Opinion of the Economic and Social Committee on JEREMIE (Joint European Resources for Micro-to-Medium Enterprises)

(2006/C 110/08)

On 20 December 2005 Margot Wallström, member of the European Commission, asked the European Economic and Social Committee, on behalf of the European Commission, to draw up an opinion on the joint initiative: JEREMIE (Joint European Resources for Micro-to-Medium Enterprises).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 24 February 2006. The rapporteur was Mr Pezzini.

At its 425th plenary session, held on 15 and 16 March 2006 (meeting of 15 March), the European Economic and Social Committee adopted the following opinion by 142 votes to one with two abstentions.

1. Conclusions and recommendations

1.1 The European Economic and Social Committee welcomes the Commission document presenting the JEREMIE programme (1) (Joint European Resources for Micro-to-Medium Enterprises) with keen interest.

1.1.1 The Committee is grateful to Danuta Hübner, Commissioner responsible for regional policy, as well as DG Regio and the EIF, for the efforts they are making in developing this delicate programme and for the support they have given to the Committee’s work.

1.1.2 The EESC has always supported Commission initiatives to facilitate access to credit for micro-enterprises and SMEs, being convinced — as is the European Parliament — that aspect has always represented a weak point for smaller businesses.

1.1.3 Strengthening small businesses represents a fundamental element in the Lisbon strategy, since it ties in with innovation, generates stable employment and contributes to the ongoing training of the workforce.

1.1.4 In numerous opinions, and especially those drawn up since 1982 (2), the EESC has highlighted the efforts made by the Commission, DG XXIII (3) in particular, to help businesses improve their links with the credit system, particularly banks.

1.1.5 The EESC has also emphasised the need for the broad-based involvement of the social partners in all enterprise-related problems and, in particular, those concerning credit, since they have a considerable impact on social well-being and development.

1.2 Throughout the 1990s, DG XXIII (4) sought to act on credit problems, working in close contact with organisations representing the crafts sector and SMEs. The successive European Conferences of Crafts and Small Businesses (SME) (5) and the numerous preparatory meetings (an average of 10 in the run-up to each conference, attended by hundreds of small businesses) have:

— helped to finalise European Investment Bank (EIB) action in the form of investment in SMEs;

— laid down the preconditions for the creation of the European Investment Fund (EIF) (6);

— brought about legislation on payment periods;

— prompted the Luxembourg Extraordinary European Council to uphold and relaunch employment in Europe, in part through specific credit initiatives for small enterprises (7);

— enabled the Commission, with the direct involvement of the EIB and the EIF, to launch the Growth and Employment Initiative (1998-2000), based on the measures decided on in Luxembourg;

1.2.1 Throughout the 1990s, DG XXIII (4) sought to act on credit problems, working in close contact with organisations representing the crafts sector and SMEs. The successive European Conferences of Crafts and Small Businesses (SME) (5) and the numerous preparatory meetings (an average of 10 in the run-up to each conference, attended by hundreds of small businesses) have:

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(2) 1982: European Year of SMEs and the Craft Industry.

(3) In the wake of the problems which emerged in 1982, the Commission also set up a Task Force, headed by Commissioner Cresson, to gear European policies to the needs of SMEs. In the course of the second half of the 1980s, the Task Force became DG XXIII.

(4) Now the Directorate-General for Enterprise and Industry (Enterprise DG).


(6) See footnote 28.

(7) On 20 and 21 November 1997, the Luxembourg Extraordinary European Council, whose agenda contained a single item – employment – launched three practical initiatives to help businesses stay competitive in the markets, and called upon the Commission to put forward proposals that would boost the business sector and promote employment in that field. The three initiatives were: the ETF Start-Up Facility, the JEV (Joint European Venture) and SME-Guarantee Facility.
— made it possible for the multiannual programmes for enterprise and entrepreneurship, in particular for SMEs, to be drawn up, with special emphasis on loans. The fourth such programme (2005-2008), which has been extended to cover the whole of 2006, was adopted on 20 December 2000;

— laid the groundwork for the establishment of the Competitiveness and Innovation Framework Programme (CIP) (8), which is geared to SMEs and has clearly-defined aims;

— explained to SMEs the need for them to form networks in order to achieve economies of scale, greater market penetration capacity and, lastly, the critical mass needed for both innovation processes and to build up their leverage with financial institutions. Much remains to be done regarding networking.

