Aid for innovation: sectoral aspects of the state aid action plan

2006/2044(INI) - 27/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Sophia in't **VELD** (ALDE, NL) in response to the Commission's consultation document on state aid for innovation. (Please see the summary dated 21/03/2006.)

General remarks: Parliament said that state aid should remain the exception: an instrument to correct imbalances that could not be addressed by regular policy instruments. State aid for innovation should be complementary to the corresponding uniform Community policies and should import clear, measurable added value for the immediate beneficiaries as well as a secondary impact on the broader local, regional and national economy. Parliament stressed the need to draw conclusions from past cases in which State aid failed to achieve its aims, as well as from those cases in which it proved to be an effective instrument for attaining the desired objectives. The objective of innovation was multidimensional and complex and very restrictive definitions and arrangements should be avoided. Parliament recommended an interim deadline for revising the framework in the event of the need for improvement. It also asked the Commission to provide more detailed information about the possible distortional effects of State aid and to take into account State aid granted by the EU's international competitors, both at sectoral and horizontal level and its possible distortional and incentive effects on a global scale.

Principles governing control of state aid for innovation: Parliament welcomed the economic approach to State aid for innovation and would welcome the introduction of ex ante rules, if these were transparent, non-discriminatory, practicable, and provide for legal certainty. Criteria for granting subsidies for innovation should be conditional on several factors, such as the characteristics of the economic sector, the market structure, and the market power of the company. The promotion of cross-border cooperation and public-private partnerships in research, the dissemination of the results of the research, and major research programmes, should be fundamental priorities of State aid for R&D. State aid for innovation should be temporary, granted according to transparent and rational criteria, proportionate, strictly and effectively controlled, and subject to periodic impact assessments through ex post analyses conducted by the Member States and the Commission. State aid should also take into account 'remoteness from the market', in other words, the non-commercial phase of the innovation process. The increasing importance of innovation must not be a pretext for granting State aid to companies. Innovation is an integral part of all business activities. Parliament stressed that rules and criteria must clarify that innovative processes per se do not merit State aid. State aid should be granted only for innovation that cannot be financed by normal commercial means and that contributes to the overall goals of business life and society.

SMEs, which, by their nature, had only limited funds at their disposal, should be allocated a higher proportion of the aid available. Parliament pointed out that SMEs were often not willing to take the high risks associated with technological innovation, even though this could not only bring individual benefits, but could also potentially benefit society as a whole. It stressed the need urgently to target State aid at supportive actions that motivate SMEs and diminish the risks linked with technological innovation processes, as well as the need to improve the overall conditions of the business environment.

Supporting risk taking and experimentation: Parliament agreed that State aid should be allocated on the basis of criteria favouring innovative start-ups and SMEs, rather than on the basis of eligible costs. It proposed that the existence period requirement for companies with a longer R&D cycle be extended to eight years. It supported the proposal that financial support should be given by means of risk capital not only for the seed and start-up phase, but also for the post-seed phase. However, this solution was not

optimal and any aid should be of a short-term character and complementary to primarily private investments.

Parliament realised that innovative SMEs' access to risk capital is currently considerably limited, primarily in the first phases of their development. It supported the idea of using State aid to attract private capital investment to regional risk-capital funds working as public-private partnerships with higher flexibility of investment tranches for public resources.

A supportive business environment for innovation: Parliament recommended that universities and their research centres should take part in or cooperate closely with regional public-private partnerships as 'innovation intermediaries'. This would create a large synergy effect with better interconnection between the research and innovation activities of universities and the needs of individual innovative SMEs and innovative business clusters. It asked for further clarification on how the State aid rules apply to universities and research establishments when they are engaged in economic activities. Parliament questioned the appropriateness of allowing State aid to SMEs for hiring highly qualified staff, since SMEs might have access to specialist knowledge and skills through the services of intermediaries and experts.

Finally, Parliament stated that clusters develop organically and should therefore be eligible for State aid only on a temporary basis, during the start-up phase, in order to meet administrative problems and obstacles linked with cooperation.