

European Association of Development Agencies
Association Européenne des Agences de Développement

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EURADA NEWS

<u>SOMMAIRE</u>	<u>SUMMARY</u>
EDITORIAL 1	EDITORIAL 1
DATES A RETENIR 2	IMPORTANT DATES 2
VIE DU RESEAU	LIFE OF THE NETWORK
Dialogue avec la DG Entreprises 2	Dialogue with DG Enterprise 2
Conférence de la DG Regio 12	DG Region Conference 12
WIC La Baule – Awards 17	WIC La Baule - Awards 17
Asia-Invest 17	Asia-Invest 17
R D T	R T D
7 ^{ème} PCRDT 17	FP 7 17
AIDES D'EAT 18	STATE AID 18
POLITIQUE REGIONALE	REGIONAL POLICY
Budget FEDER 20	ERDF Budget 20
4 ^{ème} rapport d'étape sur la cohésion 20	4 th Progress Report on Cohesion 20
Résultats du programme ESPON 21	Results of the ESPON Programme 21
PIB par habitant et par région 21	GDP per inhabitant and per region 21
EDUCATION 22	EDUCATION 22
S M E	S M E
EIC & IRC 22	EIC & IRC 22
AGRICULTURE	AGRICULTURE
Plan d'action en faveur de la forêt 23	Forest action plan 23
ENVIRONNEMENT	ENVIRONMENT
Label écologique communautaire 24	Community eco-label 24
APPEL D'OFFRES 24	CALL FOR TENDERS 24
MANIFESTATIONS 25	EVENTS 25
INTELLIGENCE ECONOMIQUE	ECONOMIC INTELLIGENCE
Investissements Directs Etrangers 26	Direct Foreign Investment 26
ANNEXE 1 Aides d'Etat en matière de RDI	ANNEX 1 State aid for R&D&I
ANNEXE 2 PIB par habitant et par région	ANNEX 2 GDP per inhabitant and per region

EDITORIAL

In recent weeks the Secretariat took up several intellectually exciting challenges, i.e. :

- Organise the Second World Forum on Economic Development in Madeira. Undisputably the most interesting conference ever organised in this matter which a lot of participants attended in the last 15 years. All speakers from 4 continents (North and South America, Africa, Europe and Asia) were indeed of high quality, their analyses were relevant and innovative.
- Cooperate to the organisation of the WIC La Baule 2006 conference which gathered this year more than 700 participants to discuss about the means of increasing the attractiveness and competitiveness of the European Union's territories.
- Participate and moderate the second working meeting relating to "Growth Poles" within the framework of the MLP initiative supported by DG Enterprise and Industry, DG Research and DG Regio.
- Chair the new expert group of DG Research in the field of research intensive clusters and science parks.
- Assist the President of EURADA in preparing his intervention in the conference organised by DG Regio on 12 and 13 June 2006 entitled "Regions for Economic Change: Innovating through EU Regional policy".

It should be noted that more than one third of the speakers in the seminars organised by the European Commission were very active members of EURADA (Scottish Enterprise, Agencia IDEA (Andalucia), ASTER, AGIT, Shannon Development, ...).

Furthermore, the Secretariat participated in the seminars of the following projects: FinNetSME, Automotive Regions, DQE and EURBEST.

This list shows both the diversity of the work carried out and the increasing interest of various Directorates General of the European Commission in regional development and the role of RDAs within this framework.

This confirms that the Secretariat is developing more and more activities intended to the practitioners in regional development rather than actions intended to the sole persons responsible for the implementation of the ERDF or other Community policies.

In the meantime, the European Commission is refining the regulations and budget envelopes of the policies which will enter into force on 1st January 2007, including the regulation on State aid.

IMPORTANT DATES

17/20.9.06	IEDC Annual Conference (New York)
28/29.9.06	6th European Congress of CEEC RDAs (Bratislava, SK)
23.11.06	EBAN Winter University
29.11.06	DQE Project – Final meeting in Brussels
30/11-1/12/06	Agorada 2006

LIFE OF THE NETWORK

DIALOGUE WITH DG ENTERPRISE AND INDUSTRY

You will find below the working document submitted to Mrs Françoise Le Bail, Deputy Director at DG Enterprise and Industry and SME Envoy, in view of the meeting of 4 April 2006, as well as a short memorandum to follow-up that meeting and entitled "The Case for a Community Initiative in the Field of High Value Added SME Support Services".

It should be noted that the working meeting with Mrs Le Bail must be considered as an introduction and an explanation to the SME Envoy of the role of RDAs in business and entrepreneurship support and of the work carried out by EURADA in connection with the different Community policies to support SMEs. The meeting enabled to confirm the interest of DG Enterprise and Industry in the work programme developed by EURADA, namely the work of the Round Table, the Madeira Forum, EBAN as well as the work carried out in the field of access to sources of finance and high value added services. This is that part of the dialogue which motivated the working out of the memorandum to follow-up the above-mentioned meeting.

RDAs AND THE STIMULATION OF REGIONAL ENTREPRENEURSHIP

Working Document for the Meeting with Mrs F. Le Bail, New SME Envoy of DG Enterprise and Industry

EURADA is the European Association of Development Agencies. Its membership currently reaches roughly 150 regional development agencies operating in over 25 European countries. EURADA can be considered the European association of practitioners in regional economic development.

While neither EURADA nor its membership claim to represent entrepreneurs or SMEs, the aim of RDAs is to develop and implement SME support programmes and initiatives at regional level. Some RDA activities enjoy EU support in the form of Community cofunding.

The list below—which is not necessarily exhaustive—illustrates the nature of RDA intervention in favour of SMEs (see Annex 1 for details):

- ✓ Reception, services and general information, guidance for businesspersons;
- ✓ Occupational information services;
- ✓ Advisory and direct support services for SMEs;
- ✓ Specific training for SMEs;
- ✓ Finance;
- ✓ Infrastructure and environment;
- ✓ Specific strategic measures for SMEs;
- ✓ Innovation and knowledge management;
- ✓ Advanced financial services;
- ✓ Benchmarking;
- ✓ Investor attraction.

As providers of regional and local support services, EURADA and its members are able to make useful contributions to the European Commission regarding the definition and implementation of Community policies in favour of SMEs as well as the analysis of their needs.

In recent months, EURADA has developed several policy and issue papers seeking to steer the formulation of Community policies toward more SME friendliness, including:

- Redirecting the use of Structural Funding for the benefit of regional competitiveness (entrepreneurship and innovation) in 2007-2013;
- Regional dimension of RTD-FP7 through improved consideration of SMEs;
- Impact of State Aid frameworks on regional development, i.e. on regional public finance for SMEs;
- Competitiveness of public SME support services.

In parallel, EURADA work focuses on additional issues of undeniable interest to EU Commission services concerned with promoting an economy geared toward entrepreneurship and innovation:

- SME access to finance, including through national and regional business angels networks;
- the role of universities in regional development through entrepreneurship and business support services;

- the importance of intangible assets in regional development;
- presenting SME support services as supply chains (see diagrams in Annex 2).

Also worth mentioning is that EURADA set up and manages EBAN, the European Association of Business Angels' Networks, an umbrella organisation that brings together some 50 national and regional networks interfacing between entrepreneurs and business angels.

