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## **REPORT**

on sectoral aspects of the State Aid Action Plan: aid for innovation  
(2006/2044(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Sophia in 't Veld

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on sectoral aspects of the State Aid Action Plan : aid for innovation (2006/2004(INI))

*The European Parliament,*

- having regard to the Commission Communication of 2 September 2005, entitled 'Consultation Document on State Aid for Innovation' (COM(2005)0436),
  - having regard to the Commission's State aid action plan: Less and better-targeted State aid: a roadmap for State aid reform 2005-2009 of 7 June 2005 (COM(2005)0107),
  - having regard to its resolution of 14 February 2006 on State aid reform 2005-2009<sup>1</sup>,
  - having regard to the draft Commission Communication of 21 December 2005, entitled 'Guidelines on National Regional Aid for 2007-2013'<sup>2</sup>,
  - having regard to the Community Framework for State aid for Research and Development<sup>3</sup>,
  - having regard to the 2005 EU Industrial R&D Investment Scoreboard<sup>4</sup>,
  - having regard to the Commission Communication on State aid and risk capital<sup>5</sup>,
  - having regard to the Commission Communication of 12 October 2005, entitled 'More Research and Innovation - Investing for Growth and Employment: A Common Approach' (COM(2005)0488),
  - having regard to Commission Regulation (EC) No 2204/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment<sup>6</sup>,
  - having regard to the objectives of the Lisbon Strategy,
  - having regard to Articles 2, 5, 81, 82, 87, 88 and 163 of the EC Treaty,
  - having regard to Rule 45 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Industry, Research and Energy (A6-0073/2006),
- A. whereas the EU aims to reduce the general level of State aid and its redeployment, in

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<sup>1</sup> *Texts adopted*, P6\_TA(2006)0054.

<sup>2</sup> OJ C 54, 4.3.2006, p. 13.

<sup>3</sup> OJ C 45, 17.2.96, p. 5 as last amended by Commission communication concerning the prolongation of the Community Framework for State Aid for Research and Development, OJ C 310, 8.12.2005, p. 10.

<sup>4</sup> Published by the Commission on 9.12.2005.

<sup>5</sup> OJ C 235, 21.8.2001, p. 3.

<sup>6</sup> OJ L 337, 13.12.2002, p. 3.

favour of horizontal objectives,

- B. whereas the level of innovation in the EU is sub-optimal and lags behind its trading partners as regards both R&D investment and productivity growth; whereas the trend of the 'brain drain' and the investment flow from the EU to other parts of the world should be reversed,
- C. whereas in the case of innovation and R&D, horizontal aid exists in a field which is vital to the EU's competitiveness and one in which our competitors provide substantially more State aid than is permitted in the EU,
- D. whereas innovation processes need scope for development and room for experimentation,
- E. whereas the innovation performance gap between the EU and its global competitors is due to factors such as low public and private investment in R&D, an insufficient number of skilled workers, and disincentives inherent in EU rules on patents,
- F. whereas public support ranks very low among the factors influencing investment decisions in R&D; whereas the significance of direct public support varies considerably from one Member State to another and is one of the factors taken into account by enterprises for their investment decisions in R&D, which should not be isolated from an R&D-favourable business environment and should be subject to EC competition rules,
- G. whereas innovation policy in the fields of technology and R&D accounts for a manifestly small proportion of Member States' national budgets and GDP, which is in turn a factor that contributes to the delay in implementing the Lisbon Strategy objectives and achieving the goals of boosting employment and cohesion,
- H. whereas State aid should remain the exception, an instrument to correct imbalances that cannot be addressed by regular policy instruments, and whereas the low level of investment in R&D requires a more comprehensive policy approach,
- I. whereas, in line with the Presidency conclusions of the Luxembourg European Council of 22 and 23 March 2005, State aid should act as a lever for developing research, education and innovation, and should permit a genuine dialogue to take place between interested parties in the public and private sectors,
- J. whereas it is very important to define clearly what is meant by R&D in order to prevent the abuse of State aid rules on this ground,

