Procedure file

Basic information

COS - Procedure on a strategy paper (historic)	2001/2213(COS)	Procedure completed
State aid and risk capital, implementation of the action plan RCAP Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.60.03 State aids and interventions 3.45 Enterprise policy, inter-company cooperation 4.15 Employment policy, action to combat unemployment		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		21/11/2001
		PSE SKINNER Peter	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	The committee decided not to give an opinion.	
	ITRE Industry, External Trade, Research, Energy	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
	RETT Regional Policy, Transport and Tourism	The committee decided not to give an opinion.	
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union		

Key events

21/08/2001	Non-legislative basic document published	N5-0534/2001	Summary
25/10/2001	Non-legislative basic document published	COM(2001)0605	Summary
12/11/2001	Committee referral announced in Parliament		
22/01/2002	Vote in committee		Summary
22/01/2002	Committee report tabled for plenary	A5-0020/2002	
10/04/2002	Debate in Parliament		
11/04/2002	Decision by Parliament	T5-0181/2002	Summary

11/04/2002	End of procedure in Parliament		
29/05/2003	Final act published in Official Journal		

Technical information

Procedure reference	2001/2213(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/15367

Documentation gateway

Non-legislative basic document		N5-0534/2001 OJ C 235 21.08.2001, p. 0003	21/08/2001	EC	Summary
Non-legislative basic document		COM(2001)0605	25/10/2001	EC	Summary
Committee report tabled for plenary, single reading		A5-0020/2002	22/01/2002	EP	
Text adopted by Parliament, single reading		T5-0181/2002 OJ C 127 29.05.2003, p. 0593-0665 E	11/04/2002	EP	Summary

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

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 capitalto 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 ocmpatibility 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 Staite 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. ?

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

PURPOSE : to present a report on the implementation of the Risk Capital Action Plan (RCAP) during the years 2000 and the beginning of 2001. CONTENT : this communication reports on progress in the implementation of the RCAP for the year 2000 and for early 2001. It is the third of this type since the adoption of the RCAP in 1998 and comes at the midpoint of the RCAP which is due to be completed by 2003. 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, reflecting the presence of a fairly fragmented pan-European market. In spite of the strong development, when compared with the US, the size of the European market is still small implying that Europe has still a long way to go. The fall in stock markets, which started in 2000 and accelerated in 2001, the downturn in economic growth and the surrounding climate of uncertainty exacerbated by the events of 11 of September 2001 in the USA, will impact negatively on the growth path of the risk capital industry. This may affect disproportionately investment in the seed and start-up segments. The current market difficulties together with the wide gap with the US should represent additional stimuli to reinforce efforts to complete the RCAP. Progress in the setting-up of 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 towards Member States and European Parliament. Many difficulties still subsist in important areas such as the absence of an affordable single patent or the whole array of fiscal barriers, often of a discriminatory nature, with the potential to delay even further the establishment of a true single risk capital market. The introduction in the near future of Euro-notes and coins will add supplementary pressure to eliminate remaining cross-border barriers. The development and promotion of European entrepreneurship, a key priority area, has been pursuit primarily through conferences, workshops, training schemes and exchange of best practices. Cultural barriers are difficult to erase and, in spite of the positive evolution of recent years, programmes need to continue for longer. A sector where efforts to develop entrepreneurship could prove to be the most 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 the creation, diffusion, and commercialisation of sophisticated technologies and related applications, results of effective and dynamic R&D programmes. In order to exploit fully the work of researchers, encouraging them to develop an innovation and commercial reflex will be important. 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 important steps have been taken to improve the overall efficiency of Community risk capital markets: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 activities; risk capital is becoming more involved in regional development; and some Community instruments have been redirected toward early stage finance. In conclusion, there has been some progress in all the RCAP areas. However, for Europe to become a world leader, as foreseen in Lisbon, much more sustained activity has to continue on a wide range of risk capital fronts.?

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

The committee adopted the report drawn up by Peter SKINNER (PES, UK) in response to the Commission plan. The report noted that, while some progress had been achieved in removing tax and bureaucratic burdens to raising venture capital, businesses were still finding it difficult to put together a financial package to start a new company. In other words, if the EU was to achieve the goal of becoming the ·most competitive and dynamic knowledge based economy in the world by 2010·, a key element was to encourage the growth of innovative SMEs in the hi-tech area through the implementation of the Risk Capital Action Plan, as agreed at the Lisbon Summit, by 2003. The committee pointed out that so far the signs were not encouraging, with venture capital investment in Europe still way behind US levels and indeed falling in the first half of 2001 by some 27%. Access to finance was still the most serious obstacle to encouraging the formation of new companies. To tackle this problem the committee recommended that venture capital companies should benefit from the same tax breaks as other businesses. The provision of stock option schemes for employees would also help as would a more active approach by the European Investment Bank through the European Investment Fund. Furthermore, with many new businesses failing, MEPs argued that risks involved in starting new companies should be recognised through a favourable tax treatment of capital gains and a more tolerant attitude towards bankruptcy. ?

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

The European Parliament adopted a resolution, drafted by Peter SKINNER (PES, UK) on the Commission communication on the RCAP. (Please refer to the document dated 22/01/02). Additionally, it pointed out that in many Member States, pension funds may not invest in venture capital funds, thereby excluding a major source of funding form the market. There needs to a review of the regulations on double taxation and withholding tax to stimulate pension funds' investment in venture capital. The reform of the EIB group, which ensured that most Community venture capital instruments are concentrated within the EIF, is welcomed. This concentration on high-tech sectors must not, however, be at the expense of SMEs in sectors such as industry and services. The EIF must play a more active role in filling the funding gap which has arisen due to the economic slowdown, stock market turbulence and the resulting partial withdrawal of tradional sources of finance.?