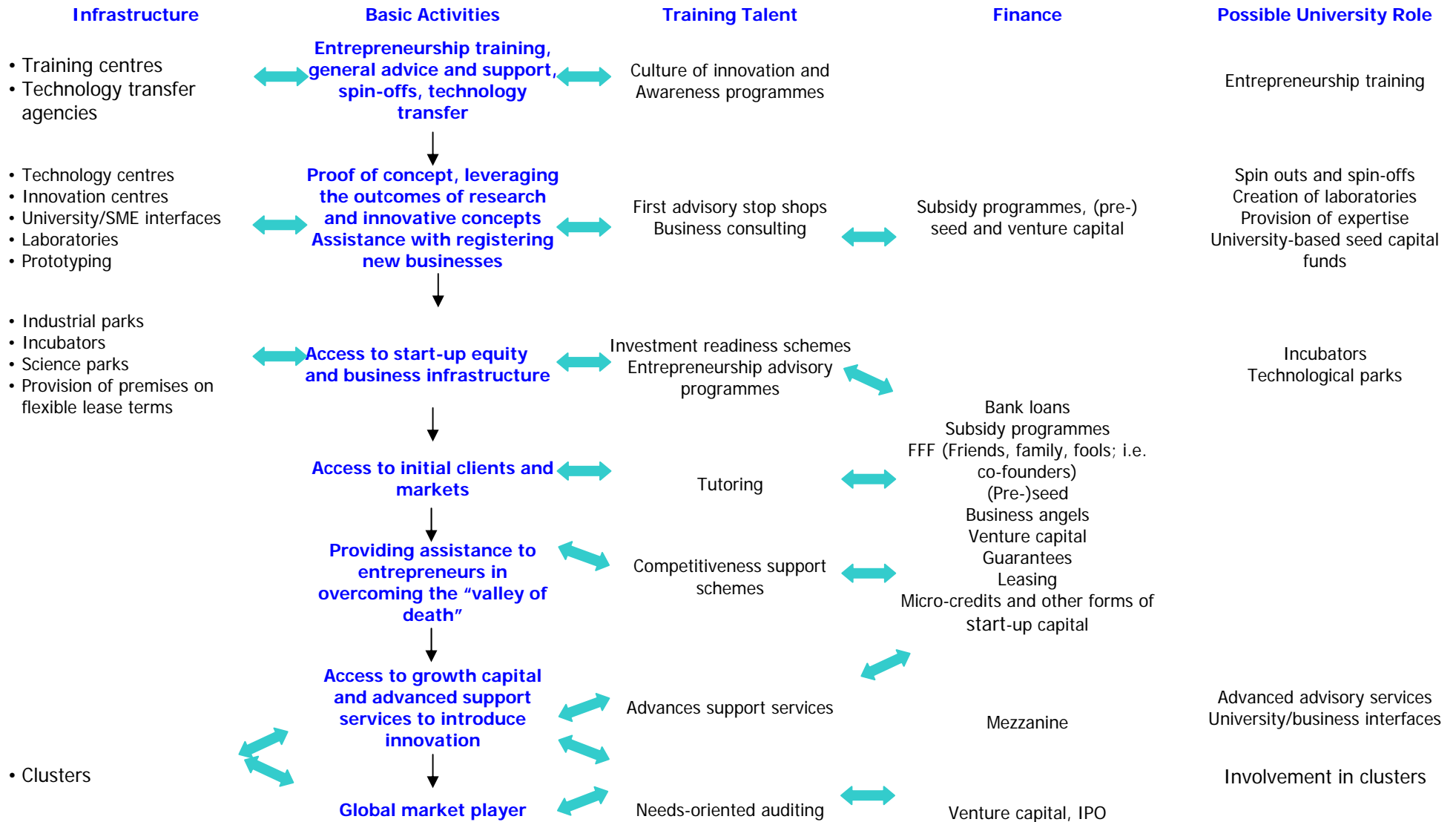
In terms of EU policy priorities to be implemented during the next Programming Period (2007-2013), EURADA remains convinced that not all existing Commission proposals in favour of entrepreneurship are optimal. The table below lists the dangers of failure and offers avenues of reflection aiming to improve consideration of SME interests and to strengthen SME participation in eight Community policies.

COMMUNITY POLICIES	DANGERS	SOLUTIONS
ERDF	<ul style="list-style-type: none"> • Excessive relative weight of infrastructure investment 	<ul style="list-style-type: none"> • Encouraging systematic use of global grants in delivering operational programmes relating to entrepreneurship
	<ul style="list-style-type: none"> • Fragmentation of support service provision 	<ul style="list-style-type: none"> • Reasoning in terms of supply chains and integrated approaches
	<ul style="list-style-type: none"> • Use of grants 	<ul style="list-style-type: none"> • Supporting regional financial engineering funds in the form of PPP agreements
	<ul style="list-style-type: none"> • Addressing the issue of access to finance through equity supply 	<ul style="list-style-type: none"> • Leveraging investment readiness initiatives to stimulate equity demand among businesses
	<ul style="list-style-type: none"> • Range of basic services available to businesses 	<ul style="list-style-type: none"> • Adopting binding guidelines for certain types of SME services and capitalising more effectively on the outcomes of cofunded projects
Lisbon Strategy	<ul style="list-style-type: none"> • Fragmentation of the tools in favour of SMEs and absence of regional framework 	<ul style="list-style-type: none"> • Focusing the effort in favour of SMEs to gazelles (publication of a high-level experts report)
Regional Aid	Dogmatic approach to distortions of competition	<ul style="list-style-type: none"> • Raising the ceiling of "de minimis" intervention • Derogations for aid of less than five years to SMEs in areas including: <ul style="list-style-type: none"> - Venture capital - innovation - RTD - Training • Organising a benchmarking exercise on State aid to SMEs between the EU and the USA

COMMUNITY POLICIES	DANGERS	SOLUTIONS
RTD-FP7	Setting quantitative rather than qualitative objectives for SME participation	<ul style="list-style-type: none"> • Simplifying administrative procedures • Reactivating the CRAFT facility set up under RTD-FP6 with an appropriate financial endowment • Promoting cooperation among clusters and other competitiveness centres to encourage joint RTD activities • Providing for specific actions or an ad-hoc financial allowance for the SMEs participating in IP and RI • Increasing the means available for structures promoting the valorisation of research results (IRC)
CIP and the entrepreneurship action programme	<ul style="list-style-type: none"> • Absence of a critical mass of finance and of adequate potential for mobilising national decision-makers in fields including: <ul style="list-style-type: none"> - access to finance - innovation - business transfers - internationalisation 	<ul style="list-style-type: none"> • Encouraging thinking in terms of SME support supply chains • Reinforcing and diversifying EIF intervention in favour of Business Angels Funds, (pre)seed equity and business transfer funds • Enhancing the benefits for local companies of large infrastructure works cofunded by the Structural Funds • Increasing resources available to implement a policy in the fields of innovation, design and the protection of intellectual property • Restarting the reflections on SME access to high added value advisory services
	<ul style="list-style-type: none"> • CIP is a patchwork of initiatives that lack visibility for SMEs, as opposed to MAPs • Fragmented approach to entrepreneurial issues within funded Community programmes 	<ul style="list-style-type: none"> • Focusing financial and human resources available in the different DGs and Member States on annual priority issues corresponding to the different stages in the entrepreneurship cycle
	<ul style="list-style-type: none"> • Obstacles facing young entrepreneurs in accessing sources of finance 	<ul style="list-style-type: none"> • Coordinating a roundtable on early stage finance along similar lines as the Roundtable of Bankers and SMEs • Pilot actions in the field of investment readiness

COMMUNITY POLICIES	DANGERS	SOLUTIONS
	<ul style="list-style-type: none"> Excessive conservatism: the EIC, IRC and other networks have been in place for more than 10 years 	<ul style="list-style-type: none"> Supporting organisations that develop entrepreneurial systems rather than one-off activities
Education and vocational training	Absence of a regional dimension to Erasmus, Leonardo and other programmes	<ul style="list-style-type: none"> Reinforcing the role of graduate schools in regional development through action in favour of SMEs Acting to attract and retain talent
European Social Fund	Excessive relative weight of efforts to deal with unemployment	Devoting budget quotas to action targeting SME investment in human capital and promoting entrepreneurship at regional level
Foreign trade	Overexposure of SMEs to economic globalisation in the form of imports of products from emerging countries and economies	Delivering an initiative to help SMEs adjust to globalisation. The Globalisation Adjustment Fund is a curative instrument. There would be a parallel need to deploy a preventive instrument as well.

