

State aid evaluation - Frequently asked questions

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Why evaluate public expenditure programmes?

The evaluation of the effectiveness of public expenditures forms part of a continuous learning process that should contribute to better informed decision-making. When combined with transparency, evaluation should contribute to reinforce accountability and a more efficient allocation of scarce public resources. The evaluation of past experience helps identifying public measures or expenditures that are the most effective in achieving their objective (such as, for example, promoting employment or investments that are not privately delivered in the absence of the measure).

Evaluation forms an integral part of the policy cycle, both at EU and national levels and is already mandatory for all EU expenditure programmes including those managed by Member States such as the EU Structural and Investment Funds.

Following the State aid modernisation, evaluation has now also been incorporated in State aid control.

What does the Commission expect from State aid evaluation?

Evaluation is part of the overall balance of the State aid modernisation initiative, whereby Member States are authorised to grant more aid without prior clearance by the Commission in the framework of the new General Block Exemption Regulation (see [IP/14/587](#)) in exchange for more ex-post controls for significant measures, transparency (see [IP/14/588](#)) and evaluation.

The Commission expects Member States to evaluate to what extent aid schemes have achieved their purpose and what was their impact on markets and competition.

In particular, the evaluations should provide solid evidence to allow answering questions such as whether the aid really changed the behaviour of the beneficiaries ('incentive effect'), whether the effects differed significantly across beneficiaries, whether the scheme led to spill-over effects on the activity of other firms, whether the scheme contributed to the desired policy objective and whether the chosen aid instrument was the most appropriate one.

State aid evaluation should be conducted according to a number of common principles to ensure credible results as well as an equal standard being applied to all Member States. Such principles have been laid down in a Staff Working Document (['Common methodology for State aid evaluation'](#)).

The results of the evaluations should be taken into account when designing new State aid schemes or when prolonging existing schemes. It will contribute to better policy-making for both the Commission and the Member States.

For a general presentation of State aid evaluation, please refer to the dedicated [Competition policy brief](#).

What will happen with the evaluation results? Will it have consequences on the compatibility of the scheme?

State aid evaluation will lead to a number of insights on how a given scheme has worked. These lessons can usefully be taken into account when the scheme is renewed or a new scheme is designed. Results of the evaluations will not have an impact on the compatibility of aid granted under an approved aid scheme. In other terms, lessons learned will only serve the future schemes or the renewal of existing schemes and not affect aid granted under the scheme being evaluated.

More generally, evaluation is of key importance to improve the efficiency and effectiveness of aid schemes through their better design based on a number of relevant lessons learnt. There is a lot to learn not only from reviewing the strengths and weaknesses of a particular scheme, but also by comparison with similar schemes including in other Member States.

Which aid schemes should be evaluated?

Two types of aid schemes can be subject to evaluation requirements: first, some large schemes that are exempted under the GBER and second, some schemes covered by specific State aid guidelines that still need to be notified for assessment.

First, under the GBER, evaluation is required for schemes with large budgets (average annual budget exceeding EUR 150 million) in some aid categories (regional aid except regional operating aid, aid for SMEs and access to finance, aid for research and development and innovation, energy and environmental aid, except aid in the form of reductions in environmental taxes under Directive 2003/96/EC, and aid for broadband infrastructures). Only the State aid element of the budget is relevant for the GBER evaluation threshold (e.g. in case of non-grant schemes such as for loans, guarantees or tax advantages) For example, for loans the aid element is the difference between the applied interest rate and the [reference rate](#). Also, in the case of tax schemes, the budget corresponds to the estimated tax loss per year.

Second, most of the new Commission guidelines for the assessment of notified aid adopted since 2012 foresee the possibility to require evaluation for aid schemes with large budgets, containing novel characteristics or when significant market, technology or regulatory changes are foreseen. For reasons of consistency with the GBER, measures under the guidelines with an average annual budget exceeding EUR 150 million will normally be considered as candidates for evaluation.

