

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



FI Group helps companies finance innovation by securing funding for their Research and Development (R&D) activities. We achieve this through the comprehensive management of R&D grants and tax incentives. Thanks to our extensive expertise in this area, we advise our clients on how optimize their R&D activities, and drive company growth.

FI Group welcomes the opportunity to provide input on European Commission`s revision of the State aid rules for research, development and innovation. The revision focus on three main points:

- the clarification of certain definitions;
- the introduction of definition and compatibility criteria to allow support for technology infrastructures;
- a simplification of certain rules

FI Group support the Commission initiative and, in this context, aims to provide a feedback in particular with regards of the new measure on aid intensity for technology infrastructures.

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A. CONTEXT

The European Commission has launched a public consultation inviting all interested parties to comment on a proposed targeted revision of the **State aid Framework for research, development and innovation** (the “RDI Framework”) until June 3rd 2021.

FI group is honoured to contribute to this consultation.

Please find in this document our recommendations based for the most part on the Frascati Manual¹.

B. PROPOSALS

1. Reference to Frascati and Oslo Manuals

Introduction-page 2&3

It would be important to add to the RDI Framework, a reference to the Frascati Manual as it regards to the definitions of research and development and a reference to the Oslo Manual as it regards the definition of innovation.

2. Aid measures covered by the RDI Framework

Page 4- Point 14

Should be added to this RDI Framework:

- Aid measures concerning creation and innovation in the textile field
- Aid measure concerning creation and innovation of arts and crafts
- Aids regarding intellectual property

3. Definition of « Applied research »

Page 6- Point (e)

We propose to add to the actual definition of applied research the following precisions of the Frascati Manual (2.29 to 2.31):

Extract of the Frascati Manual

2.29. Applied research is original investigation undertaken in order to acquire new knowledge. It is, however, directed primarily towards a specific, practical aim or objective.

2.30. Applied research is undertaken either to determine possible uses for the findings of basic research or to determine new methods or ways of achieving specific and predetermined objectives. It involves considering the available knowledge and its extension in order to solve

¹ Frascati Manual 2015

actual problems. In the Business enterprise sector, the distinction between basic and applied research is often marked by the creation of a new project to explore promising results of a basic research programme (moving from a long-term to a medium-short term perspective in the exploitation of the results of intramural [see Glossary] R&D).

2.31. The results of applied research are intended primarily to be valid for possible applications to products, operations, methods or systems. Applied research gives operational form to ideas. The applications of the knowledge derived can be protected by intellectual property instruments, including secrecy.

4. Definition of « Experimental development »

Page 7- Point (k)

We would like to propose a rewriting of experimental development's definition according to the definition in the Frascati Manual (2.32 to 2.33) and keep the explicit reference digitalisation activities.

The definition would be as follow:

«Experimental development is systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge, which is directed to producing new products, processes **or digital services** or to improving existing product, processes **or digital services**. »

5. Definition of « feasibility study »

Page 7 – Point (l)

The definition of feasibility study should be rewritten as follow « feasibility study means the evaluation and analysis of the potential of **a research and development project**, which aims at supporting the process of decision making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success; »

This added part is in phase with the definition retained by the Frascati manual (2.114)

Extract of the Frascati Manual

2.114 The investigation of proposed engineering projects, using existing techniques to provide additional information before deciding on implementation, is not R&D. In the social sciences, feasibility studies are investigations of the socio-economic characteristics and implications of specific situations (e.g., a study of the viability of a petrochemical complex in a certain region). However, feasibility studies on research projects are part of R&D.

5. Definition of « Fundamental research »

Page 7 – Point (n)

The definition of fundamental research should align with the definition in the Frascati Manual (2.25 and 2.28).

The goal of this proposition is to discern pure research from oriented research.

Extract of the Frascati Manual

2.25 Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

2.28 Oriented basic research may be distinguished from "pure basic research" as follows: Pure basic research is carried out for the advancement of knowledge, without seeking economic or social benefits or making an active effort to apply the results to practical problems or to transfer the results to sectors responsible for their application. Oriented basic research is carried out with the expectation that it will produce a broad base of knowledge likely to form the basis of the solution to recognised or expected current or future problems or possibilities.

7. Definition of « Large enterprises »

Page 9- Point (x)

The definition of large enterprises should be defined by different threshold. Large enterprises could be defined as follows:

"A large enterprise is a company that respond to 2 conditions:

- Employ at least 5000 employees
- Have a minimal sales revenue of 1.5 billion euros and a total balance of more than 2 billion euros."