## **I. GENERAL REMARKS**

- 1. Recalls that State aid should remain the exception: an instrument to correct imbalances that cannot be addressed by regular policy instruments; underlines the importance of guaranteeing coherence between such measures and those aimed at reducing unnecessary regulation and introducing further deregulation measures, investing in education and training, providing adequate infrastructure, ensuring that the patent regime is conducive to innovation, ensuring fair competition, facilitating access to risk

capital, encouraging an entrepreneurial spirit, removing obstacles to the freedom of movement of workers and researchers within the EU, and adopting a common policy for legal immigration, which enables the EU to attract the best and the brightest;

2. Stresses that further clarification is needed on how State aid rules will apply to international cross-border economic activities of companies, research establishments and academic institutions;
3. Considers that State aid for innovation should be complementary to the corresponding uniform Community policies and should have a clear, measurable added value for the immediate beneficiaries as well as a secondary impact on the broader local, regional and national economy;
4. Stresses the need to draw conclusions from past cases in which State aid failed to achieve its aim, as well as from those cases in which it proved to be an effective instrument for attaining the desired objectives;
5. Welcomes the Commission's open consultation and encourages the continuation of dialogue in order to clarify all points before finalisation of the new framework, which should be implemented as soon as possible; considers, given that the objective of innovation is multidimensional and complex, that very restrictive definitions and arrangements should be avoided and recommends that provision should be made for an interim date for revising the framework in the event of it needing improvements; notes, moreover, that the revision of the Oslo Manual, which lays down the methodological framework for measuring innovation, should be taken into account;
6. Asks 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; points out that the effective governance of innovation policy, international benchmarking, trans-national policy learning, monitoring, and impact assessments are the most appropriate responses to the challenges of global competition;

## **II. PRINCIPLES GOVERNING CONTROL OF STATE AID FOR INNOVATION**

7. Welcomes the approach of incorporating new rules, which support concrete and well-identified innovation-related activities, in the existing *acquis communautaire*, provided that this is done in a coherent and transparent way;
8. Welcomes the economic approach to State aid for innovation and would welcome the introduction of *ex ante* rules, where appropriate, if these are transparent, non-discriminatory, practicable, and provide for legal certainty; insists that the Commission, in close cooperation with Parliament, periodically review and evaluate the appropriateness of such rules; it should also be emphasised that 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;

9. Insists that the promotion of cross-border cooperation and public-private partnerships in the field of research, the dissemination of the results of research, and major research programmes should be fundamental priorities of State aid for R&D;
10. Insists that 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; insists also that State aid should take into account 'the remoteness from the market', in other words, the non-commercial phase of the innovation process; stresses that the increasing importance of innovation must not be a pretext for granting State aid to companies;
11. Recalls that innovation is an integral part of all business activities and stresses that rules and criteria must clarify that innovative processes *per se* do not merit State aid; stresses that State aid should be granted only for innovations that cannot be financed by normal commercial means and that contribute to the overall goals of business life and society;
12. Considers the term 'market inefficiency' more appropriate than 'market failure', and asks for a more detailed and operational definition; suggests that the identification of obstacles limiting innovation, as well as the quantification of its effective value, should be subject to further scrutiny;
13. Stresses the need for reliable statistical data both on market and on State aid inefficiencies in the field of innovation, as well as on the effectiveness of State aid for innovation;
14. Recognises that SMEs and start-ups are most affected by market inefficiencies; notes, at the same time, that the effect of State aid is less distorting when granted in favour of activities at a distance from the market or SMEs and start-ups;
15. Stresses the need to create an innovation-friendly environment for SMEs in order to stimulate their untapped innovation potential;
16. Stresses that the importance in this connection of SMEs, which, by their nature, have only limited funds at their disposal, makes it necessary for them to be allocated a higher proportion of the aid available; to make this possible, a greater role needs to be played by the innovation intermediaries referred to in the document, once their nature and role has been clarified further and the necessary infrastructure which they should provide has been extended to include IT infrastructure, and networking and link-up to international databases;
17. Points out that SMEs are often not willing to undertake 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; stresses the need to urgently target State aid at supportive actions that motivate SMEs and diminish the risks linked to technological innovation processes, as well as the need to improve the overall conditions of the business environment;

