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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE  
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UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

## **Comments on the Consultation Documents from the European Commission on State Aid relevant for SMEs:**

- I. Regulation on “De Minimis Aid”**
  
- II. Community Guidelines on State Aid and Risk Capital to Small  
and Medium-Sized Enterprises**
  
- III. Community Framework for State Aid for Research and  
Development and Innovation**

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## General Remarks on the State Aid Reform

1. UEAPME fully supports the general ideas for a state aid reform, expressed last year by the European Commission in its **State Aid Action Plan** aiming to support the European Lisbon Strategy.
2. The main objective “**less and better targeted aid**” would contribute to less market distortion by state aid granted on regional and national levels and could reduce the misuse of taxpayers money for unproductive or distortionary state aid to single companies.
3. UEAPME welcomes the idea to use a **refined economic approach**, in order to increase the rationale for any kind of state aid and to achieve a better targeting of state aid provided to companies.
4. UEAPME welcomes that the Commission **approach is based on market failures** and aims to provide compensation where they occur. The general analyses about market failures and SMEs, as well as the reduced danger of market distortion by state aid for SMEs, are shared by UEAPME and confirmed by empirical evidence (SME observatory, DG Enterprise). **SMEs need a level playing field** to use the potential of the internal market to drive growth and employment.
5. UEAPME welcomes the opportunity to comment on the proposals for a regulation for “de-minimis aid”, community guidelines on state aid for risk capital and SMEs and a community framework for state aid for R&D and Innovation, but regrets that the proposal for **a general block exemption** is not available. It would be clearer and more coherent to comment on the whole regulation package relevant for Crafts and SMEs.
6. With this paper UEAPME provides its first comments on the three existing proposals from an SME point of view and wants to put forward some amendments, which could **bring the proposals more in line with the practical needs of Crafts and SMEs**. UEAPME asks the European Commission to take our comments into consideration when finalising the regulations.

### I. Regulation on “De Minimis Aid”

1. UEAPME welcomes the intention of the European Commission to increase the **threshold for de minimis aid** of € 100.000 for three years. Such an increase is justified by the increases of prices in general during the last years and can make a relevant contribution to reduce unnecessary bureaucratic burdens. For both reasons, UEAPME supports the position of the European Spring Summit, which sees a justification to increase the thresholds at least to € 200.000.

Furthermore, UEAPME wants to stress the fact that the new **threshold** for de minimis aid **cannot be seen independently from other aspects of this regulation**, like the treatment of guarantees and the question of cumulation.

2. **Credit guarantee schemes and mutual guarantee schemes** are at the moment the most important instrument to support access to finance for SMEs. These schemes have proved to be the most effective and the least distortive instrument to correct market failures coming from a lack of transparency (risks involved in start-ups and innovative projects) regarding SME finance. The implementation of the new capital requirement directive for

the financial sector (Basel II) will increase the risk sensibility of the provider of SME finance and therefore, the need for such instruments. European Programmes, like CIP or JEREMIE, take this into account and will provide more money to counter guarantee such instruments.

Till today, most of these guarantee schemes are managed under the de minimis aid regulation. The new proposal regarding **non-transparent aid** intends to exclude all forms of state aid, which cannot be calculated precisely ex-ante without undertaking a risk assessment (article 1.3). This definition includes all forms of financial instruments for SMEs and would therefore **exclude these instruments for the de minimis aid regulation**.

UEAPME cannot accept the argument that the amount of aid embedded in such schemes cannot be calculated properly. There are different methods in place, which have been accepted by the European Commission in the past, such as **interest rate differences** between a reference rate plus risk premium and the effective rate or the calculation about **probability of default** for specific schemes, which has to be done in any case ex ante and delivers a very good assessment of the overall aid involved in a specific scheme.

Furthermore, UEAPME sees the risks that this proposal will put into danger the most important instruments for the support of SME finance, which are not only **promoted by the European Commission itself, but also financed by it**.

3. The new proposal does not allow any **cumulation of “de minimis”** aid with notified state aid. This would lead to a dramatic **increase of bureaucratic burdens** for the provider of state aid and also for the beneficiaries. Furthermore, the introduction of a **non-cumulation clause** would change the whole system of state aid for small enterprises in many Member States, which seems **not justified** as long as the thresholds for “de minimis” aid is only adjusted to inflation.

