TAFTIE – Knowledge Capitalisation – White paper

Why is TAFTIE active in this topic?

Under the 2019 Chairmanship of Luxinnovation, a strong emphasis has been placed on the collection of key learnings during the various Taftie meetings, particularly arising from the detailed discussions during Expert Sessions that precede the Executive Working Group meetings. Unfortunately, it has been the case that the content of these discussions, often very relevant for Taftie members, has not been recorded and has therefore been lost. It is the intention of the Luxinnovation chairmanship to capture the essential elements of these Expert Session discussions in the form of a White Paper to be entitled "State Aid considerations when developing innovation ecosystems – A perspective of innovation agencies". In this manner, the document will become a valuable reference for all members.

This document is therefore a partial report, being based on the results of the first two Expert Sessions. The final version, to be disseminated in December 2019, will also contain the observations from the third Expert Session as well as a section with recommendations.

How was the work implemented?

Two Expert Sessions were organised in March and April 2019 with a third to be arranged in early October. The themes of these discussions are as follows:

Expert session 1	07/02/19 - Scaling start-ups, including the relationship between innovation agencies and incubators
Expert session 2	25/04/19 - Innovation advisory service – Exploring synergies between innovation agencies, Clusters, the European Investment Bank and the European Commission
Expert session 3	03/10/19 – The role of innovation agencies to foster knowledge and technology transfer

In order to bring different points of view to the discussions, a number of "expert" organisations that are non-Taftie members were invited to participate at each Expert Session. Their opinions were therefore documented and included in this White Paper.

This work has been supplemented by the subject choice for both the Annual Conference (06/06/19 – Mission-oriented research and innovation: What does it mean for innovation agencies?) and the Policy Forum (19/11/19 – Digital Europe – Role and Opportunities for innovation agencies).

In order to provide a proven methodology and to facilitate the abovementioned discussions, an expert in knowledge capitalisation (Jari Romanainen) was engaged by Taftie and this interim reports covers the discussions and findings from the first two Expert Sessions.

Where is the work now?

As previously mentioned, two of the planned workshops were held during spring 2019. The discussions in these workshops and subsequent data collection and analysis focused on start-up and scale-up ecosystems as well as on agency services and stakeholder interaction. The third workshop in October 2019 will extend the work to cover the following topics: collaborative research, commercialisation of public research (technology and knowledge transfer) and the use of publicly funded infrastructures (e.g. research infrastructures).

The observations and recommendations below cover the topics discussed during the first two workshops. This paper will be extended to cover the selected further topics and finalised after the third and final workshop later this year.

What were the key observations (so far)?

The view of TAFTIE agencies into their local knowledge capitalisation ecosystem

The role that TAFTIE agencies play in their respective start-up and scale-up ecosystems vary greatly. The mandate of some agencies covers several key dimensions of the ecosystem ranging from grant, loan and venture funding to the development of support structures and innovation services, as well as contributing to the design and implementation of other national policy initiatives targeted at developing the ecosystem. Other agencies have a more limited role as a provider of specific types of funding (e.g. R&D grants to start-ups and scale-ups, grants to start-up and scale-up support structures) and selected innovation support services (mostly as an integrated part of the funding).

Despite their greatly varying roles, TAFTIE agencies have a relatively good understanding of their local start-up and scale-up ecosystems. This comes from close interaction with relevant ecosystem actors (start-ups, scale-ups, entrepreneurs, investors, intermediaries, etc.) and other national and regional agencies active in the ecosystem. This interaction is largely based on specific policy initiatives that TAFTIE agencies are responsible for implementing. Hence, TAFTIE agencies have a very good insight into practical challenges and problems related to how start-ups, scale-ups and their support structures as well as access to funding can be promoted through public policy initiatives, and to what extent these challenges and problems originate and could therefore be addressed through State aid regulations and guidelines.

It appears that there are no national or regional level systems in place that allow the monitoring of the developments of the whole start-up and scale-up ecosystem. Evaluation and monitoring efforts will therefore have to rely on data from several agencies, schemes and intermediaries as well as Business Angel networks, Venture Capital associations, international benchmarking initiatives, national statistics, etc. These will often have to be complemented by surveys, interviews and other data collection methods to reach in-depth understanding of the ecosystem, its challenges and development trajectories.

Indirect support through intermediaries

Most TAFTIE agencies provide funding to various intermediaries supporting start-ups and scale-ups. Most common of these are incubators and accelerators. Some agencies also provide support to early stage Venture Capital funds.

