



State aid evaluation: two years of implementation

BRUEGEL workshop
30 May 2016

Nicola Pesaresi
Head of Unit
State aid strategy

Why do we need evaluation in State aid?



"Evaluation is necessary so that the Commission can know whether the aid it declares compatible with the internal market is truly capable of achieving those public policy objectives for which aid is exceptionally allowed by the Treaty and the case law."

- Prof. Phedon Nicolaides

- Part of broader Commission focus on **evidence-based policy-making** and 'evaluate first' principle
- **Building on large experience** in the Commission and in Member States (e.g. Structural Funds...)
- Rationale is to **increase knowledge** – until now rather limited – about actual impact of the aid schemes and to push **Member States to improve design of future schemes** (more effective and less distorting)
- Also, to allow the Commission acquiring evidence that may eventually be used for **improving future State aid rules**

Objectives of State aid evaluation

- 1) Assessing whether the schemes were effective in achieving the **direct effect** for which they were introduced (i.e. did aid change the behaviour of beneficiaries, and to which extent?)
- 2) Detecting possible **indirect effects** of the schemes, both positive and negative (e.g. spill-over effects on the activity of other firms, sectorial effects, effects on regional growth...)
- 3) Addressing the issues of **proportionality** of the aid amounts and **appropriateness** of the chosen aid instrument

State aid evaluation in a nutshell - 1

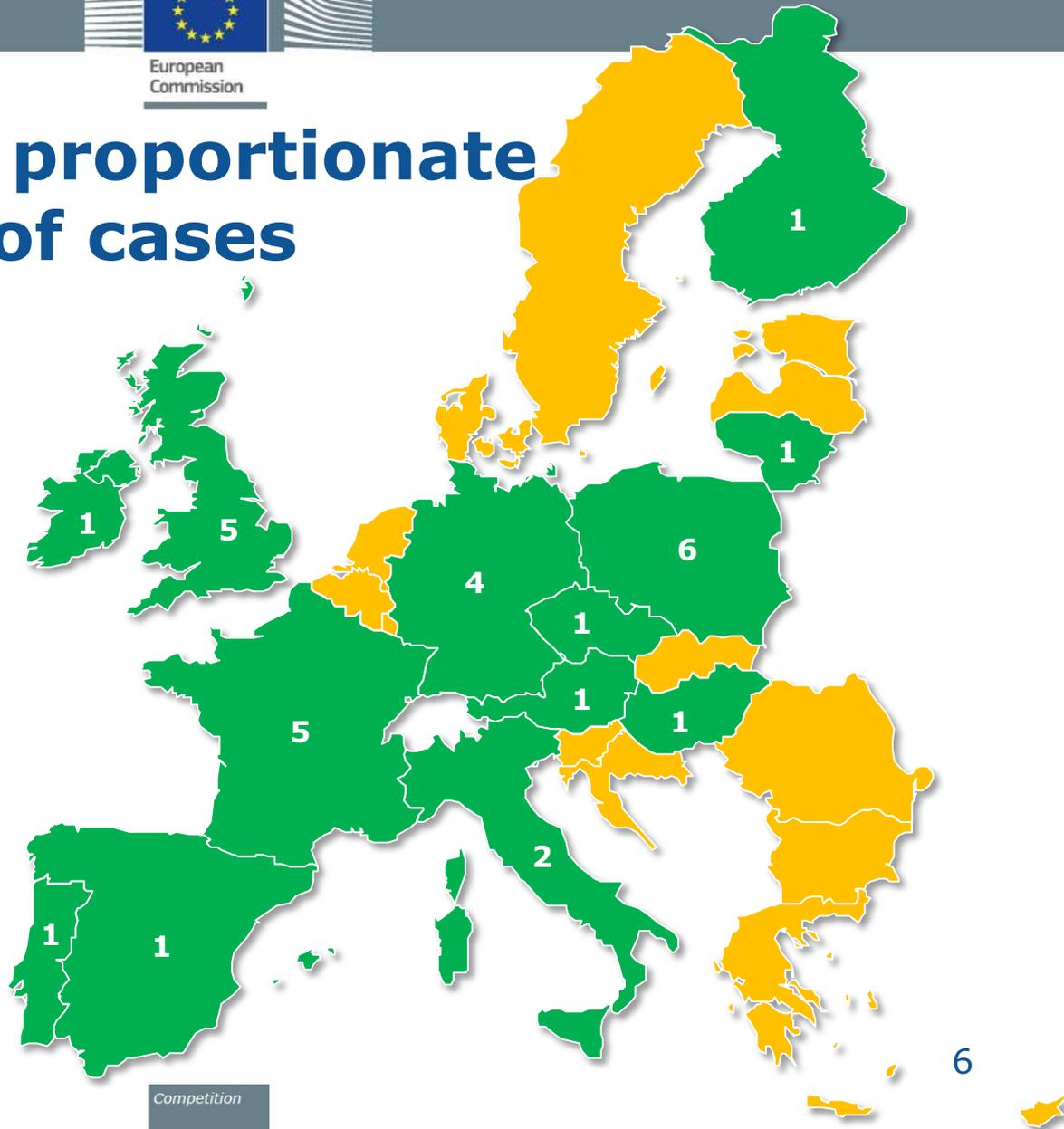
- State aid evaluation is a **new requirement** introduced by the Commission in 2014 as part of the **State aid modernisation** -> one of the genuinely 'new' elements of the SAM, alongside transparency
- Evaluation applies to a selected number of **large aid schemes**, both block exempted and notified, in areas such as R&D&I, regional aid, broadband, energy or risk finance (*not* for the time being in others areas such as SGEI, employment or training)
- The evaluations will be conducted in the Member States, on the basis of **evaluation plans** assessed and approved by the Commission

