

Competition *policy brief*

Occasional discussion papers by the Competition Directorate-General of the European Commission

State aid transparency: Why? What? When? Where? How?

The EU state aid rules^[1] deal with public subsidies to companies and aim at ensuring free trade and a level playing field for all undertakings in the single market.

The EU requires that aid be transparent. Transparency means giving market participants relevant information about those public interventions that might have potentially distortive effects on competition and on intra-EU trade, i.e. government aid that confers selective advantages to companies.

The State Aid Modernisation programme (SAM)¹, adopted in 2014, introduced transparency at the level of the aid beneficiaries. The requirement came into force on 1 July 2016. This policy brief summarises the existing transparency provisions and explains how they fit into the policy context of state aid control.

Why is transparency important?

The Treaty provisions for state aid have been in force for some time, but the requirement to provide and make information about individual aid awards publicly available was only introduced in May 2014. This transparency forms an important pillar of the State Aid Modernisation programme.

Transparency is important because it promotes accountability and more effective policies². Competitors of aid recipients and other interested parties will be able to see which companies have received state aid, how much and for what purpose. Transparency will enable market monitoring and market discipline of state aid, thus contributing to a level playing field between companies and between Member States. Transparency will promote the good use of taxpayers' money.

Transparency goes hand-in-hand with the simplified application of state aid rules that makes it possible for Member States to grant aid on the basis of pre-defined criteria. If aid is designed in line with the provisions of the General Block Exemption Regulation, authorities don't need to wait for the Commission approval of aid, which saves time, reduces the administrative burden and promotes models of aid which are well-designed, targeted at identified market failures and serving objectives of common interest, while being least distortive.

^[1] http://ec.europa.eu/competition/state_aid/legislation/legislation.html

¹ http://europa.eu/rapid/press-release_IP-14-588_en.htm, see p. 2

² See the policy brief on transparency provisions of SAM : http://ec.europa.eu/competition/publications/cpb/2014/004_en.pdf

If market participants consider that the state aid rules are not complied with, they can file complaints. The national award data officially provided under the transparency requirements can be used to verify the conformity of the aid with the rules.

What kind of aid is subject to transparency provisions?

In line with the SAM requirements for transparency, the national authorities must provide information about the design of every state aid measure. They are also requested to publish, in a searchable database, information on the identity of the individual beneficiaries and on the received awards, when the latter exceed a certain threshold.

In line with Article 9 and Annex III of GBER, the information to be provided comprises:

A) descriptive information about the block exempted schemes and "ad hoc" state aid measures;

B) the full text of each aid measure;

In a nutshell

The EU rules require that aid given to companies be transparent. This means that aid must be easy to detect in order to subject it to public scrutiny.

Specific provisions under the State Aid Modernisation programme require granting authorities at all levels to provide information about individual aid awards above €500,000. As of July 2016 and starting from the date of the grant, the authorities have six months to provide this information. The list of beneficiaries and other details about aid awards can be found here: <https://webgate.ec.europa.eu/competition/transparency/public/search/home/>

C) for each individual aid award exceeding €500,000³ the identification of the beneficiary and its size; the region and sector of activity where the beneficiary operates; the aid amount and the objective for which the aid is granted; the aid instrument; the date of granting and the identification of the granting authority.

The new rules only apply to aid awards granted after 1 July 2016⁴ and cover schemes and ad hoc aid as well as aid granted under the Treaty as set out in the Commission approval decision.⁵

When and what will change in practice?

Information about individual aid awards will become publicly available gradually. National authorities have six months to publish the information from the date of granting, and for state aid in the form of tax advantages the notification period is extended to one year from the date of submission of relevant tax declarations.

For the time being, given this time lag in providing the information, the EU state aid control will continue to rely on information about aid expenditures received from the national authorities through annual expenditure reports. Aid amounts committed or spent by national authorities annually are summarised in the State Aid Scoreboard⁶ and published at the level of aid schemes in the EU state aid case search platform ISEF⁷.

The next edition of the State Aid Scoreboard in winter 2016-2017 will take stock of the evolution of expenditure in state aid in EU Member States according to aid types and objectives. It will also provide access to the annual expenditure information reported by scheme and a synopsis of the available information with respect to fulfilment of the transparency obligations.