The focus of TAFTIE agencies appears to be on the commercialisation of public research or academic entrepreneurship, as many of the supported structures are closely linked with universities. Activities focusing on scale-up rather than start-up stage are more detached from universities. Rationales of equity and investment related schemes are related more directly to access to funding and economic growth.

Close links to universities and public or public-private incubators and accelerators may, however, be a cause for concern, especially in the longer term. It may lead to a lock-in, where the supported existing (and therefore in practice pre-selected) structures may prevent any newcomers from entering the market and providing support for start-ups and/or scale-ups. This is a concern both in terms of policy impact (effectiveness of potential newcomers versus the existing ones) and State aid (assumption: no competition or market, hence no aid; however: if there are even potentially interested newcomers, limiting public support to the existing may create a market entry barrier, thus all of it should be considered as State aid). TAFTIE agencies (and local policy makers) should carefully consider opening these types of support schemes to all potential intermediaries (including private sector) and including the requirement for self-sustainability over time, at least from any directly earmarked funding, to avoid potential lock-ins.

Possible success-based and other revenue streams may include fixed fees collected after successful incubation or acceleration, revenues originating from possible investments made during incubation or acceleration (e.g. small early stage investment as a reward for being selected), as well as various types of voucher models, where the voucher represents a revenue for the intermediary if and when they can attract the start-up or scale-up to use their services.

State aid considerations related to indirect support

Some TAFTIE agencies indicate that their schemes contain State aid for support structures. Other agencies claim that their scheme doesn't contain State aid. Provided that the supported structures are chosen and contracted in an open competition or that all potential structures have equal access to the support, this may be true, at least in the short term. In the longer term, in particular, the possibility of the existence of State aid for the support structures should be carefully reconsidered.

Several TAFTIE agency schemes rely on GBER provisions rather than de-minimis for the start-ups/scale-ups. This leaves the possibility of using de-minimis for other/further support that these companies may need, but which may be difficult to arrange using GBER provisions.

GBER Art 22 refers to Aid for Start-ups and Art 28 refers to Innovation aid. The former allows funding up to 100% levels, whereas the latter allows only up to 50%. Both are possible for start-ups. Depending on the definition of a scale-up, only the latter may be possible.

Using GBER provisions requires either close collaboration between the agency responsible for the aid and the support structures or, alternatively, the support structure must act in the role of a State aid authority in the same way as the agency. It depends on the role the support structure plays in the formal decision making related to the funding allocated as aid to the start-ups/scale-ups.

GBER Art 21 refers to Risk Finance aid. Operating under the provisions of this article indicates that while there may be aid for both support structures (financial intermediaries) and the companies that the structures invest in (start-ups and scale-ups), this aid is deemed compatible with the state aid rules. However, this does not exempt companies from potential accumulation concerns arising from simultaneity with other schemes that the same structures and/or companies may benefit from.

Calculation of indirect aid in the form of cost-free services offered to start-ups/scale-ups is causing concerns among some TAFTIE agencies. However, this is more of an accounting challenge rather than a State aid concern as such.

Potential cumulation of aid when the support structure provides subsidised services with the help of public funding and the cost of these services may be eligible for other public schemes (grant, voucher, etc.). This is clearly a monitoring challenge that TAFTIE agencies must address, possibly in collaboration with other local State aid authorities.

The closeness to universities and the objectives related to commercialisation of public research should not shadow the fact that, if the start-up/scale-up aims for commercial activities, it must be treated as any other start-up/scale-up regardless of whether it originates from the university's research or if the university has any forms of ownership, licence or other agreements with it. TAFTIE agencies should pay attention to the conditions under which IPR is transferred and services may be offered to university spin-offs to ensure State aid compliance.

Business angels sometimes operate through investment vehicles, which they have set up as a company for managing their various investments. If these companies manage investments that are not made into start-ups or scale-ups and/or are more than 5 years old, companies they invest in may no longer be able to be regarded as start-ups or SMEs because of ownership limitations. Investment vehicles used by private investors to manage their business angel investments should therefore be restricted from managing any other types of investments or be specifically set up for each start-up or scale-up individually. This may also be the case if several business angels wish to manage their start-up investments through a jointly owned investment vehicle. It would seem that State aid regulations could be further clarified regarding this issue. Similar limitations can also arise when large companies have more than 25% ownership in the start-up or scale-up (making it a partner company). Ownership arrangements with larger companies may seriously limit the use of Art. 22, also in the case of corporate funds or other financial vehicles linked to larger companies, even when theirs is a minority stake in a start-up.

