

# State aid – thematic areas (II):

## Risk capital

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These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union.



## Legal Bases

- Risk Finance Guidelines (OJ C 19, 22.1.2014)



## Notifiable risk finance measures

1. Measures targeting categories of undertakings outside the GBER
  - Small mid-caps
  - Innovative mid-caps
  - Undertakings receiving first aided investment after 7 years following first commercial sale
  - Undertakings requiring more than €15M overall investment
  - Alternative trading platforms not fulfilling the conditions of the GBER
2. Measures with financial design parameters not complying with the GBER
  - Private investor participation below the GBER ratios
  - More preferential risk-reward sharing arrangement to private investors
  - Preference to downside protection over asymmetric profit-sharing in the selection
  - Fiscal incentives to corporate investors
3. Large schemes falling outside the GBER



# Eligible undertakings

## 1. SMEs

### 2. Small midcaps

- Employees below 499, annual turnover €100 M, annual balance sheet €86 M
- Rationale:
  - Support successful endogenous growth
  - Maximise return for private investors by allowing them to exit at a later stage
  - Allow for setting up a seamless financing chain supporting companies from creation to internationalisation
  - Align with EU funds (Horizon 2020)

### 3. Innovative midcaps

- Employees below 1500
- Criteria of 'innovative': R&D&I costs represent at least 10% of the operating costs in last 3 years, or 15% in any of the last 3 years
- Rationale: Innovative companies face specific market failure even at later stages of growth



## ***Ex ante* market failure assessment**

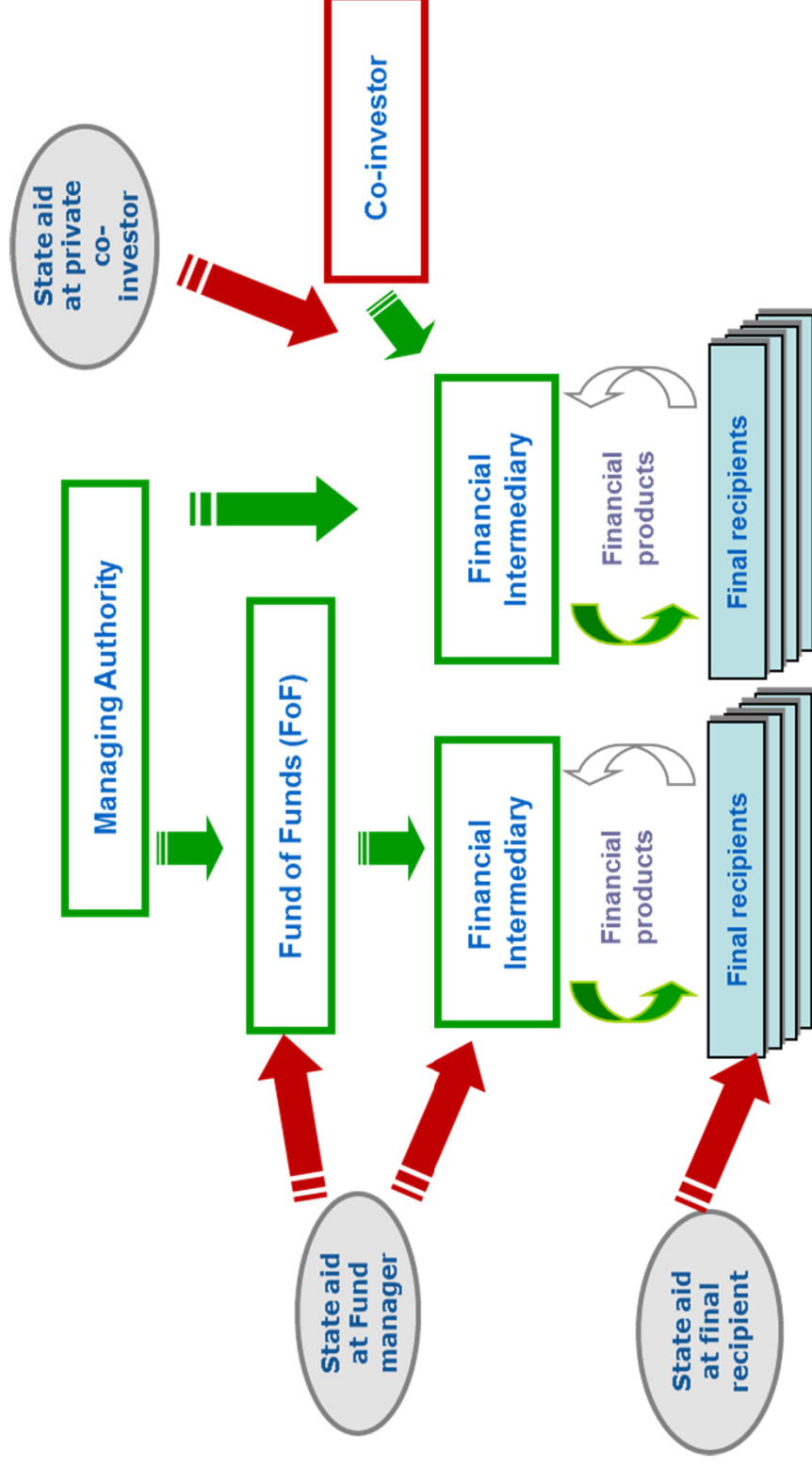
1. Identifying specific market failure: funding gap affecting eligible undertakings in target area
2. Identifying specific policy targets and performance indicators, e.g.:
  - Required private investment
  - Expected number of undertakings invested in
  - Estimated number of new undertakings created
  - Estimated number of new jobs created
  - Expected return
3. Justifying choice of the specific measure compared to other policy & State aid instruments:
  - Consistency with & complementarity to national SME access to finance policies
  - Justifying the form and design of the State aid measure
4. Demonstrating that negative effects are limited to the minimum necessary
5. Avoiding duplication:
  - Assessment carried out by internal or external expert
  - Accepting ex ante assessment prepared for Structural Funds Financial Instruments

# Compatible fiscal instruments (tax incentives)

- **GBER: tax incentives to natural persons**
- **Guidelines: tax incentives to corporate investors**
  - Well-defined category of eligible undertakings affected by market failure
  - Total investment in any eligible undertaking up to €15 M
  - Investment requirements made public
  - Fiscal advantage open to all investors fulfilling the predefined criteria
  - Specific limits defining the maximum advantages
  - Shares must be held for at least 3 years
  - Scheme limited to 10 years

# Alternative Trading Platforms

- **Rationale of support: measure addressing supply-side market failures**
- **GBER:**
  - Fiscal incentives to natural person private investors investing via an alternative platform trading only in SME shares
  - Start-up aid to the platform operator – operator has to be a small company
- **Guidelines:**
  - Platforms trading not only in SME shares
  - Platform operator is bigger than a small company
  - Platform operator requiring higher amounts of aid than start-up aid ceilings



Assessment principle	Assessment approach under the RDI Framework (Notified projects)
Objective of common interest and need for State intervention (market failure)	Improving the conditions for access to finance for SMEs and certain mid-caps  Establishing the funding gap in the ex-ante assessment
Appropriateness	Ex ante assessment to demonstrate that design of the measure is appropriate to address the identified market failure compared to alternative no-aid and aid measures
Incentive effect	Presumed if the design of the measure is appropriate
Proportionality	Specific criteria for financial and fiscal schemes
Negative effects	Assessing negative effects at 3 levels & black list



***Thank you for your attention!***