18. Regards large companies as an essential component of the innovation system and therefore considers that State aid to large companies is permissible if the companies cooperate with others (large businesses, small businesses, knowledge institutions) and provided that they meet the criteria of the *ex ante* rules;
19. Is aware that State aid may be necessary in order to set in motion innovative projects or scientific or technological research projects which are distant from the marketplace;
20. Notes that the incentive effect of different State aid instruments is difficult to demonstrate but may be facilitated by a standardised set of questions; considers that as little use as possible should be made of direct grants;
21. Questions the distinction between technological and non-technological innovation; notes the importance of non-technological innovation, particularly in the acquisition of competitive advantages by SMEs; favours, instead, a definition of innovation distinguishing between the regular day-to-day operations of companies and their activities relating to innovation; proposes that projects eligible for State aid should be those that provide additional or new client benefits, entail risk, are intentional, have transferable benefits, and create positive externalities;
22. Considers that regional bonuses are inappropriate if State aid cumulation is permitted; considers that regional aid schemes, whenever additional to State aid for innovation, must be compatible with the internal market and competition rules; considers, moreover, that particular importance should be attached to the definition of and eligibility for State aid for innovation in relation to regional SMEs for which it is vitally important to have access to innovation;
23. Calls on the Commission to make the regional aid schemes more forward-looking, allowing, in particular, support for intangible investments;
24. Calls on the Commission to ensure that EU structural funding will not be regarded as unlawful State aid when combined with co-funding from other sources; further asks that the relevant procedures be modified so that dual notification to the Commission of such funding is avoided;

### **III. SUPPORTING RISK-TAKING AND EXPERIMENTATION**

25. Agrees that State aid should be allocated on the basis of criteria favouring innovative businesses, rather than on the basis of eligible costs; notes that decisions on the grant of State aid should be taken in an efficient manner and within clearly defined time lines;
26. Proposes that the existence period requirement be extended to eight years for companies with a longer R&D cycle;
27. Supports the proposal that financial support is given by means of risk capital not only for the seed and start-up phase, but also for the post-seed phase; stresses, however, that this solution is not optimal and that any aid should be of a short-term character and complementary to primarily private investments;

28. Emphasises that the limits on R&D costs should be carefully monitored;
29. Notes that in regions and countries in which the innovation environment is particularly disadvantaged, a perception by private investors and financial institutions of higher risk may work as a major innovation-inhibiting factor;
30. Realises that innovative SMEs' access to risk capital is currently considerably limited, primarily in the first phases of their development; supports therefore 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;

#### **IV. A SUPPORTIVE BUSINESS ENVIRONMENT FOR INNOVATION**

31. Calls for the further clarification of the legal status of intermediaries in regard to the scope of the services that they provide; supports the voucher system but proposes introducing an element of co-financing, in order to attract more private investment; believes, however, that the reimbursement of 100% might lead to the distortion of competition;
32. Recommends that universities and their research centres should take part in regional public-private partnerships as 'innovation intermediaries', or cooperate with them closely; considers that 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;
33. Asks for further clarification on how the State aid rules apply to universities and research establishments when they are engaged in economic activities;
34. Questions the appropriateness of allowing State aid to SMEs for hiring highly qualified staff, since SMEs may have access to specialist knowledge and skills through the services of intermediaries and experts;
35. Is convinced of the need to step up links between businesses and universities, *inter alia* by increasing the mobility of highly qualified personnel of all specialities between universities and businesses, particularly SMEs; considers that aid, particularly via support schemes, should encourage such links; welcomes the Commission's proposal to divide intellectual property rights between the partners (industry and public research organisations) in research and innovation programmes in accordance with each partner's level of participation, considering that this will give a great boost to the creation of poles of excellence; calls, therefore, on the Commission to submit specific proposals to clarify the legal status of intellectual property in these circumstances;
36. Believes that clusters originate in organic matter and therefore should 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;



37. Believes that State aid for infrastructure should fulfil the requirement of technical neutrality and open access, address identified market failures, and enhance innovative potential;

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\* \*

38. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

Following the comprehensive reform package on State aid rules, the European Commission presented a consultation document on State aid for Innovation. The Communication stresses that the level of innovation in Europe is sub-optimal, often due to market failures such as externalities, insufficient dissemination of information, shortcomings in the capital markets, mismatches on the labour market, insufficient R&D policy coordination etc. The Commission therefore considers allowing State aid for technological innovation to SMEs when it fulfils clear *ex ante* rules designed on the basis of the following 'general balancing test': (1) presence of a well-defined market failure; (2) State aid to be the most appropriate policy instrument, i.e. fulfilling the requirements of additionality and proportionality; and (3) balance to be struck between the distorting effect of the State aid measure and safeguarding the general interest.