1.2.1 On the basis of the experience outlined above, the EESC believes that it would be appropriate, not least in view of the new programming for 2007-2013 and the Lisbon objectives, to provide more information on the new programmes, especially those aimed at micro and small enterprises, by holding meetings in the Member States with representatives of the social partners and civil society.

1.2.2 However, in spite of the interventions and efforts organised over the last 20 years, many regions in the EU-25, especially the most disadvantaged ones, lack a project capable of coordinating and fine-tuning the many loan instruments currently in existence.

1.2.2.1 Close to four million businesses — 20 % of those in existence — judge that poor access to finance is a serious barrier to their growth (9).

1.2.2.2 Only a few tens of thousands of undertakings have been able to use Community financial instruments (10), revealing the yawning gap between the way the issue is presented and the practical results. This prompts consideration of the practical possibilities of intervening with systems which can boost the involvement of financial institutions and amplify the results.

1.2.2.3 The EESC is aware of the need to step up efforts to improve the information on credit opportunities provided by the Commission, the EIB, EIF, EBRD and national and regional authorities. Micro and small enterprises are very often excluded — in part, moreover, through their own fault — from channels of information.

1.3 JEREMIE could therefore be put forward as a ‘smart’ tool for coordinating and rationalising existing opportunities.

1.3.1 The JEREMIE initiative falls within the scope of the Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines. The Committee’s position on this may be summarised as follows:

— it is necessary to support non-grant instruments such as loans, secured debt financing for subordinate debt, convertible instruments (mezzanine debt) and risk capital (e.g. seed capital and venture capital);

— grants should be used to build and maintain infrastructures that facilitate access to finance (e.g. technology transfer offices, incubators, ‘business angels’ networks, investment readiness programmes);

— guarantee and mutual guarantee mechanisms should also be supported, in particular to facilitate access to microcredit by SMEs. The EIB and EIF (11) could provide valuable input in this regard;

— there must also be outreach to specific groups such as young or female entrepreneurs, or those from disadvantaged groups, including ethnic minorities;

— it is particularly important to work closely with the EIF in view of the expertise it has developed over a number of years, in order to give SMEs the required support, while developing the European risk capital market at the same time;

— the use of debt securitisation (12) should be supported and expanded in order to boost the lending capacity of credit consortia.

1.3.2 The Committee emphasises the importance of Commission support for the JEREMIE initiative not only outwardly, but also through internal coordination between services managing actions to support micro, small- and medium-sized enterprises, by setting up a ‘JEREMIE focal point’ to serve as a unit informing and coordinating between the various actions in order to optimise the results.

1.3.3 The EESC believes that the Commission should provide a report every two years to the European Parliament, the Council, the Committee of the Regions and to the European Economic and Social Committee on the progress and efficacy of the programme, with a view to extending this important experience to other sectors.

(10) Ibid., point 118.
(11) See also footnote 29.
(12) An arrangement under which a party’s own risk capital may be sold to other parties, thereby increasing the original party’s capacity for granting loans to SMEs. See also footnote 56.
1.3.4 Lastly, the Committee recommends that full compliance with the principles of economy, efficiency and transparency be ensured in tendering and selection procedures, management of the regional holding funds and accreditation of the financial intermediaries charged with project management. In particular, full compliance with the relevant Community legislation must be ensured, even in cases of exclusive rights. It must be possible to impose penalties, dismiss inefficient holding funds and revise the lists of accredited financial intermediaries.

