



EUROPEAN COMMISSION

Brussels, 22.06.2015
C(2015) 4147 final

PUBLIC VERSION

This document is made available for
information purposes only.

Subject: SA. 40324 (2015/N) – Spain -Evaluation Plan of the Centre for the Development of Industrial Technology R&D Aid Scheme.

Sir,

1. PROCEDURE

- (1) By electronic notification of 2 February 2015 Spain submitted a summary information sheet pursuant to Article 11(a) of the Commission Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter "GBER") on the aid scheme "Centre for the Development of Industrial Technology R&D Aid Scheme" case (hereinafter CDTI R&D Aid Scheme) which it was put into effect on 1 January 2015 pursuant Article 1 (2) (a) of the GBER and Article 25 of the GBER (Aid for research and development), and which it plans to implement until the end of 2020.
- (2) The CDTI R&D Aid Scheme has an annual budget of EUR 800 million, constituting a large scheme within the meaning of Article 1(2) (a) of the GBER. Under this provision, aid schemes are exempted only for a period of six months after their entry into force, unless a longer period of exemption is authorised by the Commission following the assessment of an evaluation plan of the scheme upon the notification of the Member State concerned.

José Manuel García-Margallo
Sede Palacio de Santa Cruz
Plaza de la Provincia, 1
28071 Madrid

- (3) To obtain that prolongation, Spain notified an evaluation plan for the CDTI R&D Aid Scheme on 4 February 2015 which was registered by the Commission under SA.40324 (2015/N). By letter of 5 March 2015 the Commission asked for supplementary information. A meeting between the Spanish authorities and the Commission services took place on 26 March 2015. On 22 April 2015 Spain provided the requested supplementary information.

2. DETAILED DESCRIPTION OF THE KEY ELEMENTS OF THE NOTIFIED EVALUATION PLAN

2.1. Objectives of the aid scheme to be evaluated

- (4) The CDTI R&D Aid Scheme was already covered by the 2008 General Block Exemption Regulation¹. Its main objective is to encourage businesses to engage in more R&D: for innovative companies to carry out more ambitious projects and systematize their R&D strategy and for non-innovative firms to enable them to engage in innovative activities.
- (5) CDTI (*Centro para el Desarrollo Tecnológico Industrial*) is a public agency, attached to the Spanish Ministry of Economy and Competitiveness. It is in charge of fostering the technological development and innovation of companies in Spain. The CDTI evaluates and provides funding for projects on Industrial Research and/or Experimental Development activities, in particular, projects targeted to the creation and significant improvement of a production process, product or service. Fundamental research is not financed under this scheme². CDTI requires beneficiaries to contribute with their own resources to approximately 30% of the total project budget, so that the company guarantees the co-financing and an adequate capacity of project execution. The eligible costs of these projects are those provided in Article 25(3) of GBER, except land and building costs, and aid intensities are within the range allowed under GBER.
- (6) Aid beneficiaries are companies registered in Spain, active in any business sector and regardless of their location. Companies benefiting from the aid, are undertakings conducting economic activities, of any size, i.e. SMEs and large enterprises, single undertaking or in a collaboration with other companies. Undertakings in difficulty cannot be aid beneficiaries. To select the scheme's beneficiaries, CDTI carries out a technical and financial evaluation of the companies and projects concerned.
- (7) Every year, CDTI finances about 1 000 R&D&I projects. Considering collaborative projects, the indicative number of beneficiaries of the scheme is above 850 companies per year, 60% of which are SMEs.
- (8) The planned annual budget of the scheme amounts to EUR 800 million, out of which EUR 100 million comes from the European Structural and Investment Funds (ESI Funds)³. CDTI is a designated intermediate body for the management of the ESI Funds for the programming period 2014-2020.

¹ SA.38259. Régimen de ayudas de CDTI a proyectos de I+D.

² Article 25(2) GBER.

³ Smart growth ERDF 2014-20 Operational Program (CCI number: 2014ES16RFOP001).