The Commission's objective is to incorporate into the existing EU state aid legal instruments a series of concrete and targeted innovation-related activities, namely:

- Activities which support risk-taking and experimentation and help to bridge the gap between technical knowledge and the market, such as: supporting the creation and growth of innovative start-ups; tackling the equity gap to increase risk capital in the EU; and supporting technological experimentation and risk of launching innovative products;
- Activities (business services and infrastructure) which improve the general business environment for innovation, such as: encouraging innovation intermediaries; encouraging training and mobility; and supporting the development of poles of excellence through collaboration and clustering.

### **I. General remarks**

The rapporteur welcomes the Commission approach of 'less and better-targeted State aid' and supports the commitment of its redeployment in favour of horizontal objectives, such as research, innovation and optimisation of human capital. In any case, even when resolving the problem of unsatisfactory innovation in Europe, the enhancement of competition should be given the first priority and state aid should be an 'instrument of last resort'.

The Commission Communication 'A Pro-active Competition Policy for Europe' points out that Member States often subsidise industries in an inefficient manner, and do not sufficiently address innovation market failure. Therefore state aid rules should provide for safeguards that state aid is not loss-making for the Member States, as it is always funded by taxpayers and must be spent responsibly providing high value for money.

Indeed, many problems in the field of innovation require a more comprehensive policy approach related to optimising of the business environment by measure, such as: cutting the 'red tape', investing in education and training, high quality infrastructure, a patent regime conducive to innovation, access to risk capital, encouraging entrepreneurial spirit, removing obstacles to free movement of workers and researchers within the EU, and adopting a common policy for legal immigration that enables Europe to attract the best and the brightest.

Moreover, the Member States should step up their efforts to meet the target of 3 % investment in R&D in line with the Lisbon objectives.

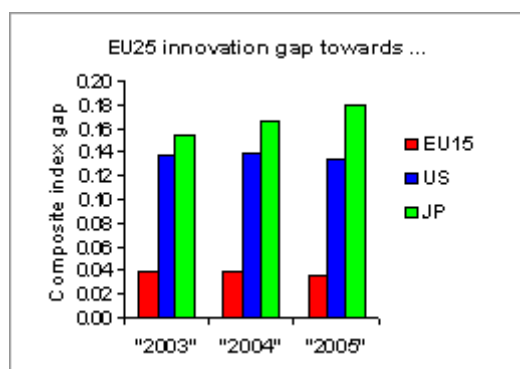
Unquestionably the EU state aid rules for innovation should take into account the international context and the fact that the EU is lagging behind its global competitors, both in terms of investing in R&D and in generating productivity growth (see Fig. 1).

The rapporteur believes that the right answer to the challenges of global competition in the field of innovation is not granting more state aid but creating a level playing field by effective innovation policy governance, international benchmarking and trans-national policy learning.

In this respect, Member States should develop overall strategies with quantifiable targets as regards their innovation policies where benchmarking, impact assessment and evaluation of effectiveness of governance approaches should be systematically performed.

**Figure 1: EU innovation gap with US and Japan**

#### **EU25 innovation gap towards US, Japan and EU15**



EU25 equal to 0.00

Based on a set of comparable data for 16 indicators [1](#), the US and Japan are still far ahead of the EU25. The innovation gap between the EU25 and the US is close to stable.

*Source: Trend Chart - Innovation Policy in Europe.*

## **II. Principles governing control of State aid for innovation**

The rapporteur agrees with the Commission approach not to create a separate Framework for innovation and to restrict changes to the existing legal instruments in order to limit the risk of legal uncertainty and 'red tape'.

