

Report on the application of the Commission Decision of 28 November 2005

**FORM I - VALENCIA - INNOVATION SMEs**

<b>Autonomous Community</b>	Autonomous Community of Valencia
<b>Assignment of SGEI</b>	The assignment of SGEI is based on the sub-category envisaged in Article 2(1) a) of the Decision regarding SGEI. <i>“Public service compensation granted to undertakings with an average annual turnover before tax, all activities included, of less than EUR 100 million during the two financial years preceding that in which the service of general economic interest was assigned, which receive annual compensation for the service in question of less than EUR 30 million.”</i>
<b>Assignment</b>	The Regional Government has assigned the Services of General Economic Interest concerning Entrepreneurship and Innovation through “lineas nominativas” (budget lines naming the beneficiaries) approved in the Regional Government's Budget Act for financial year 2011. Compensation for the provision of these services is provided by means of direct subsidies based on Article 28 of the General Grants Act, Law 38/2003 of 17 November 2003 through agreements managed by the Institute for Small and Medium Industry in Valencia (hereafter IMPIVA).
<b>Undertakings</b>	European Business Innovation Centres (hereafter EBIC) EBIC CASTELLÓN, EBIC VALENCIA, EBIC ELCHE, EBIC ALCOY
<b>Territorial scope</b>	Regional The area where the services of general interest envisaged in the agreements have been provided is limited to the Autonomous Community of Valencia.
<b>Exclusive or special rights</b>	Not applicable
<b>Nature (Description of the Public Service)</b>	See <b>Annex I</b>

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<b>Duration of the Public Service Obligations</b>	The SGEI Fostering Entrepreneurship and Innovation were carried out in 2011 through the signing of <b>one-year</b> Agreements with the EBICs of the Autonomous Community of Valencia.
<b>Amount of compensation</b>	See <b>Annexes II and III</b>
<b>Calculation parameters</b>	See also <b>Annex IV</b>
<b>Arrangements to prevent overcompensation:</b>	See <b>Annex V</b>

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**Annex I**

**Nature**

IMPIVA, a body governed by public law attached to the Department of Economy, Industry and Trade, is responsible for promoting and executing regional policy regarding small and medium-sized industrial enterprises. Its aims include the promotion of activities fostering entrepreneurship and support for the creation and development of companies, especially those which pursue innovation and diversification, with a view to increasing the breadth and quality of the economic fabric in Valencia.

When implementing these initiatives, the Institute must tackle not only the difficulties inherent in the nature of the activities it promotes but also those related to the situation of the market and/or the economy where it seeks to implement them.

Indeed, over the last few years there has been a radical change in the rules under which Valencian undertakings have been carrying out their activity. We have gone from a growing market which, in addition to innovative products, incorporated increasing quantities of products similar to already existing ones, to an over-saturated market where requirements in terms of characteristics, price and supply conditions have become extraordinarily demanding.

Moreover, in the sphere of finance, which is essential to the operation of any economy but absolutely vital for an economic fabric like Valencia's which is mostly composed of SMEs, the requirements to gain access to credit have increased considerably, making it impossible for firms and entrepreneurs to realise their projects; firms have had to scale back their operations and entrepreneurs postpone their initiatives when financing became impossible to obtain, which has inevitably led to a sluggish, listless and inactive economy.

Therefore, now more than ever the Public Administration must promote entrepreneurship and innovation as the only strategies whereby to consolidate stable innovative business development with quality jobs, committed to creating its own future.

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Entrepreneurs who advance from the initial idea to real assessment of its possibilities basically need accurate information to help them take decisions and design their project and test the feasibility of their business idea; and likewise they need encouragement and stimuli to implement the project.

Newly created technological firms based on specialised know-how need the administration to provide the type of environment where the growth possibilities of these undertakings can be realised and to foster a culture of local investment.

Action policies need to be implemented which help to tackle problems and facilitate the revamping of the industrial fabric, bringing in fresh know-how adapted to the new competition rules and creating the materials needed to guide entrepreneurs on their journey from the initial idea to the business plan while simultaneously fostering the creation of interactive fora to boost the confidence and capacity of entrepreneurs.