Another issue with Business Angel funding relates to their influence in a start-up that, depending on the funding deal, may be much stronger than the mere ownership could indicate. This is because it is common for Business Angels to require and be granted veto-rights to selected or all future key business and funding decisions. It is not clear if this kind of "dominant influence" should be accepted as normal practice or if the Business Angel in this case should no longer be treated as an independent private minority investor, i.e. a Business Angel. This would indicate that State aid rules concerning Business Angels and their investments could benefit from further clarifications.

There is generally no accepted definition for a scale-up company. It appears that the definition varies according to the maturity of the start-up ecosystem – the less mature the ecosystem is the closer the definition is to a start-up. In more mature start-up ecosystems, the definition refers to a later stage. Nevertheless, one of the key features of the scale-up stage is internationalisation. Current State aid regulations recognise start-ups, but when they develop beyond the start-up stage, these companies are treated as any other SME. However, there seem to be indications that many of these companies at the scale-up stage but immediately after start-up stage may suffer from many of the same market failures as start-ups, particularly in terms of access to funding. If such a funding gap can be verified, DG COMP could consider provisions to address this situation.

State aid rules involving undertakings in difficulty are a concern for start-ups working in sectors with long time to market, such as healthtech. Companies that are over 3-years of age are not eligible for public funding if their own funds represent less than 50% of the share capital. In the case of start-ups, Art 22 allows an extension until the 5th year, but even this is not enough to cover the typical development cycles in healthtech. Such healthtech start-ups are cash-burners, and can go through several funding rounds. As a result, their own funds are often in danger of dropping below 50% of share capital, thus risking them falling into the category of undertakings in difficulty. They would need to take specific measures to avoid this happening or else their options to access public funding can be seriously limited. State aid rules could be revised to better facilitate public funding to early stage healthtech companies and other similar cash-burners. The TAFTIE working group on the Undertaking in Difficulty issue will provide further insight into this issue.

Direct support to start-ups and scale-ups

TAFTIE agencies are primarily funding agencies and the majority of their funding is allocated to the research and innovation activities of companies and research organisations. Start-ups and scale-ups are often targeted by specific funding schemes but may also benefit from generic research and innovation and other funding schemes, including those funded from Structural funds.

Most TAFTIE agencies offer various grant funding schemes, but some also offer loan schemes and/or equity schemes. Agency funding is always limited to specific purposes and does not extend to later stages of the innovation process, e.g. market introduction, production, etc. This means that the beneficiary must secure other funding in order to successfully complete its innovation project. Some of this other funding may be received from other public sources or from European institutions. However, most beneficiaries will eventually also need to secure private funding either in the form of equity or loans.

During the recent decade in particular, financial instruments have been developed and made available for European companies. These instruments are managed by the EIB directly or indirectly in collaboration with local financial institutions.

Funding from European institutions are considered not to include State aid, because the decisions are made by European institutions or local market actors without any interference by national or regional authorities. However, the Commission has made it clear that this funding should be **consistent** with the State aid rules[1]. Whilst there are no fundamental limitations in combining funding from these sources to public funding provided by TAFTIE agencies, the consistency requirement indicates that the maximum allowed aid limits should, in principle, be respected. This is also the reason why limitations have been defined for using these financial instruments in connection with structural funds. However, as long as the funding is allocated to complementary activities (different cost basis), combinations are fully allowed. In addition, in cases where the funding is not allocated on a specific cost basis (equity), these combinations are possible without additional State aid considerations arising from the combination.

[1] http://www.europarl.europa.eu/cmsdata/142819/Briefing_State%20Aid%20and%20EU%20funding_Final.pdf

Financial instruments managed by the EIB are continuously developing and are becoming increasingly relevant for the clients of TAFTIE agencies. The EIB also provides advisory services that are integrated into their financial instruments. The primary target group for these services is often slightly larger growth companies, but as the focus from start-ups has increasingly extended to scale-ups also within TAFTIE agencies, the interplay between TAFTIE agency funding and EIB financial instruments has started to grow. TAFTIE agencies should be aware of the possibilities of EIB advisory services and actively identify and encourage potential beneficiaries to make use of this. Further measures to increase the awareness of EIB funding opportunities and advisory services among TAFTIE agencies could therefore be explored.