## II. Community Guidelines on State Aid and Risk Capital to Small and Medium-Sized Enterprises

1. UEAPME welcomes the proposal for new community guidelines on State aid and risk capital to small and medium-sized enterprises as an **improvement to the existing one** (Communication on State aid and risk capital from 2001). The mentioning of **regulatory failures** such as the taxation of the investors and the tax treatment of risk capital financing versus debt financing on companies is a helpful contribution for the discussion with regulators.
2. The chosen approach to define “**safe harbour investments**”, which will get a simplified notification procedure, and to foresee a more detailed assessment only for measures, which go beyond the “safe harbour” instruments and thresholds, is seen as a useful contribution to reduce administrative burden.
3. The aim to allow state aid for risk capital only if it **creates incentives to mobilise private risk capital** will ensure that taxpayers’ money is only used to stimulate a private risk capital market. UEAPME prefers such an approach compared to programmes, which use public money like private capital for such investments (pari passu), as it is foreseen in the CIP and JEREMIE programmes.

4. From UEAPME's point of view the shortcoming of the current proposal lies in the fact that, it allows only state aid for risk capital finance to close the equity gap for start-ups and innovative investments. But such a gap exists also for most of small and medium sized enterprises, which will never have access to venture capital but **need debt financing for smaller scale start-ups and innovative projects**. Therefore, UEAPME proposes to include also debt investment instruments and not only equity and quasi equity instruments in these guidelines.
5. The proposal is based on the assumption of an equity gap up to € 1.5 Million. This figure is questioned by some other studies of DG Enterprise (up to € 3 Million) and by some of our national member organisations.

### III. Community Framework for State Aid for Research and Development and Innovation (R&D&I)

1. UEAPME welcomes the **broader definition for innovation** taken by the Commission in its new approach towards state aid for R&D&I. Innovation entails more than simply R&D, this is particularly true for most of the smaller businesses, including craft companies. Furthermore, **innovation** in SMEs is not a linear but **an ongoing process**, which is carried out together with suppliers and customers or within networks and clusters.
2. UEAPME supports especially the **specific approach taken towards SMEs** by providing certain measures only for smaller companies and by allowing bonuses for SMEs in other measures.
3. UEAPME thanks the European Commission for taking into account some proposals we made during the first consultation process on this framework. To allow higher **state aid intensities for experimental development** (3<sup>rd</sup> stage research) and for the **hiring of highly skilled personal** is in line with our experience and will increase the practicability of the framework.
4. UEAPME fully supports the definition of "**safe harbour measures**" with a simplified notification process, which will reduce unnecessary administrative burdens and makes the framework for all involved parties user-friendlier.
5. The targeted assistance in financing SME IPR / patent formulation and initial defence costs is strongly welcomed as a positive step on the road to more open patenting by SME's.
6. For innovative SMEs, **advisory services and innovation support services** are crucial to create and to implement innovation projects. Therefore, UEAPME strongly welcomes the inclusion of such services into the R&D&I framework, but thinks the preconditions for allowing state aid in this sector quite unrealistic:

In most Member States such services are provided by intermediaries (public entities, chambers, etc.), which are organised by public authorities and get any kind of financial support by the public. Therefore, the prices for services provided by such entities are not market prices or do not reflect full costs and also involves state aid at the level of the service provider (intermediary).

Against this reality, the approach chosen by the European Commission, to allow state aid only at the level of the beneficiary (company), does not seem to be very realistic and would **seriously endanger the provision of such services in future**.

Taking into account the aim of the European Commission to avoid market distortion and to give incentives to create a market for such services, **UEAPME recommends** taking an approach, which is similar to the **approach taken for services of general economic interests**, which would include a clear definition of the services provided under a “public obligation”, rules to avoid overcompensation and incentives to enhance private providers (by tenders).

7. UEAPME sees in the inclusion of aid for innovation clusters an important progress for the support of innovative SMEs, but doubts that it will be a sufficient incentive if the proposed aid intensity for investment aid (15% + some bonuses) for cluster infrastructure is kept. Higher intensities are necessary to achieve the intended goals, especially if such infrastructure is provided by intermediaries and all companies in a cluster have access to it.