



EU Framework for Research, Development and Innovation State Aids

Emerging Enterprises Council

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EuropaBio

The European Association for Bioindustries

- Representing life science industry:
 - Across all sectors (health, agri-food, industrial biotech)
 - Start-ups, established biotechs and multinationals
- Providing advocacy for priority issues (such as **State Aid**) with European authorities (Commission, Parliament, etc.)
- Overall mission to increase global competitiveness of the European life science industry

European Biotech Industry

State of the industry: Performance

| <i>In 2004</i> | Europe | Ratio | US |
|---|---------------|--------------|-----------------|
| Number of companies | 2,150 | 1:1 | 1,991 |
| Number of employees | 96,500 | 1:2 | 190,500 |
| R&D expenditure | €7.6 billion | 1:3 | €21 billion |
| Revenue | €21.5 billion | 1:2 | €41.5 billion |
| Number of products in clinical development (in 2003) | 450 compounds | 1:2 | 1,110 compounds |

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Source: Critical I and EuropaBio

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European Biotech Industry

State of the industry: Financing

| <i>In 2004</i> | Europe | Ratio | US |
|--|--------------|--------------|--------------|
| Venture Capital | €1.1 billion | 1:2.5 | €2.5 billion |
| Equity funding (IPO/2nd) | €2.1 billion | 1:4.5 | €9.6 billion |
| Average VC funding per company (overall high-tech) | €1.2 million | 1:5 | €6 million |
| Number of listed companies | 106 | 1:3 | 344 |
| Market Caps (i.e. equity value of listed companies) | €19 billion | 1:9 | €175 billion |

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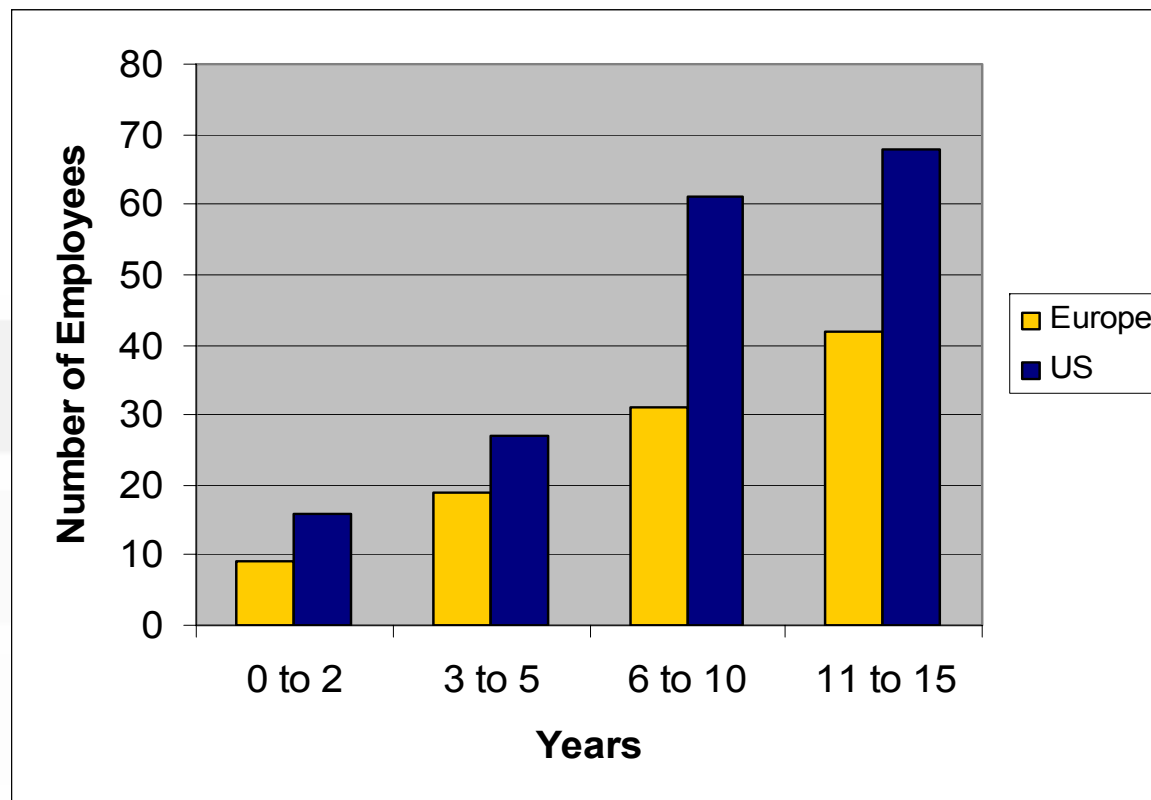
Source: Critical I and EuropaBio

