

Official Journal

of the European Union

L 236

Volume 48

13 September 2005

English edition

Legislation

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I

(Acts whose publication is obligatory)

COMMISSION REGULATION (EC) No 1477/2005
of 12 September 2005
establishing the standard import values for determining the entry price of certain fruit and vegetables

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Commission Regulation (EC) No 3223/94 of 21 December 1994 on detailed rules for the application of the import arrangements for fruit and vegetables ⁽¹⁾, and in particular Article 4(1) thereof,

Whereas:

- (1) Regulation (EC) No 3223/94 lays down, pursuant to the outcome of the Uruguay Round multilateral trade negotiations, the criteria whereby the Commission fixes the

standard values for imports from third countries, in respect of the products and periods stipulated in the Annex thereto.

- (2) In compliance with the above criteria, the standard import values must be fixed at the levels set out in the Annex to this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

The standard import values referred to in Article 4 of Regulation (EC) No 3223/94 shall be fixed as indicated in the Annex hereto.

Article 2

This Regulation shall enter into force on 13 September 2005.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 12 September 2005.

For the Commission

J. M. SILVA RODRÍGUEZ

*Director-General for Agriculture and
Rural Development*

⁽¹⁾ OJ L 337, 24.12.1994, p. 66. Regulation as last amended by Regulation (EC) No 1947/2002 (OJ L 299, 1.11.2002, p. 17).

ANNEX

to Commission Regulation of 12 September 2005 establishing the standard import values for determining the entry price of certain fruit and vegetables

(EUR/100 kg)		
CN code	Third country code ⁽¹⁾	Standard import value
0702 00 00	052	44,0
	999	44,0
0707 00 05	052	100,7
	999	100,7
0709 90 70	052	74,2
	999	74,2
0805 50 10	052	100,1
	382	64,7
	388	72,6
	524	55,3
	528	59,2
	999	70,4
0806 10 10	052	80,8
	624	151,1
	999	116,0
0808 10 80	388	74,7
	400	80,4
	508	36,5
	512	69,0
	528	39,5
	720	37,5
	800	126,8
	804	60,0
0808 20 50	999	65,6
	052	98,2
	388	80,2
	512	62,2
0809 30 10, 0809 30 90	999	80,2
	052	93,6
0809 40 05	999	93,6
	052	75,7
	066	46,5
	093	40,2
	098	40,2
	624	113,7
	999	63,3

⁽¹⁾ Country nomenclature as fixed by Commission Regulation (EC) No 750/2005 (OJ L 126, 19.5.2005, p. 12). Code '999' stands for 'of other origin'.

COMMISSION REGULATION (EC) No 1478/2005**of 12 September 2005****amending Annexes V, VII and VIII to Council Regulation (EEC) No 3030/93 on common rules for imports of certain textile products from third countries**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3030/93 of 12 October 1993 on common rules for imports of certain textile products from third countries⁽¹⁾, and in particular Articles 8 and 19 thereof,

Whereas:

(1) On 10 June 2005, the European Commission and the Chinese Ministry of Commerce agreed on a Memorandum of Understanding on the export of certain Chinese textile and clothing products to the European Union. In order to take account of this Memorandum of Understanding the Commission subsequently adopted Regulation (EC) No 1084/2005.

(2) It is necessary to clarify the destination of shipments to the Community indicated in footnote 3 of the table shown under (b) in Annex V of Regulation (EEC) No 3030/93, as well as a specific conversion rate for children's garments for textiles category 4.

(3) It is necessary to provide for arrangements for the treatment of goods sent out from the Community to China for Processing Traffic (OPT).

(4) These arrangements on OPT should be reflected in Annex VII of Regulation (EEC) No 3030/93.

(5) The quantitative limits laid down in the Memorandum of Understanding have been reached for several product categories. As a consequence, a considerable amount of goods are blocked at the Community ports which creates unexpected difficulties for the normal conduct of trade.

(6) On 5 September 2005, the European Commission and the Chinese Ministry of Commerce concluded consultations on how to deal with the problems caused by exports of textile and clothing from China in excess of

the quantities established in the Memorandum of Understanding. As a result it was agreed to provide for additional quantities for the categories concerned and to introduce certain flexibilities.

(7) In order to take into account of the arrangement agreed by the European Commission and the Chinese Ministry of Commerce it is necessary to adjust the quantitative limits for imports of textile and clothing products originating in China for 2005 and 2006 and to provide for certain flexibilities. Regulation (EEC) No 3030/93 should therefore be amended accordingly.

(8) In addition, given the particular circumstances of this situation, it is appropriate to provide for additional quantities in order to allow for the release of all textile and clothing products which are currently blocked.

(9) In view of the urgency of the matter, the Regulation should enter into force without delay.

(10) The measures provided for in this Regulation are in accordance with the opinion of the Textile Committee set up by Article 17 of Regulation (EEC) No 3030/93,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 3030/93 is amended as follows:

1. Annex V is amended in accordance with Annex I to this Regulation;
2. in Annex VII the table is replaced by the table set out in Annex II to this Regulation;
3. in Annex VIII the table is replaced by the table set out in Annex III to this Regulation.

⁽¹⁾ OJ L 275, 8.11.1993, p. 1. Regulation as last amended by Commission Regulation (EC) No 1084/2005 (OJ L 177, 9.7.2005, p. 19).

Article 2

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 12 September 2005.

