



EURADA CONTRIBUTION TO THE CONSULTATION DOCUMENT ON STATE AID FOR INNOVATION

EURADA, the European Association of Regional Development Agencies, wishes to present the following contribution to the consultation document on State aid for innovation. This contribution is the summary of a meeting held on 8 November 2005.

Participants in the meeting have recognized that they were not able to answer all the 20 questions raised by the consultation document.

Question 6

Yes, State aid rules on innovation need to include regional bonuses for cohesion purposes. Yes, they should also differ according to the geographical situation of a region, irrespectively of cohesion issues. This differentiation can help solve specific structural problems encountered by a region outside the convergence objective of the ERDF regulation.

Question 7

No, regions need a large tool box to support innovation in enterprises and the promotion of an innovation system. Nevertheless, a State aid regulation might provide for an intensity modulation system according to the type of enterprises supported (large, medium and small-size and possibly between start-ups and existing firms).

Question 8

Five years of existence is a too short period of time because innovation is the fact either of high-tech start-ups or of existing traditional enterprises.

The ceiling of 50 employees should be raised to 250 in order to be in line with the European SME definition. Moreover, large enterprises encourage innovation through spin-off and spin-out. Those new enterprises should be able to benefit from public support if the management team becomes independent from the big enterprise which initiated the spin-off or spin-out.

Question 10

Yes, there are needs beyond those currently stated in the consultation document in respect of the risk capital guidelines. In some countries there are indeed :

- a) several equity gaps in the risk capital market determined by the amount of money required by entrepreneurs
- b) market failures in the provision of risk capital
- c) cultural bottlenecks in the acceptance of risk capital fund manager requirements of capital dilutions
- d) asymmetric information between entrepreneurs and investors.

Therefore, tools such as guarantees, repayable loans, grants, are needed. Moreover, hands-on supports and coaching must often be made available with any financial tools.

Question 11

Proposed changes to the tools described in the consultation document are :

- The general level of aid intensity needs to be at least 30%, which is less than the intensity fixed for RTD activities;
- Expenses for certification and homologation should also be included in the list of eligible measures;
- Patenting costs should be granted a specific treatment as Europe failed for more than 20 years to adopt a favourable common framework in this field. Enterprises have not to be penalized twice.

Question 13

Support to intermediaries is often critical to bring existing enterprises to invest in innovation. Therefore, they need to receive support in order to be able to provide the right type of services to foster innovation in a region. Activities such as awareness, first audit of the innovation potential, networking, and others helping to create a commercial market require public support to make a difference at regional level.

Question 14

Yes

Questions 16 to 20

The consultation document raises more sub-questions than potential answers. Indeed, who will be entitled to define European centres of excellence, how many will be granted such a label, who will select them and on which bases ?

If it might be justified to avoid fragmentation of public support, this cannot prevent regions from investing in their indigenous assets or from attracting FDI which strengthen its innovation capability.

As for support to big enterprises, the State aid regulation should make a difference between the support provided to the building of excellence facilities and the one provided to soft measures.

Moreover, innovation efficiency needs a concentration of players, i.e. large firms, SMEs, intermediaries as well as universities.