



State aid: Commission approves creation of Malta Development Bank

Brussels, 24 August 2016

The Commission has found Malta's plans for setting up a development bank to be in line with EU state aid rules. The bank will carry out non-commercial activities to facilitate access to finance for SMEs and to support infrastructure investment, without unduly distorting competition.

In July 2016, Malta notified to the Commission plans to support the creation of the Malta Development Bank (MDB) with a capital injection of €200 million and guarantees and tax exemptions worth around €55 million.

The MDB will provide funding to small and medium sized companies (SMEs) that face difficulties in financing themselves from the market. The MDB can also support infrastructure projects when financing is insufficiently or not at all available in the market. It can also participate in EU financial instruments, such as COSME (EU program for SMEs), Horizon 2020 or the [European Fund for Strategic Investments](#) (EFSI), which aims to support strategic investments in key areas throughout the EU.

The Commission assessed these measures under EU state aid rules, which allow Member States to support the development of certain economic activities. The Commission found in particular that the MDB will provide financing to SMEs and infrastructure projects only where such financing is not available in the market. This will avoid private investment being crowded out by the state-supported development bank. On this basis, the Commission has concluded that the MDB's scope of activity will not distort competition in the Single Market.

Given that the market for SME and infrastructure project financing and in particular the scope and nature of the market failures may evolve, the Commission will reassess its findings in 2019. This review will be based on a report by Malta on MDB's operations under the approved scope.

Background

EU state aid rules allow Member States to grant aid to National Promotional Banks, such as the MDB, if they provide financing in areas where market failures lead to an undersupply of finance by private operators, or where the private market would not provide such financing on its own.

For more details, see the Commission's Communication of July 2015 on [the role of National Promotional Banks in supporting the Investment Plan for Europe](#).

The non-confidential version of the decision will be made available under the case number SA.39793 in the [State Aid Register](#) on the [DG Competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

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