
Comments from Ireland.

Part A: Clarification sought on the below points

1. How at a functional level will peer review occur? How many countries will be included in a peer review? Linked to this, how transparent will the results from each country be?

   It is important that the basis for reviews are consistent and relevant. For example, under the 2014-2020 Regional Aid Guidelines, when selecting studies to justify restricting investment aid in ‘C’ regions for large companies, the vast majority of the studies used by the Commission were on the incentive effect for R&D supports rather than Regional Aid itself.

2. We require greater guidance on what sort of impacts on competition and trade the Commission anticipates. Current evaluations undertaken are carried out to ensure efficient spending of public money and not the impact on competition and trade. This impact is already limited by the State Aid rules. In terms of methodology, microeconomic impact assessment is not a good way to measure the impact of a national scheme on competition and trade across the EU. Can the Commission provide a view on this?

3. Guidance on expectations of how much an evaluation is to cost Member States in terms of time and money.

4. Practical example is needed to show in a small Member State:
   a. how to use a microeconomic impact analysis using company level data to evaluate the impact of a scheme on competition and trade;
   b. How to develop a control group for (i) regional development in small export orientated country (ii) R&D supports;
   c. How to evaluate the impact of an R&D grant.
5. It is important that examples of best practice in evaluations are provided for smaller Member States as there are significant difficulties for small countries evaluating the impacts of State Aid using econometrics for example:
   a. Smaller sample sizes; the impact of a single company or a single sector is significant;
   b. Difficulties in identifying control groups with similar characteristics (e.g. exporting, large, in regional location) that have not been awarded grant aid;
   c. Member States that only have a small number of regions. In the case of Ireland, those regions that are not designated for regional aid are limited to areas directly adjacent to large cities of the country. Therefore, they have significantly different characteristics to areas around the largest cities. This makes finding a control group for regional aid difficult.

Part B: Specific Issues arising from the draft Commission paper.

The document states that evaluation can confirm whether the assumptions underlying the ex-ante approval of the aid scheme are still valid and/or help to improve the design of the scheme, introduce corrective measures, and calibrate State interventions to improve the effectiveness and efficiency of the aid to the extent necessary to guarantee that the overall balance between positive effects and distortions is still acceptable.

While we broadly welcome the objectives of the paper there are a number of issues we wish to highlight:

**Administrative Burden on Public Authorities:**

The paper sets out several models for conducting evaluations. These are likely to impose a high administrative burden on public authorities, which may impact State aid approval. The procedures outlined will necessitate specific evaluation of the impact of State Aid in addition to a typical post-implementation economic evaluation of programmes.

The consultation document envisages that an evaluation plan be prepared at the outset of the program (see S.3, pages 7 and 8) setting out how the evaluation is going to be conducted; including the collection of baseline data and on-going data from control groups, where appropriate, to evaluate the difference between what would have happened with and without the State aided intervention. Designing and implementing such an intervention would be a considerable task and would create a significant resource requirement to address the specialised data collection, assessment and reporting requirements as outlined in the paper.
Administrative Burden on Organisations

The data collection requirements create a considerable administrative burden on beneficiaries also to accurately maintain records on the impact of the aid. Furthermore data from non-beneficiaries will be necessary for the development of a “control group” as outlined in the paper (Section 3.3 Page 15). In reality, [for smaller projects] a significant proportion of the aid provided may end up funding the evaluation process.

The paper (on Page 8) suggests that good planning with rigorous implementation will significantly reduce the work required for the evaluation. While this is beneficial to the evaluation process, for beneficiaries, it will require data collection and retention over long periods in the case of multiyear infrastructure programmes. Furthermore, requesting non-beneficiaries or failed applicants to supply data, for comparison purposes, may not produce accurate results. It may also be difficult to obtain data on and from indirect beneficiaries.

Proportionality:

While the consultation paper is predicated on reducing the cases requiring ex ante approval by the Commission, there are no details on the intention, if any, to limit evaluations on interventions, for example, to above particular thresholds. Further, the paper envisages that where certain projects were not subject to ex-ante approval, ex-post evaluations will be an important tool and cite as an example general block exempted projects under the EU’s General Block Exemption Regulations (See S.2, page 4).

Currently, the EU State aid rules tend to be based on a system of ex-ante scrutiny. However, there seems to be a suggestion in this paper that there will be an “obligation to evaluate” (Page 8).

The evaluation requirements should also be proportionate to the project size.

Data collection:

Flexibility may be needed in relation to data sources and collection methodologies to allow for the timely collection and submission of data. Ideally data that is to be collected should be readily accessible.

The consultation document states (Section 3.4, first paragraph, page 16) sets out that if data used for the evaluation is confidential, confidentiality needs to be guaranteed throughout the process of the evaluation. Nevertheless, confidentiality does not extend to the results of the evaluation, which are not confidential. Anonymisation of data will, therefore, be critical.
Status of State aid approvals

The impact of the results of an evaluation on the status of State aid approvals already given to schemes or the effect on schemes carried out in accordance with the block exemption Regulation should be clarified. The results of an evaluation should not place costly new obligations on Member States, who have complied with the conditions of an ex-ante State aid approval issued by the Commission.

Department of Jobs, Enterprise and Innovation

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