- (9) The duration of the aid scheme is limited to five years (2015-2020), in coherence with the new programming period of ESI Funds.
- (10) Funding takes the form of soft loans and/or direct grants and is offered throughout the year so that companies can submit a funding application at any time, together with a project proposal.
- (11) Soft loans constitute the main aid instrument of the CDTI R&D Aid Scheme (representing 85-90% of the annual budget). CDTI also awards aid in the form of direct grants. Direct grants may represent between 10%-15% of CDTI R&D Aid Scheme annual budget.
- (12) The soft loans are granted at zero interest rate and include a non-reimbursable part, which may range between 5% and 30% of the project's funding, depending on the type of project (individual, international cooperation or research organisations) and the beneficiaries' size (small or large enterprise). The loan maturity does not exceed 10 years. Soft loans are granted in various instalments, once the beneficiary has justified the actual project costs.
- (13) The gross grant equivalent of the soft loan is calculated in accordance with the Commission's 2008 Communication on the revision of the method for setting the reference rates⁴. The aid element is capped to take account of the maximum aid intensities applicable under the GBER in respect of each type of RDI activity.
- (14) The direct grant or the non-reimbursable part of the soft loan is obtained as long as the loan agreement signed between CDTI and the company is complied with. In particular, the company must perform the project as agreed and must repay the reimbursable part of the loan. If these obligations are not fulfilled, 100% of the aid shall have to be repaid, including the direct grant.

2.2 Evaluation questions and result indicators

- (15) The CDTI evaluation plan sets out the specific questions to be addressed by the evaluation. The questions cover both the direct and indirect impacts of the measure. Results are measured according to the RACER⁵ model (European Commission, 2005)⁶ which sets up a number of quality criteria for evaluation indicators.
- (16) As regards the evaluation of direct impacts, the selected indicators are focussed on three types of additionality that are usually considered by literature⁷: (i) input additionality, i.e. the degree to which firm inputs increased because of the public

⁴ OJ C 14, 19.1.2008, p.6.

⁵ The acronym RACER stands for: **R**elevant (the indicators measure the concepts with validity and reliability) , **A**ccepted (the indicators are accepted by the main stakeholders and institutions), **C**redible (the indicators are unambiguous and easy to expert and non-experts), **E**asy (the indicators are feasible in terms of data requirements) and **R**obust (the indicators are robust against manipulation / strategic behaviour).

⁶ European Commission Guidelines for Impact Assessment SEC(2005) 791/3

⁷ Cunningham, P., A. Gök and P. Laredo (2012), "The Impact of Direct Support to R&D and Innovation in Firms. Compendium of Evidence on the Effectiveness of Innovation Policy Intervention". Manchester Institute of Innovation Research. University of Manchester.

support⁸, (ii) output additionality, i.e. the amount of firm outputs increased because of the public support ⁹ and (iii) behavioural additionality, i.e. persistent behavioural change influenced by public action¹⁰. For each type of additionality it will also be analysed whether the impact of the aid scheme varies depending on specific beneficiaries' characteristics of some firms' characteristics (size, location, sector, financial solvency).

- (17) As regards the evaluation of indirect impacts, the proposed plan addresses the relevant questions by focusing on both the positive effects (in terms of knowledge dissemination, consolidation of collaboration relationships and removal of information asymmetry problems) and the negative effects of the aid (in terms of distortions in the affected markets). This is reflected in the following evaluation questions:
- Are technological innovations disseminated to other firms or sectors?
 - Do supported firms consolidate collaboration relationships thanks to the project?
 - Do supported firms have access to alternative funding sources?
 - Does the CDTI support have any distorting impact on product markets?
- (18) With regard to the proportionality of the scheme an analysis of the correlation between state aid and its impacts will be undertaken. In particular, the plan includes the question as to whether there is a positive, linear and significant relationship between the financial support and the additional impacts of the aid.
- (19) In order to examine the appropriateness of the scheme, it will be evaluated whether the different available financial conditions and aid instruments are appropriate for each type of project and beneficiary.

2.3 Envisaged methodology to conduct the evaluation

- (20) Different methodological approaches will be used. With respect to the *direct effects* of the aid scheme, the impact will be identified using appropriate quantitative techniques usually adopted in the evaluation literature, in particular matching methods. The application of this technique will take into account the characteristics of the aid instruments to assess and the characteristics of the beneficiary of the aid. In order to minimize the self-selection bias that might affect the estimation of the impact, the control group will be built by identifying those firms which have applied for CDTI aid but have not been supported in the same period. The control group will be extended to non-applicant firms only if the number of available observations is insufficient to implement the matching methodology. In this case, the selected firms will be similar to applicants in terms of R&D intensity, among other variables (such as size and sector).

⁸ E.g.: Do supported firms increase their effort in innovation activities thanks to the aid scheme? In that case, to what extent does this effort increase?

⁹ E.g.: Do supported firms obtain better technological results thanks to the aid scheme? In what measure? Do supported firms obtain better economic results thanks to the aid scheme? In what measure? Do supported firms increase their presence in international markets thanks to the aid scheme?

