

# State Aid and Risk Capital

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LT EC law; State aid; Venture capital

## I. Introduction

The Communication "State aid and Risk Capital" (hereafter: "the Communication") was adopted by the Commission on May 23, 2001 for a period of five years. Since its publication on August 21, 2001, the Communication became an important legal basis not only for risk capital measures, but also other kinds of state aid regimes.

This article, following a definition of terms (II) and a brief overview about the Communication's genesis (III), describes the substantial rules of the risk capital communication and the Commission decision practice (IV) and presents some reform proposals (V). It finishes with some concluding remarks (VI).

## II. Risk capital and its importance for the Lisbon-Strategy

### 1. Definition of risk capital

The Communication does not stipulate a new definition of risk capital, but refers, in its first footnote, to the Commission Paper "Risk capital: a key to job creation in the European Union".<sup>1</sup>

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1 SEC (1998) 552 final, March 31, 1998.

Risk capital is therefore defined as equity financing to companies in their start-up and development phases. The term "venture capital" refers essentially to risk capital provided by investment funds (venture capital funds) established for that purpose. Such funds often provide a mix of equity, mezzanine and subordinated loan finance and the term "venture capital" refers to the totality of this finance.

### 2. Importance for the Lisbon-Strategy

The provision of risk capital plays an important role in the context of the Lisbon-Strategy. The "State Aid Action Plan: less and better targeted state aid: a roadmap for state aid reform 2005 to 2009"<sup>2</sup> indicates that state aid control, and therefore also the Communication, plays an important role to achieve this goal.

## III. Genesis of the Communication<sup>3</sup>

The absence of a pertinent legal basis for national risk capital measures and the difficulty of establishing a "grant equivalent" of equity capital and a link with eligible costs, both legal concepts that are typical for state aid rules, made it more and more difficult for the Commission to assess such measures in the course of the 1990s although, in practice, risk capital was increasingly used as an aid instrument.

The above-mentioned difficulties in applying the existing state aid rules also appeared in the UK *Regional Venture Capital Funds* case.<sup>4</sup> On October 19, 2000, the Commission opened a formal investigation procedure pursuant to Art.88(2) EC against this measure.<sup>5</sup> During this investigation procedure, the Communication was adopted by the Commission on May 23, 2001<sup>6</sup> and already applied as a legal basis for the approval of the aforementioned measure on June 8, 2001,<sup>7</sup> i.e. even before the Communication was published in the *Official Journal of the European Communities* on August 21, 2001. Many cases followed.

2 COM (2005) 107 final.

3 See also section I of the Communication.

4 State aid Case C-56/2000—UK.

5 [2001] O.J. C27/20.

6 Commission Press Release IP/01/739.

7 [2001] O.J. L263/28.

## IV. Substantive rules of the Communication and Commission decision practice

The Communication describes in its section IV the presence of state aid pursuant to Art.87(1) EC in risk capital measures. But it also defines, in its section VIII, pertinent compatibility criteria for such measures, hence stipulates rules for the Commission's discretionary power pursuant to Art.87(3) EC.

In the following, this dual nature shall be described in more detail:

### 1. Risk capital measures as state aid

The notion of state aid is defined in Art.87(1) EC. In order to fall within the scope of Art.87(1) EC, four cumulative criteria must be met: the measure must involve the use of state resources, must distort or threaten to distort competition by conferring an advantage on the beneficiary undertaking, the advantage must be selective, in that it is limited to certain undertakings or sectors and the measure must affect trade between Member States. The Commission has no discretion in interpreting Art.87(1) EC. The provision is justifiable before and to a large extent defined by the ECJ and CFI, and the Commission is bound by the ratio decidendi of the case law of the ECJ and the CFI.

#### a) Assessment of the presence of aid at three different levels

The Commission, in its decision practice, assesses the presence of state aid pursuant to Art.87(1) EC at three different levels:

- level of the intermediary vehicle or fund;
- level of the investors;
- level of the enterprises invested in, i.e. the investees.