It is expected that only a few aid schemes per year will be subject to the requirement.

Are evaluations costly?

The costs might vary depending on the scope of the evaluation and the type of scheme to be evaluated. Generally speaking, experience in related fields such as the Structural Funds suggests that for large scale programmes with relatively standard characteristics, the budgets required for evaluation will be a negligible share (in general far less than 1%) of the scheme's total budget and more than proportionate to the expected benefits.

Early planning is likely to reduce the necessary resources, in particular as data collection requirements can be identified and arranged upfront.

What are Member States required to do?

Member States have to plan and complete a sound evaluation for their State aid scheme. The planning of the evaluation, which should be made well in advance of the launch of the scheme, has to take the form of a so-called evaluation plan (see question below).

In the case of a large GBER scheme subject to evaluation, the notification of this evaluation plan should take place at the latest 20 working days following the entry into force of the scheme. This is the same timeframe foreseen for the submission to the Commission of the summary information form for GBER measures.

In case of notified schemes, the evaluation plan should be notified together with the proposed aid scheme.

Until a final notification form is adopted by the Commission, Member States are encouraged to use the [provisional supplementary information sheet for the notification of an evaluation plan](#), published on the DG Competition website.

What is the specific procedure applicable under the GBER?

The large aid schemes under GBER subject to evaluation can be implemented immediately by the Member States. However, for such schemes, the exemption under the Regulation expires six months following their entry into force.

The Member State is required to notify the evaluation plan within the first 20 working days following the entry into force of the scheme and the Commission services will immediately start assessing its completeness and its appropriateness.

The Commission should receive from the Member State the necessary information to be able to carry out the assessment of the evaluation plan and will request additional information without undue delay allowing the Member State to complete the missing elements for the Commission to adopt a decision.

Following the assessment of the evaluation plan, the Commission could adopt a decision prolonging the exemption of the scheme beyond the initial six months.

If the Commission does not adopt such decision within the six months period, the scheme will no longer be exempted under the GBER. In this scenario, the concerned Member State will have to suspend its application until the evaluation plan has been approved. Suspension of the application does not necessarily result in a rejection of the scheme, but rather in the need for any prolongation of the scheme to be notified for a detailed assessment of its compatibility under the relevant State aid guidelines. Such assessment will review the whole scheme and the existence of an adequate evaluation plan in line with the best practice as laid down in the relevant State aid guidelines. Failure to suspend the application of the scheme and notify its prolongation may trigger a formal investigation procedure aimed at deciding on whether the scheme can be declared compatible or not.

What is an evaluation plan?

The evaluation plan is the central document that guarantees an effective process leading to a successful evaluation. In particular, it describes the purpose and the modalities of the scheme, it sets out an how to identify the effects of the scheme, it

identifies relevant data and organises their collection, it ensures the evaluation team is independent and has the necessary skills to conduct a proper evaluation.

The evaluation plan should include at least the following 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,
- the modalities for ensuring the publicity of the evaluation.

How to draft an evaluation plan?

The [Staff Working Document](#) on 'Common methodology for State aid evaluation' provides general guidance and includes examples (e.g. of relevant result indicators) and best practices that Member States' administrations can take into account.

Besides, there are several available handbooks and guides on how to conduct evaluations that can also be taken into account whenever relevant. See for example the [EVALSED Guide](#) published by DG REGIO or the [practical guidance on designing and commissioning counterfactual impact evaluations](#) published by DG EMPL. Also international organisations, such as the World Bank, have extensively published on evaluation methods (see for example the [Handbook on impact evaluation](#)).

What if the authorities do not have the necessary expertise on evaluation?

Member States have already developed a valuable experience in evaluation in various fields, for instance while fulfilling the requirements of the Structural Funds rules or for their own national purposes. Expertise is often also available in Courts of auditors, statistical offices, central banks and other public bodies (e.g. bureau of economic advisors).