For the Commission
Peter MANDELSON
Member of the Commission

ANNEX I

Annex V to Regulation (EEC) No 3030/93 is modified as follows:

(a) Annex V is replaced by the following:

‘ANNEX V

COMMUNITY QUANTITATIVE LIMITS

(a) **applicable for the year 2005**

<i>(The complete description of the goods is shown in Annex I)</i>			Community quantitative limits
Third country	Category	Unit	2005
Belarus	GROUP IA		
	1	tonnes	1 585
	2	tonnes	5 100
	3	tonnes	233
	GROUP IB		
	4	1 000 pieces	1 600
	5	1 000 pieces	1 058
	6	1 000 pieces	1 400
	7	1 000 pieces	1 200
	8	1 000 pieces	1 110
	GROUP IIA		
	9	tonnes	363
	20	tonnes	318
	22	tonnes	498
	23	tonnes	255
	39	tonnes	230
	GROUP IIB		
	12	1 000 pairs	5 958
	13	1 000 pieces	2 651
	15	1 000 pieces	1 500
	16	1 000 pieces	186
	21	1 000 pieces	889
	24	1 000 pieces	803
	26/27	1 000 pieces	1 069
	29	1 000 pieces	450
	73	1 000 pieces	315
	83	tonnes	178
	GROUP IIIA		
	33	tonnes	387
	36	tonnes	1 242
	37	tonnes	463
	50	tonnes	196

<i>(The complete description of the goods is shown in Annex I)</i>			Community quantitative limits
Third country	Category	Unit	2005
	GROUP IIIB		
	67	tonnes	339
	74	1 000 pieces	361
	90	tonnes	199
	GROUP IV		
	115	tonnes	87
	117	tonnes	1 800
	118	tonnes	448
Serbia ⁽¹⁾	GROUP IA		
	1	tonnes	
	2	tonnes	
	2a	tonnes	
	3	tonnes	
	GROUP IB		
	5	1 000 pieces	
	6	1 000 pieces	
	7	1 000 pieces	
	8	1 000 pieces	
	GROUP IIA		
	9	tonnes	
	GROUP IIB		
	15	1 000 pieces	
	16	1 000 pieces	
	GROUP IIIB		
	67	tonnes	
Vietnam ⁽²⁾	GROUP IB		
	4	1 000 pieces	
	5	1 000 pieces	
	6	1 000 pieces	
	7	1 000 pieces	
	8	1 000 pieces	
	GROUP IIA		
	9	tonnes	
	20	tonnes	
	39	tonnes	
	GROUP IIB		
	12	1 000 pairs	
	13	1 000 pieces	
	14	1 000 pieces	
	15	1 000 pieces	
	18	tonnes	

<i>(The complete description of the goods is shown in Annex I)</i>			Community quantitative limits
Third country	Category	Unit	2005
	21	1 000 pieces	
	26	1 000 pieces	
	28	1 000 pieces	
	29	1 000 pieces	
	31	1 000 pieces	
	68	tonnes	
	73	1 000 pieces	
	76	tonnes	
	78	tonnes	
	83	tonnes	
	GROUP IIIA		
	35	tonnes	
	41	tonnes	
	GROUP IIIB		
	10	1 000 pairs	
	97	tonnes	
	GROUP IV		
	118	tonnes	
	GROUP V		
	161	tonnes	

(¹) Quantitative restrictions for Serbia do not apply pursuant to the Agreement between the European Community and Serbia on trade in textile products (OJ L 90, 8.4.2005, p. 36). The European Community retains the right to reapply quantitative restrictions under certain circumstances.

(²) Quantitative restrictions for Vietnam are suspended pursuant to the Agreement between the European Community and the Government of the Socialist Republic of Vietnam on market access (OJ L 75, 22.3.2005, p. 35). The European Community retains the right to reapply quantitative restrictions under certain circumstances.

(b) applicable for the years 2005, 2006 and 2007

<i>(The complete description of the goods is shown in Annex I)</i>			Agreed levels		
Third country	Category	Unit	11 June to 31 December 2005 (¹)	2006	2007
China	GROUP IA				
	2 (including 2a)	tonnes	20 212	61 948	69 692
	GROUP IB				
	4 (²)	1 000 pieces	161 255	540 204	594 225
	5	1 000 pieces	118 783	189 719	219 674
	6	1 000 pieces	124 194	338 923	382 880
	7	1 000 pieces	26 398	80 493	88 543
	GROUP IIA				
	20	tonnes	6 451	15 795	17 770
	39	tonnes	5 521	12 349	13 892

<i>(The complete description of the goods is shown in Annex I)</i>			Agreed levels		
Third country	Category	Unit	11 June to 31 December 2005 ⁽¹⁾	2006	2007
	GROUP IIB				
	26	1 000 pieces	8 096	27 001	29 701
	31	1 000 pieces	108 896	219 882	248 261
	GROUP IV				
	115	tonnes	2 096	4 740	5 214

⁽¹⁾ Imports into the Community of products which were shipped to the Community before 11 June 2005 but presented for free circulation on or after that date shall not be subject to quantitative limits. Import authorisations for such products shall be granted automatically and without quantitative limits by the competent authorities of the Member States, upon adequate proof, such as the bill of lading, and the presentation of a signed declaration by the importer, that the goods have been shipped to the Community before that date. By way of derogation of Article 2(2) of Council Regulation (EEC) No 3030/93, imports of goods shipped before 11 June 2005 shall also be released for free circulation upon the presentation of a surveillance document issued in accordance with Article 10a(2a) of Council Regulation (EEC) No 3030/93.

Import authorisations for goods shipped to the Community between 11 June 2005 and 12 July shall be granted automatically and cannot be denied on the grounds that there are no quantities available within the 2005 quantitative limits. However, the import of all products shipped from 11 June 2005 will be counted against the 2005 quantitative limits.

The granting of import authorisations will not require the presentation of the corresponding export licenses for goods shipped to the Community before China has put in place its export licensing system (20 July 2005).

Applications for import licences for the import, from the date of entry into force of this Regulation, of goods that have been shipped between 11 June 2005 and 19 July 2005 (inclusive) shall be presented to the competent authorities of a Member State no later than 20 September 2005.

Goods shipped before 12 July do not need to have been shipped directly to the Community to benefit from the exemption of quantitative limits, although the competent authorities of the Community may deny such benefits if they have reasons to suspect that they have been shipped to another destination before 12 July in order to circumvent this Regulation, in case such transactions do not respond to normal business practices or purely logistical reasons. By way of example, are considered as corresponding to a normal conduct of business goods shipped to distribution centres for the importing companies, or when the importer can present a contract or letter of credit preceding the date of shipment, or when the goods have been transhipped outside China onto another means of transport within a reasonably short period of time.

