



Modernising State Aid through better evaluation

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Modernising State Aid through better Evaluation

assessing efficiency, effectiveness and impact on market structure through evaluation (ex ante and ex post)

improving design and implementation of schemes

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Suggestions from existing academic literature on methodology/guidelines for evaluation of subsidies

- Insights from the literature: R&D Subsidies (O. Toivanen), Regional Subsidies (Ch. Cruscioli), Environmental subsidies
- Discussion with K-U Kühn, P. Mohnen, R. Rotheld, A. Martini



Evaluating R&D subsidies: insights from theory

Characterize the subsidy process

- Firm's decide to apply
- Agency decides to grant
- Firm searches for additional funding
- Firm decides to carry out project
- Realization of the outcome of the project (technological, commercial)

Market failures motivate subsidies

- Spillovers
- Financial market imperfections

Look at additionality, spillovers and social benefits

What is the optimal size of the subsidy and who should get it (extensive and intensive margin): it all depends...



Evaluating R&D subsidies: insights from empirics

Large, growing and much improved body of work thanks to

- increasing availability of micro (firm/project) level information
- improved methodology to tackle causal impact/identification
 - proper counterfactual; non-treated*
 - matching, instrumental variables, structural modelling,*
 - "quasi"experiments*

In general, results tend to find additionality

But still in need of progress

- characteristics of the design of the schemes
- assess heterogeneity of effects across types of firms (eg SMEs, young firms..)
- characteristics of the framework conditions
- impact beyond additionality



Evaluating R&D subsidies: in need of ..

- **Better (access to) data**

- “Quasi” experiments
- Information on (changes in) the schemes
- Firm/project level data on applications, grants, scoring
- Data on non-participants

- **Internationally comparable micro evidence using comparable&best data and methodologies**

- Cf FP7 SMPATIC project www.simpatic.eu

Implications for agencies

- Experimenting/piloting/randomizing
- Data management
- Combining internal and external evaluation capacity
- Openness of data for academic analysis