



CYPRUS
CHAMBER OF
COMMERCE AND
INDUSTRY



COMMENTS
OF THE CYPRUS CHAMBER OF COMMERCE AND INDUSTRY
AND THE CYPRUS EURO INFO CENTRE EIC CY-691
ON THE EUROPEAN COMMISSION'S STATE AID ACTION PLAN

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The Cyprus Chamber of Commerce and Industry and the Cyprus Euro Info Centre EIC CY-691 (that is hosted at the Chamber) consider the consultation in relation to the Commission's State Aid Action Plan (SAAP) as an extremely important consultation, given the significance of state aid for enterprises (particularly SMEs) both in terms of the (many times much needed) financial assistance that is provided through it to SMEs but also of the possible danger to competition distortion and unjust favouritism if not properly used.

One cannot really not support the consultation document prepared by the Commission since the objectives it pursues but also the elements on which it is based are all in the right direction and will contribute to the improvement of the existing state aid regime. It is nevertheless a very general document and it is really very difficult for a business representative organisation (like our Chamber but also the EIC) to make very specific and informed comments, particularly on the provisions which relate to SMEs. More details are needed and more information is necessary (by the Commission) to enable us to make more detailed comments.

Surely the aims of the State Action Plan (improve competitiveness, create sustainable jobs, ensuring cohesion and improving public services) can only be applauded. Similarly we are equally supportive of the main elements on which the plan is based, i.e.

- less distortive and better targeted state aid
- more refined economic approach that would involve an analysis of market failures and increase efficiency and effectiveness
- more streamlined and efficient procedures, better enforcement, higher predictability and enhanced transparency.
- shared responsibility between the Commission and Member States.

We are of course also in agreement with the main challenges for reforming state and policy, i.e. the Lisbon Strategy, the E.U. enlargement and the pressing need for streamlining.

More specifically we particularly support the following changes that are proposed:

- The application of the same general principles in all instruments.
- The existence of a clear, comprehensive and predictable set of rules
- The particular targeting of aid towards areas contributing to growth and employment, such as innovation and R & D, entrepreneurship, human capital.
- The simplification, consolidation and extension of the use of block exemptions.
- The notification of fewer aid measures to the Commission.
- The use of a refined economic approach in order to concentrate resources on cases creating important distortions to competition.
- The increase of the de minimis aid threshold to take account of the evolution of the economy.
- The use of investment aid to large firms much more sparingly and only for such firms located in the least developed regions.
- The Commission's intention to provide better guidance and issue best practice guidelines to the Member States.
- The Commission's intention to reduce delays in examining whether a national measure is compatible with the State Aid rules by encouraging a higher quality of notifications and by discouraging incomplete notifications but also through improving its internal practices and administration. Coupled with this, is the Commission's intention to reduce the time period for the treatment of cases in which the Commission has opened procedure.
- The Commission's intention to achieve a more immediate and effective execution of recovery decisions but also better state aid control by the Member States.

We are particularly looking forward to receive and have the chance to submit our views and comments the following documents that the Commission intends to produce:

- Communication on State Aid and Innovation (2005). We trust that particular attention will be paid to SMEs as a lot of innovative ideas/solutions that are generated by SMEs never reach the stage of materialisation due to funding difficulties.
- The modified Community Framework for Research and Development where account will be taken (among other things) of the growing importance of public private partnerships in the field of R & D and the need to practically encourage such partnerships.
- The review of the Communication on Risk Capital with a view of further stimulating investment in the form of risk capital, in order to particularly promote entrepreneurship.

- The revised Community Guidelines on Regional Aid. This is particularly important in view of the recent enlargement of the E.U. It is our view however that care should be taken so that SMEs located outside the least developed regions are not penalised. SMEs (irrespective of where they are situated in Europe) are key players in the pursuit of the Lisbon Agenda.
- The review of the Community Guidelines on State Aid for Environmental Protection.
- The review of the Communication on Short-term Export-credit Insurance.
- The review of the Communication on the Application of State Aid Rules to Public Service Broadcasting.
- The Consultation Document on the Aid Element in Different Forms of Aid.
- The review of the Notice on State Aid in the Form of Guarantees.
- The review of the Notice on the Application of State Aid Rules to Measures Relating to Direct Business Taxation.

We trust that we will have the opportunity to comment on the above documents/communications that we believe will clarify the new state aid framework better and will provide more detail in as far as the various provisions that interest and affect SMEs in particular are concerned.

Finally we want to point out that the gender or equal opportunities dimension is completely missing from the Commission's State Aid Action Plan. State aid to support the fuller integration of women in the labour market but also in the entrepreneurial community is of the utmost importance, it is absolutely in line with the Lisbon Agenda and should therefore be included in the Action Plan.

In conclusion, we believe that the Commission's State Aid Action Plan for 2005-2009 contains a lot of reforms that will improve the whole situation but it remains a very general document that needs to be further elaborated and/or complemented by additional documents and communications that will provide more detail and more practical provisions. It is essential that stakeholders and particularly business representative organisations are given the opportunity to provide comments or are consulted before the rules are finalised.