The increases to the agreed levels introduced by the Regulation (EC) No 1478/2005 are made available to enable the issuance of import licences for goods shipped to the Community between 13 and 19 July 2005, or for goods shipped to the Community after 20 July 2005 with a valid Chinese export licence, which are in excess of the agreed levels introduced by Commission Regulation (EC) No 1084/2005 in Annex V to Council Regulation (EEC) No 3030/93.

Should any goods shipped to the Community between 13 and 19 July 2005 exceed these levels, the Commission may authorise the issuance of further import licences after informing the Textiles Committee, and after effecting the transfer of 2 072 924 kg of products of category 2 as provided for in Annex VIII.

⁽²⁾ See Appendix A.

(b) Appendix A to Annex V is replaced by the following:

'Appendix A to Annex V

Category	Third Country	Remarks
4	China	For the purpose of setting off exports against the agreed levels a conversion rate of five garments (other than babies' garments) of a maximum commercial size of 130 cm for three garments whose commercial size exceeds 130 cm may be applied for up to 5 % of the agreed levels. The export licence concerning these products must bear, in box 9, the words "The conversion rate for garments of a commercial size of not more than 130 cm must be applied".

ANNEX II

In Annex VII to Regulation (EEC) No 3030/93 the table is replaced by the following:

TABLE
COMMUNITY QUANTITATIVE LIMITS FOR GOODS RE-IMPORTED UNDER OPT

Third country	Category	Unit	Community quantitative limits
			2005
Belarus	GROUP IB		
	4	1 000 pieces	4 733
	5	1 000 pieces	6 599
	6	1 000 pieces	8 800
	7	1 000 pieces	6 605
	8	1 000 pieces	2 249
	GROUP IIB		
	12	1 000 pairs	4 446
	13	1 000 pieces	697
	15	1 000 pieces	3 858
	16	1 000 pieces	786
	21	1 000 pieces	2 567
	24	1 000 pieces	661
	26/27	1 000 pieces	3 215
	29	1 000 pieces	1 304
	73	1 000 pieces	4 998
	83	tonnes	664
	GROUP IIIB		
	74	1 000 pieces	872
Serbia ⁽¹⁾	GROUP IB		
	5	1 000 pieces	
	6	1 000 pieces	
	7	1 000 pieces	
	8	1 000 pieces	
	GROUP IIB		
	15	1 000 pieces	
	16	1 000 pieces	
Vietnam ⁽²⁾	GROUP IB		
	4	1 000 pieces	
	5	1 000 pieces	
	6	1 000 pieces	
	7	1 000 pieces	
	8	1 000 pieces	

Third country	Category	Unit	Community quantitative limits
			2005
	GROUP IIB		
	12	1 000 pairs	
	13	1 000 pieces	
	15	1 000 pieces	
	18	tonnes	
	21	1 000 pieces	
	26	1 000 pieces	
	31	1 000 pieces	
	68	tonnes	
	76	tonnes	
	78	tonnes	

(¹) Quantitative restrictions for Serbia do not apply pursuant to the Agreement between the European Community and Serbia on trade in textile products (OJ L 90, 8.4.2005, p. 36). The European Community retains the right to reapply quantitative restrictions under certain circumstances.

(²) Quantitative restrictions for Vietnam are suspended pursuant to the Agreement between the European Community and the Government of the Socialist Republic of Vietnam on market access (OJ L 75, 22.3.2005, p. 35). The European Community retains the right to reapply quantitative restrictions under certain circumstances.

Third country	Category	Unit	Specific agreed levels		
			11 June to 31 December 2005 (¹)	2006	2007
China	GROUP IB				
	4	1 000 pieces	208	408	449
	5	1 000 pieces	453	886	975
	6	1 000 pieces	1 642	3 216	3 538
	7	1 000 pieces	439	860	946
	GROUP IIB				
	26	1 000 pieces	791	1 550	1 705
	31	1 000 pieces	6 301	12 341	13 575

(¹) The relevant textile products sent from the Community to the People's Republic of China for processing before 11 June 2005 and re-imported into the Community after that date will, upon adequate proof such as the export declaration, benefit from these provisions.'

ANNEX III

In Annex VIII to Regulation (EEC) No 3030/93 the table is replaced by the following:

1. COUNTRY	2. Advance utilisation	3. Carry-over	4. Transfers from category 1 to cate- gories 2 and 3	5. Transfers between categories 2 and 3	6. Transfers between categories 4, 5, 6, 7, 8	7. Transfers from Groups I, II, III to Groups II, III, IV	8. Maximum increase in any category	9. Additional conditions
Belarus	5 %	7 %	4 %	4 %	4 %	5 %	13,5 %	With regard to column 7, transfers can also be made from and to Group V. For Group I categories the limit in column 8 is 13 %
Serbia	5 %	10 %	12 %	12 %	12 %	12 %	17 %	With regard to column 7, transfers can be made from any category in Groups I, II and III to Groups II and III.
China	5 %	7 %						Transfers between categories 4, 5, 6, 7, 26 and 31: 4 %. Transfers between categories 2, 20, 39 and 115: 4 %. 2 072 924 kg of category 2 can be transferred by the Commission in 2005 into categories 4, 5, 6, 7, 20, 26, 31, 39 and 115. Before any such transfers can be carried out, prior authorisation from the Commission is necessary. The implementation of such transfers shall be made public.'

