Risk capital markets and the job creation: action plan. Cardiff European Council 1998

1998/2171(COS) - 25/10/2001

PURPOSE : to present the Commission's assessment of the Risk Capital Action Plan (RCAP). CONTENT : This document reports on progress for the year 2000 and for early 2001. It is the third since the adoption of the RCAP in 1998. The performance of the risk capital markets in Europe in 2000 was spectacular, and more so in the seed and start-up phases which have, traditionally, been the weakest links of the financing cycle. The European industry has become not only bigger but also more sophisticated and better organised. Growth was shared by all Member States, even though important differences persist. When compared to the US, the size of the European market is still small. The downturn in economic growth will have a negative impact on the growth part of the risk capital industry. Progress in setting up a proper regulatory framework for the development of risk capital has continued, particularly in relation to financial measures where the centre of gravity of decision taking has shifted from the Commission to the Member states and the European Parliament. Many difficulties still exist, such as the absence of a single affordable patent, and the whole array of fiscal barriers, often of a discriminatory nature, with the potential to delay further the establishment of a true single risk capital market. Euro notes will add pressure to eliminate remaining barriers. The development of European entrepreneurship is a priority area. A sector where things could prove cost-effective is that of R&D. The Lisbon summit envisaged the creation of the most dynamic economy in the world by the end of this decade. This will require effective R&D programmes. In this regard, the rapid adoption of the New Framework Programme for R&D should be a top political priority. In the area of public funding, the Commission has clarified its policy towards state aid. The EIF has strengthened and fully defined its role as the risk capital arm of the EIB Group; the EIB Group and the Commission have signed a joint memorandum to co-finance R&D activtites; risk capital is becoming more involved in regional development; and some Community instruments have been redirected towards early stage finance. In conclusion, there has been some progress in all RCAP areas, but more sustained activity has to continue on a wide range of risk capital fronts.