COMMISSION

COMMISSION DECISION
of 5 March 2003
on the State aid which the United Kingdom is planning to grant to CDC Group plc

(notified under document number C(2003) 651)

(Only the English text is authentic)

(Text with EEA relevance)

(2003/590/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having called on interested parties to submit their comments pursuant to those provisions [1],

Whereas:

1. PROCEDURE

(1) By letter dated 17 January 2001, the United Kingdom notified the Commission of the aid to CDC Group plc. It provided the Commission with further information by a letter dated 5 June 2001, registered on 8 June 2001, a letter dated 18 September 2001, registered on 21 September 2001, and a letter dated 29 May 2002, registered on 7 June 2002.

(2) By letter dated 2 July 2002, the Commission informed the United Kingdom that it had decided to initiate the procedure laid down in Article 88(2) of the Treaty in respect of the aid.

(3) The Commission decision to initiate the procedure was published in the *Official Journal of the European Communities* [2]. The Commission called on interested parties to submit their comments.

(4) The Commission received no comments from interested parties.

2. DETAILED DESCRIPTION OF THE AID

(5) The overall purpose of the scheme is to support the United Kingdom Government's international development policy. According to the United Kingdom, most foreign investment in developing countries is focused on only a few of the richer developing countries. It is believed that financial sectors in poorer countries are underdeveloped and that official and market information about investment opportunities and potential returns is inadequate.

(6) The legal basis of this measure is the CDC Act 1999.

(7) The CDC Group plc (CDC) is the United Kingdom Government's main instrument for investing in the poorer countries. The purpose of CDC is to maximise the creation and long-term growth of viable businesses in developing countries, especially poorer countries. CDC is not a tax planning instrument, nor an instrument to repatriate passive income. By transforming CDC into a public private partnership, the United Kingdom authorities seek to encourage private investment flows to the poorer countries. CDC is expected to remedy the market failure by demonstrating that commercial returns are available from such investments. The Government has therefore imposed an operating framework on CDC, according to which it is required to make 70 % of new investments (by aggregate value) in poorer developing countries [3] over a rolling five-year period and to seek to make at least half of new investments in sub-Saharan Africa and South Asia.

(8) The United Kingdom authorities originally intended to sell the majority of shares in CDC rather soon. However, by letter dated 12 August 2002, they informed the Commission that it would not be possible in the current market conditions to obtain value for money from such a sale. The sale still remains an objective for the future and there will then be open competition and full publicising of the CDC investment opportunity.

---

(1) OJ C 223, 19.9.2002, p. 6.
(2) See footnote 1.
(3) 'Poorer developing countries' are those classified as 'low income' by the World Bank in 1998, and those which were classified as 'lower middle income' by the World Bank in 1998 and whose GNP per capita is below the weighted mean for lower middle income countries. The definition also includes 11 countries for which the World Bank does not currently collect GNP data.

(9) The aid consists in granting CDC investment company status, although the company does not meet all the technical requirements of an investment company as set out in United Kingdom legislation. The main implication is that CDC will enjoy an exemption from tax on income and chargeable gains derived from its investment activities in the same way that investment companies do. Investors in CDC will pay tax according to their own circumstances. The United Kingdom authorities argue that if CDC is not tax efficient, private investors will not support the partnership.

(10) The United Kingdom authorities also submitted that nobody could know how long it would take to obtain the demonstration effect, but that it was expected to take more than 10 years. Therefore, they claimed that they would not be able to attract private investors if the Commission's initial approval were limited to 10 years. The measure was therefore notified for an unspecified period.

(11) The United Kingdom authorities expect the effect of the aid to be limited, since the value of the tax exemption of probably less than GBP 50 million (about EUR 80 million) is small in relation to the total foreign direct investment in developing countries, which was around GBP 100 000 million (about EUR 160 000 million) in 1997. Most of these funds are invested by multilateral and European development finance institutions, such as the International Finance Institution and the European Investment Bank. These are supranational bodies outside the tax system. The United Kingdom authorities submit that sub-Saharan Africa and South Asia received less than 4 % of all private flows to developing countries in 1997. The direct public and private competitors of CDC at the investor level are likely to be emerging market investor funds, emerging market private equity funds and ethical funds. Less directly, competition could be represented by large multinational companies who might raise funds to finance acquisitions in the countries where CDC operates. At the level of investments, alternative players may include trade players (e.g. companies already involved in the industry into which CDC is buying), other venture capital funds, including development finance institutions, or entrepreneurs who have spotted a good opportunity.