2. Reasons

2.1 The EESC has repeatedly underlined the role — not only economic, but also social — played by small businesses in their respective Member States, and has drawn specific attention to this in several opinions, including those issued in 1992 (13), 1997 (14), 2001 (15) and 2003 (16), together with others on the European Charter for Small Enterprises (17).

2.1.1 Micro and small businesses perform an essential role in the European economy. They number some 25 million, represent 99% of all businesses and employ nearly 95 million people, providing 55% of all jobs in the private sector (18).

2.1.2 These figures highlight the importance and the role of SMEs in the Lisbon strategy, as well as the need to establish a strong partnership with the representatives of the social partners, in order to be in a position to generate new forms of cooperation (19). Their purpose is to put into practice the social and economic values underpinning Europe's social market economy (20).

2.1.3 The main problems affecting the start-up and development phases of micro and small businesses are, in order of importance:

— financial and credit considerations,

— slow and costly bureaucracy,

— labour market-related features (definition of occupational profiles and reinforcement of occupational training, necessary for the workforce's capacity for change, and in order to increase companies' business scope and job opportunities).

2.1.4 Access to credit is therefore a precondition for setting up a business, and is a fundamental requirement for the growth and development of micro and small businesses, who feel the restrictive effects of the credit system more clearly and more strongly than large companies.

2.1.5 Direct contact with businesses and their problems, and an understanding on their part of the opportunities provided by the credit system — especially those located in the areas where the businesses are operating — is the only way to harness the positive effects of credit. This will prevent excessive inflexibility in funding arrangements and the ensuing increase in risk, with regard inter alia to developments concerning the Basle Agreements. Businesses must therefore find their own financial balance and identify the necessary tools.

2.1.6 Self-financing plays a key role, even if small companies can rarely achieve their own investment plans with this instrument. The following are necessary in 90% of cases:

— launching information and consultancy initiatives to facilitate the choice of type of capital between the available alternatives (risk capital, debt instruments or mezzanine finance);

— selecting the financial tools and methods to use.

2.1.7 Among these instruments, risk capital is often mistrusted by small enterprises. Only 5 or 6% of the myriad micro (21) and small (22) businesses (90% of which are individual companies or partnerships) make use of venture capital. If take-up is not to remain negligible, new forms of venture capital must be devised which can also apply to individual companies.

2.1.8 The priorities identified to bridge the gap between finance and small enterprises can be summarised as follows:

— ensuring that higher quality services are provided by credit agencies;

— promoting a greater role for credit agencies in providing consultancy throughout the life of the enterprise, to encourage transparency and the publication of company accounts. Small businesses in particular need this assistance, to become corporate enterprises, or to prepare to use venture capital, and, for some of them, to be floated on the relevant trading index (23);

— 23 million in EU-25, SME Observatory, 2005.

— 1.8 million, SME Observatory, 2005.

— In Italy, the SME index is called STAR.
— reducing the ties to security required for granting loans. This means better incentives for using the instruments provided by financial engineering. An example of such good practice would be the credit consortia which exist in many European countries. Although subject to obtaining a bank loan, these instruments should be encouraged and supported, and JEREMIE can make a key contribution here;

— bringing the cost of money into closer line with the standards applied to large companies (24).

2.1.9 The analyses and evaluations of needs and potential, under the JEREMIE preparatory phase, should be carried out in individual EU regions with the real involvement of the relevant economic and social partners, as part of an effective and responsible partnership.

2.2 The regional dimension

2.2.1 The degree of difficulty in gaining access to loans, outlined above, varies according to the level of economic and market development. The convergence regions (25), which have the greatest need of credit instruments in order to boost employment through entrepreneurship, are in fact those where access to credit is most difficult, and where interest rates are higher than those applied in more developed regions (26).

2.2.2 EIB loans, granted in rotation (27) to trustee banks to be divided among SMEs at variable, but limited, rates (28), are used primarily by banks operating in developed regions, where competition between banks is greater and granting EIB loans is a means of keeping loyal customers.

