU interventions can, therefore, be undertaken only on the basis of a comprehensive impact evaluation;

³ Doc. 10614/17 and doc. 7052/18.

- The monitoring systems established by Member States for the 2014-2020 period are more comprehensive than in the past, NOTING that the Commission has already carried out a number of audits on the reliability of monitoring data and took the necessary steps by requesting corrective actions in cases where deficiencies were identified.
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