Applying an economic approach to State aid for innovation based on *ex ante* rules may be considered appropriate if transparent, non-discriminating and providing for legal certainty. The Commission, in close cooperation with the European Parliament, should carry a periodical review, control and evaluation of the effectiveness of these rules.

If allowed, State aid for innovation should be of a temporary nature, proportionate, strictly and effectively controlled, and subjected to periodic impact assessment through ex-post analyses conducted by Member States and the Commission.

The rapporteur recommends the term 'market failure' to be replaced by 'market inefficiency'. The Commission should consider elaborating a sound methodology for assessing innovation market inefficiency, based on a clear and operational set of indicators. Moreover innovation market inefficiency should be analysed in a wider context of Article 81 and 82 of the EC Treaty.

For the purpose of developing a sound methodology on assessing the adequacy of *ex ante* rules, Member States should provide reliable statistical data on both market and State aid inefficiencies.

The rapporteur agrees with the conclusion of the Commission that SMEs and start-ups are most affected by market inefficiencies, and that State aid is less distorting when granted for activities at a distance from the market or to SMEs and start-ups. Nevertheless the *ex ante* rules may apply to large companies as well but only in case of cooperation with SMEs in clusters and poles of excellence and if the designed *ex ante* criteria are met.

Given the different opportunities for financial support to innovation activities on European, national and regional level as well as the variety the instruments that Member States have at their disposal for encouraging innovation, that rapporteur believes that direct grant should be avoided whenever possible.

The rapporteur would like to stress that the distinction between technological and non-technological activities cannot be adequate for defining innovation as, on one hand, 'technology' does not always necessarily mean effective innovation and on the other 'non-technological' approach could also be innovative. Therefore the Commission should elaborate on a definition based on criteria that distinguish between the regular day-to-day operations of the companies and their innovation activities. Innovative projects could prove eligible for State aid when:

- ✓ they create an additional or new benefit for the client;
- ✓ they have to present a risk as real innovation is usually related to certain degree of uncertainty in the investment;
- ✓ the innovation they create is transmissible (i.e. it is formalised via licences, copyrights, etc.);
- ✓ they create positive externalities;

The Commission is considering if to continue applying the currently existing regional bonuses given that State aid allowed for innovation may normally be cumulated with regional aid since each relates to different eligible costs. The rapporteur agrees that the lack of innovation and R&D is one of the major characteristics of regions in need of cohesion aid. However, the regional bonuses are inappropriate if cumulation of State aids is allowed.

### **III. Support risk-taking and experimentation**

The rapporteur welcomes the measures proposed by the Commission for support of risk taking and experimentation while insisting preference to be given to market-driven solutions and the use of private capital.

Replacing the definition of eligible costs with the one of innovative start-ups as a basis for allocating State aid for innovation is in line with the overall strategy of better-targeted State aid and it is supported by the rapporteur. However, the existence period requirement should be extended to eight years for companies with longer R&D cycles.

Providing risk capital financial support also for the post-seed phase is of utmost importance for SMEs. Nevertheless, the aid should be short-term and complementary to primarily private investments

#### **IV. Supportive business environment for innovation**

Further clarification of the legal status of innovative intermediaries is necessary in particular in terms of scope of services they provide (market / non-market oriented activities) since the consultation paper is greatly vague and unclear as regards their definition and status.

Universities have the potential to be one of the key promoters of entrepreneurial culture and spirit. The traditional cultural gap between business and academia should be reduced in order to create an environment conducive to innovation and attractive for researchers. In order incentives for collaboration to be increased, the Commission should further clarify the application of State aid rules to universities and research establishments when engaged in economic activities as part of cluster or poles of excellence.

The rapporteur is sceptical about the appropriateness of allowing State aid to SMEs for hiring highly qualified staff, as they may have access to specialist knowledge and skills through the services of intermediaries.

Many examples show that successful clusters originate in organic matter. Therefore they should be eligible for State aid only on a temporary basis during the start-up phase in order to cope with administrative and cooperation obstacles. If subsidised, clusters and poles of excellence should be subject to periodic reviews in terms of their excellence and contribution to innovation.

