European Commission

State Aid Modernisation
and the review of the Risk Capital Guidelines

Workshop with Member States and Stakeholders

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State Aid Modernisation: the context of the reform

- Ensuring effective and efficient State aid to support the EU2020 objectives

- Context: limited budgetary means, limited growth dynamics, banking sector deleveraging

- Three objectives: supporting growth, better prioritisation and streamlining of decision making

Support growth

Foster 'good' aid aiming at rectifying actual market failures and directly linking to EU 2020 objective

- Facilitating the granting of well designed aid targeted at common interest objectives and proven market failures; e.g. risk financing
- Emphasis on the quality and the efficiency of support
- Ensuring a well-functioning internal market (limiting distortions of competition, preserving a level-playing field)

⇨ *stimulate innovation, growth and employment objectives, strengthen efficiency in times of budgetary constraints for MS*

Better prioritised enforcement

Increase efficiency through focusing on most important and potentially distortive cases

- State aid control at EU level to be prioritised on most significant cases (large and potentially distortive aid)
- Enforcement at EU and national level (cf. GBER)
- Proportionate and differentiated rules
- Reducing regulatory burden

⇨*less red tape for administrations and for cases with limited effect on trade, enhanced cooperation & partnership at EU and MS level*

Streamlined rules and faster decisions

Need to address shortcomings of the State aid framework and of the procedures

- Clarify and simplify the rules
- Enhance consistency and streamline the assessment process (consolidate our horizontal and sustantive rules)
- Well-informed decisions within business-relevant timelines

⇨*Accelerated procedures, simplified/clarified rules for aid grantors and beneficiaries, facilitated assessment process*

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Delivering SAM objectives: new rules for access to risk finance aid

- Boosting economic growth by improving SME access to finance
  - SMEs will be drivers for growth and jobs in Europe only if they have access to appropriate finance for their early stages of development
  - Structural market failures hindering SMEs access to venture capital and other risk finance
- Drawbacks of the current risk capital regime
  - Too narrow scope in terms of eligible SMEs, aid instruments and forms of finance
  - Need to reassess the width and depth of the market failure affecting risk finance provision to high-growth SMEs, especially in their early development stages
  - Need to provide for clearer and simpler rules

Delivering SAM objectives: new rules for access to risk finance aid

➢Towards a flexible risk finance instrument

- Extending the scope by including a range of financial and fiscal instruments in order to leverage private capital into high-growth SMEs
- Supporting the development of a more integrated a more efficient VC industry within the EU
- Increasing the coherence between EU and Member States interventions based on the use of revolving financial instruments

Delivering SAM objectives: new rules for access to risk finance aid

- Minimising competition distortions

  - Need for well-designed interventions to avoid crowding-out risks in business finance markets
  - More focused rules on relevant funding gaps, eligibility criteria and investment restrictions reflecting market realities
  - Strengthening the commercial investment logic of financial intermediaries' decisions
  - More transparent and predictable enforcement, in line with common assessment principles for State aid