Small and medium-sized enterprises SMEs: EIB loans, interest subsidies. Special report 6/2000 Court of Auditors

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PURPOSE: to present a special report of the European Court of Justice 3/1999 on the management and control of interest rate subsidies by the services of the European Commission. CONTENT: In the framework of policy measures promoting investment, the European Commission has, since 1997, granted aids in the form of interest rate subsidies. The underlying principle is to ease the burden for beneficiaries as regards financial charges by paying, instead of them or by reimbursing them, a share of the interest due as a result of certain loans granted. Following an investigation carried out by the relevant services of the Commission, the Court revealed a number of weaknesses in the management, the accounting and the control of interest rate subsidies. The results of the investigation revealed that the Commission carries out minimal control and moreover, it replaced the European Investment Bank (EIB) in an excessive manner when the latter intervened in the management of the grants. As a result, the EIB does not possess even the most basic information necessary for controlling the conditions for the granting of non-reimborsable loans that the financial intermediaries channel towards the final beneficiaries. Weaknesses were also identified in relation to eligibility and the monitoring of projects funded by non-reimbursable loans. The selection of these projects and the control of their eligibility are normally the remit of the EIB. The Commission, which sometimes has limited knowledge of the projects and their final beneficiaries, presents them as a 'fait accompli'. In the same way, it does not analyse the reports it receives from the EIB on the progress of the projects. In relation to the majority of measures, the objectives are defined in a general way without detailed figures. As a consequence, it is difficult to evaluate to what extent they have been carried out and the effectiveness of the measures. Against this background, the main recommendations of the Court are the following: the Court is of the opinion that the Commission should ensure that the amount of loans corresponds to what the final beneficiaries perceive as adequate, that the investments forseen are eligible and that the beneficiaries fulfill the necessary conditions. Furthermore, the Commission should also evaluate the effectiveness of the interest rate subsidies. In conclusion, it is imperative that the Commission put in place a centralised control system for managing interest rate subsidies as well as general banking instruments.