ANNEX 1 MODELLING THE REGIONAL COMPETITIVENESS SUPPLY CHAIN BASED ON ENTREPRENEURSHIP AND INNOVATION



ANNEX 2 : LIST OF SME SUPPORT SERVICES AND PROVIDERS

1. **Reception, basic services and information, guidance**
 - First contact point
 - Official registration and documentation
 - Dissemination of publications and information packages
 - Promotional activities
 - Facility procurement
 - Initial diagnosis
 - Guidance
 - Information about legislation
2. **Professional information services**
 - Information about markets
 - Information about businesses and financial information
 - Technical information
 - standards and certification
 - patents and intellectual property
 - specific fields
3. **Advice and direct support**
 - Entrepreneurship
 - Advice on business plans
 - Business plan and start-up competitions
 - Activity planning
 - Functional advice
 - Monitoring and support measures
 - Tutoring
 - Consulting
 - Enhancing business relations
 - Bringing in direct experience
4. **Specific training for SMEs**
 - SME management
 - Start-up
 - Expansion and development
 - Reconversion training
 - Targeted training
 - Business transfers
5. **Finance**
 - Shareholder's equity
 - Loans for specific purposes
 - micro-credits
 - loans with lower interest rates
 - Loan guarantees
 - direct guarantees
 - mutual guarantees
 - Grants and subsidies
6. **Infrastructure and environment**
 - Business incubator
 - Industrial or commercial units
 - Technological parks
 - Telecommunications
 - Logistic, industrial parks and real estate

- 7. SME-specific strategic measures**
 - Conferences and seminars
 - Professional fairs and exhibitions
 - Buyer exhibitions
 - Trade missions
 - Promotion of networking
 - Development of supply chains
 - Promotion of groupings

- 8. Innovation and knowledge management**
 - Intellectual property
 - Economic intelligence
 - Technological watch
 - Technological auditing
 - Technology transfer
 - E-commerce (B2B) and other ICT applications
 - Quality management
 - Spin-outs and spin-offs
 - Research result commercialisation
 - Aid for inventors

- 9. Advanced financial services**
 - Matching with business angels
 - Seed capital
 - Granting of loans on trust
 - Business plan competitions
 - Investment readiness courses
 - Corporate venturing
 - Reimbursable advance payments

- 10. Benchmarking**

- 11. Investor attraction**

THE CASE FOR A COMMUNITY INITIATIVE IN THE FIELD OF HIGH VALUE ADDED SME SUPPORT SERVICES

ARGUMENT

EU Competitiveness requires an ever-larger pool of Entrepreneurial Growth Companies (EGCs). To deliver this objective, schemes have to be in place to both detect such businesses and serve them with high value added support services.

In most instances however, this approach is poorly developed and does not enjoy adequate focus, especially against the backdrop of a globalised, knowledge-based economic context.

Indeed, provision of SME support services is presently fragmented and is often limited to basic services (information, one-stop shops, grants, etc.).

EU Commission work to date has equally failed to consider an approach based on a high value added services supply chain or system.

Thus, the members of Eurada invite EU Commission services to urgently initiate work on:

- a) An analysis of demand, supply and trends in the field of high value added support service systems, possibly in the form of a BEST report;
- b) Building awareness among public authorities as to the advantages and opportunities represented by high value added SME support service systems. This could notably be achieved through a communication or report to the Spring summit dedicated to competitiveness.

AVENUES OF WORK

Work to be undertaken on high value added support service systems should address a variety of issues including notably:

- ➔ A definition and inventory of high value added support services,
- ➔ An analysis and comparison of high value added support service systems,
- ➔ Recommendations aiming to both improve the environment in which EGCs operate and stimulate the supply of high value added support services.

An initial analysis delivers the following high value added support services for consideration:

1. Developing and leveraging knowledge:
 - stimulating applied research in favour of SMEs;
 - technology transfer;
 - leveraging research outcomes;
 - transfer of know-how;
 - protection of intellectual property;
 - increased use of both design and constant quality improvement;
 - pre-incubation;
 - incubation;

2. Strengthening the human capital:
 - SME take-up of consultancy services;
 - knowledge management;
 - stimulating innovation.
3. Interfacing knowledge centres and entrepreneurial growth SMEs.
4. Accessing funding sources:
 - proof of concept;
 - seed capital;
 - business angels (informal venture capital);
 - guarantees
 - co-investment funds
 - repayable short-term loans;
 - investment readiness programmes.
5. High value added support service systems:
 - detection of entrepreneurial growth SMEs;
 - deployment of a high value added support service system.

DG REGIO CONFERENCE "INNOVATE THANKS TO ERDF" OF 12/13 JUNE 2006

You will find below the full text of the intervention of Jacques Evrard, President of EURADA, in that conference.

COMBINING NATIONAL AND COMMUNITY FUNDING : EXPERIENCE AND PROSPECTS

Jacques EVRARD, President of EURADA

Our purpose is to establish from a range of examples and strategic considerations first, that new synergies regularly emerge between programmes cofunded by the ERDF and Community and other – i.e. mainly national, regional or private – funding sources and second, that at regional level, significant interactions exist between the different Community policies – primarily the regional, research and enterprise and innovation policies.

Therefore, the ERDF acts as a catalyst of national and regional resources, as a steppingstone to other Community funding sources and as a relay for other Community policies.

Indeed, our analysis shows that national, regional or even private funding is leveraged on the back of ERDF-supported regional investment. Therefore, because of the obligation imposed on regional authorities to cofund projects, the ERDF plays an important role in steering national and regional investment. In this context, the members of EURADA are disappointed by the disappearance from the draft Regulations governing the next Structural Funds' Programming period (2007-2013) of any provisions regarding Community initiatives and innovative actions despite the fact that they have enabled the EU Commission to play a crucial pioneering or pedagogical role with national and regional authorities by requiring them to earmark budgets to experiment in fields which, in the absence of other incentives, are not necessarily on the agenda or are addressed only from a curative perspective. Generally speaking, Community impetus allows for proactive approaches to issues – at least in some regions – either by anticipating problems or by testing new approaches or methodologies. The INTERREG programme will maybe relay the innovative actions and become a mutual learning platform rather than a simple exchange of experience programme.

For the purpose of the next programming period, the members of EURADA expected the EU Commission to use this instrument for the purpose of encouraging regions to invest in fields including regional science strategies, the academic contribution to regional development, regional strategies to leverage research outcomes and protect intellectual property, the introduction of new technologies in traditional industrial sectors and subcontractor internationalisation.

This first typology of ERDF effects on national, regional and local funding sources could be called "the role of the ERDF as a catalyst".

Also remarkable is that ERDF investment can be used to build infrastructure and regional capacity, affording access to funding from other Community and national policies. This second typology of ERDF impacts may be defined as the "the role of the ERDF as a steppingstone".

Finally, thematic pilot projects cofunded under Community policies including those of DG Energy, DG Environment and DG Enterprise and Industry can be further enhanced or consolidated using ERDF funding. In this case, the ERDF acts "a relay for other Community policies".

Within the timeframe available to me, let me try to address each of those three ERDF roles in some detail.

1. The ERDF: A Catalyst for Public and Private Funding sources

The fact that the ERDF only funds part of eligible projects bears a rather significant steering effect on national and regional public budgets.

This is how the ERDF contributed to an acceleration of infrastructure upgrades and modernisation in many regions by channelling national public funds to eligible regions. The ERDF also played a significant role in steering public and private funding toward measures in support of productive investment.

In future, the “Lisbonisation” of ERDF priorities – namely via its Competitiveness and Employment Objective – will serve to focus the regional financial effort on projects aimed at strengthening the competitiveness of regional businesses. Indeed, during the current programming period, where regions have invested in projects addressing entrepreneurship stimulation, public-private partnerships have been seen to emerge, for instance in the UK with the development – in partnership with a large commercial bank (Barclays Bank) – of regional venture capital funds in all regions and in Andalusia with the creation of a fund for university spin-offs. In Wales, following the conclusions of an RTP (Regional Technology Plan) project, a business angels network was set up by leveraging private funding.

Also worth mentioning by way of example that the region of Castilla y León, Spain, has committed to an innovation support policy by systematically taking advantage of the opportunities afforded by innovative actions in this field, including RTP (Regional Technology Plan), RIS (Regional Innovation Strategy) and RIS+ while resting on infrastructure tools such as incubators and tech centres cofunded by the ERDF mainstream. This may be one of the reasons why this region has managed to outgrow its Objective 1 status.

