

INNO-GRIPS Innovation Policy Workshop 7

Review of the Framework for State Aid for Research and
Development and Innovation

Brussels, April 15-16, 2010

Overview of State Aid provided for R&D and innovation

Jari Romanainen, TAFTIE taskforce

Why TAFTIE?

TAFTIE is The Association For Technology Implementation in Europe, i.e. an association of mainly national agencies who's task it is to implement – and to various degrees also design or at least participate in the design of – R&D and innovation policy measures allocating State aid.

TAFTIE agencies operate in the very frontline between aids and their beneficiaries and is therefore in a unique position to collect first hand experiences of how various aids really function and what if any problems emerge.

Some TAFTIE agencies operate with several aids at the same time allowing some insight into how various aids and measures interact in various target groups.

For more information visit: www.taftie.org

State aid – rationale

The State aid regulatory framework is based on two underlying rationales:

1. Competition

- Ensuring fair and sufficient competition
- Setting a level playing field and rules of the game
- Eliminating barriers

2. Public good

- Addressing/correcting market failures by State intervention
- Encouraging/favouring activities which are likely to produce public good

Optimal mix of policies, rules and measures can be achieved only if both of these are addressed at the same time. This inevitably means finding an appropriate compromise.

State aid – regulatory approach

The State aid regulatory framework in Europe is unique in the world.

1. Competition

- In most countries, competition regulation is based on anti-trust approaches, i.e. eliminating barriers and any attempts to limit competition.

2. Public good

- In most countries State activities are assumed to result in public good by default.

Competition regulation is extended to cover State aid (only) in multinational agreements.

Most national regulations are programme specific.

A more fundamental in-depth analysis might be warranted in longer term to evaluate alternative approaches to State aid?

State aid – framework in the EU

Consists of four main elements

1. Notifications based on common guidelines (R&D and innovation, environment, etc.)
2. Application of various block exemptions (GBER, Structural funds, etc.)
3. General exemption of non-economic activities and services of general economic interest, SGEI (education, health care, defence, etc.)
4. Common activities targeting European interests (Public good), and thereby exempt by default (ESA, EU FP7, etc.)

These reflect the nature of the European Union, which has features both that of a multinational agreement and that of a State.

These elements offer various degrees of flexibility and thereby some room for innovation (albeit at the cost of bureaucracy).

Perhaps there could be a more flexible (and time limited) element or procedure to use the existing ones to better facilitate experimentation of new measures and initiatives?

State aid – recent experiences

Many of the current rules and regulations are relevant and sufficient

- **State aid can be used to create sufficient incentives for R&D and innovation in most cases.**
- **Most programmes/schemes apply levels of aid below current maximums allowed.**
- **Identified needs to renew current rules seem to be focusing on a few main points:**
 - **Clarification of various rules and their interpretation to ensure predictability**
 - **Updating some rules to better recognise and address new and emerging R&D and innovation activities, especially those conducted in various collaborative and open innovation environments and in new organisational settings**
 - **Finding a better balance between competition and public good in cases, where a significant potential for longer term public good might warrant further relaxing shorter term competition considerations.**

State aid – issues identified 1(2)

Can the regulatory framework keep up with the changes in the nature of R&D and innovation?

- **Open innovation, e.g. blurring the lines between public and private, between small and large enterprises, between public good and private benefits, etc.**
- **Economic vs. Non-economic, e.g. are these still valid concepts, the role of circumstances, direct vs. indirect aid**
- **Networks, alliances and multinationals vs. firms, e.g. What is an undertaking, size of a company, EU vs. world**
- **IPR regime based on patents and other formal forms of protection vs. something more flexible**
- **New demand oriented R&D and innovation policy measures, e.g. procurement of innovation, very early experimentation of new ideas, living labs and other shared experimental platforms**

State aid – issues identified 2(2)

How targeted should an aid be?

- **De-minimis vs. Aid for innovation support services**
- **Mobility vs. Loan of (specific) skilled personnel**
- **Process and organisational innovation in general vs. in services only**
- **Open innovation vs. Cluster animation**
- **Feasibility under uncertainty vs. Technical feasibility**

Concluding remarks

There is a clear and apparent need to continuously improve and especially clarify the interpretation of the current rules.

There is also a need to undergo a more fundamental analysis of the current approach to evaluate and indentify possible alternative approaches.

Both of these are driven by changes in R&D and innovation activities and processes.

A widespread stakeholder consultation is needed and appreciated.

EU could also be more active at the global scene (WTO) to define global rules for R&D and innovation aid and thereby ensuring a level playing field for undertakings operating in and from Europe.