

State aid and risk capital, implementation of the action plan RCAP

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PURPOSE : to present the Commission's view of State aid in relation to risk capital. **CONTENT** : The Commission has expressed a general policy in favour of promoting risk capital in the Community. It believes that certain enterprises may be better served by equity finance than by loan finance alone, given the costs of servicing debts and the risk averse nature of many lending institutions. Given the advantages of an increase in risk capital provision, public authorities have sought to take measures to promote risk capital markets. The Commission has recognised a role for public funding of risk capital measures limited to addressing identifiable market failures. Public authorities at national level have used public capital to support various schemes for increasing the supply of risk capital. The Commission has proposed that Structural Funds intervention may take the form of co-financing of risk capital funds for SMEs. such measures raise the question of compatibility with the State aid Articles of the Treaty. This document: - sets out how the Commission will apply the State aid definition in Article 87(1) of the Treaty to risk capital measures. - provides new criteria under which the Commission may authorise such measures which do constitute State aid, even if they are not compatible with the other guidelines, frameworks or regulations which the Commission has adopted. In addition, the document aims to explain why State aid control in this area is necessary, to explain the difficulties in applying current guidelines to such measures, and to justify why the Commission considers that the new compatibility criteria are both necessary and appropriate.