COMMISSION REGULATION (EC) No 1479/2005

of 12 September 2005

fixing Community producer and import prices for carnations and roses with a view to the application of the arrangements governing imports of certain floricultural products originating in Jordan

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 4088/87 of 21 December 1987 fixing conditions for the application of preferential customs duties on imports of certain flowers originating in Cyprus, Israel, Jordan, Morocco and the West Bank and the Gaza Strip ⁽¹⁾, and in particular Article 5(2)(a) thereof,

Whereas:

- (1) Under Articles 2(2) and 3 of Regulation (EEC) No 4088/87, Community import and producer prices are fixed each fortnight for uniflorous (bloom) carnations, multiflorous (spray) carnations, large-flowered roses and small-flowered roses and apply for two-week periods. Under Article 1(b) of Commission Regulation (EEC) No 700/88 of 17 March 1988 laying down detailed rules for the application of the arrangements for the import into the Community of certain floricultural products originating in Cyprus, Israel, Jordan, Morocco and the West Bank and the Gaza Strip ⁽²⁾, those prices are determined for two-week periods on the basis of weighted prices provided by the Member States.
- (2) Those prices should be fixed immediately so the customs duties applicable can be determined.
- (3) Following the accession of Cyprus to the European Union on 1 May 2004, it is no longer necessary to fix import prices for Cyprus.
- (4) Likewise, it is no longer necessary to fix import prices for Israel, Morocco and the West Bank and the Gaza Strip, in order to take account of the agreements approved by Council Decisions 2003/917/EC of 22 December 2003 on the conclusion of an Agreement in the form of an

Exchange of Letters between the European Community and the State of Israel concerning reciprocal liberalisation measures and the replacement of Protocols 1 and 2 to the EC-Israel Association Agreement ⁽³⁾, 2003/914/EC of 22 December 2003 on the conclusion of an Agreement in the form of an Exchange of Letters between the European Community and the Kingdom of Morocco concerning reciprocal liberalisation measures and the replacement of Protocols 1 and 3 to the EC-Morocco Association Agreement ⁽⁴⁾ and 2005/4/EC of 22 December 2004 on the conclusion of the Agreement in the form of an Exchange of Letters between the European Community and the Palestine Liberation Organisation (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip concerning reciprocal liberalisation measures and the replacement of Protocols 1 and 2 to the EC-Palestinian Authority Interim Association Agreement ⁽⁵⁾.

- (5) In between the meetings of the Management Committee for Live Plants and Floriculture Products, the Commission must adopt such measures,

HAS ADOPTED THIS REGULATION:

Article 1

The Community producer and import prices for uniflorous (bloom) carnations, multiflorous (spray) carnations, large-flowered roses and small-flowered roses as referred to in Article 1 of Regulation (EEC) No 4088/87 shall be as set out in the Annex hereto for the period from 14 to 27 September 2005.

Article 2

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 12 September 2005.

For the Commission

J. M. SILVA RODRÍGUEZ

*Director-General for Agriculture and
Rural Development*

⁽¹⁾ OJ L 382, 31.12.1987, p. 22. Regulation as last amended by Regulation (EC) No 1300/97 (OJ L 177, 5.7.1997, p. 1).

⁽²⁾ OJ L 72, 18.3.1988, p. 16. Regulation as last amended by Regulation (EC) No 2062/97 (OJ L 289, 22.10.1997, p. 1).

⁽³⁾ OJ L 346, 31.12.2003, p. 65.

⁽⁴⁾ OJ L 345, 31.12.2003, p. 117.

⁽⁵⁾ OJ L 2, 5.1.2005, p. 4.

ANNEX

(EUR/100 pieces)

Period from 14 to 27 September 2005				
Community producer price	Uniflorous (bloom) carnations	Multiflorous (spray) carnations	Large-flowered roses	Small-flowered roses
	15,08	11,37	26,93	12,41
Community import prices	Uniflorous (bloom) carnations	Multiflorous (spray) carnations	Large-flowered roses	Small-flowered roses
Jordan	—	—	—	—

II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 20 October 2004

on the aid scheme 'Invest Northern Ireland Venture 2003' which the United Kingdom is planning to implement for SMEs in Northern Ireland

(notified under document number C(2004) 3917)

(Only the English text is authentic)

(Text with EEA relevance)

(2005/644/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having called on interested parties to submit their comments pursuant to those provisions ⁽¹⁾ and having regard to their comments,

Whereas:

I. PROCEDURE

(1) By letter dated 20 March 2003, registered at the Commission on 26 March 2003, the United Kingdom authorities notified the Invest Northern Ireland Venture 2003 scheme to the Commission.

(2) By letter D/53203 dated 15 May 2003 and by letter D/55504 dated 29 August 2003, the Commission requested further information concerning the notified measure.

(3) By letter dated 24 June 2003 and by letter dated 30 September 2003, registered at the Commission on 1 July 2003 and 1 October 2003 respectively, the United Kingdom authorities submitted the information requested.

(4) By letter dated 26 November 2003, the Commission informed the United Kingdom that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the measure.

(5) The Commission's decision to initiate the procedure was published in the *Official Journal of the European Union* ⁽²⁾. The Commission called on interested parties to submit their comments.

(6) By letter dated 6 January 2004, registered at the Commission on 9 January 2004, the United Kingdom submitted a response to the Commission's decision to initiate the procedure.

(7) By letters dated 25 February 2004, 27 February 2004, 1 March 2004, 2 March 2004, 3 March 2004, 4 March 2004, and 5 March 2004, registered at the Commission on 2 March 2004, 3 March 2004, 4 March 2004, 8 March 2004, and 10 March 2004, the Commission received observations from 11 interested parties.

⁽¹⁾ OJ C 33, 6.2.2004, p. 2.

⁽²⁾ See footnote 1.

- (8) By letter D/52015 dated 18 March 2004, the Commission forwarded those comments to the United Kingdom, which was given the opportunity to react.
- (9) The United Kingdom's opinion on the third parties' comments was received by letter dated 29 April 2004, registered at the Commission on 3 May 2004.
- (10) By letter dated 23 June 2004, registered at the Commission on 24 June 2004, the United Kingdom submitted additional information concerning the notified measure.