2.1. The decision to open the procedure under Article 88(2) of the Treaty

(12) On 2 July 2002, the Commission decided that the aid as such was compatible with the common market, due to its development objective and because it contained several of the positive elements set out in the Communication on State aid and risk capital [4]. However, the Commission had doubts as regards the compatibility with the common market of an aid scheme with an unspecified duration, and therefore decided to open the procedure under Article 88(2) of the Treaty. The following doubts were expressed in the decision to open the procedure:

(a) the Commission does not, in principle, approve fiscal non-quantifiable State aids for an unlimited period of time;

(b) the granting of State aid should not be seen as a permanent solution, but as a temporary measure, which aims to address specific problems. The ultimate goal should be to obtain a fully functioning market without State intervention. The Commission finds that it is appropriate to review State aid schemes regularly in order to ascertain whether the aid is still necessary in view of market developments;

(c) it is stated in point IX of the Communication on State aid and risk capital that risk capital investment is an area of rapid development in the Community economy. This is one of the reasons why the period of application of the Communication is limited to five years and why the Commission reserves the right to adjust its approach during that period. CDC does not carry out the kinds of risk capital investments foreseen in the Communication, but the Commission cannot exclude that the market for ethical investment funds will develop so that the aid to CDC will distort competition and affect trade between Member States to a significantly greater extent than it does now;

(d) the Commission does not find the arguments put forward by the United Kingdom authorities to be convincing enough to deviate from its practice to require all State aid cases to be limited in time with a possibility of renotification and prolongation. In particular, the Commission is not convinced that an approval initially limited to 10 years in itself would reduce, significantly, the willingness of private investors to invest in CDC;

(e) if schemes were open-ended neither the Commission nor other Member States would know which aid schemes were still in operation in a particular Member State. Therefore, regular renotifications of aid schemes leading to Commission decisions, which are published, provide transparency;

(f) the European Council meeting in Barcelona on 15 and 16 March 2002 renewed its call to the Member States to reduce the overall level of State aid. The request for a time limit is in line with this policy;

[4] OJ C 253, 21.8.2001, p. 3.

(g) an indefinite tax exemption would appear to be difficult to reconcile with the principles of the European Community and OECD initiatives to curb harmful tax competition, as set out in the Code of Conduct (adopted 1 December 1997 as part of the Tax Package) in the European Union and in the 1998 Report on Harmful Tax Competition — an Emerging Global Issue, in the OECD;

(h) several countries in which CDC may invest are currently candidate countries negotiating accession to the European Union. The Commission doubts that CDC will be able to continue investing in these countries once they have become members of the European Union.

3. **COMMENTS FROM THE UNITED KINGDOM**

(13) Already in their letter of 29 May 2002, the United Kingdom authorities referred to the fact that the Commission can choose unilaterally to initiate an appropriate measures exercise under Article 88(1) of the Treaty at any time, if it believes that the objective of the scheme has been attained, or if other changes have occurred that affect CDC's special tax treatment.

(14) In their letter of 12 August 2002, registered on 19 August 2002, the United Kingdom authorities recall the Joint Commission — Council declaration on EC development policy in November 2000 [5], which stressed the importance of private sector development for developing countries. The CDC is central to the United Kingdom authorities approach to this issue. The United Kingdom authorities also recall that Article 178 of the Treaty states that the Community is to take account of the objectives referred to in Article 177 on development cooperation in the policies that it implements which are likely to affect developing countries. They believe that it is not possible to achieve the objectives of CDC within 10 years, which is the time limit usually requested by the Commission.

