

# Position Paper

## UEAPME's<sup>1</sup> reply to the second consultation “draft General Block Exemption Regulation on State aid”

UEAPME, the European Association for Crafts and Small and Medium-sized Enterprises representing more than 10 million SMEs at European level, welcomes the opportunity to comment on the second “draft Block Exemption Regulation on State aid (GBER)”. The GBER is, especially for Crafts and SMEs and together with the de-minimis regulation, the most important part of the overall State Aid Modernisation exercise.

UEAPME already [replied](#)<sup>2</sup> to the first consultation in July 2013, in which we welcomed the integration of all existing BERs into a single set of coherent rules and the widening of the scope of the GBER. Furthermore, UEAPME welcomed the GBER as an important contribution to better regulation and reduction of administrative burdens for different providers of state aid, which will also improve accessibility of state aid programmes for crafts and SMEs. Finally, recognition of the specific situation and of SME needs as regards state aid by the European Commission was welcomed.

At the same time, UEAPME raised its concerns about possible distortions of competition due to the wide range aid measures exempted from pre-notification. It is the task of the European Commission to find the right balance between administrative simplifications and granting a level playing field for all companies in the internal market. Therefore, UEAPME insisted that the extension of the scope of the GBER is accompanied by improvements as regards monitoring and enforcement.

### 1. General remarks on the 2<sup>nd</sup> draft GBER

UEAPME welcomes the widening of the scope of the GBER, especially the inclusion of innovation support to SMEs and the broadening of the concept of risk finance toward quasi-debt and debt measures.

At the same time the – partially significant – increase of notification thresholds also raises some concerns. Even if higher notification thresholds will have positive effects on the administration, it has to be taken into consideration that granting State aid to such large projects will create distortion of competition, that is if the provisions laid down in the regulation are not fully respected. This is especially true for regional aid, where State aid for projects up to EUR 100 million is exempted from notification, and for research and development aid, where State aid up to EUR 40 million can be granted without pre-notification.

<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

<sup>2</sup> [http://www.ueapme.com/IMG/pdf/130628\\_UEAPME\\_PP\\_GBER.pdf](http://www.ueapme.com/IMG/pdf/130628_UEAPME_PP_GBER.pdf)

In this context, UEAPME reminds the European Commission about its responsibility to find the right balance between administrative simplifications and guaranteeing a level playing field for all companies within the internal market.

**Therefore, UEAPME insists, that:**

- **the extension of the scope of GBER be accompanied by improvements as regards monitoring and enforcement and includes the requirement for a central register for State aid provided under the GBER;**
- **the GBER include provisions, which will allow the European Commission to carry out effective monitoring;**
- **the capacity of DG Competition to monitor and enforce the provisions included in the GBER effectively be strengthened;**
- **the possibilities for private enforcement and national enforcement in case of miss-use of GBER provision be improved.**

Finally, UEAPME welcomes the recognition of the specific nature of Crafts and SMEs and their specific needs as regards European Commission state aid by including specific SME support measures and by allowing adapted aid intensities for support to SMEs.

## **2. Specific remarks on the draft GBER**

- **Article 1/4(c) – undertaking in difficulties**

The new definition of undertaking in difficulties is still under discussion in the framework of the work on the Guidelines for Rescue and Restructuring Aid.

On this topic UEAPME insists, as we already have done in our position paper on the de-minimis regulation, on a definition – especially as regards hard criteria – which respects the SME reality in the different sectors of the economy. It has to be avoided that viable SMEs are excluded from justified aid, only because they do not fulfil specific criteria, which are not adjusted to the reality of small companies.

**Therefore, UEAPME recommends the same solution as encountered for the de-minimis regulation allowing aid to all SMEs if they are not in an insolvency procedure or fulfil the conditions for insolvency.**

- **Article 4(h) and 7/5 – repayable advances**

Repayable advances become more and more important, especially in financing riskier R&D and Innovation projects and UEAPME sees it as an interesting alternative to grants, but also to normal guarantees. Repayable advances include by nature a lower aid intensity, and higher thresholds compared to grants are therefore justified.

Therefore, UEAPME supports the introduction of specific / higher thresholds and aid intensities, if aid is provided in the form of repayable advances. However, due to the lack of broader experiences with this instrument, we warn against too high mark-ups, even if we cannot provide a concrete proposal about justified mark-ups.