II. DETAILED DESCRIPTION OF THE MEASURE

1. Objective of the measure

- (11) The measure is intended to provide risk capital funding for small and medium-sized enterprises ⁽³⁾ (SMEs) in Northern Ireland by establishing a new venture capital fund.
- (12) The Invest Northern Ireland Venture 2003 Fund (hereafter referred to as the fund) is intended to address the particular financing difficulties encountered by SMEs in Northern Ireland.
- (13) On 4 February 2003 the Commission approved the Small and Medium Enterprises Venture Capital and Loan Fund ⁽⁴⁾, an umbrella scheme for all regions in the United Kingdom, including Northern Ireland.
- (14) The Small and Medium Enterprises Venture Capital and Loan Fund regulates the establishment of venture capital funds specialising in risk capital funding for SMEs across the United Kingdom and in Gibraltar.
- (15) In its decision of 4 February 2003, the Commission approved State-aided venture capital in certain economic areas qualifying for assistance pursuant to Article 87(3)(c) of the EC Treaty up to a maximum of EUR 750 000 in a single tranche.
- (16) As Northern Ireland is currently classified as an area qualifying for assistance under Article 87(3)(c) of the EC Treaty ⁽⁵⁾, investments to SMEs in Northern Ireland under the Small and Medium Enterprises Venture Capital and Loan Fund umbrella scheme are restricted to EUR 750 000 in a single tranche.

⁽³⁾ The definition of small and medium-sized enterprises applied by the United Kingdom authorities for the purposes of the scheme is always in line with the definition given in Annex I to Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises (OJ L 10, 13.1.2001, p. 33). Regulation as amended by Regulation (EC) No 364/2004 (OJ L 63, 28.2.2004, p. 22).

⁽⁴⁾ State Aid N 620/2002 — United Kingdom: 'Small and Medium Enterprises Venture Capital and Loan Fund'. Commission Decision of 4 February 2003 (C/2003/110).

⁽⁵⁾ State Aid N 265/2000 — United Kingdom: 'Regional Aid Map 2000-2006' (OJ C 272, 23.9.2000, p. 43).

- (17) Given the exceptional challenges encountered by Northern Ireland, the United Kingdom authorities, by means of the notified measure, intend to provide risk capital finance of up to GBP 1 500 000 (EUR 2,2 million) in a single tranche to SMEs in Northern Ireland, thereby exceeding the maximum investment sizes per tranche as approved in the decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund.
- (18) All other material aspects of the notified measure respect the conditions laid down in the decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund.

2. Description of the measure

Legal basis of the scheme

- (19) The legal basis of the scheme is Article 7 of the Industrial Development (Northern Ireland) Order 1982.

Budget of the scheme

- (20) The United Kingdom proposes to establish a GBP 15 million (EUR 22 million) to GBP 20 million (EUR 29 million) venture capital fund.
- (21) If less than GBP 20 million (EUR 29 million) is raised, the government contribution will reduce *pro rata*.
- (22) If more than GBP 20 million (EUR 29 million) is raised, the fund will accept the additional investments from private sector investors. The government funding will not be increased to a corresponding level.
- (23) Under no circumstances will the public contribution to the fund exceed 50 % of the total fund volume.

Duration of the scheme

- (24) The fund will be newly set up as a 10-year limited partnership that can be extended with the consent of all investors to a maximum of 12 years to facilitate successful exits from the fund.

Beneficiaries of the scheme

- (25) The scheme will only apply to small and medium-sized enterprises in Northern Ireland.
- (26) Firms in difficulties are excluded under the scheme.

- (27) Funding will not be provided to businesses in sectors suffering from overcapacity, including shipbuilding, and European Coal and Steel Community sectors.

EUR 750 000 in areas qualifying for assistance under Article 87(3)(c) of the Treaty, or EUR 1 million in areas qualifying for assistance under Article 87(3)(a) of the Treaty.

Size of investments

- (28) The fund will make investments in beneficiary SMEs in the range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million). On occasions, follow-on investments may be made for a further round of funding. These decisions will be independent of previous investment decisions and will be based on the performance of the recipient SME.

- (35) It follows that, for those cases where those amounts are exceeded, the Commission will require a demonstration of market failure justifying the proposed risk capital measure before assessing the compatibility of the measure in accordance with the positive and negative criteria listed under point VIII.3 of the Communication.

Cumulation of aid under the scheme

- (29) The United Kingdom authorities have stated that any SMEs receiving risk capital funding under the scheme would, for the duration of the investment, have any further eligible regional aid and SME aid reduced by 30 % of the aid intensity that would otherwise have been found compatible by the Commission.

- (36) The Invest Northern Ireland Venture 2003 scheme proposed by the United Kingdom foresees risk capital investments in the range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million) per investment tranche for SMEs in Northern Ireland.

- (37) According to the Regional Aid Map 2000-2006 for the United Kingdom, Northern Ireland is currently classified as an area qualifying for assistance pursuant to Article 87(3)(c) of the EC Treaty.

Grounds for initiating the procedure

- (30) The Commission Communication on State aid and risk capital (hereafter referred to as the Communication) ⁽⁶⁾ recognises a role for public funding of risk capital measures limited to addressing identifiable market failures.

- (38) In line with the provisions of the Communication, the Commission would hence be prepared to accept the existence of market failure without further provision of evidence if risk capital funding for SMEs in Northern Ireland wholly or partially financed through State aid would be limited to the maximum amount of EUR 750 000 as foreseen for assisted areas pursuant to Article 87(3)(c) of the EC Treaty under point VI.5 of the Communication.

- (31) The Communication states that specific factors adversely affecting the access of SMEs to capital, such as imperfect or asymmetric information or high transaction costs can cause a market failure that would justify State aid.

- (32) The Communication further states that there is no general risk capital market failure in the Community, but rather market gaps for some types of investments at certain stages of enterprises' lives as well as particular difficulties in regions qualifying for assistance under Article 87(3)(a) and (c) of the EC Treaty (assisted areas).

