

Mutual learning workshop on the 'The General Block Exemption Regulation, its content and application. Specific focus on access to finance for the social economy'

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**SOCIAL
ECONOMY
ACTION
PLAN**

Thematic presentation: GBER and State aid support to facilitate access to finance

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Themes

Part 1 (day#1): The GBER

- Context: Statistics on State aid & use of GBER
- Purpose and structure of GBER
- Common provisions & provisions of relevance to the social economy
- Typical mistakes and good practices
- Risk finance [Articles 21 & 22]

Part 2 (day#2): Training, skills & access to labour market [Articles 31-35]

Part 3 (day#2): SMEs & innovation [Articles 17, 28 & 29]

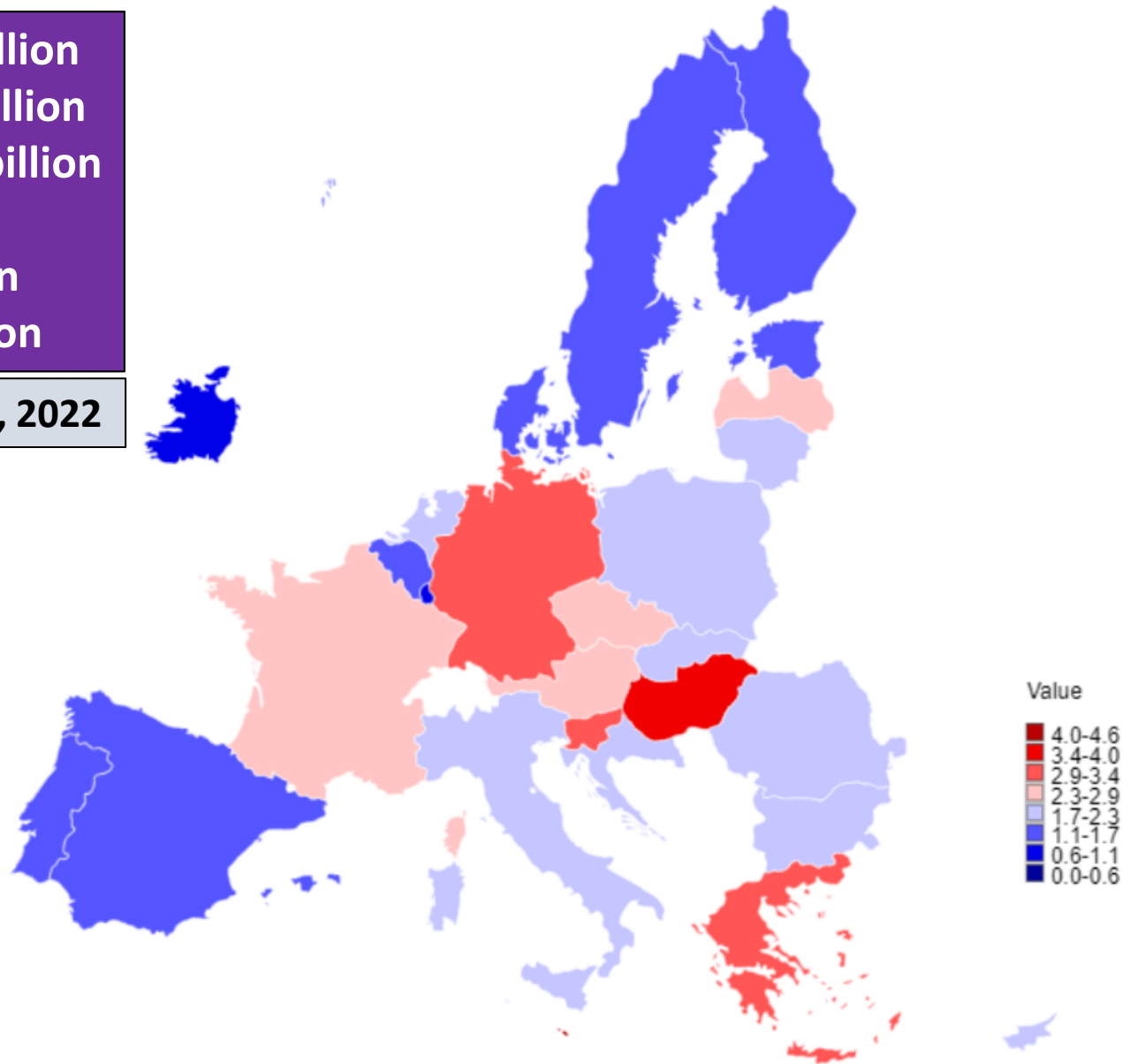
Part 1: The GBER

Total state aid: Amount & as % of GDP (2021)