#### b) Commission decision practice concerning the presence of aid

The Commission decision practice demonstrates that the question whether a measure provides aid, and at what level, largely depends on the design of the measure at stake:

##### (i) Aid-free risk capital measures

The Commission considered in several decisions that the risk capital measure under scrutiny did not constitute an aid, e.g. in two Austrian venture capital measures in

the Burgenland<sup>8</sup> and Styria<sup>9</sup> regions or, most recently, in the Spanish NEOTEC fund of funds,<sup>10</sup> but also in the Irish "Seed and Venture Capital Fund Scheme"<sup>11</sup> that was already adopted before the entry into application of the Communication. This is particularly the case if state resources are made available on the same terms as those applying to private investors (*pari passu* principle).

##### (ii) Aid solely at the level of the investees

Only in a few cases, the presence of state aid was considered solely at the level of the investees which receive financing on terms which are more favourable than an investment made by a private investor in a market economy. Symptomatic for such cases is that the fund is merely an intermediary vehicle for the transfer of the aid to the investees, whilst the measure is open to all investors and therefore lacks selectivity, like in an Italian venture capital fund for the Calabria region<sup>12</sup> as well as in the Irish *Western Investment Funds*.<sup>13</sup>

##### (iii) Aid at the levels of the investees and the investors

State aid at the levels of the investees and the investors is the most frequent constellation in the Commission decision practice. Such measures usually allow investors to participate in the equity of a company or set of companies on terms more favourable than the public investor, or than if they had undertaken such investments in the absence of the state intervention and are limited in size, thus allowing only a limited number of investors to participate. The Commission decisions in several German ERDF venture capital funds<sup>14</sup> and the UK cases *Wales Early Stage Fund*<sup>15</sup> and *Greater London High Technology Seed and Creative Industries Funds*<sup>16</sup> may serve as examples.

##### (iv) Aid at the level of the fund

Concerning this level, the Commission usually tends to the view that a fund is a vehicle for the transfer of aid to investors and/or investees rather than being an aid

8 State aid N 677/2002—Austria, [2003] O.J. C148/8.

9 State aid N 403/2002—Austria, [2003] O.J. C138/4.

10 State aid N 344/2005—Spain, not yet published.

11 State aid N 172/2000—Ireland, [2001] O.J. C37/48.

12 State aid N 173/2003, not yet published.

13 State aid N 306/2004—Ireland, [2005] O.J. C136/44.

14 State aid N 212/2004—Germany, [2005] O.J. C95/8; N

266/2004—Germany, [2005] O.J. C95/9; N 310/2004; N

213/2004—Germany, amended by N 345/2005—Germany; N

364/2004—Germany, all not yet published.

15 State aid N 572/2003—UK, [2005] O.J. C133/2.

16 State aid N 5/2004—UK, [2005] O.J. C133/2.

beneficiary itself.<sup>17</sup> This principle, *inter alia*, also applied in the aforementioned cases.

An aid at the level of the fund is, however, considered in measures involving transfers in favour of existing funds with numerous and diverse investors or in similar situations that result in that the fund may have the character of an independent enterprise, like in a German innovation fund set up in Saxony-Anhalt,<sup>18</sup> the Consolidation and Growth Fund in Saxony, Germany,<sup>19</sup> and the UK Community Investment Tax Credit case.<sup>20</sup>

#### (v) Aid solely at the level of the investors

Finally, it is pointed out that an aid solely at the level of the investors would contradict the idea of the Communication to overcome a market failure at the level of the investees. An approval of such kind of measure is therefore difficult to imagine.

## 2. Compatibility criteria and Commission decision practice

The Commission, in section V of the Communication, reminds that risk capital measures still can be approved on the basis of the existing state aid rules, even after the entry into application of the Communication. However, this appears only in some very few exceptional cases.<sup>21</sup> Legal basis for the assessment of risk capital measures are actually the following compatibility criteria stipulated in sections VI, VII and VIII of the Communication:

#### a) Presence of a market failure

The basic principle for the assessment of risk capital measures under the Communication is the presence of a market failure. Pursuant to point VI.5 of the Communication, the Commission requires evidence of market failure before being prepared to authorise risk capital measures which fall outside the scope of existing rules. The importance of the presence of market failure as a basic criterion in the field of state aid control was recently highlighted in the above-mentioned State Aid Action Plan as well as in the Commission Consultation Paper on state aid and innovation.<sup>22</sup>

17 See point IV.5.(2) of the Communication.

18 State aid N 707/2000—Germany, [2001] O.J. C149/8; and N 280/2003—Germany, [2004] O.J. C67/9.

19 State aid N 349/2001—Germany, [2002] O.J. C62/41.

20 State aid N 711/2001—UK, [2003] O.J. C18/38.

21 State aid N 565/2002—Germany, [2003] O.J. C76/28.

22 COM (2005) 107 final.

#### (i) Two main sources of market failure relevant to risk capital measures

The Communication acknowledges, in its point VI.3, two main sources of market failure relevant to risk capital markets which particularly affect access to capital by SMEs and companies at the early stages of their development and which may justify public intervention:

- imperfect or asymmetric information of both investors and SMEs;
- transaction costs: small deals are less attractive to investment funds due to relatively high costs for investment appraisal and other transaction costs.

