II

(Preparatory Acts)

COMMISSION

Proposal for a Council Decision empowering the Commission to help finance innovation within the Community

(Submitted by the Commission to the Council on 7 June 1983)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to Council Decision 83/200/EEC of 19 April 1983 empowering the Commission to contract loans under the New Community Instrument for the purpose of promoting investment within the Community (1), and in particular Article 2 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the introduction and propagation of innovation is a stage in the adaptation of production structures, which the European Council has acknowledged by calling for the development and strengthening of a Community-wide policy on technology and innovation;

Whereas innovation involves an abnormally high risk, deferred profitability, and the need for a very large market;

Whereas small and medium-sized businesses are a source and vehicle of innovation, particularly in fields such as new information technologies, biotechnologies, energy technologies, food-processing technologies, flexible manufacturing systems and new materials;

Whereas innovative small and medium-sized businesses encounter specific financing difficulties deriving both from their restricted access to capital markets, their under-capitalization and the absence or inadequacy of security they can offer, and from the inherent characteristics of innovative investment;

Whereas a Community measure to promote the financing of innovative small and medium-sized businesses, which would supplement existing national schemes or spur national measures, would add momentum to the overall volume of resources allocated to the financing of innovation within the Community;

Whereas a Community measure should also encourage the supply of own funds to innovative small and medium-sized businesses; whereas financial intermediaries should be encouraged to participate, by sharing the risk which they take in financing innovation;

Whereas a Community measure should finance, in priority, projects of a Community character resulting from Community research and development programmes or from cross-border cooperation within the Community;

Whereas, by taking the form of a combination of a loan from borrowed resources with a grant from budgetary resources, a Community measure would be adapted to the introduction on the market of a new product, process or technology, while being the most effective method in view of the volume of the budgetary resources committed;

Whereas it is necessary to authorize a specific tranche of the borrowings;

Whereas it is necessary to adopt specific provisions in order to take account of the specific characteristics of innovative projects and of innovative small and medium-sized businesses;

Whereas borrowings under the New Community Instrument are guaranteed by the budget;

Whereas, to take due account of the characteristics of this kind of project, relevant appropriations should be

(1) OJ No L 112, 28. 4. 1983, p. 26.

entered in the general budget of the Communities following budgetary procedures;

Whereas the European Investment Bank (hereinafter called 'the Bank') has expressed its readiness to participate in implementing this action,

HAS DECIDED AS FOLLOWS:

Article 1

A tranche of borrowings is hereby authorized, the amount not to exceed the equivalent of 100 million ECU of principal.

Article 2

The borrowings contracted pursuant to Article 1 hereof shall be used exclusively to fund, under the name of 'European Innovation Loans', innovative projects in sectors which introduce new products, devise new processes or apply innovatory technologies. These loans shall benefit small and medium-sized enterprises established in the Community, and shall be granted via appropriate financial intermediaries.

Notwithstanding Article 3 (2) and Article 5 of Decision 83/200/EEC, the European Innovation Loans shall be granted in accordance with the following provisions.

Article 3

The European Innovation Loan shall be finance:

— normally for a period of 10 years;

— for which no security is required from the beneficiary business,

— of which the interest service during the first years is borne by the general budget of the European Communities; the discounted cost of this interest moratorium may not exceed 20 % of the principal,

— which can only be granted to a business if the financial intermediary also grants to the business, at the same time and at the intermediary's risk, an equivalent amount either as own funds or as finance with characteristics close to those of the European Innovation Loan.

In case of default by the innovatory enterprise, neither the Commission nor the financial intermediary shall press their claims for the repayment of their debts before those of ordinary creditors have been settled.

Article 4

The European Innovation Loan may also be granted to the financial intermediary if it is to be used to provide capital for a small or medium-sized innovatory enterprise. In this case, the intermediary shall service the European Innovation Loan and bear the underlying risk and shall provide the same amount in the form of a shareholding or in equivalent form.

Article 5

The cost of the interest moratorium offered during the initial years of the European Innovation Loans shall be entered in the general budget of the European Communities and the equivalent amount transferred to the Bank, concomitantly with the payment of loans.

Article 6

Pursuant to this Decision the Bank shall be empowered to grant and administer European Innovation Loans as well as the interest moratorium. This shall be covered by a cooperation agreement between the Commission and the Bank. The Bank shall carry out all operations deriving from the powers received in the name, on behalf and at the risk of the Community.

The Commission shall decide upon the eligibility of the financing requests. For requests approved by the Commission, the Bank shall grant the European Innovation Loans in conformity with this Decision, and according to the criteria laid down in the cooperation agreement.

In order to implement this Decision:

— financial intermediaries' requests shall be submitted simultaneously to the Commission and to the Bank. The Bank shall obtain a favourable opinion from the Member State concerned,

— the Commission and the Bank shall jointly conclude the financing contracts with the intermediaries,

— the financial intermediary shall render account to the Bank, which shall inform the Commission, on the use of the funds transferred to him.

Article 7

Two years at the latest after adoption of this Decision, and in any case when loans granted total 80 million ECU, the Council shall examine, on the basis of a report by the Commission, whether the principles and conditions of the scheme are still adapted to the needs which led to their creation.