State aid evaluation in a nutshell - 2

- May 2014 **Methodological Guidance Paper** (SWD) sets high quality standards, with emphasis on well-established **counterfactual impact evaluation methods** -> rigorous estimation of the *causal* impact of the aid
- Evaluations to be conducted by **independent expert bodies** and reports to be finalised (and made **public**) at the end of the schemes' implementation, many in 2020
- DG COMP has supported the process *inter alia* with **workshops, FAQ** and **policy briefs** (*one published today on evaluation of R&D&I schemes*)

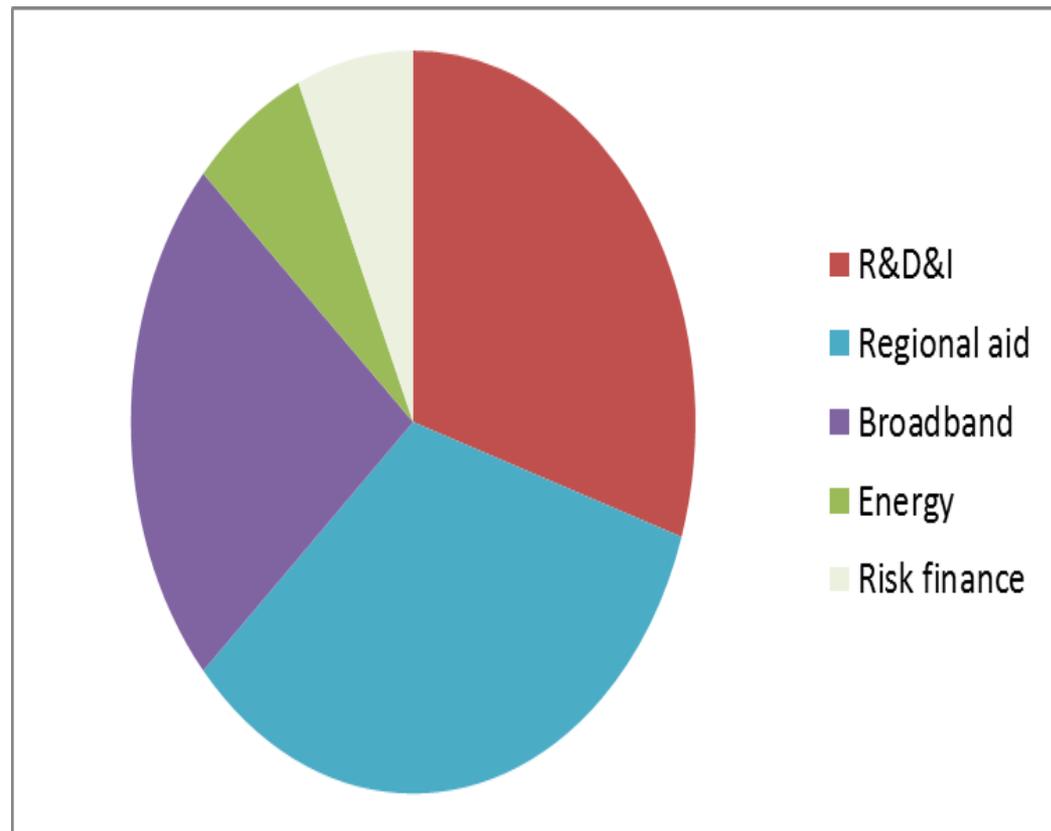
A significant but proportionate number of cases

Since July 2014, the Commission has assessed **30** (and already adopted 22) evaluation plans in **13** Member States for new aid schemes accounting for approx. **EUR 16 bn** in total *annual* budget (about a fifth of total annual reported aid)



Evaluation plans by aid category

10 **regional** aid schemes
9 **R&D&I** schemes
7 **broadband** schemes
2 **energy** schemes
2 **risk finance** schemes



Selected key issues in the evaluations

- For **regional aid** → incentive effect, cost-effectiveness, differences between beneficiaries and regions – e.g. evaluation plan for PT 'Inovação Empresarial' scheme
- For **R&D&I** → risk of 'crowding out' of private investments, designs of measures, sectorial or other biases – e.g. evaluation plan for UK R&D Tax Credits for SMEs scheme
- For **broadband** → strong focus on impacts on markets, services and prices (both wholesale and retail) – e.g. evaluation plan for PL Broadband 2014-2020 scheme



What have we achieved so far?

- **Evaluation is now part of State aid control**, in a proportionate and targeted manner – however, several Member States yet not covered by requirement
- Member States increasingly embrace SA evaluation and start considering – but yet not fully exploiting – **synergies with national requirements** and priorities
- In several cases, even for long-standing schemes, these evaluations will be first ones to be carried out using **counterfactual impact evaluation methods**
- The **quality of the plans has been improving significantly**, although improvements possible for some aspects such as evaluation of impacts on markets

Looking forward: challenges and priorities

1. Aiming at excellence

- *Using peer reviewers (in a selective manner) to help Member States improve their evaluation plans, including by testing different delivery mechanisms*
- *Setting benchmarks for evaluation plans in certain categories through informal templates, starting with broadband*
- *Reinforcing assessment of the impact of aid on markets*

2. Extending State aid evaluation to more Member States

- *Using bilateral discussions ('State aid Partnerships') to encourage all Member States to evaluate at least one important national scheme*
- *Potentially, more proactive use of the Guidelines' possibilities to request for evaluation for smaller schemes (e.g. 'novel' ones)*

3. Ensuring effective use of evaluations for policy-making

- *Developing synergies, 'building bridges' between the evaluation and the policy-making communities, so that evaluation is integrated in the policy cycle*
- *Encouraging Member States to design evaluations that can deliver shorter term deliverables and operational interim results*