In the Finnish region of Jyväskylä, The ERDF Operational Programme has namely been leveraged to strengthen the existing partnership between public authorities and the University, making it possible to meet more effectively the needs of companies operating in sectors defined as strategic for the stimulation of endogenous potential.

In practice, this approach has led both to the development of a university/business interface in the fields of wellness and the integration of ICT in paper manufacturing machinery production, and to a reinforcement of entrepreneurship leading to the development of start-ups and the introduction of innovation in regional SMEs. Also in Finland, different regions have leveraged the ERDF for the purpose of developing PPPs to acquire and deploy broadband telecom network technology.

As far as the next programming period is concerned, there is little doubt that the ERDF will provide strong leverage for public and private funds in the seven key areas of regional competitiveness and attractiveness listed below:

1. Financial engineering;
2. Business networks and competitiveness clusters/centres;
3. Improving SME support services through enhanced provision of advanced services contributing their intangible investment;
4. Entrepreneurship;
5. Innovation;
6. RTD infrastructure and capacity;
7. Local entrepreneurship infrastructure (incubators) and productive investment.

In some cases, new public-private partnership formats will need to be developed to enhance the role of the ERDF as a catalyst of productive investment into regions.

In addition, “Initiative Jeremie” developed jointly by DG Regio and the European Investment Fund, will strengthen the ERDF role as a catalyst by steering business support more toward financial engineering. This will make the system more attractive for private investors.

2. The ERDF: A Steppingstone to Other Sources of Community and National Funding

Many regions have invested in entrepreneurial and research infrastructure that has first accelerated the conversion of the regional socioeconomic fabric and then enabled them to access funding, namely under Community RTD programmes.

Worth mentioning in this context is investment by Scotland and the Belgian province of Hainaut in incubators and technological parks now accommodating hi-tech companies with the skills needed to take part in RTD-FP6 projects or in the development of tech clusters funded under national programmes.

Having carried out a wealth of investments in the past leveraging the ERDF, Scottish Development Agency Scottish Enterprise is now able to invest in a new clustering concept called “vertical sectoral clusters” integrating in a single supply chain the detection of business concepts, funding of proof of concept, mentoring of potential entrepreneurs, reception of the latter in a specialised sectoral pre-incubator, shared access to hi-tech equipment as well as matching with business angels (informal investors). Worth noting is that all links of this supply chain have benefited from ERDF cofunding in some form. In addition, the expertise gained as part of this effort enabled Scottish Enterprise to sign a partnership agreement with the University of Berkeley, California, organising bilateral transfer of tech and entrepreneurial knowledge between the two regions. This example shows that as a steppingstone, the ERDF can help regions attain global excellence.

In Milan, my development agency worked out synergies between the key stakeholders of the URBAN programme and the transnational partners of a research programme cofunded under RTD-FP5 to improve time management in the city of Milan. In this particular case, while complementarity is delivered in thematic rather than financial terms, it does contribute interesting value added by providing new insight into and understanding of urban ecosystems.

In the Aosta Valley, the BIC (Business Innovation Centre), which used to be managed by the ERDF, was recently appointed to manage a sizeable regional programme targeting innovation in local SMEs.

For the purpose of the next programming period (2007-2013), the Region of Bruxelles-Capitale has decided to select three tech industries – health, NICT and environment – as priorities for intervention as a result of the analysis carried out in Belgium within the framework of the Lisbon Strategy.

To do this, not only is the region counting on ERDF and regional fund intervention to improve its provision of research infrastructure and hi-tech SME reception facilities through incubators funded by the ERDF, it also intends to rely heavily on the IRC (Innovation Relay Centre) – the instrument cofunded by DG Research –, to internationalise regional SMEs and research centres, thereby improving regional SME access to funding under the 7th RTD Framework Programme (RTD-FP7).

In future, ERDF-eligible actions – under both the Convergence and Regional Competitiveness and Employment objectives merged under the Innovation and Knowledge-Based Society strand – should enable all European regions to strengthen their potential for excellence, thereby allowing regional research centres and local entrepreneurial growth tech SMEs to intensify their involvement in the different strands of RTD-FP7.

Worth underscoring in this respect is that regions may opt either to stimulate the creation of knowledge or take advantage of and leverage imported knowledge. Regardless of their choice, the ERDF can help create the basic conditions for centre of excellence development or growth.

3. The ERDF: A Relay for Other Community and National Policies

The ERDF is able to provide the regional or national basis for mainstream actions whose effectiveness in stimulating regional development was demonstrated as part of other Community policies. A good example of such actions is the €40,000-survey conducted by DG Enterprise and Industry in 1995 to assess the potential of the Business Angels concept in Europe. As a result, several Business Angels Networks are currently supported by the ERDF mainstream (in Scotland) or under the Interreg programme (Belgium, France on the one hand and Belgium, Netherlands, Germany on the other hand). These networks deliver a strong regional contribution in terms both of start-up access to finance and entrepreneurship stimulation.

Quite telling in this context is that following the publication by DG Enterprise and Industry of its BEST report on micro-businesses, the Regional Development Agency of Madeira, Portugal, realised that not a single such initiative was being developed in Portugal and is now considering inclusion of this type of activity in its own entrepreneurship action plan.

Worth mentioning as far as EURADA is concerned and in addition to stimulating business angels networks as already mentioned, is that following completion of pilot projects cofunded by DG Enterprise and Industry in the fields of innovative business benchmarking and finance, two Interreg III C projects have taken over to delve into initial findings. The Interreg project developed in the field of access to finance is contributing firstly to refining the regional supply chain of SME access to finance and securing its long-term existence thanks to EIB and EIF intervention, and secondly to drawing up a guide for regional authorities called "All Money is Not the Same!"

Also worth mentioning is the Innovation Coach project cofunded by DG Enterprise and Industry, aiming to build human competences and capacities in 16 Central and Eastern European Regions so as to better leverage the opportunities provided by the ERDF in the field of innovation for the period 2007-2013 on the basis of the findings of the RITTS (Regional Innovation Technology Transfer Strategy) exercise conducted during the period 2002-2005. This project provides a textbook example of possible synergies between the concerns of DG Enterprise and Industry and the new objectives of the ERDF.

For the period 2007-2013, the attention of regional authorities may be called to the main bottlenecks identified by the different sectoral DGs (Enterprise and Industry, Research, Energy, Environment, etc.) in the fields of competitiveness stimulation and entrepreneurship. The following fields are worth mentioning as examples of existing work:

- SME access to funding;
- Business transfers;
- Promoting entrepreneurship;
- Innovation and leveraging research outcomes;
- Eco-innovation;
- Rational energy uses;
- Promoting renewable energy sources;
- SME participation in RTD-FP7;
- SME readiness for internationalisation;
- Student and researcher mobility.

CONCLUSIONS

The onus is on regional authorities and their intermediary bodies to precisely identify the interactions and synergies that may emerge between the ERDF and *all* other funding sources – whether Community, national, regional or private –, through innovative public-private partnership formats.

For the period 2007-2013, the most promising areas for interactions of this kind appear to include:

- CIP (Competitiveness and Innovation Programme);
- RTD-FP7, and in particular its Capacity strand;
- the Education programme.

We urge regional stakeholders to conduct a 6-stage exercise to maximise the opportunities and potential for synergies between the different Community policies by:

- Drawing up an inventory of past experience with leveraging the above-described catalytic, steppingstone and relay effects of the ERDF;
- Scanning Community programmes for contribution to enhanced regional competitiveness;
- Identifying regional strengths and weaknesses when it comes to access to Community, national and regional funding sources and to synergies with the ERDF mainstream;
- Coordinating activities, i.e. defining the priorities to be implemented and resources to be deployed in order to leverage such synergies.
- Developing regional, national and transnational partnerships;
- Evaluating performances.

Justification for such a strategy is to be found in the vital need to avoid an exclusive focus among key regional and national players on major Community funding sources – i.e. the Structural Funds – to the detriment of other Community policies. Indeed, some key players have been seen to consider the latter as useful only for minor players. Attitudes of this kind lead to coexistence in the same areas of two parallel networks of recipients of Community funds, which is generally detrimental to the consistency of regional development strategies and constitutes a denial of good governance.