(15) The United Kingdom authorities made the following comments on the Commission's doubts as set out in recital 12:

(a) the United Kingdom authorities state that they have quantified the proposed aid and have emphasised to the Commission that they intend to bring the proposed tax exemption for CDC to an end when the market failure has been corrected and the aid is no longer required;

(b) the United Kingdom authorities agree that the aid should be a temporary measure whose ultimate goal should be to achieve a fully functioning market for the provision of capital to poorer developing countries without the need for State intervention. They will not provide State aid to CDC which is unnecessary in view of market developments;

(c) the United Kingdom authorities agree that risk capital investment is an area of rapid development in the Community economy. They hope that this rapid development will also include or lead to increased ethical investment in the poorer developing countries. They also agree with the Commission that CDC does not carry out the kinds of risk capital investments foreseen in the Communication;

(d) the United Kingdom authorities reply that an approval initially limited to 10 years would not be workable. CDC is increasingly focusing its activities in a series of Funds, following standard industry practice. Each such Fund will normally have a lifetime of 10 years, after which profits are returned to investors. A Fund launched one year after Commission approval had been received would therefore not return profits to investors within the period of the operation of the aid. The United Kingdom authorities would therefore have to renotify before the launch of each Fund. More generally, the United Kingdom authorities have estimated that a period of 40 to 50 years will be required to correct the market failure for the provision of capital to emerging markets. Developments in capital markets since 11 September 2001 may cause this timetable to become further extended. In the light of this assessment, the United Kingdom authorities find that a 10-year approval would not appear to be appropriate. The Commission states that it is not convinced that an approval initially limited to 10 years would reduce, significantly, the willingness of private investors to invest in CDC. To this, the United Kingdom authorities respond that this is the advice that has been given by the investment bank which is retained as the United Kingdom Government's financial advisers on CDC. It will not be possible to give private investors certainty that the approval will be renewed by the Commission during the initial 10-year period. If the approval were not renewed, this would significantly affect the value of any investment;

(e) the concern about knowing which State aid schemes are still in operation can be addressed separately;

(f) the United Kingdom authorities recall the meeting in Barcelona in March 2002 and would like to make clear that United Kingdom levels of State aid are falling in line with the Barcelona conclusions. The United Kingdom authorities also emphasise that the Barcelona Conclusions do not call for an *a priori* time-limitation on State aid measures (though the United Kingdom recognises that there are good reasons, where appropriate, for time-limiting aid measures), but urge Member States to target State aid at market failures, such as the market failure addressed by CDC;

(5) *'Bulletin EU'* 11-2000 Development cooperation (1/10) 1.6.43. Statement by the Council and the Commission on the Community's development policy.

(g) the United Kingdom authorities do not believe that the proposed measure constitutes 'harmful tax competition' in the meaning of European Community and OECD initiatives. The Harmful Tax Competition Initiative uses the term 'harmful tax competition' to describe an unfair measure that significantly influences the location of business activity in the Community. Such a description could not be applied to the proposed measure, the objective of which is not to concentrate business activity in a single Member State, but to increase investment in poorer developing countries;

(h) the United Kingdom authorities agree that CDC should not invest in countries that have become members of the European Union. They will address this issue at the appropriate time.

3.1. **New information — Reorganisation of CDC Group plc**

(16) By letter dated 27 September 2002, registered on 7 October 2002, and letter dated 18 November 2002, registered on 22 November 2002, the United Kingdom authorities submitted new information and requested that it be taken into account in the Commission's decision closing the procedure.

(17) The new information concerned a planned reorganisation of CDC, which is considered necessary, since under current management arrangements there is no competition for the management of CDC's capital. In the medium term, the proposed reorganisation will lead to a more competitive market for the management of investments in poorer developing countries.

(18) The effect of the reorganisation will be to separate CDC into two corporate entities:

— 'CDC-Investco' (6) (the existing CDC, with some amendments to its Articles), which would continue to own the cash and investment assets of CDC and its subsidiaries on the same basis as at present. CDC-Investco would be the beneficiary of the proposed tax exemption, which is subject to the current procedure;