High-quality infrastructure is an indispensable precondition for innovation and development of clusters. However, that State aid for it should not be unconditional and needs to fulfil the requirement of technical neutrality and open access, to address identified market failure and enhances the innovative potential.

20.3.2006

## **OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY**

for the Committee on Economic and Monetary Affairs

on sectoral aspects of the State Aid Action Plan: aid for innovation  
(2006/2044(INI))

Draftsman: Pier Antonio Panzeri

### **SUGGESTIONS**

The Committee on Industry, Research and Energy calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Stresses that the importance in this connection of SMEs, which, by their nature, have only limited funds at their disposal, makes it necessary for them to be allocated a higher proportion of the aid available; to make this possible, a greater role needs to be played by the innovation intermediaries referred to in the document, once their nature and role has been clarified further and the necessary infrastructure which they should provide has been extended to include IT infrastructure, and networking and link-up to international databases;
2. Recognises the technical difficulties in estimating the extent to which non-technological innovations are affected by shortcomings in the market; considers, however, that, in view of the important contribution of non-technological innovation - particularly innovation in services and business - to European competitiveness, it should under no circumstances be excluded from the scope of the rules on State aid for innovation;
3. Underlines the need to create a network of regional innovation intermediaries, define their legal status and clarify conditions for receiving State aid; proposes that existing business support organisations such as business innovation centres (BICs), technological incubation centres, high-tech centres etc. could, on the basis of clear criteria concerning the offering of complex services for innovative companies, be granted a licence of 'innovation intermediary' by a national authority;
4. Proposes that, where 'innovation intermediaries' act in the public interest and address market failures hindering the development of technological innovations, they could qualify for up to 100% State funding through a kind of 'innovation services voucher', particularly in areas where innovative SMEs normally have limited access to State aid;

5. Is convinced of the need to step up links between businesses and universities, *inter alia* by increasing the mobility of highly qualified personnel of all specialities between universities and businesses, particularly SMEs; considers that aid, particularly via support schemes, should encourage such links; welcomes the Commission's proposal to divide intellectual property rights between the partners (industry and public research organisations) in research and innovation programmes in accordance with each partner's level of participation, considering that this will give a great boost to the creation of poles of excellence; calls, therefore, on the Commission to submit specific proposals to clarify the legal status of intellectual property in these circumstances;
6. Recommends that universities and their research centres should take part in regional public-private partnerships as 'innovation intermediaries', or cooperate with them closely; considers that 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;
7. Stresses that further clarification is needed on how State aid rules will apply to international cross-border economic activities of companies, research establishments and academic institutions;
8. Calls on the Commission to ensure that EU structural funding will not be regarded as unlawful State aid when combined with co-funding from other sources; further asks that the relevant procedures be modified so that dual notification to the Commission of such funding is avoided;
9. Recognises the dynamic contribution of regional business clusters and poles of excellence in increasing European competitiveness; considers therefore that State aid is important in the creation of regional and national poles of excellence and in their networking with corresponding poles in other Member States; considers that the relevant definitions should be clarified to enable the rules on State aid for innovation to be implemented smoothly; considers, given the regional and national nature of the poles of excellence, that the particular characteristics and comparative advantages of the region or country concerned should be taken into account in determining the number and broad objective of those poles of excellence which receive authorised State aid;
10. Points out that SMEs are often not willing to undertake 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; stresses the need to urgently target State aid at supportive actions that motivate SMEs and diminish the risks linked to technological innovation processes, as well as the need to improve the overall conditions of the business environment;
11. Emphasises that State aid to companies other than SMEs can be appropriate, particularly if it is low-level aid, when granted for the purpose of encouraging networking of large enterprises around poles of excellence, cooperation with other companies, SMEs, academic institutions in 'open innovation' and other clusters, and poles of excellence, and to encourage collaborative R&D programmes, provided that such State aid meets the criteria of the *ex ante* rules;