WIC LA BAULE 2006 – AWARDS RESULTS

24 RDAs or similar organisations had submitted a candidature file for the best practice prizes in the field of promoting the attractiveness of territories. The five winners were :

- Film : Madrid Emprende (E)
- Web site : ADERLY Lyon (F)
- Brochure : Sipro Ferrara (I)
- Special Prize Original Action : Limousin Expansion (F)
- Special Prize Valorisation of the Image : County and City Enterprise Boards (IRL)

i.e. three EURADA members among the winners.

ASIA-INVEST

The project submitted by EURADA within the framework of the Asia-Invest was not selected for cofinancing. A new proposal will be worked out in order to be submitted in October 2006.



7TH RTD FRAMEWORK PROGRAMME

The European Commission has just launched calls for public consultation relating to various strands of the 7th RTD Framework Programme. Particular attention should be given to the call concerning "Socioeconomic and human sciences".

Endowed with a budget of the order of € 607 million, this strand covers subjects such as :

- Growth, employment and competitiveness in a knowledge society
- Combining economic, social and environmental objectives in a European perspective
- Foresight activities

which will constitute 3 out of the 7 topics of that strand.

Replies must be submitted on-line on the basis of a text only in English. Web site :

Site web : http://ec.europa.eu/yourvoice/consultations/index_fr.htm

STATE AID

In recent weeks, the European Commission presented the following texts :

→ **Guidelines on State aid and risk capital to SMEs**

It should be noted that the aid meeting the following criteria is now eligible :

4.3 Incentive effect and necessity of aid

To ensure that the incentive effect and the necessity of aid as set out in the introduction are present in a risk capital measure a number of indicators are relevant. The rationale is that State aid must target a specific market failure for which there is sufficient evidence of its existence. For this purpose, these guidelines lay down specific safe-harbour thresholds relating to investment tranches of target SMEs in their early stages of business activity. Furthermore, so that aid is limited to the minimum necessary, it is crucial that aided investments into target SMEs are driven by a logic of profit-maximisation and are managed on a commercial basis.

The Commission will consider that the incentive effect and the necessity of aid are present in a risk capital measure where all the following conditions are met.

4.3.1 Maximum level of investment tranches

The risk capital measure must provide for tranches of finance, whether wholly or partly financed through State aid, not exceeding EUR 1.5 million per target SME over each period of twelve months.

4.3.2 Restriction to early-growth financing

The risk capital measure must be restricted to provide early-growth financing up to the development or expansion stage for micro or small-sized enterprises and for medium-sized enterprises located in assisted areas, or up to early-stage financing for all other medium-sized enterprises.

4.3.3 Prevalence of equity and quasi-equity investment instruments

The risk capital measure must provide at least 70% of its total budget in the form of equity and quasi-equity investment instruments into target SMEs.

4.3.4 Participation by private investors

The funding of the risk capital measure must be provided for at least 50% by private investors, or for at least 30% by private investors in the case of measures targeting SMEs located in assisted areas.

4.3.5 Profit-driven character of investment decisions

The risk capital measure must ensure that decisions to invest into target companies are profitdriven. This is the case where the motivation to effect the investment is to maximise the investors' profit by selecting investments with a significant profit potential and by constantly assisting target companies for this purpose. This criterion is considered to be met:

- (i) by measures with significant involvement of market economy investors' capital as described in section 4.3.4 above, being invested on a commercial basis (that is, only for profit) directly or indirectly in the equity of the target enterprises; and
- (ii) by the existence for each investment of a business plan containing details of product, sales and profitability development and establishing the ex ante viability of the project; and
- (iii) by the existence of a clear and realistic exit strategy for each investment.

4.3.6 Commercial management

The management of a risk capital measure or fund must be effected on a commercial basis. The management team should behave as managers in the private sector, seeking to maximise the return for their investors. This criterion is considered to be present where:

- (i) there is an agreement between a professional fund manager or management company and participants in the fund, providing that the manager's remuneration is linked to performance and setting out the objectives of the fund and proposed timing of investments; and
- (ii) private market investors are represented in decision-making, such as through an investors' or advisory committee; and
- (iii) best practices and regulatory supervision apply to the management of funds.

4.3.7 Sectoral focus

To the extent that many private sector funds focus on specific innovative technologies or even sectors (such as health, information technology, biotechnology) the Commission can accept a sectoral focus for risk capital measures.

In line, however, with the Commission's consistently less favourable view of sectoral State aid measures, risk capital measures must specifically exclude the provision of aid to enterprises:

- in difficulty as defined by the Community guidelines on State aid for rescuing and restructuring firms in difficulty¹³;
- in the shipbuilding and the coal and steel sectors;
- for export-related activities and/or for their internationalisation;
- in markets featuring overcapacity or in declining industries.

→ A working document (preliminary draft) relating to a Community Framework for State Aid for Research and Development and Innovation

The document make a distinction between 8 types of specific conditions which are reproduced in Annex 1 below.

→ An invitation to submit comments on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid.

The European Commission proposes to increase the so-called *de minimis* amount to €200,000. Comments must be forwarded to DG Competition by 10 July 2006.

REGIONAL POLICY

ERDF : BUDGET BY MEMBER STATE AND BY OBJECTIVE FOR THE PERIOD 2007-2013

(million EUR, 2004 prices)

	CONVERGENCE OBJECTIVE			REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE		EUROPEAN TERRITORIAL COOPERATION OBJECTIVE	TOTAL
	Cohesion Fund	Convergence	Statistical Phasing out	Phasing in	Regional competitiveness and employment		
B			579		1 268	173	2 019
CZ	7 830	15 149			373	346	23 697
DK					453	92	545
D		10 553	3 770		8 370	756	23 450
EE	1 019	1 992				47	3 058
GR	3 289	8 379	5 779	584		186	18 217
E	3 250	18 727	1 434	4 495	3 133	497	31 536
F		2 838			9 123	775	12 736
IRL				420	261	134	815
I		18 867	388	879	4 761	752	25 647
CY	193			363		24	581
LV	1 363	2 647				80	4090
LT	2 034	3 965				97	6 097
L					45	13	58
H	7 589	12 654		1 865		343	22 451
MT	252	495				14	761
NL					1 477	220	1 696
A			159	0	914	228	1 301
PL	19 562	39 486				650	59 698
P	2 722	15 240	254	407	436	88	19 147
SLO	1 239	2 407				93	3 739
SK	3 433	6 230			399	202	10 264
FIN				491	935	107	1 532
S					1 446	236	1 682
UK		2 436	158	883	5 349	642	9 468
BG	2 015	3 873				159	6 047
RO	5 769	11 143				404	17 317
Not allocated						392	392
TOTAL	61 558	177 083	12 521	10 385	38 742	7 750	308 041

4TH PROGRESS REPORT ON COHESION

On 12 June 2006 the European Commission has issued the 4th progress report on cohesion which contains two chapters :

- Economic and social disparities in the EU
- Recent developments in EU cohesion policy.

Copy of this report available on demand from the Secretariat.

RESULTS OF THE ESPON PROGRAMME

After almost six year, the ESPON programme, intending to observe the spatial characteristics of the enlarged European territory, is heading to its end before a new "ESPON 2" programme is to be launched in 2007. ESPON has today released 30 final research reports on different aspects of spatial planning and spatial development, and the last 5 final reports are expected in November 2006.

Today, twelve ESPON projects have published their final reports, which are all available online (www.espon.eu) :

- 1.2.3 Identification of spatially relevant aspects of the information society
- 1.3.3 Impact of cultural heritage and identity
- 1.4.1 The Role Of Small And Medium Sized Towns (available soon)
- 1.4.2 Social aspects of EU territorial development
- 2.1.5 Territorial impacts of European fisheries policy
- 2.3.1 The application and effects of the ESDP in the Member States
- 2.3.2 The governance of the territorial and urban oriented policies from the EU to the local level
- 2.4.1 Territorial trends in environment and impacts of EU environment policy
- 3.3 Territorial Dimension Of The Lisbon/Gothenburg Process
- 3.4.1 Europe in the world (available soon)
- 3.4.2 Territorial Impacts Of EU Economic Policies And Location Of Economic Activities
- 3.4.3 The Modifiable Areas Unit Problem (available soon)

ESPON has also launched a new web site, with a brand new ".eu" address: www.espon.eu. The site includes news, maps, all the research reports, and three on-line tools:

- the "web-GIS" and the "Hyperatlas", allowing to produce different kinds of thematic maps of the enlarged Europe
- the ESPON database, regrouping all copyright-free data of NUTS2-3 regions produced or used within ESPON

These tools can be accessed without charge, providing that a specific form is completed (see on the web site, under "scientific tools" menu).