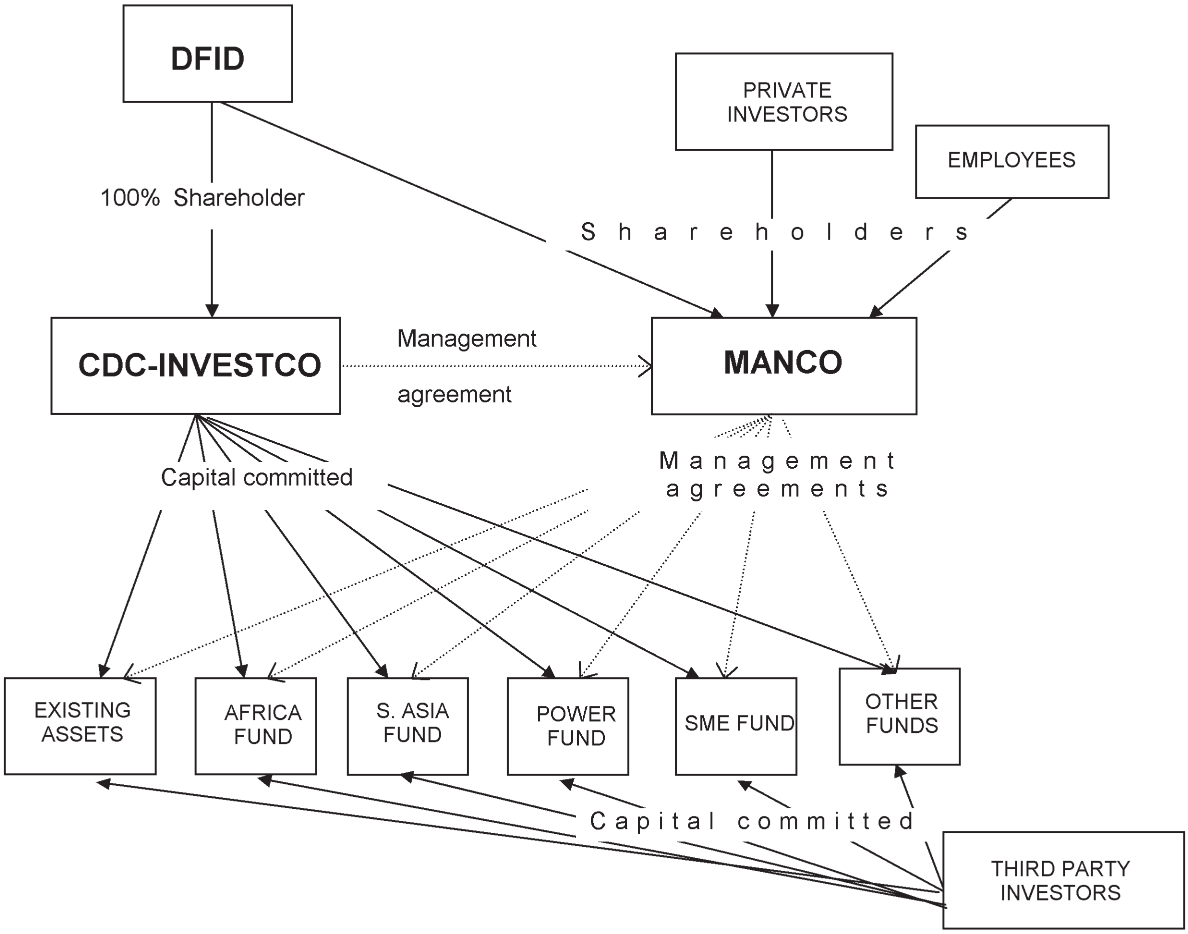
— a new investment management company (Manco (7)). Manco will establish investment Funds with a geographical or sectoral focus, initially for Africa, South Asia, Power and SMEs. Each Fund will be either a corporate or quasi-corporate or partnership entity owned by its investors in proportion to their holdings and having a constitution appropriate to its purpose. Each Fund will be managed by fund managers (Fundcos) with appropriate skills and experience provided by Manco.

(19) Manco would initially be wholly owned by government (the Department for International Development, DFID). But it is envisaged that, at as early a stage as possible, a proportion of the equity in Manco would be offered for sale to private investors, in an open and competitive way. The United Kingdom authorities have been advised that the sale of equity in Manco, as a smaller and more straightforward transaction than a sale of equity in CDC as a whole, is achievable in current market conditions. CDC-Investco will remain wholly owned by government during the restructuring, but the government intends that private investors should be brought in to CDC-Investco when the conditions are right. The structure of the operation is set out in the following diagram (8):

(6) The company names 'CDC-Investco' and 'Manco' are only preliminary names.

(7) See footnote 5.

(8) *Source:* United Kingdom authorities.