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European Biotech Industry

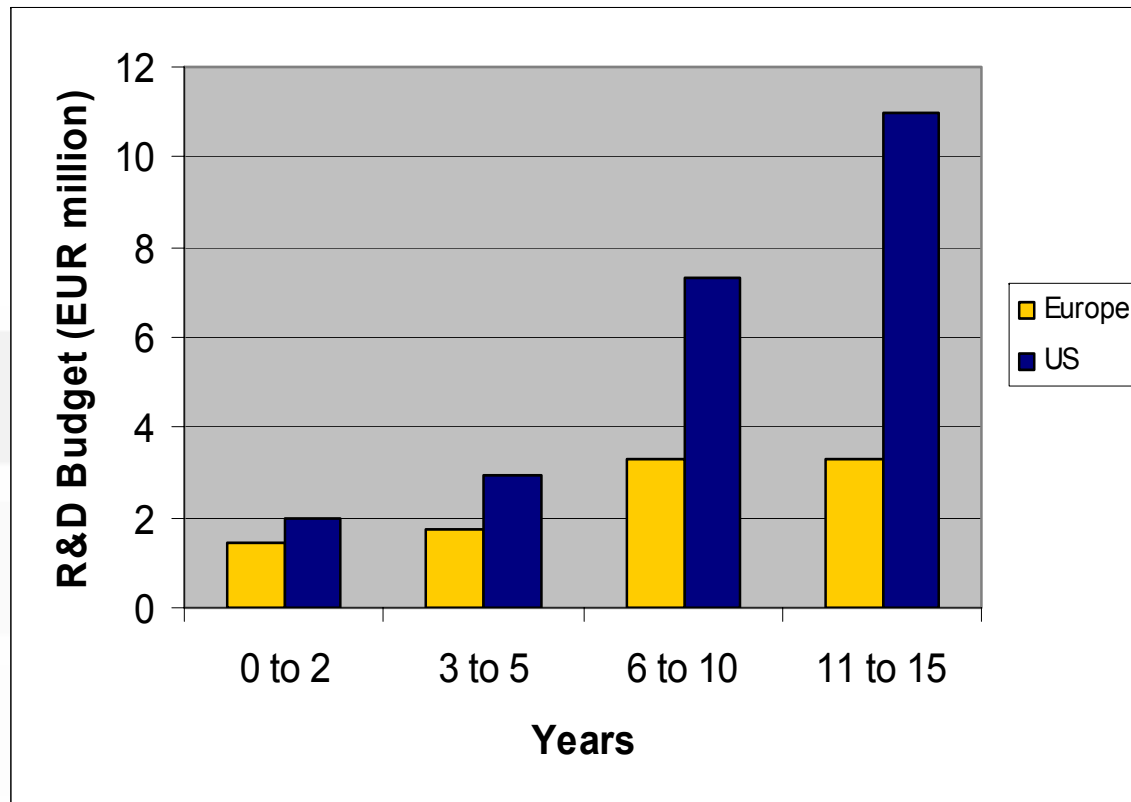
Impact on growth: employees



Source: Critical I and EuropaBio

European Biotech Industry

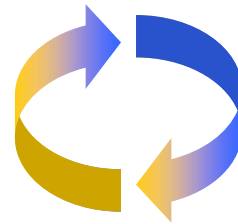
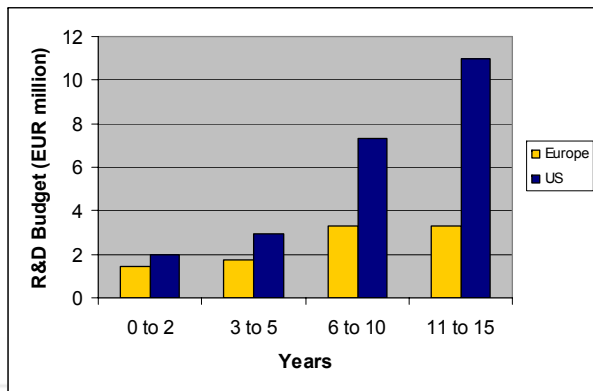
Impact on growth: R&D budgets



Source: Critical I and EuropaBio

European Biotech Industry

Impact on growth: products



***Lower R&D budgets
in Europe, means...***

***... less products
in development***

Products in clinical
development:



