



State Aid, Rules and Legislation, Opportunities and Restrictions



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The new Framework: Expectations and limitations

REGULATIONS

COMMISSION REGULATION (EU) No 651/2014

of 17 June 2014

declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty

(Text with EEA relevance)

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II *Information*

INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

European Commission

2014/C 198/01

Communication from the Commission — Framework for State aid for research and development and innovation



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The new Framework: Expectations and limitations

(Commission Regulation (EU) No.651/2014 of 17 June 2014 declaring certain categories of the aid with the internal market in application of Article 107 and 108 f the Treaty;)

With its Communication on EU State Aid Modernisation (SAM) ⁽¹⁾, the Commission launched a wider review of the State aid rules. The main objectives of this modernisation are (i) to achieve sustainable, smart and inclusive growth in a competitive internal market, while contributing to Member State efforts towards a more efficient use of public finances, (ii) to focus Commission *ex ante* scrutiny of aid measures on cases with the biggest impact on the internal market, while strengthening Member State cooperation in State aid enforcement, and (iii) to streamline the rules and provide for faster, better informed and more robust decisions based on a clear economic rationale, a common approach and clear obligations. The review of Regulation (EC) No 800/2008 constitutes a central element of SAM.

This Regulation should allow for better prioritisation of State aid enforcement activities, greater simplification and should enhance transparency, effective evaluation and the control of compliance with the State aid rules at national and Union levels, while preserving the institutional competences of the Commission and the Member States. In accordance with the principle of proportionality this Regulation does not go beyond what is necessary in order to achieve those objectives.



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The new Framework: Expectations and limitations

(Commission Regulation (EU) No.651/2014 of 17 June 2014 declaring certain categories of the aid with the internal market in application of Article 107 and 108 f the Treaty;)

This Regulation should apply in principle across most sectors of the economy. However, in some sectors, such as the fisheries and aquaculture sector and primary agricultural production, the scope should be limited in the light of the special rules applicable.

This Regulation should apply to the processing and marketing of agricultural products, provided that certain conditions are met. For the purposes of this Regulation neither on-farm activities necessary for preparing a product for the first sale, nor the first sale by a primary producer to resellers or processors or any activity preparing a product for a first sale should be considered processing or marketing.



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Eligible costs

Aid for R&D projects

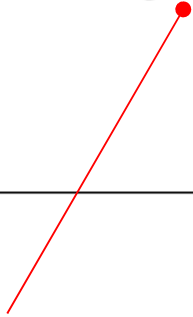
**considerably
expanded the
eligible expenditures
for research and
innovation**

- (a) Personnel costs: researchers, technicians and other supporting staff to the extent employed on the project.
- (b) Costs of instruments and equipment to the extent and for the period used for the project. If such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of good accounting practice, are considered as eligible.
- (c) Costs of buildings and land, to the extent and for the period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the 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.
- (d) Cost of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project.
- (e) Additional overheads incurred directly as a result of the project.
- (f) Other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the project.



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Eligible costs



Innovation aid for SMEs

**considerably limited
the amounts of
eligible expenditures
for R&I for SME's**

- (a) Costs for obtaining, validating and defending patents and other intangible assets.
- (b) Costs for secondment of highly qualified personnel from a research and knowledge dissemination organisation or a large enterprise, working on R&D&I activities in a newly created function within the beneficiary and not replacing other personnel.
- (c) Costs for innovation advisory and support services.



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The new Framework: Expectations and limitations

(Framework for state aid for research and development and innovation – 2014/C 198/01)

4.6.2. Aid schemes

106. In order to be compatible with the internal market, notifiable aid schemes must not lead to significant distortions of competition and trade. In particular, even where distortions may be considered limited at individual level (provided the aid is necessary and proportional to achieve the common objective), on a cumulative basis aid schemes might still lead to high levels of distortions. Such distortions may for instance result from aid that negatively affects dynamic incentives to innovate on the part of competitors. In the case of a scheme focusing on certain sectors, the risk of that kind of distortions is even more pronounced.



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Question 1:

Whilst a clear framework exists for the funding of R&D projects in general, in case that, in a Call for Proposals, reference is made to the empowerment of innovation of SMEs, then, the range of eligible costs, as well as, the potential candidates (*enterprises*) for participation, are both significantly limited. Which state aid legislation is applicable for research and innovation projects of SMEs?

Question 2:

It is very positive to see a clear reference into the state aid regulations regarding collaborative innovation formations (*clusters*). Do they include the funding of incubators or pre-incubators, too?



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Question 3 / Comment:

With respect to state aid regulation for Research Infrastructures, there is a need to establish explicitly the right of businesses to openly access research facilities, without restrictions.

The "closed" nature of research infrastructures, and generally "closed research", results in a major problem of this sector in our country. European Regulations should aid the correction of such market deficiencies.

Question 4:

The terms "*aid for process and organizational innovation*" should be defined, since their wide and vague definition, results in low expected results out of the RIS3 Strategy.



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Question 5:

What are the experiences from your region, on the current institutional framework on the implementation of R&I – businesses cooperation with research institutions.

Question 6:

Corresponding considerations apply to the Regional Academic / Research Institutions. E.g. how can one opt for the research institutions of REMTH, when effort is put to meet the target of connecting the regional knowledge production system with business needs, without breaching the rules of open competition?



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Question 7:

The single most important intervention in the Region, according to the RIS3 Strategy of REMTh, is within the agro-food sector.

A typical project might include a whole value chain of agro-food sectors, i.e. players from the primary and the manufacturing or food and/or drinks sectors, supported by researchers, from various disciplines. ERDF, EAFRD and ESF are the main funds for financing separate actions, as we know from the past experience.

Which could be a realistic mechanism of incorporating all 3 major funds, without breaking a typical project into separate (*hence non-functional*) pieces?



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Thank you for your patience...

... now let us search for answers!