¹⁰ E.g.: Do supported firms change their operational and strategic behaviour thanks to the public support?

- (21) The analysis of the *indirect effects* will be carried out through a descriptive approach based on different selected indicators. In order to complete and enrich this analysis, case studies will be conducted by selecting those companies that are considered more interesting from an analytical perspective and that provide greater learning opportunities. The aim will be to examine how the competitive position of the beneficiaries has changed, taking into account the general trends affecting their market segments. The study should explain to what extent changes in competitive positions are due to commercial and managerial business practices and not to the R&D public aid. Cases will be selected having regard to the increase in market shares due to the project. This information is collected by the CDTI ex – post survey.
- (22) Conclusions about the *proportionality* of the aid scheme will be obtained from a linear regression analysis, calculating the correlation between an aid measure and additionality indicators (input, output and behavioural additionality). A similar approach will be suitable to examine the *appropriateness* of the measure. In this case, the correlation will be established for each category of aid instruments: soft loans with low non-reimbursable part; soft loans with medium-size non-reimbursable part and grants.

2.4 Data collection requirements

- (23) The evaluation plan for the CDTI R&D Aid Scheme will be based on data collected by CDTI and on information provided by external sources.
- (24) Data internally collected by CDTI will be generated during the operative management of the aid instruments, i.e. information collected during the whole life-cycle of projects (application, selection phase, aid granting, technological development, payments and loan reimbursement). Furthermore, information about results and effects of the project will be collected through two electronic surveys that the supported firms must complete at two time points: first, after finishing the technological development of the R&D&I project (results survey) and, second, two years after the market launch of the innovation (ex-post survey).
- (25) Data provided by external sources will be used to complete the internal information and build a suitable control group. These sources are: (i) EIT (Encuesta de Innovación Tecnológica) survey conducted by INE (Instituto Nacional de Estadística)¹¹, (ii) PITEC (Panel de Innovación Tecnológica), a panel data collected also by INE from the annual responses to EIT, (iii) SABI (Iberian Balance sheet Analysis System), a commercial database¹², which contains general information and annual accounts of over 1.25 million Spanish companies.
- (26) Internal and external databases could be merged through the company tax codes of companies, which identify unique observations in every dataset.

2.5 Independent body selected to conduct the evaluation, or criteria for its selection

¹¹ This is the Spanish version of the Community Innovation Survey (CIS), following the OECD's Oslo Manual.

¹² <http://www.informa.es/en/soluciones-financieras/sabi>.

- (27) An independent body, both from CDTI and from the Ministry of Economy and Competitiveness, will be in charge of the evaluation. This body will be selected during 2017 after launching an open call of proposals, on the basis of a transparent, objective and non-discriminatory procedure. The criteria for the selection of the body conducting the study will include, in particular, demonstrated skills in evaluation methodologies and previous experience in impact assessment studies in the field of R&D and innovation policies. Once the selection procedure is finalised, an agreement shall be signed between CDTI and the selected body, providing for the evaluation works. Specific clauses ruling out possible conflicts of interest as well as ensuring the impartiality conditions shall be included in the agreement.

2.6 Proposed timeline of the evaluation

- (28) Starting from 2015 CDTI will conduct bi-annual evaluation studies. A mid-term evaluation report will be prepared and submitted to the Commission in 2018. The final evaluation report will be submitted to the Commission at the end of the 2nd quarter of 2020.

2.7. Modalities for ensuring the publicity of the evaluation

- (29) The Evaluation Plan will be published on the CDTI website (www.cdti.es). In the same way, evaluation results will be publicly available. Once the preliminary results of the evaluation study are available, stakeholders shall be informed during a workshop organized at CDTI's premises. Their opinions and reactions will be taken into account. People interested in using the findings of the study could have access to the original information by requesting it to both organisms CDTI and INE. Data will be available under the same confidentiality conditions as those imposed on the experts in charge of the evaluation plan.

3. ASSESSMENT

- (30) It should be recalled that, in general, the correct application of the GBER is the responsibility of the Member State. The Commission decision approving an evaluation plan does not assess whether the aid scheme to be evaluated was put into effect by the Member State in full respect of all applicable provisions of the GBER. It does therefore neither create legitimate expectations, nor does it prejudice the orientation the Commission might take regarding the conformity of the aid scheme with the GBER when monitoring it or assessing complaints against individual aid granted under it.
- (31) Only those aid schemes¹³ falling under the provisions of Article 1(2)(a) GBER¹⁴ are subject to evaluation. The annual average budget of the CDTI R&D Aid Scheme, namely EUR 800 million, exceeds the threshold of EUR 150 million set

¹³ Under Article 2(15) GBER 'aid scheme' means "any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount".