(20) The structure of a management company and a family of Funds is an accepted norm in the international fund management industry. The advantages of this structure for CDC are foreseen as follows. Firstly, since each Fund would have its own expected rate of return, risk profile and other characteristics, potential private investors would be able to identify Funds which fitted into their investment strategy. Secondly, the exaggerated perception of risk which prejudices private equity investors against poorer country investment would be more effectively mitigated by demonstrating the success of specialised Funds in specific markets. Thirdly, the Fund structure would provide the Government with more transparency and better monitoring of management costs and performance — and ability to take corrective action in the event of underperformance.

3.1.1. *The proposed contract between CDC-Investco and Manco*

(21) It is proposed that CDC-Investco should contract for a five-year period to commit capital to Funds created and managed by Manco. This is necessary to ensure that Manco's initial business plan will be feasible, and that the new company will be financially viable. The contract will also contain terms for the management of the current CDC portfolio, which ensure the continued development focus of the existing projects.

(22) After five years under the main contract, CDC-Investco would be free to invest its uncommitted capital in Funds launched by other companies as well as Manco, and to procure investment management services on a competitive basis. Sometimes the investment manager chosen by CDC-Investco might be Manco, sometimes an alternative would be selected — such that in say 10 years time, CDC-Investco would be using a range of managers including Manco. Similarly, the United Kingdom authorities would expect Manco to be managing capital for a range of investors including CDC-Investco. CDC-Investco's and Manco's development focus on poorer countries would remain unchanged after the end of the contract between them.

(23) There are broadly standard, or typical, terms for contracts for the management of investment funds and for the most part it is expected that CDC-Investco's contract with Manco will be on such terms. The atypical terms that may exist will be only in the following areas:

(a) there will be terms binding Manco to adherence to the 'CDC Universe' of countries, the socially responsible business principles and other policy values currently applied to CDC;

(b) there will be a qualified commitment by CDC-Investco to invest in agreed Manco-managed funds launched during the first five years of operation;

(c) there may be different management fees associated with different Funds, depending on whether CDC-Investco is a sole investor in a Fund or one of a number of investors. CDC-Investco will remain the only investor in the most unattractive funds. For these funds, the fees might be somewhat higher, but not higher than they are in the present structure. Where CDC-Investco is investing in a Fund together with private investors, they will all pay the same management fees.

3.1.2. *Comments from the United Kingdom authorities*

(24) Without the reorganisation, CDC management would have an indefinite right to manage all CDC's capital, whereas the proposed contract will have a finite duration. As such, the United Kingdom authorities consider their proposed course of action to be pro-competitive.

(25) The statements made in the United Kingdom's notification concerning the tax exemption for CDC will remain valid. In particular, the reorganisation will retain consistency with the Commission's Communication on State aid and Risk Capital, because Manco will be a new and innovative enterprise focused on risk capital market failure in poorer developing countries, making investment decisions on a commercial basis, and without receiving operating aid or distorting the common market. It is hoped that the reorganisation will accelerate the process by which CDC is able to remedy the market failure in the provision of risk capital in poorer countries.

4. ASSESSMENT

4.1. Presence of State aid under Article 87(1) of the Treaty

4.1.1. *The tax exemption*

(26) No new information was received during the procedure, which affects the Commission's initial assessment that the tax exemption constitutes State aid to CDC Group plc. The tax exemption will lead to a loss of revenue for the State and thus involves State resources [9]. The measure is only available to CDC, and is therefore specific. It is an advantage for CDC to be granted investment company status, and thus the tax benefit. Without it, CDC would not be able to attract private capital for any kind of investment. As regards the effect on trade between Member States, it is the Commission's constant practice to consider that when the State intervenes to create a new player on the international financial markets, this has an effect on the investment flows between Member States. In this case, however, the effect on trade and competition was found to be limited, in view of the specific investment focus of CDC Group plc.

In the following, the beneficiary of this aid is referred to as 'CDC-Investco'.

4.1.2. *The reorganisation*

(27) As stated by the United Kingdom authorities, the contract between CDC-Investco and Manco contains atypical terms in three areas.

(a) Manco will continue to be bound to the 'CDC-Universe' of countries, the socially responsible business principles and other policy values currently applied to CDC Group plc. This measure does not involve State resources and therefore does not constitute State aid.

(b) CDC-Investco will commit to invest in agreed Manco-managed Funds launched during first five years of operation. For the sums invested to constitute State resources within the meaning of Article 87(1) of the Treaty, three conditions have to be fulfilled, according to the case law of the Court of Justice: (i) there have to be public funds involved, (ii) the measure must be imputable to the State, and (iii) the money must be invested in a way in which a prudent investor in a market economy would not have invested them [10].