We also propose to add a European definition to the mid-caps:

"A midcap company should be considered as such if they meet the following conditions:

- Employ at least 250 but less than 4999 employees
- Have a maximal sales revenue of 1.5 billion euros and a maximal of 2 billion euros.

A company could also be considered as a mid-cap if there is less than 250 employees, but the sales revenue is above 50 million euros and the total balance above 43 million euros. "

8. Definition of « Personnel costs »

Page 9 – Point (aa)

Revise the definition of personnel costs by including the definition of the Frascati Manual (Part 1.44 to 1.49)

Extract of the Frascati Manual

1.44. In broad terms, R&D personnel include highly trained researchers, specialists with high levels of technical experience and training, and other supporting staff who contribute directly to carrying out R&D projects and activities. Consistently with this manual's definition of R&D, the scope of this concept encompasses all knowledge domains.

1.45. R&D personnel in a statistical unit include all persons engaged directly in R&D, whether they are employed by the statistical unit or are external contributors fully integrated into the statistical unit's R&D activities, as well as those providing direct services for the R&D activities (such as R&D managers, administrators, technicians and clerical staff).

1.46. Two main groups of individuals who potentially contribute to the R&D activities can be identified in a statistical unit, with some differences according to the institutional sector it belongs to :

- Persons employed by the statistical unit who contribute to the unit's intramural R&D activities (used interchangeably with the term "internal R&D personnel" in this manual).
- External contributors to the unit's intramural R&D activities (used interchangeably with the term "external R&D personnel" in this manual). This group includes two subgroups: (i) persons who receive wages/salaries but not from the statistical unit performing the R&D, and (ii) a number of special cases of persons external to a statistical unit who contribute to intramural R&D.

1.47. Doctoral and master's students may be included in either group of R&D personnel if they meet the specific criteria identified in this chapter aimed at ensuring that only individuals with an appreciable contribution to the institution's R&D are included.

1.48. R&D personnel are identified according to their R&D function: Researchers, Technicians, and Other supporting staff.

1.49. The measurement of R&D personnel (both persons employed and external R&D personnel) involves three types of indicators:

- their number in headcounts (HC)
- their R&D activities in full-time equivalent (FTE) or person-years their characteristics, including sex, R&D function, age and formal qualification.

9. Definition of « Tangible assets »

Page 10 – Point (kk)

Revision of the definition of tangible assets, the definition should read as follow:

"Tangible assets mean assets consisting of land, buildings and plants, machinery and equipment directly owned or rented to a third party by the company."

10. Intensity of the aid for technology infrastructures

Page 41 – Annex 2

Regarding the support aid for the construction and upgrade of Technology infrastructure the proposed aid intensity is limited to 25%, a very low rate when compared to the aid intensities aid for the construction and upgrade of Research infrastructure.

In fact, from the definition given in the draft RDIF communication, technology infrastructure is defined as "technology to advance through industrial research and experimental development", considering them as an essential part of the R&D process. We understand that Technology infrastructures are considered as 'experimental development' activities, although in the same definition are considered ancillary and essential not only to 'experimental development' activities but also to 'industrial research'. Therefore, aid intensity of technology infrastructures should at least reflect the same 50% intensity of industrial research as, it is an essential part of it.

Moreover, higher funding rates apply for activities at high technology readiness levels by European funding programmes as H2020 (70% for IA), Connecting Europe Facility (50% for pilots), Innovation Fund (60%) and LIFE (55%).

Based on the definitions given in the draft RDIF communication and the reasoning outlined above, FI Group considers that aid intensity for technology infrastructure should be increased to at least 50%, matching the aid intensity for industrial research and research infrastructures.

FI Group also believes that this is a great opportunity for Europe to channel private and public funding through R&D investments, boosting green and digital transition of the EU economy.



Fi Group helps companies finance **innovation and secure funding** for their Research and Development (R&D) activities through the comprehensive management of **R&D Grants and Tax Incentives**.

Thanks to our extensive expertise in this area, we advise our clients on how to optimise their R&D activities and drive company growth.



Fi Group accompanies a whole range from Start-ups to Large companies in their development, providing them with technical advice and fiscal engineering services.

Our optimised financial solutions are based on our specialist understanding of the R&D incentive programmes available in each country, as well as the complex legislation that surrounds them.

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