Risk capital markets and job creation: implementation of the action plan RCAP

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This Communication reports on progress in the implementation of the RCAP for the year 2002 and, where possible, for the first three quarters of 2003. It is the fifth since the adoption of the RCAP in 1998. It is also the final one as various European Councils had set, and confirmed, 2003 as the deadline to complete the Risk Capital Action Plan. The last 18 months has been a period of adjustment in Europe with many players convinced that we are already at the bottom of the prolonged down-cycle. Behind have been left the burst of the bubble and the financial scandals and many in the industry, following a consolidation and a rationalisation process soon be completed, seem to be ready for a recovery. When taking the RCAP period as a whole (1998-2003) important progress can be reported. From the political point of view, risk capital issues are now at the top of the agenda in all regional, national and Community institutions. From the technical point of view most of the measures foreseen in the RCAP in 1998 have been completed. There are of course measures which by its own nature (e.g. those linked to cultural barriers) cannot by subject, in practice, to a specific deadline but where qualitative progress can also be reported. The European industry has also changed considerably in the last 5 years. It is now much bigger (even though the gap with the USA still persists), more global, mature and professional and, as a result, risk capital is becoming in an increasing number of Member States an asset class of its own. The challenge now would be to extend these positive developments to the whole Community and in particular to the future new Member States. So many exchanges, mostly small, fragments the liquidity available for small growing firms in the EU; driving up the cost of capital; and reducing exit opportunities for venture capitalists. The time has surely come for the smaller European exchanges to formally link together - creating a common pool of European liquidity for European fast growing companies - based on a common, rigorous set of pan-European trading and corporate governance rules - which are being developed in the FSAP. Regional exchanges could also link to this pan-European specialised network - and hence to the larger exchanges In order to keep up the momentum, the Commission will continue to follow the European risk capital markets closely. It will further analyse the areas where there still remain inefficiencies with a view of putting forward recommendations and proposals, as appropriate, with the Lisbon 2010 deadline in mind. Concerning the next steps, the report states that building on the RCAP, the Commission will continue to follow the risk capital markets closely. It will further analyse the areas where inefficiencies still remain with a view to putting forward recommendations and proposals, as necessary, on for example: - obstacles faced by institutional investors who wish to invest in venture capital; - further improving the regulatory framework including the possibility of creating a harmonised European legal structure capable of ensuring tax transparency all over Europe; - fostering exit mechanisms, with special attention to specialised stock exchanges and lists for growing companies, and to boosting investor confidence; - closing the information gap between financiers andcompanies/entrepreneurs seeking investment; - focusing EU support on safeguarding the supply of funds for early stage investment and on counterbalancing the effects of the present reduced supply of development stage financing. In the new Member States, full advantage should be taken of the EIF's experience in the establishment of new funds in locations outside financial centres.