

NON OFFICIAL TRANSLATION – NON CONFIDENTIAL

CALL FOR APPLICATIONS

NOTICE NO. 01/SI/2016

(AMENDMENT)

INCENTIVE SCHEME

"PRODUCTIVE INNOVATION"

30 MARCH 2016

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Preamble

Under the terms of Article 8 of the Specific Regulation for the Competitiveness and Internationalisation Domain, hereinafter referred to as **RECI**, published via Ministerial Order (*Portaria*) no. 57-A/2015, of 27 February, and amended via Ministerial Order no. 181-B/2015, of 19 June, Rectification Declaration no. 30-B/2015, of 26 June, and Ministerial Order no. 328-A/2015, of 10 February, applications are submitted within a competitive procedure, the Call Notices of which are disclosed through the Portugal 2020 Portal (www.portugal2020.pt).

The present Call for Applications was prepared under the provisions of Article 16(6) of the General Regulation of the European Structural and Investment Funds (**ESIF**), approved by Decree-Law no. 159/2014, of 27 October, amended via Decree-Law no. 215/2015, of 6 October, and Article 9 of the RECI, and stipulates the following:

1. Objectives and targeted priorities

The specific objective of this competition is to grant financial support to projects that contribute to:

- **Increasing business investment by large companies in innovative activities** (product, process, organisational methods, and marketing), strengthening business investment in innovative activities, promoting an increase in tradable and internationalisable production and changing the productive profile of the economic fabric, through the development of innovative solutions based on R&D results (research and technological development) and the integration and convergence of new technologies and knowledge, as well as the creation of qualified employment (Investment Priority (IP) 1.2 mentioned in Article 19(1)(a) of the RECI).
- **Strengthening the business capacity of SMEs for the development of goods and services**, through business investment in innovative and qualified activities that contribute to their progression in the value chain (Investment Priority (IP) 3.3 mentioned in Article 19(1)(c) of the RECI).
- **Increasing management capabilities** of companies and the specific qualification of assets in domains relevant to the innovation, internationalisation, and modernisation strategy of companies, in order to enhance the development of productive activities more intensive in knowledge and creativity and with a strong incorporation of national added value (Investment Priority (IP) 8.5 mentioned in Article 19(2) of the RECI).

A clear focus is thus assigned to investments in the domain of differentiation, diversification, and innovation, in the production of tradable and internationalisable goods and services, within the framework of broader production chains and value chains that generate greater added value.

The sustainable model of economic growth underlying the Competitiveness and Internationalisation Thematic Domain, supported by the guidelines and priorities for the application of structural funds defined in the Partnership Agreement – "**Portugal 2020**", is anchored in the production of tradable goods, based on strategies of differentiation, permanent

innovation, and marketing, as a result of dynamic and constant market monitoring. Thus, in addition to investments focused on technological innovation (product or process), this competition also values projects that propose to additionally use fundamental competitive factors such as the sophistication and use of marketing, the degree of domestic control over essential aspects of value chains (control of distribution and marketing), entry into sophisticated and high disposable income markets, customer focus, and the building of strong brands with high notoriety.

As such, to be considered eligible for this competition, applications must demonstrate their contribution to the achievement of the objectives and priorities set out above.

Under the terms of Article 3 of the RECI, this Call Notice uses the Investment Typology designated as "**Business Innovation**".

2. Type of operations and application modality

Individual projects in innovative activities proposing to develop an **initial investment**, as defined in Article 2(49) of Regulation (EU) No 651/2014, of 16 June, related to the following typologies, are eligible for support:

- a) The creation of a new establishment;
- b) The increase in the capacity of an existing establishment, where such increase must correspond to at least 20% of the installed capacity relative to the pre-project year.