To this end the IMPIVA developed its *Services of General Economic Interest Fostering Entrepreneurship and Innovation* to meet the needs of a vital sector in the Autonomous Community of Valencia, i.e. entrepreneurs and recently created innovative undertakings seeking to take better advantage of their capacities and to grow proportionately to their potential and the possibilities of the environment.

**The general economic interest of these services arises from market shortcomings in providing suitable access to these types of services given that, while other market undertakings or organisations may occasionally offer them, the mediation of the EBIC guarantees their compulsory universal availability to all stakeholders on an equal footing.**

Lastly, we should draw attention to the stability and guarantees offered by these centres owing to their wealth of experience in providing this type of service (helping entrepreneurs and creating and fostering innovative companies since 1988) and the fact that they are set up as a coordinated network at regional, national and European level with clear synergies in terms of resources, image and positioning making them a clear institutional benchmark for the encouragement and support of all operational services offered by different undertakings, bodies and organisations.

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Following is a list of the main SGEI Fostering Entrepreneurship and Innovation services offered by the EBICs:

- 1. Organisation of events and acts promoting global coordination:**
  - AGENDA development: Major Events and Priority Subjects
  - Fostering of Entrepreneurship. EMPRENDE+
- 2. Studies and the development of tools**
  - Portal [emprenemjunts.es](http://emprenemjunts.es)
- 3. Revitalisation of the entire institutional and business fabric supporting both public and private entrepreneurship.**
  - Bring entrepreneurs and investors together
- 4. Supporting and fostering the creation, consolidation and growth of undertakings.**
  - Club for Innovative Undertakings

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**FORM I - VALENCIA - INNOVATION SMEs****Annex II****Amount of compensation**

Compensation of SGEI by IMPIVA through Valencia's EBIC is in accordance with Article 2(1) a) of the Commission Decision of 28 November 2005. In 2011 compensation totalled €2 220 000 and was distributed as follows:

<b>EUROPEAN BUSINESS INNOVATION CENTRES</b>	<b>2011</b>
<b>EBIC VALENCIA</b>	<b>EUR 785 000</b>
<b>EBIC ALCOY</b>	<b>EUR 475 000</b>
<b>EBIC CASTELLÓN</b>	<b>EUR 475 000</b>
<b>EBIC ELCHE</b>	<b>EUR 485 000</b>
<b>Total</b>	<b>EUR 2 220 000</b>

**Indicators:** See Annex III

**Annex IV****Parameters for calculating compensation**

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The amount of the compensation was calculated to compensate each EBIC for costs incurred in the conduct of SGEI activities Fostering Entrepreneurship and Innovation. Compensation was calculated taking account of all direct costs, namely:

- Own staff involved.
- Operating expenses (subsistence allowances and travel, consumables and outreach mechanisms).
- External services (associated with the service: promotion, communication and personalised oversight; services related to the software used).
- Investment other than in production (hardware and software).
- Indirect costs consisting of operating overheads and own management and administrative staff were based on real costs attributable to the provision of the services in accordance with generally accepted accounting principles and standards. This calculation was documented in a reasoned technical report on the allocation method used before the first statement of expenditure where these were included. In any event, the sum of these did not exceed 20% of the costs directly attributable to the project.

The amount of compensation was determined on the basis of a criterion consisting in the reduction of all direct and indirect costs to the mean cost per hour parameter used by professional service undertakings. The mean cost per hour in the market considered acceptable for a technical structure of these services was estimated at €81, including staff costs, promotion, materials, development of tools, depreciation, etc. Since service undertakings should include a reasonable profit (approximately 10%), the final market price was set at €90/hour. However, since ERDF funds only permit the compensation of costs incurred in the performance of the action, maximum per-hour attributable compensation was set at €81/hour.

**No compensation whatsoever was allowed for** costs related to activities outside of the service of general economic interest, i.e. all variable costs, appropriate proportion of overheads and suitable capital remuneration.

