



## NOTES ON THE STATE AID RDI FRAMEWORK

### Complexity of the rules to support the RDI supply to undertakings

The framework on state aid for RDI enterprise projects (demand side) is consolidated and its application does not show particular difficulties and uncertainty. The same can't be said, with regard to aid to the activities and investments of bodies providing RDI services to enterprises (supply side), more recently introduced.

It should first be noted that the introduction of the definition of "technological infrastructure" introduces a further element of complexity, as it is not at all easy in practice to distinguish it from that of "research infrastructure".

The same infrastructure can be used for "research" (in the sense of lower TRLs) or "innovation" (higher TRLs), to a varying extent over time and difficult to predict, on the one hand with respect to the overall use of its theoretical production capacity and on the other to the share of its use for "research" or "innovation".

Providing for different aid intensities based on the future use of subsidized investments risks multiplying the difficulties and uncertainties already indicated with reference to the distinction between public funding for research infrastructures which are or are not aid.

But above all, these difficulties and uncertainties are due to the interference between the aid intensities envisaged for certain types of infrastructures / investments and those envisaged by the same regulations according to the subjects who implement them.

This is the case, for example, of the investments made by the Innovation Cluster, which provide for the same aid intensity provided for research infrastructures. If an Innovation Cluster realizes a technological infrastructure (as can be expected from subjects more suited to supporting CSR activities closer to the market) which aid intensity will need to be applied?

This is also the case of investments made by RKO, if the economic activity deriving from the management of a technological infrastructure does not lead the total costs dedicated by the legal entity to the economic activity to exceed the limits set out in p. 22. In this case, does the public funding of the technological infrastructure still completely fall outside the rules on state aid pursuant to point 22 of the Framework?

This complexity inherent in RSI and the consequent difficulty in applying the applicable rules can hinder the achievement of the objective of increasing investment in R&I in Europe, while it does not seem necessary to avoid altering trading conditions to an extent contrary to the common interest.

### A simpler approach ...

To avoid this alteration, the remedies provided for by the competition rules regarding infrastructures that are natural monopolies (or oligopolies) would seem sufficient and simpler.

Universities and Research Centres (and it seems to us even Innovation Clusters and managers of Research or Technological Infrastructures) operate in a "quasi-market" that is difficult to define as perfectly competitive market and it does not seem accidental that the RSI Framework already it proposes remedies typical of the competition rules regarding infrastructures which are natural monopolies.

These remedies are also present in the aid frameworks concerning energy, broadband and local infrastructures, ports, airports and, more generally, infrastructures aimed at offering Economic Services of General Interest.

These remedies are the obligations of open access to the infrastructure for a wide category of users and the independence of the managing body.



These are obligations already present in the RSI Framework to define RKO, Innovation Clusters and Research Infrastructures, that perhaps can be even better regulated, but which appear sufficient to ensure that the economic advantage is passed on to end users.

### ... and bolder approach ...

It is suggested that technological infrastructures can be included in the definition of research infrastructures and maintain the greater aid intensity already foreseen for the latter, if access is open to more users and the operator is an independent entity (not in conflict of interests) with users.

It is also suggested to apply the aid intensities already foreseen for experimental development projects if the investment in the infrastructure is instead carried out or managed by an entity that carries out another economic activity, other than selling access to the infrastructure and RDI services. This aid intensity should provide for the same increases for investments made by SMEs and for those made in "effective collaboration" (participating in the cost of the investment) between several undertakings or between undertakings and RKOs.

It would also be useful to include among the RDI services also those relating to the acceleration of start-up companies and assistance in finding equity investments on the market (a stronger link with the rules on risk finance aids). The Commission's own experience in implementing its own direct initiatives in this field, first with the SME Instrument and now with the EIC Accelerator, has shown how support for RDI Projects is more effective if accompanied by other services aimed in an integrated way to bring good ideas to market quickly.

If these suggestions were accepted, it is believed that the discipline would acquire greater clarity and could be applied more easily.