12. Considers that innovation should be an important concern for existing regional networks and agencies and should be reflected in all regional development strategies as a tool to counter regional imbalances;
13. Agrees that technological innovation and its innovative potential is often regionally concentrated; therefore, considers it necessary to support potential developers of innovative ideas as well as start-ups, and to foster and encourage innovative SMEs through differentiated State aid, using regional premiums and bonuses, including bonuses taking into account geographical criteria; believes that such regional support action is crucial, especially in less developed regions where market failures are often the cause of low economic growth and brain drain;
14. Realises that innovative SMEs' access to risk capital is currently considerably limited, primarily in the first phases of their development; supports therefore 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;
15. Welcomes the Commission's open consultation and encourages the continuation of dialogue in order to clarify all points before finalisation of the new framework, which should be implemented as soon as possible; considers, given that the objective of innovation is multidimensional and complex, that very restrictive definitions and arrangements should be avoided and recommends that provision should be made for an interim date for revising the framework in the event of it needing improvements; notes, moreover, that the revision of the Oslo Manual, which lays down the methodological framework for measuring innovation, should be taken into account.



## PROCEDURE

<b>Title</b>	State aid for innovation
<b>Procedure number</b>	2006/2044(INI)
<b>Committee responsible</b>	ECON
<b>Opinion by</b> Date announced in plenary	ITRE 16.2.2006
<b>Enhanced cooperation – date announced in plenary</b>	No
<b>Drafts(wo)man</b> Date appointed	Pier Antonio Panzeri 26.1.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	21.2.2006    20.3.2006
<b>Date adopted</b>	20.3.2006
<b>Result of final vote</b>	+ :                    27 - :                    0 0 :                    0
<b>Members present for the final vote</b>	John Attard-Montalto, Philippe Busquin, Joan Calabuig Rull, Pilar del Castillo Vera, Giles Chichester, Lena Ek, Norbert Glante, Fiona Hall, Rebecca Harms, Erna Hennicot-Schoepges, Ján Hudacký, Anne Laperrouze, Reino Paasilinna, Umberto Pirilli, Miloslav Ransdorf, Vladimír Remek, Paul Rübig, Britta Thomsen, Catherine Trautmann, Claude Turmes, Nikolaos Vakalis
<b>Substitute(s) present for the final vote</b>	María del Pilar Ayuso González, Zdzisław Kazimierz Chmielewski, Lambert van Nistelrooij, Josu Ortuondo Larrea, Esko Seppänen, Alyn Smith
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	

## PROCEDURE

<b>Title</b>	on State Aid for innovation				
<b>Procedure number</b>	2006/2044(INI)				
<b>Committee responsible</b> Date authorisation announced in plenary	ECON 16.2.2006				
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	EMPL 16.2.2006	ITRE 16.2.2006	IMCO 16.2.2006	TRAN 16.2.2006	REGI 16.2.2006
<b>Not delivering opinion(s)</b> Date of decision	EMPL 18.1.2006		IMCO 21.2.2006	TRAN 11.10.2005	REGI 22.2.2006
<b>Enhanced cooperation</b> Date announced in plenary					
<b>Rapporteur(s)</b> Date appointed	Sophia in 't Veld 15.11.2005				
<b>Previous rapporteur(s)</b>					
<b>Discussed in committee</b>	24.1.2006	21.2.2006	20.3.2006		
<b>Date adopted</b>	21.3.2006				
<b>Result of final vote</b>	+ 28 - 2 0 13				
<b>Members present for the final vote</b>	Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Ieke van den Burg, David Casa, Jan Christian Ehler, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Robert Goebbels, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Piia-Noora Kauppi, Wolf Klinz, Christoph Konrad, Guntars Krasts, Astrid Lulling, Gay Mitchell, Cristobal Montoro Romero, Joseph Muscat, John Purvis, Alexander Radwan, Bernhard Rapkay, Dariusz Rosati, Eoin Ryan, Antolín Sánchez Presedo, Manuel António dos Santos, Margarita Starkevičiūtė, Ivo Strejček.				
<b>Substitute(s) present for the final vote</b>	Katerina Batzeli, Jorgo Chatzimarkakis, Harald Ettl, Ján Hudacký, Alain Lipietz, Jules Maaten, Vladimír Maňka, Giovanni Pittella, Gilles Savary, Corien Wortmann-Kool.				
<b>Substitute(s) under Rule 178(2) present for the final vote</b>					
<b>Date tabled</b>	4.4.2006				
<b>Comments</b> (available in one language only)					