



Brussels, 2 March 2018
(OR. en)

6609/18

FIN 176
COMPET 116
IND 62
RECH 86

'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	6380/18 FIN 143 COMPET 109 IND 53 RECH 79
Subject:	Draft Council conclusions on the European Court of Auditors' special report No 20/2017: "EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed" - Adoption

1. On 7 December 2017, the European Court of Auditors published Special Report No 20/2017 entitled "EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed".
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives Committee, at its meeting on 18 January 2018, instructed the Working Party on Competitiveness and Growth (Industry) to examine the report in accordance with the rules laid down in the above-mentioned conclusions.

¹ Doc. 7515/00 FIN 127 + COR 1.

3. The Working Party on Competitiveness and Growth (Industry) examined the special report and drew up draft Council conclusions at meetings on 24 January and on 9 and 27 February 2018. An agreement on the text in the ANNEX was reached.
 4. The Permanent Representatives Committee is therefore invited to recommend to the Council to adopt, as an "A" item, the draft conclusions as set out in the ANNEX to this note.
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DRAFT COUNCIL CONCLUSIONS ON

**THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT N° 20/2017:
"EU-FUNDED LOAN GUARANTEE INSTRUMENTS:
POSITIVE RESULTS BUT BETTER TARGETING OF BENEFICIARIES AND
COORDINATION WITH NATIONAL SCHEMES NEEDED"**

THE COUNCIL OF THE EUROPEAN UNION,

- RECALLING that the European Council agreed to launch a new "*investment plan*", which introduced, given the importance of small and medium-sized enterprises (SMEs) for the economy, especially as regards job creation and innovation, measures to support SME financing, in particular to support investments in countries with high youth unemployment¹;
- RECALLING the May 2016 Competitiveness Council conclusions, in particular paragraph 10, which stressed the economic importance of SMEs and micro-enterprises, notably for the creation of jobs²;
- ACKNOWLEDGING that, as part of the Horizon 2020 work programme for 2018-2020, it was decided to pilot a European Innovation Council, which aimed at generating market-creating innovation feeding into rapid scale-up of European enterprises, in particular SMEs;
- ACKNOWLEDGING that, in 2016, more than 99 % of enterprises in the EU were SMEs, that those companies employed 93 million people, accounting for 67 % of total employment, generated 57 % of value added and 85 % of all new jobs in the non-financial business sector³;

¹ Doc. EUCO 104/2/13 REV 2.

² Doc. 9580/16.

³ According to Eurostat data.

- NOTING that SMEs are affected by international business cycles in a specific way and can play an important counter-cyclical factor;
 - RECALLING that, in 2017, 17 %⁴ of the EU's SMEs did not manage to fully get requested bank loans, either because loans were rejected, or only partly accepted, and that the Loan Guarantee Facility⁵ aims to support smaller businesses facing difficulties in accessing debt financing and that the InnovFin SME Guarantee Facility⁶ has the objective of supporting SMEs with high potential for research, development and innovation,
1. WELCOMES the European Court of Auditors' special report No 20/2017 entitled "*EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed*"⁷;
 2. UNDERLINES that resources from the European Fund for Strategic Investments⁸ top up the EU contributions to the Loan Guarantee Facility and InnovFin SME Guarantee Facility by EUR 0.55 billion and EU 0.88 billion respectively;
 3. NOTES that the InnovFin SME Guarantee Facility and the Loan Guarantee Facility might suffer from weaknesses, e.g. difficulties in targeting SMEs lacking access to finance; RECOGNISES, however, that those instruments have proven their concrete results, *inter alia* due to their financial leverage effect, in fostering high-risk innovation, a higher wage bill and enhanced business turn-over;
 4. UNDERLINES that simplification and ease of access are important and that the specific eligibility criteria for the InnovFin SME Guarantee Facility and the Loan Guarantee Facility should still enable the uptake of these instruments and thus support European job creation, economic growth and innovation;

⁴ According to European Commission data.

⁵ Regulation (EU) No 1287/2013.

⁶ Regulation (EU) No 1291/2013.

⁷ The special report is available in all official languages on the Court's website: <http://eca.europa.eu>.

⁸ Regulation (EU) No 2015/1017.

5. WELCOMES the European Commission's intention, expressed in the context of the report, to improve its evaluation system and assessment of the existence of any market gaps, in particular by taking account of other Union programmes, e.g. European Structural and Investment Funds, and Member States' initiatives, as well as the coordination between them, *inter alia* through ex-ante assessments, expert judgements and lessons learnt from the ex-post evaluation of the instruments' effectiveness and impact on innovation and research with a high potential for excellence;
 6. URGES the European Commission to take the European Court of Auditors' special report No 20/2017 and the above elements into account when proposing successor programmes, and thereby ensure the reinforcement, better targeting and broader uptake in all Member States of those instruments that are particularly addressed to smaller businesses.
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