#### (ii) Presumed market failure—the “safe harbour”—thresholds<sup>23</sup>

The Commission presumes the presence of market failure in the form of an equity gap, without requesting the Member State concerned to prove it, where each tranche of finance for an enterprise from risk capital measures which are in turn wholly or partially financed through state aid will contain a maximum of €500,000, or €750,000 in regions qualifying for assistance under Art.87(3)(c) EC, or €1 million in regions qualifying for assistance under Art.87(3)(a) EC. This is because for small transactions the argument that market failure exists through high transaction costs is more persuasive. The fact that a market failure is recognised does not however alter the aid character of a particular measure, nor the need to assess its compatibility. Since a market failure is presumed without being obliged to prove it whenever these thresholds are respected, they are also called “safe harbour” thresholds.

#### (iii) Proof of a bigger equity gap

Should a Member State wish to grant higher tranches, the Commission usually opens a formal investigation procedure pursuant to Art.88(2) EC in order to be able to assess the claimed equity gap in depth and to give interested parties the possibility to comment. In case a Member State is able to prove the alleged bigger equity gap, the Commission approves the measure. Investment tranches of between £250,000 and £1.5 million were accepted by the Commission in the *Invest Northern Ireland Venture 2003* case,<sup>24</sup> and investment tranches of between £250,000 and even £2 million were approved

23 See point VI.5 of the Communication.

24 State aid Case C-72/2003—UK, [2005] O.J. L236/14.

in the *Enterprise Capital Funds* case.<sup>25</sup> In both cases, the UK authorities were able to prove the claimed equity gap in the aforementioned size on the basis of several studies.

#### *b) Form of the aid measure*<sup>26</sup>

The Communication applies in particular to aid measures concerning the constitution of investment funds (“venture capital funds”) in which the state is a partner, investor or participant, grants to venture capital funds to cover part of their administrative and management costs, guarantees to risk capital investors or to venture capital funds against a proportion of investment losses, or guarantees given in respect of loans to investors/funds for investment in risk capital as well as fiscal incentives to investors to undertake risk capital investment.

The Communication does not apply to debt financing in favour of the investees.<sup>27</sup> Debt financing still has to be assessed on the basis of the Commission notice on the method for setting the reference and discount rates.<sup>28</sup> This method is often also applied for quasi-equity financing. This is why in many German risk capital cases, so-called dormant participations were treated like debt financing and considered as aid free as long as the EU reference rate plus 400 basis points were applied.<sup>29</sup> In the extreme case, such dormant participations were combined with equity financing up to €100,000 over a period of three years as *de minimis* aid pursuant to Regulation 69/2001<sup>30</sup> so that the measure had to be considered as aid free at the level of the investees.<sup>31</sup>

The Communication was, however, applicable in a case in which the City of Hamburg granted an interest free loan to a venture capital fund.<sup>32</sup> The debt financing was only in favour of the fund, whilst at the level of the investees only equity financing was provided and the principles stipulated in point VII.2 of the Communication did not apply.

#### *c) Compatibility criteria*

In general, the Commission is prepared, on the basis of the compatibility criteria stipulated in point VIII.3 of

the Communication, to look favourably at risk capital measures.<sup>33</sup>

In point VIII.3 of the Communication, seven compatibility criteria are stipulated. Contrary to other state aid rules, they do not have to be fulfilled in a cumulative way. The criteria are expressed in the form of “positive and negative elements”. Not all the elements have equal weight, and in the listing under point VIII.3 of the Communication, the most important elements are listed first. No single element is essential, nor can any set of them be regarded as sufficient on its own to ensure compatibility.<sup>34</sup>

The fact that not all compatibility criteria have to be fulfilled makes the Communication unique as compared to other state aid documents. It also leaves the Commission substantial discretionary powers in the application of the Communication when assessing national risk capital measures. However, in practice, the Commission tends to achieve compliance with as many compatibility criteria as possible.