- (39) In the notification, the United Kingdom has clarified that with the exception of the proposed maximum tranche size of GBP 1,5 million (EUR 2,2 million), all other material aspects of the proposed measure will be in line with the already approved Small and Medium Enterprises Venture Capital and Loan Fund.

- (33) The Communication goes on to explain that in general, the Commission will require provision of evidence of market failure before being prepared to authorise risk capital measures.

- (40) The Commission therefore considers that its decision on the Small and Medium Enterprises Venture Capital and Loan Fund covers all those investments proposed under the Invest Northern Ireland Venture 2003 scheme ranging from GBP 250 000 (EUR 367 000) to GBP 510 000 (EUR 750 000) per single investment tranche.

- (34) The Commission may however be prepared to accept the existence of market failure without further provision of evidence in cases where each tranche of finance for an enterprise from risk capital measures which are wholly or partially financed through State aid will comprise a maximum of EUR 500 000 in non-assisted areas,

- (41) In line with the provisions of the Communication, risk capital investments proposed under the Invest Northern Ireland Venture 2003 scheme ranging from GBP 510 000 (EUR 750 000) to GBP 1,5 million (EUR 2,2 million) would necessitate the provision of evidence of market failure by the United Kingdom.

⁽⁶⁾ OJ C 235, 21.8.2001, p. 3.

(42) In order to demonstrate the existence of market failure, the United Kingdom referred to several distinctive particularities of the venture capital market in Northern Ireland as underlined by a study ⁽⁷⁾. The main arguments brought forward were:

(a) there is a gap in the provision of venture capital for SMEs in Northern Ireland in the deal size range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million);

(b) whilst such a market failure also exists in other regional economies, it is more pronounced in Northern Ireland for the following reasons:

(i) the venture capital market in Northern Ireland lags many years behind the rest of the United Kingdom in terms of total investment, number of deals, number of funds and availability of fund management skills;

(ii) the size of the Northern Ireland market, the fact that it is physically separated from the rest of the United Kingdom, and the long lasting impact of civil unrest in Northern Ireland have resulted in an absence of any wholly private sector venture capital funds, either locally based or investing in Northern Ireland SMEs from mainland United Kingdom;

(iii) in addition, it is difficult to attract experienced fund managers to Northern Ireland.

(43) By letter dated 26 November 2003, the Commission informed the United Kingdom of its decision to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the Invest Northern Ireland Venture 2003 scheme.

(44) In its letter, the Commission stated that it had doubts as to whether the arguments presented by the United Kingdom in support of the existence of market failure could sufficiently justify the granting of risk capital investment tranches considerably exceeding the maximum amounts foreseen by the Communication for areas qualifying for assistance pursuant to Article 87(3)(c) of the EC Treaty.

(45) The Commission went on to explain that it considered a more thorough analysis of the issue to be necessary. Such an analysis would need to include any observations made by interested parties. Only after consideration of third party comments could the Commission decide whether the measure proposed by the United Kingdom affects trading conditions to an extent contrary to the common interest.

III. COMMENTS FROM INTERESTED PARTIES

(46) In response to the publication of its decision to open the formal procedure in the *Official Journal of the European Union*, the Commission received observations from the following interested parties:

- Enterprise Equity (NI) Limited,
- Momentum Northern Ireland,
- Qubis Limited,
- Ulster Farmers' Union,
- CBI Northern Ireland,
- Institute of Directors Northern Ireland,
- Investment Belfast Limited,
- Inter Trade Ireland,
- BDO Stoy Hayward,
- The Ulster Society of Chartered Accountants,
- International Fund for Ireland.

(47) All comments received were positive and underlined the importance of the measure as well as the appropriateness of the proposed maximum investment amounts.

(48) The arguments put forward by the interested parties highlight the difficulty for local companies in Northern Ireland to raise equity funding of GBP 1 million (EUR 1,5 million) to GBP 1,5 million (EUR 2,2 million). This is mainly a result of the following factors:

- (a) venture funds in the rest of the United Kingdom are increasing minimum investment levels and this is also being mirrored in Northern Ireland;
- (b) the peripherality of Northern Ireland adversely influences funds in terms of cost;
- (c) funds from the rest of the United Kingdom and the Republic of Ireland are largely uninterested in investments of this deal size and there is no local Northern Ireland fund capable of undertaking such investments;
- (d) a general misplaced negative perception due to civil unrest in the past that continues to adversely affect the attitude of investors when considering Northern Ireland as an investment location.

IV. COMMENTS FROM THE UNITED KINGDOM

(49) The United Kingdom's comments on the Commission's decision to open the formal procedure laid down in Article 88(2) of the EC Treaty, as well as on the observations from third parties will be summarised in the following recitals.

⁽⁷⁾ 'Market Failure in the Supply of Venture Capital Funds for SMEs in Northern Ireland'. Invest NI, October 2002.