- **Article 8 – cumulation of State aid**

UEAPME welcomes the improved clarity as regards rules for Cumulation, especially concerning the fact that EU-funding managed by a body of the European Union, does not constitute State aid as well as the safeguard provisions, which ensure that neither EU support plus State aid nor cumulated State aid may not exceed the most favourable funding rate laid down in the applicable rules.

- **Former [Article x] – SME status (between Article 8 and 9)**

In the first draft of the GBER it was stipulated that the Commission might introduce a provision that an SME is only allowed to profit from more favourable conditions or aid limited to SMEs, if the SME does not lose its SME status within [x] years after the grant of the aid due to becoming partner of linked enterprise with a large enterprise. We would like to express our satisfaction with the deletion of this article in the revised GBER since introducing such a provision would have led to many problems and would have put at risk the concept of legal certainty.

- **Article 14/6 and 17/3 – business succession**

UEAPME welcomes the provision that in cases of business succession of a small enterprise in favour of family or of former employees, the condition that the assets shall be bought by an independent investor shall be waived.

**However, UEAPME asks the Commission to consider the provision being extended to all SMEs, as in many countries classical family businesses are medium sized companies which often have specific problems organising their succession.**

- **Article 19 – aid for SMEs' cooperation costs linked to ETC projects**

UEAPME welcomes the possibility to allow Member States to provide aid for cooperation costs in the framework of European Territorial Cooperation projects to SMEs.

- **Article 20 – SME – risk finance aid**

UEAPME supports the Commission proposal allowing – with specific provisions – aid to support different types of intermediaries, as well as business angels. Furthermore, we welcome the focus given to start-ups, fast growing SMEs and innovative SMEs.

Furthermore, UEAPME specifically welcomes the inclusion of quasi debt and debt instruments as well as guarantees in the scope of risk finance measures.

- **Article 20/9 – total amount of a risk finance measure**

UEAPME agrees with the change from EUR 2.5 million per year currently to a total amount per enterprise of EUR 15 million.

- **Article 21 – aid for start-up**

UEAPME very much welcomes the new provision for start-up aid and supports the limitation to small enterprises or small innovative enterprises as well as the fact that aid can be provided in form of loans, guarantees or grants. Finally, we support the bonuses foreseen for innovative start-ups and for regions eligible for regional aid.

However, UEAPME invites the Commission to reconsider the maximum duration (paragraph 3) of 10 years for loans, as longer terms will reduce the costs for repayments during the difficult start-up phase.

**Therefore, UEAPME recommends allowing longer terms for loans and guarantees than the current 10 years with a linear reduction of the maximum amount allowed for loans and guarantees.**

- **Article 27 – innovation aid for SMEs**

UEAPME very much welcomes the new provision for innovation aid for SMEs, which we already demanded for the current GBER. In general, we also agree with the scope and the aid intensity provided. However, as regards Article 27/2/b (costs for secondment of highly qualified personnel) UEAPME wants to state that large enterprises are not the only ones able to provide such personnel.

**Therefore, UEAPME asks the Commission to also include SMEs, next to research and knowledge-dissemination organisations and large enterprises, in the list of entities from which personnel can be seconded.**

**Furthermore, UEAPME warns against a reduction of the maximum aid intensity for innovation aid to SMEs from 75% currently to 50% (Commission proposal) because practical experience shows that innovation aid in form of innovation vouchers – for example – needs higher support to be accepted by SMEs.**

- **Article 30 – Training aid**

UEAPME is not fully convinced with the deletion of the differentiation between general and specific training aid. Financing of general training includes more market failures (positive external effects) than specific training, often related to very specific investment projects with limited spill over effects.

**Therefore, UEAPME sees a justification for allowing higher aid intensities for general training. Furthermore, the reduction of the maximum aid intensity for general training from 60% (plus bonuses) to 50% seems to be unjustified, if the general political aim is to make life-long learning a reality to tackle the challenges of an aging society and of high youth unemployment.**

- **Article 47/3(c) – aid for cultural purposes and activities**

UEAPME welcomes the inclusion of aid for culture and heritage conservation. However, to avoid misunderstandings and translation mistakes, UEAPME recommends to change the wording in paragraph 3(c) from “particular folklorist customs and crafts” to “**folklorist customs and craft activities**”.

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