2.2.3 Since there are few banks, especially of the cooperative or popular credit type, in the less developed regions, there is less competition in the banking sector and little awareness of small operators: as a result, it is rare that the valuable instruments provided by the EIB are used in such regions.

2.2.4 In short, if efforts are not made to reverse this trend, in part by the financial mediation of those tools which JEREMIE can deploy alongside the more conventional EIB and EIF ones (29), the poorer regions will be condemned to continuing long-term poverty.

2.2.5 In order to provide loan back-up, especially in the convergence regions, a JEREMIE desk could be organised at the EIF with the task of supporting guarantees on bank loans with surety instruments, via credit consortia or other bodies which are active in the less advantaged regions in particular.

2.3 The social dimension of credit and financial engineering

2.3.1 The problem of access to credit for micro-businesses, as well as SMEs, puts the spotlight on a number of market shortcomings:

— financial institutions are responsible to their boards for their management: the boards, unsurprisingly, are often reluctant to grant loans to small, unknown enterprises with non-existent or sketchy accounts and thus potentially at risk of insolvency;

— bank officials are often unfamiliar with ‘business risk’ and feel more comfortable granting loans when collateral (real estate or personal sureties given by relatives or third parties) is in place. Personal sureties are very — perhaps too — common, especially for loans granted to women or young entrepreneurs;

— dividing the overall amount of credit among a very large number of small businesses is far more costly to the banks, in terms of manpower and administrative burden, than managing loans for much larger amounts granted to a small number of large, well-known companies with extensive real estate;

— competition between financial institutions, which helps to enhance what is available on the market, is strong in the rich regions but weak in the convergence regions, i.e. exactly where a wider range of products at lower rates would be most useful in meeting the requirements of local — often small-scale, less powerful — entrepreneurs.

24 Avoiding the use of cross-selling.
25 There are 254 NUTS II level regions in the EU-25. Of these (approximately 100 convergence) have income levels of less than 75 % of the Community average.
26 Interest rates in the less developed regions are, on average, 3 % higher than those in more developed regions (source: Artigiancassi, Italy).
27 Usually for renewable amounts of EUR 30 or 50 million.
28 Generally one percentage point above Euribor 6 months.
29 The EIF (European Investment Fund) was set up in 1994 with two objectives: (1) to support the European networks, and (2) to facilitate access to credit for SMEs. The EIF shareholders are: the EIB, the European Commission and a large number of European banks. In recent years in particular, support for micro and small businesses has been a hallmark of the EIF (c.f., amongst others, the SME Guarantee programme, which – together with JEV and ETF Start-Up – stemmed from the 1997 Luxembourg European Council.
2.3.2 The aim therefore is to make up for market shortcomings with actions which:

— are compatible with state aids;
— can be used with financial engineering, through funds provided by EIF-managed multiannual programmes (30);
— are already part of the CIP;
— are provided by the Structural Funds, and
— are all to be coordinated by JEREMIE.

2.3.3 The Lisbon strategy was relaunched at the March 2005 European Council, and the governments and economic and social partners were urged to act in three priority areas:

— making knowledge and innovation engines of sustainable growth;
— making the EU an attractive area in which to invest and work;
— boosting employment and entrepreneurship in order to develop cohesion.

2.3.4 The Member States’ expenditure on supporting employment and job creation is sometimes considerable, but is justified by the social results (31). In the event of a universal loan of EUR 20 000 to half of the EU-25’s SMEs — i.e. some 12 million businesses — the probable losses due to insolvency (32) would not exceed EUR 6.5 billion, representing 0.07 % of EU-25 GDP; at the same time, granting loans across the board would enable most enterprises to consolidate their position and to innovate with regard to their processes and products.

2.3.5 If loans were granted through the intermediary of loan consortia, capable of absorbing 50 % of insolvencies, the losses would be shared equally (50-50) between the relevant consortium and bank.