In this typology, the company must increase its productive capacity for goods and/or services already produced in that establishment. To demonstrate compliance with the minimum 20% increase, an increase in terms of **Gross Production Value (GPV)** or another technically sustainable criterion demonstrated by the company in the application form is permitted. The criterion used must allow for the calculation of the increase in terms of the growth rate between pre- and post-project: $((\text{Year_post} - \text{Year_pre}) / \text{Year_pre}) * 100$;

- c) The **diversification of an establishment's production** to products not previously produced in the establishment, where the eligible costs must exceed by at least 200% the book value of reused assets, as recorded in the fiscal year preceding the start of work (2014). That is, the project's eligible expenditure must represent at least 3 times the book value of the reused assets. The assets reused in the diversification project (land, buildings, machinery, equipment, and other tangible and intangible fixed assets) must be identified by the company in the application, and the use of a *pro-rata* method for their determination is permitted, based on the relative weight of the sales volume of the new products or another technically sustainable criterion;

- d) The **fundamental change in the overall production process** of an existing establishment (this typology does not involve new productions: goods or services; the typology corresponds to a fundamental change in the overall process), where the eligible costs must exceed the amortisation and depreciation of the assets associated with the process to be modernised during the three preceding fiscal years (2012, 2013, and 2014). The amortisations and depreciations of the assets associated with the process to be modernised are those recorded in the company's accounts corresponding to the establishment in question related to the product/service affected by the fundamental change in the decision process.

In a scenario where the fundamental change of process may not cover the production of all products/services of the establishment, the use of a *pro-rata* method for its determination is permitted, based on the relative weight of the sales volume of the products covered by the fundamental change process or another technically sustainable criterion.

In the case of investment projects by non-SMEs located in **NUTS II Lisbon and Algarve**, only productive innovation activities in favour of a **new activity** are eligible, pursuant to Article 2(51) of Regulation (EU) No 651/2014, of 16 June.

In the application form, candidates must present the investment per establishment with the corresponding typology mentioned above or, if not possible, the dominant typology, and adequately describe at the technical, economic, and financial level the innovation activities (notions in the PM framework) applied in each typology, among the following:

- **Product Innovation;**
- **Process Innovation;**
- **Marketing Innovation;**
- **Organisational Innovation.**

Within the scope of each investment typology, a **human resources training** component may be included, associated with the participation of entrepreneurs, managers, and workers of the companies in training actions that allow for better effectiveness of innovation processes, associated with the investment operations in question.

3. Nature of beneficiaries

The beneficiaries of the support provided for in this Call for Applications are **companies (SMEs and large companies)** of any nature and under any legal form, which propose to develop investment projects that satisfy the objectives and priorities referred to in Point 1 and comply with the access, eligibility, and selection criteria set out below.

4. Geographic area of application

This Call for Applications applies to all **NUTS II regions of the mainland (North, Centre, Lisbon, Alentejo, and Algarve)**.

The project location corresponds to the region where the beneficiary's establishment, in which the investment will be carried out, is located.

5. Sectoral Scope

Projects included in economic activities are eligible, with special emphasis on those aiming at the production of **tradable and internationalisable goods and services** with relevant economic value creation for the target regions indicated in the previous point (geographic area of application) or which contribute to their value chain and do not concern services of general economic interest.

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The concept of tradable goods and services includes goods and services produced in sectors exposed to international competition and which can be the object of international exchange, demonstrated through:

- **Sales abroad (exports);**
- **Indirect sales abroad**, of goods to customers in the national market when these are subsequently incorporated into other goods for sale abroad;
- **Provision of services to non-residents**, provided this turnover is reflected as such in the company's accounts;
- **Import substitution**, increase in production for internal consumption of goods or services with a negative trade balance (evidenced in the last year of available statistical data).

Services of general economic interest are considered to be commercial service activities that fulfil missions of general interest and are, therefore, subject to specific public service obligations (Article 106 of the Treaty on the Functioning of the European Union). This is the case for companies responsible for managing services of general economic interest, namely transport, energy, and communication network services.

As established in Article 4(4) of the RECI, investment projects included in the scope of **concession contracts with the state** (Central or Local Administration) and for the exercise of that concession activity are not eligible.

Projects focusing on the following activities are also excluded from this competition (Portuguese Classification of Economic Activities - CAE, revised by Decree-Law no. 381/2007, of 14 November):

- a) **Financial and insurance activities** – divisions 64 to 66;
- b) **Defence** – subclasses 25402, 30400, and 84220;
- c) **Lotteries and other gambling activities** – division 92.