In this case, the Commission assesses the fulfilment of the three conditions as follows:

(i) CDC-Investco will initially continue to be wholly owned by the State, and the privatisation has been postponed for an undefined period of time. At the time the decision to commit funds is taken, the public authorities clearly exercise dominant influence over CDC-Investco, and the funds of the company therefore constitute public funds;

(ii) the measure is planned and notified by the State;

(iii) the United Kingdom authorities state that contracts dealing with the outsourcing by the parent company of a core function are unusual and that the proposed contract therefore lies outside some market norms.

The measure therefore involves State resources within the meaning of Article 87(1) of the Treaty.

[9] The amount of tax revenue foregone depends on the extent to which investors in CDC are liable to tax in the United Kingdom. See also the Commission's decision in case N 56/2001 (OJ C 223, 19.9.2002, p. 6).

[10] See e.g. judgement in Case C-482/99 *French Republic v Commission*. [2002] ECR I-4397.

CDC-Investco will only make a commitment towards Manco, and thus the measure is specific. A proportion of the equity in Manco is to be privatised as soon as possible, and a five-year commitment of funds is an advantage to any private management company, since it ensures a certain income and profit from management fees. Fund management at the level at which Manco will operate is an international activity. The measure is intended to ensure the viability of the company on this market. The measure thereby distorts or threatens to distort competition and affects trade between Member States. The Commission therefore finds that CDC-Investco's commitment to Manco constitutes State aid to Manco covered by Article 87(1) of the Treaty. Such an aid cannot be quantified.

Manco will be privatised in an open and competitive way. Therefore, the Commission finds that there is no selectivity at this level, and that the aid is not passed on to the private investors in Manco.

(c) The management fees, although varying between Funds, will be cost-reflective. When CDC-Investco invests in the same Funds as private investors, the management fees will be the same for all investors. The Commission therefore does not see any advantage to Manco nor to the private investors, and the differentiation of management fees between Funds does not constitute State aid under Article 87(1) of the Treaty.

4.2. **Compatibility of the aid under Article 87(3)(c) of the Treaty**

(28) Article 87(3)(c) of the Treaty allows the Commission to grant an exemption for ‘aid to facilitate the development of certain economic activities, where such aid does not adversely affect trading conditions to an extent contrary to the common interest’. In this case, the aid serves to facilitate the development of risk capital investments by private EU investors in businesses in the poorer developing countries. The two aid measures are assessed separately below.

4.2.1. *The tax exemption*

(29) In its decision to open proceedings under Article 88(2) of the Treaty, the Commission did not doubt the compatibility of the aid as such. The aid to CDC-Investco is granted in line with the Community development policy as set out in Article 177 of the Treaty. The scheme also contains a number of positive elements as described in the Commission Communication on State aid and risk capital. A number of these criteria serve to ensure that the funds are invested and managed on market conditions. The creation and privatisation of a separate management company will therefore only improve the aid's fulfilment of the relevant criteria.

(30) The doubts expressed mainly concerned the duration of the aid, which was notified for an unspecified period of time. In principle, the Commission does not approve fiscal non-quantifiable State aids for an unlimited period of time. In brief, the Commission considers that such State aid measures should be temporary, because the ultimate goal is to obtain a fully functioning market, without State intervention. In general, the risk capital market develops rapidly so that it cannot be excluded that the notified aid will distort competition and affect trade between Member States to a significantly greater extent than it does today.

(31) If, however, the rapid development of risk capital markets also leads to increased ethical investment in the poorer developing countries, the period during which the aid is granted will be shortened. This is because once the United Kingdom authorities consider that the relevant markets have developed, the State will give up its special share in CDC to which the tax exemption is linked. If, on the other hand, the relevant market does not develop, the distortion of competition remains limited, and its duration will therefore also be of less importance.

(32) The Commission also referred to the European Council meeting in Barcelona 15 and 16 March 2002, which called for reduced overall levels of aid, and to the European Community and OECD initiatives to curb harmful tax competition. It is true that the European Council in Barcelona also urged Member States to target State aid to identified market failures. Moreover, the notified measure is not intended to concentrate business activity in one single Member State, nor can it be expected to have such an effect. Since investors in CDC are taxed according to their own circumstances, they have no reason to relocate because of the tax exemption of CDC-Investco.