In view of the earlier DG Competition guidelines concerning the SME instrument "Seal-of-Excellence" projects and their national funding as well as the forthcoming review of State aid regulations, DG RTD is preparing a proposal for DG Competition concerning Commission co-funding. The core of this proposal is that if the decisions within a Commission co-funded partnership programme are made by a joint entity managing the activity without single partners (Member States) having the possibility to veto or opt out from the decisions. The funding allocated from this co-funded activity would be exempt from State aid. The fundamental rationale is that such a model would, in essence, follow the same logic as funding allocated from the Commission Framework programmes (e.g. Horizon 2020). TAFTIE members should therefore consider supporting such a proposal. Co-funded partnership programmes are voluntary, so Member States can decide how much of their national funds they would be willing to allocate to such programmes.

Most TAFTIE agencies that have funding programmes or schemes targeted to start-ups and scale-ups offer some form of advisory services aimed at helping these clients to access private funding. There are also funding schemes that require the client to obtain private funding, such as matching funds or co-investment schemes. Funding can also be indirect through innovation intermediaries such as incubators, accelerators or VC funds (fund-of-funds approach).

There could be potential funding gaps between agency funding, traditional financial market instruments (bank loans) and venture capital. Hybrid instruments for growth funding could potentially be developed, especially for fast-growing innovative companies or companies less interested in venture capital funding.

New funding instruments and models (e.g. crowdfunding) have been developed, and it is likely that this trend will also continue in the future. TAFTIE agencies should monitor the development of financial instruments and if/when appropriate also consider contributing to how they could be used to better support innovative activities and companies.

Agency services

The underlying rationale for funding agencies to interact with clients and provide services for them is to ensure the impact of the public funding they provide. The starting point is to ensure that the funding is allocated to those beneficiaries with the highest potential to create the desired impacts indicated by the respective policy objectives and objectives of funding schemes. This is followed by providing services to the selected beneficiaries in order to reduce the risks related to the funded innovation activities or otherwise support the implementation of these activities to ensure their impact. Services can also be provided for potential future beneficiaries of agency funding in order to help them define innovation activities that have highest potential for success, lower risks for failure and higher potential impact.

Services also include guidance for potential beneficiaries as to which funding schemes, resources and services are most appropriate at a given time and how they can be accessed. The fundamental rationale for this is to ensure that beneficiaries are fully aware of the conditions and requirements related to the support they may receive, thereby preventing the possible misuse of public funds, minimising the administrative burden, preventing false client expectations and misplaced funding applications.

Thus, all services provided by innovation agencies are fundamentally integrated into their main mission, i.e. providing public funding to enhance private sector innovation activities, resulting in the desired socio-economic impacts.

As agencies increasingly add services to complement their funding, the need to demonstrate the added value and impact of these services becomes more evident. Unlike funding, services are typically not as well defined or systematically monitored by TAFTIE agencies. Many agencies collect client feedback, but not necessarily for each service separately.

State aid considerations related to agency services

Most TAFTIE agencies are aware of the fact that innovation advisory services provided by a public funding agency are not exempt from, and may contain, State aid. However, as there are no clear guidelines provided by the Commission, the interpretations as to when and which of these services would need to be declared as State aid seems to vary. This would indicate that there is a need to clarify how State aid should be managed with regards to the innovation advisory services that are provided by public funding agencies. This is particularly the case when they can be regarded as fully integrated into the agency's main function as a public funding agency (and thereby exempt from State aid), and when they must be regarded as services potentially competing with private service production (and thereby subject to State aid).

The fundamental rationale for all services provided by TAFTIE agencies is to ensure and maximise the desired impacts of public funding. Although services can be designed to be separate from funding, they are always closely integrated into the agency's main function, which is funding.

As with funding activities, services can also be subject to State aid. However, services fully integrated into funding such as advice on how to apply for funding, how to administer reports and payments, etc. are inseparable and most effectively provided only by agencies themselves. These services can therefore be regarded as exempt from any State aid considerations.

Similarly, when agencies provide services that are based on their proprietary knowledge and data, such as signposting, matchmaking, partner search, etc. can be regarded as exempt from State aid to the extent that these services remain at the level of providing information and facilitating the identification of potential partners or resources.

Agencies can also use their proprietary knowledge and data, general statistics and other data sources, studies and analyses they may commission to third parties or any combinations of these in preparing publicly available overviews and analyses. These may include technology, market, internationalisation, business and other trends, future predictions, roadmaps, etc. When these are made available for all potential beneficiaries, they can be regarded as exempt from State aid considerations.