Due to specific European restrictions on State aid, the activities identified in **Annex B of the RECI** are also excluded from this competition.

6. Specific access conditions of this Notice

In addition to the specific eligibility criteria for the beneficiary and the projects, provided for in Decree-Law no. 159/2014 and the RECI, the projects to be supported in this Call Notice must also satisfy the following specific access conditions:

- a) Contribute to the objectives and priorities set out in Point 1;
- b) Present a **total eligible expenditure**, assessed based on the data presented in the application, of **less than 25 million euros**;
- c) Present a **minimum total eligible expenditure** per project of **75 thousand euros**;
- d) For the purposes of proving SME status, companies must obtain or update the corresponding **Electronic Certification** provided for in Decree-Law no. 372/2007, of 6 November,

as amended by Decree-Law no. 143/2009, of 16 June, through the IAPMEI website (www.iapmei.pt);

e) The investment must be sustained by a **strategic analysis** that identifies the critical areas of competitiveness for the business, diagnoses the company's situation in those critical areas, and justifies the investment options presented, as well as a **marketing plan** that establishes the bases and guidelines for the company's action in the market;

f) In the case of applications to the **POR Lisboa** for the tourism sector aiming at support for hotel units, only those for **5-star units** in buildings classified as national monuments or properties of public interest, integrated in historical zones, will be considered admissible.

g) In the event the applicant is a **Non-SME (large company)**, the following additional requirements apply:

- i. Contribute significantly to the internationalisation and tradable orientation of the Portuguese economy;
- ii. Present a relevant impact in terms of **qualified job creation**;
- iii. Present a relevant impact regarding its spillover effect on economic activity, particularly on SMEs;
- iv. Align with the priority domains of the Research and Innovation Strategy for Smart Specialisation (**RIS3**);
- v. Present a degree of novelty and dissemination at the national or international market level (innovation solely at the company level is not considered);
- vi. Ensure that the implementation of the supported investment does not result in a substantial loss of jobs in another region of the European Union.

In this Call Notice, the year **2014** is used as the pre-project reference.

7. Rules and limits on expenditure eligibility

Projects in the tourism and industry sectors (the sectoral scope of which by CAE is identified in Annex A) may include as eligible expenditure: the construction of buildings, remodelling works, and other constructions, in duly justified cases within the scope of the project activity, provided they are acquired from third parties not related to the purchaser, and limited to a maximum of:

- **For projects located in NUTS II North, Centre, and Alentejo, the following limits apply:**
 - a) 60% of the project's total eligible expenditure, in the case of tourism sector projects;
 - b) 35% of the project's total eligible expenditure, in the case of industry sector projects.
- **For projects located in NUTS II Algarve, the following limits apply:**
 - a) 20% of the project's total eligible expenditure, in the case of tourism sector projects;
 - b) 50% of the project's total eligible expenditure, in the case of tourism sector projects that contribute to mitigating seasonality (namely accessible/senior tourism, motorhoming) or that contribute to the development of products identified in the Algarve Strategic Marketing Plan as complementary (Gastronomy and wine, Touring, Health tourism) or in development (Business tourism, Nature tourism, Nautical tourism);
 - c) 50% of the project's total eligible expenditure, in the case of industry sector projects;
 - d) 70% of the project's total eligible expenditure, in the case of industry sector projects that fall within the scope of the Regional RIS 3 and that contribute to the development

of innovative solutions based on R&D results and the integration and convergence of new technologies and knowledge.

- **For projects located in NUTS II Lisbon, the following limits apply:**
 - a) 10% of the project's total eligible expenditure, in the case of tourism sector projects that contribute to mitigating seasonality;
 - b) 15% of the project's total eligible expenditure, in the case of nature, nautical, and sports tourism projects;
 - c) 25% of the project's total eligible expenditure, in the case of tourism sector projects exclusively dedicated to health;
 - d) 10% of the project's total eligible expenditure, in the case of industry sector projects that fall within the scope of the Regional RIS 3;
 - e) 15% of the project's total eligible expenditure, in the case of industry sector projects that fall within the scope of the Regional RIS 3 and that contribute to the development of innovative solutions based on R&D results and the integration and convergence of new technologies and knowledge.

