UEAPME

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Press Release

FOR IMMEDIATE ISSUE

New rules on State Aid for risk capital will improve innovation outlook for SMEs

Brussels, 19 July 2006. UEAPME, the European SME employers' organisation, welcomed the new "Guidelines on State Aid to promote risk capital investments in SMEs" published by the European Commission today (Wednesday). The document, said UEAPME, marks a significant improvement over the 2001 Communication on the same issue and is an important element to compensate regulatory and market failures in the innovation arena.

The revised guidelines bring into play the so-called "safe harbour" approach, by which State Aid for risk capital investments complying with a series of set conditions is allowed and subject to a simplified notification procedure. Pre-conditions include a threshold for aid set at 1.5 million EUR per SME per year; a 70% quota for equity or quasi-equity instruments; and a 50% minimum share of private funds over the total of the investments made under the risk capital measure. Instruments beyond the "safe harbour" criteria will be submitted to a case-by-case impact assessment.

"The Commission's approach requesting that at least 50% of capital comes from private sources will make sure that investment decisions are profit-driven and that risk capital funds will be managed on a commercial basis", said **Gerhard Huemer**, UEAPME Director for Economic and Fiscal Policy. "The guidelines will also allow the use of public money to increase profitability or decrease risks for private investors. This is not the case for programmes such as CIP and JEREMIE, under which the lack of incentives for the private sector means that taxpayers' money is *de facto* used as a substitute for private capital", he added.

According to UEAPME, the existing guidelines could be further streamlined and simplified by providing a block exemption for all "safe harbour" measures up to a certain threshold, for instance 1 million EUR. This would reduce the bureaucratic burden and ensure a faster handling for risk capital-related State Aid.

The main shortcoming of the revised guidelines lies in the fact that they focus only on risk capital measures for innovative and fast-growing SMEs. While it is true that these businesses suffer from an evident "equity gap", UEAPME stressed that most SMEs are actually confronted with a "finance gap" and need better access to debt financing measures, which are unfortunately excluded from the scope of the revised guidelines.

"We hope that Member States will now make full use of the new guidelines to encourage risk capital investments and close the equity gap currently affecting Europe's most innovative SMEs. We also expect that the European Commission will come up with a new set of guidelines on State Aid for debt and quasi-debt instruments, which would complement the new rules on risk capital and improve access to finance for all small and medium businesses", concluded Mr Huemer.

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EDITORS' NOTE: UEAPME is the employer's organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 78 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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