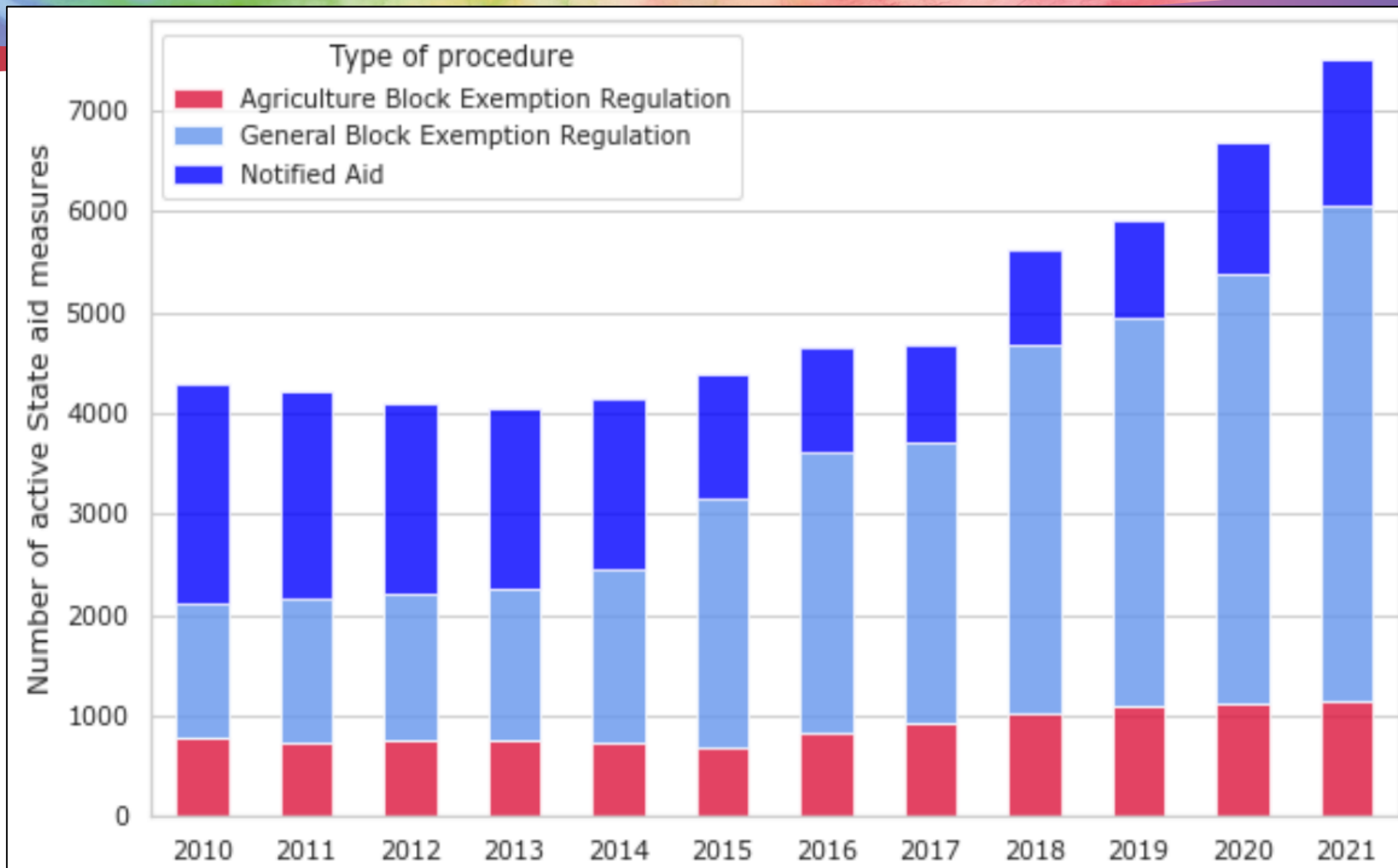
Total EU27: EUR 335 billion
Covid-19: EUR 191 billion
non-crisis: EUR 144 billion

