



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE

State aid: simplified “General Block Exemption” can be further enhanced

Brussels, 25 April 2007. UEAPME, the European craft and SME employers’ organisation, was left with mixed feelings by the European Commission’s first draft “General Block Exemption Regulation” (GBER) on State aid, which was officially published yesterday (Tuesday). UEAPME applauded the Commission’s simplification efforts, which will lead to one single set of rules and definitions replacing five different regulations, in line with the reform principles of the EC “State Aid Action Plan”. According to UEAPME, simpler procedures will cut down bureaucracy and increase legal certainty for aid providers and recipients, mostly SMEs. There is, however, room for improvement on issues such as innovation, quasi-debt financial instruments and energy efficiency.

Under the revised GBER, some categories of aid are automatically deemed to be compatible with the Single Market rules under certain conditions. Aid providers will be allowed to implement measures on these types of aid without prior notification to the European Commission. The GBER incorporates five existing categories (Regional Aid, SMEs, R&D, Training and Employment) and creates two new strands (Environmental Aid and Risk Capital). *“This new regulatory framework is a huge improvement over the previous set-up”*, said **Gerhard Huemer**, UEAPME Director for Economic and Fiscal Policy. *“It streamlines and rationalises a complicated body of legislation, making it user-friendlier and closer to the spirit of the State Aid Action Plan”*, he continued.

Mr Huemer then went on to provide category-specific comments on some important aspects of the GBER. As far as the R&D block exemption is concerned, for instance, State aid measures as regards innovation are disappointingly not included in the text, despite being a crucial element in the recently overhauled Community Framework for State aid for Research and Development and Innovation. *“This inconsistency should be redressed as soon as possible”*, commented Mr Huemer. *“The GBER should include the so-called ‘safe harbour measures’ on innovation as spelled out in the R&D&I framework. This insertion would support basic innovation activities and non-technological innovation, i.e. the main ways in which SMEs bring in new products and services.”*

UEAPME also criticised the lack of references in the GBER to financial instruments such as “mezzanine finance”, hybrid measures between debt and equity that have proven to be very successful so far, mainly in supporting business transfers and financing innovation. These instruments risk falling into a regulatory black hole between the existing “de minimis” aid and risk capital aid regulations, unless they are explicitly included in the block exemption regulation. This would be regrettable given their enormous potential.

Regarding environmental aid, UEAPME was concerned by the current wording of the GBER, which rewards “early bird” investments in energy-saving technologies and energy efficiency before new environmental standards come into effect. According to UEAPME, this approach does not take into account the financing difficulties SMEs might have in the field. Support should be provided to small business even in case of “just in time” investments. This would compensate both for the positive external effects of such investments and for market failures on access to finance for SMEs’ investments.

“The new GBER is an excellent basis for discussion and a practical example of ‘better regulation’. We trust that it will be fine-tuned in the coming months, and we hope that the European Commission will be willing to listen to the needs of European crafts and small businesses during the process”, concluded Mr Huemer.

***** END *****

EDITORS’ NOTES: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 81 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

Further information: Gerhard Huemer, Director for Economic and Fiscal Policy, Tel. +32 2 230 7599

Francesco Longu, Press and Communications Officer

Email: pressooffice@ueapme.com, Web: www.ueapme.com/pressroom/