

Communication from the Commission amending the Community guidelines on State aid to promote risk capital investments in small and medium-sized enterprises

(Text with EEA relevance)

(2010/C 329/05)

1. INTRODUCTION

The Community guidelines on State aid to promote risk capital investments in small and medium-sized enterprises ⁽¹⁾ (the guidelines) set out the conditions that Member States should respect when granting State aid to promote risk capital investments, particularly with a view to ensuring that such aid does not crowd out private investors and private intermediaries.

The guidelines apply from 18 August 2006. Certain provisions of the guidelines have since been included in Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation) ⁽²⁾ which entered into force on 29 August 2008.

The Communication from the Commission — Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis ⁽³⁾ applies from 17 December 2008 and includes a temporary adaptation of certain limits set out in the guidelines by allowing a lower participation by private investors and higher investment tranches.

The Commission undertook a review of whether certain adaptations introduced by the Temporary Framework should be made permanent. Market data suggest that venture capital markets have still not recovered to pre-crisis levels. The pool of equity investors has decreased in scope compared to 2008. The likely explanation is that risk aversion has augmented. Based on the latest available data and the experience of previous downturns, there are strong indications that particularly early stage technology businesses will experience a prolonged undersupply of risk capital, even if these companies have growth prospects.

Moreover, recent research shows that the upper boundary of the SME equity gap may be wider than has previously been recognised.

On that basis, the Commission considers that the following amendments should be made to the guidelines.

2. AMENDMENTS TO THE GUIDELINES

The following amendments to the Community guidelines on State aid to promote risk capital investments in small and medium-sized enterprises apply from 1 January 2011:

1. Point 4.3.1 is replaced by the following:

‘4.3.1. Maximum level of investment tranches

The risk capital measure must provide for tranches of finance, whether wholly or partly financed through State aid, not exceeding EUR 2,5 million per target SME over each period of 12 months.’

2. Point 5.1(a) is replaced by the following:

‘(a) Measures providing for investment tranches beyond the safe-harbour threshold of EUR 2,5 million per target SME over each period of 12 months

The Commission is aware of the constant fluctuation of the risk capital market and of the equity gap over time, as well as of the different degree by which enterprises are affected by the market failure depending on their size, on their stage of business development, and on their economic sector. Therefore, the Commission is prepared to consider declaring risk capital measures providing for investment tranches exceeding the threshold of EUR 2,5 million per enterprise per year compatible with the common market, provided the necessary evidence of the market failure is submitted.’

3. In Point 5.2.1, the heading and introductory part are replaced by the following:

‘5.2.1. Existence and evidence of market failure

For risk capital measures envisaging investment tranches into target enterprises beyond the conditions laid down in Section 4, in particular those providing for tranches above EUR 2,5 million per target SME over each period of 12 months, follow-on investments or financing of the expansion stage for medium-sized enterprises in non-assisted areas as well as for measures specifically involving an investment vehicle, the Commission will require additional evidence of the market failure being tackled at each level where aid may be present before declaring the proposed risk capital measure compatible with the common market. Such evidence must be based on a study showing the level of the “equity gap” with

⁽¹⁾ OJ C 194, 18.8.2006, p. 2.

⁽²⁾ OJ L 214, 9.8.2008, p. 3.

⁽³⁾ OJ C 16, 21.1.2009, p. 1.

regard to the enterprises and sectors targeted by the risk capital measure. The relevant information concerns the supply of risk capital and the fundraising capital, as well as the significance of the venture capital industry in the local economy. It

should ideally be provided for periods of three to five years preceding the implementation of the measure and also for the future, on the basis of reasonable projections, if available. The evidence submitted could also include the following elements:'