Railways: EUR 47 billion
Agriculture: EUR 8 billion

Source: State Aid Scoreboard, 2022



Use of block exemptions



- **Total aid: EUR 335 billion**
of which, crisis aid: EUR 191 billion
- **Non-crisis aid: EUR 144 billion**
of which, notified aid: EUR 79 billion
GBER aid: EUR 61 billion = 42% of non-crisis aid [or 83% of new non-crisis measures]

Purpose of the GBER

- Article 108(3) TFEU requires MS to notify all new aid to the Commission and observe standstill until Commission authorises [non-notified aid is automatically illegal]
- Purpose of GBER:
 - 1) Relieve MS from notification of measures which are compatible with internal market [because they conform with provisions of GBER]
 - 2) Reduce administrative burden of MS & enable Commission to focus on big cases
 - 3) Lay down simple and uniform rules applicable in all MS

Structure of GBER

- 4 chapters (76 articles) + 4 annexes

Chapter I (9 articles): general provisions

Chapter II (3 articles): information obligations

Chapter III (61 articles): specific provisions

Chapter IV (3 articles): final provisions

- Forthcoming amendment: + 10 articles & extends validity to 31 Dec 2026
- Aid measures must comply with general & relevant specific provisions

General provisions – 1

The GBER applies to all sectors & undertakings, except ...

- Certain sectors: Primary agricultural productions, fisheries, closure of mines
- Certain undertakings: Subject to recovery order; in difficulty
- Measures with annual budgets > EUR 150 million & individual awards > thresholds
- Export aid
- Measures contingent on use of domestic products or which violate other provisions of EU law

General provisions – 2

- Aid must be transparent [Gross Grant Equivalent can be calculated without risk assessment] [Art 5]
- Aid must have incentive effect [Art 6]: Aid must be capable of changing the behaviour of recipient [i.e. to do something that it could not do without aid]

If project or investment starts before aid application, aid does not have incentive effect

- Aid may not exceed maximum allowable intensity [measured as % of eligible costs] or maximum allowable amount [Art 7]
- Aid from different MS or EU sources for same eligible costs must be cumulated [Art 8]
EU funds granted directly to undertakings need not be cumulated with State aid
- Publication of individual awards > EUR 100,000 [Art 9]

Provisions with relevance to social economy 1: Access to finance

- Risk finance for SMEs [Art 21]
- Risk finance in form of tax incentives to individuals [Art 21a] [[new](#)]
- Start-ups [Art 22]

Provisions with relevance to social economy 2: training, skills & access to labour market

- Training [Art 31]
- Recruitment of disadvantaged workers [Art 32]
- Employment of workers with disabilities [Art 33]
- Compensation of additional costs of employing workers with disabilities [Art 34]
- Compensation of the costs of assistance provided to disadvantaged workers [Art 35]

Provisions with relevance to social economy 3 & 4: SMEs & innovation & local infrastructure & social infrastructure & social services

- Investment in & job-creation by SMEs [Art 17]
- Innovation aid for SMEs [Art 28]
- Process & organisational innovation [Art 29]

- Local infrastructure [Art 56]
- Infrastructure used for the provision of social services [Art 56(5)(a)(i)]
- Activities related to social services [Art 56e(5)(a)(ii)]

Typical mistakes [must be avoided]

- Granting aid to project that started before the aid application
- Granting aid beyond the maximum allowable thresholds
- Granting aid for ineligible costs

Good practices

- **Design:**

What is the objective of State intervention? What is the problem?

Is State aid the appropriate instrument, i.e. is there no more effective and less distortive policy intervention or aid instrument capable of achieving the same outcome?