- (50) There are a number of general economic weaknesses that must be addressed in order to improve the competitive position of Northern Ireland:
- (a) Northern Ireland's Gross Domestic Product (GDP) per capita is below the United Kingdom average (77,5 % of United Kingdom average). The gap has only narrowed marginally over the course of the 1990s (three percentage points since 1989);
 - (b) whole economy productivity as measured by GDP per employee in Northern Ireland is below that of the United Kingdom (89 % of United Kingdom average);
 - (c) high dependency on small businesses: 85 000 businesses in total, of which 99 % employ fewer than 50 people, and 93 % employ fewer than 10 people;
 - (d) manufacturing remains dependent on low value-added 'traditional sectors', the high value added business services sector is only half the size of its United Kingdom equivalent;
 - (e) a small number of knowledge-based businesses compared with other United Kingdom regions;
 - (f) low levels of innovation and R&D activity;
 - (g) one of the lowest start-up rates of any United Kingdom region;
 - (h) shortage of debt and equity finance available for start-up companies.
- (51) In addition to the general economic weaknesses, the venture capital market in Northern Ireland is underdeveloped compared to other United Kingdom regions:
- (a) the level of venture capital investment in Northern Ireland over the period 1985-2002 represented only 0,7 % of the United Kingdom's total venture capital investment as compared with Northern Ireland's share of United Kingdom GDP of 2,2 %;
 - (b) venture capital activity in Northern Ireland would have to increase by four times its current level to match the per capita levels of other United Kingdom regions such as Wales or Scotland.
- (52) There are a number of general factors that are related to this phenomenon:
- (a) peripheral location: Northern Ireland is significantly disadvantaged by its geographical location;
 - (b) growth of indigenous business: Growth in the local economy has been severely limited over the last years due to civil unrest;
 - (c) grant culture: This has arisen due to the government's need to intervene in Northern Ireland industrial development activities at a much higher level than elsewhere in the United Kingdom. Accordingly, businesses have not been disposed to consider taking in new equity.
- (53) While some funds have been established in recent years, much more needs to be done, especially in generating adequate deal flow, but also in broadening the range and quantity of investors:
- (a) Northern Ireland is poorly represented for venture capital and has only a small number of locally based funds which are mainly focused on small deal sizes;
 - (b) only three venture capital fund managers maintain a full-time presence in the region;
 - (c) the majority of venture capital funds available offer investment of below GBP 500 000 (EUR 730 000);
 - (d) studies suggest that the average size of early stage funding for technology businesses increases as the market matures. For Northern Ireland, the equity gap for first round funding within the next five years is expected to be in the range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million);
 - (e) in recognition of the increased scale of projects and predicted increases in demand, two or more commercial-sized funds of around GBP 15 million (EUR 22 million) each should be established in Northern Ireland over the next five years, one of which should be a government assisted fund.
- (54) The United Kingdom had no further comments to make on the responses from third parties except to highlight the strong support expressed by those third parties for the establishment of the proposed fund.
- V. ASSESSMENT OF THE MEASURE**
- (55) The Commission has examined the scheme in the light of Article 87 of the EC Treaty and in particular on the basis of the Communication. The results of this assessment are summarised in recitals 56 and following.

1. Legality

- (56) By notifying the scheme, the United Kingdom authorities respected their obligations under Article 88(3) of the EC Treaty.

2. Existence of State aid

- (57) The United Kingdom confirms that, with the exception of the allowable maximum amount of risk capital funding per single tranche, all other material aspects of the Invest Northern Ireland Venture 2003 scheme are in line with the Commission's decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund.
- (58) The Commission's assessment of the existence of State aid in this case, therefore follows the assessment made in that decision.
- (59) In its decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund, the Commission stated that, in line with point IV.2 of the Communication, the assessment of the presence of State aid would need to take into account the possibility that a risk capital measure may confer aid at different levels.
- (60) The Commission went on to conclude that the Small and Medium Enterprises Venture Capital and Loan Fund involved State aid within the meaning of Article 87(1) of the EC Treaty at the level of the investors and at the level of the beneficiary SMEs. The Commission also considered that State aid within the meaning of Article 87(1) of the EC Treaty was not present at the level of the fund, or for unsecured loans granted to SMEs at the prevailing reference rate plus 4 percentage points or more, or for secured loans at the prevailing reference rate.
- (61) That assessment is still valid for the assessment of the notified measure in this Decision.

3. Evidence of market failure

- (62) In line with the provisions of the Communication, the Commission is prepared to accept the existence of market failure without further provision of evidence if risk capital funding wholly or partially financed through State aid for SMEs in areas qualifying for assistance pursuant to Article 87(3)(c) of the EC Treaty is limited to the maximum amount of EUR 750 000 as foreseen under point VI.5 of the Communication.
- (63) The measure proposed by the United Kingdom foresees risk capital investments in the range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million) per investment tranche for SMEs in Northern Ireland.

- (64) According to the Regional Aid Map 2000-2006 for the United Kingdom, Northern Ireland is currently classified as an area qualifying for assistance pursuant to Article 87(3)(c) of the EC Treaty. However, according to the Regional Aid Map 2000-2006 for the United Kingdom, Northern Ireland is considered to be an 'atypical' Article 87(3)(c) region with a corresponding regional aid ceiling of 40 %, generally reserved for regions qualifying for assistance under Article 87(3)(a).
- (65) In line with the provisions of the Communication, the Commission has informed the United Kingdom that in view of the fact that the proposed risk capital investments under the notified scheme exceed the EUR 750 000 threshold foreseen for areas qualifying for assistance pursuant to Article 87(3)(c), the United Kingdom would have to provide evidence of market failure.
- (66) In order to demonstrate the existence of market failure for risk capital investments exceeding EUR 750 000 for SMEs in Northern Ireland, the United Kingdom presented arguments indicating that the venture capital market in Northern Ireland is characterised by unique particularities distinguishing it from other regions in the United Kingdom.
- (67) The arguments put forward by the United Kingdom were supported by a study underlining that there exists a gap in the provision of private venture capital for SMEs in Northern Ireland in the deal size range of GBP 250 000 (EUR 367 000) to GBP 1,5 million (EUR 2,2 million).
- (68) Although such a market gap also occurs in other regional economies, the United Kingdom submitted that it is more pronounced in Northern Ireland. This has been demonstrated by the study submitted by the United Kingdom.

- (69) According to that study, venture capital activity in Northern Ireland, in terms of the number of deals and the value of the deals, varies significantly from other United Kingdom regions such as Scotland and the North West and Merseyside region. Whereas the number of deals for early stage companies in Scotland for the period 2000-2002 was 9,9 % of the United Kingdom total, and in the North West and Merseyside region was 8,1 % of the United Kingdom total, Northern Ireland only accounted for 4,4 % of the United Kingdom total. For companies in the expansion stage, the respective figures were 10,2 % of the United Kingdom total in Scotland, 7,9 % of the United Kingdom total in the North West and Merseyside region, and only 2,4 % of the United Kingdom total in Northern Ireland.