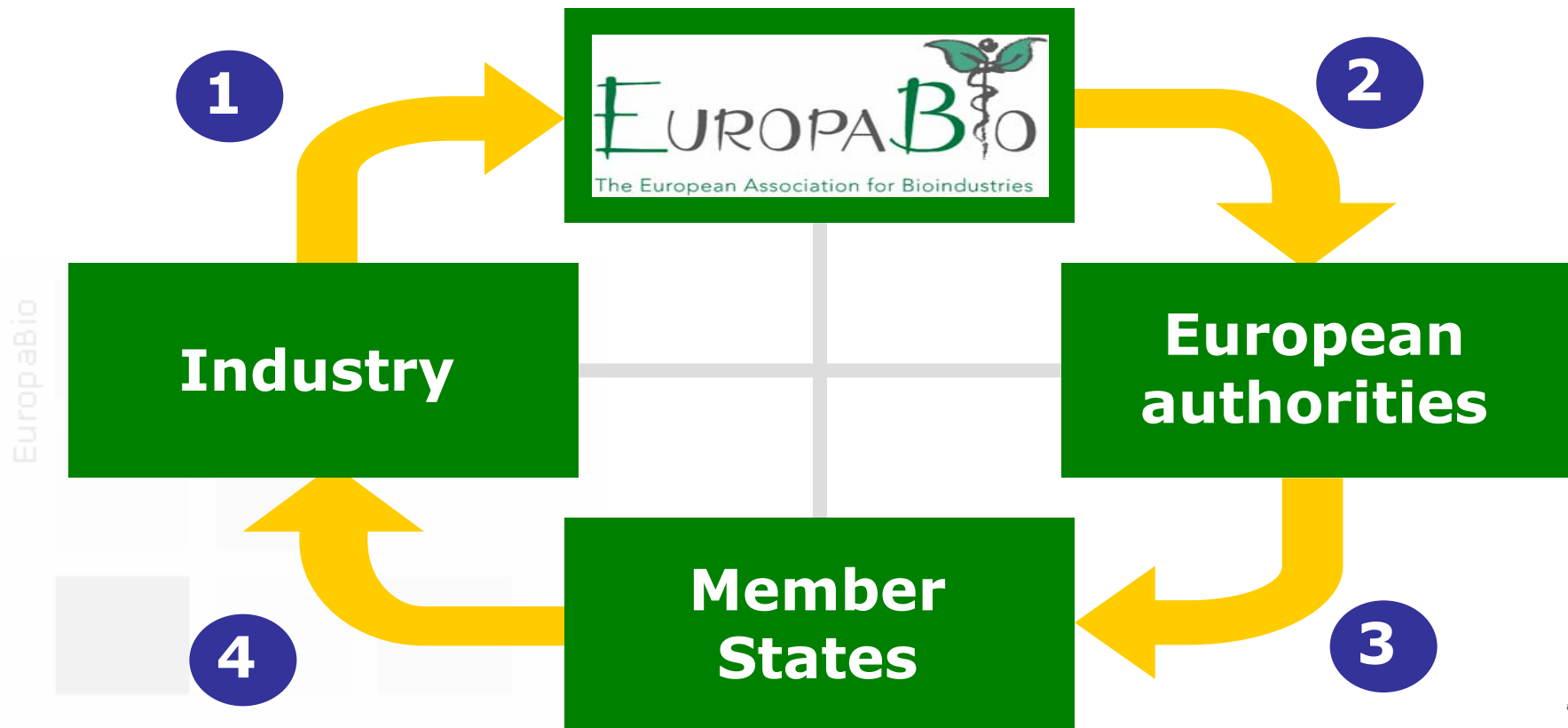
450



1,110

European Biotech Industry



The role of EuropaBio...



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Political Support for Biotech SMEs

“The 8 aids of state aid”

1. Aid for R&D projects
2. Aid for technical feasibility studies
- 3. Aid for industrial property right costs for SMEs** ← 
- 4. Aid for young innovative enterprises (YIE)** ← 
5. Aid for process and organisational innovation in services
6. Aid for innovation advisory services and innovation support services
7. Aid for the loan of highly qualified personnel for SMEs
8. Aid for innovation clusters

State Aid

1. R&D projects: Bonus structure

| | Small enterprises | Medium-sized enterprises | Large enterprises |
|---|-------------------|--------------------------|-------------------|
| Fundamental research | 100% | 100% | 100% |
| Industrial research | 70% | 60% | 50% |
| Industrial research subject to: collaboration between undertakings; for large undertaking: cross-border or with at least one SME or collaboration of an undertaking with a research organisation or dissemination of results | 80% | 75% | 65% |