Bottom-up approach: Design measure to fit GBER

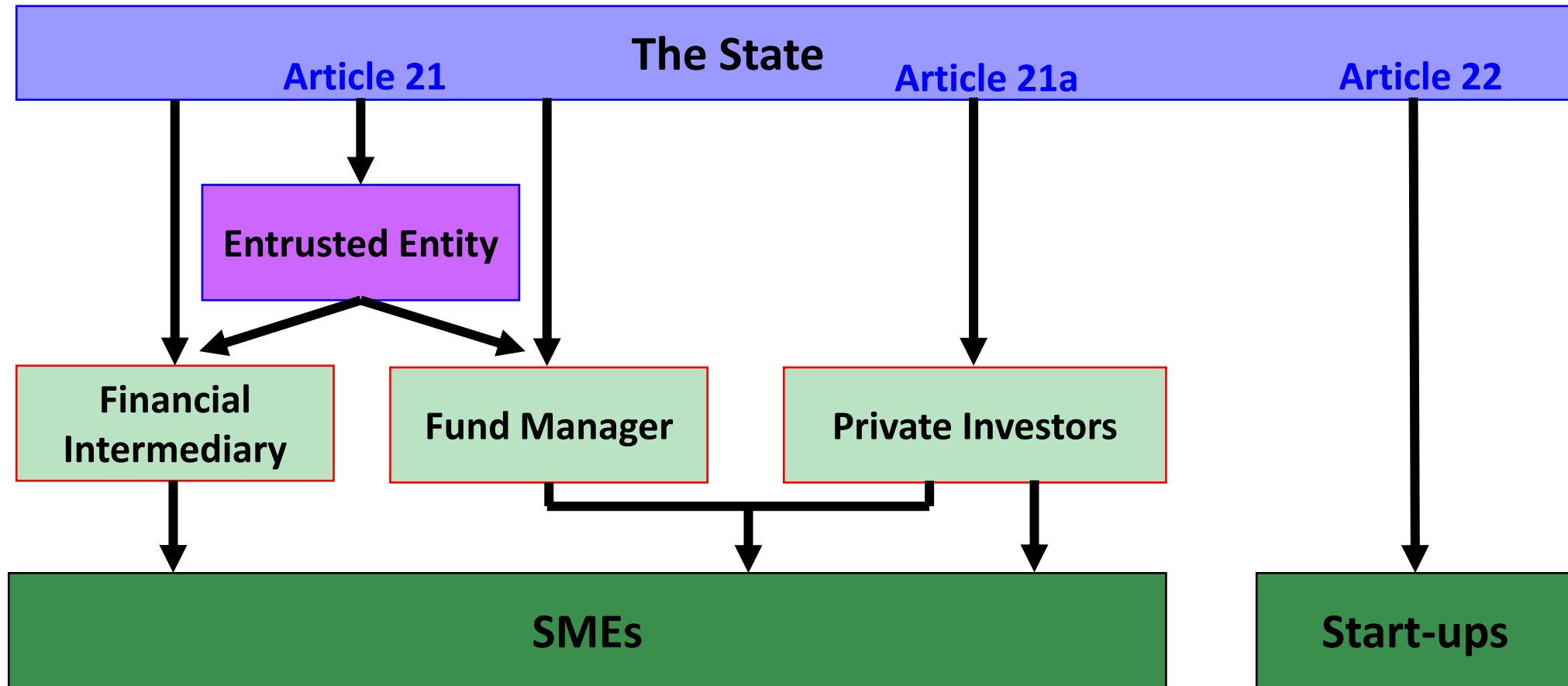
- **Assessment of applications:**

Eligibility [e.g. SME? In difficulty? In excluded sector?]

- **After approval:**

Ex post checks

Risk finance: 3 legal bases in GBER



Article 21

- **What form?**

Risk finance instruments: loans, guarantees, equity, quasi-equity investment (higher risk than senior debt, lower risk than equity, return predominantly based on profits or losses, unsecured), combination thereof

- **For whom?**

Eligible SMEs: Unlisted &

1) not on any market, or

2) younger than 10 years from registration / 7 years from first sale, or

3) require investment in new activity > 50% of average annual turnover

- **How much?**

Max funding: EUR 16.5 million / undertaking

- **What benefits for private investors / financial intermediaries?**

Public investor may accept profit later, or only profit above a threshold, or first loss

But, asymmetric profit-sharing preferred over asymmetric loss

First-loss borne by public investor capped at 25% of total investment

Guarantees < 80% of loan & < 25% of total portfolio

- **What minimum private participation?**

For equity & loans > 10% / 40% / 60%, depending on age / need of SME

Lower thresholds allowed [10% / 20% / 30%] for investments in Art 107(3)(a) areas or co-financed by the Recovery and Resilience Facility or Structural Funds

- **How is risk finance measure implemented?**

Risk finance implemented through Financial Intermediaries (e.g. an investment fund, a bank, micro-finance institution or guarantee society) selected through open, transparent & non-discriminatory procedure on basis of objective criteria

Financial Intermediary must be commercially managed and make profit-driven investments on basis of viable business plans with clear exit strategy

