**Ireland’s Response to the proposed revisions to the State Aid RDI Framework**

IE welcomes the revision of the RDI Framework, including the new format, and definitions.

IE also welcomes and supports the introduction of a new aid measure for the for the construction and upgrade of technology infrastructures.

There are a number of areas the IE consider could be further improved to support the objectives of EU policy in this area.

**Undertaking in Difficulty Definition**

IE continues to raise the issue of the definition of UiD. Currently, there is a derogation for SMEs that have been in existence for less than three years. However, it is not unusual for research intensive SMEs over three years old who have a creditable growth path, to still show diminished balance sheets in year four and beyond.

The current definition for UiD is, in particular, an impediment to supporting high potential growth companies. HPSUs may show diminished balance sheet due to the extent of investment they are making in R&D, and not due to an impending failure.

IE would therefore propose that the definition be amended to extend this derogation for SMEs to ten years to maximise the positive externalities from RDI activity.

On a related note, companies that can qualify for the Horizon Europe programme, or can obtain the Seal of Excellence under that programme, cannot be supported for aid imputable to the State under the State aid rules due to this technical UiD status. Addressing the definition of UiD, as stated above, would also address this anomaly.

**Digital Innovation Hubs**

IE considers that the inclusion of Digital Innovation Hubs in the definition for Innovation Clusters creates ambiguity in respect of what this will mean for Digital Innovation Hubs, particularly for European Digital Innovation Hubs, supported under the centrally managed DEP programme. Ireland does not support the limiting of aid for ‘Digital Innovation Hubs’ solely to ‘Aid for Innovation Clusters’ and consider that a standalone definition for Digital Innovation Hubs, could address any ambiguity in this regard.

To avoid any ambiguity, a standalone definition for Digital Innovation Hubs, including when they can be considered as economic or non-economic, should be set out in the revised RDIF.

In the event of an aid measure in which a Digital Innovation Hub serves as an intermediary and the benefit is fully passed on to the users of the Hub as the final beneficiaries of the aid, how and when access to the Clusters activities can be offered at reduced prices to users should be clarified in the Revised RDIF.

**Digitalisation**

IE welcome the clarification in relation to definitions and Digitalisation. It would be useful if it could be clarified if aid for Innovation can be granted at the same aid intensity rates as aid for R&D under the proposed Framework. (e.g. for digitalisation projects that improve the processes of a business?).

The definition for ‘experimental development’ now includes ‘*developing new or improved products, processes or services, including new or improved digital products, processes or services’* and the definition for ‘process innovation’ now includes ‘*the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), for instance by making use of novel or innovative digital technologies’.* IE would welcome further clarity around these definitions for digitalisation projects, as the distinctions between them impact on the aid measures, and consequently aid intensity, that applies.

**Mid-cap**

Consideration should be given to extending favourable rules beyond the relatively narrow parameters of SMEs. Small mid-caps as well as mid-cap companies are not so large that their activities would present a distortion to EU competition, but under the present rules they are treated in the same manner as truly large MNCs. We therefore recommend consideration of allowing for greater flexibilities for mid-cap undertakings.

**Eligible Costs**

R&D projects, and particularly those that include digitisation, will include significant spend on annual subscriptions for software licences, digital platforms, renting cloud services etc. These products and services will act as a building block towards developing in-company systems to support digital transformation. Consideration should be given to including such expenditure within eligible costs of R&D projects.

IE considers that there should be some elaboration on what is included within the scope of “Additional Overheads” for eligible costs. For example, travel and subsistence costs incurred in R&D projects would be included.

**Organisational Innovation**

Organisational Innovation is an integral element of a digital transformation journey for a company. Research[[1]](#footnote-1) shows large organisations are prone to run into difficulty when the new technology requires a new organisational structure / architecture. In light of the focus of EU industrial policy on digitisation (and on a green transformation), the Commission should consider a relaxation of the guidelines to allow support for organisational innovation for standalone projects in large companies.

**Aid for Innovation Clusters**

IE, as part of its National Strategy, is promoting the establishment of national clusters. However, this is proving difficult due to the issue that at the outset companies need to cover 50% of the cost, without any proof that the cluster will be beneficial to them. IE’s view is that the cluster should be fully funding by the state for the first 2 – 3 years.

**Transparency Obligation Publication Threshold**

IE considers the reduction of the Transparency Publication threshold from EUR 500k to EUR 100k will be very burdensome and onerous and recommends that this should remain unchanged at EUR 500k in both the RDIF and any consequent amendments to the GBER.

IE has reverted to the findings of the Fitness Checks to better understand the Commission’s rationale for lowering the threshold for triggering the transparency obligation. IE note that as presented in the Commission Staff Working Document on the Fitness Check Evaluations (SWD(2020) 258 final), this finding in terms of the effectiveness of the SAM reforms, states:

‘As regards the threshold triggering transparency obligation, 70% of the respondents in the public consultation believe that the EUR 500,000 threshold is appropriate or even too high.’ (SWD(2020) 258 final pg. 82)

However, IE has also examined the data underpinning this finding and note from the Synopsis Report of the Publication Consultation provided in Annex 2 that the EUR 500,000 ceiling is seen as appropriate by 54% of respondents, while 30% of respondents consider that the ceiling is too low, and 16% consider that it is too high. (pg 17) The finding drawn from this data could equally and accurately be presented as:

**‘…84% of the respondents in the public consultation believe that the EUR 500,000 threshold is appropriate or even too low.’**

IE therefore do not consider that this finding is sufficient to merit the reduction of the transparency threshold from EUR 500k to EUR 100k and would ask DG Competition to clarify the position it has taken in its own findings.

Additionally, there are other relevant conclusions and recommendations presented in the Final Report of the Fact-finding study on the implementation of the transparency requirements under the GBER and relevant guidelines, commissioned by DG Competition and carried out by the Prof Fiona Wishlade and her team from the European Policy Research Centre, Strathclyde University.

IE notes that a conclusion of this report is that the transparency requirements are not perceived to offer any benefits to Member States using the TAM other than to fulfil this requirement. The data collected is not used by Member States for any other purpose and is not considered as having improved other aspects of the public administration in any way.

IE also notes that a specific recommendation for improvement in the study from case study countries who utilise the TAM system (CZ, DE, NE, IT, EE) was to ‘Maintain the current €500,000 threshold or even increase it”.

On the basis of the evidence presented above, IE does not consider that there is sufficient grounds for the Commission to revise downwards the Transparency Publication Obligation Threshold from EUR 500k to EUR 100k, particularly when there is a significant administrative burden associated with such a change.

**Other more general comments:**

***New Para 52***

This paragraph set out the Commission *“will consider investments which facilitate cross-border cooperation or are financed by more than one Member State, to be an element which* ***may strengthen the incentive effect of the aid*** *as there can be a strong presumption that the aid is incentivising R&D&I activities that result in a project which is bigger in size, or scope, or the speed of the project is facilitated by the aid, or the total project’s costs are higher (see recital 138 below) because of the targeted enlarged demand of the activities, as compared to a project aimed at meeting only national needs”.*

To what extent will the Commission consider that investment may strengthen the incentive effect – this is quite vague and the basis for the Commission’s thinking is not clear.

**Effective Collaboration**

The requirement for large undertakings to engage in cross border collaboration for it to be considered effective, negatively impacts on Ireland’s ability to support effective collaboration, particularly since the completion of the Brexit process. The UK as our closest neighbour was the country with had the greatest ties. As a result of Brexit, companies in Ireland are placed at a disadvantage as a result of the requirement for cross border collaboration

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1. Rebecca Henderson of Harvard Business School [↑](#footnote-ref-1)