The Commission, therefore, once a market failure has been established, assesses to what extent the following seven criteria are fulfilled:

#### **(i) Restriction of investments, or failing that of a majority of funds invested**<sup>35</sup>

The restriction of investments to small or even micro-enterprises and/or medium-sized enterprises in their start-up or other early stages or in assisted areas will be regarded as a positive element.

Access to finance for medium-sized enterprises beyond their start-up or early stages should be subject to a limit per enterprise on total funding through the measures. Restriction to smaller transaction sizes, i.e. the above-mentioned “safe harbour”—thresholds, or to the otherwise proven bigger equity gap are regarded as a positive element.

As to the definition of the transaction size, it should be mentioned that separate injections of capital within six months of each other would be considered to be part of the same tranche, as would different injections, even over a longer period, to which a commitment is made as part of a single transaction.<sup>36</sup> On the basis of this definition, the Commission approved, in the Belgium risk capital measure *ARKimedes*,<sup>37</sup> tranches of up to €1 million outside assisted areas as Belgium had

25 State aid Case C-17/2004—UK, not yet published.

26 See point VII of the Communication.

27 See point VII.2 of the Communication.

28 [1997] O.J. C273/3.

29 See, e.g. the above-mentioned German ERDF Venture Capital Funds.

30 [2001] O.J. L10/30.

31 See State aid N 34/2005—Germany; and N 104/2005—Germany, both not yet published.

32 State aid N 698/2002—Germany, [2004] O.J. C78/31.

33 See point VII.1 of the Communication.

34 See point VII.1 of the Communication.

35 Point VIII.3, first sub-para. of the Communication.

36 See fn.27 of the Communication.

37 State aid N 632/2003—Belgium, [2005] O.J. C223/2.

committed itself to realise no further transactions within a 12-month period.

This element is complied with in all Commission decisions. Only the size of the investees may differ. There is, however, no Commission decision that approved the provision of risk capital to large enterprises on the basis of the Communication.

**(ii) Measures should be focussed on risk capital market failure<sup>38</sup>**

If a measure provides for the delivery of the finance to enterprises principally in the form of equity or quasi-equity then this will be regarded positively. Since forms of aid like dormant participations are currently falling outside the scope of the Communication, it is not very clear what could be considered as quasi-equity. The Communication does not provide a definition of this term.

**(iii) Decisions to invest should be profit-driven<sup>39</sup>**

The criterion of profit-driven investment decisions actually conceals two sub-criteria:

**(1) Minimum level of private involvement required—avoidance of crowding out**

On the one hand, it is aimed at avoiding a crowding out of private capital. For this purpose, two alternatives are offered:

Positively regarded are measures under which all the capital invested in the target enterprises is provided by market economy investors, who also make the investment decision, with the aid being solely an incentive for them to do so. This is particularly the case for fiscal incentives for investments in equity capital. An example is the *Irish Business Expansion and Seed Capital Scheme*.<sup>40</sup> In such cases, the aid gives only an incentive to invest into the enterprises.

Should this not be the case, it is regarded positively at other measures with *significant involvement* of market economy investors' capital, being invested on a commercial basis (that is only for profit) directly or indirectly, i.e. via funds or other investment vehicles, in the equity of the target enterprise. A "significant involvement" is considered if, in the case of funds, provision of at least 50 per cent of the fund's capital by private investors, or 30 per cent in the case of measures operating in assisted areas. However, a certain flexibility

is possible as demonstrated in the two innovation funds *VINNOF*<sup>41</sup> and *NESTA*<sup>42</sup>. In both cases, the Commission approved risk capital measures with only 20 per cent or even no private participation as the measures only concerned very early financing stages, so-called pre-seed stages, rather far away from the market and were limited to small or even to micro-enterprises.<sup>43</sup>

**(2) Link between investment performance and the remuneration**

On the other hand, in the context of this compatibility criterion, any elements that indicate that investment decisions will be commercially driven will be regarded positively. Elements mentioned are an agreement between a professional fund manager and participants in the fund, providing that the manager's remuneration is linked to the performance of the fund, the representation of market investors in decision-making and the application of best practice and regulatory supervision in the management of the funds.