2.3.6 A culture of accepting that credit has a social function enables the necessary financial engineering tools to be developed with a contribution from public funds, European funds and solidarity funds contributed to loan consortia by businesses themselves, either when registering with a consortium or in the form of a percentage of bank interest (33).

2.4 The function of loan consortia, financial engineering and JEREMIE

2.4.1 Granting large numbers of small loans, as required by business start-ups and by European micro and small enterprises, is subject to:

— the availability of funds at reasonable cost on the money market;
— credit institutions being organised in such a way as to be present throughout a given territory, with offices close to businesses;
— a culture which attunes bank officials to the needs of small entrepreneurs;
— the possibility of risk-sharing with other partners (financial engineering);
— the ability to keep management costs down, in order to reduce the interest rates applicable to the loans granted.

2.4.2 Some solutions to these problems can be found in existing instruments, which should however be put to better and more extensive use:

— EIB funds, where they have been used, have proved to be a highly useful tool in facilitating access to credit for micro and small businesses. Those banks which have asked to become EIB trustees have obtained loans, on a rotating basis, at an advantageous rate (34). The reduced spread granted to banks (115 business points) has meant that only banks operating in rich regions, with strong competition, have used this form of financing which is helpful for businesses, but relatively unprofitable for banks. This has not occurred in the convergence regions, confirming the view that poorer areas enjoy fewer development opportunities than richer ones.

— Cooperative credit bank arrangements are more common in regions with a high level of economic development. This factor is a further serious obstacle to access to credit in regions which are lagging behind. JEREMIE could help to devise, sustain and introduce forms of credit using financial engineering tools and involving sectoral organisations in those regions where training processes and the credit system are the foundations of development.

(30) The EIF is currently managing three projects: (1) initial help for undertakings in the start-up phase; (2) EIF Start up (European Technology Facility for technologically advanced businesses), contributions to company funds, mezzanine investment (3) SME guarantees (loan guarantees, micro-credit, own funds, debt securitisation).

(31) Sviluppo Italia, the official body concerned with job creation in the south of Italy on behalf of the Italian State, has calculated the average cost of creating one job to be EUR 40 000.

(32) Average insolvencies for micro and small enterprises are no higher than 3 % of the loans granted.

(33) Generally 0.50 %.

(34) On average, 15 business points lower than Euribor 6 months, with the obligation to grant the loan to businesses at a rate on average no higher than 100 business points (one point) above Euribor 6 months.
— In order to foster a culture of awareness of small enterprises, it is very important to support the efforts of sectoral organisations, especially those engaged in social dialogue, so that they can help apply to the more disadvantaged regions those positive experiences which have often been tried out previously in the richer ones. JEREMIE could also offer itself as an active partner in this kind of action.

— Credit consortia — in those countries where they exist — are a key element for both carrying out financial engineering and for fostering a culture aware of credit’s social function, which contributes to making Europe as a whole a social market economy, the keystone of which is employment (37). If JEREMIE can rationalise and amplify what the EU is already doing through EIB and EIF activities, it can save many of the businesses which are currently forced to close down every year (20 %).

— The risk evaluation carried out by credit consortia and the ensuing cover of 50 % of the insolvencies concerning the loans granted provides practical relief for the banks from some of their burdens, reduces the scale of risk and in consequence moderates the lending interest rate (36).

2.5 The function of multipliers in credit management and the function of JEREMIE

2.5.1 Over the last few years in particular, the multiplier instrument has been analysed and used by both credit consortia and banks to boost credit possibilities (37). Rigorous analysis of the insolvencies picture, especially in the convergence regions, allows the multiplier to be adjusted to match the local situation. The percentage of insolvencies of course rises in the most disadvantaged regions, where it can reach 10 %, while in the richer regions, the failure rate for micro and small businesses is of the order of 2.5 %.

2.5.2 JEREMIE can realise its potential primarily in the convergence regions, providing credit consortia with personal guarantees and facilitating securitisation processes, in order to increase credit opportunities and offset the weakness of the multiplier.