(33) In its decision to open proceedings, the Commission also doubted whether the ‘CDC Universe’ could include countries expected to accede to the European Union in 2004. The United Kingdom authorities will ensure that CDC-Investco does not invest in countries that have become members of the European Union. This doubt has therefore been allayed. In addition, no EEA countries are included in the ‘CDC Universe’.

(34) In conclusion, the Commission maintains its position that fiscal aid, in particular, must not be authorised for an undefined period of time. However, the Commission finds that exceptionally the aid can be authorised for an initial period of 20 years, given the specificity and aim of the aid, the wish of the United Kingdom authorities to end the measure as soon as it is no longer necessary, the limited distortion of competition and the absence of comments from third parties. Whether or not the aid can be authorised for a longer period, as requested by the United Kingdom authorities, is better assessed at a later stage when any market developments can be properly taken into account. Therefore, if the United Kingdom authorities so wish, they may notify the Commission of a prolongation of the aid as from the end of the first 10 years of its application.

4.2.2. *The five-year commitment of funds to Manco*

(35) The Commission notes that the reorganisation of CDC Group plc is appropriate in the current market conditions and will facilitate the achievement of the objective of the scheme, namely to attract private capital for investment in businesses in the poorer developing countries. The structure of a management company and a family of Funds is an accepted norm in the international fund management industry.

(36) The Commission also notes that the United Kingdom authorities find it necessary for CDC-Investco to commit to invest in agreed Manco-managed funds for the five first years of operation of the new structure. In this way, Manco will be guaranteed income through management fees. The Commission accepts that it is important to safeguard the initial viability of Manco, since the company remains an instrument of United Kingdom development policy.

(37) The Commission finds that the commitment of funds for a five-year period can be considered proportionate to the development objective pursued. The aid to Manco is therefore considered compatible with the common market under Article 87(3)(c) of the Treaty. This decision is also in line with Article 178 of the Treaty, which states that the Community shall take account of the objectives referred to in Article 177 on development co-operation in the policies that it implements which are likely to affect developing countries.

5. **CONCLUSION**

(38) The Commission concludes that the aid granted in the form of a tax exemption to CDC-Investco is compatible with the common market under Article 87(3)(c) of the Treaty. However, it can at this stage only be authorised for an initial period of 20 years from its entry into force. As from the end of the first 10 years of application of the aid, the United Kingdom authorities may notify a prolongation of it beyond the initial 20 years.

(39) The aid granted to Manco in the form of a commitment by CDC-Investco to invest in agreed Funds launched by Manco is also compatible with the common market under Article 87(3)(c) of the Treaty and can be approved for the five-year period for which it was notified.

(40) The Commission attaches great importance to the ongoing work against harmful tax practices on both European Community level (the Code of Conduct Group) and OECD level (the OECD Forum on harmful tax practices). However, since CDC only will make real, active investments in third countries, the regime would appear to be in line with the Community approach in this respect. The Commission will closely monitor this in the annual reports to be submitted by the United Kingdom authorities,

HAS ADOPTED THIS DECISION:

Article 1

The State aid, notified on 17 January 2001, in the form of a tax exemption, which the United Kingdom is planning to implement on the basis of the CDC Act 1999 for the investment company to be created through the reorganisation of CDC Group plc, provisionally known as 'CDC-Investco', is compatible with the common market within the meaning of Article 87(3)(c) of the Treaty.

The tax exemption is authorised for an initial period of 20 years from its entry into force.

The State aid in the form of a commitment by the investment company provisionally known as 'CDC-Investco' to invest in certain agreed Funds, which the United Kingdom is planning to implement in favour of the management company to be created through the reorganisation of CDC Group plc, provisionally known as 'Manco', is compatible with the common market within the meaning of Article 87(3)(c) of the Treaty. The aid is authorised for a period of five years from the entry into force of the relevant contract between the two companies.

Implementation of the aid is accordingly authorised for the specified periods.

Article 2

This Decision is addressed to the United Kingdom of Great Britain and Northern Ireland.

Done at Brussels, 5 March 2003.

For the Commission

Mario MONTI

Member of the Commission