In addition, all material and resources that agencies openly offer for all potential beneficiaries can be regarded as exempt from State aid considerations. This is also the case with events, guidelines, templates and web-based resources accessible for all potential beneficiaries, even if they may be specifically targeted to specific beneficiary groups.

Any activities that the agency undertakes during the assessment of a funding application can also be translated into services. These may include analyses and feedback on the quality of the applicant's project, business, internationalisation, etc. plan or strategy. Whilst this is, in principle, a service that the potential beneficiary could acquire from the private sector, the analysis is fully integrated into the agency's main function and is provided primarily for the purposes of funding decisions. This type of service can be regarded as exempt from State aid considerations if it is provided for all applicants. The same may apply if it is openly communicated as a feature of a specific funding scheme.

Even if the abovementioned activities/services may be regarded as exempt from State aid to the end beneficiaries, they may still cause market distortions. This is the case if similar services are or could be provided by private sector service providers. Trainings, events, market analyses, etc. could potentially be, and often are, offered by private companies. Private sector service providers may complain about unfair competition and if the market distortion is verified, the agency will be forced to abandon such a service or to at least make a redesign. There should be no consequences for the end beneficiaries.

In general, agencies should try to avoid offering services that are already available in the markets. Agencies should also consider collaborating with private sector service providers when possible in order to avoid causing market barriers.

Agencies can, in principle, also offer commercial services. State aid is not an issue if these services are provided at normal market price, i.e. fully cover all direct and indirect costs and include a reasonable profit margin. Agencies may consider this in cases where no private services are available in the markets, nor does it seem possible to incentivise private companies to develop such services in the foreseeable future.

State aid must be considered in cases where agencies offer and provide services only for selected beneficiaries, and the services can be clearly separated from their main task of funding. These services are not fully integrated into funding nor do they rely on proprietary knowledge or data that is accessible only by the agency and, therefore, could also be offered and provided by private companies.

Whilst agencies should always consider the possibility of providing these services by using private sector service providers, there could be cases where the agency may conclude that the optimal way of providing such services is by the agency itself. This may be because of availability or quality of these services in private markets, exceptionally high cost of these services in private markets, or possible conflicts of interest because of the small size of markets. Serious lack of competence among the potential beneficiaries may also be regarded as an asymmetry, which can be addressed by the agency acting as a trusted third party between the private service provider and the beneficiary.

Agencies should always be very clear about the rationale for services that they make available for their beneficiaries, i.e. the reasons why the agency is the optimal way to organise the provision of these services. However, agencies should always prepare an exit plan for their services, i.e. a strategy of how the development of availability, quality and cost of private services can be facilitated over time. Approaches such as public procurement, shortlisting, certification, etc. can be used in connection with grants and vouchers.

Agencies can provide services for individual beneficiaries or groups of beneficiaries. Ecosystem services typically belong to the latter category. The current State aid regulations are not clear as to what extent public funding agencies can provide such services and how possible State aid should be managed with respect to individual beneficiaries. What extent refers here to types of services as well as their volume.

It could be argued that as far as agencies only provide information about various possibilities and options and thus raise the awareness of companies and thereby support beneficiaries in their decision making, services provided by agencies should not be regarded to include State aid. However, if such services are offered selectively and may therefore provide selected beneficiaries with an unfair advantage over their competitors, this argument may not be sufficient.

Agencies may, in some cases, act as a trusted third party between a beneficiary and a potential partner. If the agency’s role in these situations is limited to facilitating the interaction without directly influencing the contents, this could be regarded as being exempt from State aid.

When agency services extend beyond facilitation through information, it raises both the question of State aid and the question of an agency’s role. The latter is a sensitive issue as any advice or recommendation given by an agency may be interpreted by the potential beneficiary as a requirement for future funding. It is therefore important that agencies are very careful in giving any advice or recommendations related to the beneficiary’s business, products, personnel, or any other aspect of their current or future commercial activities.

Any direct and individually tailored advice, recommendation or resource given related to beneficiaries’ current or future commercial activities should be regarded as consultancy and therefore subject to State aid. Calculation of the amount of aid may often be difficult if consultancy is provided by agency staff. If the capacity of Agency staff is limited, so is the volume of services provided to individual beneficiaries. It could therefore be valid to consider introducing a new provision into the State aid regulations indicating the maximum volume of consultancy services that an agency can provide without State aid consequences. Should such a provision prove problematic with respect to specific private sector market services, this provision could be limited to specific services that are eligible under this non-State aid rule.