**(iv) The level of distortion of competition between investors and between investment funds should be minimised<sup>44</sup>**

In the context of this fourth criterion, for the first and only time, rules for the compatibility of aid at the levels of the investors and the fund are stipulated. The Commission will regard positively a call for tender for the establishment of any "preferential terms" given to investors, or the availability of any such terms to other investors. This availability might take the form of a public invitation to investors at the launch of an investment fund, or might take the form of a scheme (such as a guarantee scheme) which remains open to new entrants over an extended period. The public invitation, normally, but not necessarily, published in the *Official Journal of the European Union*, is the most common approach chosen by national authorities. In any case, the absence of any such check against overcompensation to investors will be considered negatively and the measure could most likely not be approved.

**(v) Sectoral focus<sup>45</sup>**

In general, the Commission could accept risk capital measures with a sectoral focus and, for instance

38 Point VIII.3, second sub-para. of the Communication.

39 Point VIII.3, third sub-para. of the Communication.

40 State aid N 311/2004—Ireland, [2005] O.J. C133/2.

41 State aid N 281/2005—Belgium, not yet published.

42 State aid NN 81/2005—UK, not yet published.

43 See Commission Press Release IP/05/1317.

44 Point VIII.3, fourth sub-para. of the Communication.

45 Point VIII.3, fifth sub-para. of the Communication.

approved an Italian risk capital measure in the agriculture sector.<sup>46</sup> In line, however, with the Commission's consistently less favourable view of sectoral state aid measures, in particular in sensitive sectors suffering from overcapacity, measures should specifically exclude the provision of aid to enterprises in the shipbuilding and steel and coal sectors.

#### (vi) Investment on the basis of business plans<sup>47</sup>

The existence for each investment of a business plan and of an exit mechanism for the state's direct or indirect involvement will be positively regarded. This is respected in practically each notification.

#### (vii) Avoidance of cumulation of aid measures to a single enterprise<sup>48</sup>

The Commission may request commitments from a Member State to assess and set limits to other forms of a state aid to enterprises funded by the risk capital measure, including under authorised schemes. Such commitment is, however, difficult to make as a cumulation of aid presupposes the same eligible costs.<sup>49</sup> As mentioned above, the difficulty in establishing eligible costs was one of the reasons for the creation of the Communication.

Due to this practical problem, the Commission did not ask for cumulation of aid in the first cases adopted on the basis of the Communication, like in the UK *Regional Venture Capital Funds*,<sup>50</sup> or agreed with the Member State concerned on a total exclusion of any regional investment aid, like in a French<sup>51</sup> and a Spanish<sup>52</sup> risk capital measure.

A compromise between these two extremes could be reached in the UK measures *Coalfields Enterprise Fund*<sup>53</sup> and *Community Development Venture Fund*.<sup>54</sup> The Commission approved the commitment made by the UK authorities to reduce any SME or regional aid in favour of the investees by 50 per cent. Since then, the Commission usually agrees with commitments of reduction rates between 20 per cent to 50 per cent, depending on whether the investee is located in an assisted area or not and depending on the

amount of the tranche invested in. In practice, the last compatibility criteria became a "hard" element in notification procedures, and usually a cumulation rule has to be foreseen by the notifying Member State.

#### 3. Enlarging the scope of the Communication to public private partnership measures

The Communication, besides point 2.4 of the R&D framework, is the only state aid document that sets rules for partnership projects between public and private actors. It therefore suggested itself to apply the Communication to other projects in the field of public private partnerships.

A provision stipulated in point V.6(c) of the Communication gained particular importance in this respect as it defines rules for measures involving several economic operators. Following this provision, in general, where a transfer made by the state would be compatible with state aid rules (here: in favour of the investees), the Commission believes that a measure which provides a minimum incentive to other economic operators (here: the investors) to make that same transfer should also be authorised, even if technically an aid to those operators (the investors) is involved.

