Basic information

2001/2015(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Small and medium-sized enterprises SMEs: EIB loans, interest subsidies. Special report 6/2000 Court of Auditors **Subject** 3.45.02 Small and medium-sized enterprises (SME), craft industries	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	HEATON-HARRIS Christopher (PPE-DE)	19/04/2000

Committee for opinion	Rapporteur for opinion	Appointed
ITRE Industry, External Trade, Research, Energy	The committee decided not to give an opinion.	27/02/2001

Council of the European Union

Key events

Date	Event	Reference	Summary
31/05/2000	Non-legislative basic document published	RCC0006/2000	Summary
18/01/2001	Committee referral announced in Parliament		
19/06/2001	Vote in committee		
19/06/2001	Committee report tabled for plenary	A5-0215/2001	
04/07/2001	Decision by Parliament	T5-0377/2001	Summary
04/07/2001	End of procedure in Parliament		
14/03/2002	Final act published in Official Journal		

Technical information

Procedure reference	2001/2015(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148

Stage reached in procedure	Procedure completed
Committee dossier	CONT/5/12724

Documentation gateway				
European Parliament				
Document type	**Committee**	**Reference**	**Date**	**Summary**
Committee report tabled for plenary, single reading		A5-0215/2001	19/06/2001	
Text adopted by Parliament, single reading		T5-0377/2001 OJ C 065 14.03.2002, p. 0057-0108 E	04/07/2001	Summary
Other institutions and bodies				
Institution/body	**Document type**	**Reference**	**Date**	**Summary**
CofA	Supplementary non-legislative basic document	N5-0158/2001	29/07/1999	Summary
CofA	Non-legislative basic document	RCC0006/2000 OJ C 152 31.05.2000, p. 0001	31/05/2000	Summary

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

2001/2015(COS) - 29/07/1999 - Supplementary non-legislative basic document

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.

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

2001/2015(COS) - 31/05/2000 - Non-legislative basic document

PURPOSE : to present the Court of Auditors Special Report 6/2000 concerning the granting by the Community of interest subsidies on loans by the European Investment Bank to small and medium sized enterprises, through its temporary lending facility. CONTENT : in the framework of the "Temporary Lending Facility" adopted by the European Council in Copenhagen in 1993, ECU 1 000 million was devoted to strengthening the competitiveness of small and medium sized European enterprises (SMEs). This measure, administered by the EIB, aims to encourage and accelerate

the implementation of investment projects involving job creation in SMEs. Following the Court's report on this issue, the European Parliament asked the Council and the Commission to issue opinions at the earliest opportunity on the management and effectiveness of the Copenhagen Facility, with particular reference to the functioning of the job creation, criteria applied to interest rate subsidies. This is the objective of the present report. The Court's audit shows that all the Member States of the Union were visited in order to examine the implementation arrangements and the impact of the measure in the national context. Transfers made by the Commission to the EIB were treated as payments on account, and thus were recorded as final expenditure in the Commission's budgetary accounts. In reality, these sums were only paid over to the agents for distribution to the recipients after a long interval. The balance of the account held by the EIB on behalf of the Community does not appear on the Community's balance sheets. There is a general problem here concerning the rules governing the recording in the accounts of this type of payment on account and the auditing of it. The Court's examination of the measures's management and control system allowed some of the system's inherent weaknesses to be identified: the payment of aid on submission of a declaration by interested parties; entrusting the management to banks criteria that were inadequately presetned and explained; a lack of real penalties for making a false declaration; a lack of checks on recipients. The arrangements put in place restricted equality of access for all potential recipients in certain areas, despite the provision of the Council decisons and the cooperation agreement. Contrary to the provisions of the cooperation agreement prohibiting the combination of an SME subsidised loan with other loans subsidised by the EIB under other agreements, a derogation was agreed between the EIB and the Commission in the case of ERDF aid which also takes the form of interest subsidies on the same loans. Since this derogation was not agreed at the same hierarchical level as the the cooperation agreement ad it has no legal value. The amounts paid in combination with other aids must therefore be considered to be in breach of the regualtions. Furthermore, this exception does not seem to have been applied in all the countries. The Court noted cases where, at the time of the application, the investment was already at an advanced stage of completionand the subsidised loan had actually replaced an existing financial arrangement. The undertakings which benefitted from this measure were certainly creating jobs, but it is impossible to establish whether it was these subsidies which enabled the creation of the jobs in question. Moreover, the arrangements for implementing the measures do not include the information necessary to establish which jobs would not have been created without the subsidised loan. Coordination with other aid on offer at regional, national or even Community level was not taken into sufficient consideration. The banks which distributed the subsidies often integrated them so well into the financial packages they offered their customers that the origin of the subsidy disappeared from sight.

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

2001/2015(COS) - 04/07/2001 - Text adopted by Parliament, single reading

The European Parliament adopted without debate the report by Christopher HEATON-HARRIS (EPP/ED, UK). In its resolution, Parliament questioned the overall effectiveness of the scheme, particularly with regard to its real impact on job creation and investment. Management control systems were found to be inadequate, and Parliament regretted that the European Investment Bank, under time-constraints imposed by the Council, worked with its existing customers as financial intermediaries in preference to other banks, thereby distorting competition. With regard to the Commission, Parliament expressed its disappointment that the Commission left much of the ex-ante and ex-post controls to the EIB. It asked the Commission to report on steps to improve monitoring during each stage of the project and programme cycle. It also asked the Commission to present cost-effective alternative mechanisms to interest-rate subsidy schemes.