³ The transparency thresholds are €60,000 for beneficiaries active in the primary agricultural production and € 30,000 for beneficiaries active in the fishery and aquaculture sector

⁴ The transparency obligations are laid down in particular in the following texts:

- Commission Regulation (EU) No 651/2014 (GBER)
- Commission Regulation (EU) No 1388/2014 (FIBER)
- Commission Regulation (EU) No 702/2014 (ABER)
- European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020
- Guidelines for the examination of State aid to the fishery and aquaculture sector.
- Communication from the Commission C(2014)3349/2, amending the Communications from the Commission on EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks, on Guidelines on regional State aid for 2014-2020, on State aid for films and other audio-visual works, on Guidelines on State aid to promote risk finance investments and on Guidelines on State aid to airports and airlines.
- Energy and Environment Guidelines.
- R&D&I framework.
- Guidelines on state aid for rescuing and restructuring for non-financial undertakings in difficulty. Communication from the Commission (2014/C 188/02) on Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest.

⁵ Since 2012, for compensations above €15 million for the purpose of provision of services of general economic interest, national authorities must also publish the entrustment act (including the beneficiary and the content of the public service) and the yearly amounts of aid granted. (see Commission Decision 2012/21/EU on the application of Article 106(2) of the TFEU to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and Communication from the Commission (2012/C 8/03) on the EU framework for state aid in the form of public service compensation).

⁶ http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html

⁷ <http://ec.europa.eu/competition/elojade/isef/>

How EU citizens perceive transparency of state aid in the EU

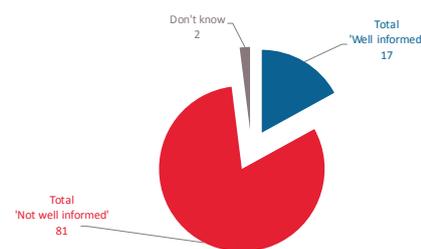
In spring 2016, DG Competition commissioned a flash Eurobarometer to discover citizens' perceptions of transparency in state aid, citizens' attitudes towards transparency, and their opinions about the ease of accessing relevant information. 27,818 European citizens in all Member States were interviewed face-to-face and the results of the interviews were published on 13 July 2016⁸.

The main insights of the survey are:

- Overall, four in ten citizens in the EU have recently heard or read about a company receiving state aid. This is similar to the result of the Eurobarometer on the perception of competition policy⁹ where about 40% of the respondents said they heard about EU competition policy.
- At the same time, fewer than one in five respondents (17%) feel well informed about state aid in their country, while the majority (81%) do not feel well informed (see Graph 1). Four in ten say that transparency about state aid in their country has not improved in recent years, and a further three in ten are unable to say.

Graph 1. In general, how informed or not do you feel about state aid in your country? (% - EU)

QA2 In general, how informed or not do you feel you are about State aid in (OUR COUNTRY)? (% - EU)



- 81% of respondents agree that citizens should have full access to information about state aid given to companies. Respondents are most likely to agree that transparency should comprise information about the purpose of the state aid, aid amount, companies which received aid, and the results achieved through aid.
- Publishing information about aid would not only improve awareness, but most citizens agree that transparency has a number of benefits. The majority of respondents (over 80%) are of the opinion that transparency in state aid is important to ensure accountability of policy-makers to citizens. Additionally, over eight in ten respondents agreed that transparency is an effective way to improve management of public finance. 78% of respondents thought that transparency about state aid is as relevant for citizens and taxpayers as for companies.
- The Eurobarometer survey showed that there is large cross-country variation in terms of awareness of state aid. About a third of citizens in Sweden, Luxembourg, Denmark, and Malta feel that they are well informed about aid given to companies, while less than 10% feel well informed in

⁸ The Eurobarometer report can be downloaded here: <http://europa.eu/!qt44mu>.

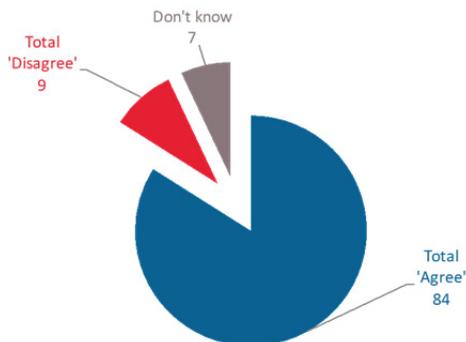
The data collected is published here: <http://europa.eu/!UD38yv>

⁹ http://ec.europa.eu/competition/publications/reports/survey2014/citizen_summary_en.pdf

Bulgaria, Greece, and Spain. It is also notable that respondents who think it is easy to find information on state aid are more likely to feel well informed than those who find it difficult (37% vs 11%). The majority of respondents in Spain, Portugal, Greece, Germany, Hungary, Slovenia, Belgium, and Austria strongly disagreed with the statement that sufficient information is publicly available on the state aid given by public authorities to companies.