Where expertise in drafting an evaluation plan is not directly available in the authority in charge of the aid scheme valuable contribution can be expected from public institutions such as the ones mentioned above as well as from academic or private partners for scoping and preparatory studies that should facilitate the drafting of a suitable evaluation plan.

In the last few months, DG Competition has been regularly discussing new evaluation requirements with Member States and also intends to organise in 2015 dedicated trainings and exchanges of experiences to facilitate the process.

What about evaluation requirements imposed by Structural Funds regulations? Is the Commission asking for duplication of efforts?

In the case of aid schemes co-financed by the Structural and Investment Funds and already subject to State aid evaluations, there will be no duplications, i.e. the managing authority can meet its obligations with respect to the Structural and Investment Funds through evaluations carried out under State aid requirements.

What are the relevant methods for evaluating the impact of an aid scheme?

While there is no 'one-size-fits-all' approach and the methods need to be adapted to the specificities of the scheme to be evaluated, the crucial aspect is for the evaluation plan to set out in a credible and rigorous way one or more methods that allow identifying the causal impact of the scheme itself, undistorted by other variables, on its beneficiaries.

To estimate the causal impact, it is generally necessary to construct a 'counterfactual', i.e. to establish a realistic scenario capturing what would have likely happened in the absence of the aid.

The average results for the group of beneficiaries, in terms for example of increased investments or employment, can for example be compared to another group of enterprises that did not receive the aid and yet have close characteristics to the group of beneficiaries (a so-called "control" or "comparison" group). It is the difference (or the difference in the evolution) between the results for the group of beneficiaries and the selected comparison group of enterprises that can be considered the impact or the causal effect of the scheme.

The [Staff Working Document](#) on 'Common methodology for State aid evaluation' provides examples of relevant methods and techniques that Member States are encouraged to use.

When should evaluations be carried out?

The timing of the evaluation is essential to ensure that the exercise can effectively provide an input to national decision-makers considering adaptations or prolongations of the scheme as well as for the Commission to assess the compatibility of the new scheme.

The key principle in this regard is the completion of the evaluation, with the submission of the final evaluation report to the Commission, at the latest six months before the expiry of the scheme. The evaluation plan should be designed with a view to ensuring that the evaluator will be able to provide a meaningful assessment within the reporting period.

For schemes running for several years, for example under GBER, it might be useful to publish and the Commission advises the Member States to conduct interim evaluations and discuss them with stakeholders.

What are the requirements for the selection of the evaluator?

The evaluator should be independent from the granting authority, to avoid possible interferences and conflicts of interest in conducting the evaluation. This does not imply that the evaluation should be systematically outsourced to an external commercial evaluator as the required expertise could also be available in public

bodies independent from the aid grantor (see "What if the authorities do not have the necessary expertise on evaluation?")

The evaluator should demonstrate it holds the necessary expertise and track record to conduct evaluations. This would require expertise in statistical analysis, in particular in applying one (or more) of the empirical methods described in the Staff Working Document, data management, sampling methods and deep knowledge of the national or regional context subject to the evaluation (for example, in terms of the available data).

What the requirement for publicity implies?

The evaluation should be made public. This implies that both the evaluation plan and the final evaluation report, once approved, should be given adequate publicity by being made available and publishing them, for example on a national website. The Commission could also make these documents public and publicly present these results.

This principle of publicity is without prejudice of any applicable law and regulation protecting e.g. business secrets or confidential information in line with EU rules. However, these rules normally do not restrict access to properly aggregated data. The results of the evaluation therefore are normally non-confidential. Moreover, there should be no additional restrictions beyond applicable laws and regulations, especially with respect to the presentation or publication of the final results.

It is recommended for Member States to clarify upfront, in the evaluation plan, whether such laws and regulations could hinder access to the necessary data for conducting the evaluation and how they intend to address them, also in view of allowing future replications or other studies.

Publicity of the evaluation is a necessary condition for allowing a suitable stakeholders' involvement. It is good practice to organise consultations of relevant stakeholders, for example to discuss the evaluation plan itself or the interim and final results of the evaluation.