

## ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work in order to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have.

<b>TITLE OF THE INITIATIVE</b>	State aid rules on risk finance for SMEs
<b>LEAD DG – RESPONSIBLE UNIT</b>	DG Competition-D5
<b>LIKELY TYPE OF INITIATIVE</b>	Communication from the Commission
<b>INDICATIVE PLANNING</b>	Q4 2021
<b>ADDITIONAL INFORMATION</b>	<a href="https://ec.europa.eu/competition/state_aid/modernisation/fitness_check_en.html">https://ec.europa.eu/competition/state_aid/modernisation/fitness_check_en.html</a>

This Roadmap is provided for information purposes only and its content might change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Roadmap, including its timing, are subject to change.

### A. Context, Problem definition and Subsidiarity Check

#### Context

The [Risk Finance Guidelines](#) were adopted in 2014 as part of the State Aid Modernisation package and they set out the conditions under which aid to promote risk finance investments may be considered compatible with the internal market. They are due to expire in 2021, following recent prolongation (see the separate [initiative](#) and [press release](#)).

While the evaluation conducted in the context of the recent Fitness Check of certain State aid rules has shown that the Risk Finance Guidelines are still overall fit for purpose, it also revealed the need for further clarifying and simplifying the rules. This will ease application and improve effectiveness and efficiency of the rules making it easier for Member States to set up dedicated support and steer investments that contribute to the twin green and digital transitions.

The Risk Finance Guidelines are closely related to Section 3 of the [General Block Exemption Regulation](#), which sets up the conditions under which State aid to promote risk finance can be implemented directly by Member States without the need of a prior Commission's assessment. Both instruments are thus complementary.

#### Problem the initiative aims to tackle

The core objective of the State aid authorised by the Risk Finance Guidelines is to address and overcome a market failure that prevents SMEs from attracting the financing required for them to grow and develop their full potential. The supply of risk capital to SMEs in the EU is constrained by certain structural difficulties. At the heart of these difficulties lies a problem of asymmetric information: SMEs, especially when they are young, are often unable to demonstrate their credit-worthiness or the soundness of their business plans to investors. Such failure in business finance markets translates into a "funding gap", which affects SMEs especially in their seed/start up and early growth phases, but also in later expansion and scale-up phases. The [Fitness Check of certain State aid rules](#) has confirmed that this market failure persists. Despite the improvement in economic environment before the COVID outbreak, some SMEs still struggled to access adequate financing, a situation that is likely to be worsened by the current pandemic.

#### Basis for EU intervention (legal basis and subsidiarity check)

Articles 107 and 108 TFEU. The Commission has exclusive competence to decide on the compatibility of State aid with the internal market.

The rules issued by the Commission laying down the compatibility conditions of aid measures aim to ensure predictability and legal certainty for Member States and stakeholders on how the Commission interprets the State aid provisions in the Treaty.

### B. What does the initiative aim to achieve and how

The Fitness Check has shown that the Risk Finance Guidelines remain relevant and fit for purpose. Further clarification and simplifications of the rules appeared however necessary to facilitate the deployment of State aid schemes in support of risk finance. The changes proposed stem directly from the evaluation, where Member States and stakeholders have mentioned the perceived complexity of the rules. By making the Risk Finance

Guidelines easier to apply and by improving their effectiveness and efficiency, these targeted amendments will contribute to the new Commission priorities announced for the period 2019-2024, in particular the objectives of the [European Green Deal](#) and of the [Industrial](#) and [Digital Strategies](#).

With this aim, the following targeted amendments of the Risk Finance Guidelines are envisaged:

- (1) reordering of existing provisions to increase readability and ease of application, including the consolidation of existing requirements for the ex ante assessment, which are currently dispersed among different parts of the Guidelines;
- (2) further clarifying the specific content and level of evidence needed to demonstrate a specific market failure in line with existing case practice;
- (3) focusing of Guidelines on compatibility of State aid to avoid redundancies with the Notice on the Notion of Aid.
- (4) streamlining existing formulations and aligning definitions to increase consistency with GBER without changing the substance of the rules.

## **C. Better regulation**

### **Consultation of citizens and stakeholders**

The amendments proposed are of a targeted and very limited nature and stem directly from the [Fitness Check](#) already completed. The following activities are planned during the revision of the guidelines:

- A public consultation on the draft guidelines that will be available via the [DG Competition's website](#) in all official EU languages. It will be addressed to all stakeholders that have an interest in risk finance aid and allow interested parties to provide feedback to the draft guidelines in all official EU languages. This will ensure transparency and accountability. The consultation on the draft guidelines is planned to be launched in Q1 2021.
- A consultation of EU Member States on the draft guidelines during a multilateral meeting.
- Further to the above, stakeholders are also invited to provide feedback to this roadmap.

### **Evidence base and data collection**

This initiative is a follow-up of the recent Fitness Check of certain State aid rules which took place in 2019 and 2020. All the amendments currently proposed to the Risk Finance Guidelines stem directly from the results of this [Fitness Check](#). All evidence used for the current initiative was gathered during this exercise, including (i) a general public consultation targeting citizens and stakeholders which took the form of an online survey published on the Commission's Better Regulation Portal ("BRP") in all 24 EU official languages; (ii) a targeted questionnaire to all EU and EEA Member States; (iii) an evaluation support study ("[Evaluation support study on the EU rules on State aid for access to finance for SMEs](#)"), provided by external experts to the Commission, based on literature review and statistical data analysis, individual interviews with beneficiaries, financial intermediaries and associations, and case studies; (iv) the expertise of the Commission from approving schemes under the Risk Finance Guidelines since 2014 as well as the monitoring of risk finance schemes compliant with the General Block Exemption Regulation.