GDP PER INHABITANT AND PER REGION OF THE EU

Eurostat has issued in May 2006 its annual report relating to the regional GDP. You will find in Annex 2 the 2003 data of that indicator.

EDUCATION

The European Commission has just issued the following two communications :

- Mobilising the brainpower of Europe : Enabling universities to make their full contribution to the Lisbon Strategy
- Delivering on the modernisation agenda for universities : Education, Research and Innovation.

The text of both communications is available on demand from the Secretariat.

SME

EIC AND IRC

In the second half of 2006, the European Commission will launch one single call for proposals for renewing the EIC and IRC networks.

You will find below a few information relating to the probable content of that call for proposals.

Mission

The mission for future business support network partners will focus on the need to support European business by providing :

- a) Information, feedback and business cooperation services (EIC type services)
- b) Innovation, technology and knowledge transfer services (IRC type services)
- c) Services encouraging the participation of SMEs in the Community RTD Framework Programme.

Objective and scope of the call

In the call, potential network partners will be invited to propose at least one of the two types of services under module (a) and (b) of annex III of CIP. In addition, all network partners would also be obliged to include basic support and sign posting services in order to facilitate the access by SMEs to the different types of services and to ensure coordination and cooperation among all network partners at local level ("no wrong door concept"). All partners would also be asked to provide standard services of module (c) to facilitate access to the Community RTD Framework Programme.

Regional coverage / Host organisations

The Commission seeks a full regional coverage, taking into account SME density and other socio-economic criteria while avoiding duplication of activities. The aim is to achieve a level of service comparable or better than that currently achieved. The NUTS 1 and 2 classification may serve as a general guideline when considering the scope of regional geographical coverage.

An important element of the new network architecture is the direct link that the Commission will maintain with all EIC and IRC network partners.

In order to reduce the administrative burden for all stakeholders and facilitate the contractual management, the Commission encourages the creation of consortia of service providers. Each consortium would be represented by a co-ordinator, whose role would be linked primarily to administrative tasks. The direct relationship between the Commission and the individual partners of a consortium would not be affected by the role of the co-ordinator.

Consortia could be single consortia for both EIC and IRC services (Commission preference) or separate consortia for IRC services only and for EIC services only.

Financial, administrative and management framework

At this stage of political discussions, the indicative budget for the EIC/IRC network including its administration is 350 million € for the period 2007-2013.

Multi-annual shared-cost contracts are envisaged (action grants), based on individual eligible costs for each consortium.



The European Commission has adopted a forest action plan which focuses on three major objectives, i.e. :

- Improve the long-term competitiveness
- Improve and protect environment
- Contribute to the quality of life

The action plan comprises 18 key actions, some of which concern the alternative use of wood.

The full text is available from the Secretariat or on the web site of DG Agriculture
http://ec.europa.eu/comm/agriculture/fore/index_fr.htm

ENVIRONMENT

COMMUNITY ECO-LABEL

The European Commission has just presented an working plan for the Community eco-label. The text of that working plan was published in O.J. L 162, 14.6.06. Text available on demand from the Secretariat.

CALLS FOR TENDERS

INTELLIGENT ENERGY – EUROPE

O.J. C 130, 3.6.06

Deadline : 30.10.06

Info : http://ec.europa.eu/energy/intelligent/call_for_proposals/index_en.htm

Topics :

SAVE

- Multiplying success in buildings
- Retrofitting of social housing
- Energy efficient equipment and products

ALTENER

- Electricity from renewable energy sources
- Heat from renewable energy sources (RES)
- Small scale renewable energy sources applications

ALTENER/STEER

- Alternative vehicle propulsion

STEER

- Policy measures for an efficient use of energy in transport
- Strengthening the knowledge of local management agencies in the transport field

HORIZONTAL KEY ACTIONS

- Sustainable Energy Communities
- Think globally, act locally
- Financing mechanisms & incentives
- Monitoring & Evaluation" with the target areas.

TRANSPORT

O.J. C 145, 21.6.06

Deadline : 16.8.06

Into : http://ec.europa.eu/dgs/energy_transport/grants/proposal_fr.htm

Topics

- Road safety
- Transport logistics
- Optimising infrastructure use



EVENTS

SUMMER UNIVERSITY OF THE FRENCH SPL AND COMPETITIVENESS CLUSTERS

Bordeaux (F), 11/12/13 September 2006

Info Xavier Roy
splinfo@cdif.fr

53TH CONGRÈS OF CNER

Services: A new challenge for the territories ?

Saint-Brieuc (F), 21/22.9.06

Info cner@cner-france.com
<http://www.cner-france.com>

EUROPEAN UNIVERSITIES AS CATALYSTS IN PROMOTING REGIONAL DEVELOPMENT

Brno (CZ), 19/21 October 2006

Organised by the European University Association

Info brno.conference@eua.be

CREATIVITY WORLD FORUM

Inspiration from 12 creative regions

Gent (B), 15/16 November 2006

Info <http://www.reativityworldforum.be>

ECONOMIC INTELLIGENCE

FDI (FOREIGN DIRECT INVESTMENT) IN EUROPE

Within the framework of the WIC La Baule 2006 conference, Ernst & Young presented the following data relating to the FDI market trends :

- * Although the amount of FDI reached a record total of 3,066 units in 2005, as against 2,885 in 2004 (+ 6%), the number of employments created reduced (- 13.5%).
- * The average size of FDI is reducing in a number of EU15 countries. This is normal, insofar as these countries are attracting more investment in the services and research sectors than in the manufacturing industry. Furthermore, in some of these countries, there is more extension investment than ex nihilo creations (greenfields).
- * Poland is the country where the number of jobs created through FDI was the highest.

2001-2005 Statistical series relating to FDI for the countries and large metropolis are presented below.

Developments in the number of FDI in Europe					
	2005	2004	2003	2002	2001
UK	559	563	453	369	388
F	538	490	313	253	267
D	181	164	111	154	172
PL	180	148	46	60	49
H	115	139	84	100	85
E	147	121	119	122	143
RU	111	116	109	86	76
CZ	116	112	90	98	89
B	180	107	77	73	91
S	96	97	76	70	90
RO	85	91	–	33	40
SK	70	83	–	–	–
IRL	67	76	46	51	61
DK	55	70	44	–	–
BG	–	64	–	29	19
P	–	37	37	32	26
NL	82	56	58	60	66
CH	93	44	–	–	–
I	49	33	–	29	52
A	59	35	32	51	52
TR	–	42	–	37	13
EE	–	32	–	–	–
TOTAL EUROPE	3 066	2 885	1 933	1 895	1 974

Source : Ernst & Young – Compilation EURADA Secretariat

Developments in the number of FDI in the European metropolitan regions						
	2005	2004	2002	2001	2000	1999
Greater London	177	153	125	94	282	136
Ile-de-France	194	136	64	61	88	74
Moscow	57	53	36	32	17	–
Cataluña	64	50	61	86	91	73
Stockholm	55	47	36	56	25	–
Budapest	34	38	27	23	25	–
Dublin	30	32		20	47	44
Madrid	47	32	29	29	21	–
Hessen	–	20	22	32	27	54
Nordrhein Westfalen	–	19	–	–	–	–
Lombardia	–	18	–	–	–	–
Noord-Holland	30	14	26	13	4	30
Bruxelles	31	11	–	30	25	–
Berlin	–	7	–	–	–	–
Genève	–	6	19	15	–	–
Bayern	–	–	23	30	36	29
Alsace	30	–	20	30	27	54
Provence Alpes Côte d'Azur	36	–	31	26	33	47
Helsinki	–	–	–	25	9	–
Rhône-Alpes	80	–	–	41	19	–
Istanbul	–	–	18	12	–	33
Wien	–	–	19	24	–	–
Antwerpen	40	–	22	20	26	–
Praha	–	–	–	23	14	–
Kobenhavn	–	–	–	–	–	44
Nord Pas-de-Calais	–	–	–	–	–	43
Darmstadt	–	–	–	–	–	39

Source : Ernst & Young – Compilation EURADA Secretariat

DG COMPETITION – STAFF PAPER PRELIMINARY DRAFT

STATE AID FOR R&D&I

5.2. Specific conditions for certain measures

5.2.1. Aid for R&D&I projects

Basic aid intensities for categories of R&D&I

The aided project must completely fall within one or more of the following research categories: fundamental research, industrial research; experimental development.

