Hungarian position on the draft Framework for state aid for research and development and innovation

Hungary welcomes the draft, especially its aim to clarify the existing framework, including concepts of R&D, the economic and non-economic activities of the research organizations and the clarification of collaboration projects are carried out jointly by undertakings and research organisations. We also welcome the introduction of the new aid category: aid for the construction and upgrade of research infrastructures.

However the new assessment principles are quite complicated, detailed and to obtain the necessary information would create a huge burden for the Member States.

The draft does not include the notification thresholds so it is not clear whether the framework shall be applied only above the thresholds in the GBER and for individual aids and schemes which do not comply with the conditions laid down in the GBER.

Since the post SAM State aid framework cannot be assessed without reference to the GBER we would like to reiterate our position on the relevant draft GBER articles.

We welcome the higher notification thresholds of the GBER but maintain our position submitted in the consultation:

Concerning GBER draft Art. 4 (1) h)
We ask the Commission to clarify which threshold is to be applied in case if a project falls within more categories and the cost percentage of none of them reaches more than half of the total eligible costs.

GBER draft Art. 4(1) i)
Research, development and innovation are key policy components of the EU strategy for economic growth (Europe 2020). Developing and wider use of research infrastructures will make a significant contribution to the implementation of Horizon 2020. The machinery equipment used in such infrastructures is quite expensive, provided they are state of art. Therefore, Hungary proposes to increase the thresholdsof investment aid for research infrastructures to EUR 30 million per infrastructure:

(i) investment aid for research infrastructures: EUR 2030 million per infrastructure;

GBER draft Art. 4 (1) j)
Supporting development of clusters is a key driver of prosperity and growth in Europe and also in Hungary. Taking into consideration the financing needs of this kind of infrastructure,
Hungary proposes to increase the notification threshold of investment aid to 15 million and that of operating aid to EUR 10 million per cluster and per year:

\[(j) \text{ investment aid for innovation clusters: EUR } \varepsilon15 \text{ million per cluster; } \text{operating aid for innovation clusters: EUR } \varepsilon10 \text{ million per cluster and per year; }\]

We ask the Commission to clarify whether the aid schemes which will be excluded from the scope of the GBER due to state aid expenditure will be assessed on the basis of the GBER or the framework.

Detailed comments on the draft R&R&I framework

As to point 12 a) and point 15 e): Hungary proposes to maintain the current conceptual system (fundamental research, industrial research and experimental development) taking into consideration that current system is adequate and the application of the new concept (applied research) would be significantly more difficult in practice.

As to point 15 f): We ask the Commission to clarify whether only an open, transparent and unconditional tender procedure for the transaction is considered as meeting the arm's length principle or would be adequate a market benchmark analysis or procedures laid down in the SGEI Communication's\(^1\) point 66 as well.

As to point 15 m): We propose the concept of fundamental research be supplemented with the following subelements:

aa) pure fundamental research: research to expand the scientific knowledge, which has not the aim of obtaining direct social or economic benefit or using results to solve practical problems;

ab) targeted fundamental research: research to expand the scientific knowledge which can be as a basis to solve the recognized or expected, current or future problems;

As to point 15 z): We propose to expand the personnel costs with the personnel cost of developers (not just researchers).

As regards point 15 cc): In our opinion the definition of R&D project is not clear enough and is focusing only the purpose of research. The following shall also be taken into account: the different research methodologies, the different results, the time differences, the results do not build on each other, etc..

Concerning point 19 b): We ask the Commission to clarify whether procedures laid down in the SGEI Communication's\(^2\) point 66. fulfil the requirements of open tenders. We would support this interpretation.

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\(^1\) Official Journal C 008 , 11/01/2012 P. 4 - 14

\(^2\) Official Journal C 008 , 11/01/2012 P. 4 - 14
As to point 20: Taking into account that for this type of infrastructure to be economically sustainable it is necessary to have economic activities as well, we propose to increase the threshold 15% to 20%.

As to point 22: We ask the Commission to clarify whether procedures laid down in the SGEI Communication's point 66 fulfil the requirements of open tenders. We would support this interpretation.

As to point 29 b): We ask the Commission to clarify whether one independent expert valuation is sufficient. In our interpretation it is.

As regards point 32: Please clarify which public procurement procedures meet the criteria.

Concerning point 37 and 118-120: The requirement of ex-post evaluation creates a significant administrative and budgetary burden for the Member States. In case of schemes with a large number of beneficiaries and with too large geographical scope it is extremely difficult to find counterfactual projects, consequently the results of the test cannot be well-founded. Furthermore implementation of the assessment probably will be hampered by the conditions of the methodology (high data requirements, a sufficient number and quality of control group etc.) and restrictions and will not come to statistically significant result and will not lead to a correct conclusion. We consider that on the basis of the current text the Commission's discretion is not well-defined, so on the one hand we suggest the restriction and clarification of the ex-post evaluation, on the other hand we propose to apply only in case of aid schemes with budget more than 150 million/year. We suggest that schemes financed from Structural Funds be exempted from this obligation.