Ecosystem services are targeted to selected groups of beneficiaries. Current State aid regulations already include provisions related to ecosystem services, most notably GBER Art 27 (Aid for Innovation Clusters). The max 50% operational aid may be granted to personnel and administrative costs related to:

- *(a) animation of the cluster to facilitate collaboration, information sharing and the provision or channelling of specialised and customised business support services;*
- *(b) marketing of the cluster to increase participation of new under-takings or organisations and to increase visibility;*
- *(c) management of the cluster's facilities; organisation of training programmes, workshops and conferences to support knowledge sharing and networking and transnational cooperation.*

The same article states that:

2. Aid for innovation clusters shall be granted exclusively to the legal entity operating the innovation cluster (cluster organisation).

3. Access to the cluster's premises, facilities and activities shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 10 % of the

investment costs of the innovation cluster may be granted preferential access under more favourable conditions. In order to avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs and these conditions shall be made publicly available.
4. The fees charged for using the cluster's facilities and for participating in the cluster's activities shall correspond to the market price or reflect their costs.

Following the argumentation presented in Art 27, ecosystem services provided by agencies should be offered at full market cost if they are to be regarded as exempt from State aid to the beneficiaries. Any subsidisation of the cost, including the provision of these services free of charge, would have to be regarded as including State aid. At the same time, similar services – such as international marketing of national clusters or other R&D&I resources, workshops, conferences, information sharing platforms and events, etc. – are already provided to individual and groups of beneficiaries by TAFTIE agencies in various forms without them being regarded as State aid for the beneficiaries. The possibility to limit cluster services only to cluster members may possibly be used as an argument to justify why cluster service must bear full market price, but more likely this requirement stems from the attempt to avoid potential cumulation of this aid with other forms of aid beneficiaries may receive at the same time. Allowing aid to beneficiaries through subsidised service costs would also mean that cluster organisations would, in practice, be acting as aid authorities or at least intermediaries and would therefore be required to undertake respective administrative tasks.

The Enterprise Europe Network (EEN) is an initiative between EU and Member States. “Support for business innovation” is a service that is fully funded (100%), whereas “Advice for international growth” and “International partnerships” are co-funded from the COSME programme. Some agencies provide similar or additional services of a similar nature using national funds or structural funds. Full or co-funding by the Commission via COSME (H2020) does not, as such, automatically exempt EEN services from State aid if decisions of individual beneficiaries are made by the local EEN partners, many of which are either local public agencies or rely very much on local public funding. This means that the selection of individual beneficiaries can be significantly influenced by local policies and authorities.

Legal documentation concerning COSME[2] (under which EEN is implemented) or EEN itself do not appear to include any references as to whether EEN services include State aid. Some regional authorities seem to claim that EEN services do not include State aid[3], but it is not clear on what this claim is based.

If EEN services can be argued to not include State aid, it would indicate that all similar services provided by TAFTIE agencies should similarly be void of State aid, as the Commission co-funding argument, as it currently stands (even taking into account the explanatory note concerning SME instrument and Seal of Excellence[4]), is not enough to differentiate EEN and TAFTIE services in view of State aid.

The discussion above clearly indicates that there is a need to clarify as to when and which services offered and provided by public funding agencies are exempt from State aid, compliant with State aid, or include State aid.

Agencies have, in principle, the possibility to declare certain of their services as Services of General Economic Interest (SGEI). This allows the organisation of specifically important services in a way that can be more

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[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R1287
[3] https://d298t4b8zukb44.cloudfront.net/media/bic/knowledge_base/documents/EENGP.pdf
[4] https://ec.europa.eu/regional_policy/sources/docgener/guidelines/2017/application_of_state_aid_rules.pdf

favourable towards the beneficiaries. However, application of SGEI will, in practice, also indicate that the provision of these services will move from public to private service providers in the future.

Subsidised services provided by TAFTIE agencies may, with some limitations, be declared under the GBER as Consultancy in favour of SMEs (Art 18), Aid for SMEs for participation in fairs (Art 19) or Innovation aid for SMEs (Art 28). When beneficiaries are start-ups, Aid for start-ups (Art 22) may also be applied. However, the most used State aid provision in cases where State aid is acknowledged is *de-minimis*.

Possible new State aid provisions or explanatory notes should define, as clearly as possible, the services that public funding agencies can offer and provide without State aid, and the agency services that are subject to State aid. It could be worth considering that there be a limit for the volume of services provided, which would allow agencies to provide a wider range of services without State aid.