The basic aid intensity, as calculated on the basis of the eligible costs of the project, shall not exceed:

- (a) 100% for fundamental research
- (b) 50% for industrial research;
- (c) [20]% for experimental development.;

The aid intensity will be calculated on the basis of the costs of the research project to the extent that they can be considered as eligible on the basis of the definition set out below. If the costs are partly generated by other activities - in particular other R&D activities – they must be broken down by type of activity in order to allow for such a calculation.

When a project is comprised of different tasks, these tasks will have to be qualified as falling in the categories of fundamental research or industrial research or experimental development or as not falling under one of these categories at all. This qualification will not necessarily have to follow a chronological approach, moving sequentially over time from fundamental research to activities closer to the market. Accordingly, nothing will prevent the Commission from qualifying a task which is carried out at a later point in time as industrial research, while finding that an activity carried out under the project at an earlier point in time does represent experimental development or not represent research at all.

The aid intensity must be established for each beneficiary, each partner receiving State aid in a collaboration project.

In the case of State aid for an R&D project being carried out in collaboration between not-for profit research organisations and undertakings, the combined aid deriving from direct government support for a specific research project and, where they constitute aid (see point 3.2), contributions from not-for-profit research organisations to that project may not exceed the above-mentioned aid ceilings for each beneficiary.

Bonuses

Higher aid intensities can be applicable¹ and the ceilings fixed for industrial research and experimental development may be increased through the following top-ups:

- (a) where the aid is to be given to SMEs, the maximum aid intensity may be increased by 10 percentage points for medium-sized enterprises and by 15 percentage points for small enterprises;
- (b) a top-up of 15 percentage points may be added if one of the following conditions is fulfilled:
 - if the project involves effective collaboration between at least two independent *undertakings*. No single undertaking must bear more than 70 % of the eligible costs. Furthermore, for

¹ Projects falling under the Framework programme of the European Community for research, technological development and demonstration activities will automatically qualify for a bonus for collaboration due to the minimum conditions for participation in such projects.

large undertakings the top-up only applies if they collaborate with at least one SME or if the collaboration is cross-border, i.e. the research and development activities are carried out in at least two different Member States. Subcontracting is not considered to be effective collaboration; or

- if the project involves effective collaboration between an undertaking and a not-for-profit research organisation, particularly in the context of coordination of national R&D policies, where the not-for-profit research organisation bears at least 10 % of the eligible project costs and has the right to publish the results of the research projects insofar as far as they stem from research implemented by that organisation. Subcontracting is not considered to be effective collaboration; or
- only in case of industrial research, if the results of the project are widely disseminated through technical and scientific conferences or published in scientific and technical journals or in open access repositories (databases where raw research data can be accessed by anyone), or through free or open source software.

Table illustrating the aid intensities

	Small enterprise	Medium enterprise	Large enterprise
<i>Fundamental research</i>	100%	100%	100%
<i>Industrial research</i>	65%	60%	50%
<i>Industrial research</i> Subject to : - collaboration between undertakings; For large undertakings: crossborder or with at least one SME or - collaboration with a public research body (PPP) or - dissemination of results	80%	75%	65 %
<i>Experimental development</i>	[35]%	[30]%	[20]%
<i>Experimental development</i> Subject to : - collaboration between undertakings; For large undertakings, with cross-border or at least one SME or - collaboration with a public research body	[50]%	[45]%	[35]%

Eligible costs

The following costs shall be eligible:

- personnel costs (researchers, technicians and other supporting staff to the extent employed on the research project)
- costs of instruments and equipment to the extent and for the duration used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, are considered as eligible.
- costs for building and land, to the extent and for the duration used for the research project. With regard to buildings, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible.
- cost of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity.

These costs are normally only considered eligible up to 70 % of total eligible project costs, because the aid shall incentivize the beneficiary to carry out a considerable part of the R&D-project itself, and not only to invest into technology transfer. If a Member State exceptionally intends to grant aid where a higher share than 70% of eligible project costs consists in such costs, it has to demonstrate in the notification why such aid should still be considered as justified.

- additional overheads incurred directly as a result of the research project, of up to 20% of total project costs.
- other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the research activity.

Form of aid

(1) Form of aid

Project aid may be granted in all forms.

(2) Repayable advance

A repayable advance shall mean a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project. If a Member State grants a **repayable advance** which qualifies as State aid in the meaning of Article 87 (1) of the EC Treaty, the following rules replace the provisions concerning the permissible aid intensity:

The aid measure must provide that in case of a successful outcome of the project, the loan is repaid with an interest rate at least equal to the applicable reference rate set by the Commission²⁸. In order to allow the Commission to assess the aid measure, it must provide for detailed provisions on the repayment in case of success and clearly define what will be considered as a successful outcome of the research activities, and all these details must be notified to the Commission. The Commission will examine that the definition of a successful outcome has been established on the basis of a reasonable and prudent hypothesis.

In case the project fails, the advance does not have to be fully repaid. The Commission will normally require that the repayment is in proportion to the degree of success achieved. In particular in case of a success exceeding the outcome defined as successful above, the State should be entitled to continue to

² Commission notice on the method for setting the reference and discount rates, OJ C 273, 9.9.1997, p. 3, also published under: http://europa.eu.int/comm/competition/state_aid/others/reference_rates.html.

request payments beyond repayment of the loan amount including interest according to the reference rate foreseen by the Commission.

The advance may cover up to a maximum of 40% of the eligible costs for the experimental development phase of the project and up to 60% for the industrial research phase, to which no bonuses can be added.

(3) Fiscal measures

On the basis of econometric studies provided by Member States in the notification, the Commission shall assume that R&D&I fiscal aid measures have an incentive effect by stimulating higher R&D&I-spending by undertakings.

The aid intensity of an R&D&I fiscal State aid measure can be calculated either on the basis of individual R&D&I projects or, at the level of an undertaking, as the ratio between the overall tax relief and the sum of all eligible R&D&I costs incurred in a period not exceeding three consecutive fiscal years. The Commission will request the Member States to provide:

- ex ante, an estimate of the number of beneficiaries when notifying an R&D&I fiscal State aid measure;
- ex post, the list of beneficiaries having received a tax relief in excess of [100.000 EUR], including the exact amounts of the aid received, when submitting their annual report.

Matching clause

In order to address actual or potential direct or indirect distortions of international trade, higher intensities than permissible under the foregoing provisions may be authorized if – directly or indirectly– competitors located outside the European Union have received (in the last three years) or are going to receive, aid of an equivalent intensity for similar projects, programmes, research, development or technology. However, where distortions of international trade are likely to occur after more than three years, given the particular nature of the sector in question, the reference period may be extended accordingly.

If at all possible, the Member State concerned will provide the Commission with sufficient information to enable it to assess the situation, in particular regarding the need to take account of the competitive advantage enjoyed by a third-country competitor. If the Commission does

not have evidence concerned the granted or proposed aid, it may also base its decision on circumstantial evidence.

5.2.2. Aid for technical feasibility studies

Aid for technical feasibility studies preparatory to industrial research or experimental development activities shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty provided that the aid intensity, as calculated on the basis of the study costs, does not exceed the following aid intensities:

- for SMEs, 75% for studies preparatory to industrial research activities and 50% for studies preparatory to experimental development activities,
- for large undertakings, 65% for studies preparatory to industrial research activities and 35% for studies preparatory to experimental development activities.