In the event the project includes **works contracts** or complementary service acquisition contracts, dependent on or related to the object of the works contract, financed by more than 50% and whose contractual values are equal to or higher than the community thresholds, the legal regime contained in the **Public Contracts Code** must be complied with.

Expenditure related to professional training within the scope of the project falls under Article 32(1)(d) of the RECI and according to the limits provided for in Ministerial Order no. 60-A/2015, of 2 March.

8. Selection criteria for applications

The calculation methodology for the selection and ranking of projects is based on the **Project Merit (PM)** indicator, determined by the following formula:

$$MP = 0,30A + 0,20B + 0,20C + 0,30D$$

where:

- **A** = Project Quality;
- **B** = Impact of the project on the company's competitiveness;
- **C** = Contribution of the project to the economy;
- **D** = Contribution of the project to regional convergence.

The **Project Merit Analysis Framework** is provided alongside this Notice.

The criterion scores are assigned on a scale ranging from 1 to 5, with the PM result rounded to the nearest hundredth.

For selection purposes, projects that obtain a final PM score equal to or higher than **3.00** and the following minimum scores in the criteria are considered eligible and subject to ranking:

- **Criterion A – 3.00 points;**

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- **Criterion B – 2.00 points;**
- **Criterion C – 2.00 points;**
- **Criterion D – 2.00 points.**

Projects are ranked in descending order based on the PM and by date (day/hour/minute/second) of application entry, and selected up to the budgetary limit defined in **Point 15** of this Notice, without prejudice to the said limit being increased by decision of the Managing Authority, thus setting the selection threshold for the competition.

For the purposes of Article 9(h) of the RECI and the definition of the competition's selection threshold, the greater representation of women in the management, administration, and leadership bodies of the applicant company is used as a tie-breaker criterion between applications with the same score (PM), when necessary.

9. Limit on the number of applications

Under this Call Notice, each applicant may only submit one application.

Under Article 18(8) of the RECI, an application may include investment in more than one financing Operational Programme.

10. Financing rates for eligible expenditure

Taking into account the provisions of Article 31(1) of the RECI, the incentives to be granted under this Notice are calculated by applying a **maximum base rate of 35%** to the expenses considered eligible, which may be increased by the top-ups (majorations) provided for in sub-paragraphs (a), (b), (c), and (f) of the aforementioned Article, where the global rate may not exceed **75%**.

The top-up provided for in Article 31(1)(b) of the RECI shall be assigned to the **low-density territories** defined in the deliberation of CIC Portugal 2020 on 1 July 2015 (Low Density Territories) or in any other deliberation published until the closing of this competition.

For professional training expenses, the incentive rates defined in Article 31(5) of the RECI apply.

Incentives to be granted by the **Lisbon Regional OP**, under this Notice, are calculated by applying a maximum rate of **40%** to the eligible expenditure.

11. Form and limits of support

With the exception of professional training, the support to be granted under this Notice takes the form of a **reimbursable incentive**, under the conditions established in Article 30 of the RECI. Under paragraph 3 of the same Article, an **exemption from repayment** of a portion of the reimbursable incentive may be granted up to a maximum limit of **50%**, depending on the degree of achievement of the targets established by the candidate in the application form regarding the following indicators (identified in Annex D(4) of the RECI):

- **Indicator I1 – Gross Value Added (GVA);**

- **Indicator I2 – Qualified Employment Creation (QEC);**
- **Indicator I3 – Turnover (TO).**

In compliance with the provisions of Annex D(5) of the RECI, the following weightings are defined for each indicator:

- **Indicator I1 – $\beta_1 = 0.40$;**
- **Indicator I2 – $\beta_2 = 0.30$;**
- **Indicator I3 – $\beta_3 = 0.30$.**

Support for professional training expenses under this Notice takes the form of a **non-reimbursable incentive**, in accordance with Article 30(1) of the RECI.

12. Modalities and procedures for submission of applications

The submission of applications is carried out via an electronic form at **Balcão 2020** (portugal2020.pt).

