Estonia’s comments

Estonia in general supports the revision of the Framework for state aid for research and development and innovation (hereinafter draft). Still we would like to point out that the draft sets very tough rules for public financing of research infrastructures what in our opinion does not facilitate investing in R&D. We would specially want to mention the limits set for using research infrastructure for economic activities, *inter alia* for collaboration with public research organisations with enterprises.

Regarding the structure and layout of the draft we are of the opinion that the current framework is more user-friendly and easier to understand and implement than the draft.

We are also of the opinion that the *choice of aid forms* should be left for the Member State and it’s not appropriate to require the Member State to demonstrate why it was decided to choose the concrete form of aid (draft points 60 and 61). E.g. in Estonia such aids form as “repayable advance” has never been used neither for R&D aid nor for other aid objectives (regional aid, environmental aid etc). Consequently we ask to leave points 60 and 61 out of the draft.

Please find our more specific *preliminary* comments below:

1. **Point 15(e) „applied research“**: we ask the Commission to explain why a new notion „applied research“ has been introduced. According to draft point 15(e) „applied research“ means industrial research, experimental development or combination of both. As the notion “applied research” is used only trice in the draft it could easily be substituted by “*industrial research and/or experimental development*”. We would also like to mention that both „applied research“ and „industrial research“ are translated into Estonian the same, so it will be complicated to understand the framework in case both terms will remain in the framework.

2. **Point 19(a) footnote 26 – not independent R&D**: point 19(a) refers to the primary activities of the research organisation/ research infrastructure which are generally considered to be non-economic and thus for these activities the state aid rules do not apply (e.g. independent R&D). Footnote 26 refers to activities which are not considered to be independent R&D, but it stays unclear what can be regarded as independent R&D. We ask the Commission to explain what an independent R&D is.

3. **Point 20 and Annex II - research infrastructure**: we suggest increasing the percentage of ancillary economic activities to 25% and increasing the aid intensity for research infrastructure used for economic activities to 95%.
   In Estonia, the co-financing capacity of public research organisations to public infrastructure investments is not big, so the high level of own financial contribution (50%) would hamper significantly the development of research infrastructure or would decrease the willingness of research organisations to collaborate with businesses. This...
does not support the development of research-intensive economy and optimal use of the infrastructure.

As the division of annual budget of research infrastructure into economic and non-economic activities may prove to be unreasonably complicated and actual use of infrastructure may not necessarily be the same as planned in the annual budget, we suggest increasing the aid intensity for research infrastructure used for economic activities from 50% to at least 95%. In this case it would be possible to adequately fund construction or modernization of research infrastructure without having to do pre-calculations of using infrastructure for economic and non-economic activities.

We also suggest increasing the percentage of ancillary economic activities from 15% to 25%. Europe 2020 strategy and other documents emphasize the need for investments in research and development. It’s probable that the contract research is not divided equally between research organisations and may in bigger research organisations (research infrastructures) exceed 15% of all research (usage of infrastructure). We also note that especially in case of agricultural research organisations 15% threshold is too low as in case of field trials the crops should be sold and thus such ancillary economic activity is inevitable and might exceed 15% of the annual budget.

Please note that there is a discrepancy between point 20 of the draft R&D framework and recital 49 of the draft General Block Exemption Regulation. While the latter refers to "15% of the research infrastructure's overall annual capacity," the draft R&D framework refers to "15% of the entity's overall annual budget".

4. **Point 29(a) – compensation as an equivalent to the market price in case of public, open and transparent competitive sales procedure:** it’s unclear how this mechanism in collaboration projects in reality should be carried out. We ask the Commission to explain and give examples.

5. **Points 25(b) and 29(c) – arm’s length negotiations:** we kindly ask the Commission to specify what kind of negotiations can be regarded as „arm’s length negotiations“ which will satisfy the criteria. We also ask for some examples.

6. **Point 75 and Annex I – aid intensity in case of mixed projects:** it’s written in point 75 that when R&D project encompasses different tasks, each task must fall under the categories of fundamental research, industrial research or experimental development. We ask the Commission to explain what to do in case of mixed projects? How should the aid intensity be determined then?

Tallinn
17 February 2014