- (70) With regard to the value of the deals in the early stage and expansion phases, the study shows that for early stage investments, Scotland represented 8,1 % of the United Kingdom total for the period 2000-2002, the North West and Merseyside region 5,7 %, and Northern Ireland 2,2 % of the United Kingdom total. The difference is even more accentuated if one looks at the value of deals for companies in the expansion stage. There, Scotland represents 9,5 % of the United Kingdom total, the North West and Merseyside region 21,2 % of the United Kingdom total, and Northern Ireland only 0,7 %.
- (71) This fact is further underlined by data in the study comparing the average deal sizes for the period 2000-2002. Here the United Kingdom average for early stage investments is GBP 1,14 million compared to GBP 0,93 million in Scotland, GBP 0,81 million for the North West and Merseyside region, and GBP 0,36 million for Northern Ireland. For SMEs in the expansion stage, the difference is once again much more pronounced. Whereas the average for the United Kingdom is GBP 2,82 million, GBP 2,63 million for Scotland, and GBP 7,62 million for the North West and Merseyside region, it reaches only GBP 0,86 million in Northern Ireland.
- (72) These figures underlining the relative weakness of the venture capital market in Northern Ireland — according to the study Northern Ireland generally accounts for only 0,7 % of total investments in the United Kingdom although it represents a 2,2 % share of the United Kingdom GDP — especially for SMEs in the expansion phase, can be explained by looking at the venture capital funds currently active in Northern Ireland. Out of eight existing and active venture capital funds, only one offers financing for deal sizes ranging from GBP 250 000 to GBP 1,5 million, but has already reached the end of its investment period. All other funds only offer financing for deals below GBP 250 000.
- (73) The study submitted to the Commission by the United Kingdom has argued that this gap for the provision of equity financing in the deal size range between GBP 250 000 and GBP 1,5 million is clearly related to the general socioeconomic characteristics of Northern Ireland as described under recitals 50 and following. These particularities of Northern Ireland, namely its peripherality and the legacy of civil unrest, have aggravated the two sources of market failure — imperfect or asymmetric information and high transaction costs — as described by the Communication.
- (74) In its decision to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the proposed aid measure, the Commission stated that in view of the maximum investment amounts proposed under the scheme, which considerably exceed the maximum investment amounts foreseen by the Communication, it was necessary to seek observations from interested parties in order to decide whether the measure affects trading conditions to an extent contrary to the common interest.
- (75) All comments received from interested third parties were positive and underlined the importance of the measure in general as well as the appropriateness of the proposed maximum investment amounts.
- (76) Taking into account the information presented in the initial notification, the comments submitted by interested third parties as well as the additional information delivered by the United Kingdom following the Commission's decision to open the procedure laid down in Article 88(2) of the EC Treaty, it is concluded that the United Kingdom has provided sufficient evidence of the existence of market failure in the venture capital market in Northern Ireland.
- #### 4. Compatibility of the measure
- (77) The United Kingdom has confirmed that, with the exception of the allowable maximum amount of risk capital funding per single tranche, all other material aspects of the notified scheme are in line with the Commission's decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund.
- (78) The assessment of the compatibility of the notified State aid therefore follows the assessment made in the decision concerning the Small and Medium Enterprises Venture Capital and Loan Fund. In its decision in that case, the Commission concluded that all positive elements as outlined under point VIII.3 of the Communication were fulfilled. This is also true in respect of the Invest Northern Ireland Venture 2003 fund.
- (79) The following elements are regarded as positive elements:
- (a) restriction of investments to SMEs in their start up and early stages and/or SMEs seeking to expand or diversify;
 - (b) focus on risk capital market failure: delivery of finance to SMEs principally in the form of equity or quasi-equity;
 - (c) profit-driven nature of the investment decisions: Market economy investors will provide at least 40 % of the capital of the fund. Professional fund managers will take all investment decisions and their remuneration will be directly linked to the performance of the fund;

(d) minimisation of the level of distortion between investors and investment funds: The investors will be chosen by competitive tender. Private investors will be given notice of the opportunity to invest by virtue of advertising. No person or organisation will be debarred from investing in the fund. Investors will be chosen by selecting the least preferential terms necessary in order to induce the private sector to invest. In order to prevent overcompensation to investors, the benefits will be split between the public and private investors according to their respective level of investment;

(e) sectoral focus: sensitive sectors are excluded;

(f) investment on the basis of business plans: All investments will be made on the basis of robust business plans together with a variety of other standard commercial tests to ensure the viability of the project and the expected commercial return;

(g) avoidance of cumulation of aid measures to a single enterprise: The United Kingdom authorities have stated that any SMEs receiving risk capital funding under the scheme would, for the duration of the investment, have any further eligible regional aid and SME aid reduced by 30 % of the aid intensity that would otherwise have been found compatible by the Commission.

(80) It is therefore concluded that all positive aspects as required by the Communication are present in respect of the notified scheme.

VI. CONCLUSION

(81) It is therefore concluded that the Invest Northern Ireland Venture 2003 scheme fulfils the conditions set out in the

Communication. The notified measure should therefore be declared compatible with the common market pursuant to Article 87(3)(c) of the EC Treaty as aid to facilitate the development of certain economic activities or of certain economic areas without adversely affecting trading conditions to an extent contrary to the common interest,

HAS ADOPTED THIS DECISION:

Article 1

The State aid which the United Kingdom is planning to implement under the Invest Northern Ireland Venture 2003 scheme is compatible with the common market within the meaning of Article 87(3)(c) of the Treaty. Implementation of the aid is accordingly authorised.

Article 2

The United Kingdom shall submit an annual report on the implementation of the aid.

Article 3

This Decision is addressed to the United Kingdom of Great Britain and Northern Ireland.

Done at Brussels, 20 October 2004.

For the Commission

Mario MONTI

Member of the Commission