In application of this principle, the Commission approved the case *Grants for Owner Occupation—Scotland*<sup>55</sup> and several similar cases, but for instance also an aid from the German Land of Saxony-Anhalt in favour of technology centres that was targeted at the enterprises using the services of the centres.<sup>56</sup>

## V. Potential topics for the revision of the Communication

The Commission, in the beginning of 2005, published a questionnaire for public consultation concerning the revision of the Communication on state aid to risk capital.<sup>57</sup> The questionnaire and the consultation communication on innovation aid from September 2005

46 State aid N 384/2003—Italy, [2004] O.J. C56/6.

47 Point VIII.3, sixth sub-para. of the Communication.

48 Point VIII.3, seventh sub-para. of the Communication.

49 See, e.g. the cumulation rules in points 4.18, *et seq.* of the Regional Aid Guidelines, [2001] O.J. C38/5.

50 State aid Case C-56/2000—UK, [2001] O.J. L263/28.

51 State aid N 448/2000—France, [2001] O.J. C38/5.

52 State aid N 630/2001—Spain, [2002] O.J. C32/18.

53 State aid N 722/2000—UK, [2002] O.J. C133/11.

54 State aid N 606/2001—UK, [2002] O.J. C133/10.

55 State aid N 497/2001—UK, [2002] O.J. C32/18.

56 State aid N 318/2003—Germany, [2004] O.J. C67/9.

57 [http://europa.eu.int/comm/competition/state\\_aid/others/](http://europa.eu.int/comm/competition/state_aid/others/)

exemplarily indicate the potential topics for the revision of the Communication:

### 1. Presence of aid at three different levels

The explanatory criteria concerning the presence of aid described in the Communication are established and anyway predefined by the ECJ. For the time being, only the issue of aid at the level of the fund could maybe be described in more detail.

### 2. Equity gap: safe harbour investment tranches

The above-mentioned cases *Invest Northern Ireland Venture 2003* and *Enterprise Capital Funds* seem to indicate that the equity gap has increased and is bigger than foreseen in the Communication. Should this assumption be confirmed, the safe harbour thresholds should be increased.

However, in order to minimise a crowding out, certain flexibility in the application of the safe harbour criteria might already be a solution, particularly in order to be able to rapidly react should the equity gap decrease again. Reconsidering the need to open a formal investigation procedure for each and every case exceeding the safe harbour thresholds could already be an improvement.

### 3. Quasi-equity versus debt instruments

The Communication currently does not define or stipulate compatibility criteria for quasi-equity, although stipulating to look at it favourably. A revision should therefore foresee rules for quasi-equity and mezzanine financing.

### 4. Level of private involvement required

A significant private involvement is important in order to avoid a crowding out of private resources. Member States nevertheless often indicate that it is very difficult to achieve a private involvement of 30 per cent or even of 50 per cent as often no, or not many, private investors are willing to invest. The current Communication already provides certain flexibility, particularly if the financing concerns very early stages or micro-enterprises. A further flexibility could, however,

nevertheless be discussed in the context of the revision of the Communication, but the guiding principle still has to be the avoidance of crowding out of private resources.

### 5. Investments beyond the start-up phase

The Communication in fact limits the aid to early financing phases. Only in assisted areas exemptions are possible. Enabling participations in later stages could, however, strengthen the development and growth of innovative SMEs. This is why this issue was raised in the consultation paper on innovation aid and could result in a revision of the Communication.

### 6. Cumulation

Particularly in assisted areas, the reduction of regional investment aid seems to lead to a competition between risk capital and grants, with enterprises rather preferring the latter form of aid as they usually do not have to pay it back and can act more independently as they do not have to give somebody a say. This is why, in the context of the revision of the Communication, a solution for this conflict of interest should be envisaged, e.g. by allowing a further regional cohesion element in the context of cumulation.

### 7. Procedural aspects

The idea of a block exemption regulation for certain risk capital measures in the context of aid to SMEs is often put forward, but seems to be difficult to realise given the problems in determining and identifying the aid beneficiaries described above. However, more flexible compatibility criteria should also further reduce the time of the notification procedures.

## VI. Concluding remarks

The Communication stood the test of time. Compared to other state aid documents, the Communication gives a rather big scope of discretion to the Commission in its decision practice and thereby also to the notifying Member States when designing their risk capital measures. The Communication could therefore serve

as a role model for future rules applicable to state aid.

However, to a certain extent, the Communication needs revision and clarification, taking into account the experiences made by the Commission in the application of the Communication and the answers

provided by Member States and interested parties to the questionnaire on the Communication and the Consultation Paper on innovation aid. Currently, the adoption of a reviewed Communication during summer 2006 seems realistic.