**Review of the Communication on the Framework for State aid for research and development and innovation**

Contribution from Portugal

**General Comments**

Portugal welcomes and supports the Commission’s proposal on the review of the Framework for State Aid for R&D&I considering that it is a key driver for the green and digital transitions which play a significant role not only in strengthening of Europe’s strategic autonomy but also in the Union’s economic recovery in the aftermath of the COVID-19 outbreak.

We welcome the streamlining of certain rules, in line with the results of the Fitness Check, such as the introduction of a simplified indirect cost calculation methodology for eligible costs (thus reducing the administrative burden) and the introduction of new definitions (such as digital infrastructures and technological infrastructures) and the update on the existing definitions.

**Specific Comments**

1. **Definitions**

We support the clarifications introduced in the current definition of innovation clusters, which are considered useful, since this definition explicitly includes the Digital Innovation Hubs, which are considered a fundamental instrument to promote the investment of SMEs in RD&I activities. We note that innovation clusters support digital investments in key areas to ensure Europe's technological sovereignty, such as artificial intelligence and data, quantum computing, and edge technologies. These should include microelectronics, 5G, batteries, renewable energy, hydrogen, and emission-free and intelligent mobility.

We also wish to underline the importance of the proposed clarification concerning the definition of innovation support services which explicitly includes the possibility of supporting digitalization activities, such as services provided for by innovation clusters (including Digital Innovation Hubs).

We support that social innovation is included in the scope of organizational and process innovation. This is an area where digital technologies play an essential role, and where SMEs can also have a decisive role.

1. **Top -up of green and digital investments**

We suggest top-ups of aid intensities to support green and digital investments, in line with the EU objectives. In particular, and as mentioned earlier, digital investments should help to promote public and private investment in key areas to ensure Europe's technological sovereignty, such as artificial intelligence and data, microelectronics, quantum computing, 5G, batteries, renewable energy, hydrogen, emission-free and intelligent mobility, for example.

1. **Support to midcaps**

In Portugal mid-caps have a significant impact on the national economy, in terms of gross value added, job creation and exports. However, there are market failures, since these companies face a set of constraints to growth and innovation related to the difficulty in competing and innovating on scale, lack of skills and abilities to manage innovation, and financial capacity to carry out RDI projects (where difficulty in access to finance plays a significant role).

Accordingly, we believe that innovation aid should target midcaps or at least small midcaps and, specifically, the aid intensity on Technology Infrastructures should be increased when they target midcaps.

1. **Ancillary activities**

Regarding the monitoring of the ancillary character of the economic activity referred to in paragraph 22, the 10 years monitoring period should be a maximum, not a minimum.

1. **Calculation of indirect R&D project costs**

On paragraph 81 of the proposal we believe that the flat rate used for the calculation of indirect costs should be up to 25%.

1. **Tranparency threshold**

The transparency threshold should be raised to 500000 euros to avoid administrative burden

1. **Eligible Costs (Annex I)**

For eligible costs under the heading “aid for R&D projects” we suggest the introduction of specific reference to costs related to technological updates – use of 5G or Artificial Intelligence, for example.

On eligible costs relating to organizational or process innovation an explicit reference should be made to costs related to implementing remote workstations.

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