2.6 JEREMIE and the CIP

2.6.1 The Competitiveness and Innovation Framework Programme (2007-2013) (38) brings together various Community measures and programmes, including the following:

— measures to strengthen the competitiveness of European industry (39), and the multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (40),

— the Financial Instrument for the Environment (LIFE) (41),

— the multiannual programme for the monitoring of the eEurope 2005 action plan (42),

— the multiannual Community programme to stimulate the development and use of European digital content on the global networks (43),

— general rules for the granting of Community financial aid in the field of trans-European networks (44),

— guidelines for trans-European telecommunications networks (45),

— the multiannual programme ‘Intelligent Energy — Europe’ (46).

2.6.2 There should also be an analysis of the financial instruments included in the Fourth multiannual programme (MAP) (2000-2005), extended until 31.12.2006, with a budget of EUR 531.5 million (47), which is to be incorporated into the CIP and come under the JEREMIE strategy.

2.6.2.1 The MAP is organised around three pillars:

1st pillar: business development policy;

2nd pillar: Euro-Info-Centre (EIC) network;

3rd pillar: financial instruments.

(35) Research by the Osservatorio imprese (business observatory) shows that the rate of business failures stands at close to 20 % a year, and that the main cause of failure can be traced to credit-related problems (management, extension, need for innovation).

(36) Around 2 %.

(37) The multiplier allows possibilities of granting loans to be increased, in proportion to the estimated percentage of insolvencies in a given territory and to the percentage of guarantees attached to the loans. If, in the territory, historical analysis of loan-related insolvencies shows a rate of less than 5 %, then it is possible, with a fund of EUR 1 million, to grant loans to a number of people, of up to EUR 20 million, since the million euros available means that insolvencies can be absorbed: 3 % of 20 million, i.e. one million. In this case the multiplier is 20. If the guarantee granted by the credit consortium covers 50 %, with the other 50 % being the bank’s responsibility, the multiplier rises to 40, i.e. with one million loans, divided appropriately, can be granted to the value of EUR 40 million.


(42) Decision No. 2256/2003/EC.

(43) Decision No. 2001/48/EC.

(44) Regulation No. 2236/95.


(47) C.f. INT/261 2005, rapporteur: Mr Pezzini.
2.6.2.2 An analysis of how the MAP financial instruments have operated reveals which have given the best results and which may consequently be incorporated into the JEREMIE strategy. These instruments are by far the largest item of expenditure under the fourth MAP: in 2003, for example, they accounted for 67 % of the programme’s total budget (48). Resources are distributed within these financial instruments as follows:

- SME-Guarantee (49): 90 % (50);
- ETF Start-up (51): 10 %.

2.6.2.3 These instruments were previously used, in 1998-2000, under the programme of initiatives for growth and employment, alongside others:

- SCA (Seed Capital Action), under the MAP 1997-2000 CREA (Capital Risque pour les Entreprises en phase d’Amorçage, risk capital for start-up enterprises) pilot action;
- JEV (Joint European Venture), which started in 1997 and finished on 29 December 2004 (52).

2.6.2.4 Neither SCA nor JEV have yet yielded much by way of results.

2.6.2.5 Approximately 178 000 SMEs had availed of the SME-Guarantee instrument by the end of 2003 (53) (136 000 under the growth and employment programme, 32 000 under the credit guarantee programme and 10 000 with the micro-credit programme).

2.6.2.6 During the same period, some 240 000 SMEs (54) had benefited from the ETF Start-up programme.

2.6.3 JEREMIE could therefore continue disseminating experience with these two financial instruments, increasing the number of beneficiary SMEs, especially in the convergence regions.

2.6.4 It should be borne in mind that only 0.81 % of European SMEs have, during these years, benefited from joint DG Enterprise, DG Economic and Financial Affairs and EIF interventions.