5.2.3. Aid for industrial property rights costs for SMEs

Aid to SMEs for the costs associated with obtaining and validating patents and other industrial property rights shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty up to the same level of aid as would have qualified as R&D aid in respect of the research activities which first led to the industrial property rights concerned.

Eligible costs are

- (a) all costs preceding the grant of the right in the first legal jurisdiction, including costs relating to the preparation, filing and prosecution of the application as well as costs incurred in renewing the application before the right has been granted;
- (b) translation and other costs incurred in order to obtain the granting or validation of the right in other legal jurisdictions;
- (c) costs incurred in defending the validity of the right during the official prosecution of the application and possible opposition proceedings, even if such costs occur after the right is granted.

5.2.4. Aid for young innovative enterprises

Aid for young innovative enterprises up to an amount of EUR 1 million shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty provided that the beneficiary qualifies as young innovative enterprises as defined below and fulfils the following conditions:

By *young innovative enterprise* is meant a small company that has been of existence for less than 5 years at the time when the aid is granted and

- i) for which the Member State can demonstrate that it will in the foreseeable future develop products, services or processes which are technologically new or substantially improved compared to the state of the art in its industry in the Community, and which carry a risk of technological or industrial failure or
- ii) the R&D expenses of which represent minimum [15%] of its total operating expenses.

The beneficiary may receive the aid only once during the period it qualifies for young innovative enterprise.

Following the granting of such aid, the beneficiary may only receive other State aid

- (i) [3] years after the granting of the young innovative enterprise aid or
- (ii) as soon as the beneficiary can show that it has incurred cost eligible for R&D&I-project aid amounting to at least twice the amount of aid received under this provision.

5.2.5. Aid for process and organisational innovation in services

Aid for process and organisational innovation in services shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty with a maximum aid intensity of 25% for SMEs and of 15% for large companies. Large companies are only eligible for such aid if they collaborate with SMEs in the aided activity, whereby the collaborating SMEs must incur at least 30% of the total eligible costs.

By process innovation is meant the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment and/or software). Minor changes or improvements, an increase in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, regular seasonal and other cyclical changes, trading of new or significantly improved products are not considered innovations.

By organisational innovation is meant the implementation of a new organisational method in the undertaking's business practices, workplace organisation or external relations. Changes in business practices, workplace organisation or external relations that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, regular seasonal and other cyclical changes, trading of new or significantly improved products are not considered innovations.

Routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements do not qualify for State aid.

The following conditions must be met

- a) Organisational innovation must always be related to the use and exploitation of Information and Communication Technologies (ICT) to change the organisation.
- b) The innovation shall be formulated as a project with an identified and qualified project manager, as well as identified project costs.
- c) The result of the aided project shall be the development of a standard, of a business model, methodology or concept, which can be systematically reproduced, possibly certified, and possibly patented.
- d) The process and organisational innovation shall be new or substantially improved compared to the state of the art in the Community. The novelty could be demonstrated by the Member States for instance on the basis of a precise description of the innovation, comparing it with state of the art process or organisational techniques used by other undertakings in the same industry.
- e) The process and organisational innovation project shall entail a clear degree of risk. This risk could be demonstrated by the Member State for instance in terms of: project costs in relation to company turnover, time required to develop the new process, expected gains from the process innovation by comparison with the project costs, probability of failure.

In principle, the same costs are eligible as for project aid (cf. point 5.2.1). In case of organisational innovation, however, costs of instruments and equipments cover costs of ICT instruments and equipment only.

5.2.6. Aid for innovation advisory services; aid for innovation support services

Aid for innovation advisory services and for innovation support services shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty to the benefit of SMEs only, and up to a maximum of €200,000 within any three year period, provided the following conditions are fulfilled:

– On the basis of an open tender, the Member States must establish annually a list of all entities it considers qualified to offer innovation advisory services and innovation support services to SMEs. A register of qualified innovation intermediaries should be publicised and easily available to SMEs nation-wide, so that they can find such service providers easily. Ideally, innovation intermediaries should benefit from a national or European certification. [Alternatively, if no list of eligible entities can be published or no certification can be made, aid may be granted on the basis of a co-financing by the aid beneficiary, which should pay at least 25% of the services purchased from the innovation intermediaries].

Innovation intermediaries should disseminate widely the results obtained from aided projects.

– The SME must use the State aid to buy at market price (or if the service provider is a non for-profit entity, at a price which reflects its full costs plus a reasonable margin) the following services:

- business advisory services: management consulting; technological assistance; technology transfer services; training; consultancy for acquisition, protection and trade in Intellectual Property Rights and for licensing agreements; consultancy on the use of standards
- innovation support services: office space; data banks; technical libraries; market research; quality labelling, testing and certification services;

5.2.7. Aid for the loan of highly qualified personnel

Aid for the loan of highly qualified personnel detached³ from a not-for-profit research organisation or a large undertaking to an SME shall be compatible with the common market within the meaning of Article 87 (3) (c) of the EC Treaty, provided the following conditions are fulfilled:

By “highly qualified personnel” is meant researchers, engineers and marketing managers with university degree and at least 5 years of relevant professional experience.

SMEs receiving the personnel on loan from a university or from a large undertaking shall be eligible for State aid. The personnel borrowed must not be replacing other personnel, but be employed on a newly created function within the undertaking and must have been employed for at least two years in the not-for-profit research organisation or the large undertaking, which is sending the personnel on loan. The personnel must work on R&D&I within the undertaking.

Eligible costs are all personnel costs for borrowing and employing highly qualified personnel as defined above, including the costs of using a recruitment agency, as well as a mobility allowance for the personnel on loan. The maximum aid intensity shall be 50% of the eligible costs, for a maximum of 3 years per undertaking and per person borrowed.

This provision does not allow covering consultancy costs (payment of the service rendered by the expert, without employing the expert in the undertaking) as such, which are covered under the rules for SME-aid⁴.

5.2.8. Aid for innovation clusters

Aid may be granted for the setting up, expansion and animation of innovation clusters exclusively to the legal entity operating the innovation cluster. Membership to the cluster must not be restricted. The members of the cluster must pay a fee for the services provided by the cluster at a price of cost plus a limited margin.

“Innovation clusters” can be described as groupings of independent undertakings – innovative start-ups, small, medium and large undertakings as well as not-for-profit research organisations -, operating in a particular sector and region and designed to stimulate innovative activity by promoting intensive interactions, sharing facilities and exchange of knowledge and expertise and by contributing effectively to technology transfer, networking and information dissemination among the undertakings in the cluster. Preferably, the Member State should intend to create a proper balance of SMEs and large undertakings in the cluster, to achieve a certain critical mass, notably through specialisation in a certain area of R&D&I and taking into account existing clusters in the Member State and at EU-level.

Investment aid may be granted to the legal entity setting up or expanding an innovation cluster for the following facilities:

- Facilities for training and research centre;
- Open-access research infrastructures: laboratory, testing facility;
- Broadband network infrastructures.

The maximum aid intensity is 15%. In the case of aid being granted to an SME, the ceilings may be increased by 15% percentage points for aid granted to a small enterprise and by 10% percentage points for aid granted to a medium-sized enterprise.

The eligible costs shall be the costs relating to investment in land, buildings, machinery and equipment.

Aid for cluster animation may be granted to the legal entity operating the innovation cluster to cover the animation of the cluster including networking, technology transfer and training for a maximum period of five years. The following aid amounts may be granted:

³ Detached“ is understood to mean that the researcher is employed by the SME during the period of detachment and has the right to return to its previous employer afterwards.

⁴ Currently: Regulation 70/2001.

- Personnel costs for one project manager + one assistant per year;
- Administrative costs up to € 5000 per year per undertaking having offices in the cluster and actively involved in the cluster as demonstrated by participation in activities in the cluster (e.g. training, use of infrastructures, participation in working groups and networking session).

When notifying investment aid or aid for cluster animation, the Member State must provide an analysis of the technological specialisation of the innovation cluster, existing regional potential, existing research capacity, presence of clusters in the EU with similar purposes and potential market volumes of the activities in the cluster.