

Invest Northern Ireland Growth Loan Fund

This document details how Invest Northern Ireland's Growth Loan Fund (the Fund) meets the requirements of the European Commission's General Block Exemption Regulation.

1. Member State

United Kingdom

2. Region

Northern Ireland

3. Title of Scheme

Invest NI Growth Loan Fund

4. UK Legal Basis

The relevant legal powers under which support will be provided under this Scheme are contained in:

The Industrial Development (Northern Ireland) Order 1982
The Industrial Development (Northern Ireland) Act 2002
The European Communities Act (1972)¹.

5. EC Legal Basis

All aid provided under this Scheme will be within the limits and conditions set out in Article 29 of the Commission Regulation (EC) 800/2008 (General Block Exemption Regulation)² and the European Commission's Communication, on 7 December 2010, amending the Community Guidelines on State Aid to promote risk capital investments in small and medium-sized enterprises³.

6. Nature of State Aid

The Fund will invest at least 70% of its budget in the form of equity or quasi equity and will be aimed at SMEs in the start-up and expansion phases trading in NI.

7. Definitions

The definitions in Articles 2 and 29 of Commission Regulation (EC) 800/2008 (General Block Exemption Regulation) and the definitions in paragraph 2.2 of the Community Guidelines on State Aid to promote Risk Capital (2006/C 194/02) apply to this scheme.

¹ <http://www.legislation.gov.uk/ukpga/1972/68/section/2>

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:329:0004:0005:EN:PDF>

8. Objective of the Scheme

The objective of the Fund is to address the lack of start-up and expansion funding for SME companies located in Northern Ireland (an assisted area), which have growth potential but which find it difficult to access capital markets.

9. Estimated Annual Scheme Expenditure

The Fund will operate for a 10 year period. It is expected that the funding will be drawn down from Invest NI in tranches of £5m per annum, to be matched with £5m per annum of funding from the private sector for the first 5 years of the Fund. The timing of drawdowns may be impacted by the level of demand.

Year ended 31 March	Private £'m	Public £'m	Total £'m
2013	5	5	10
2014	5	5	10
2015	5	5	10
2016	5	5	10
2017	5	5	10
Total	25	25	50

It is intended that the Fund will be co-financed through the European Sustainable Competitiveness Programme for Northern Ireland 2007-2013 (European Regional Development Fund).

10. Maximum Aid Intensity

Invest NI will apply the European Commission's recommendation of 6 May 2003 (2003/361/EC) when determining the size of enterprises assisted under the Scheme.

11. Target Date of Implementation

1 June 2012

12. Government body authorised to implement the scheme

The Government Body authorised to implement the scheme is Invest NI.

In accordance with the requirements of Article 29 (2) and (8) the Fund will be managed on a commercial basis, by an experienced, commercial manager.

13. Scope of Scheme

The Fund will be open to SME companies located in Northern Ireland which are in the early stage or expansion phase, which can demonstrate high growth potential.

As required in recitals (8) to (16) of the General Block Exemption Regulation (GBER), the Fund:

- will not result in export aid or aid favouring domestic over imported products. The Fund will not be used to finance the establishment and operation of a distribution network in other countries. However, as permitted in the GBER, investment tranches from the Fund Aid may be used towards the cost of participating in trade fairs, or of studies or consultancy services needed for the launch of a new or existing product on a new market;
- will not exclude any sectors. It is noted that the GBER specifically allows risk capital in the fisheries and aquaculture sector;
- recognises that special rules apply to the agricultural sector and will only allow investment tranches to be made to the extent that aid are not covered by Commission Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001;
- recognises that certain conditions apply to projects involving the processing and marketing of agricultural products, as detailed in recital (12) of the GBER;
- will not provide any aid to the coal sector;
- will not provide any aid to the steel and shipbuilding sectors;
- will not provide aid to any SME undertakings in difficulty as defined by the simplified definition outlined in recital (15) of the GBER;
- will not provide any aid to an undertaking that is the subject of an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the common market; and
- aid contingent upon the use of domestic over imported goods.

14. Duration of Fund

Aid under this scheme may be granted until 10 years from the appointment of the fund manager.

15. Form of Aid

All aid awarded under this Scheme will be risk capital and will adhere to the conditions set out in Article 29 of the General Block Exemption Regulation.

A minimum of 70% of the Fund's budget will be awarded form Equity or Quasi Equity funding.

16. Eligible Activities

The Fund may provide loans for all activities, with the exceptions of those listed at point 9, but will be primarily focussed SMEs which can demonstrate growth potential.

17. Incentive Effect

Aid in the form of risk capital in favour of SMEs that meets the conditions laid down in the GBER, notably with respect to the size of the loans per target enterprise, the size of the company and the business stage financed, ensures that the risk capital measure will have an incentive effect.

18. Cumulation

The Scheme will respect the cumulation conditions detailed in Article 7 of the GBER and, in particular, the condition at Article 7(5)(a) that where a target undertaking has received capital under a risk capital measure under Article 29 of the GBER and subsequently applies, during the first three years after the first risk capital investment, for aid within the scope of the GBER (e.g. Selective Financial Assistance or Business Improvement Through Training), the relevant aid thresholds or maximum eligible amounts under GBER shall be reduced by 20 % because the target undertakings are located in an assisted area (i.e. Northern Ireland). In such cases the reduction shall not exceed the total amount of risk capital received. The reduction shall not apply to aid for research, development and innovation exempted under Articles 31 to 37 of the GBER.

19. Participation

The Fund is open to companies which are in the early or expansion phase. It will invest in companies from across NI which can demonstrate growth potential.

The Fund will be established under a legal binding agreement which sets out the rights and responsibilities of the fund manager. It also contains the lending policy to which the manager must adhere.

The Fund will lend to companies which can demonstrate unique features, early sales or customer traction, experienced management, a scalable business model and growth prospects.

The Fund cannot :

- lend to sectors excluded from aid under the GBER.
- provide tranches of finance whether wholly or partly financed through State aid, in excess of €1.5m per target SME over each period of 12 months;
- lend to companies funded by the manager in other funds run by the manager.

20. European Commission Notification Thresholds

In accordance with the European Commission's Communication, on 7 December 2010, amending the Community Guidelines on State Aid to promote risk capital investments in small and medium-sized enterprises, the Fund may not commit more than the sterling equivalent of €1.5m per target SME, over each 12 month period.

21. Monitoring and Reporting Requirements

It is proposed that a Limited Partnership will be established to oversee and monitor the operation of the Fund.

The commitment of funding from the public sector to the Fund is conditional on the necessary private sector funding being secured. The principal terms and conditions of lending will be set out in the Fund Management Contract which will set out in detail the legally binding relationship between Invest NI, the Fund Manager and the private sector investors.

Invest NI will be represented on a Advisory Committee. It is the role of the Advisory Committee to ensure that the Fund is operating in line with the Investment/lending Policy and within the parameters set in legal documents and within the conditions of the GBER. Monitoring will be on a quarterly basis by the Advisory Committee.

Formal independent evaluations will be carried out and copied to the approving bodies at the end of year three, seven and at final closure stage or at any other point in time that Invest NI considers that there might be cause to do so. On completion of the Fund an independent Post Project Evaluation will be carried out.

Records will be kept for 10 year from the date of the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met, to include confirmation of SME status and eligibility of supported costs.

The terms of the EU Commission clearance must also be adhered to.

22. Name and Address of Granting Authority

**Invest NI
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Bedford Street
Belfast
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