2.6.5 It is, however, important that JEREMIE should explore new paths, including those envisaged by the new programmes, in the following areas in particular:

- SME-Guarantee, a mutual guarantee mechanism, already discussed in connection with credit consortia;
- mezzanine credit (55) accessible via SME-Guarantee: this is of great importance to entrepreneurs since it does not require them to cede/transfer part of the capital and can be useful when transferring the company;
- securitisation of risk funds (56) of banks and credit consortia;
- establishment of SBICs (small business investment companies programs) such as those set up in the USA in 1958, which offer holdings and long-term credit and operate commercially on the basis of a licence granted by the Small Business Administration.

2.6.6 The EESC is however convinced that these interventions suffer from a major problem of information and training: the solution should involve the financial institutions, and organisations representing employees and workers, governed by the principles of corporate social responsibility and the social purpose of credit.

2.7 JEREMIE and tendering and accreditation procedures

2.7.1 It is in the Committee’s view vital that Community legislation on public service tendering be complied with in full, in order to guarantee that the JEREMIE initiative succeeds.

2.7.2 In any case, the Commission’s JEREMIE department and/or the EIF must guarantee that the tendering procedures comply with the principles of economy, efficiency, impartiality, equal treatment and transparency. The contract documents, drawn up in advance by the Commission, must in particular contain among the eligibility criteria for companies or consortia wishing to take part, the following:

- successful conduct of the relevant activities for at least five years;

(48) C.f. Conclusions and recommendations, page 6, footnote 15 above.
(49) SMEG, SME-Guarantee.
(50) Source: EIF annual report.
(51) ETF: European Technology Facility, Start-up Scheme.
(54) Ibid, access to mezzanine finance.
— compliance with the CEN technical standards for the services provided;
— possession of the necessary technical-professional and economic-financial capacities, measured by objective and non-discriminatory criteria.

2.7.2.1 In the event of holding fund/2007-2015 operational programme agreements, there must be provision for penalties, revocation and dismissal of a holding fund on the grounds of inefficiency, irregularity or serious failures to fulfil obligations. Management should be monitored at two-yearly intervals, with the support of regional economic and social partners, with transparent procedures for the publication of reports, which should be forwarded to the central national authorities, the European Parliament, the EESC and the Committee of the Regions.

Financial entities or consortia established in another Member State or in one of the countries which has signed the agreement on public contracts, as set out in the Annex to the WTO Agreement must be allowed to qualify under the same conditions as those applied to national participants, on the basis of documents complying with the legislation of the countries in question, which demonstrate that all the requirements for qualification are met.

2.7.4 These provisions should also apply to the accreditation procedures for intermediary credit institutions: these must be subject to systematic performance monitoring arrangements, defined in conjunction with representatives of the relevant economic and social partners, and also to a periodic accreditation review. In all cases, replacement of part of the accredited elements must be ensured every three years.


The President
of the European Economic and Social Committee
Anne-Marie SIGMUND


(SEC(2005) 1240 final)

(2006/C 110/09)

On 12 October 2005 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the abovementioned Draft Commission Regulation.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 24 February 2006. The rapporteur was Mr Burani.

At its 425th plenary session, held on 15-16 March 2006 (meeting of 15 March), the European Economic and Social Committee adopted the following opinion by 146 votes to one with one abstention.

1. Conclusions

1.1 The EESC congratulates the Commission on its complex, meticulous work on simplifying administrative procedures; however, it notes a certain discrepancy between the statement made at the beginning of the Explanatory Memorandum (‘the following draft … deals with technical amendments which can be introduced under the current Financial Regulation’) and the actual scope of many of the amendments.

1.1.1 Many of the ‘technical’ amendments concerning relations with businesses and the public are ‘political’ in nature and scope: greater transparency, streamlining procedures, faster responses and greater confidence in the social partners are signs of welcome progress in public governance.

1.2 At the same time the EESC stresses the need for caution: the desire to benefit the social partners must take into account the fact that there must be a limit to flexibility for treasury administrators — i.e. potential losses must be set against actual savings in that difficult but necessary exercise known as risk assessment. This exercise may be very unpopular with administrators but it is the only sensible path to take.