State Aid

1. R&D projects: Bonus structure

| | Small enterprises | Medium-sized enterprises | Large enterprises |
|--|-------------------|--------------------------|-------------------|
| Experimental development | 45% | 35% | 25% |
| Experimental development subject to: collaboration between undertakings; for large undertakings, with cross-border or at least with one SME or collaboration of an undertaking with a research organisation | 60% | 50% | 40% |

State Aid

2. Technical feasibility studies

| Type of studies | SMEs | Large enterprises |
|--|------|-------------------|
| Studies preparatory to industrial research activities | 75% | 50% |
| Studies preparatory to experimental development activities | 50% | 40% |

State Aid

3. Industrial property rights (patents)



Can also occur after the right is granted

State aid

4. Young innovative enterprises

- A Young Innovative enterprise is:
 - Small (< 50 employees)
 - Young (< 6 years old when the aid is granted)
 - Innovative
- Aid for Young Innovative Enterprises (YIE)
 - In addition to traditional R&D tax credits
 - Allows MS to provide extra government funds amounting up to EUR1.5M
 - E.g. in the form of social cost reduction (e.g. France & Belgium)

State aid

5. Aid for process and organisational innovation in services

- The beneficiary must be an **SME**
Large enterprises are only eligible if they collaborate with SMEs; collaborating SMEs must incur at least 30% of the total eligible costs.
- The aid must not exceed a maximum of € 200 000 per beneficiary within any three year period
- The level of incentives are:
 - 15% for large enterprises;
 - 25% for medium enterprises;
 - 35% for small enterprises.

State aid

6. Aid for innovation advisory services and for innovation support services

- Innovation **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, use of laboratory, quality labelling, testing and certification.

State aid

7. Aid for the loan of highly qualified personnel for SMEs

- Eligible costs are:
 - **Personnel** costs
 - The costs of using a **recruitment agency**
 - **Mobility allowance** for the seconded personnel
- The maximum aid is **50% of the eligible cost**, for a maximum of 3 years.
- This provision **does not cover consultancy** costs.

State aid

8. Aid for innovation clusters

- **Investment aid** may be granted for the setting up, expansion and animation of innovation clusters
- Investment aid may include:
 - Facilities for training and research centre;
 - Open-access research infrastructures: laboratory, testing facilities
 - Broadband network infrastructures
- The maximum aid is 15%
- These percentages can increase up to 50% for regions with less than 45% of average EU – GDP per capita

State aid

8. Aid for innovation clusters: promotion

- **Investment aid** may be granted for:
 - **Marketing** of the cluster to recruit new companies;
 - **Management** of the cluster's open-access facilities;



Many possible forms of aid

- Subsidies
- Fiscal incentives
- Repayable advances
- Public procurement
- Guarantees
- Capital injections

Examples of accepted projects

- Supporting large trans-national projects
- Young innovative companies
- Promoting philanthropic funding of research
- Cross border mobility of researchers
- Facilitating cross border outsourcing of R&D
- Others to be resolved
 - R&D and VAT
 - R&D and innovation need a Community wide definition

State Aid

General Conditions

Authorised by the Commission according to common principles

- State Aid “Balancing” Test:
 - Will the Aid serve the EU’s common interests (growth, employment, cohesion, environment)?
- Will the State Aid change stakeholder behaviour?
 - (eg will investors act differently because of the Aid)
- Is it proportional?
- Will the effect of the State Aid distortion on trade and competition be limited?

State aid

Aid must have an incentive effect

- For all measures the Commission will require that an incentive effect is demonstrated by the notifying Member States, except for:
 - project aid and feasibility studies where the aid beneficiary is an SME and where the aid amount is below € 7,5 M for a project per SME,
 - aid for industrial property rights costs for SMEs,
 - aid for young innovative enterprises,
 - aid for innovation advisory services and innovation support services,
 - aid for the loan of highly qualified personnel.

In conclusion:

We need your support in the Member States

- The European Commission recognizes a state aid exemption for innovation
- Eight new incentives for innovation are now allowed !
- These are now being implemented in the Member States
- **We need your SUPPORT in the Member States!**

Thank you!

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More info: websites

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More information

Websites

STATE AID PROGRAM

Community framework for state aid for research and development and innovation
http://ec.europa.eu/comm/competition/state_aid/reform/rdi_en.pdf

TAX INCENTIVE PROGRAM

Communication on R&D Tax Credits

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0728:FIN:EN:PDF>

VADEMECUM COMMUNITY RULES ON STATE AID

http://ec.europa.eu/comm/competition/state_aid/studies_reports/vademecum_on_rules_2007_en.pdf

FINANCING SME GROWTH

http://ec.europa.eu/enterprise/entrepreneurship/financing/publications_documents.htm