To submit an application, it is essential that the beneficiary has registered and authenticated at **Balcão 2020**. With this authentication, a reserved area is created in which the beneficiary can access a set of features, regardless of the nature of the project, the Region, or the Operational Programme to which they intend to apply.

In this reserved area, the beneficiary must confirm and complete their entity characterisation data, which will be used in their applications to Portugal 2020.

As a matter of prudence, promoters should avoid submitting applications on the final day or days of the deadline. Late submission of applications may prevent the resolution of any constraints arising from the validation/submission process.

Under this competition, the deadline for submitting applications runs from **15 January 2016 to 7 April 2016 (19:00h)**.

13. Procedures for analysis and decision of applications

Applications are analysed and selected according to the eligibility criteria and selection criteria provided for in this Notice.

A reasoned decision on the financing to be assigned to applications is issued by the **Managing Authorities (MA)** involved in the financing of the projects within **60 working days** from the closing date of the Notice.

The referred period is suspended whenever any clarifications, information, or documents are requested from the candidate, which can only occur once. Failure by the candidate to provide the requested clarifications, information, or documents within **10 working days** shall signify the withdrawal of the application.

Candidates are heard in the **prior hearing** procedure, under legal terms, granted a maximum period of **10 working days** to submit any contrary allegations, counted from the date of

notification of the decision proposal, specifically regarding any intention of rejection and the respective grounds.

Under Article 121(3) of the Code of Administrative Procedure, the holding of the prior hearing referred to in the previous paragraph suspends the counting of the fixed period of 60 working days for the adoption of the decision.

Proposed decisions on applications for which contrary allegations have been submitted are reassessed, and the final decision is issued within a maximum period of **40 working days** from the date of submission of the allegation (the said reassessment includes analysis, decision, and a new prior hearing, if applicable).

Unsupported projects which, as a result of this reassessment process, obtain a PM that would have allowed their inclusion in the set of selected projects, shall be considered selected and supported under this competition.

The decision is notified by the MA to the beneficiary within **5 working days** from the date of its issuance.

With authentication at *Balcão 2020* and after submission of the application form, the candidate is granted permission to access the **Simplified Access Platform (PAS)** through which they interact for the purposes of:

- a) Responding to requests for clarification;
- b) Communicating the withdrawal of the application;
- c) Prior hearing regarding the proposed decision on applications;
- d) Communication of the final decision of the MA on applications;
- e) Consultation on the status of projects and history of the beneficiary.

The deadline for notification of the decision is **9 August 2016**, which includes the 10 working days for clarification responses and the 10 working days for the hearing of interested parties.

Annex B presents the illustrative diagram of procedures for analysis and decision of applications.

14. Acceptance of the decision

Acceptance of the decision to grant the incentive is made by signing the **Acceptance Term**, which is submitted electronically and authenticated under Article 11 of Decree-Law no. 159/2014, of 27 October.

Under Article 21(2) of Decree-Law no. 159/2014, the approval decision expires if the Acceptance Term is not signed within a maximum period of **30 working days** from the date of notification of the decision, unless for a justified reason not attributable to the candidate.

15. Indicative allocation of the fund to be granted

The allocation of **ERDF/ESF¹** Funds assigned to this competition is **371 million euros**, corresponding to the following indicative allocation per Operational Programme (OP) and by Investment Priority (IP):

(thousands of euros)

Operational Programme	ERDF PI 1.2 (Large Co.)	ERDF IP 3.3 (SME)	ESF IP 8.5 (Training)	Total Budget
Competitiveness & Internationalisation	50,000	150,000	20,000	220,000
Northern Regional	20,000	50,000	2,000	72,000
Central Regional	5,000	40,000	2,000	47,000
Lisbon Regional	4,000	6,000	1,500	11,500
Alentejo Regional	5,000	10,000	200	15,200
Algarve Regional	2,000	3,000	300	5,300
Total	86,000	259,000	26,000	371,000

16. Identification of result indicators to be attained

The selection criteria **A2 “Degree of innovation”** and **C1 “Complementary contribution of the project to the OP Results”** contribute to the alignment of the project with the OP results.