In accordance with Article 5 of the Commission's Decision of 28 November 2005, The amount of compensation did not exceed what was necessary to cover the costs incurred by the SGEI Fostering of Entrepreneurship and Innovation. To ensure that this was the case, the aid and/or economic advantage from which each EBIC may have

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benefited was calculated and each was ordered to keep a clear record of costs and revenues attributable to the funding of the SGEI. The costs of the service had to coincide with the work performed taking account of current market prices for this type of activity.



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**Annex V**

**Control of Compensation**

**Control and review of Compensation**

The control, monitoring and review, where appropriate, of the compensation earmarked for the EBIC Fostering Entrepreneurship and Innovation to defray the costs incurred in the provision of SGEI was performed as follows:

- Aid was justified by means of an explanatory account to which expense and payment supporting documents were attached, and the audit report in accordance with Article 74 of the Regulation implementing the General Grants Act, Law 38/2003 of 17 November 2003.
- The EBICs have used an account coding system to clearly identify operations related to SGEI activities and their sources of funding. To that end, SGEI expense and income operations were specified with a single code in their daily ledger.
- In accordance with the agreement, the IMPIVA was authorised to require the EBIC to furnish upon request information on the use of resources and the progress of the work undertaken.
- In this connection, before the 15th of the last month of the preceding quarter, each EBIC had to submit its planning for the following quarter, indicating the most significant events, especially those requiring a public call for applications. In this same vein, before the last working day preceding the 25th of each month, each EBIC had to submit its detailed planning for the following month. Where appropriate, the IMPIVA validated the quarterly and monthly plans.
- Once a year a Commission is convened, composed of representatives of IMPIVA and of each EBIC, to review actions and results, assess compliance with the indicators measuring the efficacy and efficiency of the actions and analyse the degree of compliance with all other legal conditions at Community, national and regional level applicable to this type of compensation for SGEI. In this connection, each EBIC submitted a report by July of work performed up to that date and minutes were drafted for each session.

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**Prevention and return of overcompensation:**

Where documents supporting expenses fail to coincide with compensation paid by the IMPIVA or where the EBICs have obtained other concurrent funding and revenues of any type attributable to the SGEI, the IMPIVA has the authority to reduce or revoke compensation as dictated by the circumstances. Similarly, where compensation has already been paid, the EBIC must return the amount received together with interest on arrears accruing as from the date of payment.

Without prejudice to the provisions of the foregoing sections, the management of each of the Agreements includes monitoring and control measures to ensure that the EBICs are not overcompensated.

Furthermore, compensation awarded by IMPIVA for the performance of SGEI may be subject to the checks and audits conducted annually by different control bodies:

- Verification and control services of the Regional Department of Finance.
- General Audit Office of the Regional Government
- National General Audit Office (IGAE)
- Managing Authority (Ministry of the Economy)
- Directorate-General for Regional Policy of the European Commission
- European Court of Auditors

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**Efforts made to comply with award requirements:**

The EBICs have submitted an Audit Report together with the explanatory account which, inter alia, addresses the following points:

- a. Eligibility of the expenses attributable to the SGEI and explanation of why they are needed to carry out the subsidised SGEI.
- b. Verification of all documents supporting expenses and proof that payment was actually made.
- c. Evidence and validation of the criteria used to assign the costs provided for in the agreement.
- d. Information regarding other aid, public or private income and/or economic advantages for the subsidised activities and their compatibility, particularly with regard to the provisions of Article 54 of Commission Regulation (EC) 1083/2006.
- e. Proof that, in accordance with the terms of this agreement, no SGEI were overcompensated in any case.
- f. Verification of compliance with the provisions of Article 31(3) of the General Grants Act, Law 38/2003 pursuant to clause 4, section 2.e) of this Agreement.

**Checks and annual reports**

IMPIVA and the EBICs receiving compensation must fulfil their obligation to keep all the elements necessary to determine whether the compensation granted is compatible with this Decision available to the Commission for at least 10 years.