Defining entities that offer on the EU market, in an independent and open way, only RDI services, including access to infrastructures (hereinafter "Independent RDI Undertakings"), it is unnecessary to define the Research Infrastructures and Technological Infrastructure (they will be investments of RKO or Independent RDI Undertakings).

But above all, it is considered important that the greater aid intensities now reserved for investments in Research Infrastructures and those carried out from Innovation Cluster, are extended to all investments by Independent RDI Undertakings.

The Independent RDI Undertakings carry out activities enabling the competitiveness of European undertakings, especially in a historical moment in which there is a concentration of know-how and intangible assets in the hands of a few corporations (rarely European), and at the same time there is the urgent need to reconvert the European economy by transforming the economic Covid-19 outbreak into an opportunity (an Economic Service of EU General Interest?).

The rules on aid for the offer of RDI services could make a greater contribution to this reversion by encouraging a multiplication of RDI Undertaking, in particular those who operate in an open and independent manner and which they are therefore able to satisfy even the needs of the smallest companies, also stimulating RKOs to offer more research services on the market and encouraging competition between all these subjects.

Moreover, it is also an economic sector which is in itself one of those with the greatest added value in the global division of labour, in which EU aspires to excel.

If it is considered that the aid intensity risks favouring the Independent RDI Undertakings and their shareholders too much, clauses could be foreseen for their automatic reduction (for example when the private RDI expenditure reaches a certain percentage of the GDP in a member State).



### ... and boldest approach

Lastly, it is suggested that aid should be allowed for the operating costs of the Independent RDI Undertakings and not only in a start-up phase as currently envisaged for the Innovation Clusters.

We recall that aid for Innovation Clusters "aims at tackling market failures linked with coordination problems hampering the development of clusters or limiting the interactions and knowledge flows within clusters" (whereas n. 50). It is supposed that the "coordination problems" will disappear over time and so that the Innovation Clusters can have a financial self-sustainability perspective, thanks to the activity of providing RDI services to enterprises.

By stretching, in the 2014-2020 regulations, the start-up period of Innovation Clusters (from 5 to 10 years) was probably taken note of the difficulty of such bodies in achieving self-financing (e. g. French Poles de Compétitivité) or at least in the times when a normal firm reaches the breakeven point (3 years?).

The European model considered the most effective for public support in the supply of RDI services for the enterprises, is that of the Fraunhofer.

As far as is known, Fraunhofer's success contributes to its public financing system which, simplifying, provides for around 3 euros of public support for every 7 euros of revenues from client companies for RDI services provided to them. It is a scheme which seems to be - truly smart - to encourage such bodies to take the utmost account of the German enterprise concrete needs, as measured in terms of revenues, for technological innovation.

Certainly, public funding to Fraunhofer follows the rules on state aid and those that do not have this nature are linked to distinct costs related to non-economic activities, but the fact is that this public funding is constant over time and after almost 70 years the Germans authorities would not seem willing to reduce it and consider "the start-up phase to be over".

Fraunhofer's continued success appears to be a clear indication that the economic activities relating to the supply of RDI services to enterprises, in an independent and open way, are worthy of a continued public funding. This support should cover all the Independent RDI Undertakings (irrespective of the public or private nature and the legal form), avoiding to apply a complex distinction between economic activities and not and sometimes artificial and bureaucratic accounting separation between bodies, more or less "Enterprise" or "RKO", and be a percentage of revenue.

The State aid to the operating costs may be increased with regards to a limited start-up period (first 3/5 years), possibly higher if the Independent RDI Undertakings had a distributed ownership (or mainly SMEs).

This would be an important opportunity to level the playing field between the member States, taking advantage of a time when the global leading companies are adopting the open innovation paradigm, pushing them to aim their RDI investments to this direction, through abandoning the model of the internal research department (or company dedicated to captive RDI activities). The whole of Europe may thus become so strongly attractive for these private initiatives that would have simple rules to smart matching with the public initiative.

With best regards.

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