In the case of projects with a Professional Training component, the contribution of the projects to the result indicator provided for in the OPs (“Workers who consider themselves more capable for innovation and management after attending training”) shall be assessed by a survey of the trainees after the completion of the training actions.

Following this results-oriented approach, the indicators provided for in Point 11 of this Call Notice are subject to contracting and monitoring.

¹ European Regional Development Fund (**ERDF**) and the European Social Fund (**ESF**).

17. Funding Operational Programmes

The scope of intervention of the Operational Programmes funding the projects included in this competition is determined as follows:

- a) **For investments located in the less developed NUTS II regions (North, Centre, and Alentejo):**
 - i. The MA of POCI (COMPETE 2020) finances projects with a total investment exceeding €3M and multi-region projects with a total investment equal to or less than €3M;
 - ii. Projects with a total investment equal to or less than €3M are financed by the MAs of the respective Regional Operational Programmes;
- b) **Regardless of the size of the projects**, projects with investment located in the **NUTS II regions of Lisbon and Algarve** are financed by the respective Regional Operational Programmes.

18. Intermediate Bodies responsible for analysis

Under the terms of Articles 36 and 37 of Decree-Law no. 137/2014, of 12 September, regarding the governance model for ESI Funds, the entities designated by a delegation of powers contract that ensure the issuance of opinions on applications under this Call Notice are:

- a) **Agência para o Investimento e Comércio Externo de Portugal, E. P. E. (AICEP, E.P.E)**, for the projects provided for in Article 5(1)(a) of its statutes, approved by Decree-Law no. 229/2012, of 26 October;
- b) **Instituto do Turismo de Portugal, I. P. (Turismo de Portugal, I. P.)**, for tourism sector projects (as described in Annex A of this Notice);
- c) **Agência para a Competitividade e Inovação, I. P. (IAPMEI, I. P.)**, for the remaining projects.

19. Dissemination of results and contact points

On the Portugal 2020 portal (www.portugal2020.pt) and the Simplified Access Platform (PAS), candidates have access to:

- a) Other relevant documents and information, namely framing legislation;
- b) Technical support and help with clarifying doubts during the period in which the competition runs;
- c) Contact points for obtaining additional information;
- d) Results of this competition.

30 March 2016

Chairman of the Steering Committee of the Competitiveness and Internationalisation OP

Rui Vinhas da Silva

Chairman of the Steering Committee of the Northern Regional OP

Emídio Gomes

Chairman of the Steering Committee of the Central Regional OP

Ana Abrunhosa

Chairman of the Steering Committee of the Lisbon Regional OP

João Teixeira

Chairman of the Steering Committee of the Alentejo Regional OP

Roberto Pereira
Grilo

Chairman of the Steering Committee of the Algarve Regional OP

David Santos

Annex A – Activities included in the industry and tourism sectors

Industry Sector: activities included in divisions 05 to 33 of the CAE.

Tourism Sector: activities included in divisions 55, 79, 90, 91, in groups 561, 563, 771, and activities falling within subclasses 77210, 82300, 93110, 93192, 93210, 93292, 93293, 93294, and 96040 of the CAE.

Annex B² - Diagram on the procedures for analysis and decision of applications

Formal Summary of the Application Assessment and Decision Procedure

Annex B outlines the **administrative procedure governing the assessment and determination of applications** submitted under this Call for Proposals.

Applications are subject to **technical assessment by the competent Intermediate Bodies**, which issue a reasoned opinion within the applicable procedural timeframe.

On the basis of the technical assessment, the **Managing Authority** prepares a **draft decision**, which is formally notified to the applicant.

Where observations are submitted, the application is subject to **reassessment**, following which the **final decision** must be adopted **within a maximum of 40 working days** from the date of receipt of such observations.

The Call for Proposals closed on **7 April 2016**. All procedural steps are conducted in accordance with the applicable statutory deadlines and the principles of due process, transparency and the right to be heard.

² For the avoidance of doubt, the information set out in Annex B constitutes a structured summary incorporating explanatory elements intended to facilitate analysis and interpretation. The original Portuguese version remains the authoritative reference for the full methodological framework.