As regards point 65 and footnote 40: The comparable tax measure requirement will cause significant difficulty in case of newly introduced fiscal state aid measures so we do not support this point or we suggest that it should not be mandatory to apply.

As to point 67: We ask the Commission to clarify whether the elements are alternative or all should be met. Hungary supports the former one.

Concerning 52 and 69: We propose this requirement apply only to individual aids that reach twice of the individual notification threshold because it creates huge administrative and financial burden for the Member States and can cause difficulty in many cases to make comparable sector-specific analysis.

As to point 82: We ask the Commission to clarify this point. With the current wording it is hard to understand and the interpretation of the Member State will not be identical.

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[3] Official Journal C 008, 11/01/2012 P. 4 - 14
As to point 87: We propose this requirement apply only to individual aids for large undertakings that reach twice of the individual notification threshold because it creates huge administrative and financial burden for the Member States and can cause difficulty in many cases to make comparable analysis. We ask to determine the lifetime of R&D project or give some indications how to determine it.

As regards point 89: We ask to clarify whether the increased aid intensity for applied research can be applied to experimental development as well. We support this interpretation.

As to point 114: In connection with the analysis of territory-specific impacts we consider that it depends entirely on the company's choice where put its production's place, and in most cases the recipient even does not have a final decision on the production site at the R&D stage. Therefore evaluation of such an analysis, as foreseen in point 114, can result quite erroneous conclusions.

Concerning point 117 and 122: In our opinion the requirements create a huge administrative and financial burden for the Member States. We propose Member State shall comply with the provisions within two years after the entry into force of this Framework.

As to point 119: We propose to define the large budget at least in EUR 150 million/year, without this definition is difficult to use the concept.

As to point 124: The six months period is very short, it does not provide adequate transition time for the Member States, so it is necessary to increase it to 12 months.
Annex I.

Aid for R&D projects

As to a): We propose to expand the personnel costs with the personnel cost of developers.

As to b) and c): If the granting authority prescribes a maintenance period for aid for research and development projects, we propose to understand under period used for the project the maintenance period as well in case of costs of instruments, equipment and building.

Aid for feasibility studies

We ask the Commission to clarify which costs are included in the costs of aid for feasibility studies.

Aid for establishment and modernisation the research infrastructures

We suggest the eligibility of wage costs of (new) employment created by the project, especially given the fact that, under this category of aid the development of services can be supported.

Innovation aid for SMEs

As to a): It is necessary to clarify in the term of protection which eligible costs are included.

As to b): Hungary proposes that the lender of highly qualified personnel can also be an SME and not only large enterprises and research organisations. SMEs can also have researchers with special knowledge which might periodically be necessary for other SMEs.

Aid for innovation clusters

Investment aid

We suggest the eligibility of wage costs of (new) employment.

Operating aid

The draft contains no time limit. Will the Commission evaluate it case by case?

The personnel costs and administrative costs are only eligible related to the cluster management, we propose to support the eligibility of such kind of costs related to R&D&I activities of the clusters.
Annex II.

Taking into consideration that the relative (under)development of a given region significantly affects the willingness and financial possibilities of undertakings involved in R&D activities, the need for a positive treatment of R&D in assisted regions is necessary. For this reason, Hungary suggests the inclusion of 15% regional bonus in 107(3) a) regions and 10% in 107(3) c) regions in case of aid for R&D projects, aid for the construction and upgrade of research infrastructures, aid for process and organisational innovation, investment aid for innovation clusters.

**Aid for R&D projects**

On the basis of the Hungarian experiences in the field of supporting R&D projects, aid intensity of 25% does not seem to be enough to incentivise research and development activities. Therefore, we suggest increasing the intensity of experimental development to 35% (Small enterprise 55%, Medium-sized enterprise 45%).

**Aid for feasibility studies**

We propose to increase the aid intensity relating to feasibility studies for experimental development to 50%, industrial research to 60%, fundamental research 70% in order to differentiate between the distortive effect of research categories.

**Aid for the construction and upgrade of research infrastructures**

We propose to increase the aid intensity to 70% taking into account research infrastructures are typically state-owned.

**Innovation aid for SMEs**

Hungary proposes to increase the aid intensity to 70%, as these aids are accessible only for SMEs of which the access to possibilities to receive financing is quite difficult in the current economic situation and SMEs are more affected by market failure perceptible in the field of R&D and innovation than large undertakings.

**Aid for process and organisational innovation**

Hungary proposes to increase the aid intensity related to large enterprises to 30%, in case of small enterprises to 60%.