¹⁴ Under Article 1(2)(a) GBER "schemes under Sections 1 (with the exception of Article 15), 2, 3, 4, 7 (with the exception of Article 44), and 10 of Chapter III of this Regulation, if the average annual State aid budget exceeds EUR 150 million, from six months after their entry into force".

in Article 1(2)(a) GBER and, therefore, it is subject to the obligation of notification of the evaluation plan as a condition for continuing to benefit from the block exemption after the expiry of the transitional 6-month period set out in Article 1(2)(a) GBER.

- (32) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required *"in view of the greater potential impact of large schemes on trade and competition"*. The required *"evaluation should aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, as well as the effectiveness of the aid measure in the light of its general and specific objectives and should provide indications on the impact of the scheme on competition and trade."* State aid evaluation should in particular allow the direct incentive effect of the aid on the beneficiary to be assessed (i.e. whether the aid has caused the beneficiary to take a different course of action, and how significant the impact of the aid has been). It should also provide an indication of the general positive and negative effects of the aid scheme on the attainment of the desired policy objective and on competition and trade respectively. State aid evaluation examines moreover the proportionality and appropriateness of the chosen aid instrument¹⁵.
- (33) In the light of these considerations, Article 2(16) of the GBER defines as evaluation plan *"a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date of submission of the final evaluation report, the description of the independent body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation"*.
- (34) The CDTI evaluation plan provides in concise manner the functioning of the CDTI R&D Aid Scheme, the key objectives of the scheme concerned, and sufficient information to understand its intervention logic. The scope of the evaluation is defined in an appropriate way. It comprises a list of result indicators that are used for the evaluation questions in order to measure the scheme's direct and indirect impacts on the market and possible distortions on competition. The data gathered by external and internal sources will provide a sufficient basis to collect the evidence necessary to answer the evaluation questions¹⁶.
- (35) The CDTI evaluation plan sets out the main methods that will be used in order to identify the direct impact of the aid (i.e. the "matching" between undertakings in the treated group and those in the control group and the comparison of the different realized outcomes across these two groups), and explains why this method is likely to be appropriate for the scheme in question¹⁷. The proposed composition of the control group with non-selected applicants to the scheme appears an appropriate way to minimise the selection bias. The scheme's indirect

¹⁵ Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD (2014) 179 final.

¹⁶ Ibid 14, Section 3.5 of the Commission Staff Working Document.

¹⁷ Ibid 14, Section 3.4 of the Commission Staff Working Document.

impact will be analysed in a descriptive manner taking into account the competitive position of the beneficiaries and non-beneficiaries in relation to general trends of their market segments. Results regarding the scheme's proportionality and appropriateness will be obtained using the linear regression analysis. The aforementioned methods and practices are fully in line with the Commissions best practices¹⁸.

- (36) The proposed timeline of the evaluation is reasonable in view of the characteristics of the measures concerned and the relevant implementation periods for projects supported under the scheme. Findings of the early study and of the medium-term evaluation can represent an important source of information for the revision of the scheme at its early stages.
- (37) The characteristics of the proposed body for the evaluation are appropriate in terms of independence and skills. Moreover, the proposed modalities for the publication of the evaluation results are adequate to ensure transparency and the involvement of stakeholders.
- (38) In view of the above, the Commission considers that the evaluation plan meets all the requirements laid down in the GBER, is established in line with the common methodology proposed in the Commission Staff Working Document on Common methodology for State aid evaluation¹⁹, and is suitable given the specificities of the large aid scheme to be evaluated.
- (39) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the exemption for the aid scheme for which the evaluation plan was submitted will continue to apply until 31 December 2020.
- (40) Alterations to this scheme, other than modifications which cannot affect the compatibility of the scheme under the GBER or cannot significantly affect the content of the approved evaluation plan, are pursuant to Article 1(2)(b) of the GBER excluded from the scope of the GBER.

4. CONCLUSION

- (41) The Commission has accordingly decided, after having assessed the evaluation plan notified by Spain:
 - Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty will continue to apply until 31 December 2020 to the Centre for the Development of Industrial Technology R&D Aid Scheme.
 - This decision will be published.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be

¹⁸ Ibid 14, Section 3.4 of the Commission Staff Working Document.

¹⁹ SWD(2014) 179 final, 28.5.2014,

deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission