EUROPEAN COMMISSION

Brussels, 19.07.2022
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SENSITIVE[*]: *COMP Operations*

Subject: **State Aid SA.101967 (2022/EV) – Portugal**
RRF – Evaluation plan for the block-exempted scheme "*Agendas Mobilizadoras para a Inovação Empresarial*"

Excellency,

1. PROCEDURE

(1) On 16 February 2022, Portugal submitted a summary information sheet pursuant to Article 11(a) of 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[1] (hereinafter, "**GBER**") on aid scheme "*Agendas Mobilizadoras para a Inovação Empresarial*" (hereinafter, "**the scheme**"), registered under SA.101967 (2022/EV).

(2) The scheme has an estimated annual average budget of EUR 232.5 million (and thus an overall budget of EUR 930 million), which will be funded with Recovery and Resilience Facility funds. Pursuant to Article 1(2)(a) of the GBER, the GBER does not apply to aid schemes with an average annual budget exceeding EUR 150 million from six months after their entry into force. However, the Commission may decide that the GBER shall continue to apply for a longer period to such aid schemes following the assessment of an evaluation plan of the scheme to be notified by the Member State concerned.

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1 OJ L 187, 26.6.2014, p. 1.

S. Ex.ª o Ministro dos Negócios Estrangeiros
João Gomes Cravinho
Largo do Rilvas
1399-030 – Lisboa
PORTUGAL

(3) The scheme allows the granting of aid in the form of direct grants to undertakings of all sizes and sectors. To be eligible for aid under the scheme, undertakings must set up consortia to carry out collaborative projects aimed at the transformative recovery of the Portuguese economy, in particular by shifting the specialization profile of the economy towards higher value-added activities, raising exports of goods and services and increasing R&D expenditures, while reducing the CO2 emissions of economic activities.

(4) The legal act on which the scheme is based was published on the Portuguese official journal on 19 January 2022 and it entered into force on 20 January 2022. The aid will be granted on the basis of the State aid provisions for regional investment and operating aid (Articles 14 and 15 GBER), aid to SMEs (Articles 17, 18 and 19 GBER), aid for European Territorial Cooperation (Article 20 GBER), aid for research and development and innovation (Articles 25, 27, 28 and 29 GBER) and training aid (Article 31 GBER). Aid may be granted under the scheme until 31 December 2025.

(5) In order to obtain the prolongation of the application of the GBER beyond the period set up in Article 1(2)(a) of the GBER, the Portuguese authorities notified an evaluation plan on 16 February 2022, registered by the Commission as SA.101967 (2022/EV).

(6) A telephone conference between the Portuguese authorities and the Commission services took place on 1 March 2022, following which the Portuguese authorities submitted a second version of the evaluation plan on 4 April 2022.

(7) The European Commission's Joint Research Centre provided its feedback on the second version of the evaluation plan on 3 May 2022. By emails of 18 May and 17 June 2022, the Commission services invited the Portuguese authorities to submit additional information necessary for the assessment of the notified evaluation plan. The Portuguese authorities submitted the required information by emails of 1 June and 23 June 2022. On the latter date, the Commission disposed of all the necessary information to take a position on the notified evaluation plan.

(8) Portugal exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with Article 3 of Regulation 1/1958[2] and to have this decision adopted and notified in English.

[2] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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

(9) As required by Article 2(16) of the GBER and in line with best practices[3], the evaluation plan is to contain the description of the following main elements: (i) the objectives of the aid scheme to be evaluated, (ii) the evaluation questions, (iii) the result indicators, (iv) the envisaged methodology to conduct the evaluation, (v) the data collection requirements, (vi) the proposed timing of the evaluation (including the date for submission of the final evaluation report), (vii) the approach for the selection of the independent body conducting the evaluation, and (viii) the modalities for ensuring the publicity of the evaluation.

(10) The evaluation plan and the future evaluation will help to ensure that similar schemes will be more effective in the future and will create less distortion in markets (if any). The evaluation will also improve the efficiency of similar schemes and, possibly, of future rules for granting state aid in this area.

2.1. Objectives of the aid scheme to be evaluated

(11) In line with Portugal's Recovery and Resilience Plan and with the National Energy and Climate Plan 2021-2030 (NECP 2030), the aid scheme aims at fostering the transformative recovery of the Portuguese economy in a lasting, fair, sustainable and inclusive manner, in particular by encouraging a shift towards higher value-added activities. The scheme is also intended to develop synergies between businesses and research organizations, in order to exploit existing scientific knowledge to produce new innovative goods and services.

(12) All undertakings are eligible for aid under the scheme, regardless of their size and legal form, and of the economic sector they are active in. Applicant undertakings have to set up consortia, as the scheme will only provide aid to collaborative projects (hereinafter, "Agendas"). Once formed, those consortia must establish partnerships with research organizations (hereinafter, "knowledge centres") in order to be eligible for aid under the scheme.

(13) The Agendas supported by the scheme will aim at:

a) Shifting the specialisation profile of the Portuguese economy towards higher value-added activities, in order to reduce Portugal's dependence on external markets;

b) Increasing exports of goods and services and reaching an export volume equivalent to 50% of the gross domestic product ("GDP") by 2027 and 53% by 2030, with a particular focus on high technology exports;

c) Encouraging investment in R&D, in order for the national R&D spending to reach 3% of GDP by 2030; and

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

d) Reducing national CO2 emissions by 55% by 2030, in line with the definition of environmentally sustainable activities set by the Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

(14) Two types of Agendas will be supported under the scheme. The “Activating Business Innovation Agendas” will be primarily geared towards objectives a), b) and c) above and the “Green Agendas for Business Innovation” will mostly focus on objective d) above, namely on encouraging the climate transition. Both types of Agendas will equally aim at strengthening the resilience of the Portuguese economy.

(15) Out of the overall budget of the scheme of EUR 930 million, EUR 558 million will be dedicated to the “Activating Business Innovation Agendas”, while the remaining EUR 372 million will be reserved for the “Green Agendas for Business Innovation”. The Portuguese authorities wish to support a total number of 10 Agendas (6 “Activating Business Innovation Agendas” and 4 “Green Agendas for Business Innovation”).

(16) Following the pre-selection of 64 projects by the Portuguese Agency for Competitiveness and Innovation (IAPMEI), it is expected that the scheme will cover investments such as the setting up of heat pump production lines, the acquisition of robotic instruments and equipment, and trainings in advanced production technologies. The pre-selected projects were submitted by undertakings active in a broad range of sectors, from energy to information technologies to health. The Portuguese authorities therefore expect the scheme to benefit the economy as a whole.

2.2. Evaluation questions and result indicators

(17) The notified evaluation plan identifies the issues to be addressed by the evaluation.

(18) The evaluation questions address the incentive effect of the aid on the beneficiaries, the scheme's indirect effects, in terms of both positive and negative externalities, and the appropriateness and proportionality of the aid. The result indicators are linked to the evaluation questions and to the objectives of the scheme.

(19) The direct effects of the aid on the beneficiaries will be addressed, among others, by evaluation questions on whether and to what extent the scheme has led to (1) an increase in the added value created by the beneficiaries; (2) an intensification of their R&D activities, leading to a greater number of innovations being patented; (3) the hiring of higher-educated[4] employees; and (4) a decrease in the amount of energy used in their production processes.

[4] Corresponding to the levels 5 and 6 of the International Standard Classification of Education (ISCED).

(20) To this end, indicators such gross added value, turnover, exports, number of patent applications, R&D expenditure, percentage of highly qualified staff and fuel expenditure will be used. In addition, the following control variables will be considered: (1) the level of qualifications of employees; (2) the beneficiary's financial autonomy;[5] (3) its liquidity;[6] and (4) the coverage of interest costs.[7]

(21) The possible indirect effects of the aid measure will be primarily captured by assessing whether the beneficiaries reflected a reduction of their operating costs in the price of their products, thereby increasing the competitive pressure on their competitors. The evaluation of the indirect effects of the scheme will also focus on determining if the knowledge centres participating in the supported projects shifted their research priorities following their involvement in the Agendas. To measure these two potential indirect effects, the main indicators will be the pricing behaviour of the beneficiaries' competitors[8] and the research priorities of knowledge centres that were not involved in the Agendas.[9] These counterfactual behaviours will be assessed through case studies.

(22) Finally, the evaluation will assess the appropriateness and proportionality of the aid through, among others, questions on: (1) whether the aid amount exceeds the minimum necessary for companies to modify their investment decisions; (2) whether and to what extent the aid intensity bonuses impacted the beneficiaries' turnover, export activity, patent creation and hiring practices; and (3) the additional effect of the aid scheme as compared to other public policies and support measures. The indicators to be used are the same as those used for the evaluation questions on direct effects.

2.3. Envisaged evaluation methodology

(23) According to the Portuguese authorities, random experiments are not compatible with the design of the scheme, as there is neither a random component in the selection of undertakings, nor exogenous factors that would induce support to certain undertakings and not others. Therefore, quasi-experimental methods[10] will be employed, which rely on exogenous variations of the environment in which firms operate, to create situations very close to experiments. Out of the available quasi-experimental methods, the so-called *Regression Discontinuity Design* ("RDD") methodology[11] was selected as the most appropriate. The RDD method exploits the existence of a variable which has a discontinuous impact on the probability to be affected by a policy.

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[5] Measured through the equity-assets ratio.

[6] Measured through the current liabilities-assets ratio.

[7] Measured through the operating result-interest ratio.

[8] In order to measure whether the beneficiaries' competitors modified their prices as a result of the increased competitive pressure exerted on them.

[9] In order to compare the research priorities of the knowledge centres involved in the Agendas with those of other knowledge centres, to assess whether collaborating within the Agendas leads to a re-orientation of research objectives.

[10] Commission Staff Working Document on Common methodology for State aid evaluation, pp. 20-30.

[11] Commission Staff Working Document on Common methodology for State aid evaluation, pp. 28-29.

(24) However, as the applicability of the RDD approach may be limited either by the non-verification of its assumptions or by the limited number of available observations, the Portuguese authorities aim to combine it with other methodologies: the *Matching – Difference-in-Differences* ("matching – DID") method,[12] the *Synthetic Control* ("SC") methodology,[13] as well as machine learning methods. Comparative case studies are also envisaged to complement the analysis in case quantitative methods cannot yield robust results.

(25) The Portuguese authorities will ensure that the envisaged methods address any potential selection bias that could undermine the validity of the results, in particular by carrying out qualitative analyses.

2.4. Data collection requirements

(26) The evaluation will be based on information gathered from several data sources. The evaluators will have access to three datasets, namely the Integrated Business Accounts System (SCIE) run by the National Statistics Institute (INE), the Staff Tables (QP) of the Ministry of Labour, Solidarity and Social Security (MTSSS) and the intellectual property files of the National Institute of Industrial Property (INPI). The evaluators will also rely on the BES R&D surveys[14] carried out by the Portuguese Ministry of Education and Science (DGEEC) as well as on the results of the Community Innovation Surveys (CIS).[15]

(27) All of these data sources provide annual information at the individual company level, except as regards the information collected by the CIS, which is reported biannually. The confidentiality of the data will be ensured throughout the process.

(28) The abovementioned data sources will be used as regards both the aid beneficiaries and the control group.

2.5. Proposed timing of the evaluation, including the date of submission of the final evaluation report

(29) The evaluation is planned to start upon selection of the independent body to conduct the evaluation (recital (35)).

(30) The foreseen duration of the aid scheme is until 31 December 2025 (recital (4)). The expiration date of the GBER currently in place is 31 December 2023.[16] Article 58(5) GBER sets a six-month adjustment period during which any aid scheme exempted under the current GBER shall remain exempted. Therefore, beyond 30 June 2024, the Portuguese authorities will ensure that the scheme is in conformity with the amended GBER, amend it if necessary, and submit a new information sheet.

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[12] Commission Staff Working Document on Common methodology for State aid evaluation, pp. 20-21 and 22-25.

[13] Commission Staff Working Document on Common methodology for State aid evaluation, p. 24.

[14] Official instrument for collecting information about the human and financial resources allocated to R&D activities in Portugal.

[15] Series of surveys conducted by national statistical offices throughout the EU, the results of which are used for the annual European Innovation Scorecard.

[16] Article 59 GBER.

(31) Following exchanges with the Commission services as regards a smooth transition to the new GBER, the Portuguese authorities have committed to the following timing.

(32) The Portuguese authorities will submit to the Commission the final evaluation report by 30 September 2023 at the latest. The final report shall contain a detailed description of the data and the methodologies that will be used for the evaluation and (if available) descriptive statistics and a preliminary analysis of the available data.

(33) In addition, the Portuguese authorities will submit an additional evaluation report presenting the full results of the evaluation exercise within two years from the expiry of the scheme, i.e. by 31 December 2027.

(34) The Portuguese authorities commit that, should significant modifications to the evaluation plan become necessary, they will notify to the Commission an updated evaluation plan. The Portuguese authorities also commit to inform the Commission of any element that may affect the implementation of the evaluation plan.

2.6. Selection of an independent body to conduct the evaluation

(35) The independent evaluator will be selected in line with national and EU public procurement rules. For the purpose of ensuring the quality and reliability of the evaluation, the entity selected will be functionally independent from the granting authority and persons that have previously been involved in the design and implementation of the aid measure will not be eligible to join the evaluating team. In addition, the coordinator of the evaluating team must have at least ten years of experience in assessing the impact of business support policies, and the team as a whole must have the necessary counterfactual assessment and theory-based assessment skills, including in the field of decarbonisation policies. The Portuguese authorities consider therefore that the evaluation will be conducted by experts who have the adequate and proven experience and the methodological knowledge to carry out the exercise.

(36) The evaluator selection process will start in January 2023.

(37) The granting authority will set up and coordinate an evaluation monitoring group, in which public agencies involved in policy design and implementation and other authorities such as the national competition authority will be invited to participate.

2.7. Modalities for ensuring the publicity of the evaluation

(38) The evaluation plan, the final evaluation report and the additional report will be published on the websites of the IAPMEI and of the Portuguese Recovery and Resilience Plan. Personal and/or confidential data will be dealt with according to the relevant regulations. The evaluation results will be used by the granting authority and other bodies for the design of subsequent schemes pursuing the same objective. Data collected during the evaluation will be made accessible for further studies under conditions that preserve confidentiality.

(39) Dissemination activities will be conducted, for example by organising workshops with stakeholders in order to gather their feedback on the evaluation results and more generally by stimulating public debate on the evaluation results.

3. ASSESSMENT OF THE NOTIFIED EVALUATION PLAN

(40) The correct application of the GBER is the responsibility of the Member State. The present decision on the 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 regarding the lawfulness and compatibility of the scheme, nor does it prejudge the position the Commission might take regarding the conformity of the aid scheme with the GBER and its lawfulness and compatibility when monitoring it, or assessing complaints against individual aid granted under it.

(41) Pursuant to Article 1(2)(a) GBER, certain aid schemes[17] within the meaning of Article 2(15) GBER, with an average annual State aid budget exceeding EUR 150 million, are subject to evaluation. The Commission notes that the annual average budget of the aid scheme concerned (i.e. EUR 232.5 million) exceeds the threshold of EUR 150 million laid down in Article 1(2)(a) GBER in 2021. Chapter I and section 7 (Articles 14, 15, 17, 18, 19, 20, 25, 27, 28, 29 and 31) of Chapter III of the GBER constitute the legal basis for the aid scheme to benefit from the exemption from notification provided for in Article 108(3) of the TFEU. However, in the absence of a positive Commission decision on the notifiable evaluation plan, pursuant to Article 1(2)(b) GBER, the exemption expires six months after the entry into force of the measure, and may continue to apply for a longer period only if the Commission decides to authorise this explicitly by the present decision.

(42) As explained in recital 8 of the GBER, the evaluation of large schemes is required "*[I]n view of the greater potential impact of large schemes on trade and competition*". The required *"[E]valuation 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 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, and it could examine the proportionality and appropriateness of the chosen aid instrument.[18]

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17 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 (Article 1(2)(a) 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 (Article 2(15) GBER).