- Overall, 84% of citizens agree that they should have full access to information about aid given to companies. Over 90% of respondents in Greece, Sweden, Spain, and Cyprus agree with the statement, and more than three-quarters of the respondents in Sweden and Cyprus totally agree with the statement. This is much higher than in other member States such as Italy or Poland (both under 40%). Almost three quarters of respondents (74%) think large companies should provide open access to all information about the state aid they receive. (see Graph 2)

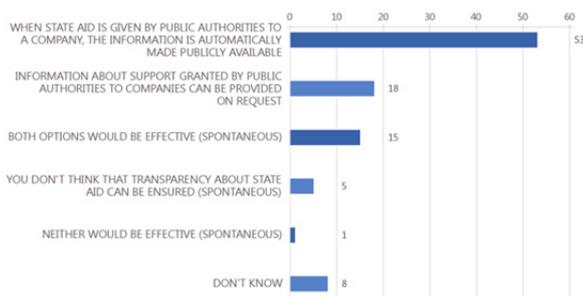
Graph 2. Please tell to what extent you agree or disagree with the following statement about state aid: Citizens should have full access to information about state aid granted by public authorities to companies (% -EU)



- Most respondents (53%) believe that the most effective way to ensure transparency regarding state aid is to publish information automatically when public authorities give aid. (see Graph 3).

These Eurobarometer results show that citizens are seeking access to information regarding state aid and its effects, and therefore confirm that the current policy focus on transparency is necessary. The information requested under the current state aid rules goes a long way to address citizens' need to know how much is granted to whom. This represents a first necessary step also to know whether the aid was useful.

Graph 3. Which of the following two options would be most effective for ensuring transparency about state aid? (% - EU)?



What's next?

The Eurobarometer showed that further increase in transparency is a desirable policy direction. The state aid transparency provisions go some way to reducing the current information gap.

However, ensuring national compliance with the requirement is only half of the solution. The benefits of transparency can only be accrued if stakeholders can find, understand and interpret the information provided. Unless market participants - citizens, competitors, civil society - know about the data and check the official reports against reality, transparency will not be exploited to its full potential.

Arguably, it is the results of policies that matter the most. For this reason, the State Aid Modernisation programme introduced a legal requirement for Member States to carry out a rigorous evaluation of the most important state aid measures¹⁰. Since July 2014 the Commission has requested Member States to carry out evaluation of big aid schemes. When the evaluation results are published, together with transparency of individual aid awards, the evaluation requirement will contribute to better knowledge and better policy making.

The Commission services will closely monitor and report on the implementation of transparency provisions as a complement to the annual synopsis of state aid expenditure (the State Aid Scoreboard). It should be noted that from the perspective of EU state aid control, the transparency database is a tool to monitor the granting behaviour of national authorities, rather than a tool to verify expense.

The Commission would like to ensure that information requirements in state aid are proportionate, relevant, cost-effective and useful for citizens and companies. With a view to identifying the best practices in making information accessible, DG Competition has commissioned a study on subsidy disclosure practices in Member States to identify effective ways of providing information. We expect the results to be available in autumn 2016. Together with the results of the Eurobarometer, the study will help process of our policy development.

Where to find the data?

The information submitted by the authorities in fulfilment of the transparency obligations in state aid, or an indication of where such information can be found, is available on the consolidated website: <https://webgate.ec.europa.eu/competition/transparency/public/search/home/>. (Short URL <http://europa.eu/InF36PR>)

At the moment, the database is only searchable by country, but the European Commission is going to provide a fully functional EU-wide search function before January 2017.

And as explained above, it will take several months for any transparency data to be available on this site.

¹⁰ Please see the policy brief on evaluation requirements in state aid : http://ec.europa.eu/competition/publications/cpb/2014/007_en.pdf