EUROPEAN COURT OF AUDITORS

Press Release

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Impact of EU investment and promotion support for the competitiveness of the wine sector not clearly demonstrated, say EU Auditors

A report published today by the European Court of Auditors (ECA) reveals that the need for an investment measure specific to the wine sector is not justified, as such support already exists under the EU rural development policy. The report also questions the role of EU grants for the promotion of wines, since they were often used for consolidating markets, rather than winning new markets or recovering old markets.

"The coexistence of similar investment measures under two different schemes is a source of complexity, which in some Member States has resulted in implementing delays or in an excessively restrictive scope of the eligible investments" stated **Mr Jan Kinšt, the ECA Member responsible for the report**, *"Also, when the EU contribution incites enterprises to proportionally reduce their own funding for promotion actions, it becomes essentially a partial subsidy of these companies' operational costs. This is not an efficient use of public money."*

The EU auditors found that there is a lack of sufficient relevant information to show the direct results attributable to these measures. In the case of the investment measure, the effects cannot be easily separated from rural development investments. In the case of the promotion actions, although wine exports to third countries have significantly increased in absolute terms, the audit revealed that EU wines have lost market shares in the main third countries targeted by promotion actions and that exports of EU wines not eligible for support also increased.

Member States spent € 522 million in EU funds under the promotion measure between 2009 and 2013. For 2014-2018, there has been a large increase in funds allocated to the Member States for this measure (€1.16 billion to the EU-27). Given the difficulties experienced by the Member States in spending the 2009-2013 budget initially earmarked for promotion actions, there is a risk that the 2014-2018 budget is set too high, endangering the application of sound financial management principles.

Notes to the editors:
The purpose of this press release is to give the main messages of the special report adopted by the European Court of Auditors. The full report is on www.eca.europa.eu

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European Court of Auditors (ECA) special reports are published throughout the year, presenting the results of selected audits of specific EU budgetary areas or management topics.

This special report (No 9/2014) examined the questions posed in its title, “Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated?” .

The EU auditors concluded that the management of investment and promotion support to the wine sector during the initial years covered by the audit was adversely affected by design and implementation weaknesses and the impact on the competitiveness of EU wines was not always demonstrated.

On the basis of its observations the ECA recommends that:
For the investment measure:
- In order to rationalise the aid scheme, the Commission should monitor the absorption of funds, analyse the need for the measure and assess whether the wine sector compared to other agricultural sectors needs additional investment aid; and
- Member States should mitigate the risk to economy by a systematic assessment of the reasonableness of project costs and the financial viability of the applicants. The result of these assessments should be adequately documented. The Commission should ensure that Member States apply these checks effectively.

For the promotion measure:
- The governing regulation should restrict individual beneficiaries from presenting in each programming period a promotion programme for the same targeted countries. The Commission should also limit the scope of the measure concerning the eligibility of brand advertising and give more emphasis to favouring the accession of SMEs to the promotion measure;
- In order to minimise the risk of deadweight the Commission should ensure that Member States in their selection procedures require beneficiaries to clearly demonstrate their need for EU aid and that normal operating costs are
- not financed by the EU budget;
- The Commission should ensure that ancillary costs such as implementing bodies’ costs and overheads are properly justified and limited to a maximum percentage of the total costs;
- The Member States should ensure a sufficient audit trail linking every promotion aid to specific and adequately documented actions;
- The Commission should require Member States to evaluate more closely the results of promotion projects. In particular, the results of the promotion actions should be assessed at beneficiary level rather than for the entire EU wine sector. Member States should make better use of the reports produced by beneficiaries at the end of the promotion actions to assess and consolidate their results; and
- After a sufficient period of time has elapsed, the Commission should analyse how the budget allocated to the NSPs for the period 2014-18 matches the needs of the EU wine sector and the absorption capacity of the Member States. Based on this analysis, the Commission should readjust where appropriate the budget to ensure that it provides incentives for Member States to be more efficient in the application of the measures.

See also a related ECA report on the wine sector, Special Report No 7/2012 “The reform of the common organisation of the market in wine: Progress to date” can be found here:
http://www.eca.europa.eu/Lists/ECADocuments/SR12_07/SR12_07_EN.PDF

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