Financial Intermediary providing loans & guarantees have to show that they pass on advantage to SMEs in form of cheaper funds or funding of riskier projects or more funding

- **Risk finance also possible for “older” SMEs provided that:**

At level of SME, aid is de minimis

Private participation of equity & loans > 60% of funding

[but as low as 30% in Art 107(3)(a) areas or co-financing by the Recovery and Resilience Facility or Structural Funds]

Article 22: Start-ups

- **For whom?**

Eligible undertakings: Unlisted small enterprises, younger than 5 years that have not distributed profits & have not taken over or been taken over by other undertaking

- **What form?**

Loans, guarantees, grants + IP transfer from research organisation [[new](#)]

- **How much?** As indicated in table below [x 2 for small & innovative enterprises (= make new products or spending on R&D > 10% of total costs or received Seal of Excellence)]

Million euro, 10 year loan/guarantee, non-market conform interest rate/premium

	Loan	Guarantee	Grant	Tax	IP
	1.1	1.65	0.5	0.5	1.0
“a” area	2.2	3.3	1.0	1.0	1.0
“c” area	1.65	2.48	0.75	0.75	1.0

Part 2: Training, skills & access to labour market

Article 31: Training aid

- **For what? [eligible costs]**

 - Trainer & trainee personnel costs

 - Trainer & trainee operating costs [travel, accommodation, etc.]

 - Advisory services linked to training

- **How much?**

 - 50% [up to max 70%]

 - + 10% for disadvantaged workers or workers with disabilities

 - + 10% / 20% for small enterprises / medium-sized enterprises

Article 32: Recruitment of disadvantaged workers

- **For whom?**

Any undertaking

- **For what?**

Subsidy for wage costs over 12 months [24 months for severely disadvantaged workers]

- **How much?**

50% of eligible costs

- Recruited workers entitled to legally required min. period of employment

Disadvantaged and severely disadvantaged workers

- **Disadvantaged worker:**
 - Not in regular paid employment for the previous six months, or
 - Is between 15 and 24 years of age, or
 - Is over 50 years of age, or
 - Has no secondary or professional qualifications, or
 - Is single with dependents, or
 - Is a member of an ethnic minority
- **Severely disadvantaged worker:**
 - Not in regular employment for at least 24 months

Article 33: Employment of workers with disabilities

- **For whom?**
Any undertaking
- **For what?**
Subsidy for wage costs over any period of employment
- **How much?**
75% of eligible costs
- **Worker with disabilities:** Person with long-term physical, mental, intellectual impairments
- Recruited workers entitled to legally required min period of employment

Article 34: Additional costs of employing workers with disabilities

- **For whom?**

Any undertaking

- **For what? [eligible costs]**

Adaptation of premises, employment of staff to assist worker with disabilities, special equipment, transportation of worker with disabilities, rehabilitation, etc.

- **How much?**

100% of eligible costs

Article 35: Costs of assistance provided to disadvantaged workers

- **For whom?**

Any undertaking

- **For what? [eligible costs]**

Employment & training of staff to assist disadvantaged workers

- **How much?**

50% of eligible costs

Part 3: SMEs & innovation

Article 17: SME investment

- **What form? [aid to cover costs of ...]**

 - Investment in tangible & intangible costs

 - Jobs created by investment for 2-year wage cost

 - Combination of the above, but not exceeding whichever is higher

- **How much?**

 - Small enterprises: 20% of eligible costs

 - Medium-sized enterprises: 10% of eligible costs

Article 28: Innovation aid for SMEs

- **What form? [aid to cover costs of ...]**

 - Obtaining/defending patents

 - Secondment of highly qualified personnel from large enterprise or research organisation

 - Innovation advisory services & innovation support services

- **How much?**

 - 50% of eligible costs

 - May be increased to 100% of cost of innovation advisory & support services if aid < **EUR 220,000** per 3-year period

Innovation advisory services: Consultancy & training on knowledge transfer or acquisition & exploitation of intangible assets

Innovation support services: Office space, data, market research, quality labelling, testing for more effective products

Article 29: Aid for process & organisational innovation

- **For whom?**

SMEs

Large enterprise, if they collaborate with SME that bears at least 30% of costs

- **For what? [eligible costs]**

Personnel, instruments, equipment, buildings, contract research, patents, overheads, etc

- **How much?**

SME: 50%

Large enterprise: 15%

Process innovation: Improved production or delivery method

Organisational innovation: New organisational method in business practices