

HIRIKO, A LOOK BEYOND THE ALLEGED CRIME

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These days there is a lot of commotion in the Basque Country around the investigation by the public prosecutor's office of an alleged plot to misappropriate public funds by a well-known group of Basque businessmen. The case is having a [high media impact](#) and political gossip is very excited about accusations and *excusations* of all kinds. The object of public aid was the development of a **project for the creation and subsequent manufacture of [an electric car Made in Basque Country](#)**.

The hook of sustainable mobility certainly dazzled more than one and the Hiriko project was at the time taken by those responsible for the Basque government as a banner for the transformation of the Basque industrial fabric and of the automotive sector itself, so deeply rooted in the country. **It received around 18 million in public aid, of which 80% came from the Spanish government** (apparently the result of agreements between the PNV parliamentary group and the Socialist party to approve the budgets of the then government Zapatero) and, except for a small contribution from the Álava Provincial Council, **the remaining 20% came from aid from the Basque Government** for carrying out R&D activities via the Etorgai R&D Support Program business d.

All eyes are on the alleged crimes that the promoters of the project have committed and the possible deception to which the administrations involved were subjected when diverting (according to the prosecution) a large part of these funds to inappropriate or non-existent activities for the benefit of the promoters of the project. In the alleged plot, in addition, the invoice crossings would also have made it possible to compensate all the expenses of the project that were actually carried out, so that they were all paid with public money. All these accusations will have to be proven and judged in a timely manner and will have to be punished, where appropriate. [The deceived administrations, despite the initial confusion of any, they will duly appear](#) in the case as the main victims of the eventual fraud. So far, everyone agrees on the inadmissibility of the matter.

But there is also another **controversy that has arisen around this case that stems from the fact that the R&D subsidies were made non-refundable**. In other words, regardless of the technical or commercial success of the project, the promoters would not run any risk. That is, if the developed car had been successfully marketed, **all commercial revenues would also have been exclusively for business promoters**. Here public astonishment has arisen but it is that in reality there is no possible crime here, at least in the subsidies that were granted by the Basque Government. This is how it is articulated in the decree: the subsidies are in full or lost. Whatever happens with the project and whatever happens to any beneficiary company.

The R&D risk is shared between the public sector and the private company and the commercial revenues are exclusive to the beneficiary companies, which do not even have to repay the aid received. The controversy, in this sense, should not lie so much in what happens when a project fails (something intrinsic to R&D and the incentive nature of public action). The question that should perhaps be asked **is why commercial profits, when they occur, are only attributed to the company** and it is not even obliged to return, even partially, the amount contributed by the company that, as we see with these unfortunate cases that have come to light, amount to many millions of euros.

Ideally, the administrations should carry out a healthy exercise of responsible self-criticism and take advantage of this case, if not to question the R&D aid system as such, at least to **ensure the opportunity of some current programs of incentives for business R&D** and which are based on non-refundable grants. What we encourage from here is to take advantage of this media noise and the supposed deception around the Hiriko project to carry out a new reflection on what is being done well and what can be improved.

Giving a further twist to all these things, it also occurs to us that aid programs for business R&D via subsidies can arouse unwanted incentives. These **perverse incentives have always been in the rumor mill** of the system, but the message recently launched by the current government team (less direct funding for scientific-technological agents and more funding for R&D of companies, which is largely in the form of non-refundable grants) can make these ghosts materialize.

It is not difficult to guess that all the agents who see their financial stability in danger could be thinking of reinforcing their machinery to put together projects with companies covered by programs such as Etorgai. The service companies that support companies in the search for financing for their R&D will also do so. In many cases, this renewed effort will encourage new R&D projects to emerge. Perfect. That is what the Government intends with its programs. In other cases, it will introduce into the public aid system projects that were already going to be carried out without that aid, questioning the **necessary additionality**. not so perfect Finally, giving free rein to the imagination, one could even think of tricks to weave well-armed hollow proposals for inter-company collaboration projects that simply seek the signature of companies that can present the project to the call on duty without any risk or cost to they.

It would be a round win-win in these cases of possible fraud. On the one hand, it is almost impossible for an official or technician responsible for evaluating a project to discern when it is the result of the company's strategic need or when it is simply a smoke wrapper designed to take advantage of extraordinary financing mechanisms.

In exchange for signing the proposals, when the project is approved, **the companies receive a succulent remuneration** for part of the expenses of the research staff assigned to the company or other operating expenses of the same that are assigned Now to that project. Candy is certainly a sweet tooth for those responsible for a company's operating accounts, both for those that are going badly (since they help alleviate the numbers of a bad year) and for those that are going well (since all the money goes directly to the business margin). Whatever happens, you do not have to return anything: the subsidies are non-refundable. Nor do you have to do much from a technical point of view if you don't want to, since the agents who have promoted the initiative may even be in charge of carrying out all the activities necessary to formalize the technical part of the release or, in the best of cases, they will subcontracted them to do it.

The government, for its part, would be delighted to attend the presentation of these supposed R&D projects, dazzled because the business effort appears in the statistics and the RVCTI agents receive indirect financing perfectly explained by business "needs" (which is their current worry). Lastly, the Network agents eventually involved would see their financial needs better covered and could continue with their real activity while minimizing the effort necessary to justify these subsidized projects.

The Basque business sector is honest as a whole and wholeheartedly rejects any fraudulent practice. It is part of the essence of the business culture of this country: seriousness and honesty. So is the group of agents that form part of the Basque Science and Technology Network that carry out commendable work in pursuit of the competitiveness of the Basque Country at multiple levels. Even so, the public support system must be sustainable (the progressive substitution of subsidies for shared risk loans can be a formula) and must not only be constantly monitored, which it is, but also constantly evolve and improve its requirements, forms and controls so that no criminal or gold digger does not sneak in. Not only to eliminate fraud but also to prevent government action from unintentionally undermining free competition between companies.

We do not want to fuel alarms or foment controversies that do not lead to much. Just **encourage things to be considered and rethought in a continuous and totally natural way**. What worked just the same at a certain situation or in a certain stadium, the same now no longer applies so much.

There are no comments yet.