18 See Staff Working Document referred to in footnote 3.

(43) In the light of these considerations, based on Article 2(16) of the GBER, an evaluation plan is a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated (recitals (11) to (16)), the evaluation questions and result indicators (recitals (17) to (22)), the envisaged methodology to conduct the evaluation (recitals (23) to (25)) the data collection requirements (recitals (26) to (28)) the proposed timing of the evaluation including the date of submission of the final evaluation report (recitals (29) to (34)), the description of the independent body conducting the evaluation (recitals (35) to (37)) and the modalities for ensuring the publicity of the evaluation (recitals (38) and (39)).[19]

(44) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains those minimum elements outlined in Article 2(16) of the GBER.

(45) The evaluation plan gives a concise description of the key objectives of the scheme concerned and provides sufficient information to understand the underlying "*intervention logic*". The scope of the evaluation is defined in an appropriate way (recitals (17) and (18)).

(46) The evaluation questions are designed in a way as to assess the direct effects of the scheme on the beneficiaries compared to non-beneficiaries, in order to measure the incentive effect of the scheme (recital (19)). The evaluation questions addressing indirect effects are linked to the specificities of the aid scheme, both in terms of objectives and aid instruments (recital (21)). The Commission notes that the evaluation plan also includes evaluation questions aimed at measuring the appropriateness and proportionality of the aid (recital (22)).

(47) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned (recitals (20) to (22)), and explains the data collection requirements and availabilities necessary in this context (recitals (26) to (28)). The data sources to be used for the evaluation are described clearly and in detail (recitals (26) to (28)). The Commission notes that the evaluation body will be able to take advantage of several different databases, gathering a more complete set of information.

(48) The evaluation plan sets out and explains the main methods that will be used in order to identify the effects of the scheme, and discusses why these methods are likely to be appropriate for the scheme in question. The proposed evaluation methodology sufficiently allows the identification of the likely causal impact of the scheme (recitals (23) to (25)).

(49) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned (recitals (29) to (34)).

(50) The proposed criteria for the selection of the evaluation body meet the independence and skills requirements (recitals (35) to (37)).

[19] Further guidance is given in the Staff Working Document referred to in footnote 3.

(51) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of the commitment of the Portuguese authorities to disseminate and make publicly available the evaluation plan, the final evaluation report, and the additional evaluation report (recitals (38) and (39)).

(52) In view of the above, the Commission considers that the evaluation plan meets all of the requirements laid down in the GBER, is established in line with the common methodology proposed in the Staff Working Document, and is suitable given the specificities of the aid scheme to be evaluated.

(53) The Commission notes the commitment made by the Portuguese authorities to conduct the evaluation according to the plan described in the present decision. The Commission also notes that the Portuguese authorities will submit a final evaluation report by 30 September 2023 and therefore before the end of the application of the current GBER (recital (32)) and an additional evaluation report by 31 December 2027 (recital (33)(33)). The Portuguese authorities are invited to inform the Commission without delay of any element that might seriously compromise the full and timely implementation of the evaluation plan.

(54) The Commission notes the commitment made by the Portuguese authorities to take into account the evaluation results for the design of any subsequent aid measure with a similar objective.

(55) The Commission reminds that the application of the exempted scheme has to be suspended if the final evaluation report is not submitted in good time and sufficient quality.

(56) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the GBER shall continue to apply to the aid scheme for which the evaluation plan was submitted, for a period exceeding the initial six months after the scheme at hand was applied for the first time, until the end of the validity of the current GBER,[20] and as from the date of the notification of this decision to Portugal.

(57) The Commission reminds that alterations to the evaluated 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, and must therefore be notified to the Commission.

[20] Including the adjustment period of six months set out in Article 58(5) GBER.

4. CONCLUSION

The Commission has accordingly decided:

– that the exemption of the aid scheme for which the evaluation plan was submitted shall continue to apply beyond the initial six-months period until six months after the final date of applicability of Commission Regulation 651/2014 of 17 June 2014, as amended, as laid down in its Article 59.

– to publish this decision on the Internet site of the Commission.

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

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

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Martine DEPREZ
Director
Decision-making & Collegiality
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